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Impact Investment Case Study | Impact Investor Ecosystem Profile | Capital Seeker Ecosystem Profile | **Field Insights and Tools**

Field Insights:

Fiduciary Duty, Governance Systems, and Impact Investing

On March 27, 2025, the Georgia Social Impact Collaborative (GSIC) partnered with Rosalie Sheehy Cates, Senior Advisor at The Giving Practice, to facilitate a virtual workshop, *"How Foundations & Mission Endowments Practice Good Governance Through Impact Investing,"* for Georgia-based foundations and philanthropic organizations. The workshop drew a diverse group of participants – including foundation staff, board members & trustees, investment committee representatives, charitable advisors, and donor-advised fundholders. The conversation explored how an evolved understanding of fiduciary duty—not just as a set of legal rules but as a trust-based relationship influenced by culture—can unlock more mission-aligned and impact investing capital.

Sydney England wrote the following reflections piece based on the content presented by Rosalie Sheehy Cates. Where possible and appropriate, this piece references direct observations and statements offered by participants during the discussion.

Centering Individual Experience & Comfort with Money

The work of foundations is fundamentally about money. Foundation boards and investment committees act, behave, and decision as units and collective bodies. It can be easy to lose sight of the fact that these bodies are composed of individuals, each member bringing their own lived and professional experiences. As such, it can be easy for foundations to assume that these governing bodies have shared comfort and expertise around money and investment systems.

The workshop kicked off by presenting participants with a straightforward but introspective question: **"What's your comfort level with money?"**

Participant reflections varied and included responses like:

> "I was in the investment management business my entire career...[in this role] fiduciary responsibilities were taken very seriously. It was understood that these

pots of money were not my pots of money and that they belonged to someone else. There were rules and regulations that you had to follow, and so I got used to managing very large pools of risk assets. In a fiduciary environment, and that's just second nature to me. So, I'm very comfortable.

“” I'm a little less comfortable with it because it's not my money.

“” My personal background is that my dad was a civil servant, and I grew up in Central America, in the Panama Canal zone. We were middle class but very comfortably middle class. I went on and paid my way through college [by working] in sales, and I've been an entrepreneur since I was 18. I ended up getting an MBA, and then the work I've been doing for many years is what we call wealth integration with very, very successful families that have too many advisors. We help integrate their charitable planning and trust and estate planning and income tax planning...I have played the role as fiduciary with the families that I work with, and then we [my family] have our own funds that we try to do our best with, with a donor-advised fund. I guess the comfort level was learned over time through the work that I do and then individually as well.”

This candid opening set the tone for a discussion that recognized how personal histories, as well as learned or inherited cultural attitudes around money, shape fiduciary decision-making.

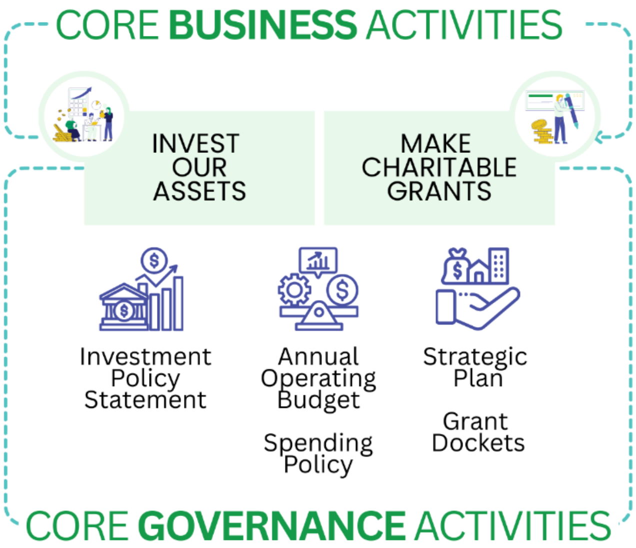
Defining Fiduciary Duty: Code + Culture

Fiduciary duty is more than just a legal standard and mandate. Yes, there is a written legal code that sets uniform standards for certain behaviors, policies, and activities, but fiduciary duty is also a shared culture.

- **The Written Code:** Foundations rely on legal standards, detailed investment policy statements, and case law to define the duty of care, loyalty, and obedience.
- **The Cultural Context:** While written code does establish a clear set of guidelines and expectations for fiduciary duty, foundations interpret and apply code individually, and each foundation establishes the culture that reinforces governance.

