



# Cato Institute

Financial Statements  
Years Ended March 31, 2021 and 2020

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



**Cato Institute**

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Financial Statements  
Years Ended March 31, 2021 and 2020

# Cato Institute

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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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cato as of March 31, 2021 and 2020, 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 issued or available to be issued.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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. 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, LLP*

McLean, Virginia  
July 21, 2021

## Financial Statements

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# Cato Institute

## Statements of Financial Position

<i>March 31,</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 23,037,847	\$ 10,539,521
Investments, short-term	40,460,455	34,876,832
Pledges and accounts receivable, current portion, net	3,066,900	3,044,432
Inventory	218,926	523,978
Prepaid expenses, deposits, and other current assets	581,021	464,943
<b>Total current assets</b>	<b>67,365,149</b>	<b>49,449,706</b>
Property and equipment, net	30,640,495	31,839,226
Pledges receivable, net of discount and current portion	2,238,843	930,505
Investments, long-term	3,570,984	3,364,050
Remainder interests	1,875	1,875
<b>Total assets</b>	<b>\$ 103,817,346</b>	<b>\$ 85,585,362</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Capital lease obligations, current portion	\$ 174,660	\$ 150,739
Accounts payable and accrued expenses	1,565,803	2,465,202
Deferred revenue	101,205	95,704
Refundable donor advances	677,776	1,116,941
Annuities payable, current portion	11,579	14,224
<b>Total current liabilities</b>	<b>2,531,023</b>	<b>3,842,810</b>
<b>Noncurrent liabilities</b>		
Annuities payable, net of current portion	47,967	64,936
Capital lease obligations, net of current portion	145,241	286,325
<b>Total liabilities</b>	<b>2,724,231</b>	<b>4,194,071</b>
<b>Commitments and contingencies</b>		
<b>Net Assets</b>		
Without donor restrictions	85,656,516	70,983,636
With donor restrictions	15,436,599	10,407,655
<b>Total net assets</b>	<b>101,093,115</b>	<b>81,391,291</b>
<b>Total liabilities and net assets</b>	<b>\$ 103,817,346</b>	<b>\$ 85,585,362</b>

*See accompanying notes to the financial statements.*

# Cato Institute

## Statement of Activities and Change in Net Assets

<i>Year ended March 31, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenue</b>			
Contributions	\$ 30,669,985	\$ 11,457,660	\$ 42,127,645
Books and other publications	339,496	-	339,496
Change in split-interest agreements	7,076	-	7,076
Investment return, net	5,903,714	-	5,903,714
Other income	144,100	-	144,100
Net assets released from restrictions	6,428,716	(6,428,716)	-
<b>Total public support and revenue</b>	<b>43,493,087</b>	<b>5,028,944</b>	<b>48,522,031</b>
<b>Expenses</b>			
Program services	23,473,565	-	23,473,565
Supporting services			
Management and general	2,454,561	-	2,454,561
Fundraising	2,892,081	-	2,892,081
<b>Total expenses</b>	<b>28,820,207</b>	<b>-</b>	<b>28,820,207</b>
Change in net assets	14,672,880	5,028,944	19,701,824
Net assets, beginning of the year	70,983,636	10,407,655	81,391,291
<b>Net assets, end of the year</b>	<b>\$ 85,656,516</b>	<b>\$ 15,436,599</b>	<b>\$ 101,093,115</b>

*See accompanying notes to the financial statements.*



# Cato Institute

## Statement of Activities and Change in Net Assets

<i>Year ended March 31, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenue</b>			
Contributions	\$ 24,038,154	\$ 6,921,231	\$ 30,959,385
Books and other publications	263,164	-	263,164
Conference fees	557,948	-	557,948
Change in split-interest agreements	(15,598)	-	(15,598)
Investment return, net	(323,187)	115,222	(207,965)
Other income	138,251	-	138,251
Net assets released from restrictions	8,399,421	(8,399,421)	-
<b>Total public support and revenue</b>	<b>33,058,153</b>	<b>(1,362,968)</b>	<b>31,695,185</b>
<b>Expenses</b>			
Program services	25,704,611	-	25,704,611
Supporting services			
Management and general	2,261,144	-	2,261,144
Fundraising	3,760,078	-	3,760,078
<b>Total expenses</b>	<b>31,725,833</b>	<b>-</b>	<b>31,725,833</b>
Change in net assets	1,332,320	(1,362,968)	(30,648)
Net assets, beginning of the year	69,651,316	11,770,623	81,421,939
<b>Net assets, end of the year</b>	<b>\$ 70,983,636</b>	<b>\$ 10,407,655</b>	<b>\$ 81,391,291</b>

