

Endowment for Equal Justice

Financial Statements **Years Ended December 31, 2020 and 2019**

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

Endowment for Equal Justice

Financial Statements
Years Ended December 31, 2020 and 2019

Endowment for Equal Justice

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Independent Auditor's Report

To the Board of Directors
Endowment for Equal Justice
Seattle, Washington

Opinion

We have audited the financial statements of the Endowment for Equal Justice (the Endowment), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Endowment as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Endowment and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Endowment's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Endowment's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

_____, 2021

Financial Statements

Endowment for Equal Justice

Statements of Financial Position

<i>December 31,</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 71,331	\$ 222,958
Investments	21,317,768	18,015,470
Due from Legal Foundation of Washington	173,137	10,430
Contributions receivable	688,184	663,832
Contribution receivable - Legal Foundation of Washington	-	105,621
Prepaid expenses	1,031	1,031
Total Assets	\$ 22,251,451	\$ 19,019,342
Liabilities and Net Assets		
Accounts payable	\$ 4,636	\$ 6,324
Accrued expenses	19,945	14,667
Total Liabilities	24,581	20,991
Net Assets		
Without donor restrictions	9,533,305	8,499,461
With donor restrictions	12,693,565	10,498,890
Total Net Assets	22,226,870	18,998,351
Total Liabilities and Net Assets	\$ 22,251,451	\$ 19,019,342

See accompanying notes to financial statements.

Endowment for Equal Justice

Statement of Activities

<i>Year Ended December 31, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ -	\$ 1,683,003	\$ 1,683,003
In-kind donations	47,506	-	47,506
Investment income, net of fees	1,244,079	1,359,184	2,603,263
Other revenue and support	-	-	-
	1,291,585	3,042,187	4,333,772
Net Assets Released from Restrictions	847,512	(847,512)	-
Total Support and Revenue	2,139,097	2,194,675	4,333,772
Operating Expenses			
Program	870,935	-	870,935
Management and general	57,140	-	57,140
Fund development	177,178	-	177,178
Total Operating Expenses	1,105,253	-	1,105,253
Change in Net Assets	1,033,844	2,194,675	3,228,519
Net Assets, beginning of year	8,499,461	10,498,890	18,998,351
Net Assets, end of year	\$ 9,533,305	\$ 12,693,565	\$ 22,226,870

See accompanying notes to financial statements.

Endowment for Equal Justice

Statement of Activities

<i>Year Ended December 31, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ -	\$ 1,428,969	\$ 1,428,969
In-kind donations	48,448	-	48,448
Investment income, net of fees	1,458,180	1,682,935	3,141,115
Other revenue and support	88	-	88
	1,506,716	3,111,904	4,618,620
Net Assets Released from Restrictions	823,604	(823,604)	-
Total Support and Revenue	2,330,320	2,288,300	4,618,620
Operating Expenses			
Program	848,000	-	848,000
Management and general	63,738	-	63,738
Fund development	196,675	-	196,675
Total Operating Expenses	1,108,413	-	1,108,413
Change in Net Assets	1,221,907	2,288,300	3,510,207
Net Assets, beginning of year	7,277,554	8,210,590	15,488,144
Net Assets, end of year	\$ 8,499,461	\$ 10,498,890	\$ 18,998,351

See accompanying notes to financial statements.

Endowment for Equal Justice

Statement of Functional Expenses

<i>Year Ended December 31, 2020</i>	Program	Supporting Services		Total
		Management and General	Fund Development	
Grants and awards	\$ 847,512	\$ -	\$ -	\$ 847,512
Compensation and related expenses	12,413	24,827	126,799	164,039
Donated rent and services	10,998	11,909	24,599	47,506
Donor cultivation and support	-	-	9,422	9,422
Professional services	-	12,900	7,255	20,155
Meetings and trainings	11	1,141	179	1,331
Insurance	-	1,719	-	1,719
Other	1	4,644	8,924	13,569
	\$ 870,935	\$ 57,140	\$ 177,178	\$ 1,105,253

See accompanying notes to financial statements.