Often, discussions about fiduciary duty overemphasize “code” and underemphasize “culture.” Why does this matter? Let's examine the philanthropic business model to explore the consequence of code vs. culture with respect to impact investing.

There are two components to the foundation and philanthropic business model. One part is “charitable facilitator,” while the other part is “investment manager.” For community foundations, this model is expressed to donors and potential charitable partners to inspire confidence and develop robust philanthropic asset bases. For private foundations, this model applies to the fulfillment of the founding philanthropists' purpose and intent.



This straightforward, two-part business model applies to public charities and private foundations alike. Over time, this traditional philanthropic model has created an artificial barrier between the charitable and investment functions inherent to

> In so many cases in foundations, especially private family foundations, there's somewhat of a firewall that exists between investment decisions/ investment processes and grant-making. What is really critical with impact investing is that you merge those two so that there's true values- alignment and understanding of what the goal of the organization is and how you try to use the assets to accomplish those goals.
>
> MARK CROSSWELL
> R. Howard Dobbs Jr. Foundation
> Family Foundation | Atlanta, GA

foundations. For many foundations, the investment functions exist only to maximize financial return and grow assets perpetually. Financial success is what fuels annual charitable activity. This traditional model creates a dynamic whereby a small fraction of philanthropic assets carries all of the burden of mission fulfillment, and the majority of assets must accomplish only one thing – maximize financial return.

However, the written code does not dictate that foundations must wall off mission and purpose from investment decision-making. Nor does it prevent trustees and governing leaders from investing assets in such a manner that considers both the mission & impact as well as the financial merits of an investment. In fact, U.S. regulations and guidelines have evolved to support this approach. The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was approved in 2006 by the National Conference of Commissioners on Uniform State Laws. The regulation gives governing boards more flexibility in making spending decisions with endowment funds. In particular, it enables them to consider non-financial outcomes, like a foundation's mission and the anticipated benefits of impact investments, as part of the prudent investor rule. Today, UPMIFA has been adopted in 49 states, including the District of Columbia and the US Virgin Islands. Only Pennsylvania has not yet adopted the standard (Uniform Law Commission, April 2025). Given this, it is fair to express that the traditional philanthropic business model described above is not code-created, and it is, therefore, reasonable to conclude that culture is driving this predominant model within the field.

Core Components of Fiduciary Duty

Fiduciary relationships often concern money, but the word fiduciary does not, in and of itself, suggest financial matters. Instead, fiduciary applies to any situation in which one person justifiably places confidence and trust in someone else and seeks that person's help or advice in some matter. Fiduciary can also be used as a noun for the person who acts in a fiduciary capacity. The words are all faithful to their origin: Latin "fidere," which means "to trust" (Merriam-Webster).

There are varying descriptions and definitions of fiduciary duty. Depending on the specific context, fiduciary duties may include the duty of disclosure, the duty of confidentiality, the duty of good faith, and the duty of accounting. During this workshop, we focused the discussion on three central duties: the duty of care, the duty of loyalty, and the duty of obedience. Let's unpack these further.

Duty of Care

Upholding the duty of care requires that trustees **must act as a "reasonably prudent person"** would, ensuring that every decision is informed by comprehensive review and assessment. By definition, prudent means wise and sagacious. Over time, the "prudent" has come to connote "cautious," but that strays from the word's root origins, which actually mean "to look ahead."

Case law here emphasizes good faith, business judgment, and an eye on the evolving needs of your beneficiaries. The most current interpretations of a "prudent person" focus on the transparency and accountability of trustees – i.e., establishing and utilizing good processes to demonstrate your deliberations and prove that care is taken. Good governance and fulfillment of the duty of care can look like intentional procedures such as consistent attendance, thorough review of meeting materials, and documented processes for evaluating impact investments.

Duty of Loyalty

The duty of loyalty requires trustees to put the foundation's mission first. In the most straightforward sense, this duty prohibits self-dealing and conflicts of interest, and it gives rise to obligations of confidentiality. However, the duty of care also encompasses the idea that being a trustee means being in a "trusting relationship with the other people on the investment committee" to make weighty decisions on behalf of the community and the intended philanthropic beneficiaries.

