

Cato Institute

Financial Statements Years Ended March 31, 2026 and 2025

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

Financial Statements
Years Ended March 31, 2026 and 2025

Cato Institute

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Independent Auditor's Report

Board of Directors
Cato Institute
Washington, D.C.

Opinion

We have audited the financial statements of Cato Institute (Cato), which comprise the statements of financial position as of March 31, 2026 and 2025, 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, 2026 and 2025, 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.

July 15, 2026

Financial Statements

Cato Institute

Statements of Financial Position

March 31,	2026	2025
Assets		
Current Assets		
Cash and cash equivalents	\$ 461,429	\$ 1,991,227
Investments, short-term	166,769,363	148,663,266
Pledges receivable, current portion, net	1,740,542	962,402
Inventory	447,288	317,092
Prepaid expenses, deposits, and other current assets	1,874,170	1,119,537
Total Current Assets	171,292,792	153,053,524
Pledges receivable, net of discount and current portion	2,633,287	1,448,515
Investments, long-term	9,270,341	3,545,178
Remainder interests	773,601	1,571,213
Right-of-use assets - finance leases	192,228	260,505
Right-of-use assets - operating leases	105,146	205,824
Property and equipment, net	29,441,233	30,395,983
Total Assets	\$ 213,708,628	\$ 190,480,742
Liabilities and Net Assets		
Current Liabilities		
Lease liabilities - finance leases, current portion	\$ 68,278	\$ 64,102
Lease liabilities - operating lease, current portion	105,146	100,678
Accounts payable and accrued expenses	2,798,526	2,732,570
Deferred revenue	259,659	198,712
Refundable donor advances	200,000	-
Total Current Liabilities	3,431,609	3,096,062
Non-Current Liabilities		
Lease liabilities - finance leases, net of current portion	135,277	203,555
Lease liabilities - operating lease, net of current portion	-	105,146
Total Liabilities	3,566,886	3,404,763
Commitments and Contingencies		
Net Assets		
Without donor restrictions:		
Undesignated	79,069,366	87,695,326
Board designated	115,996,114	90,519,377
Total Net Assets Without Donor Restrictions	195,065,480	178,214,703
Net Assets with Donor Restrictions	15,076,262	8,861,276
Total Net Assets	210,141,742	187,075,979
Total Liabilities and Net Assets	\$ 213,708,628	\$ 190,480,742

See accompanying notes to the financial statements.

Cato Institute

Statement of Activities and Changes in Net Assets

Year ended March 31, 2026

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Contributions	\$ 42,456,039	\$ 12,707,623	\$ 55,163,662
In-kind contributions	459,994	-	459,994
Books and other publications	202,731	-	202,731
Conference fees	285,254	-	285,254
Change in split-interest agreements	14,479	-	14,479
Investment return, net	17,606,280	-	17,606,280
Other income	526,934	-	526,934
Net assets released from restrictions	6,492,637	(6,492,637)	-
Total Public Support and Revenue	68,044,348	6,214,986	74,259,334
Expenses			
Program services	41,395,852	-	41,395,852
Supporting services:			
Management and general	4,077,530	-	4,077,530
Fundraising	5,720,189	-	5,720,189
Total Expenses	51,193,571	-	51,193,571
Change in Net Assets	16,850,777	6,214,986	23,065,763
Net Assets, beginning of the year	178,214,703	8,861,276	187,075,979
Net Assets, end of the year	\$ 195,065,480	\$ 15,076,262	\$ 210,141,742

See accompanying notes to the financial statements.

Cato Institute

Statement of Activities and Changes in Net Assets

Year ended March 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Contributions	\$ 51,638,081	\$ 5,745,363	\$ 57,383,444
In-kind contributions	461,742	-	461,742
Books and other publications	239,779	-	239,779
Conference fees	371,720	-	371,720
Change in split-interest agreements	(18,103)	-	(18,103)
Investment return, net	6,238,575	-	6,238,575
Other income	329,281	-	329,281
Net assets released from restrictions	6,742,650	(6,742,650)	-
Total Public Support and Revenue	66,003,725	(997,287)	65,006,438
Expenses			
Program services	38,268,334	-	38,268,334
Supporting services:			
Management and general	3,930,211	-	3,930,211
Fundraising	5,807,703	-	5,807,703
Total Expenses	48,006,248	-	48,006,248
Change in Net Assets	17,997,477	(997,287)	17,000,190
Net Assets, beginning of the year	160,217,226	9,858,563	170,075,789
Net Assets, end of the year	\$ 178,214,703	\$ 8,861,276	\$ 187,075,979

See accompanying notes to the financial statements.