*See accompanying notes to the financial statements.*

# Cato Institute

## Statement of Functional Expenses

<i>Year ended March 31, 2021</i>	Program Services				Supporting Services			2021 Total
	Public Policy Research	Communications & External Affairs	Educational Programs	Total Program Services	Management & General	Fundraising	Total Supporting Services	
Salaries	\$ 10,431,636	\$ 1,400,339	\$ 1,188,785	\$ 13,020,760	\$ 1,302,513	\$ 1,369,086	\$ 2,671,599	\$ 15,692,359
Benefits & taxes	2,029,239	271,788	205,923	2,506,950	251,721	264,755	516,476	3,023,426
Professional services & fees	1,500,445	19,209	221,297	1,740,951	284,776	419,267	704,043	2,444,994
Communications & platform technology	375,396	38,958	74,268	488,622	47,332	60,444	107,776	596,398
Printing, publication & promotion	1,694,550	61,802	77,935	1,834,287	28,948	279,196	308,144	2,142,431
Postage, delivery & order fulfillment	1,040,379	5,855	29,195	1,075,429	14,030	187,808	201,838	1,277,267
Catering, audio visual & meeting	44,868	12,955	41,706	99,529	85	180	265	99,794
Travel	14,643	2,362	2,732	19,737	354	5,118	5,472	25,209
Office supplies, fees & other misc.	448,857	67,221	37,731	553,809	302,815	32,365	335,180	888,989
Depreciation, insurance, occupancy, taxes	1,718,617	177,213	178,775	2,074,605	221,987	273,862	495,849	2,570,454
Grants	41,386	-	17,500	58,886	-	-	-	58,886
<b>Total expenses</b>	<b>\$ 19,340,016</b>	<b>\$ 2,057,702</b>	<b>\$ 2,075,847</b>	<b>\$ 23,473,565</b>	<b>\$ 2,454,561</b>	<b>\$ 2,892,081</b>	<b>\$ 5,346,642</b>	<b>\$ 28,820,207</b>

*See accompanying notes to the financial statements.*

# Cato Institute

## Statement of Functional Expenses

Year ended March 31, 2020	Program Services				Supporting Services			2020 Total
	Public Policy Research	Communications & External Affairs	Educational Programs	Total Program Services	Management & General	Fundraising	Total Supporting Services	
Salaries	\$ 9,609,055	\$ 1,307,033	\$ 1,170,796	\$ 12,086,884	\$ 1,055,264	\$ 1,512,979	\$ 2,568,243	\$ 14,655,127
Benefits & taxes	2,157,082	293,624	221,614	2,672,320	237,064	339,890	576,954	3,249,274
Professional services & fees	1,518,592	18,085	408,029	1,944,706	370,252	473,026	843,278	2,787,984
Communications & platform technology	629,269	78,077	173,652	880,998	78,029	128,266	206,295	1,087,293
Printing, publication & promotion	1,413,978	85,082	107,884	1,606,944	2,955	253,649	256,604	1,863,548
Postage, delivery & order fulfillment	818,931	10,851	81,601	911,383	9,579	44,801	54,380	965,763
Catering, audio visual & meeting	166,629	186,464	1,208,400	1,561,493	44,535	199,828	244,363	1,805,856
Travel	397,530	86,282	538,619	1,022,431	27,711	276,892	304,603	1,327,034
Office supplies, fees & other misc.	491,646	122,837	177,676	792,159	246,622	203,702	450,324	1,242,483
Depreciation, insurance, occupancy, taxes	1,603,426	198,193	387,680	2,189,299	189,133	327,045	516,178	2,705,477
Grants	-	-	35,994	35,994	-	-	-	35,994
<b>Total expenses</b>	<b>\$ 18,806,138</b>	<b>\$ 2,386,528</b>	<b>\$ 4,511,945</b>	<b>\$ 25,704,611</b>	<b>\$ 2,261,144</b>	<b>\$ 3,760,078</b>	<b>\$ 6,021,222</b>	<b>\$ 31,725,833</b>

See accompanying notes to the financial statements.

