The Advertising Council, Inc.

Financial Statements
June 30, 2015 and 2014

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June 30, 2015 and 2014

Independent Auditor's Report

To the Board of Directors of
The Advertising Council, Inc.

We have audited the accompanying financial statements of The Advertising Council, Inc. (the "Council"), which comprise the statement of financial position as of June 30, 2015 and 2014 and the related statements of activities and changes in net assets and cash flows for the years then ended.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Council's preparation and fair presentation of the financial statements 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 the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Advertising Council, Inc. at June 30, 2015 and 2014, 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.

PricewaterhouseCoopers LLP

New York, New York
November 9, 2015

The Advertising Council, Inc.
Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	$ 10,798,488	$ 8,120,283
Investments (Note 3)	16,878,249	15,861,477
Accounts receivable (less allowance for doubtful accounts of $115,000 and $76,800, respectively)	7,442,048	8,470,711
Contributions receivable (less allowance for doubtful account of $50,000 and $0, respectively)	2,167,542	1,969,556
Prepaid expenses and other current assets	735,422	874,647
Total current assets	38,021,749	35,296,674
Property and equipment, at cost		
Furniture and fixtures	1,249,308	1,183,161
Computer and telephone equipment	2,605,674	2,264,875
Leasehold improvements	3,752,506	3,547,006
	7,607,488	6,995,042
Less: Accumulated depreciation and amortization	4,881,507	3,890,822
Property and equipment, net	2,725,981	3,104,220
Total assets	$ 40,747,730	$ 38,400,894
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 2,294,698	$ 2,781,578
Accrued expenses and other current liabilities	4,036,125	3,655,650
Deferred revenue	3,352,427	2,097,312
Retirement and other deferred compensation-short term	844,207	-
Deposits from campaign sponsors	924,339	845,821
Total current liabilities	11,451,796	9,380,361
Deferred rental obligations (Note 8)	2,152,771	2,039,426
Retirement and other deferred compensation-long term	1,915,281	2,297,127
Accumulated postretirement benefit obligation-long term	124,243	132,268
Total liabilities	15,644,091	13,849,182
Net assets		
Unrestricted	24,548,036	24,080,159
Temporarily restricted	555,603	471,553
Total net assets	25,103,639	24,551,712
Total liabilities and net assets	$ 40,747,730	$ 38,400,894

The accompanying notes are an integral part of these financial statements.

The Advertising Council, Inc.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue						
Production and distribution campaign revenue	$ 30,868,318	$ -	$ 30,868,318	$ 32,683,486	$ -	$ 32,683,486
Contributions	9,023,248	180,000	9,203,248	8,425,778	-	8,425,778
Special events	3,372,530	-	3,372,530	3,289,346	180,000	3,469,346
Interest and other income	6,855		6,855	28,247		28,247
Grants and contributions for projects	581,257	343,743	925,000	168,272	131,728	300,000
Satisfaction of restrictions-grants from foundations	109,693	(109,693)	-	53,493	(53,493)	-
Satisfaction of restrictions-contributions	150,000	(150,000)	-	300,000	(300,000)	-
Satisfaction of restrictions-special events	180,000	(180,000)	-	165,000	(165,000)	-
Total revenue	44,291,901	84,050	44,375,951	45,113,622	(206,765)	44,906,857
Expenses						
Production and distribution	19,981,447		19,981,447	21,688,372		21,688,372
Salaries and related expenses	16,937,709		16,937,709	15,911,673		15,911,673
Office expenses	1,818,712		1,818,712	1,787,744		1,787,744
General and administrative	1,644,157		1,644,157	1,594,018		1,594,018
Special events	776,251		776,251	719,619		719,619
Depreciation and amortization	990,685		990,685	769,758		769,758
Expenses for projects	570,023		570,023	110,035		110,035
Media development	178,523		178,523	140,916		140,916
Interactive services	365,618		365,618	314,830		314,830
Campaign management	782,287		782,287	553,079		553,079
Government and non-profit affairs	45,377		45,377	40,549		40,549
Creative services	27,106		27,106	6,139		6,139
Public relations	42,175		42,175	28,364		28,364
Fundraising	79,259		79,259	81,056		81,056
Total expenses	44,239,329	-	44,239,329	43,746,152	-	43,746,152
Excess (deficit) from operations	52,572	84,050	136,622	1,367,470	(206,765)	1,160,705
Actuarial gain (loss) on accumulated post retirement obligation	7,783		7,783	960		960
Investment income (loss)						
Net realized gains (losses) on investments	1,373,059		1,373,059	532,472		532,472
Net unrealized gains (losses) on investments	(1,264,098)		(1,264,098)	830,713		830,713
Net investment income	298,561		298,561	349,250		349,250
Total investment income (loss)	407,522	-	407,522	1,712,435	-	1,712,435
Change in net assets	467,877	84,050	551,927	3,080,865	(206,765)	2,874,100
Net assets						
Beginning of year	24,080,159	471,553	24,551,712	20,999,294	678,318	21,677,612
End of year	$ 24,548,036	$ 555,603	$ 25,103,639	$ 24,080,159	$ 471,553	$ 24,551,712

