

The Advertising Council, Inc.
As of and for the years ended
June 30, 2023 and 2022

The Advertising Council, Inc.
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June 30, 2023 and 2022

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Report of Independent Auditors

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

Opinion

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, 2023 and 2022, and the related statements of activities and changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Advertising Council, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the Council changed the manner in which it accounts for leases in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council’s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors’ Responsibilities for the Audit of the Financial Statements

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



In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Pricewaterhouse Coopers LLP

New York, New York
December 19, 2023

The Advertising Council, Inc.
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 31,405,153	\$ 34,408,911
Investments (Note 3)	30,900,135	23,336,118
Accounts receivable (less allowance for doubtful accounts of \$50,000 and \$50,000, respectively)	17,167,701	10,656,623
Contributions receivable (less allowance for doubtful accounts of \$50,000 and \$50,000, respectively)	4,120,300	3,891,337
Prepaid expenses and other current assets	1,053,227	999,881
Total current assets	<u>84,646,516</u>	<u>73,292,870</u>
Property and equipment, at cost		
Furniture and fixtures	1,397,061	1,397,061
Computer and telephone equipment	5,509,025	5,347,182
Leasehold improvements	6,386,172	6,386,172
	<u>13,292,258</u>	<u>13,130,415</u>
Less - accumulated depreciation and amortization	10,048,392	9,198,762
Property and equipment, net	<u>3,243,866</u>	<u>3,931,653</u>
Operating lease right to use assets	4,740,290	
Total assets	<u>\$ 92,630,672</u>	<u>\$ 77,224,523</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	2,179,512	2,127,732
Accrued expenses and other current liabilities	8,611,822	8,199,733
Lease liabilities	1,136,275	
Deferred revenue	7,668,031	4,481,850
Deposits from campaign sponsors	520,000	560,000
Refundable deposit - PPP Loan (Note 6)	-	-
Total current liabilities	<u>20,115,640</u>	<u>15,369,315</u>
Lease liabilities - long term	5,285,178	-
Deferred rental obligations	-	1,932,152
Retirement and other deferred compensation - long term	338,215	197,496
Accumulated Postretirement benefit obligation - long term	99,971	108,415
Total liabilities	<u>25,839,004</u>	<u>17,607,378</u>
Net assets		
Without Donor Restrictions	58,275,603	54,685,181
With Donor Restrictions, cash (Note 2)	7,781,065	4,731,961
With Donor Restrictions net assets	735,000	200,003
Total net assets	<u>66,791,668</u>	<u>59,617,145</u>
Total liabilities and net assets	<u>\$ 92,630,672</u>	<u>\$ 77,224,523</u>

