

Sample Grant Agreement Letter (without IRS language)

The following is a sample letter for a general operating support or project-specific grant from a community or public foundation to a Section 501(c)(3) charitable organization.²⁵ Many foundations mistakenly believe that they are required to repeat IRS language on lobbying and political activity restrictions that often confuse or intimidate grantees from engaging in a range of civic and policy activities. This is not necessary. See 2004 IRS Letter to CLPI, Appendix B.

The sample grant agreement letter below does not include IRS language on advocacy-related restrictions, just basic grant requirements.²⁶ 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 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.
- To 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 repayment 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,

25 Grants to a narrow class of public charities – certain supporting organizations – from a donor advised fund require a community or public foundation to follow the expenditure responsibility rules. In such cases, consultation with your legal counsel is recommended to determine whether the grant agreement should include a prohibition on the use of grant funds for lobbying or voter registration activity.

26 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.