The accompanying notes are an integral part of these financial statements.

The Advertising Council, Inc.
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	$ 551,927	$ 2,874,100
Adjustments to reconcile net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	990,685	769,758
Net realized and unrealized (gains) losses on investments	(108,961)	(1,363,185)
Accretion expense	43,703	
Loss on disposal of property and equipment		3,524
Changes in assets and liabilities		
Decrease (increase) in accounts receivable, net	1,028,663	(2,009)
Increase in contribution receivable, net	(197,986)	(305,970)
Decrease (increase) in prepaid expenses and other assets	139,225	(106,643)
(Decrease) increase in accounts payable	(489,680)	299,162
Increase (decrease) in accrued expenses	380,475	(335,345)
Increase (decrease) in deferred compensation-short term	844,207	(1,200,266)
Increase (decrease) in deferred revenue	1,255,115	(90,504)
Increase (decrease) in deposits from campaign sponsors	78,518	(11)
Decrease in deferred rental obligation	(135,858)	(102,811)
(Decrease) increase in deferred compensation-long term	(381,846)	635,823
Decrease in accumulated post retirement obligations	(8,025)	(1,027)
Net cash provided by operating activities	3,990,162	1,074,596
Cash flows for investing activities		
Proceeds from sale of investments	9,197,185	6,268,055
Purchases of investments	(10,104,996)	(6,483,622)
Expenditures for property and equipment	(404,146)	(456,831)
Net cash used in investing activities	(1,311,957)	(672,398)
Cash flows from financing activities		
Net cash used in financing activities	-	-
Increase in cash and cash equivalents	2,678,205	402,198
Cash and cash equivalents		
Beginning of year	8,120,283	7,718,085
End of year	$ 10,798,488	$ 8,120,283

The accompanying notes are an integral part of these financial statements.

1. Nature of Operations

The Advertising Council, Inc. (the “Council”) is a nonprofit organization, which uses its resources to undertake and manage advertising campaigns of a public service nature on behalf of government and private organizations. The Council is supported in its work by contributions from both public and private sectors.

2. Significant Accounting Policies

Basis of Presentation

The financial statements of the Council have been prepared on an accrual basis in accordance with generally accepted accounting principles (GAAP) within the United States pursuant to ASC (Accounting Standards Codification) Topic 958, Not-for-Profit Entities.

Production and Distribution of Public Service Campaigns

Production and distribution campaign revenue consist of direct and indirect charges to campaign sponsors. Direct costs incurred on behalf of sponsors’ campaigns are for the production, distribution and evaluation of advertising materials. These production and distribution costs are invoiced to the sponsors’ campaigns and are reflected as revenue in the statements of activities when incurred and when documentation supporting the services performed has been received by the Council. Indirect costs are reimbursed at a percentage of allowable direct costs by private and government sponsors and are also recognized as income when earned. A fixed fee for performed services may also be charged to the sponsor and revenue is recognized in accordance with the sponsors’ contractual arrangement.

Campaign Sponsor Advances and Deposits

Advances received from sponsors are recorded as deferred revenue, and represent future revenue to the Council that will be recognized when the services are performed and when documentation supporting the services has been received by the Council.

Deferred revenue also consists of additional funds received in advance for specific sponsors’ campaigns and in association with certain grant funded projects. These amounts represent future revenue to the Council and will be recognized as income when the respective services are performed.

