

**Beyond the Basics**

# Dissolving the Firewall Between Mission & Money: How Foundations Reexamine & Evolve Their Relationship to the Asset Base

Foundation Learning Series | March 2026



Welcome (back)!

We think these topics are important to address, but what do you hope to learn?

*Key Questions to be Addressed*

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- Q1. What is fiduciary duty and governance, and how does it show up in the work of foundations?
- Q2. How has the traditional interpretation of fiduciary duties constrained mission-fulfillment, and what are the mechanisms or forces that prevented change?
- Q3. What does “fiduciary duty 2.0” look like, and how has it unlocked greater mission & money alignment?
- Q4. What should foundation leaders be prepared for when introducing impact investing in governance discussions?



So much of what I've learned on this topic and some of the framing here is informed by the thought leadership of my friend, the brilliant **Rosalie Sheehy Cates**.



Check out Rosalie's work  
*Mindful Fiduciaries at the Wheel*  
*Fiduciary Duty 2.0: Moving from Explicit to Action*.

If Rosalie were here, she'd start by asking you to reflect on your personal history...

- What is your comfort level with/relationship to money or investing?
- Imagine yourself (or remember the first time you were) in a board room. How do (or did) you feel being in that room?

## Mindful Fiduciaries at the Wheel

TEN IDEAS EMERGING FROM THE WORK OF FOUNDATION INVESTMENT COMMITTEES ON RACIAL, GENDER AND SOCIAL EQUITY

Engage and enter at any point

It's easy to overlook that governing bodies are simply **collective units comprised of individuals**, each with their own lived & professional experiences.

Fiduciary duty is neither static nor is it exclusively a legal standard. Yes, there is a written legal code of 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 establishes a clear set of guidelines and expectations for fiduciary duty, foundations interpret and apply the code individually, and each foundation establishes a culture that reinforces governance.



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.

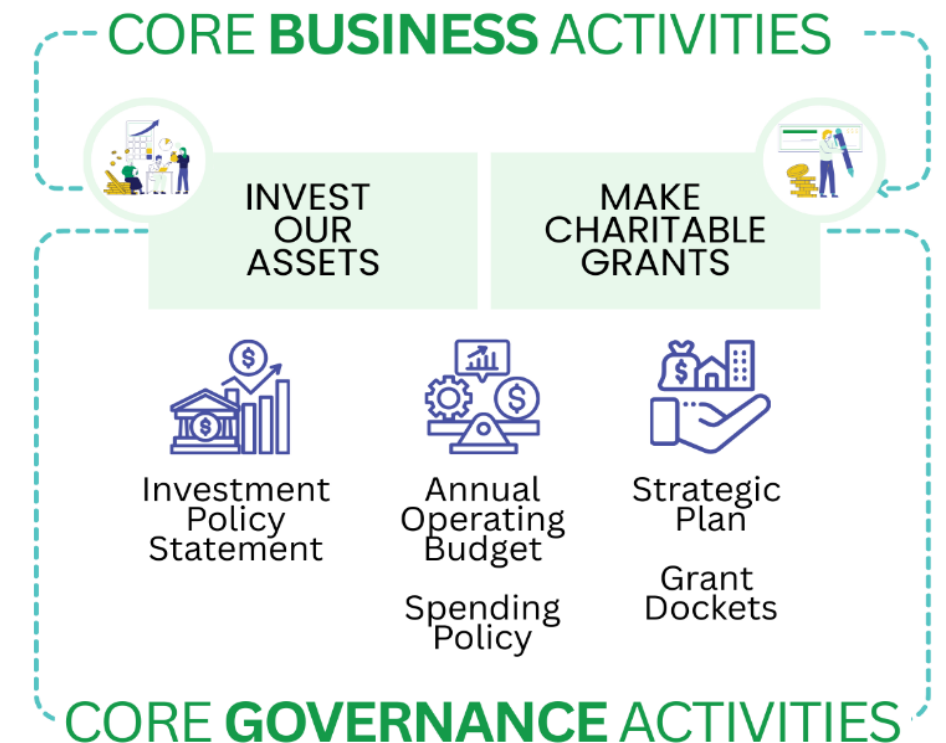
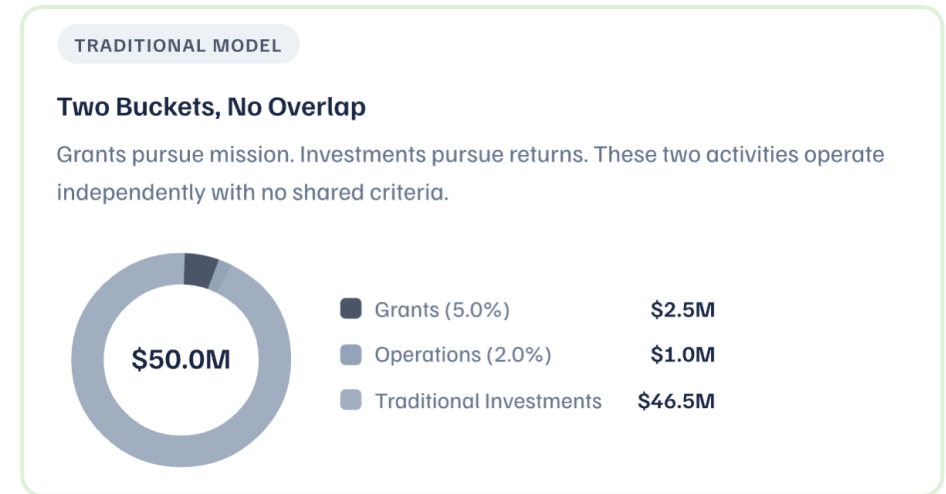


