The Advertising Council, Inc.

As of and for the years ended June 30, 2019 and 2018

Page(s)

Report of Independent Auditors

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 statements of financial position as of June 30, 2019 and 2018 and the related statements of activities and changes in net assets and of 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.

Auditors' 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 Company'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 Company'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. as of June 30, 2019 and 2018 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
December 4, 2019

The Advertising Council, Inc.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 11,835,292	$ 13,317,007
Investments (Note 3)	20,539,071	17,542,384
Accounts receivable (less allowance for doubtful accounts of $50,000 and $50,000, respectively)	6,365,363	7,575,250
Contributions receivable (less allowance for doubtful accounts of $50,000 and $50,000, respectively)	2,372,970	2,888,458
Prepaid expenses and other current assets	808,966	587,362
Total current assets	41,921,662	41,910,461
Property and equipment, at cost		
Furniture and fixtures	1,312,533	1,277,130
Computer and telephone equipment	4,523,355	4,287,078
Leasehold improvements	6,386,172	6,254,286
	12,222,060	11,818,494
Less - accumulated depreciation and amortization	6,314,784	5,168,011
Property and equipment, net	5,907,276	6,650,483
Total assets	$ 47,828,938	$ 48,560,944
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 2,386,053	$ 1,678,233
Accrued expenses and other current liabilities	5,023,245	4,284,062
Deferred revenue	2,565,056	5,108,284
Deposits from campaign sponsors	480,000	600,000
Total current liabilities	10,454,354	11,670,579
Deferred rental obligations (Note 7)	2,309,220	1,940,605
Accumulated postretirement benefit obligation - long term	195,324	188,776
Total liabilities	12,958,898	13,799,960
Net assets		
Without Donor Restrictions	31,058,780	29,373,026
With Donor Restrictions, cash (Note 2)	3,286,260	4,207,958
With Donor Restrictions net assets	525,000	1,180,000
Total net assets	34,870,040	34,760,984
Total liabilities and net assets	$ 47,828,938	$ 48,560,944

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

The Advertising Council, Inc.
Statements of Activities and Changes in Net Assets
June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Production and distribution campaign revenue	$ 32,120,545		$ 32,120,545	$ 30,587,605		$ 30,587,605
Contributions	11,135,149	100,000	11,235,149	10,511,217	302,000	10,813,217
Special events	5,510,328	580,000	6,090,328	5,224,901	110,000	5,334,901
Grants and contributions for projects	48,521	2,345,160	2,393,681	169,320	3,689,149	3,858,469
Satisfaction of restrictions - Grants from foundations	4,159,858	(4,159,858)	-	1,929,574	(1,929,574)	-
Satisfaction of restrictions - Contributions	282,000	(282,000)	-	180,000	(180,000)	-
Satisfaction of restrictions - Special events	160,000	(160,000)	-	135,000	(135,000)	-
Consultancy services	475,909		475,909			-
Interest and other income	208,140		208,140	167,484		167,484
Total revenue	54,100,450	(1,576,698)	52,523,752	48,905,101	1,856,575	50,761,676
Expenses						
Production and distribution campaign	20,302,110		20,302,110	18,478,608		18,478,608
Consultancy expenses	250,310		250,310	-		-
Salaries and related expenses	20,866,040		20,866,040	19,819,729		19,819,729
Office expenses	2,248,023		2,248,023	2,343,149		2,343,149
General and administrative	2,393,752		2,393,752	1,967,025		1,967,025
Special events	1,416,717		1,416,717	1,384,265		1,384,265
Depreciation and amortization	1,146,773		1,146,773	1,223,216		1,223,216
Expenses for projects	2,692,223		2,692,223	1,202,733		1,202,733
Media development	150,416		150,416	95,090		95,090
Interactive services	586,096		586,096	381,701		381,701
Campaign management	1,025,632		1,025,632	767,087		767,087
Government and non-profit affairs	14,167		14,167	15,535		15,535
Creative services	49,337		49,337	69,122		69,122
Public relations	156,244		156,244	101,115		101,115
Fundraising	105,016		105,016	104,831		104,831
Total expenses	53,402,856	-	53,402,856	47,953,206	-	47,953,206
Excess (deficit) from operations	697,594	(1,576,698)	(879,104)	951,894	1,856,576	2,808,470
Actuarial (loss) gain on accumulated post retirement obligation	(8,612)		(8,612)	27,298		27,298
Investment Income / (Loss)						
Investment income, net	996,772	-	996,772	943,407	-	943,407
Change in net assets	1,685,754	(1,576,698)	109,056	1,922,599	1,856,576	3,779,175
Net assets						
Beginning of year	29,373,026	5,387,958	34,760,984	27,450,427	3,531,382	30,981,809
End of year	$ 31,058,780	$ 3,811,260	$ 34,870,040	$ 29,373,026	$ 5,387,958	$ 34,760,984

