Cato Institute

Financial Statements
Years Ended March 31, 2024 and 2023

The report accompanying these financial statements was issued by
BDO USA, P.C., a Virginia professional corporation, and the U.S. member
of BDO International Limited, a UK company limited by guarantee.

Cato Institute

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Years Ended March 31, 2024 and 2023

Cato Institute

Contents

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Independent Auditor's Report

Board of Directors
Cato Institute
Washington, D.C.

Opinion

We have audited the accompanying financial statements of Cato Institute ("Cato"), which comprise the statements of financial position as of March 31, 2024 and 2023, and the related statements of activities and changes in net assets, 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 Cato as of March 31, 2024 and 2023, 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 Cato 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 Cato's ability to continue as a going concern within one year after the date that the financial statements are 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 Cato'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 Cato'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.

BDO USA, P.C.

McLean, Virginia
September 9, 2024

Financial Statements

Cato Institute

Statements of Financial Position

March 31,	2024	2023
Assets		
Current assets		
Cash and cash equivalents	**$ 38,385,994**	$ 44,296,086
Investments, short-term	**92,723,202**	46,840,920
Pledges receivable, current portion, net	**1,376,927**	2,429,027
Real property held for sale	**-**	2,375,000
Inventory	**523,515**	484,716
Prepaid expenses, deposits, and other current assets	**1,070,853**	640,491
Total current assets	**134,080,491**	97,066,240
Property and equipment, net	**31,854,544**	32,240,812
Right-of-use assets - finance leases	**68,945**	-
Pledges receivable, net of discount and current portion	**2,301,729**	2,484,463
Investments, long-term	**3,906,436**	3,253,819
Remainder interests	**6,375**	1,875
Total assets	**$ 172,218,520**	$ 135,047,209
Liabilities and Net Assets		
Current liabilities		
Lease liabilities - finance leases, current portion	**$ 16,495**	$ 30,263
Accounts payable and accrued expenses	**1,870,719**	2,129,344
Deferred revenue	**3,684**	110,822
Refundable donor advances	**100,000**	-
Annuities payable, current portion	**13,945**	5,270
Total current liabilities	**2,004,843**	2,275,699
Noncurrent liabilities		
Annuities payable, net of current portion	**85,090**	30,305
Lease liabilities - finance leases, net of current portion	**52,798**	-
Total liabilities	**2,142,731**	2,306,004
Commitments and Contingencies		
Net Assets		
Without donor restrictions		
Undesignated	**73,454,804**	82,215,810
Board designated	**86,762,422**	41,414,313
Total net assets without donor restrictions	**160,217,226**	123,630,123
With donor restrictions	**9,858,563**	9,111,082
Total net assets	**170,075,789**	132,741,205
Total liabilities and net assets	**$ 172,218,520**	$ 135,047,209

See accompanying notes to the financial statements.

Cato Institute

Statement of Activities and Changes in Net Assets

Year ended March 31, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Contributions	$ 59,951,548	$ 7,134,278	$ 67,085,826
Contribution of advertisment services	450,060	-	450,060
Books and other publications	326,091	-	326,091
Conference fees	233,514	-	233,514
Change in split-interest agreements	48,477	-	48,477
Investment return, net	11,129,794	-	11,129,794
Other income	487,432	-	487,432
Net assets released from restrictions	6,386,797	(6,386,797)	-
Total public support and revenue	79,013,713	747,481	79,761,194
Expenses			
Program services	32,550,855	-	32,550,855
Supporting services			
Management and general	4,155,168	-	4,155,168
Fundraising	5,720,587	-	5,720,587
Total expenses	42,426,610	-	42,426,610
Change in net assets	36,587,103	747,481	37,334,584
Net assets, beginning of the year	123,630,123	9,111,082	132,741,205
Net assets, end of the year	$ 160,217,226	$ 9,858,563	$ 170,075,789

See accompanying notes to the financial statements.

Cato Institute

Statement of Activities and Changes in Net Assets

Year ended March 31, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Contributions	$ 45,300,930	$ 5,142,944	$ 50,443,874
Contribution of real estate property	5,300,000	-	5,300,000
Contribution of advertisment services	451,565	-	451,565
Books and other publications	322,345	-	322,345
Conference fees	45,784	-	45,784
Change in split-interest agreements	1,726	-	1,726
Investment return, net	122,665	-	122,665
Other income	311,249	-	311,249
Net assets released from restrictions	6,844,850	(6,844,850)	-
Total public support and revenue	58,701,114	(1,701,906)	56,999,208
Expenses			
Program services	28,082,253	-	28,082,253
Supporting services			
Management and general	5,763,523	-	5,763,523
Fundraising	4,572,577	-	4,572,577
Total expenses	38,418,353	-	38,418,353
Change in net assets	20,282,761	(1,701,906)	18,580,855
Net assets, beginning of the year	103,347,362	10,812,988	114,160,350
Net assets, end of the year	$ 123,630,123	$ 9,111,082	$ 132,741,205

See accompanying notes to the financial statements.

