

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Department of the Treasury Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2004 calendar year, or tax year beginning, 2004, and ending

B Check if applicable: Address change, Name change, Initial return, Final return, Amended return, Application pending. C Name of organization: CATO INSTITUTE. D Employer identification number: 23-7432162. E Telephone number: (202) 842-0200. F Accounting method: Cash, Accrual.

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

H and I are not applicable to section 527 organizations

H(a) Is this a group return for affiliates? Yes No

H(b) If "Yes," enter number of affiliates

H(c) Are all affiliates included? Yes No

H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No

I Group Exemption Number

M Check if the organization is not required to attach Sch B (Form 990, 990-EZ, or 990-PF)

G Website: WWW.CATO.ORG

J Organization type (check only one) 501(c)(3) 4947(a)(1) or 527

K Check here if the organization's gross receipts are normally not more than \$25,000

L Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12 15,714,247.

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See page 18 of the instructions.)

Table with 21 rows detailing revenue and expenses. Includes categories like Contributions, Program service revenue, Membership dues, Interest on savings, Dividends, Other investment income, Gross amount from sales of assets, Special events, Gross sales of inventory, Other revenue, Program services, Management and general, Fundraising, Payments to affiliates, and Net assets at beginning and end of year.

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For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Form 990 (2004)

Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others (See page 22 of the instructions)

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (attach schedule) (cash \$ 549,000, noncash \$)	22 549,000.	549,000.	STMT 4	
23 Specific assistance to individuals (attach schedule)	23			
24 Benefits paid to or for members (attach schedule)	24			
25 Compensation of officers, directors, etc.	25 891,350.	677,426.	98,048.	115,876.
26 Other salaries and wages	26 5,741,448.	4,357,484.	622,612.	761,352.
27 Pension plan contributions	27 346,980.	286,706.	21,105.	39,169.
28 Other employee benefits	28 604,013.	355,343.	191,534.	57,136.
29 Payroll taxes	29 445,000.	336,728.	55,148.	53,124.
30 Professional fundraising fees	30			
31 Accounting fees	31			
32 Legal fees	32			
33 Supplies	33 293,052.	120,830.	147,620.	24,602.
34 Telephone	34 123,838.	42,243.	77,253.	4,342.
35 Postage and shipping	35 1,086,351.	477,905.	155,930.	452,516.
36 Occupancy	36 41,896.	31,014.	6,888.	3,994.
37 Equipment rental and maintenance	37 332,804.	133,067.	177,517.	22,220.
38 Printing and publications	38 1,191,784.	1,009,116.	1,622.	181,046.
39 Travel	39 902,641.	783,298.	3,326.	116,017.
40 Conferences, conventions, and meetings	40 301,668.	301,651.	NONE	17.
41 Interest	41 19,028.	NONE	19,028.	NONE
42 Depreciation, depletion, etc (attach schedule)	42 684,583.	NONE	684,583.	NONE
43 Other expenses not covered above (itemize) STMT 5	43a 3,446,627.	2,425,290.	646,591.	374,746.
b	43b			
c	43c			
d	43d			
e	43e			
44 Total functional expenses (add lines 22 through 43) Organizations completing columns (B)-(D), carry these totals to lines 13-15	44 17,002,063.	11,887,101.	2,908,805.	2,206,157.

Joint Costs. Check if you are following SOP 98-2.

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If "Yes," enter (i) the aggregate amount of these joint costs \$ _____; (ii) the amount allocated to Program services \$ _____;
 (iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments (See page 25 of the instructions.)

What is the organization's primary exempt purpose? STMT 6	Program Service Expenses (Required for 501(c)(3) and (4) orgs, and 4947(a)(1) trusts, but optional for others)
a STMT 7 _____ _____ (Grants and allocations \$ 49,000.)	2,557,017.
b _____ _____ (Grants and allocations \$)	8,830,084.
c _____ _____ (Grants and allocations \$ 500,000.)	500,000.
d _____ _____ (Grants and allocations \$)	
e Other program services (attach schedule) (Grants and allocations \$)	
f Total of Program Service Expenses (should equal line 44, column (B), Program services)	11,887,101.

Part IV Balance Sheets (See page 25 of the instructions.)