Endowment for Equal Justice

Statement of Functional Expenses

<i>Year Ended December 31, 2019</i>	Program	Supporting Services		Total
		Management and General	Fund Development	
Grants and awards	\$ 823,604	\$ -	\$ -	\$ 823,604
Compensation and related expenses	13,342	26,683	113,397	153,422
Donated rent and services	10,909	14,150	23,389	48,448
Donor cultivation and support	-	-	40,302	40,302
Professional services	-	9,300	4,328	13,628
Meetings and trainings	138	5,707	2,191	8,036
Insurance	-	3,092	-	3,092
Other	7	4,806	13,068	17,881
	\$ 848,000	\$ 63,738	\$ 196,675	\$ 1,108,413

See accompanying notes to financial statements.

Endowment for Equal Justice

Statements of Cash Flows

<i>Year Ended December 31,</i>	2020	2019
Cash Flows for Operating Activities		
Investment income received	\$ 437,432	\$ 653,033
Other revenue and support received	-	88
Cash paid for grants and awards	(847,512)	(823,604)
Cash paid to employees	(159,823)	(152,625)
Cash paid to suppliers	(276,510)	(137,258)
Net Cash Flows for Operating Activities	(846,413)	(460,366)
Cash Flows for Investing Activities		
Proceeds from sale of investments	2,656,750	6,986,258
Purchases of investments	(3,726,236)	(7,596,639)
Net Cash Flows for Investing Activities	(1,069,486)	(610,381)
Cash Flows from Financing Activity		
Contributions restricted for investment in endowment	1,764,272	1,033,331
Net Change in Cash and Cash Equivalents	(151,627)	(37,416)
Cash and Cash Equivalents, beginning of year	222,958	260,374
Cash and Cash Equivalents, end of year	\$ 71,331	\$ 222,958

See accompanying notes to financial statements.

Endowment for Equal Justice

Notes to Financial Statements

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Endowment for Equal Justice (the Endowment) is a not-for-profit organization established in 2000. The Endowment's purpose is to support civil legal service programs through its distribution of grants.

The Endowment is on a mission to secure justice for future generations by providing stable, unrestricted, permanent funding for the full range of civil legal services in Washington State. Without meaningful access to the justice system, civil legal problems can negatively impact foundational aspects of people's lives such as housing, employment, safety, and economic security. To meet the growing need, the Endowment seeks, solicits, and secures gifts, bequests, and other planned gifts from lawyers and others in the community who want to ensure that access to justice remains a basic civil right for all.

The Endowment works closely with and provides grants to the Legal Foundation of Washington (the Foundation). The Foundation administers the Interest on Lawyers' Trust Accounts (IOLTA) program in Washington State. The IOLTA program requires that interest earned on IOLTA accounts be used for tax exempt charitable and educational purposes that are related to the legal profession. Through grants to the Foundation, the Endowment provides funds for over 40 civil justice organizations throughout Washington State providing direct civil legal aid, impact litigation, policy reform, and systemic advocacy. This collaboration, described more fully in Note 4, results in greater efficiencies for each organization while working on their common goal of promoting equal access to the civil justice system. The Foundation is legally separate from the Endowment and is not included in these financial statements.

During 2016, the Endowment began a fundraising effort (Reach 20) with a goal to raise \$5 million in gifts and pledges and increase the endowment to \$20 million by 2020. This goal was met during the year ended December 31, 2020.

Financial Statement Presentation

The Endowment reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Contributions that are received are recorded depending on the existence and/or nature of any donor restrictions.

Net Assets with Donor Restrictions

Some net assets with donor restrictions are temporary in nature and consist of unexpended contributions restricted for particular programs or purposes. Other net assets with donor restrictions are perpetual in nature, where the principal of contributions is restricted in perpetuity and the income from which is utilized for the purposes specified by the donors. This income is restricted until approved for appropriation by the Board of Directors (see Note 5). Other net assets with donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs. If the Endowment receives a contribution with donor restrictions and it meets the restrictions in the same year the contribution is received, then it records the contribution revenue as being without donor restrictions.