Cato Institute

Statement of Functional Expenses

Year ended March 31, 2024	Program Services				Supporting Services			
	Public Policy Research	Communications & External Affairs	Educational Programs	Total Program Services	Management & General	Fundraising	Total Supporting Services	2024 Total
Salaries	$ 13,132,512	$ 1,563,939	$ 2,164,183	$ 16,860,634	$ 1,582,176	$ 2,189,731	$ 3,771,907	$ 20,632,541
Benefits & taxes	2,909,058	342,969	423,826	3,675,853	350,351	487,673	838,024	4,513,877
Professional services & fees	1,945,964	32,976	555,784	2,534,724	809,537	525,888	1,335,425	3,870,149
Communications & platform technology	415,296	46,040	138,485	599,821	120,503	100,422	220,925	820,746
Printing, publication & promotion	1,391,674	142,270	121,520	1,655,464	14,546	784,154	798,700	2,454,164
Postage, delivery & order fulfillment	738,219	12,815	38,839	789,873	18,861	388,729	407,590	1,197,463
Catering, audio visual & meeting	149,670	97,038	1,559,797	1,806,505	310,172	314,163	624,335	2,430,840
Travel	432,658	88,907	853,217	1,374,782	136,281	291,899	428,180	1,802,962
Office supplies, fees & other misc.	418,089	111,653	231,457	761,199	329,659	236,186	565,845	1,327,044
Depreciation, insurance, occupancy & taxes	1,635,126	184,074	472,800	2,292,000	483,082	401,742	884,824	3,176,824
Grants	122,500	-	77,500	200,000	-	-	-	200,000
Total expenses	$ 23,290,766	$ 2,622,681	$ 6,637,408	$ 32,550,855	$ 4,155,168	$ 5,720,587	$ 9,875,755	$ 42,426,610

See accompanying notes to the financial statements.

Cato Institute

Statement of Functional Expenses

Year ended March 31, 2023	Program Services: Public Policy Research	Program Services: Communications & External Affairs	Program Services: Educational Programs	Program Services: Total Program Services	Supporting Services: Management & General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	2023 Total
Salaries	$ 10,933,573	$ 1,357,847	$ 1,939,633	$ 14,231,053	$ 1,277,386	$ 1,810,676	$ 3,088,062	$ 17,319,115
Benefits & taxes	2,244,919	278,911	343,895	2,867,725	261,975	371,934	633,909	3,501,634
Professional services & fees	1,950,161	50,460	310,728	2,311,349	380,574	585,805	966,379	3,277,728
Communications & platform technology	420,626	47,652	161,193	629,471	103,850	92,113	195,963	825,434
Printing, publication & promotion	1,613,901	116,627	109,274	1,839,802	19,477	555,233	574,710	2,414,512
Postage, delivery & order fulfillment	921,597	22,310	56,666	1,000,573	11,710	289,270	300,980	1,301,553
Catering, audio visual & meeting	139,656	145,255	1,008,200	1,293,111	124,071	130,295	254,366	1,547,477
Travel	357,019	80,957	664,734	1,102,710	41,703	246,017	287,720	1,390,430
Office supplies, fees & other misc.	450,240	102,886	189,462	742,588	315,573	176,989	492,562	1,235,150
Depreciation, insurance, occupancy & taxes	1,435,126	162,564	362,631	1,960,321	302,204	314,245	616,449	2,576,770
Impairment of assets held for sale	-	-	-	-	2,925,000	-	2,925,000	2,925,000
Grants	70,000	-	33,550	103,550	-	-	-	103,550
Total expenses	**$ 20,536,818**	**$ 2,365,469**	**$ 5,179,966**	**$ 28,082,253**	**$ 5,763,523**	**$ 4,572,577**	**$ 10,336,100**	**$ 38,418,353**

See accompanying notes to the financial statements.

Cato Institute

Statements of Cash Flows

Years ended March 31,	**2024**	2023
Cash flows from operating activities:		
Change in net assets	**$ 37,334,584**	$ 18,580,855
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	**1,400,372**	888,224
Amortization of right-of-use assets - finance leases	**2,998**	93,555
Realized and unrealized (gain) loss on investments, net	**(7,249,330)**	1,361,100
Gain on disposal of property and equipment	**(303,000)**	-
Decrease (increase) in assets		
Pledges and accounts receivable	**1,234,835**	(2,317,951)
Inventory	**(38,799)**	(230,648)
Prepaid expenses, deposits and other current assets	**(430,362)**	1,164,868
Remainder interests	**(4,500)**	-
Property held for sale	**-**	(2,375,000)
Increase (decrease) in liabilities		
Annuities payable	**76,523**	10,336
Accounts payable and accrued expenses	**(258,624)**	183,890
Deferred revenue	**(107,139)**	105,639
Refundable donor advances	**100,000**	(550,741)
Net cash provided by operating activities	**31,757,558**	16,914,127
Cash flows from investing activities:		
Purchases of property and equipment	**(1,014,104)**	(3,674,498)
Proceeds from sale of property and equipment	**2,678,000**	-
Proceeds from sales of investments	**53,063**	45,076
Purchases of investments	**(39,338,634)**	(5,199,056)
Net cash used in investing activities	**(37,621,675)**	(8,828,478)
Cash flows from financing activities:		
Principal reduction in lease liabilities - finance leases	**(32,912)**	(122,143)
Payments on annuities	**(13,063)**	(4,784)
Net cash used in financing activities	**(45,975)**	(126,927)
Net (decrease) increase in cash and cash equivalents	**(5,910,092)**	7,958,722
Cash and cash equivalents at the beginning of the year	**44,296,086**	36,337,364
Cash and cash equivalents at the end of the year	**$ 38,385,994**	$ 44,296,086
Supplemental cash flow information:		
Interest paid	**$ (1,518)**	$ (1,216)
Acquisition of property and equipment through finance lease	**$ 71,943**	$ -

See accompanying notes to the financial statements.

