

# Under Penalty of Catapult

## *Cato By the Numbers*

Written by Skip Oliva

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So what exactly is the Koch vs. Cato fight over—that is, what are we literally talking about when we refer to “the Cato Institute”? Up to this point, we’ve mostly been discussing the shareholders and the board of directors, not the assets and intangible capital of the organization.

A good starting point is Cato’s most recently published tax return, which covers the fiscal year ending March 31, 2011. As of that date, Cato held \$57,206,316 in assets against \$5,236,839 in liabilities. Roughly 35% of Cato’s assets, \$20,064,719, were held as savings and temporary cash investments, along with another \$3,520,600 invested in securities. There was another \$8,825,198 in pledges and grants receivable, money promised to Cato by donors or perhaps other non-profit organizations. There was also \$309,085 in inventories for sale or use, which is likely books and other merchandise sold through the [Cato store](#). Another \$366,496 was labelled for prepaid expenses and deferred charges.

But by far Cato’s single greatest asset is its Washington headquarters building, located at 1000 Massachusetts Avenue NW, and the underlying land. Cato valued its 13,347 square-foot parcel at \$9,656,037 (the District of Columbia most recently assessed the land at \$14,904,700). The building itself recently underwent expansion and renovation. Cato’s 2010 annual report, which is not an audited financial statement, reported \$18,209,000 spent in 2011 on the expansion. This increased the buildings’ DC-assessed value from \$998,640 to \$2,617,500 this year. On Cato’s tax return, the building is valued, less depreciation, at \$2,781,985—with \$11,401,594 in “other” investment, presumably the expansion, listed separately. Altogether, Cato valued its improved property at \$23,839,616 in 2011, about 42% of the corporation’s total assets.

Moving on to income and expenses, Cato reported \$40,410,727 in total revenue in 2011, 97% of which came from contributions and grants. This money can come from any individual or group; the tax return does not disclose the identity of any donors. Cato depends on these contributions, as its reported endowment is just \$2,010,097.

Cato’s reported 2011 expenses were \$23,648,195. The IRS divides non-profit expenses into three categories: program services, management and general, and fundraising. Cato

reported \$2,301,935 and \$2,045,212 for management and fundraising expenses, respectively, with \$19,301,048 going directly into Cato programming.

Obviously, the biggest single expense for a think tank is salaries. Cato spent \$8,152,215 on salaries and wages—this includes programming, management and fundraising—plus another \$1,968,504 in benefits and payroll taxes. Together with \$1,249,922 for compensation of officers and directors, Cato spent \$11,370,641 on personnel, just over 28% of its 2011 revenues.

To sum up, aside from the real property and building valued at around \$24 million, Cato doesn't have many assets that would withstand a substantial purge by the Kochs. If, as has already been suggested by several Cato officials, there's a mass exodus of talent, Cato doesn't have a substantial endowment to fall back on. Cato depends on annual fundraising from individuals. Merely acquiring the Cato donor lists is irrelevant without the relationships developed by Ed Crane and his staff.

Of course, the Kochs have sufficient funds to unilaterally support a modified Cato Institute if that is their goal. And the Kochs no doubt have their own fundraising lists and relationships via their other nonprofits. They could quickly reconstitute Cato in their own image, using the intellectual property and building as a vessel for a completely different organization.

Cato reported 200 total individuals employed during the calendar year 2010. This no doubt includes temporary and part-time employees. The number of full-time staff is probably closer to 150. Ed Crane is Cato's highest-paid employee, receiving a total of \$488,257 in salary and benefits. The second-highest-paid employee is executive vice president David Boaz, who received \$268,575. Cato reported eight other employees, including the late Bill Niskanen, who received at least \$167,000 in total compensation during 2011.

In addition to employee compensation, Cato also reported total stipends for nine "senior fellows" of \$261,250 and a \$500,000 grant for the winner of Cato's biennial Milton Friedman Prize. (Curiously, Cato's [advertisement](#) for the 2012 prize says the award is now just \$250,000).