# Cato Institute

## Statements of Cash Flows

Years ended March 31,	2021	2020
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 19,701,824	\$ (30,648)
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation and amortization	1,276,559	1,251,850
Realized and unrealized (gain) loss on investments, net	(5,013,771)	1,374,002
Change in discount on pledges receivable	-	(45,237)
<b>Decrease (increase) in assets</b>		
Pledges and accounts receivable	(1,330,806)	1,900,910
Inventory	305,052	(227,368)
Prepaid expenses, deposits and other current assets	(116,078)	217,369
<b>Increase (decrease) in liabilities</b>		
Annuities payable	(7,078)	21,199
Accounts payable and accrued expenses	(899,399)	233
Deferred Revenue	5,501	(135,755)
Refundable donor advances	(439,165)	1,116,941
<b>Net cash provided by operating activities</b>	<b>13,482,639</b>	<b>5,443,496</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(77,828)	(65,591)
Proceeds from sales of investments	167,119	129,924
Purchases of investments	(943,905)	(1,085,395)
<b>Net cash used in investing activities</b>	<b>(854,614)</b>	<b>(1,021,062)</b>
<b>Cash flows from financing activities:</b>		
Principal payments on capital lease obligations	(117,163)	(150,038)
Payments on annuities	(12,536)	(13,693)
<b>Net cash used in financing activities</b>	<b>(129,699)</b>	<b>(163,731)</b>
Net increase in cash and cash equivalents	12,498,326	4,258,703
Cash and cash equivalents at the beginning of the year	10,539,521	6,280,818
<b>Cash and cash equivalents at the end of the year</b>	<b>\$ 23,037,847</b>	<b>\$ 10,539,521</b>
<b>Supplemental cash flow information:</b>		
Interest paid	\$ (4,384)	\$ (4,333)
<b>Noncash investing activities:</b>		
Equipment acquired under capital lease obligation	\$ -	\$ 401,247

*See accompanying notes to the financial statements.*

# Cato Institute

## Notes to the Financial Statements

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### 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 underwent a change in 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 originate, disseminate, and increase understanding of public policies based on the principles of individual liberty, limited government, free markets, and peace. The range of Cato’s work includes:

#### *Public Policy Research*

Our vision is to create free, open, and civil societies founded on libertarian principles. To that end, our 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 our Cato Internship Program and John Russell Pasaqua Intern Seminar Series, our weekend Liberty Seminars for students, and our Student Briefing Program, which teaches high school and college students from around the country about America’s founding principles of individual liberty, limited government and free enterprise.

#### *Communications & External Affairs*

Cato scholars engage and educate broad audiences on our policy prescriptions by disseminating our research through speaking engagements, briefings, op-eds and blogs, podcasts, television and radio appearances, and our websites, which receive over 16 million visits annually.

### 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 at March 31, 2021 and 2020 consist of short-term investments with original maturities of 90 days or less, except for funds held within the investment portfolios. 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

# Cato Institute

## Notes to the Financial Statements

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included in cash and cash equivalents and to the extent they are not donor restricted for long-term purposes they are classified as operating cash flows.

### *Pledges and accounts receivable*

Cato records pledges and accounts receivable net of an allowance for doubtful accounts 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 doubtful accounts once management determines an account, or a portion thereof, to be uncollectible. There was no allowance for uncollectible pledges and accounts receivable for the years ended March 31, 2021 and 2020.

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 (3 to 4 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 \$218,926 and \$523,978 at March 31, 2021 and 2020, 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 change in net assets.

### *Property and equipment*

Cato capitalizes all property and equipment with a cost of \$2,500 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:

Building	25 - 40 years
Building improvements	5 - 25 years
Office furniture and equipment	3 - 10 years

### *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 by 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. No indicators of impairment were identified as of March 31, 2021 and 2020.