1. Organization

The Cato Institute ("Cato") is a nonpartisan public policy research organization founded in 1977 and incorporated under the laws of the State of Kansas. During 2013, Cato changed the composition of its board and was re-organized from a stock-based corporation to a member organization. The Institute owes its name to Cato's Letters, a series of essays published in 18th- century England that presented a vision of society free from excessive government power. Those essays inspired the architects of the American Revolution. The mission of the Cato Institute is to keep the principles, ideas, and moral case for liberty alive for future generations, while moving public policy in the direction of individual liberty, limited government, free markets, and peace.

Public Policy Research

Cato's vision is a free and open society in which liberty allows every individual to pursue a life of prosperity and meaning in peace. To that end, Cato's scholars and analysts conduct and publish independent, nonpartisan research on a wide range of policy issues across more than 14 research areas, including law and civil liberties, tax and budget policy, regulatory studies, health care and welfare, education, finance, banking and monetary policy, foreign policy and national security, trade policy, and international development.

Educational Programs

Cato hosts public events and conferences in order to engage diverse audiences on our research and policy prescriptions. Cato also proactively invests in the next generation through its student programs. These include the Cato Internship Program and John Russell Paslaqua Intern Seminar Series, the Student Briefing Program, and Cato University, which teaches college students from around the country about America's founding principles of individual liberty, limited government, and free enterprise. Cato's Sphere program supports middle and high school educators with the knowledge and tools to overcome polarization and advance civil discourse on contentious issues in the classroom.

Communications

Cato scholars engage and educate broad audiences on policy prescriptions by disseminating research through speaking engagements, social media, briefings, op-eds and blogs, podcasts, television and radio appearances, and websites, which receive over 11 million visits annually. Cato has invested significantly in building a Cato digital program to showcase this content in a dynamic, engaging, and accessible way through these channels.

Government & External Affairs

Cato scholars and Government Affairs personnel meet with and educate government officials and their staff on a variety of public policy issues, advancing solutions based on the principles of individual liberty, limited government, free markets and peace. Cato hosts a Congressional Fellowship Program geared to share research and foster greater engagement on major public policy issues. Scholars regularly offer congressional testimony related to their fields of research.

2. Summary of Significant Accounting Policies

Basis of accounting

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, Not-for-Profit Entities.

Cash and equivalents

Cash equivalents as of March 31, 2024 and 2023 consist of short-term investments with original maturities of 90 days or less. Cato occasionally receives contributions of marketable securities. It is the policy of Cato to convert such securities to cash as soon as practical, always within 30 days. Consequently, all such securities are included in cash and equivalents and to the extent they are not donor restricted for long-term purposes, they are classified as operating cash flows.

Pledges receivable

Cato records pledges receivable, net of an allowance for uncollectible receivables when necessary. The allowance is determined based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged off against the allowance for uncollectible receivables once management determines an account, or a portion thereof, to be uncollectible. There was no allowance for uncollectible pledges receivable for the years ended March 31, 2024 and 2023.

Unconditional promises to give that are expected to be collected within one year are recorded as current pledges receivable at their net realizable values in the period in which Cato is notified by the donor of his or her commitment to make a contribution. Unconditional promises to give that are expected to be collected in future years are reflected as long-term pledges in net assets with donor restrictions at the net present value of their estimated future cash flows using risk-adjusted interest rates ranging from 1.28 percent to 6.34 percent. Amortization of the discount on long-term pledges receivable are reflected as contribution revenue. Conditional promises to give are recognized when conditions on which they depend are substantially met.

Inventory

Inventory, which consists of published books, totaling $523,515 and $484,716 at March 31, 2024 and 2023, respectively, is stated at the lower of cost or estimated net realizable value on a first-in, first-out basis. Obsolete inventory is expensed and recorded to program expenses on the statements of activities and changes in net assets.

Property and equipment

Cato capitalizes all property and equipment with a cost of $5,000 and above and an expected useful life of greater than one year. Property and equipment are recorded at historical cost and depreciated on the straight-line method over estimated useful lives as follows:

Land	Not depreciated
Building	25 - 40 years
Building improvements	5 - 25 years
Office furniture and equipment	3 - 10 years

Valuation of long-lived assets classified as held-for-sale

Cato reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured in the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. As of March 31, 2024, no impairment was recognized, and Cato did not carry any assets classified as held-for-sale. As of March 31, 2023, an impairment of $2,925,000 was recognized to reduce the carrying value of donated real property held for sale to $2,375,000. As of March 31, 2024, the building was sold. See Note 15.

Investments

Short-term investments consist of money market funds, equities, and short-term investment-grade fixed income securities, and are held for operating purposes.