Cato Institute

Statement of Functional Expenses

Year ended March 31, 2026

	Program Services				Supporting Services			
	Public Policy Research	Communications and External Affairs	Educational Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 14,483,052	\$ 3,192,721	\$ 3,308,317	\$ 20,984,090	\$ 1,936,225	\$ 2,354,290	\$ 4,290,515	\$ 25,274,605
Benefits and taxes	3,494,528	757,861	716,439	4,968,828	471,705	575,981	1,047,686	6,016,514
Professional services and fees	1,576,320	465,602	623,834	2,665,756	252,552	583,348	835,900	3,501,656
Communications and platform technology	424,262	95,941	247,272	767,475	144,656	103,941	248,597	1,016,072
Printing, publication and promotion	1,495,904	344,351	121,238	1,961,493	99,149	506,330	605,479	2,566,972
Postage, delivery and order fulfillment	914,868	21,808	69,214	1,005,890	41,494	444,439	485,933	1,491,823
Catering, audio visual and meeting	198,035	221,778	2,665,636	3,085,449	253,004	360,470	613,474	3,698,923
Travel	592,036	102,458	1,457,344	2,151,838	180,437	289,907	470,344	2,622,182
Office supplies, fees and other misc.	510,374	159,382	331,674	1,001,430	323,622	135,237	458,859	1,460,289
Depreciation, insurance, occupancy and taxes	1,622,605	366,095	678,903	2,667,603	374,686	366,246	740,932	3,408,535
Grants	86,000	20,000	30,000	136,000	-	-	-	136,000
Total Expenses	\$ 25,397,984	\$ 5,747,997	\$ 10,249,871	\$ 41,395,852	\$ 4,077,530	\$ 5,720,189	\$ 9,797,719	\$ 51,193,571

See accompanying notes to the financial statements.

Cato Institute

Statement of Functional Expenses

Year ended March 31, 2025

	Program Services					Supporting Services			
	Public Policy Research	Communications and External Affairs	Educational Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	
Salaries	\$ 13,972,821	\$ 2,369,583	\$ 2,886,041	\$ 19,228,445	\$ 1,660,451	\$ 2,268,361	\$ 3,928,812	\$ 23,157,257	
Benefits and taxes	3,021,452	532,065	566,746	4,120,263	367,133	500,268	867,401	4,987,664	
Professional services and fees	1,845,245	292,736	605,570	2,743,551	577,344	657,487	1,234,831	3,978,382	
Communications and platform technology	360,091	61,988	181,939	604,018	121,343	83,315	204,658	808,676	
Printing, publication and promotion	1,644,971	215,214	180,593	2,040,778	129,729	571,907	701,636	2,742,414	
Postage, delivery and order fulfillment	940,993	18,987	66,004	1,025,984	79,373	376,752	456,125	1,482,109	
Catering, audio visual and meeting	216,411	192,022	2,102,740	2,511,173	195,067	299,238	494,305	3,005,478	
Travel	555,681	141,610	1,612,879	2,310,170	152,762	394,252	547,014	2,857,184	
Office supplies, fees and other misc.	435,097	156,381	267,633	859,111	267,082	269,130	536,212	1,395,323	
Depreciation, insurance, occupancy and taxes	1,658,284	287,929	636,628	2,582,841	377,427	386,993	764,420	3,347,261	
Grants	153,000	52,500	36,500	242,000	2,500	-	2,500	244,500	
Total Expenses	\$ 24,804,046	\$ 4,321,015	\$ 9,143,273	\$ 38,268,334	\$ 3,930,211	\$ 5,807,703	\$ 9,737,914	\$ 48,006,248	

See accompanying notes to the financial statements.