# Cato Institute

## Notes to the Financial Statements

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### ***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 change 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 monthly subscriptions to various publications and recordings 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 a refundable donor advance 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.

# Cato Institute

## Notes to the Financial Statements

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### *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 support from individuals, foundations and corporations in support of Cato's 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 without donor restriction.

At March 31, 2021 and 2020, Cato had conditional contributions of \$677,776 and \$1,116,941, respectively. These award balances are recognized as refundable donor advances and will be recognized as revenue as the conditions are met, generally as qualifying expenditures are incurred.

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.

#### *Donated services*

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 donated services 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.



# Cato Institute

## Notes to the Financial Statements

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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.

### *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 IRC, 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, 2021 and 2020.

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 2018. 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 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, pledges, and accounts 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 at March 31, 2021 approximate \$22 million. 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 pledges and

# Cato Institute

## Notes to the Financial Statements

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accounts receivable balances consist primarily of amounts due from individuals and foundations. Historically, Cato has not experienced significant losses related to the notes and pledges receivable balances and, therefore, believes that the credit risk related to them is minimal.

### ***Recently adopted authoritative guidance***

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. The ASU is effective for Cato's financial statements for fiscal years beginning after December 15, 2019. Cato adopted the ASU and there was no material impact on Cato's financial statements.

### ***Recent accounting pronouncements not yet adopted***

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally using the straight-line method. The guidance is effective for Cato for the fiscal year ending March 30, 2023. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. Cato is evaluating the effect that adoption of ASU 2016-02 will have on Cato's financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves the transparency of contributed nonfinancial assets through enhancements to presentation and disclosures. The ASU requires that a nonprofit present contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash or other financial assets. Information that shows the contributed nonfinancial assets disaggregated by category will be required to be disclosed. In addition, the ASU requires that for each type of contributed nonfinancial asset the following will be disclosed: (a) policy (if any) on liquidating rather than using the contributed nonfinancial assets, (b) qualitative considerations on whether the contributed nonfinancial assets were liquidated or used during the reporting period and, if used, a description of how the asset was employed should be included, (c) any donor imposed restrictions related to contributed nonfinancial assets, (d) valuation methods and inputs utilized to determine a fair value measure at initial recognition, and (e) the principal or most advantageous market utilized to calculate fair value if it is a market in which the nonprofit is restricted by the donor from selling or utilizing the contributed nonfinancial assets. The amendments in the ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption of the ASU is permitted. Cato is evaluating the effect that adoption of this new standard will have on Cato's consolidated financial statements.

# Cato Institute

## Notes to the Financial Statements

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### 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:

<i>March 31,</i>	<b>2021</b>	<b>2020</b>
Financial assets at year-end:		
Cash and cash equivalents	\$ 23,037,847	\$ 10,539,521
Investments	44,031,439	38,240,882
Pledges and accounts receivable, net of discount	5,305,743	3,974,937
Total financial assets	<b>72,375,029</b>	52,755,340
Less amounts unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions - purpose restricted	(12,184,252)	(5,313,997)
Net assets with donor restrictions - endowments	(3,252,347)	(3,028,158)
Pledges and accounts receivable, net of discount, due in excess of one year	(2,238,843)	(930,505)
Investments related to split-interest agreements	(318,636)	(260,930)
Total financial assets available to meet general expenditures within one year	<b>\$ 54,380,951</b>	\$ 43,221,750

### 4. Pledges and Accounts Receivable

Pledges and accounts receivable consist of the following as of March 31:

	<b>2021</b>	<b>2020</b>
Accounts, contributions and other receivables	\$ 56,981	\$ 91,372
Pledges receivable	5,344,920	3,928,061
Total pledges and accounts receivable	5,401,901	4,019,433
Less discounts to net present value	(96,158)	(44,496)
Total pledges and accounts receivable, net	5,305,743	3,974,937
Less noncurrent pledges receivable due in one to five years	2,238,843	930,505
Current pledges and accounts receivable, net	<b>\$ 3,066,900</b>	\$ 3,044,432

# Cato Institute

## Notes to the Financial Statements

Cato applies the fair value guidance for discounting pledges and accounts receivable. Accordingly, receivables are valued using rates on publicly traded debt for assets with similar maturities. The discount rate on contributions receivable range from 1.28% to 4.12% for the years ended March 31, 2021 and 2020.