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

The Advertising Council, Inc.
Statements of Cash Flows
June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 109,056	$ 3,779,175
Adjustments to reconcile net assets to net cash		
(used in) provided by operating activities		
Depreciation and amortization	1,146,773	1,223,216
Net realized and unrealized gains on investments	(515,491)	(519,036)
Changes in assets and liabilities		
Decrease in accounts receivable, net	1,209,887	804,234
Decrease (Increase) in contribution receivable, net	515,488	(509,364)
(Increase) decrease in prepaid expenses and other assets	(221,604)	646,305
Increase (decrease) in accounts payable	707,820	(656,797)
Increase (decrease) in accrued expenses and other current liabilities	739,183	(953,005)
Decrease in retirement and other deferred compensation	-	(1,451,547)
(Decrease) increase in deferred revenue	(2,543,228)	2,250,798
Decrease in deposits from campaign sponsors	(120,000)	(160,000)
Increase in deferred rental obligation	368,615	338,638
Increase (decrease) in accumulated post retirement obligations	6,548	(26,479)
Net cash provided by operating activities	1,403,047	4,766,138
Cash flows for investing activities		
Proceeds from sale of investments	2,610,510	7,351,518
Purchases of investments	(5,091,706)	(6,212,280)
Expenditures for property and equipment	(403,566)	(6,011,546)
Net cash used in investing activities	(2,884,762)	(4,872,308)
Cash flows from financing activities		
Net cash used in financing activities	0	0
Decrease in cash, cash equivalents, and restricted cash	(1,481,715)	(106,170)
Cash and cash equivalents		
Cash, cash equivalents, and restricted cash at the beginning of the year	13,317,007	13,423,177
Cash, cash equivalents, and restricted cash at the end of the year	$ 11,835,292	$ 13,317,007

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 campaign sponsors. The Council also provides consulting services that include training, research, and strategy development to organizations who look to connect with the public around social change. 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.

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Council has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to all periods presented. The new standards change the following aspects of the Council's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

- The unrestricted net asset class has been renamed net assets without donor restrictions.

	2019	2018
Net assets		
Without Donor Restrictions	$ 31,058,780	$ 29,373,026
With Donor Restrictions, cash (Note 2)	3,286,260	4,207,958
With Donor Restrictions	525,000	1,180,000
Total net assets	$ 34,870,040	$ 34,760,984

Amounts within the Statement of Financial Position as of June 30, 2018 have been modified in both the prepaid expense and accounts payable to conform to the current year presentation. During 2019, the Council identified an error in Prepaid Expenses of $911,357 for amounts that had not yet been paid as of June 30, 2018. Accordingly, Prepaid Expenses was reduced and Accounts Payable was increased in the amount of $911,357 as of June 30, 2018.

Additionally, a reclassification was made on the Statement of Financial Position as of June 30, 2018 between cash with donor restrictions and assets with donor restrictions. During 2019, the Council identified an error in the presentation of such amounts for which cash of $180,000 had not been received as of period end. Accordingly, Net Assets with Donor Imposed Restrictions-Cash was reduced, and Net Assets with Donor Imposed Restrictions was increased in the amount of $180,000 as of June 30, 2018.

Management performed an analysis of the impact of the misstatements and determined such amounts were not material to the prior year. Consequently, management has corrected the misstatements by revising the Statement of Financial Position as of June 30, 2018 in the current year. Neither of these reclassifications impact the change in net assets as previously presented.

Production and Distribution of Public Service Campaigns
Production and distribution campaign revenue consist primarily of cost plus arrangements for 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. Production and distribution campaign revenue may also be recognized under fixed fee arrangements. A fixed fee percentage on performed services may also be charged to the sponsor with resulting revenue recognized in accordance with the sponsors' contract.