Duty of Obedience

The workshop spent a considerable amount of time unpacking the duty of obedience. We began by unpacking the roots of the word "obedience." Our current definition of "obedience" relies on the Middle English word "obeien," which was borrowed from Anglo-French "obeir," which actually stretches back to the Latin word "oboedīre." Each of these linguistic roots relates to the definition of moving "toward, in the direction of" and "to hear."

So, as trustees, the duty of obedience implies that you are listening to and being guided by something that is trusted. Older interpretations of this duty say that trustees must listen to the wishes of the people who generated the charitable assets, the governing documents, and the applicable law. This traditional viewpoint narrows the "obedience lens" on a few stakeholders and does not allow for adaptive, context-specific ways of deploying the foundation's assets over time.

However, emerging perspectives of this duty now stress that acting obediently (and prudently) also means being accountable for the "public benefit" of your foundation. **Trustees can, and perhaps should, examine the social context and systemic nature of charitable purposes.** For example, if a foundation's mission is to ensure child welfare and educational achievement, a prudent, obedient trustee would recognize the interconnectedness of housing, healthy food access, healthcare, and other environmental factors to that mission statement.

Your foundation's social objective is to maximize the present value of the social impact of your activities. The perpetual nature of your foundation suggests that you should be maximizing the long-term financial capacity of your organization. These two things are in tension with one another. We [William Josef Foundation] thought that impact investing was one way to dissolve some of tension, if you will. We use some of our investment assets to augment our grant making, increasing the present value of the social benefit while also following our prudent investing standards.

SCOTT SATTERWHITE
William Josef Foundation
Family Foundation | Atlanta, GA

Finally, evolving perspectives on the duty of obedience invite trustees to take a 360-degree view of the story of the foundation's assets. Where did our assets come from? Who or what contributed to the accumulation of wealth? For community foundations, this process might invite board members to acknowledge that the community itself, not fundholders, is the foundation's central stakeholder. Fundholders and charitable partners invest in the community foundation because it is the vehicle for advancing the community's needs and interests above those of individual fundholders.

This important shift towards a more wholistic interpretation of the duty of obedience has **more and more trustees asking themselves, "To whom are we listening?"**

Even when you're sitting in an investment committee or board meeting, you're still a real person sitting in your chair. While you may represent, perhaps a particular constituency or organization, but you've got your own values...the first time I walked into an investment committee meeting thinking to myself you have to "leave your real self at the door"... Now, I believe you should bring your whole self to the investment committee. That's why you're there, and that's increasingly part of being obedient. You get to be obedient to your own moral compass - even when you're sitting in an investment committee chair.

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The Giving Practice, Philanthropy NW
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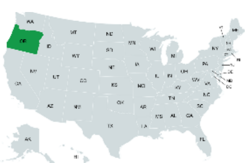
Examples of Fiduciary Duty & Impact Investing in Action

This conceptual discussion of fiduciary duty was brought to light by looking at real-world examples of how foundations across the country are laying the groundwork within their systems of governance to pursue impact investing.

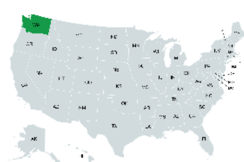


LORA & MARTIN KELLEY FAMILY FOUNDATION

Lora & Martin Kelley Family Foundation | Wilsonville, Oregon

The Kelley Family Foundation (KFF) was created in 1990 by Lora and Martin Kelley. The Foundation's trustees recognize that all investments have impact, and in an effort to ensure that KFF's investments advance mission and values-aligned impact, the Foundation revised its investment policy to state that its "fiduciary responsibility" includes evaluating the relationship between investments and its charitable purpose. Today, KFF reports that, by the end of 2022, 99% of the Foundation's investments (except for a small amount of working cash) are mission and values aligned. Let's look at TRFF's revised IPS language.

