TO:	Kyle Anderson President of the Board of Education
FROM:	Joshua Ishmael, Vice President
DATE:	August 18, 2026
RE:	Pana Education Foundation Bylaws (Proposed) Amendments

The current bylaws in the Foundation's possession (on file with the District) appear to be the original bylaws of the Foundation, a copy of which is attached. However, they appear to be a draft (penciled in suggestions for edits) nor do we have any formal resolution recognizing their adoption.

Assuming the attached bylaws are the current bylaws, there are several operational issues occurring within the Foundation that are inconsistent with the plain text of the bylaws. I recommend approaching the District's Board of Education to seek amendment and restatement of the bylaws to ensure that the Foundation is operating in a manner consistent with the bylaws.

The following suggestions should be considered:

(1) The IRS has very specific rules related to the structure of bylaws. They require specific language, but that language did not exist in our current bylaws. The IRS has tightened its guidelines over the years, so we should comply with their current requirements as we update the bylaws.

Recommendation: We should include the standard "501(c)(3)" language in the opening paragraphs.

(2) Article I requires the net investment income from the Foundation to move to the District, but the Foundation has retained its net investment income to keep funds for the Foundation's long-term survival. *This is discussed in greater detail below in Paragraph (7)*.

Recommendation: Remove the second paragraph in Article I.

(3) The Foundation's membership is separated into classes under Article II, Section 1. The District's Board of Education is the sole Class A member, and the Foundation's Board of Directors serve as the Class B membership. Section 1 states that the Class B membership shall be elected by the Class A member. It is unclear whether this was supposed to apply to the initial election of membership at formation, or whether the Class A member should be selecting the Class B membership when each Foundation Directors' term expires.

Article II, Section 2 also states that the Class A member has the exclusive right to elect all members of the Board of Directors of the Foundation, one of which should be a member of the Board of Education and six from the community-at-large. Article III, Section 8 also states that any vacancy occurring in the Foundation's Board of Directors shall be filled by the Class A member. The Foundation's Board of Directors currently seeks and approves successors to serve terms on the Foundation's Board at its own discretion. To my knowledge, the District's Board of Education plays no role (*and has not since formation*) in the selection of Board members. At a minimum, the Board of Education should ratify the Foundation Board's recommendations at a regular meeting of the Board of Education.

Recommendation: The Foundation could operate under its current, independent autonomy and seek, investigate, approve and install its own successors, reporting all appointments to the District's Board of Education who may reserve the right to reject any new member. The membership can be revised to

(4) Article II, Section 2 states that the class members shall have the exclusive right to vote on all other matters pertaining to the affairs of the Foundation on which a vote of the class members is required with each class member having equal voting rights. This section is vague (not does not specify or exclude either class of membership), which suggests that the Board of Education should be voting on matters pertaining to the Foundation's daily operations.

The same section gives the Class A member (the Board of Education) the exclusive right to select board members, but voting power to all class members on all other matters, which means the operational functions of the Foundation likely should be voted upon by the Board of Education. The Foundation has operated with some autonomy for over twenty years, and to my knowledge, the Board of Education has not exercised its right to vote in matters involving the Foundation's daily affairs..

Recommendation: This section should be amended to permit the Class B membership to vote on all matters pertaining to the affairs of the Foundation and report monthly to the Class A member (Board of Education). If you require the Board of Education to ratify all of the decisions of the Foundation, the Foundation would not be able to operate without any efficiency (some of its fundraising efforts could be delayed by months or frustrated by lack of action by the Board of Education). The Class A Member (the Board of Education) would still be represented by a member of the BOE who will have an equal vote with the Class B membership (public Foundation board members).

Typically, charitable foundations operate with some autonomy to preserve its tax-exempt status. The Board of Education is represented by its delegate for all matters before the

Foundation. If the Board of Education does not approve of the Foundation's actions, it can exercise its powers as the Class A member to call for the removal of members of the directorship. The Foundation's independence is preserved; it's tax-exempt status is preserved, but the Board of Directors have some authority in the appointment of successors should it become concerned about the direction of the Foundation.

(5) Article II does not include a vacancy clause, but Article II allows the board of directors to fill a vacancy in its directorship ranks. Since the Class B members are the board of directors, it is prudent to add a vacancy language in this Article.

Recommendation: Section 2, subsections (B) and (C) were updated to deal with vacancies.

(6) Article III, Section 9 states that the Class A member, upon a majority vote of the Board of Education, may remove a Foundation director, with or without cause, in a special meeting of the Board of Education for that purpose (upon 20 days' notice).

Recommendation: If we wish to remove any director for cause, including lack of attendance, the Board of Education is tasked solely with the ability to remove the director. The Foundation should recommend amendment to its bylaws to address this issue, and place the ability to remove a director for poor attendance in the Foundation's Board of Directors. The Board of Education can retain the ability to remove any Foundation directors for all other matters.

We should also consider adding the following duty for all of our directors: Any director who misses three (3) consecutive regularly scheduled meetings without being excused by the President of the Foundation may be removed from his or her directorship upon an affirmative vote by a majority of the Foundation's Board of Directors, and the vacancy filled according to Article II.

The Removal section should also be relocated to Article II since the membership is the same as the board of directors, and it should flow as such since removing a director would be ineffective and leave a seat open if you do not remove them as a member. This is just the nature of bylaws for this type of structure (where the membership is also the board of directors).

(7) Article VI, Section 1 states that the making of grants and contributions shall be for the benefit of the District, and shall be authorized by the Foundation's Board of Directors "provided that all of the net investment income of the Foundation for each fiscal year shall be distributed to or for the benefit of the [District] no later than the close of the next succeeding fiscal year".

This means that the income from all of our investments should not be rolling over into our initial investments; meaning that the Foundation may only retain the principal not spent on

grants or contributions for future operation or investment. We are currently retaining the interest from internal investments (scholarships excluded). [NOTE: Do we currently report our financial status to the Board of Education; it is required under Article VIII]

Furthermore, there is nothing in the bylaws that permit the issuance of scholarships nor the warehousing of outside scholarships.

Recommendation: The Foundation should request amendment to allow for the retention of investment income, subject to an investment policy, that would allow the Foundation to ensure its long-term financial stability. Accordingly, the second paragraph of Article I should be stricken as discussed above.

(8) Amendments to the Foundation's bylaws are permitted as follows—The Foundation Board of Directors may alter, amend or repeal the bylaws or adopt new bylaws so long as they do affect the power or rights of the Class A member, change the primary purpose of the Foundation, or eliminate reports to the Board of Education. The amendments are not effective until the Board of Education affirmatively approves the amendments with a majority vote of the same.

Recommendation. No recommendation suggested, but the foregoing explains the process for amending the bylaws.

(9) The bylaws do not include standard provisions typically required by the IRS to maintain tax-exempt status (similar to discussion in Paragraph (1) above related to the purpose of the Foundation). In my experience, the provisions below should be added to the bylaws to ensure that they comply with current Section 501(c)(3) regulations (to keep our status).

Activities Not in Furtherance of Exempt Purposes. No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to its members, trustees, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes described in Section 501(c)(3). No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these articles, the Corporation shall not carry on any activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

Dissolution. Upon the dissolution of the Corporation, assets shall be distributed for one or more exempt purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code, of corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose.

My suggestion is to consider and accept the amended bylaws that we believe would be an appropriate balance between the current bylaws and the modern operation of a foundation like the Pana Education Foundation, which allows direct consultation with the Board of Education for all actions pursued.

Should you have any further questions, concerns or comments, please feel to reach out to me anytime. ■