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Statements of Cash Flows

<i>Years ended March 31,</i>	2026	2025
Cash Flows from Operating Activities		
Change in net assets	\$ 23,065,763	\$ 17,000,190
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	1,542,055	1,486,643
Noncash lease expense - operating lease	100,678	16,359
Amortization of right-of-use assets - finance leases	68,277	59,895
Realized and unrealized gain on investments, net	(11,468,638)	(1,409,800)
Endowment realized and unrealized gains	(734,261)	(154,967)
Contributions restricted for investment in perpetual endowment	(5,031,376)	-
Amortization of discount on pledges receivable	17,632	59,486
Loss on disposal of property and equipment	17,853	43,835
Gifts of donated securities	(2,787,186)	(1,476,135)
Proceeds from the sales of gifts of unrestricted securities	2,787,186	1,476,135
Inventory write-off	75,595	64,171
Decrease (increase) in assets:		
Pledges receivable	(1,980,544)	1,208,253
Inventory	(205,791)	142,252
Prepaid expenses, deposits and other current assets	(754,634)	(48,684)
Remainder interests	797,612	(1,564,838)
Increase (decrease) in liabilities:		
Annuities payable	-	(93,982)
Principal reduction in lease liabilities - operating lease	(100,678)	(16,359)
Accounts payable and accrued expenses	65,956	861,851
Deferred revenue	60,947	195,028
Refundable donor advances	200,000	(100,000)
Net Cash Provided by Operating Activities	5,736,446	17,749,333
Cash Flows from Investing Activities		
Purchases of property and equipment	(605,157)	(71,917)
Proceeds from sales of investments	44,429,180	4,502,879
Purchases of investments	(56,057,541)	(58,516,918)
Net Cash (Used in) Investing Activities	(12,233,518)	(54,085,956)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for investment in perpetual endowment	5,031,376	-
Principal reduction in lease liabilities - finance leases	(64,102)	(53,091)
Payments on annuities	-	(5,053)
Net Cash Provided by (Used in) Financing Activities	4,967,274	(58,144)
Net Decrease in Cash and Cash Equivalents	(1,529,798)	(36,394,767)
Cash and Cash Equivalents, beginning of the year	1,991,227	38,385,994
Cash and Cash Equivalents, at the end of the year	\$ 461,429	\$ 1,991,227
Supplemental Cash Flow Information		
Interest paid	\$ 14,821	\$ 16,311
Acquisition of property and equipment through finance lease	-	251,455
Operating lease commencement	-	222,183

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. The Cato 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 17 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, technology and communications policy and international development.

Educational Programs

Cato hosts public events and conferences to engage broad audiences with its 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 inform diverse audiences on policy issues through speaking engagements, social media, briefings, op-eds, blogs, podcasts, television and radio appearances, and websites that receive more than 14.7 million visits annually.

Cato has built a robust digital program that amplifies this content across web, social media, email, podcast, video, and data-driven platforms, making its research more accessible, engaging, and effective for a wide range of audiences.

Government & External Affairs

Cato scholars and Government and External Affairs staff engage government officials and their staff on a wide range of public policy issues, advancing solutions grounded in individual liberty, limited government, free markets, and peace. Cato also hosts a Congressional Fellowship Program to share research and deepen engagement on major policy issues. In addition, scholars regularly provide congressional testimony in their areas of expertise.

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 Cash Equivalents

Cash equivalents as of March 31, 2026 and 2025 consist of short-term investments with original maturities of 90 days or less. Cato occasionally receives contributions of marketable securities. It is Cato's policy to convert such securities to cash within seven 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 as of March 31, 2026 and 2025.

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 contribute. 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% to 6.34%. 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 and other publications, totaling \$447,288 and \$317,092 at March 31, 2026 and 2025, respectively, is stated at the lower of cost or estimated net realizable value on a first-in, first-out basis. Outdated publications are written off and expensed within program expenses on the statements of activities and changes in net assets.

Prepaid Expenses, Deposits, and Other Current Assets

Prepaid expenses, deposits, and other current assets represent advance payments and other assets. Prepaid expenses relate to goods and services to be received in future periods, including payments made to third-party vendors for subscriptions, insurance, service contracts, and other activities, and are recognized as expense as the related benefits are received. Deposits primarily consist of advance payments for programmatic and operational commitments, including venue, catering, lodging, and facility-related arrangements, as well as certain refundable deposits. Other current

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Notes to Financial Statements

assets include miscellaneous receivables and advances. Amounts are recorded at cost and expensed or applied as the related goods or services are received or obligations are settled.

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:

Asset Category	Estimated Useful Lives (Years)
Land	Not depreciated
Building	25-40
Building improvements	5-25
Office furniture and equipment	3-10

Valuation of Long-Lived Assets

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. For the year ended, March 31, 2026 and 2025, no impairment was recognized, and Cato did not carry any assets classified as held-for-sale.