> *The Board recognizes that our fiduciary responsibility is not limited to maximizing return and minimizing risk. The Board may consider all relevant facts and circumstances, including the relationship between an investment and KFF's charitable purpose. The Board's fiduciary responsibility encompasses three central obligations:*
>
> - ***Duty of care** to facilitate prudent stewardship of our assets and to extend that duty of care by evaluating the relationship between investments and our charitable purpose.*
> - ***Duty of loyalty** to ensure the impartial execution of all of our dealings; and*
> - ***Duty of obedience** to benefit the public and our mission, as declared in the mission statement.*
>
> *These duties, taken together, underly KFF's investment policy and are applicable across all investments. Thus, in managing the endowment, it is important to meet financial, environmental, and social dimensions. We understand that the ultimate responsibility for balancing financial and nonfinancial returns resides with the Board.*



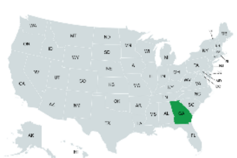
The Russell Family Foundation

The Russell Family Foundation | Gig Harbor, Washington

When the Russell family sold Frank Russell Company to Northwestern Mutual Life, Jane and George Russell funded The Russell Family Foundation (TRFF) in 1999 with part of the sale proceeds. This led the way for the couple's extended family to make a quiet, sustained, positive impact in the larger community. TRFF, maybe even more so those others, has a family legacy inextricably woven into the fabric of the professional financial and investment management industry. Today, TRFF lives into this legacy by interrogating its investment holdings and activating its full investment portfolio for mission. Let's examine the language TRFF employs in its IPS to describe fiduciary duty culture and systems around impact and mission investing at the Foundation.

> *All parties with decision-making authority are fiduciaries of TRFF and are obligated to act in TRFF's best interest. Washington State adopted the UPMIFA, establishing specific governance standards for private foundations such as TRFF.*
>
> *TRFF recognizes that the foundation's financial health and the impact of our investments are part of our fiduciary duty. This includes careful stewardship of our assets beyond a duty of care for financial performance. We also account for intergenerational equity by considering the future impact of decisions that TRFF makes today.*
>
> *We use consultants to help us assess and measure the financial and social impacts of our investments over time. The Investment and Audit Committee (IAC) is required to consider both financial and social impacts when making investment decisions.*

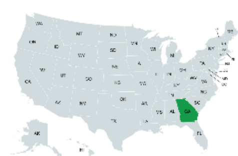
Critically, foundations and trustees here in Georgia are taking similar steps to align investments with mission and purpose.



The Sapelo Foundation | Savannah, Georgia

In 2019, The Sapelo Foundation, a private family foundation based in Savannah, Georgia, celebrated its 70th anniversary as a foundation by approving a strategic plan, which included a new mission statement, a new approach to grantmaking, and a new mission investing journey to align 100% of capital – grants (at least 5% of financial capital), endowment (95% of financial capital), human, partnership, advocacy, convening, strategy, and more – with its mission. Let's look at the language The Sapelo Foundation uses to describe what effectuating this different approach looks like for its investment practices.

> *We committed to a mission-investing journey to align 100% of our capital with our mission. This included an intentional breakdown of the traditional and unnecessary firewall between our grants (at least 5% of financial capital) and endowment (95% of financial capital). Our single decision unleashed 19 times more resources for us to advance our mission.*
>
> *After approving a new Investment Policy Statement and completing a search for a new investment advisor, we completely reorganized the investments in our endowment. Our goal was simple but complex: ensure that the companies we own align with our mission and the missions of our grantee partners. We also initiated a process for Program Related Investments (PRIs) – low/no-percent interest loans – to small businesses to complement our grantmaking and further our mission.*



Community Foundation for Greater Atlanta | Atlanta, Georgia

The nature of private foundation asset bases, often derived from a single gift or a single source of wealth, can offer a simplified pathway for incorporating impact investing into investment portfolios and strategies. There are simply fewer stakeholders to consider and engage. That said, community foundations across the country have been leveraging investment assets for impact since the early 1970s.

Today, comfortable estimates suggest that upwards of 15% of community foundations across the country are deploying local impact investments in their communities – a figure that includes the Community Foundation for Greater Atlanta (CFGA). In 2018, CFGA launched the GoATL Fund, an impact investment pool that accepts investment allocations from fundholders and makes impact investments throughout the Metro Atlanta region. CFGA developed and approved a supplemental IPS to govern GoATL's investment activities and guide decision-making over time. Let's look at some selections from this IPS.