				(A)		(B)
				Beginning of year		End of year
Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.						
Assets	45 Cash - non-interest-bearing			2,427,116.	45	NONE
	46 Savings and temporary cash investments			5,885,221.	46	6,439,395.
	47a Accounts receivable	47a	320,851.			
	b Less: allowance for doubtful accounts	47b	7,500.	67,492.	47c	313,351.
	48a Pledges receivable	48a	15,000.			
	b Less: allowance for doubtful accounts	48b		277,500.	48c	15,000.
	49 Grants receivable				49	
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)				50	
	51a Other notes and loans receivable (attach schedule)	51a				
	b Less: allowance for doubtful accounts	51b			51c	
	52 Inventories for sale or use			282,570.	52	166,095.
	53 Prepaid expenses and deferred charges			126,653.	53	139,618.
	54 Investments - securities (attach schedule) STMT 8 <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV			2,048,614.	54	2,033,734.
	55a Investments - land, buildings, and equipment: basis	55a				
	b Less: accumulated depreciation (attach schedule)	55b			55c	
56 Investments - other (attach schedule)				56		
57a Land, buildings, and equipment: basis	57a	15,560,539.				
b Less: accumulated depreciation (attach schedule)	57b	8,155,163.	7,848,117.	57c	7,405,376.	
58 Other assets (describe <input type="checkbox"/> STMT 9)			236,217.	58	236,217.	
59 Total assets (add lines 45 through 58) (must equal line 74)			19,199,500.	59	16,748,786.	
Liabilities	60 Accounts payable and accrued expenses			722,401.	60	558,202.
	61 Grants payable				61	
	62 Deferred revenue			51,689.	62	113,059.
	63 Loans from officers, directors, trustees, and key employees (attach schedule)				63	
	64a Tax-exempt bond liabilities (attach schedule)				64a	
	b Mortgages and other notes payable (attach schedule)				64b	
65 Other liabilities (describe <input type="checkbox"/> STMT 10)			83,916.	65	207,675.	
66 Total liabilities (add lines 60 through 65)			858,006.	66	878,936.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74					
	67 Unrestricted			14,684,243.	67	12,819,499.
	68 Temporarily restricted			1,647,154.	68	1,040,254.
	69 Permanently restricted			2,010,097.	69	2,010,097.
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.					
	70 Capital stock, trust principal, or current funds				70	
	71 Paid-in or capital surplus, or land, building, and equipment fund				71	
	72 Retained earnings, endowment, accumulated income, or other funds				72	
73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72; column (A) must equal line 19; column (B) must equal line 21)			18,341,494.	73	15,869,850.	
74 Total liabilities and net assets / fund balances (add lines 66 and 73)			19,199,500.	74	16,748,786.	

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

Part VI Other Information (See page 28 of the instructions.)

Table with columns for question number, question text, and Yes/No columns. Includes questions 76 through 92 regarding organizational activities, expenditures, and tax status.

Part VII Analysis of Income-Producing Activities (See page 33 of the instructions.)

Note: Enter gross amounts unless otherwise indicated

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue:					
a CONFERENCES					597,441.
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	86,763.	
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory			14	-38,497.	
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					256,554.
103 Other revenue: a					
b MAILING LIST SALES	900004	4,818.			
c ROYALTIES			15	23,388.	
d MISCELLANEOUS FEES				62,697.	
e					
104 Subtotal (add columns (B), (D), and (E))		4,818.		134,351.	853,995.
105 Total (add line 104, columns (B), (D), and (E))					993,164.

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See page 34 of the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
▼	STMT 15

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See page 34 of the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

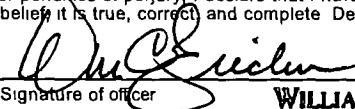
Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See page 34 of the instructions.)

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
- (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

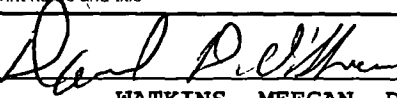
Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instruction)

Under penalties of perjury, I declare that I have examined this return and believe it is true, correct, and complete. Declaration of preparer (other than agent) and filer

Please Sign Here

Signature of officer: 
 Type or print name and title: **WILLIAM C. BRUCKS**
Vice President for Finance and Administration

Paid Preparer's Use Only

Preparer's signature: 
 Firm's name (or yours if self-employed), address, and ZIP + 4: **WATKINS, MEEGAN, DR**
7700 WISCONSIN AVENUE
BETHESDA, MD

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Organization Exempt Under Section 501(c)(3)

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

Supplementary Information - (See separate instructions.)