Long-term investments, which consist of charitable gift annuities and endowment funds, are recorded at fair value. The investments, including the money market funds within the portfolio, are restricted and, therefore, are presented as long-term on the accompanying statements of financial position.

Cato records investments at fair value. Interest and dividend income is accounted for on the accrual basis. Gains and losses on investments, including changes in market value, are reported in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulation.

Remainder interests

Cato is the remainder beneficiary of trusts. Upon the death of the donor, remaining trust assets will be distributed to Cato. Remainder interests are classified as net assets with donor restrictions and values are stated at the net present value of future benefits expected to be received, based upon the life expectancy of the donor, fair value of the trust assets and a discount rate of six percent.

Deferred revenue

Revenue received in advance for certain functions is recorded as deferred revenue. In addition, revenue received in advance for subscriptions to publications is recorded as deferred revenue based on the time period remaining on the subscription.

Refundable donor advances

A transfer of assets (i.e. cash received) that is related to a conditional contribution is accounted for as refundable donor advances in the accompanying statements of financial position until the conditions have been substantially met or explicitly waived by the donor. Other changes in refundable donor advances result from timing differences between payments received from donors and the satisfaction of the conditions within the grant agreements.

Net assets

Cato's resources are classified for accounting and reporting purposes into net asset groups established according to their nature and purpose and based on the existence or absence of donor-imposed restrictions. Accordingly, Cato classifies net asset groups as follows:

Net assets without donor restrictions

Net assets without donor restrictions are not subject to donor-imposed restrictions. These net assets generally result from providing program services and receiving contributions without donor restrictions, restricted gifts whose donor-imposed restrictions were met during the fiscal year less expenses incurred in providing program services, raising contributions, and performing administrative functions. These funds are available for the overall operations of Cato and include both internally designated and undesignated resources. The internally designated net assets are available for use at the Board of Director's discretion.

Net assets with donor restrictions

Net assets with donor restrictions are subject to stipulations imposed by donors. These net assets generally result from contributions and other inflows of assets, the use of which is limited by donor- imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Cato pursuant to those stipulations. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit Cato to use the income earned on related investments for general or specific purposes.

Revenue recognition

Contributions

Cato receives contributions from individuals, foundations, and corporations in support of its mission. Contributions, including unconditional promises to give, are recognized in the period received. Contributions received are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for a future period, or are restricted by the donor for specific purposes, are reported as net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities and change in net assets as net assets released from restrictions. Contributions with donor restriction that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as contributions with donor restriction.

As of March 31, 2024 and 2023, Cato had remaining available grant balances on conditional contributions of $100,000 and $0, respectively. Of this amount, $100,000 and $0 are recognized as refundable donor advances within the statements of financial position as of March 31, 2024 and 2023, respectively. These award balances are recognized as revenue as the conditions are met, generally as qualifying expenditures are incurred and as milestones are satisfied.

Contributed non-financial assets

Donated securities are recorded at fair value as of the date of the contribution. Gains or losses on sale of donated securities converted to cash nearly immediately upon receipt are recorded as other income on the statements of activities and change in net assets since the donated securities are not investments but are considered cash flows from operating activities.

Donated property and equipment are recorded at fair value as of the date of contribution.

Contributions of services are recognized in the financial statements as in-kind contributions if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation. These services are recorded at their estimated fair values at the date of donation and are recognized in the statements of activities and change in net assets as printing, publication & promotion expense with an offsetting credit to contributions revenue.

Functional expenses

Expenses are recognized by Cato during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period. The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of Cato are reported as expenses of those functional areas.

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of Cato. Certain costs have been allocated among the program and supporting service categories based on various methods, including time spent. Salaries and related costs are allocated based on time and effort, and facilities costs and information technology expenses are allocated based on total direct costs to the programs and supporting services.

Income tax status

Cato is exempt from federal income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been designated by the Internal Revenue Service as a publicly supported organization under Section 509(a)(1) of the Code. Although Cato is generally exempt from income tax, Cato is subject to unrelated business income taxes under Section 512 of the Code, as well as subject to excise tax on excess lobbying expenses. Cato believes it has appropriate support for any tax position taken and, as such, does not have any uncertain tax positions that are material to the financial statements. Cato recognizes interest expense and penalties related to income taxes on uncertain tax positions in management and general expenses on the statements of activities and change in net assets and accounts payable and accrued expenses in the statements of financial position. No interest expense and penalties related to income taxes on uncertain tax positions were recognized for the years ended March 31, 2024 and 2023.

Cato files income tax returns in the U.S federal jurisdiction. In accordance with FASB ASC 740 Income Taxes, Cato recognizes tax liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination and settlement with various taxing authorities. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. With a few exceptions, Cato is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before fiscal year 2021. Management has evaluated Cato's tax positions and has concluded that Cato has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Financial instruments and credit risk

Cato's assets that are exposed to credit risk consist primarily of cash and cash equivalents, investments, and pledges receivable. Cash and cash equivalents are maintained at financial institutions, and, at times, balances may exceed federally insured limits. Cato has never experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits as of March 31, 2024 and 2023 approximate $37 million and $43 million, respectively. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position. Cato's pledge balances consist primarily of amounts due from individuals and foundations. Historically, Cato has not experienced significant losses related to the pledges receivable balances and, therefore, believes that the credit risk related to them is minimal.