The Advertising Council, Inc.
Statements of Activities and Changes in Net Assets
June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Production and distribution campaign revenue	\$ 37,838,242		\$ 37,838,242	\$ 41,423,757		\$ 41,423,757
Contributions	12,388,609	75,000	12,463,609	12,173,905		12,173,905
Contributed nonfinancial assets (notes 2 and 8)	1,581,150		1,581,150	1,477,000		1,477,000
Special events	7,112,550	745,000	7,857,550	6,228,902	30,000	6,258,902
Grants and contributions for projects	3,882,601	7,123,399	11,006,000	1,143,010	4,834,619	5,977,629
Satisfaction of restrictions - Grants from foundations	4,329,295	(4,329,295)	-	28,098,590	(28,098,590)	-
Satisfaction of restrictions - Contributions	-	-	-	125,000	(125,000)	-
Satisfaction of restrictions - Special events	30,000	(30,000)	-	230,000	(230,000)	-
Consultancy services	1,527,356		1,527,356	701,752		701,752
Interest & other income	828,571		828,571	40,756		40,756
Total revenue	69,518,374	3,584,104	73,102,478	91,642,672	(23,588,971)	68,053,701
Expenses						
Production and distribution	22,779,715		22,779,715	29,319,405		29,319,405
Consultancy services	981,374		981,374	371,624		371,624
Salaries and related expenses	29,640,092		29,640,092	25,476,360		25,476,360
Office expenses	752,284		752,284	2,020,823		2,020,823
Operating lease expense	1,027,785		1,027,785			
General and administrative	3,336,727		3,336,727	3,760,759		3,760,759
Special events	1,518,866		1,518,866	1,253,132		1,253,132
Depreciation and amortization	849,630		849,630	896,590		896,590
Expenses for projects	4,867,072		4,867,072	21,223,560		21,223,560
Media development	90,811		90,811	32,935		32,935
Interactive services	275,791		275,791	252,816		252,816
Campaign management	1,705,741		1,705,741	1,408,655		1,408,655
Government and non-profit affairs	4,995		4,995	2,156		2,156
Creative services	53,841		53,841	41,662		41,662
Public relations	392,866		392,866	276,803		276,803
Fundraising	110,050		110,050	32,036		32,036
Total expenses	68,387,640	-	68,387,640	86,369,316	-	86,369,316
Excess from operations	1,130,734	3,584,104	4,714,838	5,273,356	(23,588,971)	(18,315,615)
Actuarial (loss) gain on accumulated post retirement obligation	10,059		10,059	45,023		45,023
Investment income/(loss) - net	2,449,626	-	2,449,626	(2,601,189)	-	(2,601,189)
Subtotal change in net assets	3,590,419	3,584,104	7,174,523	2,717,190	(23,588,971)	(20,871,781)
Net assets						
Beginning of year	54,685,181	4,931,964	59,617,145	51,967,991	28,520,935	80,488,926
End of year	\$ 58,275,600	\$ 8,516,068	\$ 66,791,668	\$ 54,685,181	\$ 4,931,964	\$ 59,617,145

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

The Advertising Council, Inc.
Statements of Cash Flows
June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 7,174,523	\$ (20,871,781)
Adjustments to reconcile net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	849,630	896,590
Reclass of right to use asset	(4,740,290)	
Net realized and unrealized (gains) losses on investments	(1,465,918)	3,181,600
Accretion expense	-	-
Changes in assets and liabilities		
Decrease in accounts receivable, net	(6,511,078)	(2,230,945)
Decrease (Increase) in contribution receivable, net	(228,963)	9,600,129
Increase in prepaid expenses and other assets	(53,346)	34,921
Increase (Decrease) in accounts payable	51,780	(2,087,265)
(Decrease) Increase in accrued expenses	412,088	(5,879,217)
Increase in lease liabilities	1,136,275	
Decrease in retirement and other deferred compensation	140,719	57,125
Increase in deferred revenue	3,186,181	(2,069,720)
Decrease in deposits from campaign sponsors	(40,000)	40,000
Increase in lease liabilities - long term	5,285,178	-
Decrease in deferred rental obligation	(1,932,152)	(352,381)
(Decrease) Increase in accumulated post retirement obligations	(8,444)	(23,755)
Net cash provided by (used in) operating activities	<u>3,256,183</u>	<u>(19,704,699)</u>
Cash flows for investing activities		
Proceeds from sale of investments	1,637,900	3,742,158
Purchases of investments	(7,735,999)	(4,410,569)
Expenditures for property and equipment	(161,842)	(381,974)
Net cash (used in) provided by investing activities	<u>(6,259,941)</u>	<u>(1,050,385)</u>
Cash flows from financing activities		
Net cash used in financing activities	<u>-</u>	<u>-</u>
Increase (decrease) in cash, cash equivalents, and restricted cash	<u>(3,003,758)</u>	<u>(20,755,084)</u>
Cash and cash equivalents		
Cash, cash equivalents, and restricted cash at the beginning of the year	<u>34,408,911</u>	<u>55,163,995</u>
Cash, cash equivalents, and restricted cash at the end of the year	<u><u>31,405,153</u></u>	<u><u>34,408,911</u></u>

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.

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.

Contributed Nonfinancial Assets

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 \$1,581,150 and \$1,477,000 in 2023 and 2022, respectively. These in-kind contributions relate specifically to research data tools, regional office space and accounting software. See footnote #8.