Contractual deposits received from sponsors are recorded as deposits from campaign sponsors until an associated sponsor’s campaign has been completed. Upon completion of campaign activities, these deposits may be applied to the related campaign costs, but they are generally refunded to the sponsor.

Contributions and Special Events

All contributions, including donated services and products, are considered to be available for unrestricted use, unless specifically restricted by the donor, and are recognized in the statements of activities as unrestricted revenue in the period pledged. Unrestricted net assets represent resources over which the Council has full discretion with respect to use. Special events include contributions earmarked for the Council’s annual dinner or other Council sponsored events and like contributions, may be classified as unrestricted or temporarily restricted sources of revenue.

Temporarily restricted net assets represent resources which have been specifically restricted by a donor as to purpose and/or the passage of time. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished or when a prescribed length of time has passed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as satisfaction of restrictions. It is the Council's policy to record temporarily restricted contributions as unrestricted revenue when the contributions are made and the restriction is satisfied in the same reporting period.

Temporarily restricted net assets consist of cash and pledges received that are restricted for the Council's following purposes:

	Years Ended June 30, 2015	2014
Annual Dinner - Fiscal 2015	$ -	$ 180,000
Fiscal 2015 operations		150,000
Fiscal 2016 operations	90,000	
Fiscal 2017 operations	90,000	
Bullying prevention	122,035	131,729
Domestic violence	72,100	
Donate responsibly	3,007	3,007
Love has no labels	171,644	
NYC truancy prevention	6,817	6,817
	$ 555,603	$ 471,553

In fiscal 2015 and 2014, $439,693 and $518,493, respectively, have been reclassified to unrestricted net assets as the related restrictions have been satisfied.

At June 30, 2015 cash and cash equivalents include $375,602 of cash received that is limited as to its use because of donor imposed restrictions, and which is being held in connection with the Council's fiscal 2016 and 2017 operations, Dinner and campaign contributions related to Bullying Prevention, Donate Responsibly, and NYC Truancy Prevention. At June 30, 2014 cash and cash equivalents include $206,552 of cash received that is limited as to its use because of donor imposed restrictions, and which is being held in connection with the Council's fiscal 2015 and 2014 operation, Dinner and campaign contributions related to Bullying Prevention, Donate Responsibly, and NYC Truancy Prevention.

Grants

Grants are awarded to the Council by foundations for research and special projects. Revenue is recognized as expenses are incurred by the Council. Grant revenue and expenses for foundation funded projects are stated separately on the statements of activities and changes in net assets whenever such grants are awarded for projects other than public service messages.

Cash Equivalents and Investments

The Council maintains its operating funds primarily in highly liquid money market funds and business checking accounts that are classified in the statements of financial position as cash and cash equivalents. Cash held in the investment portfolio is excluded from cash and cash equivalents. The Council's policy is that earnings on cash and cash equivalents are reinvested in the operating funds of the Council. Such interest is classified as unrestricted revenue on the statements of activities.

Investments are stated at fair market value and include mutual funds, money market funds, certificates of deposits, and asset funds concentrated in debt and equity securities managed by a professional investment advisor in accordance with the investment policy established by the Council's Finance Committee. The Council's corporate investments are managed in a passive investment strategy. The transfer of operating funds to the investment portfolio requires approval of the Council's Finance Committee. It is the Council's policy that gains and losses on investments and net investment income are not considered part of the excess or deficit from operations and, therefore, are not included as a component of operating revenue on the statements of activities and changes in net assets.

At June 30, 2015 and 2014, investments also include $2,759,487 and $2,297,127, respectively, related to mutual fund investments held in connection with nonqualified deferred compensation and supplementary executive retirement plans for certain executives of the Council (Note 5).

Property and Equipment

Furniture, fixtures and telephone equipment are depreciated using the straight-line method over their useful lives, which approximate five years. Computer hardware and software, including website software development costs, are depreciated using the straight-line method over their useful lives, which approximate three years. Leasehold improvements are amortized over their useful life or over the remaining life of the related office lease, whichever is shorter, ranging from five to fifteen years.