Leases

Leases arise from contractual obligations that convey the right to control the use of an identified asset for a period of time in exchange for consideration. At the inception of the contract, Cato determines if an arrangement contains a lease based on whether there is an identified asset and whether Cato controls the use of the identified asset, making it a right-of-use asset. Based on prescribed accounting rules, Cato determines whether the lease is classified as an operating or finance lease at the commencement date.

A right-of-use asset represents Cato's right to use an underlying asset, and a lease liability represents Cato's obligation to make payments during the lease term. Right-of-use assets are recorded and recognized at commencement for the lease liability amount, adjusted for initial direct costs incurred and lease incentives received. Lease liabilities are recorded at the present value of the future lease payments over the lease term at commencement. The implicit rates for Cato's leases are not readily determinable; therefore, Cato elected to use a risk-free discount rate at the lease commencement date for all its leases.

Lease terms may include options to extend or terminate the lease. Cato uses the base, non-cancelable lease term when recognizing the lease assets and liabilities, unless it is reasonably certain that Cato will exercise those options. Cato's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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Notes to Financial Statements

As a matter of policy, Cato has elected to exclude leases with terms of 12 months or less (short-term leases) from the statements of financial position. Short-term lease expense is recognized on a straight-line basis over the expected term of the lease. There were no short-term leases as of March 31, 2026 and 2025.

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 primarily consist of 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.

Deferred Revenue

Revenue received in advance for certain grant-related or event-related 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 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. Cato's net assets without donor restrictions are comprised of undesignated net assets which represents funds available for general operations and board-designated net assets which represents funds 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

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donor-imposed stipulations that either expire by the 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. When a donor 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 restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions. Contributions with donor restrictions 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 restrictions.

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.

Conditional promises to give—including those under multi-year grant agreements—are recognized only when donor-imposed conditions are substantially met. A promise is deemed conditional if it includes barriers to entitlement and a donor's right of return or release. Until such conditions are met or waived, the transfer is recorded as a refundable advance. As of March 31, 2026 and 2025, Cato had remaining available grant balances on conditional contributions of \$200,000 and \$0, respectively. Of this amount, \$200,000 and \$0 are recognized as refundable donor advances within the statements of financial position as of March 31, 2026 and 2025, respectively. These award balances are recognized as revenue as the conditions are met, generally as qualifying expenditures are incurred and as milestones are satisfied.

Bequests and Legacies

Cato receives contributions in the form of bequests and legacies. Such contributions are recorded as contribution revenue in the statements of activities and changes in net assets only after probate and the legal process has been completed.

In some cases, bequests and legacies include split-interest agreements, such as charitable remainder trusts, where Cato is entitled to a remainder interest. These interests are recognized when Cato is notified of its irrevocable right to receive benefits and the present value of the estimated future benefits can be reasonably determined.

The value of the remainder interests are recorded as contribution revenue and changes in the estimated value of these interests are reflected in the statements of activities and changes in net assets in the period in which the change occurs.

Contributed Non-Financial Assets

Donated securities are recorded at fair value as of the date of the contribution and converted to cash within seven days of receipt. Gains or losses on the sale of donated securities are recorded as

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other income on the statements of activities and changes 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 changes in net assets as 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, 2026 and 2025.

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 2023. 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.

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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 (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 assesses credit losses for financial assets using the guidance set forth in ASC Topic 326. Management measures all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. For the year ended March 31, 2026 and 2025, no allowance for expected credit losses was required based on management's assessment.

Recently Adopted Authoritative Guidance

In December 2023, the FASB issued ASU 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*. The ASU requires certain crypto assets to be measured at fair value each reporting period, with changes in fair value recognized in net income, and requires enhanced disclosures about significant crypto asset holdings, contractual sale restrictions, and changes in those holdings. Cato adopted this standard during the year ended March 31, 2026. The adoption of this standard did not have a material impact on Cato's financial statements, as crypto assets received as contributions are converted to cash shortly after receipt and no material crypto assets were held at year-end.

Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU requires organizations to provide additional, disaggregated disclosures for income taxes paid, along with information about income from continuing operations before income tax expense on a disaggregated basis. Certain other disclosure requirements were eliminated. The ASU is effective for Cato's fiscal year 2027. While management continues to evaluate the potential impact of adopting the ASU, management does not anticipate that it will have a material impact on the financial statements.

