



SAMPLE GRANT AGREEMENT FOR A PUBLIC FOUNDATION

With Added IRS Language

Below is a sample grant letter for a general or project support from a public foundation to a Section 501(c)(3) charitable organization. The letter is one example of how to include language on lobbying and political activity restrictions while minimizing confusion and encouraging civic engagement by grantees.

It assumes that the foundation does not intend to earmark its grant for lobbying, but wants to okay or encourage grantees to engage in permissible lobbying. [*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 public charity designated as a contribution to general support [or a 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 shall 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 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 set by Code 501(c)(3) or, if applicable, Sections 501 (h) and 4911. Grantee also may engage in 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, the grantee may engage in any voter education and voter engagement activities conducted on a nonpartisan basis.
- [*Any other desired conditions, such as reporting requirements; repayment of funds not used in compliance with any of the previous conditions or the project.*]

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 PUBLIC FOUNDATION

Without Added IRS Language

Below is a sample grant agreement letter for a general or project support grant from a public 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 any kind of nonpartisan election activity can confuse or intimidate grantees from engaging in a range of civic engagement activities. 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. *[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 general support [or project-specific] grant of \$25,000 to the XYZ charity. The grant period will run from _____ through _____, 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 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 proposes to change or revoke the grantee's exempt status.
- *[Any other desired conditions, such as reporting requirements or re-payment of funds not used in compliance with any of the previous conditions for the project.]*

Please indicate your acceptance of these terms by signing and returning this agreement to the Foundation.

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.