Recently adopted authoritative guidance

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This guidance is effective for Cato's fiscal year ending March 31, 2024. Cato adopted this new guidance on April 1, 2023 utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on Cato's financial statements.

3. Liquidity and Availability of Resources

Cato regularly monitors liquidity to meet its annual operating budget and other contractual commitments. Cato's Investment Committee monitors excess cash levels and designates a portion of any operating surplus to its brokerage portfolio. This brokerage account may be drawn upon, if necessary, to meet unexpected liquidity needs. Financial assets available for general expenditure within one year of the statement of financial position date consists of the following:

March 31,	**2024**	2023
Financial assets at year-end:		
Cash and cash equivalents	**$ 38,385,994**	$ 44,296,086
Investments	**96,629,638**	50,094,739
Pledges receivable, net of discount	**3,678,656**	4,913,490
Remainder trust receivable	**6,375**	1,875
Total financial assets	**138,700,663**	99,306,190
Less amounts unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions – purpose/time restricted	**(6,848,466)**	(6,100,985)
Net assets with donor restrictions – endowments	**(3,010,097)**	(3,010,097)
Net assets without donor restrictions – board designated	**(86,762,422)**	(41,414,313)
Pledges receivable, net of discount, due in excess of one year	**(2,301,729)**	(2,484,463)
Investments related to split-interest agreements	**(406,774)**	(241,068)
Total financial assets available to meet general expenditures within one year	**$ 39,371,175**	$ 46,055,264

4. Pledges Receivable

Pledges receivable consist of the following as of March 31:

	2024	2023
Contributions and other receivables	**$ -**	$ 9,902
Pledges receivable	**3,876,927**	5,219,125
Total pledges and other receivables	**3,876,927**	5,229,027
Less discounts to net present value	**(198,271)**	(315,537)
Total pledges receivable, net	**3,678,656**	4,913,490
Less noncurrent pledges receivable due in one to five years	**(2,301,729)**	(2,484,463)
Current pledges receivable, net	**$ 1,376,927**	$ 2,429,027

Cato applies the fair value guidance for discounting pledges receivable. Accordingly, receivables are valued using benchmark rates for financial contracts denominated in United States Dollars (USD). The discount rates on contributions receivable ranges from 1.28% to 6.34% for the years ended March 31, 2024 and 2023.

5. Property and Equipment

Property and equipment consist of the following as of March 31:

	2024	2023
Land	**$ 9,656,037**	$ 9,656,037
Buildings and improvements	**37,815,114**	38,930,737
Audio visual systems	**2,724,136**	1,663,251
Office furniture and equipment	**3,407,173**	3,559,951
	53,602,460	53,809,976
Less accumulated depreciation and amortization	**(21,747,916)**	(21,569,164)
Property and equipment, net	**$ 31,854,544**	$ 32,240,812

Depreciation and amortization expense for property and equipment, including assets associated with finance leases, for the years ended March 31, 2024 and 2023 was $1,403,370 and $888,224, respectively.

6. Investments

Investments are stated at fair value and consist of the following as of March 31:

	2024	2023
Short-term investments		
Money market funds	**$ 5,960,780**	$ 5,426,607
Mutual funds - equity	**63,533,479**	18,859,216
Mutual funds – fixed income	**23,228,943**	22,555,097
Investments, short-term	**$ 92,723,202**	$ 46,840,920

	2024	2023
Long-term investments		
Money market funds	**$ 58,663**	$ 51,767
Exchange-traded funds - equity	**152,712**	138,540
Exchange-traded funds - fixed income	**19,132**	17,039
Mutual funds - equity	**2,802,715**	2,143,216
Mutual funds - fixed income	**873,214**	903,257
Investments, long-term	**$ 3,906,436**	$ 3,253,819

Investment return for the years ended March 31, 2024 and 2023, consists of the following:

	2024	2023
Interest and dividends - investments	$ 1,981,050	$ 1,151,742
Interest and dividends – cash and cash equivalents	1,899,414	332,023
	3,880,464	1,483,765
Realized and unrealized (gains) losses on investments, net	7,249,330	(1,361,100)
Total investment return, net	$ 11,129,794	$ 122,665

Realized and unrealized loss on investments is reported net of related expenses, such as custodial, commission, and investment advisory fees. There were no internal management expenses for the years ended March 31, 2024 and 2023.

7. Fair Value Measurements

Cato has determined the fair value of certain assets through application of FASB ASC Topic 820 *Fair Value Measurement*. Fair values of assets measured on a recurring basis as of March 31, 2024 and 2023 are as follows:

		Fair value measurements at reporting date using		
	2024 Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	$ 6,019,443	$ 6,019,443	$ -	$ -
Exchange - traded funds – equity	152,712	152,712	-	-
Exchange-traded funds – fixed income	19,132	19,132	-	-
Mutual funds – equity	66,336,194	66,336,194	-	-
Mutual funds – fixed income	24,102,157	24,102,157	-	-
Total investments	$ 96,629,638	$ 96,629,638	$ -	$ -

		Fair value measurements at reporting date using		
	2023 Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	$ 5,478,374	$ 5,478,374	$ -	$ -
Exchange - traded funds – equity	138,540	138,540	-	-
Exchange-traded funds – fixed income	17,039	17,039	-	-
Mutual funds – equity	21,002,432	21,002,432	-	-
Mutual funds – fixed income	23,458,354	23,458,354	-	-
Total investments	$ 50,094,739	$ 50,094,739	$ -	$ -

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and provide highest quality inputs.