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This update addresses challenges encountered when applying the guidance in Topic 326, Financial Instruments—Credit Losses, to current accounts receivable and contract assets arising from transactions accounted for under Topic 606, Revenue from Contracts with Customers. This update is effective for Cato's fiscal year 2027. While management continues to evaluate the potential impact of adopting the ASU, management does not anticipate that it will have a material impact on the financial statements.

In September 2025, the FASB issued ASU 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*. This update modernizes the accounting for internal-use software by removing the legacy "project stage" model and replacing it with a principles-based recognition threshold. This update is effective

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Notes to Financial Statements

for Cato's fiscal year 2029. While management continues to evaluate the potential impact of adopting the ASU, management does not anticipate that it will have a material impact on the 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. Management actively deploys excess cash into short-term investments and maintains liquidity through liquid investment balances rather than cash on hand. Financial assets available for general expenditure within one year of the statements of financial position date consists of the following:

<i>March 31,</i>	2026	2025
Financial assets at year-end:		
Cash and cash equivalents	\$ 461,429	\$ 1,991,227
Investments	176,039,704	152,208,444
Pledges receivable, net of discount	4,373,829	2,410,917
Remainder trust receivables	773,601	1,571,213
Total Financial Assets	181,648,563	158,181,801
Less amounts unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions - purpose/time restricted	(3,774,526)	(3,400,346)
Net assets with donor restrictions - endowments	(8,041,473)	(3,010,097)
Net assets without donor restrictions - board designated	(115,996,114)	(90,519,377)
Pledges receivable, net of discount, due in excess of one year	(2,486,662)	(577,418)
Remainder trust receivable, net of discount, due in excess of one year	(560,901)	(1,288,513)
Total Financial Assets Available to Meet General Expenditures Within One Year	\$ 50,788,887	\$ 59,386,050

4. Pledges Receivable

Pledges receivable consist of the following:

<i>March 31,</i>	2026	2025
Pledges receivable	\$ 4,615,542	\$ 2,562,402
Less: discounts to net present value	(241,713)	(151,485)
Total Pledges Receivable, Net	4,373,829	2,410,917
Less: non-current pledges receivable due in one to five years	(2,633,287)	(1,448,515)
Current Pledges Receivable, Net	\$ 1,740,542	\$ 962,402

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Notes to Financial Statements

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 pledges receivable ranges from 1.28% to 6.34% for the years ended March 31, 2026 and 2025.

5. Property and Equipment

Property and equipment consist of the following:

<i>March 31,</i>	2026	2025
Land	\$ 9,656,037	\$ 9,656,037
Buildings and improvements	38,013,049	37,798,037
Audio visual systems	2,074,544	2,046,344
Office furniture and equipment	3,206,803	3,126,305
	52,950,433	52,626,723
Less: accumulated depreciation and amortization	(23,509,200)	(22,230,740)
Property and Equipment, Net	\$ 29,441,233	\$ 30,395,983

Depreciation expense for property and equipment for the years ended March 31, 2026 and 2025 was \$1,542,055 and \$1,486,643, respectively.

6. Investments

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

<i>March 31,</i>	2026	2025
Short-term investments:		
Money market funds	\$ 50,773,249	\$ 58,143,890
Mutual funds - equity	62,989,992	53,398,702
Mutual funds - fixed income	53,006,122	37,120,674
Investments, Short-Term	\$ 166,769,363	\$ 148,663,266
<i>March 31,</i>	2026	2025
Long-term investments:		
Money market funds	\$ 49,096	\$ 38,210
Exchange-traded funds - equity	172,626	163,123
Exchange-traded funds - other	40,018	26,797
Mutual funds - equity	8,383,034	2,696,118
Mutual funds - fixed income	625,567	620,930
Investments, Long-Term	\$ 9,270,341	\$ 3,545,178

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Investment return consists of the following:

<i>Year ended March 31,</i>	2026	2025
Interest and dividends - investments	\$ 5,362,721	\$ 4,137,450
Interest and dividends - cash and cash equivalents	40,660	536,358
	5,403,381	4,673,808
Realized and unrealized gains on investments, net	12,202,899	1,564,767
Total Investment Return, Net	\$ 17,606,280	\$ 6,238,575

Realized and unrealized gains 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, 2026 and 2025.