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

OMB No 1545-0047

2004

Name of the organization

CATO INSTITUTE

Employer identification number

23-7432162

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See page 1 of the instructions List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
<u>RICHARD POLLOCK</u> <u>WASHINGTON, DC</u>	V. P. - COMMUNICATIONS 40 HRS/WK	173,421.	14,590.	NONE
<u>ROGER PILON</u> <u>WASHINGTON, DC</u>	V. P. - LEGAL 40 HRS/WK	158,900.	13,982.	NONE
<u>TED CARPENTER</u> <u>CLIFTON, VA</u>	V. P. - FOREI 40 HRS/WK	145,300.	12,987.	NONE
<u>WILLIAM LINDSEY</u> <u>CHEVY CHASE, MD</u>	DIR. TRADE 40 HRS/WK	149,500.	13,455.	NONE
<u>RAY DORMAN</u> <u>CHEVY CHASE, MD</u>	VP OF DEVELOPMENT 40 HRS/WK	154,500.	6,107.	NONE
Total number of other employees paid over \$50,000 ▶	42			

Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
<u>APPLIED INTELLIGENCE GROUP</u> <u>ARLINGTON, VA 22205</u>	COMPUTER CONSULTING	152,600.
<u>NEW HOPE ENVIRONMENTAL</u> <u>NEW HOPE, VA 24469</u>	ENVIRONMENTAL POLICY	60,819.
<u> </u>		
<u> </u>		
<u> </u>		
<u> </u>		
Total number of others receiving over \$50,000 for professional services ▶	NONE	

Part III Statements About Activities (See page 2 of the instructions.)

	Yes	No
1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ▶ \$ _____ (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B)	X	
2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.)		
a Sale, exchange, or leasing of property?		X
b Lending of money or other extension of credit?		X
c Furnishing of goods, services, or facilities?		X
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?	X	
e Transfer of any part of its income or assets?		X
3a Do you make grants for scholarships, fellowships, student loans, etc? (If "Yes," attach an explanation of how you determine that recipients qualify to receive payments)		X
b Do you have a section 403(b) annuity plan for your employees?	X	
4a Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds?		X
b Do you provide credit counseling, debt management, credit repair, or debt negotiation services?		X

Part IV Reason for Non-Private Foundation Status (See pages 3 through 6 of the instructions.)

- The organization is not a private foundation because it is (Please check only **ONE** applicable box.)
- 5 A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)
 - 6 A school Section 170(b)(1)(A)(ii) (Also complete Part V)
 - 7 A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
 - 8 A Federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)
 - 9 A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) Enter the hospital's name, city, and state ▶ _____
 - 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv) (Also complete the **Support Schedule** in Part IV-A)
 - 11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A)
 - 11b A community trust Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A)
 - 12 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2) (Also complete the **Support Schedule** in Part IV-A)
 - 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above; or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) (See section 509(a)(3))

Provide the following information about the supported organizations (See page 5 of the instructions)

(a) Name(s) of supported organization(s)	(b) Line number from above

14 An organization organized and operated to test for public safety Section 509(a)(4) (See page 5 of the instructions)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12.) Use cash method of accounting.

Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Table with 6 columns: Calendar year (or fiscal year beginning in), (a) 2003, (b) 2002, (c) 2001, (d) 2000, (e) Total. Rows include: 15 Gifts, grants, and contributions received; 16 Membership fees received; 17 Gross receipts from admissions, merchandise sold or services performed; 18 Gross income from interest, dividends; 19 Net income from unrelated business activities; 20 Tax revenues levied; 21 Value of services or facilities furnished; 22 Other income; 23 Total of lines 15 through 22; 24 Line 23 minus line 17; 25 Enter 1% of line 23; 26 Organizations described on lines 10 or 11; 27 Organizations described on line 12.