### 5. Property and Equipment

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

	2021	2020
Land	\$ 9,656,037	\$ 9,656,037
Buildings and improvements	35,249,354	35,203,553
Audio visual systems	1,580,710	1,580,710
Office furniture and equipment	4,178,675	4,152,044
Accumulated depreciation and amortization	(20,024,281)	(18,753,118)
Property and equipment, net	\$ 30,640,495	\$ 31,839,226

Depreciation and amortization expense for the years ended March 31, 2021 and 2020 was \$1,276,559 and \$1,251,850, respectively.

### 6. Investments

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

	2021	2020
Short-term investments		
Money market funds	\$ 5,285,009	\$ 5,204,215
Exchange-traded funds - equity	13,687,930	5,699,289
Mutual funds - fixed income	21,487,516	23,973,328
Investments, short-term	\$ 40,460,455	\$ 34,876,832

	2021	2020
Long-term investments		
Money market funds	\$ 20,204	\$ 22,471
Exchange-traded funds - equity	164,571	164,694
Exchange-traded funds - fixed income	14,876	82,840
Mutual funds - equity	113,594	422,068
Mutual funds - fixed income	3,257,739	2,671,977
Investments, long-term	\$ 3,570,984	\$ 3,364,050

# Cato Institute

## Notes to the Financial Statements

Investment return for the years ended March 31, 2021 and 2020, consists of the following:

	2021	2020
Interest and dividends - investments	\$ 837,109	\$ 1,075,429
Interest and dividends - cash and cash equivalents	52,834	90,608
	<b>889,943</b>	<b>1,166,037</b>
Realized and unrealized gain (loss) on investments, net	<b>5,013,771</b>	<b>(1,374,002)</b>
<b>Total investment return, net</b>	<b>\$ 5,903,714</b>	<b>\$ (207,965)</b>

Realized and unrealized gain (loss) on investments are 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, 2021 and 2020.

### 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 at March 31, 2021 and 2020 are as follows:

	<u>Fair value measurements at reporting date using</u>			
	2021 Total	Quoted prices in active markets for identical assets/liabilities Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
<b>Assets:</b>				
Money market funds	\$ 5,305,213	\$ 5,305,213	\$ -	\$ -
Exchange - traded funds - equity	13,852,501	13,852,501	-	-
Exchange-traded funds - fixed income	14,876	14,876	-	-
Mutual funds - equity	113,594	113,594	-	-
Mutual funds - fixed income	24,745,255	24,745,255	-	-
<b>Total investments</b>	<b>\$ 44,031,439</b>	<b>\$ 44,031,439</b>	<b>\$ -</b>	<b>\$ -</b>

# Cato Institute

## Notes to the Financial Statements

	2020 Total	Fair value measurements at reporting date using		
		Quoted prices in active markets for identical assets/ liabilities Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
<b>Assets:</b>				
Money market funds	\$ 5,226,686	\$ 5,226,686	\$ -	\$ -
Exchange - traded funds - equity	5,863,983	5,863,983	-	-
Exchange-traded funds - fixed income	82,840	82,840	-	-
Mutual funds - equity	422,068	422,068	-	-
Mutual funds - fixed income	26,645,305	26,645,305	-	-
<b>Total investments</b>	<b>\$ 38,240,882</b>	<b>\$ 38,240,882</b>	<b>\$ -</b>	<b>\$ -</b>

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 \$318,636 and \$260,930 at March 31, 2021 and 2020, 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.