Level 2 inputs are based primarily on quoted prices for identical assets in inactive markets or similar assets in active or inactive markets or other significant observable inputs.

Level 3 inputs provide the lowest quality inputs because there are no significant observable inputs. Cato uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Cato measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Money market funds reported as Level 1 inputs have been valued at the closing price reported by the fund sponsor from an actively traded exchange. Exchange-traded funds have been valued at the closing price reported on the active market in which the individual securities are traded. Mutual funds have been valued at the reported net asset value of the fund, which is the price at which additional shares can be obtained. There have been no changes in the valuation methodologies during the current year.

8. Annuities Payable

As part of a planned giving program, Cato has a charitable gift annuity arrangement in which donors contribute assets to Cato in exchange for a promise by Cato to pay a fixed amount for a specified period of time to the donor, individuals or organizations designated by the donor. The assets received by Cato are held in a separate investment account, with a fair value of $406,774 and $241,068 as of March 31, 2024 and 2023, respectively. The annuity liability is a general obligation of Cato.

The net assets without donor restrictions of Cato are available for payment of annuity liabilities. Contributions received under the charitable gift annuity arrangement are recognized as revenue in the year the annuity contract is executed. Assets received are recorded at fair value when received, and the annuity payment liability is recognized at the present value of estimated future payments to the annuitant. Contribution revenue is recognized as the difference between the fair value of the assets received and the annuity payment liability.

Annuities are based on interest rates ranging from 5.2% to 7.6%, and the payment term is the annuitant's life expectancy. The adjustments to the annuity liability relating to the decrease in liability due to a deceased annuitant and the passage of time and other factors have been recorded as change in split-interest agreements income in the accompanying statements of activities and change in net assets. Following is a summary of the changes in the annuities payable for the years ended March 31, 2024 and 2023:

	2024	2023
Beginning balance	**$ 35,575**	$ 30,024
New annuities established	**66,923**	11,336
Payments made to annuitants	**(13,063)**	(4,784)
Adjustments to liability relating to passage of time and other factors	**9,600**	(1,001)
Total annuities payable	**99,035**	35,575
Less current portion	**(13,945)**	(5,270)
Total noncurrent annuities payable	**$ 85,090**	$ 30,305

9. Net Assets Without Donor Restrictions – Board Designated Net Assets

Board designated net assets consist of the following as of March 31:

	2024	2023
Reserves for Expansion and Contingencies	**$ 86,762,422**	$ 41,414,313
Total net assets without donor restrictions – board designated	**$ 86,762,422**	$ 41,414,313

In May 2021, the board of directors established a reserve fund under the title Reserves for Expansion and Contingencies (the “Reserves”) to be managed by the Investment Committee. Annual spending from the Reserves shall not exceed ten percent of the fund’s market value as of the prior fiscal year-end. Since inception there have been no draws made to the Reserves.

10. Net Assets With Donor Restrictions

The composition of net assets with donor restrictions by type as of March 31 is as follows:

	2024	2023
Subject to expenditure for specific purpose:		
Robert A. Levy Center for Constitutional Studies	**$ -**	$ 237,022
Center for Educational Freedom	**32,760**	32,760
HumanProgress.org	**200,000**	200,000
Congressional Fellowship Program	**150,000**	-
Immigration Studies	**191,608**	167,339
Center for Monetary and Financial Alternatives	**225,000**	115,413
Project on Criminal Justice	**-**	60,773
Economic and Regulatory Policy	**122,265**	358,110
Milton Friedman Prize for Advancing Liberty	**170,706**	525,768
General Policy	**-**	15,727
Herbert A. Stiefel Center for Trade Policy Studies	**258,563**	39,598
Project Sphere	**2,432,866**	3,966,998
Regulatory Studies	**-**	64,279
Remainder Interests	**6,375**	1,875
Student Programs	**597,823**	125,880
Technology: Content Lab	**-**	186,789
Time Restricted	**2,123,682**	-
Endowments (Note 11):		
Subject to spending policy and appropriation:		
Public Policy and Research	**3,346,915**	3,012,751
Total net assets with donor restrictions	**$ 9,858,563**	$ 9,111,082

Net assets are released from donor restrictions when expenses satisfying the restricted purposes are incurred or by occurrence of other events specified by the donor. Net assets released from donor restrictions for the years ended March 31, 2024 and 2023 are as follows:

	2024	2023
Subject to expenditure for specific purpose:		
Robert A. Levy Center for Constitutional Studies	**$ 389,769**	$ 316,496
Center for Educational Freedom	**10,000**	21,142
Center for Global Liberty and Prosperity	**180,000**	856,520
HumanProgress.org	**210,000**	426,229
Immigration Studies	**225,731**	170,433
Center for Monetary and Financial Alternatives	**361,076**	852,456
Politics and Society	**100,000**	-
Communications: Multimedia	**-**	2,000
Project on Criminal Justice	**61,773**	139,327
Economic and Regulatory Policy	**485,845**	435,714
Milton Friedman Prize for Advancing Liberty	**440,262**	30
General Policy	**46,726**	-
Health and Welfare Studies	**150,000**	25,000
Herbert A. Stiefel Center for Trade Policy Studies	**176,035**	179,063
Libertarianism.org	**15,000**	849
Project Sphere	**3,233,512**	2,526,946
Regulatory Studies	**114,279**	190,368
Technology: Content Lab	**186,789**	702,278
Total net assets released from donor restrictions	**$ 6,386,797**	$ 6,844,851

11. Endowments

Endowment funds consist of the B. Kenneth Simon Endowment and the Richard C. and Deborah L. Young Endowment. Use of the assets by Cato is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of Cato. The income earned from the B. Kenneth Simon Endowment must be used for the Robert A. Levy Center for Constitutional Studies. Through December 2016, the Richard C. and Deborah L. Young Endowment was used for student programs and starting January 2017 the funds were used for Cato's Defense and Foreign Policy Studies. Commencing June 2020, the donors for the Richard C. and Deborah L. Young Endowment requested that the funds support Cato’s Center for Monetary and Financial Alternatives. The earnings are considered restricted until expenses have been incurred, thus releasing the income from restriction.

Interpretation of relevant law

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which became effective in Kansas in July 2008, as requiring the preservation of 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 interpretation, Cato classifies in perpetuity (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 retained in perpetuity is subject to appropriation for expenditure by Cato in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, Cato considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment funds
2. The purposes of Cato and the donor-restricted endowment funds
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Cato
7. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment funds, giving due consideration to the effect that such alternatives may have on Cato
8. The Endowment Spending Policy of Cato

Return objectives and risk parameters

Cato has adopted a conservative investment and spending policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowments. The investment objectives of managing endowment assets are the preservation of capital, liquidity, and to optimize the investment return within the constraints of the previously mentioned objectives. Endowment assets include those assets of donor-restricted funds that Cato must hold in perpetuity or for a donor-specified period.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, Cato 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).

Spending policy and how investment objectives relate to spending policy

Cato has a policy of appropriating for expenditure each year the earnings of the endowments. For the B. Kenneth Simon Endowment, spending is not to exceed seven percent of the endowment’s total asset value. In establishing this policy, Cato considered the long-term expected return on its endowment net assets and operating costs of the Robert A. Levy Center for Constitutional Studies program. For the Richard C. and Deborah L. Young Endowment, spending per quarter shall be equal to one percent of the endowment’s total asset value.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration (underwater endowments). Cato has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless the donor stipulates the contrary. As a result of this interpretation, Cato considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. As of March 31, 2024, deficiencies of this nature existed in one donor-restricted endowment fund, which had an original gift value of $1,000,000, a current fair value of $968,989, and a deficiency of $31,011. As of March 31, 2023, deficiencies of this nature existed in one donor-restricted endowment fund, which had an original gift value of $1,000,000, a current fair value of $950,510, and a deficiency of $49,490. The deficiency resulted from unfavorable market fluctuations that occurred during the current and previous fiscal years.

Cato's endowment net assets consist of the following as of March 31, 2024:

	Without donor restrictions	With donor restrictions	Total
Donor restricted endowment funds: Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	**$ -**	**$ 3,010,097**	**$ 3,010,097**
Accumulated investment earnings	**-**	**336,818**	**336,818**
Total endowment net assets	**$ -**	**$ 3,346,915**	**$ 3,346,915**

Cato's endowment net assets consist of the following as of March 31, 2023:

	Without donor restrictions	With donor restrictions	Total
Donor restricted endowment funds: Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 3,010,097	$ 3,010,097
Accumulated investment earnings	-	2,654	2,654
Total endowment net assets	$ -	$ 3,012,751	$ 3,012,751

The changes in the donor-restricted endowment net assets for the years ended March 31, 2024 and 2023 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, March 31, 2022	$ -	$ 3,241,039	$ 3,241,039
Investment return, net	-	(188,046)	(188,046)
Appropriation based on spending policy	-	(40,242)	(40,242)
Endowment net assets, March 31, 2023	-	3,012,751	3,012,751
Investment return, net	-	526,911	526,911
Appropriation based on spending policy	-	(192,747)	(192,747)
Endowment net assets, March 31, 2024	**$ -**	**$ 3,346,915**	**$ 3,346,915**

12. Employee Benefit Plans

Cato maintains a 401(k) plan that allows employees to defer a portion of their wages. Cato matches 25 percent of each employee's contributions up to eight percent of participants' compensation. The plan provides for an annual discretionary contribution by Cato. Cato will make a safe-harbor non-elective contribution each year to each employee’s account equal to three percent of the participant’s compensation. Total match and discretionary contributions amounted to $931,721 and $870,049 for the years ended March 31, 2024 and 2023, respectively.