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

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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,	
	2023	2022
Annual dinner - fiscal 2024	\$ 745,000	\$ -
Annual dinner - fiscal 2023		30,000
Operations - fiscal 2026	25,000	
Operations - fiscal 2025	25,000	
Operations - fiscal 2024	25,000	
Creators For Good - events	50,000	50,000
Fentanyl - Youth Awareness	31,250	1,536,040
Love Has No Labels	637,311	392,320
Mental Health Awareness	6,490,800	-
STEM For Girls	1,348	55,864
Vaccine Education	485,359	2,867,740
Total	\$ 8,516,068	\$ 4,931,964

In fiscal 2023 and 2022, \$4,359,295 and \$28,453,590, respectively, have been reclassified to net assets without donor restrictions as the related restrictions have been satisfied.

At June 30, 2023 cash and cash equivalents include \$7,781,068 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 2024 Annual Dinner, Vaccine Education, Love Has No Labels, Mental Health Awareness, and future operations. At June 30, 2022 cash and cash equivalents include \$4,731,961 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 2023 Annual Dinner, Vaccine Education, Love Has No Labels, Fentanyl Youth Awareness, and STEM for Girls.

Grants and Contributions for Projects

Grants and Contributions for Projects may be awarded to the Council by foundations or funders for research and special projects. Revenue is recognized as expenses are incurred by the Council. The revenue and expenses for these projects are stated separately on the statements of activities and changes in net assets whenever such grants or contributions for projects are awarded.

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 line item of the organization.

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, or out of the 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 approximates five years. Computer hardware and software, including website software development costs, are depreciated using the straight-line method over their useful lives, which approximates three years. Leasehold improvements are amortized over their useful life or over the remaining life of the related office lease, whichever is shorter.

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 – consists 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 – represents 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

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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.

On behalf of our sponsors and public service announcements, the Council utilized a programmatic automation demand side platform for securing digital media which employs a current Board Member. The amounts incurred for securing this digital media via the platform in years ending June 30, 2023 and June 30, 2022 was \$3,017,763 and \$21,535,147 respectively. These costs are reflected in the Production & Distribution and Expenses for Projects categories in the Statement of Activities. These costs were billed to and approved by the sponsors prior to utilization.

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

The Company adopted ASC Topic 842, Leases ("ASC 842"), on a modified retrospective basis on July 1, 2022. The results for periods beginning after July 1, 2022 are presented under ASC 842. The adoption of the new standard resulted in the recognition of right-of-use ("ROU") assets and lease liabilities of \$5,567,898 and \$7,500,050 respectively, for operating leases as of July 1, 2022. Currently, the Company has no finance leases, and therefore all ROU assets and lease liabilities relate to operating leases.

As of June 30, 2023, the Company has one operating lease for its main office location in New York. The operating lease ROU assets and lease liabilities are recognized on the commencement date based on the present value of lease payments over the lease term. The operating lease ROU assets are separately presented as long-term assets on the Company's consolidated balance sheet. The lease liabilities are separately presented within short-term and long-term liabilities on the consolidated balance sheet.

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The Company's office lease contains escalating lease payments. Escalating lease payments that are based upon explicit amounts contained in the lease are included in the Company's determination of future lease payments and to determine the ROU asset and lease liability recognized at the commencement date. Any differences in the future lease payments from initial recognition are not anticipated to be material and will be recorded as variable lease cost in the period incurred.

The Company has elected certain practical expedients available to companies that are not public business entities including: the package of practical expedients to not reassess whether a contract is or contains a lease, lease classification, or initial direct costs; to use a risk-free rate as the discount rate by class of underlying asset; and to use hindsight with respect to determining the lease term (e.g. the Company may consider the actual outcome or updated expectations of lease renewals, termination options and purchase options) and in assessing any impairment of ROU assets for existing leases. These practical expedients and accounting policy elections have been applied for all asset classes.

The lease term commences on the date when the Company has the right to control the use of the leased property, which is typically before rent payments are due under the terms of the lease.