Use of Estimates

Financial statements prepared in accordance with GAAP require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, at the date of the financial statements, and the reported amounts of revenue and expenses recognized during the reporting periods, as well as to provide for disclosure of any contingent items. Actual amounts could differ from those estimates.

Concentrations of Credit Risk

The Council maintains cash accounts at various financial institutions. The value of these accounts, individually and in the aggregate, typically exceeds the amount insured by the FDIC.

Related Party Transactions

The Council's business model includes the services of an advertising agency or specialized vendor for each of the public service announcement campaigns that the Council distributes for clients. These advertising agencies and specialized vendors include several companies that have officers who also sit on the Council's Board of Directors. The agencies are approved by the client prior to service agreements being entered into.

The Council also receives contributions for general operations and special events from management executives and members of the Board of Directors and the Companies they work for.

Recent Accounting Pronouncements

In May 2014, as part of its ongoing efforts to assist in the convergence of U.S. GAAP and International Financial Reporting Standards, the FASB issued a new standard related to revenue recognition. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to receive in exchange for the goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will be effective for us beginning July 1, 2019, with an optional early adoption date July 1, 2018. We are currently evaluating the impact this standard will have on our financial statements. It is noted that the new standard relates to revenue arising from contracts with customers and as such, any nonreciprocal transactions such as contributed services, will continue to be recorded in accordance with ASC 958-605, “Contributions Received.”

3. Investments

The provisions of ASC Topic 825 “The Fair Value Option for Financial Assets and Financial Liabilities” were effective July 1, 2008. ASC Topic 825 gives entities the option, at either adoption or purchase date, to measure certain financial assets and liabilities at fair value. The election may be applied to financial assets and liabilities on an instrument by instrument basis, is irrevocable, and may only be applied to entire instruments. Unrealized gains and losses on instruments for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The Council has not elected the fair value options for any assets or liabilities that are not currently required to be measured at fair value. ASC 820 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities’ own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under ASC Topic 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Council for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

To determine the fair values of Level 2 investments, the Council uses the market approach which uses observable prices and other relevant information generated by market transactions for comparable publicly traded securities with similar characteristics.

The following table presents the financial instruments carried at fair value as of June 30, 2015 and 2014, by caption on the statement of financial position by the ASC Topic 820 valuation hierarchy defined above.

At June 30, 2015 and 2014, respectively, the Council's investments consist of the following investment funds, with Level 1 and Level 2 valuation methodologies. The Council did not have any Level 3 investments at June 30, 2015 or 2014. While the Council has marked all their investment balances to fair market value there is a risk that future market conditions could lead to unrealized and/or realized losses in subsequent periods.

	2015			2014		
	(Level 1)	(Level 2)	(Total)	(Level 1)	(Level 2)	(Total)
Money Market Funds	$ -	$ 395,986	$ 395,986	$ -	$ 383,921	$ 383,921
Certificates of Deposit		1,000,000	1,000,000		750,000	750,000
Marketable Equity Securities Funds	3,908,084		3,908,084	3,792,878		3,792,878
Short Term Duration Bond Funds	5,269,602		5,269,602	5,132,000		5,132,000
Intermediate Duration Bond Funds	645,198		645,198	647,094		647,094
International And Emerging Markets Equities Funds	2,306,759		2,306,759	2,220,658		2,220,658
Real Estate Investment Trust Funds	593,133		593,133	637,799		637,799
	12,722,776	1,395,986	14,118,762	12,430,429	1,133,921	13,564,350
Participant Discretionary Retirement Investment Funds, Executive Deferred Compensation and SERP (Note 5)	2,539,351	220,136	2,759,487	1,956,903	340,224	2,297,127
	$ 15,262,127	$ 1,616,122	$ 16,878,249	$ 14,387,332	$ 1,474,145	$ 15,861,477

During the year ended June 30, 2015, there was $12,065 transferred from Level 1 investments to Level 2 investments as a result of the semi-annual rebalancing performed to maintain the composition of investments in accordance with the Council's investment strategy. During the year ended June 30, 2014, there was $153,136 transferred from Level 1 investments to Level 2 investments as a result of a change in the portfolio management company and the semi-annual rebalancing performed to maintain the composition of investments in accordance with the Council's investment strategy.