Cato maintains a self-insurance program for its employees’ health care costs. Cato is liable for losses on claims up to $50,000 per claim for 2024 and 2023. Cato has third-party insurance coverage for any losses in excess of such amounts. Self-insurance costs are accrued based on claims reported as of March 31, 2024 and 2023, as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was $98,330 and $102,441 as of March 31, 2024 and 2023, respectively, and is included in accounts payable and accrued expenses in the accompanying statements of financial position.

13. Commitments and Contingencies

Finance Leases

In February 2016, the FASB issued ASC 842, *Leases*. The core principle of this guidance requires a lessee to recognize a right-of-use asset and related lease liability for most leases. Cato leased printing and mailing equipment in 2018, 2019, and 2024, securing finance leases with repayment terms ranging from three to five years. The equipment produces printed materials which are distributed to donors and the public via mail. These contracts have been evaluated and are considered finance leases under Topic 842. The present value of the sum of the lease payments and any residual value guaranteed by the lessee equal or exceeds substantially the fair value of the underlying assets.

The finance lease repayment terms range between three and five years and expire at various dates through 2023 and 2028.

Lessor Name	Description
US Bank Equipment Finance	Printing Equipment
Quadient	Mailing System Equipment
CSI Leasing	Printing Equipment

The maturity analysis of Cato's Finance lease liabilities is as follows:

Years ending March 31,		
2025	$	20,402
2026		20.402
2027		20,402
2028		17,001
		78,207
Less: amounts representing interest		(8,914)
Total finance lease liabilities	$	69,293

Supplemental quantitative information related to finance leases for the years ended March 31:

Finance Lease Cost		**2024**		2023
Amortization of right-of-use assets	**$**	**2,998**	$	93,555
Interest on lease liabilities		**1,518**		1,216
Total	**$**	**4,516**	$	94,771

Other Information		**2024**		2023
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from finance leases	**$**	**1,518**	$	1,216
Financing cash flows from finance leases		**25,783**		122,143
Weighted average remaining lease term – finance leases		**46 months**		6 months
Weighted average discount rate – finance leases		**6.32%**		0.60%

The FASB provided three practical expedients to reduce the burden of adopting Topic 842, that, if elected must be applied as a package consistently to all of Cato's leases that commenced before the effective date. Cato elected this approach for the fiscal year ending March 31, 2023, and applied the following three practical expedients to its existing leases, satisfying the transition requirements of Topic 842:

- Cato did not reassess whether any expired or existing contracts are or contain leases.
- Cato did not reassess lease classification for expired or existing leases.
- Cato did not reassess initial direct costs for existing leases.

Conference commitments

Cato has contracts through 2026 with hotels for future conferences. In the event of cancellation, Cato may be required to pay various costs as stipulated in the contracts, the amounts of which are dependent upon the respective dates of cancellation. Due to the numerous variables involved, Cato's ultimate liability under these contracts cannot be determined; however, the estimated costs as of March 31, 2024 total $420,000.

14. Joint Cost Activities

Cato has incurred and allocated joint costs of fundraising in disseminating information to the general public and supporters in five direct mailings during the year ended March 31, 2024 and five direct mailings during the year ended March 31, 2023. For the years ended March 31, 2024 and 2023, Cato incurred total direct mail program costs of $1,149,639 and $1,283,517, respectively, for informational materials and activities that included fundraising appeals, which were allocated as follows in accordance with ASC 958-720, *Not-for-Profit Entities - Other Expenses*:

	2024	2023
Public policy & research	**$ 571,676**	$ 815,576
Fundraising	**577,963**	467,941
	$ 1,149,639	$ 1,283,517

15. Contributed Non-Financial Assets

During the year ended March 31, 2024, Cato received monthly contributions of advertising services as gifts-in-kind (GIK). GIK are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. GIK are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor.

For the years ended March 31, 2024, and 2023, Cato received a total benefit from contributed advertising services of $450,060 and $451,565, respectively. The value of these contributed advertising services is based upon the fair value the service provider would receive for selling these services in its principal market. Cato utilizes these advertising services to promote its website, publications, and media, and to disseminate its policy research and libertarian principles to a wider audience. These contributed advertising services are recognized as expense in the period received.

During the year ended March 31, 2023, Cato received a contribution of real property, a dormitory style building located in Cheney, WA, as primary dormitory living for students. The fair market value at the time of receipt was $5.3 Million. The fair value of the contributed real property was based on a professional appraisal at the time of the donation. Cato recognized the donated real property at the fair value as of the date of the contribution.

In October 2022, Cato placed the dormitory style building on the market for sale. The negative economic and inflationary conditions presented limited market interest in the building sale. For the year ended March 31, 2023, an impairment loss of $2.925 million was recognized to reduce the carrying value of this contributed real property held for sale, based on as estimated auction price, including selling costs. The carrying value of the property was $2.375 million as of March 31, 2023. Cato sold the building via auction in July 2023, for $2.678 million. Cato recognized a $303,000 gain on the sale in the accompanying financial statements during the year ended March 31, 2024.

16. Subsequent Events

Cato has evaluated its March 31, 2024 financial statements for subsequent events through September 9, 2024, the date the financial statements were available to be issued. Cato is not aware of any subsequent events which would require recognition or disclosure in the financial statements.