Prior to the adoption of ASC 842, for operating leases, the Company recognized rent expense on a straight-line basis over the expected lease term. Within the provisions of the office space lease agreement, there are rent escalations in payments over the base lease term. The effects of the escalations were reflected in rent expense on a straight-line basis over the expected lease term. Differences between amounts paid and amounts expensed were recorded in a deferred liability account.

In September 2020, the FASB issued ASU 2020-07 Presentation and Disclosure by Not-for Profit Entities for Contributed Nonfinancial Assets. The objective of the amendments in this Update is to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements in presentation and disclosure requirements. NFP entities will now be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial contributions. NFPs will also be required to disclose various information related to contributed nonfinancial assets. The amendments in this Update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021 or the Council's year ending June 30, 2022. See footnote #8.

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	\$ 31,405,153
Investments	30,900,135
Accounts receivable	17,167,701
Contributions receivable	<u>4,120,300</u>
Subtotal	83,593,289
Less: assets with donor restrictions, cash	(7,781,066)
Less: assets with donor restrictions	(735,000)
Less: board designated restrictions on investments	<u>(24,971,367)</u>
Total Available for General Expenditure	<u>\$ 50,105,856</u>

The Advertising Council, Inc.
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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.

The following table presents the financial instruments carried at fair value as of June 30, 2023 and 2022, by caption on the statement of financial position by the ASC Topic 820 valuation hierarchy defined above.

At June 30, 2023 and 2022, respectively, the Council’s investments consist of the following investment funds, with Level 1 valuation methodologies. The Council did not have any Level 2 or 3 investments at June 30, 2023 or 2022. 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.

	2023 (Level 1)	2023 (Level 2)	2023 (Total)	2022 (Level 1)	2022 (Level 2)	2022 (Total)
Money Market Funds	\$ 489,052		\$ 489,052	\$ 502,558		\$ 502,558
Marketable Equity Securities Funds	12,387,493		12,387,493	5,294,884		5,294,884
Short Term Duration Bond Funds	10,021,889		10,021,889	10,320,152		10,320,152
Intermediate Duration Bond Funds	2,409,513		2,409,513	2,325,165		2,325,165
International And Emerging Markets Equities Funds	4,762,720		4,762,720	4,271,110		4,271,110
Real Estate Investment Trust Funds	491,253		491,253	424,753		424,753
Total	\$ 30,561,920	\$ -	\$ 30,561,920	\$ 23,138,622	\$ -	\$ 23,138,622
Participant Discretionary Retirement Investment Funds, Executive Deferred Compensation and SERP (Note 5)	338,215		338,215	197,496		197,496
	\$ 30,900,135	\$ -	\$ 30,900,135	\$ 23,336,118	\$ -	\$ 23,336,118

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For the year ended June 30, 2023 and 2022, realized and unrealized losses, interest and dividend income is as follows:

	Year Ended	
	June 30,	
	2023	2022
Realized and unrealized gains (losses)	\$ 1,465,918	\$ (3,181,600)
Dividend and interest income	983,708	580,411
Total	<u>\$ 2,449,626</u>	<u>\$ (2,601,189)</u>

4. Functional Classification of Expenses

The Council's functional classification of expenses for the year ended June 30, 2023 with comparative totals for the year ended June 30, 2022 is as follows:

	Program Services	Management and General	Fund Raising	Year Ended June 30,	
				2023	2022
Total production and distribution	\$ 22,779,715			\$22,779,715	\$29,319,405
Consultancy expenses	981,374			981,374	371,624
Salaries and related expenses	19,756,543	6,543,992	3,339,557	29,640,092	25,476,360
Office expenses	338,855	384,798	28,631	752,284	2,020,823
Operating lease expense	779,022	180,026	68,737	1,027,785	
General and administration	1,094,414	2,175,445	66,868	3,336,727	3,760,759
Special events		24,968	1,493,898	1,518,866	1,253,132
Depreciation and amortization		849,630		849,630	896,590
Expenses for grants and projects	4,867,072			4,867,072	21,223,560
Media development	90,811			90,811	32,935
Interactive services	275,791			275,791	252,816
Campaign management	1,704,894	847		1,705,741	1,408,655
Government and non-profit affairs	4,995			4,995	2,156
Creative services	53,841			53,841	41,662
Public relations	149,130	243,736		392,866	276,803
Fundraising			110,050	110,050	32,036
For the year ended June 30, 2022	<u>\$ 52,876,457</u>	<u>\$ 10,403,442</u>	<u>\$ 5,107,741</u>	<u>\$ 68,387,640</u>	
For the year ended June 30, 2023	<u>\$ 72,322,124</u>	<u>\$ 9,763,082</u>	<u>\$ 4,284,110</u>		<u>\$ 86,369,316</u>