For the year ended June 30, 2015 and 2014, realized and unrealized gains (losses), interest and dividend income are summarized below:

	2015	2014
Realized and unrealized gains	$ 108,961	$ 1,363,185
Dividend and interest income	298,561	349,250
	$ 407,522	$ 1,712,435

4. Functional Classification of Expenses

The Council's functional classification of expenses for the year ended June 30, 2015 with comparative totals for the year ended June 30, 2014 is as follows:

	Program Services	Management and General	Fund Raising	2015	2014
Total production and distribution	$ 19,981,447	$ -	$ -	$ 19,981,447	$ 21,688,372
Salaries and related expenses	10,554,800	4,813,714	1,569,195	16,937,709	15,911,673
Office expenses	1,196,112	536,011	86,589	1,818,712	1,787,744
General and administration	300,158	1,300,858	43,141	1,644,157	1,594,018
Special events	1,370		774,881	776,251	719,619
Depreciation and amortization		990,685		990,685	769,758
Expenses for grants and projects	570,023			570,023	110,035
Media development	178,523			178,523	140,916
Interactive services	365,618			365,618	314,830
Campaign management	728,860	75	53,352	782,287	553,079
Government and non-profit affairs	39,726	5,000	651	45,377	40,549
Creative services	27,106			27,106	6,139
Public relations	42,175			42,175	28,364
Fundraising			79,259	79,259	81,056
For the year ended June 30, 2015	$ 33,985,918	$ 7,646,343	$ 2,607,068	$ 44,239,329	
For the year ended June 30, 2014	$ 34,121,793	$ 7,252,361	$ 2,371,998		$ 43,746,152

5. Employee Benefits

Employee benefits are included within salaries and related expenses in the statement of activities and changes in net assets and consist of payroll taxes, employee health, dental and other benefits, and the following employee retirement plans.

Defined Contribution Benefit Plan

The Council maintains a defined contribution benefit plan ("Plan") for all eligible employees. The Council contributed 7% of an employee's covered compensation to the plan for each of the years ended June 30, 2015 and 2014, respectively. Expense related to this plan was $643,656 and $644,718 for the years ended June 30, 2015 and 2014, respectively. Certain highly compensated employees, as defined by the plan document, receive additional compensation for the portion of the current year's contribution that exceeds the IRS' individual participant contribution limits. The expense associated with employees meeting this qualification was $46,575 and $147,255 for the years ended June 30, 2015 and 2014, respectively.

Supplemental Executive Retirement Plan

The Council maintains a supplemental executive retirement plan ("SERP") for members of its executive management. The SERP is a noncontributory defined contribution retirement plan providing for contributions to be made each year by the Council on behalf of the participants. The contributions are based on a percentage of participants' eligible compensation, as defined by the SERP. Contributions are to be invested in various mutual funds at the direction of the individual participant and held by the Council until the executive vests into the plan. Participants vest after the latter of the following events: a) completion of five (5) years of service; or b) attaining the age of fifty five (55). A participant and the employer may agree to delay the vesting date for a period of at least five (5) years and the participant may accrue benefits until they are fully vested, subject to certain conditions laid out in the plan documents. The investments held in the plan as of June 30, 2015 and 2014 totaled $2,759,487 and $2,297,127, respectively. The unrealized gains were $50,211 and $267,355, realized losses were $-0- and $89,058, and the dividends earned were $52,900 and $51,637 for the years ended June 30, 2015 and 2014, respectively. For the years ended June 30, 2015 and 2014, the Council incurred costs of $581,000 and $560,125, respectively, for participants of the SERP.

The assets for the deferred compensation and SERP plans are recorded at fair market value in accordance with ASC Topic 820 as part of the Council's investment balance. The realized and unrealized gains and (losses) on these investments are recorded as investment income (loss) in the company's statement of activities and changes in net assets.

During fiscal 2015 certain SERP benefits, $844,207, were classified as Retirement and other deferred compensation – Short Term due to participant vesting. During fiscal 2014 no short term SERP benefits vested.

The Ad Council's deferred compensation and SERP obligation is measured at fair value of the amount owed to the employees, which is equal to the asset value during the years ended June 30, 2015 and 2014. The noncurrent portion of the SERP obligation is recorded in other long-term liabilities and changes in the fair value of that obligation is adjusted, with a corresponding charge (or credit) to salaries and related expenses in the statement of activities and changes in net assets. The net debit (credit) to salaries and related expense for the years ending June 30, 2015 and 2014 was $102,360 and $318,280, respectively.