28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2000 through 2003, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant Do not file this list with your return. Do not include these grants in line 15

Part V Private School Questionnaire (See page 7 of the instructions.) **NOT APPLICABLE**
 (To be completed ONLY by schools that checked the box on line 6 in Part IV)

	Yes	No
29 Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?	29	
30 Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?	30	
31 Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.) ----- ----- -----	31	
32 Does the organization maintain the following: a Records indicating the racial composition of the student body, faculty, and administrative staff?	32a	
b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b	
c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c	
d Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.) ----- -----	32d	
33 Does the organization discriminate by race in any way with respect to: a Students' rights or privileges?	33a	
b Admissions policies?	33b	
c Employment of faculty or administrative staff?	33c	
d Scholarships or other financial assistance?	33d	
e Educational policies?	33e	
f Use of facilities?	33f	
g Athletic programs?	33g	
h Other extracurricular activities? If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.) ----- ----- -----	33h	
34 a Does the organization receive any financial aid or assistance from a governmental agency?	34a	
b Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement.	34b	
35 Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation	35	

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 9 of the instructions.)

(To be completed **ONLY** by an eligible organization that filed Form 5768) **NOT APPLICABLE**

Check **a** if the organization belongs to an affiliated group Check **b** if you checked "a" and "limited control" provisions apply.

Limits on Lobbying Expenditures		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
(The term "expenditures" means amounts paid or incurred.)			
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38	Total lobbying expenditures (add lines 36 and 37)	38	
39	Other exempt purpose expenditures	39	
40	Total exempt purpose expenditures (add lines 38 and 39)	40	
41	Lobbying nontaxable amount. Enter the amount from the following table - If the amount on line 40 is - The lobbying nontaxable amount is -		
	Not over \$500,000 20% of the amount on line 40		
	Over \$500,000 but not over \$1,000,000 \$100,000 plus 15% of the excess over \$500,000		
	Over \$1,000,000 but not over \$1,500,000 \$175,000 plus 10% of the excess over \$1,000,000	41	
	Over \$1,500,000 but not over \$17,000,000 \$225,000 plus 5% of the excess over \$1,500,000		
	Over \$17,000,000 \$1,000,000		
42	Grassroots nontaxable amount (enter 25% of line 41)	42	
43	Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43	
44	Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44	

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below.
See the instructions for lines 45 through 50 on page 11 of the instructions.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2003	(c) 2002	(d) 2001	(e) Total
45 Lobbying nontaxable amount					
46 Lobbying ceiling amount (150% of line 45(e))					
47 Total lobbying expenditures					
48 Grassroots nontaxable amount					
49 Grassroots ceiling amount (150% of line 48(e))					
50 Grassroots lobbying expenditures					

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See page 11 of the instructions.)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of

	Yes	No	Amount
a Volunteers		X	
b Paid staff or management (Include compensation in expenses reported on lines c through h.)		X	
c Media advertisements		X	
d Mailings to members, legislators, or the public		X	
e Publications, or published or broadcast statements		X	
f Grants to other organizations for lobbying purposes		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means		X	
i Total lobbying expenditures (Add lines c through h.)			NONE

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities.

FORM 990, PART I - INTEREST ON SAVINGS AND TEMPORARY CASH INVESTMENTS

DESCRIPTION	AMOUNT
INTEREST INCOME	86,763.
TOTAL	86,763.

FORM 990, PART I - GROSS SALES LESS RETURNS AND ALLOWANCES

DESCRIPTION

AMOUNT

PUBLICATION SALES

438,734.

TOTAL

438,734.

FORM 990, PART I - COST OF GOODS SOLD

=====

INVENTORY AT BEGINNING OF YEAR	282,570.
PURCHASES	65,704.
SALARIES AND WAGES	
OTHER COSTS	

SUBTOTAL	348,274.
MINUS ENDING INVENTORY	166,094.