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 are as follows:

March 31, 2026

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 50,822,345	\$ -	\$ -	\$ 50,822,345
Exchange - traded funds - equity	172,626	-	-	172,626
Exchange-traded funds - other	40,018	-	-	40,018
Mutual funds - equity	71,373,026	-	-	71,373,026
Mutual funds - fixed income	53,631,689	-	-	53,631,689
Total Investments	176,039,704	-	-	176,039,704
Beneficial Interests in Charitable Trusts Held by Others	-	-	773,601	773,601
Total Assets	\$ 176,039,704	\$ -	\$ 773,601	\$ 176,813,305

March 31, 2025

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 58,182,100	\$ -	\$ -	\$ 58,182,100
Exchange - traded funds - equity	163,123	-	-	163,123
Exchange-traded funds - other	26,797	-	-	26,797
Mutual funds - equity	56,094,820	-	-	56,094,820
Mutual funds - fixed income	37,741,604	-	-	37,741,604
Total Investments	152,208,444	-	-	152,208,444
Beneficial Interests in Charitable Trusts Held by Others	-	-	1,571,213	1,571,213
Total Assets	\$ 152,208,444	\$ -	\$ 1,571,213	\$ 153,779,657

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Level 3 Investments Activity - The following table presents the activities for Cato's assets classified in Level 3:

<i>Year ended March 31,</i>	2026	2025
Total Level 3 Investments , beginning of year	\$ 1,571,213	\$ 6,375
Net realized and unrealized gains (losses)	14,479	(18,103)
Additional split interest receivables	200,000	1,582,941
Settlements of split interest receivables	(1,012,091)	-
Total Level 3 Investments , end of year	\$ 773,601	\$ 1,571,213

Split-interest receivables represent amounts due from donor estates and trusts for which the Organization has an irrevocable right to receive benefits. These are recorded at fair value based on the net present value of estimated future distributions, using assumptions including underlying asset values, discount rates, and life expectancies. Changes in value are recognized in the statement of activities and amounts are realized upon receipt.

For split interest receivables, Cato gathers as much information as possible for each instrument, including the initial and current trust value, the amount allocated to Cato, the date of birth of any other beneficiaries and payout amounts. Cato uses a standard charitable gift calculation model using these inputs and a standard discount rate reset each year based on IRS discount rates. For any input not readily available, management develops a best estimate for use in the calculation. There were no changes in valuation techniques for the split interest receivables for 2026.

Quantitative information related to assets measured and carried at fair value on a recurring basis using significant unobservable inputs follows:

Description	Fair Value at March 31,		Principal Valuation Technique	Unobservable Inputs	Weighted Average
	2026	2025			
Remainder Interests	\$ 773,601	\$ 1,571,213	Income Approach	Discount rates Life expectancies Trust payouts Allocation percentages	N/A

The unobservable inputs used in the fair value measurement of Cato's remainder interest receivables are subject to market risks resulting from changes in the market value of their underlying investments.

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.

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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. The fair values of beneficial interests in charitable trusts are determined by using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees.

8. Beneficial Interest in Trusts

Cato has been named as an irrevocable beneficiary of various charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, Cato has neither possession nor control over the assets of the trusts. At the date Cato receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statements of activities and changes in net assets, and a beneficial interest in charitable trusts held by others is recorded in the statements of financial position at fair value. Changes in fair value are recognized in contributions in the statements of activities and changes in net assets. Upon receipt of trust distributions, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions.

In addition to these gifts, Cato has been named as the beneficiary in various agreements that are either revocable, or for which a reasonable valuation cannot be calculated. Such agreements are therefore not recorded in the accompanying financial statements.

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

Board designated net assets consist of the following:

<i>March 31,</i>	2026	2025
Reserves for expansion and contingencies	\$ 115,996,114	\$ 90,519,377
Total Net Assets Without Donor Restrictions - Board Designated	\$ 115,996,114	\$ 90,519,377

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 10% of the fund's market value as of the prior fiscal year-end. Since inception there have been no draws made to the Reserves.