Donated Services
In fulfilling the Council's mission to stimulate action on significant public issues through communication programs the Council marshals, on behalf of its sponsors, volunteer talent from the advertising and communications industries, the facilities of the media, and the resources of the business and non-profit communities to create awareness, foster understanding and motivate action. Due to the agency nature of the transactions these volunteer services and donated media are not recorded on the Council's financial statements.

Campaign Sponsor Advances and Deposits
Advances received from sponsors are recorded as deferred revenue when received. These advances are for specific work to be performed. As these funds represent future revenue to the Council they are only recognized as revenue when the services are performed and when documentation supporting such services has been received by the Council.

Contractual deposits received from sponsors are recorded as deposit liabilities 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 in-kind contributions, are considered to be available for general use, unless specifically restricted by the donor, and are recognized in the statements of activities as revenue without donor restrictions in the period pledged. Net assets without donor restrictions represent resources over which the Council has full discretion with respect to use. Special events include contributions earmarked for the Council's New York annual dinner or other Council sponsored events and similar to contributions, may be classified as with or without donor restrictions.

Net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as satisfaction of restrictions. It is the Council's policy to record contributions with donor restrictions as revenue without donor restrictions when the contributions are made and the restriction is satisfied in the same reporting period.

Net assets with donor restrictions consist of cash and pledges received that are restricted for the

Council's following purposes:

	Year Ended June 30, 2019	Year Ended June 30, 2018
Annual dinner - fiscal 2020	$ 630,000	$ 50,000
Annual dinner - fiscal 2019	-	160,000
Fiscal 2020 operations	200,000	100,000
Fiscal 2019 operations	-	282,000
Bullying Prevention	577,250	316,806
Chronic Absenteeism	4,019	4,019
Love Has No Labels	1,199,858	2,254,256
News Literacy	-	250,000
STEM for Girls	1,200,133	1,970,877
Total	$ 3,811,260	$ 5,387,958

In fiscal 2019 and 2018, $4,601,858 and $2,244,574, respectively, have been reclassified to net assets without donor restrictions as the related restrictions have been satisfied.

At June 30, 2019 cash and cash equivalents include $3,286,260 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 2019 Annual Dinner and Campaign Contributions which relates to Bullying Prevention, Love Has No Labels, STEM for Girls, and LGBT Acceptance. At June 30, 2018 cash and cash equivalents include $4,207,958 of cash received that was limited as to its use because of donor imposed restrictions, and which was held in connection with the Council's fiscal 2020 and 2019 operations, Operations and Campaign Contributions related to Bullying Prevention, Love Has No Labels, STEM for Girls, and News Literacy.

In-Kind Contributions
The Council receives non-cash services which are recorded as donated in-kind contributions. These contributions are recorded at fair value based on the quoted market price for similar services and recognized as expense in the period in which the services are contributed. The Council recorded in-kind contributions of $744,827 and $591,756 in 2019 and 2018, respectively. These in-kind contributions relate specifically to research data tools, regional office space, staff training and conferences, travel and printing costs.

Functional Expenses
The Council's Program Service is to be a leading provider of Public Service Communications on behalf of Sponsor Organizations and Government Agencies. The costs of providing this program service and other activities have been summarized on a functional basis in Note 4 and presents a natural classification by function category. Such allocations are determined by examining departmental classifications, time keeping data and headcount analysis which are applied against each expense of the organization.

Grants
Grants may be 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.

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 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 revenue without donor restrictions on the statements of activities and changes in net assets.

Investments are stated at fair value and include mutual funds and money market 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 revenue on the statement of activities and changes in net assets.

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.

Towards the end of fiscal 2017, the Council began the renovation of its New York offices located at 815 Second Avenue which was completed during fiscal year 2018. As a result of these renovations, the Council had shortened the useful lives of certain leasehold improvements which resulted in such assets being fully depreciated in 2018 rather than in 2023. The impact of this change was additional depreciation of $0 and $445,026 in fiscal years 2019 and 2018, respectively.

Net Asset Presentation
Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Without donor restrictions – consist of resources available for the general support of the Council's operations and may be used at the discretion of the Council's management and Board of Directors.

With donor restrictions – represent amounts restricted by donors to be used for specific activities, campaigns, or at some future date. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

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
Items that potentially subject the Council to concentrations of credit risk are primarily cash and cash equivalents, as well as accounts receivable. 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. Concentrations of credit risk as it relates to accounts receivable are mitigated by a large customer base.