COST OF GOODS SOLD	182,180.
	=====

FORM 990, PART II - GRANTS AND ALLOCATIONS PAID DURING THE YEAR

RECIPIENT NAME AND ADDRESS -----	RELATIONSHIP TO SUBSTANTIAL CONTRIBUTOR AND FOUNDATION STATUS OF RECIPIENT -----	PURPOSE OF GRANT OR CONTRIBUTION -----	AMOUNT -----
<u>GRANTS PAID</u>			
HERNANDO DE SOTO ARGENTINA	NONE INDIVIDUAL	FRIEDMAN PRIZE AWARD	500,000.
LONDON SCHOOL OF ECONOMICS 7570 BEST ROAD ORONO, ONTARIO, CANADA	NONE INDIVIDUAL	SUPPORT EDUCATION ACTIVITIES	10,000.
ATLAS ECONOMIC RESEARCH FOUNDATION 4084 UNIVERSITY DRIVE, SUITE 103 FAIRFAX, VA 22030	NONE PUBLIC CHARITY	SUPPORT EDUCATION ACTIVITIES	20,000.
OXFORD HAYEK SOCIETY	NONE INDIVIDUAL	SUPPORT EDUCATION ACTIVITIES	1,300.
MOSCOW CONFERENCE	NONE INDIVIDUAL	SUPPORT EDUCATION ACTIVITIES	17,700.
		TOTAL CONTRIBUTIONS PAID	----- 549,000. -----

FORM 990, PART II - OTHER EXPENSES

DESCRIPTION	TOTAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING
PROFESSIONAL FEES	20,038.	NONE	20,038.	NONE
PEST AND REFUSE	115.	87.	13.	15.
INTERN EARNINGS	151,329.	145,099.	6,230.	NONE
CATERING	423,905.	415,462.	8,323.	120.
PROMOTIONS	438,653.	411,321.	3,710.	23,622.
BOOKS, SUBSCRIPTIONS & DUES	285,170.	128,650.	53,991.	102,529.
FULFILLMENT & STORAGE	242,431.	242,431.	NONE	NONE
MAILING LIST EXPENSE	178,471.	19,736.	694.	158,041.
INDEPENDENT CONTRACTORS, OTHER	877,012.	575,808.	270,162.	31,042.
BANK FEES	64,319.	29,857.	34,094.	368.
TAXES AND LICENSES	223,464.	163,328.	32,198.	27,938.
SECURITY	83,160.	39,342.	37,118.	6,700.
UTILITIES	182,439.	119,014.	43,067.	20,358.
MISCELLANEOUS	73,521.	7,425.	62,083.	4,013.
INSURANCE	74,472.	NONE	74,472.	NONE
AUDIO/VISUAL COSTS	128,128.	127,730.	398.	NONE
TOTALS	3,446,627.	2,425,290.	646,591.	374,746.

FORM 990, PART III - ORGANIZATION'S PRIMARY EXEMPT PURPOSE

THE CATO INSTITUTE BROADENS PUBLIC POLICY DEBATES CONSISTENT WITH THE TRADITIONAL AMERICAN PRINCIPLES OF INDIVIDUAL LIBERTY, LIMITED GOVERNMENT, DYNAMIC MARKET CAPITALISM AND PEACEFUL RELATIONS AMONG NATIONS.

FORM 990, PART III - PROGRAM SERVICE ACCOMPLISHMENTS (A THROUGH D)

ITEM	DESCRIPTION	GRANTS AND ALLOCATIONS	EXPENSES
----	-----	-----	-----
A	FORUMS/SEMINARS AND OTHER MEANS OF EDUCATION: CATO SPONSORED 593 FORUMS AND SEMINARS WITH TOPICS INCLUDING SOCIAL SECURITY, CONSTITUTIONAL LIMITED GOVERNMENT, INTERNATIONAL TRADE, SCHOOL CHOICE, TECHNOLOGY, FREE MARKETS , THE ENVIRONMENT AND DEFENSE AND PEACE.	49,000.	2,557,017.
B	PUBLICATIONS INCLUDE 26 POLICY ANALYSES, 3 FOREIGN POLICY PAPERS, 2 SOCIAL SECURITY PAPERS, 4 BRIEFING PAPERS. ALSO 4 ISSUES OF REGULATION MAGAZINE, 2 ISSUES OF CATO JOURNAL, 12 AUDIO TAPES AND 14 BOOKS		8,830,084.
C	THE MILTON FRIEDMAN PRIZE FOR ADVANCING LIBERTY, NAMED IN HONOR OF PERHAPS THE GREATEST CHAMPION OF LIBERTY IN THE 20TH CENTURY, IS PRESENTED EVERY OTHER YEAR TO AN INDIVIDUAL WHO HAS MADE A SIGNIFICANT CONTRIBUTION TO ADVANCE HUMAN FREEDOM. THE PRIZE, A CASH AWARD OF \$500,000 WAS PRESENTED TO THIS YEAR'S WINNER, HERNANDO DE SOTO ON MAY 6, 2004.	500,000.	500,000.
TOTAL		549,000.	11,887,101.