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Notes to Financial Statements

10. Net Assets with Donor Restrictions

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

<i>March 31,</i>	2026	2025
Subject to Expenditure for Specific Purpose		
Robert A. Levy Center for Constitutional Studies	\$ -	\$ 57,500
Center for Educational Freedom	32,760	32,760
Center for Global Liberty and Prosperity	376,936	204,092
Immigration Studies	418,506	524,335
Center for Monetary and Financial Alternatives	-	10,000
Politics and Society	562,500	200,902
Economic and Regulatory Policy	-	4,590
Milton Friedman Prize for Advancing Liberty	-	745,512
Project Sphere	887,660	917,683
Student Programs	248,707	346,137
Tax & Budget Studies	273,000	-
Herbert A. Stiefel Center for Trade Policy Studies	40,000	-
Time Restricted	2,486,662	879,620
Remainder & Split-Interest Agreements	773,601	1,571,213
Endowments (Note 11)		
Subject to spending policy and appropriation:		
Public Policy and Research	8,975,930	3,366,932
Total Net Assets with Donor Restrictions	\$ 15,076,262	\$ 8,861,276

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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 are as follows:

<i>Years ended March 31,</i>	2026	2025
Subject to Expenditure for Specific Purpose		
Robert A. Levy Center for Constitutional Studies	\$ 340,674	\$ 278,246
Center for Educational Freedom	50,000	-
Center for Global Liberty and Prosperity	463,156	536,908
HumanProgress.org	200,000	200,000
Congressional Fellowship Program	150,000	150,000
Immigration Studies	500,542	332,273
Center for Monetary and Financial Alternatives	365,236	395,616
Politics and Society	633,402	109,098
Economic and Regulatory Policy	455,590	464,675
Milton Friedman Prize for Advancing Liberty	1,066,822	9,944
General Policy	31,524	-
Health and Welfare Studies	-	25,000
Herbert A. Stiefel Center for Trade Policy Studies	106,000	358,563
Libertarianism.org	-	15,000
Project Sphere	230,273	2,195,184
Regulatory Studies	25,000	50,000
Student Programs and Cato University	262,167	282,859
Tax & Budget Studies	300,000	-
Time Restricted	300,160	1,299,718
Remainder Interests	1,012,091	39,566
Total Net Assets Released from Donor Restrictions	\$ 6,492,637	\$ 6,742,650

11. Endowments

Endowment funds consist of The B. Kenneth Simon Endowment, The Richard C. and Deborah L. Young Endowment, The Selz Foundation Endowment, and The John B. Crowell Jr. 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. Income earned from The B. Kenneth Simon Endowment is to be used for the Robert A. Levy Center for Constitutional Studies. The Richard C. and Deborah L. Young Endowment funds are to be used to support Cato's Center for Monetary and Financial Alternatives. Income earned from The Selz Foundation Endowment is to be used in support of the Chair in Immigration Policy, and the income earned by The Crowell Endowment is to be used for general operations. 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

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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

Subject to compliance with Kansas UPMIFA, the Board or the Executive Committee may set an annual spending amount from Endowment Funds for the new fiscal year by affirmative vote of a majority of the members at a meeting at which a quorum is present, not to exceed five percent (5%) of the twelve-quarter trailing average of the market value of the Endowment Funds as of the prior fiscal year end (the "Maximum Endowment Funds Expenditure"). The Board or Executive Committee may set the annual spending amount at or before the first regular Board meeting of each calendar year. Should the Board not set a spending amount at or prior to the first regular Board meeting of each calendar year, Cato management is authorized to spend up to the Maximum Endowment Funds Expenditure over the course of the new fiscal year.

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Cato has a policy of appropriating for expenditure each year the earnings of the endowments. Certain endowment funds are subject to specific donor-imposed spending limitations, which are applied in conjunction with Cato's general spending policy. For The B. Kenneth Simon Endowment, distributions are limited to no more than 7% of the fund's total asset value. For The Richard C. and Deborah L. Young Endowment, distributions are limited to 1% of the fund's total asset value per quarter. For endowments without a specified donor spending rate, investment income is appropriated for expenditure in accordance with Cato's general spending policy and is released from restriction upon expenditure.

During fiscal year 2026, Cato established The Selz Foundation Endowment and The John B. Crowell, Jr. Endowment. These donor-restricted endowments require that the original gift amounts be maintained in perpetuity. The Selz Foundation supports The Selz Foundation Chair in Immigration Policy, while The Crowell Endowment supports general operations. The Selz Foundation distributions are limited to no more than 5% of the fund's total asset value. The Crowell Endowment requires that the funds be invested permanently, and that the annual income, including capital appreciation, may be either accumulated or used each year, in whole or in part, for Cato's purposes as determined by its trustees or directors. Because the agreement does not specify a spending rate, management determined it was prudent to spend investment income in accordance with Cato's endowment spending policy and to release those funds from restriction when spent.