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 year ended June 30, 2023 of an employee's covered compensation to the Plan and related expense to this Plan was \$990,413 which includes \$88,024 in excess contributions for executives. The Council also elected to contribute 5% for the year ended June 30, 2022 of an employee's covered compensation to the Plan and related expense to this Plan was \$912,671 which includes \$94,095 in excess contributions for executives.

Deferred Executive Compensation Retirement Plan

The Council established during the year ending June 30, 2020 a deferred executive retirement plan, 457(b) for members of its executive leadership team. The 457(b) is a non-qualified deferred contribution plan providing for contributions to be made each year by the Council and/or the participants. The contributions are based on a percentage of participants eligible compensation, as defined by the 457(b) plan. Contributions are invested in various mutual funds at the direction of the individual participants and held by the Council. Participants are 100% vested.

For the year ending June 30, 2023 unrealized gains were \$17,477 realized gains were -0- and dividends earned were \$8,850. Changes in the fair value are adjusted with a corresponding change to salaries and related expenses in the statement of activities for year ended June 30, 2023 is \$26,327. For the year ending June 30, 2022 unrealized losses were \$61,385 realized gains were -0- and dividends earned were \$30,511. Changes in the fair value are adjusted with a corresponding change to salaries and related expenses in the statement of activities for year ended June 30, 2022 is \$-30,874. The non-current liability portion of \$338,215 and \$197,496 are reflected in retirement and other deferred compensation-long term for the years ending June 30, 2023 and June 30, 2022 respectively.

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.

At June 30, 2023, the Council has a lease liability of \$6,421,453. The average interest rate used in calculating the lease liability was approximately 3%. For the year ended June 30, 2023, supplemental cash flow information for cash paid for amounts included in the measurement of lease liabilities from operating lease included in operating cash flows amounted to \$4,740,290.

Future minimum annual rental payments for the Council through the fiscal year ended June 30, 2029 are as follows:

The Advertising Council, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

2024	1,304,350
2025	1,330,437
2026	1,357,046
2027	1,384,187
2028	1,411,870
Thereafter	117,848
Total undiscounted cash flows	\$ 6,905,738
Less: present value discount	(484,285)
Total lease liabilities	<u>\$ 6,421,453</u>
Right of use asset - operating lease	\$ 5,567,898
Less accumulated amortization	(827,608)
Total Right of use asset - operating lease	<u>\$ 4,740,290</u>

Rent with related expenses incurred under leases was reported within the statement of activities was \$1,113,701 and \$1,259,047 for the years ended June 30, 2023 and 2022, respectively.

8. Contributed Nonfinancial Assets

On July 1, 2021, The Council adopted accounting standards update (“ASU”) 2020-07 Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The guidance increases the transparency of contributed non-financial (in-kind) assets through improved presentation and disclosures. The main provisions are to present those assets as a separate line item in the statement of activities, as well as to separate those assets by category that describes the type of contributed nonfinancial assets. Donated nonfinancial assets for the fiscal years ended June 30, 2023 and 2022, included in the statement of financial activities, were as follows:

	FY23	FY22
Research Tools & Reporting	\$ 1,437,117	\$ 1,377,000
Data Processing	100,000	100,000
Regional Office Space	44,033	-
	<u>\$ 1,581,150</u>	<u>\$ 1,477,000</u>

9. Subsequent Events

There are no subsequent events to report.