# Cato Institute

## Notes to the Financial Statements

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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 5.8% to 11.0%, 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, 2021 and 2020:

	2021	2020
Beginning balance	\$ 79,160	\$ 71,654
New annuities established	-	5,601
Payments made to annuitants	(12,536)	(13,693)
Decrease in liability due to deceased annuitant	(10,774)	-
Adjustments to liability relating to passage of time and other factors	3,696	15,598
Total annuities payable	59,546	79,160
Less current portion	11,579	14,224
Total noncurrent annuities payable	\$ 47,967	\$ 64,936

# Cato Institute

## Notes to the Financial Statements

### 9. Net Assets With Donor Restrictions

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

	2021	2020
<b>Subject to expenditure for specific purpose:</b>		
Academic Research and Programs	\$ 15,726	\$ 15,726
Center for Constitutional Studies	574,750	718,459
Center for Educational Freedom	58,902	58,902
Center for Global Liberty and Prosperity	1,202,189	1,159,186
Center for Monetary and Financial Alternatives	1,350,992	1,470,138
Center for Representative Government	96,745	57,122
Conference and Events	50,000	-
Criminal Justice Project	150,000	65,350
Defense and Foreign Policy Studies	41,371	3,722
Economic Studies	330,668	435,064
Friedman Prize	854,281	363,081
Herbert A. Stiefel Center for Trade Policy Studies	249,561	268,393
Health and Welfare Studies	240,285	365,090
Internet & Information Policy	14,224	-
Libertarianism.org	197,870	50,587
Project Sphere	5,139,069	-
Remainder Interests	1,875	1,875
Student Programs	729,308	281,302
Technology: Digital Marketing	886,436	-
<b>Subject to passage of time:</b>		
General operations	-	2,065,500
<b>Endowments (Note 10):</b>		
Subject to spending policy and appropriation:		
Public Policy and Research	3,252,347	3,028,158
<b>Total net assets with donor restrictions</b>	<b>\$ 15,436,599</b>	<b>\$ 10,407,655</b>



# Cato Institute

## Notes to the Financial Statements

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, 2021 and 2020 are as follows:

	2021	2020
<b>Subject to expenditure for specific purpose:</b>		
Academic Research and Programs	\$ -	\$ 59,586
Center for Constitutional Studies	190,877	406,755
Center for Educational Freedom	89,500	65,000
Center for Global Liberty and Prosperity	958,704	877,302
Center for Monetary and Financial Alternatives	863,967	1,138,815
Center for Privacy and Homeland Security	-	50,000
Center for Representative Government	51,377	4,465
Conference and Events	-	66,085
Criminal Justice Project	67,350	67,496
Defense and Foreign Policy Studies	54,337	112,728
Technology: Digital Marketing	27,600	50,000
Economic Studies	274,396	200,163
External Affairs	-	2,500
Friedman Prize	3,000	27,482
General Policy	125,000	-
Health and Welfare Studies	125,805	123,542
Herbert A. Stiefel Center for Trade Policy Studies	168,832	500,180
Internet & Information Policy	145,776	-
Libertarianism.org	618,254	49,413
Project Sphere	390,110	704,400
Regulatory Studies	70,000	100,000
Student Programs	138,331	203,345
<b>Subject to passage of time:</b>		
General operations	2,065,500	3,590,164
<b>Total net assets released from donor restrictions</b>	<b>\$ 6,428,716</b>	<b>\$ 8,399,421</b>

### 10. 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 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 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.

# Cato Institute

## Notes to the Financial Statements

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### *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 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.

# Cato Institute

## Notes to the Financial Statements

### *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, 2021, there were no funds with deficiencies. As of March 31, 2020, 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 \$958,014, and a deficiency of \$41,986.

Cato's endowment net assets consist of the following as of March 31, 2021:

	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	-	242,250	242,250
<b>Total endowment net assets</b>	<b>\$ -</b>	<b>\$ 3,252,347</b>	<b>\$ 3,252,347</b>

Cato's endowment net assets consist of the following as of March 31, 2020:

	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	-	18,061	18,061
<b>Total endowment net assets</b>	<b>\$ -</b>	<b>\$ 3,028,158</b>	<b>\$ 3,028,158</b>

# Cato Institute

## Notes to the Financial Statements

The changes in the donor-restricted endowment net assets for the years ended March 31, 2021 and 2020 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, March 31, 2019	\$ -	\$ 3,019,180	\$ 3,019,180
Investment return, net	-	125,240	125,240
Appropriation based on spending policy	-	(116,262)	(116,262)
Endowment net assets, March 31, 2020	-	3,028,158	3,028,158
Investment return, net	-	264,512	264,512
Appropriation based on spending policy	-	(40,323)	(40,323)
Endowment net assets, March 31, 2021	\$ -	\$ 3,252,347	\$ 3,252,347

### 11. 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 \$779,056 and \$754,555, respectively, for the years ended March 31, 2021 and 2020, 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 2021 and 2020. 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, 2021 and 2020, as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was \$103,779 and \$100,370 at March 31, 2021 and 2020, respectively, and is reported as accounts payable and accrued expenses in the statements of financial position.