Endowment for Equal Justice

Notes to Financial Statements

At December 31, 2020 and 2019, net assets with donor restrictions consist of the following:

	2020	2019
Accumulated unappropriated earnings on endowment (temporary)	\$ 1,371,002	\$ 859,330
Restricted for endowment to be held in perpetuity	11,322,563	9,639,560
	\$ 12,693,565	\$ 10,498,890

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Endowment considers all unrestricted highly liquid investments with an initial maturity at purchase of three months or less to be cash equivalents (except those held in the investment account).

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Investments

The Endowment carries its investments at fair value in the statements of financial position. The fair value measurement of the investments was determined using Level 1 observable market inputs within the fair value hierarchy, consisting of quoted prices in active markets (such as national exchanges) for identical assets.

Realized gains and losses, determined using the specific identification method, and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Realized and unrealized gains and losses from securities are allocated to net assets with or without donor restrictions based on the relationship of the fair value of each net asset class to the total fair value of the pooled securities, as adjusted for additions to and deductions from those accounts.

Investments are limited as to use and consist of designated assets set aside by the Board of Directors for endowment funding as well as permanently donor-restricted contributions that have been received. The Board retains control over the Board-designated assets it has set aside and may, at its discretion, use these assets for other purposes.

Endowment for Equal Justice

Notes to Financial Statements

Revenue Recognition/Contributions Receivable

Unconditional promises to give are recognized as revenues in the period promised as contributions receivable. Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Long-term contributions receivable are recognized at fair value (at the time of the donation) and are measured at the present value of the estimated cash flows. In arriving at fair value, the contributions receivable are discounted using an estimated market rate that includes a present value discount rate and an estimated rate for an allowance for doubtful accounts. At December 31, 2020 and 2019, management has not discounted contributions receivable, as the discount was determined to be immaterial to these financial statements. Contributions receivable consist of the following:

<i>December 31,</i>	2020	2019
Amounts Due in		
Less than one year	\$ 255,434	\$ 297,331
One-to-five years	432,750	366,501
	\$ 688,184	\$ 663,832

Management reviews the collectability of contributions receivable on a periodic basis and determines the appropriate amount of any allowance. The Endowment charges off receivables to the allowance when management determines that a receivable is not collectible. At December 31, 2020 and 2019, there was no allowance recognized.

For the years ended December 31, 2020 and 2019, 58% and 60% of total contributions receivable, respectively, were due from one donor, respectively; but they were different donors each year. For the years ended December 31, 2020 and 2019, 42% and 47% of total contributions, respectively, were received from one donor, respectively, but they were different donors each year.

In-Kind Contributions

Donated rent and services are recognized in the financial statements at the estimated fair value of the rent and services received. Services and rent received consist of administration services and rent as provided by the Foundation (see Note 4). Other donated services were nil and \$2,403 in 2020 and 2019, respectively.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to program or supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and related expenses, donated rent and services, professional services, donor cultivation and support, meetings and trainings, insurance, and other, which are allocated on the basis of estimates of time spent by program or supporting functions.

Endowment for Equal Justice

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Income Taxes

The Endowment is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

The Endowment has evaluated subsequent events through the date these financial statements were available to be issued, which was _____, 2021.

2. Liquidity and Availability of Resources

The earnings of the Endowment are intended to cover operating expenses and annual distributions in support of the Legal Foundation of Washington in accordance with its spending policy (see Note 5).