> *The Board has the ultimate responsibility for the prudent management of the Fund's investment assets and for establishing and modifying (when appropriate) this IPS. The Board has constituted an Impact Investment Committee, as independent and separate from other committees, and delegated to it certain responsibilities for overall management of the GoATL Fund (the Fund).*
>
> *Investment practices and decisions will be governed by the Foundation's belief that investing new forms of capital to address social challenges can meaningfully accelerate and scale solutions that provide both a benefit to the community as well as a positive financial return. The overall investment objectives for the Fund are as follows, and as further described by the two categories of criteria described below:*
>
> ***Impact:*** *Sustain and scale community-based social change among the Foundation's five impact areas by investing in social solutions in the Atlanta region*
>
> ***Financial:*** *Preserve capital while achieving positive long-term returns (returns greater than 0%)*
>
> *The Impact Investment Committee will need to continuously monitor the balance between the objectives of the Impact and Financial criteria of the Fund's investments, such that the priority to achieve Impact does not result in undue financial risk.*

Practical Steps to Advance Impact Investing at Your Foundation

Examine Your Current Culture & Build a New Shared Culture that Brings More Mission Alignment

Adapting governance culture to embrace impact investing means moving beyond the traditional, walled philanthropic model. It also means evolving away from conventional risk-return metrics and towards a more holistic, mission-serving perspective. This shift happens not all at once but over time. With respect to impact investing, this shift may require new conversations with leaders and bring new voices into the investment domain. Building a shared educational foundation and new investment culture can be achieved by:

- **Committing to Shared Education:** Organize board and leadership retreats and training sessions focused on both the legal and cultural aspects of fiduciary duty, impact investing terminology and approaches, and more.

- **Understanding the Individual Selves Showing Up in Your Foundation:** Here are a couple of quick questions to gauge your current investment culture. Who leads our investment meetings? Do the same individuals dominate the conversation while others stay quiet? Are there conversations or ideas that routinely get cut off or delegitimized? Do we unknowingly assume a certain level of understanding? Are questions encouraged or discouraged? Candor and transparency are essential for building trust and aligning diverse perspectives – particularly around investment decisions. A foundation can nurture a trusting governance culture by creating regular forums for candid discussions about risk, personal comfort with money, and the rationale behind investment decisions.

> We [the Athens Area Community Foundation] were founded out of a poverty initiative. That's our legacy. Now, we're partnering with a nonprofit to re-bank predatory lending practices in our community which we see as mission-aligned. Now, we're focused on galvanizing our stakeholders and connecting the concept of impact investing to our mission.
>
> SARAH MCKINNEY
> Athens Area Community Foundation
> Community Foundation | Athens, GA

- **Reflecting on the History & Nature of Your Asset Base:** Implement processes to assess not only the financial performance of investments but also their social origins and community impact. Where did your assets come from? Which stakeholders contributed who may not be directly benefitting or engaged in the foundation's work? Do your foundation's origins accurately or holistically reflect the purpose you undertake?

- **Integrating More Stakeholders:** Foster collaboration between investment committees and grant-making committees and teams to ensure a shared understanding of mission, purpose, and impact objectives. Investment decisions have consequences for the whole foundation, and more constituencies should be invited and empowered to see themselves as stakeholders and influencers in the investment domain.

Articulate a More Balanced Approach to Fulfill Philanthropy's "Dual Objectives"

Foundations often face a tension between maximizing long-term financial capacity and generating immediate social returns and impact. One participant voiced, **"There's a tension between maximizing the present value of social impact and preserving our long-term financial capacity."** Exploring this inherent, healthy tension should excite foundation trustees and leaders. Figuring out how to prudently activate more assets for mission is the enduring work of an engaged governing body! Here are some steps that might help foundations bring mission into the investment space.

- **Know What You Already Own:** For many foundations, "knowing what you own" can be a powerful tool for calibrating a new, more mission-aligned investment approach. Engage your investment advisor or OCIO to conduct a comprehensive review of your current holdings. What do you currently own, and what purpose does each investment serve within the portfolio? Do your current investments align with or challenge your foundation's mission and values? Can you stand proudly behind each of your holdings?