# Cato Institute

## Notes to the Financial Statements

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### 12. Commitments and Contingencies

#### *Capital leases*

Cato leases certain equipment under capital leases that expire at various dates through 2024. The future minimum lease payments under capital leases are as follows:

*Years ended March 31,*

2022	\$	177,272
2023		109,753
2024		37,012
Total minimum future lease payments		324,037
Less amounts representing interest		(4,136)
Total present value of net minimum lease payments		319,901
Less current portion		174,660
Total noncurrent capital lease obligations		\$ 145,241

Capitalized leased equipment of \$615,995 and \$615,995 is included with property and equipment at March 31, 2021 and 2020, respectively, with accumulated depreciation of \$345,742 and \$169,043, respectively. Interest expense incurred totaled \$4,384 and \$3,681 at March 31, 2021 and 2020, respectively.

#### *Conference commitments*

Cato has contracts through 2021 for 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, 2021 is approximately \$153,149. Cato postponed several events at year end and entered into new agreements, resulting in a deferral of commitments for the postponed events.

#### *Risks and uncertainties*

On January 30, 2020, the Director-General of the World Health Organization (WHO) declared the novel coronavirus outbreak a public health emergency of international concern (PHEIC), WHO's highest level of alarm. On March 11, 2020, the WHO declared the novel coronavirus a global pandemic.

Cato rescheduled one of its premier events, the biennial Milton Friedman Prize for Advancing Liberty award dinner, to fiscal year 2022. The change in net assets for fiscal year 2021 was not significantly impacted by the postponement of this event. Contributions from donors remained robust throughout fiscal year 2021. There is nothing that stemmed from the pandemic that materially and negatively impacted the overall finances of the organization.

# Cato Institute

## Notes to the Financial Statements

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While there has been progress in developing and distributing a COVID-19 vaccine, there continues to be uncertainty around the breadth and duration of the business disruption, as well as its impact on the global economy. Nonetheless, Cato will continue to monitor the financial and business implications of the pandemic on its operations and will implement new strategies as appropriate. See Note 3 for information regarding Cato’s liquidity and availability of resources.

On March 27, 2020, the President of the United States signed into law the “Coronavirus Aid, Relief and Economic Security (CARES) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19.

Cato has never accepted contributions or financial support from any government and did not apply for, nor receive any, economic assistance under the CARES Act.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (the Act) was passed, which includes \$900 billion in stimulus relief as a result of the COVID-19 pandemic. Cato believes that the Act will have no impact on its operations.

### 13. Joint Cost Activities

Cato has incurred and allocated joint costs of fundraising in disseminating information to the general public and supporters in eleven direct mailings during the year ended March 31, 2021 and twelve direct mailings during the year ended March 31, 2020. For the years ended March 31, 2021 and 2020, Cato incurred total direct mail program costs of \$1,609,806 and \$1,032,119, 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*:

	2021	2020
Public policy & research	\$ 1,297,467	\$ 765,707
Fundraising	312,339	266,412
	<b>\$ 1,609,806</b>	<b>\$ 1,032,119</b>

### 14. Donated Services

For the years ended March 31, 2021 and 2020, Cato received benefit from donated advertising services of approximately \$477,593 and \$426,256, respectively. Additionally, for the years ended March 31, 2021 and 2020, Cato received other in-kind donated services of approximately \$3,000 and \$51,770, respectively. The value of these in-kind donations has been reflected on the accompanying statements of activities and change in net assets as contributions revenue and program expenses.

# Cato Institute

## Notes to the Financial Statements

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### 15. Subsequent Events

Cato has evaluated its March 31, 2021 financial statements for subsequent events through July 21, 2021, the date the financial statements were available to be issued. Other than the matters described in Note 12, Cato is not aware of any subsequent events which would require recognition or disclosure in the financial statements.