

CHARTER SCHOOL GUIDE SHEET

This Guide Sheet is designed to assist in the processing of Form 1023 applications filed by charter schools that are seeking exemption under IRC §501(c)(3). Answers in shaded boxes indicate possible problems. See the accompanying Charter School Reference Guide, which is keyed to the numbered items, for assistance in completing this Guide Sheet. The Guide Sheet assumes that the organization is otherwise qualified as an exempt organization and focuses on issues that are of special concern to a charter school that engages a management company.

Formation and Operation			
1.	a. Has the school begun operations or has it disclosed when it will begin operations?	Yes	No
	b. Has the school provided the current or anticipated student enrollment figures?	Yes	No
2.	a. Has the school provided a copy of the charter application and approved charter?	Yes	No
	b. Was a detailed description of the curriculum provided?	Yes	No
	c. Has Internet research been conducted regarding the school and its activities?	Yes	No
Management Company/Agreement			
3.	a. Will the school engage a management company?	Yes	No
	b. Is the management company a for-profit entity?	Yes	No
4.	a. Was a copy of the management agreement provided?	Yes	No
	b. Was the management agreement negotiated at arm's length?	Yes	No
5.	a. Did the management company apply for the charter, form the corporation, draft the by-laws, mail in Form 1023, or send the check for the user fee?	Yes	No
	b. Was the management agreement entered into before the applicant was formed or the charter was applied for?	Yes	No
	c. Did the same person sign the management agreement for the school and the management company?	Yes	No
	d. If the school has legal representation, is it the same as the management company?	Yes	No or N/A
	e. Is the school's primary contact or power of attorney affiliated with the management company?	Yes	No
	f. Were other management companies considered? Did they submit bids?	Yes	No
	g. Does the management company provide comprehensive services?	Yes	No

5.	h. Does the school have to be a 501(c)(3) in order to obtain a charter under that state's law?	Yes	No
Franchise Indications			
6.	a. Were multiple applications filed at the same time, involving schools managed by the same management company?	Yes	No
	b. If there are other similar schools who are applying at the same time, are the provisions in the agreements identical (boiler-plate)?	Yes	No or N/A
	c. Is the address for the school the same as the address of the management company?	Yes	No
	d. Does the management company require the use of a name by the school and payment of a fee for such use?	Yes	No
	e. Does the school provide free advertisement of the management company's name on the website or facility?	Yes	No
	f. Does the school have rights to use the curriculum for free?	Yes	No
	g. Is the school allowed to keep any improvements it makes to the curriculum?	Yes	No
Term and Termination Provisions			
7.	a. Is the term of the management contract equal to or longer than the term of the charter?	Yes	No
	b. Is the term of the management contract longer than five years?	Yes	No
	c. Is the management contract automatically renewable?	Yes	No
	d. Are the termination provisions biased in favor of the management company?	Yes	No
	e. Is there a non-compete clause in the management agreement or administrators' and teachers' contracts?	Yes	No
	f. Does the agreement provide for an installment or lump-sum fee or termination penalty based on start-up expenses, such as development and organizational costs?	Yes	No
	g. Does the school have any rights to the curriculum if the management agreement is terminated?	Yes	No
	h. If management company requires the use of a name by the school, does the school have any rights to the name if the management agreement is terminated?	Yes or N/A	No
Board of Directors			
8.	a. Do any of the school board members have, or have they had, a family or business relationship with the management company or any of the owners of the management company?	Yes	No
	b. Are the board members selected or appointed by the management company?	Yes	No
	c. Have résumés of the board of directors been provided?	Yes	No
	d. Are they members of the local community, including parents, teachers and community leaders?	Yes	No

8.	e. Are the board's meetings held in the community where the school is located and open to the general public?	Yes	No
	f. Is there an advisory committee?	Yes	No
	g. Is the board involved in the active oversight of the management company, the operations of the school, and major decisions concerning the school?	Yes	No
	h. Does the board have the authority to set and approve the following major school policies: budget, curriculum, admissions procedures, student conduct, school calendars, and dispute resolution procedures?	Yes	No
	i. Does the board have any responsibility for the day-to-day operations of the school?	Yes	No
	j. Are the school's administrators, teachers and similar key personnel employed by the school?	Yes	No
	k. Does the school have the authority to hire and terminate school administrators, teachers and similar key personnel?	Yes	No
	l. Does the board meet more than 2 times a year?	Yes	No
	m. Have the minutes of each board meeting to date been provided?	Yes	No
	n. Do the minutes reflect independent decision-making by the board?	Yes	No
	o. Is the management company a liaison between the school and the chartering authority?	Yes	No
	p. Does the management company have the right to attend or vote at board meetings?	Yes	No
Fiscal Matters			
9.	a. Does the board have procedures in place to ensure the fiscal health of the school?	Yes	No
	b. Does the management agreement state who bears the risk that expenses will exceed revenues?	Yes	No
	c. If the management company bears the risk that expenses will exceed revenues, is the excess of expense over revenues considered a loan to the school?	Yes	No or N/A
Conflict of Interest Policy			
10.	a. Does the school have a conflict of interest policy covering its officers, directors, trustees, and members of committees with board-delegated authority that is similar to the policy recommended by the Service?	Yes	No
	b. If the school has a conflict of interest policy, was a copy submitted?	Yes	No or N/A
Reasonable Compensation			
11.	a. Is the compensation arrangement with the management company consistent with industry practices and market rates?	Yes	No
	b. Is the compensation based on total income, including all fees, grants, contributions and unusual receipts?	Yes	No

11.	c. Does the agreement provide for an incentive fee (a percentage of the excess of revenues over expenditures of the school)?	Yes	No
	d. Does the management company keep most or all of any funds raised for the school?	Yes	No or N/A
Ancillary Services/Contracts			
12.	a. Does the management company or an affiliate provide any ancillary services to the school, such as cash advances, capital loans, facility or equipment leasing, technology contracting, furnishings, fixtures, textbooks, food, transportation, etc.?	Yes	No
	b. If item 12a is Yes, were copies of any leases or other contracts provided?	Yes or N/A	No
	c. If item 12a is Yes, were the leases or other contracts negotiated at arm's length?	Yes or N/A	No
	d. If leased from the management company or an affiliate of the management company, is there a reason the facility is not leased directly by the school?	Yes or N/A	No
	e. Is the cost of the lease to the management company or affiliate the same as the cost of the sublease to the school?	Yes or N/A	No
	f. Is the lease at market rate?	Yes or N/A	No
	g. Was an independent appraisal completed to determine a reasonable rental value for the property?	Yes or N/A	No
	h. If so, was a copy of the appraisal provided?	Yes or N/A	No
	i. Are any of the agreements for services contingent upon the simultaneous execution of the management agreement, or do any agreements automatically terminate if any other agreement is terminated?	Yes	No or N/A
Government Involvement			
13.	Does the school have reporting requirements to the chartering authority regarding the management company?	Yes	No
Management Company is the Applicant			
14.	a. Is the applicant a management company that provides services to one or more charter schools?	Yes	No
	b. If item 14a is Yes, is there common structural and financial control among the charter schools and the management company?	Yes or N/A	No
	c. If item 14b is No, does or will the management company provide services at substantially below cost?	Yes or N/A	No
	d. If item 14a is Yes, does the applicant hold any charters to operate any schools?	Yes	No or N/A
	e. If item 14a is Yes, is the management company claiming exemption as a "school" under sections 509(a)(1) and 170(b)(1)(A)(ii)?	Yes	No or N/A