During the years ending June 30, 2015 and 2014, the Council made distributions to an executive from the SERP of $-0- and $1,408,222.

6. Line of Credit

The Council had a line of credit agreement with a financial institution for the purpose of financing short-term working capital needs. The unsecured agreement had a $2.0 million borrowing base, bore interest at the LIBOR Market Index rate plus 1.50% and expired on March 1, 2014 and was not renewed. At June 30, 2015 and 2014, no amounts were outstanding against this line of credit. The borrowing agreement provided that the financial institution can apply a cross default provision to all the debt instruments written for the benefit of the Council.

7. Tax Status

The Council is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and from state and local taxes under comparable laws. Accordingly, no income tax expense or liability is recorded in the financial statements.

In 2009, the Council adopted the provisions of Accounting Standards Codification ("ASC") 740 10 05 relating to accounting and reporting for uncertainty in income taxes. Management evaluated the Council's tax position and concluded that the Council has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

8. Commitments

Leases

In fiscal year 2008, the Council moved its New York office. The Council is obligated under an operating lease agreement through the initial lease term of ten years. The agreement also provides for an option to renew for an additional five year period through the year 2022. It is the intention of Council's management to exercise this option and the future rental payments disclosed below include the commitment for the renewal extension period.

On March 1, 2012, the Council relocated its Washington D.C. office. Under the new operating lease agreements, the Council is obligated for a term of ten years and five months, for monthly payments which increase annually at a standard escalation. The Agreement also provides for an option to renew for an additional five year period. The Council has not yet decided whether to exercise its renewal option and has not included it in the annual office rental commitments schedule. The Council has a sublease agreement in place for approximately 30% of the DC office space to a subtenant.

In accordance with GAAP, the rental commitments for these office lease obligations are calculated through lease expiration. The total cost to the Council is recognized as expense in equal monthly amounts based on the full term of each respective agreement. In accordance with the New York and DC lease agreements, the landlords provided the Council with tenant's improvement allowances in the amount of $931,920, and $388,895, respectively, which were recorded as deferred rent and which were reported on the statement of financial position within other long-term liabilities.

The difference between the amount recorded to expense and the actual cash payments made by the Council on a monthly basis is recorded to the statement of financial position as deferred rent within other long-term liabilities. The corresponding entry had also been recorded as deferred rent on the statement of financial position within long-term liabilities. Deferred rental obligation at June 30, 2015 and 2014 is $1,903,568 and $2,039,426, respectively

The New York lease agreement stipulates that the Council maintain an irrevocable standby letter of credit with its financial institution currently in the amount of $441,000 to serve as additional collateral to the landlord. The agreement provides that the amount required to be available under this letter of credit can decrease in various increments throughout the initial term of the agreement and until March 1, 2016, at which point the minimum security required will be $293,000. In no event shall the security be reduced below this stipulated amount and the letter of credit shall not be extended beyond October 31, 2022.

In connection with the New York office lease discussed within Note 8, the Council booked an Asset Retirement Obligation asset and liability of $205,500 in the current period which is due to the removal of structural alterations upon the surrender of the premises at its expiration date. For the year ended June 30, 2015, the Council amortized $106,814 of the asset, of which $92,882 relates to correcting prior periods. In addition, for the year ended June 30, 2015, the Council recorded accretion expense of $43,703, of which $37,516 relates to correcting prior periods. The impact of these corrections was not material to the current or prior year financial statements.

The aggregate minimum annual office rental commitments of the Council's long-term leases are summarized by fiscal year as follows:

2016	$ 1,385,620
2017	1,408,389
2018	1,491,667
2019	1,519,275
2020	1,542,160
Thereafter	3,287,565
	$ 10,634,676

Rent expense incurred for the lease of office space was reported within the statement of activities and changes in net assets as part of office expenses and was $1,179,807 and $1,167,103 for each of the years ended June 30, 2015 and 2014, respectively.

9. Subsequent Events

The Council has evaluated subsequent events through November 9, 2015, the date on which the financial statements were issued and determined that there were no subsequent events to disclose.