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# Philanthropy is fundamentally about money. The traditional two-part business model has **created an artificial barrier between the charitable & investment functions**

- For many foundations, investment functions exist only to maximize financial returns and grow assets perpetually. Financial success fuels charitable activity, creating a dynamic in which a **small fraction of assets** carries the **burden of mission fulfillment**, while **most assets must** accomplish only one thing: **maximize financial return**.
- The **Uniform Prudent Management of Institutional Funds Act (UPMIFA)**, which was approved in 2006, authorizes governing boards to exercise greater flexibility in making spending decisions with endowment funds. It permits consideration of non-financial outcomes, such as mission, under the prudent investor rule.
- So, this traditional philanthropic **model is culture, rather than code, created**.





**Let's Pause.**

**Are there any questions so far? Is anyone interested in sharing their thoughts or insights with the group?**

# What Does "Fiduciary" Mean?

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.

*Etymology: Fiduciary comes from the Latin "fidere," which means "to trust." The word can be used as both an adjective and a noun for the person who acts in a fiduciary capacity.*

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.

## Three Central Fiduciary Duties

### Duty of Care

Acting as a "reasonably prudent person" would, ensuring that every decision is informed by comprehensive review and assessment.

### Duty of Loyalty

Putting the foundation's mission first, prohibiting self-dealing and conflicts of interest, and maintaining confidentiality.

### Duty of Obedience

Listening to and being guided by the foundation's mission, governing documents, applicable law, and the public benefit.

# Duty of Care

**Prudent** means wise and sagacious. The word comes from roots meaning "to look ahead," not merely "to be cautious."

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.

Case law 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, establishing and utilizing good processes to demonstrate deliberations and prove that care is taken.

## Good Governance in Practice

- Consistent attendance at board and committee meetings
- Thorough review of meeting materials before discussions
- Documented processes for evaluating impact investments
- Regular assessment of portfolio alignment with mission
- Transparent decision-making procedures

# 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.

The duty of loyalty 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.

## What This Means for Trustees

- Foundation's mission takes priority over individual interests
- Disclosure and management of conflicts of interest
- Maintaining confidentiality of sensitive information
- Building trust among fellow trustees and committee members
- Making decisions for the benefit of beneficiaries, not personal gain

# Duty of Obedience

*Etymology: "Obedience" comes from Middle English "obeien," borrowed from Anglo-French "obeir," stretching back to Latin "oboedire," meaning "toward" and "to hear."*

As trustees, the duty of obedience implies that you are listening to and being guided by something that is trusted.

## Traditional Interpretation

Trustees must listen to:

- The wishes of the people who generated the charitable assets
- The foundation's governing documents
- Applicable law and regulations

This viewpoint narrows the "obedience lens" on a few stakeholders and does not allow for adaptive, context-specific ways of deploying assets over time.

## Emerging Perspectives

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.

**Example:** If a foundation's mission is child welfare and educational achievement, a prudent trustee would recognize the interconnectedness of housing, food access, healthcare, and other environmental factors.