- **Articulate Mission-Fulfilling Investment Goals:** Spend some time as a governing body identifying the values or impact objectives you want your investments to reflect. For some, it's easiest to start from a "divestment" perspective – e.g., "We should not invest in X, Y, Z." For others, they develop "positive screening criteria" to identify strategies or investment offerings that advance certain environmental, social and governance (ESG) factors or impact themes. For example, suppose your foundation's mission directs you to work with environmental or climate-resilience organizations. In that case, these criteria can steer conversations with your investment manager to find clean energy investment funds or companies. For place-based foundations, this exercise can lead you to reflect on your grantmaking areas to determine how investment tools can complement grantmaking. For instance, many traditional foundation impact focus areas – like childcare, financial security and economic empowerment, and housing and food security – are investable areas!

- **Take Small Bites at the Apple:** Foundations looking to integrate impact investing don't need to overhaul their portfolios overnight. Instead, they can start with small, strategic shifts. A good first step is assessing where their money "sleeps" by reviewing cash and fixed-income holdings to identify mission-aligned alternatives. Moving deposits to community banks, credit unions, or platforms like **Mighty Deposits** can better support local economies, while redirecting portions of the fixed-income allocation to low-interest loans to or patient investment notes in Community Development Financial Institutions (CDFIs) or mission-driven-bond funds can provide stable returns with social impact. Building relationships with local impact investment partners—such as CDFIs, community banks, and impact-focused asset managers—can uncover additional opportunities to align financial assets with mission-driven goals. By taking small but intentional steps, foundations can gradually shift their portfolios to drive meaningful social and economic returns.

Revise or Reimagine Your Investment Policy Statement

Small steps are a great start, but foundations should ultimately work toward revising their investment policy statements to integrate mission and financial objectives more holistically. Embedding impact investing principles into policy ensures long-term commitment, fosters accountability, and strengthens governance by aligning financial decisions with the foundation's broader purpose. Institutionalizing this approach not only formalizes the foundation's intent but also reinforces its role as a steward of both capital and community impact.

- **Invite Peer Foundation Leaders to Connect With and Consult Your Foundation:** Engaging with like-minded foundations that have already integrated impact investing into their investment policy statements (IPS) can provide valuable insights and practical guidance. Consider hosting conversations with peer foundations or inviting experienced board members from other organizations to share their journey. Learning from their successes and challenges can help build confidence among your board and investment committee while fostering a broader network of mission-aligned and impact investors.

- **Review Peer Policy Statements and See What You Like:** Many foundations have publicly shared their investment policy statements, offering a roadmap for structuring your own. Reviewing policies from organizations with similar missions or asset sizes can provide a sense of best practices, language, and structures that resonate with your foundation's goals. Identify elements that align with your vision—such as impact targets, risk parameters, or due diligence frameworks—and use them as inspiration when drafting or revising your own IPS. **Check out GSIC's resource library for some examples!**

- **Set a Timeline for Approving a New IPS:** Updating an investment policy statement is a process that requires thoughtful discussion and buy-in from key stakeholders across a foundation. Establishing a clear timeline ensures momentum and accountability, preventing the effort from stalling due to competing priorities. Outline key milestones – such as gathering input, drafting revisions, reviewing with the board, and final approval – to create a structured path forward. By setting target dates and maintaining engagement throughout, foundations can transition from intention to action, ensuring their investment strategy fully aligns with mission.

Reach Out to GSIC for Ongoing Support

We hope this reflections piece and the preceding workshop demonstrate that fiduciary duty is far more than a checklist of legal requirements. It is an evolving framework where code meets culture. By embracing a broader definition that includes public benefit and mission alignment, foundations can unlock capital for impactful investments without compromising long-term financial strength.

Need more convincing? Here's a reading list to guide your exploration:

- Crothers, Chris and Magder, Dan. "Impact Investing and Intentionality." Mission Investors Exchange. May 2020. Resource Link.
- Killough, Elizabeth. "Getting Past Inertia: Ten Simple, Valiant Steps to Align Your Foundation's Endowment with Your Mission – Or Not." Huffington Post. June 28, 2017. Resource Link.
- Georgia Social Impact Collaborative. "Local Impact Investing, the Next Frontier for Community Foundation Leadership." January 2025. Resource Link.
- UnTours Foundation. *Endowment Starter Kit for Foundations – On Mission Aligned Investing.* February 2025. Resource Link.

As Georgia's foundation leaders ask critical questions about reconciling dual objectives, ensuring transparency, and shifting governance culture, we hope that GSIC and our network of foundation peers and thought leaders, like Rosalie and others, can be resources to leverage along the way!

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