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, 2025, 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 \$998,806, and a deficiency of \$1,194. The deficiency resulted from unfavorable market fluctuations that occurred during the current and previous fiscal years. There was no deficiency in the donor restricted fund as of March 31, 2026.

Cato's endowment net assets consist of the following:

<i>March 31</i>	2026	2025
Donor restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 8,041,473	\$ 3,010,097
Accumulated investment earnings	934,457	356,835
Total Endowment Net Assets	\$ 8,975,930	\$ 3,366,932

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The changes in the donor-restricted endowment net assets for the years ended March 31, 2026 and 2025 are as follows:

Endowment Net Assets, March 31, 2024	\$	3,346,915
Investment return, net		238,379
Appropriation based on spending policy		(218,362)
Cato Endowment Net Assets, March 31, 2025		3,366,932
Original donor-restricted gift amounts received in 2026		5,031,376
Investment return, net		912,769
Appropriation based on spending policy		(335,147)
Endowment Net Assets, March 31, 2026	\$	8,975,930

12. Employee Benefit Plans

Cato maintains a 401(k) plan that allows employees to defer a portion of their wages. Cato matches 25% of each eligible employee's contributions up to 8% 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 eligible employee's account equal to 3% of the participant's compensation. Total match and discretionary contributions amounted to \$1,269,343 and \$1,121,836 for the years ended March 31, 2026 and 2025, 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 2026 and 2025. 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, 2026 and 2025, as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was \$183,452 and \$234,670 as of March 31, 2026 and 2025, respectively, and is included in accounts payable and accrued expenses in the accompanying statements of financial position.

13. Commitments and Contingencies

Finance and Operating 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 equals or exceeds substantially all the fair value of the underlying assets. In February 2025, Cato signed a 26-month lease for a corporate apartment located in Washington, DC. for use by out-of-town staff members. The lease has been evaluated and is considered an operating lease under ASC 842.

The remaining finance and operating lease repayment terms range between two and four years and expire at various dates through fiscal year 2030.

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

Years ending March 31,

	Finance leases	Operating leases
2027	\$ 79,203	\$ 107,640
2028	75,801	-
2029	58,800	-
2030	9,800	-
Total Future Minimum Lease Payments	223,604	107,640
Less: amounts representing interest	(20,049)	(2,494)
Total Lease Liabilities Recognized	\$ 203,555	\$ 105,146

Supplemental quantitative information related to finance and operating leases:

Year ended March 31,

	2026		2025	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Operating lease cost (cost resulting from lease payments)	\$ -	\$ 100,678	\$ -	\$ 16,359
Amortization of right-of-use assets - finance leases	68,277	-	59,895	-
Interest on lease liabilities - finance leases	14,821	-	16,311	-
Total Lease Costs	\$ 83,098	\$ 100,678	\$ 76,206	\$ 16,359

Year ended March 31,

	2026		2025	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Cash paid for amounts included in the measurement of lease liabilities	\$ 82,859	\$ 107,640	\$ 69,402	\$ 17,940
Weighted-average remaining lease terms (months)	35 months	12 months	47 months	24 months
Weighted-average discount rate	6.33%	4.35%	6.33%	4.35%

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Conference Commitments

Cato has contracts through fiscal year 2027 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, 2026 and 2025 total \$573,459 and \$657,001, respectively, of which some are included in prepaid expenses, deposits, and other current assets on the statements of financial position.

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 years ended March 31, 2026 and 2025, respectively. For the years ended March 31, 2026 and 2025, Cato incurred total direct mail program costs of \$1,518,906 and \$1,241,587, 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*:

<i>Year ended March 31,</i>	2026	2025
Public policy and research	\$ 946,410	\$ 748,796
Fundraising	518,371	338,651
Management and general	54,125	154,140
	\$ 1,518,906	\$ 1,241,587

15. Contributed Non-Financial Assets

During the years ended March 31, 2026 and 2025, Cato received total benefits from contributions of promotional services as gifts-in-kind (GIK) of \$459,994 and \$461,742, respectively. 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 the fair market values of equivalent services that would have been purchased in their principal market.

16. Subsequent Events

Cato has evaluated its March 31, 2026 financial statements for subsequent events through July 15, 2026, 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.