FORM 990, PART IV - INVESTMENTS - SECURITIES

DESCRIPTION -----	BEGINNING BOOK VALUE -----	ENDING BOOK VALUE -----
SHORT TERM REPURCHASE AGRMT	2,048,614.	2,033,734.
TOTALS	2,048,614.	2,033,734.

FORM 990, PART IV - OTHER ASSETS

DESCRIPTION	BEGINNING BOOK VALUE	ENDING BOOK VALUE
REMAINDER INTERESTS RECEIVABLE	236,217.	236,217.
TOTALS	236,217.	236,217.

FORM 990, PART IV - OTHER LIABILITIES

DESCRIPTION	BEGINNING BOOK VALUE	ENDING BOOK VALUE
CAPITAL LEASE OBLIGATION	83,916.	207,675.
TOTALS	83,916.	207,675.

FORM 990, PART IV-A - OTHER REVENUE ON BOOKS BUT NOT ON RETURN
=====

DESCRIPTION -----	AMOUNT -----
REALIZED LOSS ON INVESTMENTS	5,936.
COST OF GOODS SOLD	182,180.
REALIZED LOSS ON OTHER ASSETS	32,561.

TOTAL	220,677.
	=====

FORM 990, PART IV-B - OTHER EXPENSES ON BOOKS BUT NOT ON RETURN

DESCRIPTION	AMOUNT
COST OF GOODS SOLD	182,180.
REALIZED LOSS ON INVESTMENTS	5,936.
REALIZED LOSS ON OTHER ASSETS	32,561.
TOTAL	220,677.

FORM 990, PART V - LIST OF OFFICERS, DIRECTORS, AND TRUSTEES

NAME AND ADDRESS	TITLE AND TIME DEVOTED TO POSITION	COMPENSATION	CONTRIBUTIONS TO EMPLOYEE BENEFIT PLANS	EXPENSE ACCT AND OTHER ALLOWANCES
EDWARD H. CRANE WASHINGTON, DC 20001	PRESIDENT/CEO FULL TIME	396,000.	41,000.	NONE
WILLIAM A NISKANEN WASHINGTON, DC 20001	CHAIRMAN FULL TIME	151,650.	13,356.	NONE
K. TUCKER ANDERSEN NEW YORK, NY 10036	DIRECTOR AS NEEDED	NONE	NONE	NONE
FRANK BOND TIMONIUM, MD 21093	DIRECTOR AS NEEDED	NONE	NONE	NONE
RICHARD J. DENNIS CHICAGO, IL 60606	DIRECTOR AS NEEDED	NONE	NONE	NONE
ETHELMAE C. HUMPHREYS JOPLIN, MO 64801	DIRECTOR AS NEEDED	NONE	NONE	NONE
DAVID H. KOCH NEW YORK, NY 10021	DIRECTOR AS NEEDED	NONE	NONE	NONE
DAVID H. PADDEN CHICAGO, IL 60603	DIRECTOR AS NEEDED	NONE	NONE	NONE
JOHN C. MALONE ENGLEWOOD, CO 80112	DIRECTOR AS NEEDED	NONE	NONE	NONE
HOWARD S. RICH NEW YORK, NY 10012	DIRECTOR AS NEEDED	NONE	NONE	NONE
FREDERICK W. SMITH	DIRECTOR AS NEEDED	NONE	NONE	NONE