The table below presents financial assets available for general expenditures within one year at:

<i>December 31,</i>	2020	2019
Financial Assets at Year-End		
Cash and cash equivalents	\$ 71,331	\$ 222,958
Investments	21,317,768	18,015,470
Contributions receivable	688,184	663,832
Contribution receivable - Legal Foundation of Washington	-	105,621
Due from Legal Foundation of Washington	173,137	10,430
Total Financial Assets	22,250,420	19,018,311
Less Amounts Not Available for Use		
Investments with permanent restrictions	(11,322,563)	(9,639,560)
Contributions receivable for permanent investment	(688,184)	(769,453)
Financial Assets Available to Meet		
General Expenditures within One Year	\$ 10,239,673	\$ 8,609,298

Financial assets available to meet general expenditures within one year include funds that are Board-designated for the endowment and quasi-endowments, as they are available for general expenditures upon Board approval.

Endowment for Equal Justice

Notes to Financial Statements

3. Investments

The components of the Endowment's investments are as follows:

<i>December 31,</i>	2020	2019
Money market funds	\$ 234,498	\$ 93,213
U.S. equities	7,151,947	5,625,942
Diversified emerging markets equity fund	1,005,811	795,716
Foreign large cap equity fund	5,760,373	4,960,134
Foreign small cap equity fund	692,462	583,578
U.S. equity funds		
Large cap	539,980	866,627
Small cap	680,896	633,250
Real estate fund	1,096,615	1,007,392
Fixed income - corporate bonds	4,155,186	3,449,618
	\$ 21,317,768	\$ 18,015,470

The following schedule summarizes investment income:

<i>Year Ended December 31,</i>	2020	2019
Interest and dividend income	\$ 437,432	\$ 653,033
Net realized and unrealized gains	2,232,812	2,546,315
Investment fees	(66,981)	(58,233)
Investment Income	\$ 2,603,263	\$ 3,141,115

4. Memorandum of Agreement

The Endowment and the Foundation have a Memorandum of Agreement. Under the agreement, (1) the Foundation provides management and operating support for the Endowment; (2) the Board of Directors of the Endowment, with the support of the Foundation staff, agrees to raise funds for the Endowment to support civil legal aid for the poor; and (3) the Foundation's Board of Trustees agrees to allocate these funds to civil legal aid providers throughout Washington State.

The Foundation is reimbursed for direct costs incurred by the Endowment including compensation and related costs, professional fees, printing, postage, and other direct costs that can be directly allocated to the Endowment.

However, other indirect costs including rent and administration services are not reimbursed. For the years ended December 31, 2020 and 2019, these fees are recognized as in-kind donations for rent and services totaling \$47,506 and \$46,045, respectively.

Endowment for Equal Justice

Notes to Financial Statements

The results of the agreement are greater synergy and efficiency in both charitable fundraising and grantmaking, and significant administrative cost savings to the Endowment, resulting in larger grant awards to civil legal aid programs statewide.

The Endowment made grants to the Foundation of \$847,512 and \$823,604 for the years ended December 31, 2020 and 2019, respectively. In addition, related to the Reach 20 campaign, the Foundation contributed \$500,000 to the Endowment during the years ended December 31, 2020 and 2019.

5. Endowment Funds

The Endowment for Equal Justice is an endowment that consists of one fund established to provide a stream of income to support grants made to organizations that provide civil legal aid to low-income people in Washington State. The Endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Endowment has interpreted the State of Washington Uniform Prudent Management of Institutional Funds Act (UPMIFA), and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this determination, the Endowment classifies as net assets with donor restrictions (a) the original value of gifts donated, plus (b) the original value of subsequent gifts, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not to be held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Endowment in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Endowment considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund
- The purposes of the Endowment and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Endowment
- The investment policies of the Endowment

Endowment for Equal Justice

Notes to Financial Statements

Endowment net assets consist of the following:

<i>December 31, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 12,693,565	\$ 12,693,565
Board-designated quasi-endowment funds	8,624,203	-	8,624,203
Total	\$ 8,624,203	\$ 12,693,565	\$ 21,317,768

<i>December 31, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 10,498,890	\$ 10,498,890
Board-designated quasi-endowment funds	7,516,580	-	7,516,580
Total	\$ 7,516,580	\$ 10,498,890	\$ 18,015,470

Changes in endowment net assets are as follows:

<i>Year Ended December 31, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, beginning of year	\$ 7,516,580	\$ 10,498,890	\$ 18,015,470
Investment Return			
Interest and dividend income	209,045	228,387	437,432
Net appreciation (realized and unrealized)	1,067,044	1,165,768	2,232,812
Investment management fees	(32,010)	(34,971)	(66,981)
Total Investment Income	1,244,079	1,359,184	2,603,263
Additions/Contributions	-	1,683,003	1,683,003
Withdrawals	(136,456)	(847,512)	(983,968)
Endowment Net Assets, end of year	\$ 8,624,203	\$ 12,693,565	\$ 21,317,768

Endowment for Equal Justice

Notes to Financial Statements

<i>Year Ended December 31, 2019</i>	Restrictions	Restrictions	Total
Endowment Net Assets, beginning of year	\$ 6,648,184	\$ 8,210,590	\$ 14,858,774
Investment Return			
Interest and dividend income	303,153	349,880	653,033
Net appreciation (realized and unrealized)	1,182,060	1,364,255	2,546,315
Investment management fees	(27,033)	(31,200)	(58,233)
Total Investment Income	1,458,180	1,682,935	3,141,115
Additions/Contributions	-	1,428,969	1,428,969
Withdrawals	(589,784)	(823,604)	(1,413,388)
Endowment Net Assets, end of year	\$ 7,516,580	\$ 10,498,890	\$ 18,015,470

Return Objectives and Risk Parameters

The Endowment has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted funds that the Endowment must hold in perpetuity or for a donor-specified period(s), as well as quasi-endowment funds. Under the investment policy, as approved by the Board of Directors, the Endowment assets are invested in a manner that is intended to produce results that exceed the demands placed on the Endowment to support its goal over any seven- to-ten-year period, in addition to exceeding the rate of inflation. The Endowment expects its funds, over time, to provide a rate of return that at a minimum equal or exceed inflation plus 5% over a market cycle. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Endowment relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Endowment targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Endowment's current policy is to appropriate for distribution each year 5% of its invested endowment fund's total balance as the average of the prior twelve quarters preceding the quarter in which the distribution is planned. In establishing this policy, the Endowment considered the long-term expected return on its endowment, the amount needed to maintain the purchasing power of the Endowment assets held in perpetuity or for a specified term, as well as ways to provide additional real growth through new gifts and undistributed investment returns.

Endowment for Equal Justice

Notes to Financial Statements

Funds with Deficiencies

From time to time, the fair value of assets associated with the donor-restricted portion of the Endowment funds could fall below the amounts that the donors or UPMIFA requires the Endowment to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2020 or 2019.

6. Risk Concentration

Financial instruments that subject the Endowment to concentrations of credit risk consist of cash and cash equivalents and investments. The Endowment places its cash and cash equivalents with major financial institutions. At times, deposits with any one institution may exceed federally insured limits. Management believes the risk of potential loss in exceeding federally insured limits is minimal.

Investments are subject to market fluctuations. The Endowment believes the market risk for these investments is moderate.

7. Novel Coronavirus

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. Through December 31, 2020, the COVID-19 outbreak has not had a material impact on the Endowment's operating results; however, staff are working remotely.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Endowment's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Endowment is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

On March 27, 2020, the CARES Act was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

Additionally, the CARES Act appropriated funds for the Paycheck Protection Program (PPP) Loan program that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by the COVID-19 outbreak.

Endowment for Equal Justice

Notes to Financial Statements

On December 27, 2020, the Consolidated Appropriations Act, 2021 bill was signed into law which included additional economic stimulus and COVID-19 related relief, including additional PPP funds and expansion of the Employee Retention Credit.

Subsequent to year-end, on March 11, 2021, the “American Rescue Plan Act of 2021” (the American Rescue Plan), was signed into law which included additional economic stimulus and tax credits, including the expansion of the Employee Retention Credit. The CARES Act, Consolidated Appropriations Act, and American Rescue Plan Act are not expected to have a material impact on the Endowment’s operations.