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 sponsors. 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 sponsor prior to service agreements being entered into.

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

Recent Accounting Pronouncements
In May 2014, as part of its ongoing efforts to assist in the convergence of 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 the Council beginning July 1, 2019, which is the fiscal year ending June 30, 2020, with an optional early adoption date beginning July 1, 2018. Management is currently evaluating the impact this standard will have on the financial statements. It is noted that the new standard relates to revenue arising from contracts with customers and as such, any non-reciprocal transactions such as contributions, will continue to be recorded in accordance with ASC 958-605, “Contributions Received.”

In February 2016, the FASB issued amended guidance on lease accounting which requires an entity to recognize a right-of-use asset and a corresponding lease liability on its statement of financial position for virtually all of its leases with a term of more than 12 months, including those classified as operating leases. In March 2018 the FASB affirmed its proposal to allow companies who apply ASC 842 to elect not to adjust comparative period financial statements beginning January 1, 2019 upon adoption. Both the asset and liability will initially be measured at the present value of the future minimum lease payments, with the asset being subject to adjustments such as initial direct costs. Consistent with current GAAP, the presentation of expenses and cash flows will depend primarily on the classification of the lease as either a finance or an operating lease. The new standard also requires additional quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases in order to provide additional information about the nature of an organization's leasing activities. This amended guidance, which will be effective beginning July 1, 2020, which is the fiscal year ending June 30, 2021, requires modified retrospective application, with early adoption permitted. Management is currently evaluating the impact this standard will have on the financial statements.

Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	$ 11,835,292
Investments	20,539,071
Accounts receivable	6,365,363
Contributions receivable	2,372,970
Subtotal	41,112,696
Less: assets with donor restrictions, cash	(3,286,260)
Less: assets with donor restrictions	(525,001)
Less: board designated restrictions on investments	(20,539,071)
Total Available for General Expenditure	$ 16,762,364

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 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, 2019 and 2018, by caption on the statement of financial position by the ASC Topic 820 valuation hierarchy defined above.

At June 30, 2019 and 2018, 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, 2019 or 2018. While the Council has marked all their investment balances to market there is a risk that future market conditions could lead to unrealized and/or realized losses in subsequent periods.

	2019 (Level 1)	2019 (Level 2)	2019 (Total)	2018 (Level 1)	2018 (Level 2)	2018 (Total)
Money Market Funds	$ -	$ 401,611	$ 401,611	$ -	$ 351,718	$ 351,718
Marketable Equity Securities Funds	5,188,337		5,188,337	4,508,794		4,508,794
Short Term Duration Bond Funds	6,052,297		6,052,297	5,284,667		5,284,667
Intermediate Duration Bond Funds	4,423,520		4,423,520	3,816,622		3,816,622
International And Emerging Markets Equities Funds	4,071,763		4,071,763	3,201,323		3,201,323
Real Estate Investment Trust Funds	401,543		401,543	379,260		379,260
Total	$ 20,137,460	$ 401,611	$ 20,539,071	$ 17,190,666	$ 351,718	$ 17,542,384

During the year ended June 30, 2019, there was $1,958,730 transferred from Level 2 investments to Level 1 investments as a result additional purchases and of the semi-annual rebalancing performed to maintain the composition of investments in accordance with the Council's investment strategy.

For the years ended June 30, 2019 and 2018, realized and unrealized gains (losses), interest and dividend income are summarized below:

For the year ended June 30, 2019 and 2018, realized and unrealized losses, interest and dividend income is as follows:

	Year Ended June 30, 2019	Year Ended June 30, 2018
Realized and unrealized gains	$ 515,492	$ 519,036
Dividend and interest income	481,280	424,371
Total	$ 996,772	$ 943,407

4. Functional Classification of Expenses

The Council's functional classification of expenses for the year ended June 30, 2019 with comparative totals for the year ended June 30, 2018 is as follows:

	Program Services	Management and General	Fund Raising	Year Ended June 30, 2019	Year Ended June 30, 2018
Production and distribution campaign	$ 20,302,110			$20,302,110	$18,478,608
Consultancy expenses	250,310			250,310	
Salaries and related expenses	13,364,002	4,904,339	2,597,699	20,866,040	19,819,729
Office expenses	1,520,134	613,232	114,657	2,248,023	2,343,149
General and administration	442,622	1,869,619	81,511	2,393,752	1,967,025
Special events		47,603	1,369,114	1,416,717	1,384,265
Depreciation and amortization		1,146,773		1,146,773	1,223,216
Expenses for projects	2,692,223			2,692,223	1,202,733
Media development	150,416			150,416	95,090
Interactive services	586,096			586,096	381,701
Campaign management	1,020,785	4,697	150	1,025,632	767,087
Government and non-profit affairs	14,167			14,167	15,535
Creative services	49,337			49,337	69,122
Public relations	109,466	46,778		156,244	101,115
Fundraising			105,016	105,016	104,831
For the year ended June 30, 2019	$ 40,501,668	$ 8,633,041	$ 4,268,147	$ 53,402,856	
For the year ended June 30, 2018	$ 35,626,879	$ 8,230,701	$ 4,095,626		$ 47,953,206

5. Employee Benefits

Employee benefits are included within salaries and related expenses in the statement of activities 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 elected to contribute 5% for the years ended June 30, 2019 and June 30, 2018 of an employee's covered compensation to the Plan. Expense related to this Plan was $717,363 and $670,617 for the years ended June 30, 2019 and 2018, 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 $34,166 and $70,339 for the years ended June 30, 2019 and 2018, respectively.

Supplemental Executive Retirement Plan
The Council maintained a supplemental executive retirement plan ("SERP") for members of its executive management. Effective June 30, 2018 the Council dissolved its SERP and no longer accepts participants. The SERP was a noncontributory defined contribution retirement plan providing for contributions to be made each year by the Council on behalf of the participants. The contributions were based on a percentage of participants' eligible compensation, as defined by the SERP. Contributions were invested in various mutual funds at the direction of the individual participant and held by the Council until the executive vested into the plan. Participants vested 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 could agree to delay the vesting date for a

period of at least five (5) years and the participant could accrue benefits until they were fully vested, subject to certain conditions laid out in the plan documents. The unrealized losses were $-0- and $156,556, realized gains were $-0- and $227,516, and the dividends earned were $-0- and $39,502 for the years ended June 30, 2019 and 2018, respectively. For the years ended June 30, 2019 and 2018, the Council incurred costs of $-0- and $374,051 respectively, for participants of the SERP.

The assets for the deferred compensation and SERP plans were recorded at fair 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 Council's statements of activities.

The Council's deferred compensation and SERP obligation was measured at fair value of the amount owed to the employees, which was equal to the asset value during the years ended June 30, 2019 and 2018. The non-current portion of the SERP obligation was 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 statements of activities. The net debit (credit) to salaries and related expense for the years ended June 30, 2019 and 2018 was $-0- and $110,012, respectively.

During the years ending June 30, 2019 and 2018, the Council made distributions from the SERP of $-0- and $2,195,559.

6. 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.

7. Commitments

Leases

In fiscal 2008, the Ad Council moved its New York office and became obligated under an operating lease agreement through the initial lease term of ten years. The agreement also provided for an option to renew for an additional five-year period through the year 2022. Instead of exercising the option, on September 1, 2016 the Council signed a new lease amendment for a term beginning August 1, 2017 for a further eleven years through July 31, 2028. The amendment includes a new renewal option for an additional five years which the Council has not yet determined whether to exercise.

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 $293,000 to serve as additional collateral to the landlord. The agreement provides that the amount required to be available under this letter of credit is $293,000.

On March 1, 2012, the Council relocated its Washington, D.C. office and became obligated under the new operating lease agreement 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 25% 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 statements of financial position within deferred rental obligations.

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. Deferred rental obligations at June 30, 2019 and 2018 is $2,309,221 and $1,940,605, respectively

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

2020	$	1,081,179
2021		1,563,798
2022		1,590,530
2023		1,307,263
2024		1,304,350
Thereafter		5,601,388
	$	12,448,509

Rent expense incurred for the lease of office space was reported within the statement of activities as part of office expenses and was $1,250,349 and $1,460,842 for the years ended June 30, 2019 and 2018, respectively.

8. Subsequent Events

The Council has evaluated subsequent events through December 4, 2019, the date on which the financial statements were available to be issued.