FORM 990, PART V - LIST OF OFFICERS, DIRECTORS, AND TRUSTEES

NAME AND ADDRESS -----	TITLE AND TIME DEVOTED TO POSITION -----	COMPENSATION -----	CONTRIBUTIONS TO EMPLOYEE BENEFIT PLANS -----	EXPENSE ACCT AND OTHER ALLOWANCES -----
MEMPHIS, TN 38120				
LEWIS E. RANDALL FREELAND, WA 98249	DIRECTOR AS NEEDED	NONE	NONE	NONE
JEFF YASS BALA CYNWYD, PA 19004	DIRECTOR AS NEEDED	NONE	NONE	NONE
DAVID BOAZ WASHINGTON, DC 20001	EXECUTIVE VP FULL TIME	198,500.	17,145.	NONE
WILLIAM ERICKSON WASHINGTON, DC 20001	VP FINANCE & ADMIN FULL TIME	145,200.	12,909.	NONE
	GRAND TOTALS	891,350.	84,410.	NONE

FORM 990, PART VIII - ACCOMPLISHMENT OF EXEMPT PURPOSES

LINE NO.	EXPLANATION OF HOW EACH ACTIVITY FOR WHICH INCOME IS REPORTED IN COLUMN (E) OF PART VII CONTRIBUTED IMPORTANTLY TO THE ACCOMPLISHMENT OF EXEMPT PURPOSES
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93A	CONFERENCES AND SEMINARS - PROVIDE A FORUM FOR DISCUSSION OF RELATED ISSUES AND CURRENT DEVELOPMENTS, FURTHERING THE ORGANIZATION'S EXEMPT PURPOSE
102	SALES OF PUBLICATIONS TO DISSEMINATE THE ORGANIZATION'S RESEARCH
103D	MISCELLANEOUS RECEIPTS WHICH SUPPORT THE ORGANIZATION'S EXEMPT PURPOSE

SCHEDULE A, PART III - EXPLANATION FOR LINE 2D

=====

SEE PART V, FORM 990

SCHEDULE A, PART IV-A - OTHER INCOME

=====

DESCRIPTION -----	2003 ----	2002 ----	2001 ----	2000 ----	TOTAL -----
MISCELLANEOUS INCOME		6,555.	27,091.	2,072.	35,718.
TOTALS	-----	6,555.	27,091.	2,072.	35,718.
	=====	=====	=====	=====	=====

Application for Extension of Time To File an Exempt Organization Return

▶ File a separate application for each return

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box
- If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form)

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868

Part I Automatic 3-Month Extension of Time - Only submit original (no copies needed)

Form 990-T corporations requesting an automatic 6-month extension - check this box and complete Part I only.

All other corporations (including Form 990-C filers) must use Form 7004 to request an extension of time to file income tax returns. Partnerships, REMICs, and trusts must use Form 8736 to request an extension of time to file Form 1065, 1066, or 1041.

Electronic Filing (e-file). Form 8868 can be filed electronically if you want a 3-month automatic extension of time to file one of the returns noted below (6 months for corporate Form 990-T filers). However, you cannot file it electronically if you want the additional (not automatic) 3-month extension, instead you must submit the fully completed signed page 2 (Part II) of Form 8868 For more details on the electronic filing of this form, visit www.irs.gov/efile.

Type or print <small>File by the due date for filing your return See instructions</small>	Name of Exempt Organization CATO INSTITUTE	Employer identification number 23-7432162
	Number, street, and room or suite no If a P.O box, see instructions 1000 MASSACHUSETTS AVE., N.W.	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions WASHINGTON, DC 20001-5400	

Check type of return to be filed (file a separate application for each return):

- | | | |
|--|---|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation) | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL | <input type="checkbox"/> Form 990-T(sec 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ | <input type="checkbox"/> Form 990-T (trust other than above) | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 8870 |

- The books are in the care of ▶ THE INSTITUTE

Telephone No ▶ 202 789 5255 FAX No ▶ 202 842 3490

- If the organization does **not** have an office or place of business in the United States, check this box
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the **whole** group, check this box If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension will cover.

1 I request an automatic 3-month (6-months for a **Form 990-T corporation**) extension of time until 08/15, 2005, to file the exempt organization return for the organization named above The extension is for the organization's return for.

▶ calendar year 2004 or

▶ tax year beginning _____, _____, and ending _____, _____.

2 If this tax year is for less than 12 months, check reason. Initial return Final return Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits See instructions \$ _____

b If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit \$ _____

c **Balance Due.** Subtract line 3b from line 3a Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System) See instructions \$ _____

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions

For Privacy Act and Paperwork Reduction Act Notice, see instructions.