The Advertising Council, Inc.

As of and for the years ended
June 30, 2020 and 2019

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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, 2020 and 2019 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, 2020 and 2019, 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 14, 2020

The Advertising Council, Inc.
Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 21,176,448	$ 11,835,292
Investments (Note 3)	21,179,502	20,539,071
Accounts receivable (less allowance for doubtful accounts of $50,000 and $50,000, respectively)	8,007,383	6,365,363
Contributions receivable (less allowance for doubtful accounts of $50,000 and $50,000, respectively)	1,678,250	2,372,970
Prepaid expenses and other current assets	853,967	808,966
Total current assets	52,895,550	41,921,662
Property and equipment, at cost		
Furniture and fixtures	1,342,605	1,312,533
Computer and telephone equipment	4,855,143	4,523,355
Leasehold improvements	6,386,172	6,386,172
	12,583,920	12,222,060
Less - accumulated depreciation and amortization	7,309,030	6,314,784
Property and equipment, net	5,274,890	5,907,276
Total assets	$ 58,170,440	$ 47,828,938
Liabilities and Net Assets		
Current liabilities		
Accounts payable	2,071,966	2,386,053
Accrued expenses and other current liabilities	4,204,320	5,023,245
Deferred revenue	7,817,697	2,565,056
Deposits from campaign sponsors	520,000	480,000
Refundable deposit - PPP Loan (Note 6)	1,321,442	-
Total current liabilities	15,935,425	10,454,354
Deferred rental obligations (Note 8)	2,510,623	2,309,220
Retirement and other deferred compensation - long term	62,377	-
Accumulated Postretirement benefit obligation - long term	152,502	195,324
Total liabilities	18,660,927	12,958,898
Net assets		
Without Donor Restrictions	34,141,204	31,058,780
With Donor Restrictions, cash (Note 2)	4,768,305	3,286,260
With Donor Restrictions net assets	600,004	525,000
Total net assets	39,509,513	34,870,040
Total liabilities and net assets	$ 58,170,440	$ 47,828,938

The Advertising Council, Inc.
Statements of Activities and Changes in Net Assets
June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Production and distribution campaign revenue	$ 26,296,435		$ 26,296,435	$ 32,120,545		$ 32,120,545
Contributions	11,626,818	1,860,000	13,486,818	11,135,149	100,000	11,235,149
Special events	5,175,660	-	5,175,660	5,510,328	580,000	6,090,328
Grants and contributions for projects	2,447,842	3,240,985	5,688,827	48,521	2,345,160	2,393,681
Payroll Protection Program Grant	1,484,958		1,484,958			-
Satisfaction of restrictions - Grants from foundations	2,713,936	(2,713,936)	-	4,159,858	(4,159,858)	-
Satisfaction of restrictions - Contributions	250,000	(250,000)	-	282,000	(282,000)	-
Satisfaction of restrictions - Special events	580,000	(580,000)	-	160,000	(160,000)	-
Consultancy services	413,084		413,084	475,909		475,909
Interest & other income	147,996		147,996	208,140		208,140
Total revenue	51,136,729	1,557,049	52,693,778	54,100,450	(1,576,698)	52,523,752
Expenses						
Production and distribution	14,989,661		14,989,661	20,302,110		20,302,110
Consultancy services	250,737		250,737	250,310		250,310
Salaries and related expenses	20,873,593		20,873,593	20,866,040		20,866,040
Office expenses	2,225,788		2,225,788	2,248,023		2,248,023
General and administrative	2,076,459		2,076,459	2,393,752		2,393,752
Special events	1,281,955		1,281,955	1,416,717		1,416,717
Depreciation and amortization	994,246		994,246	1,146,773		1,146,773
Expenses for projects	3,472,003		3,472,003	2,692,223		2,692,223
Media development	111,253		111,253	150,416		150,416
Interactive services	259,314		259,314	586,096		586,096
Campaign management	1,767,474		1,767,474	1,025,632		1,025,632
Government and non-profit affairs	13,579		13,579	14,167		14,167
Creative services	65,363		65,363	49,337		49,337
Public relations	152,202		152,202	156,244		156,244
Fundraising	75,398		75,398	105,016		105,016
Total expenses	48,609,025	-	48,609,025	53,402,856	-	53,402,856
Excess (deficit) from operations	2,527,704	1,557,049	4,084,753	697,594	(1,576,698)	(879,104)
Actuarial (loss) gain on accumulated post retirement obligation	(22,267)		(22,267)	(8,612)		(8,612)
Investment Income / (Loss)						
Investment income, net	576,987	-	576,987	996,772	-	996,772
Change in net assets	3,082,424	1,557,049	4,639,473	1,685,754	(1,576,698)	109,056
Net assets						
Beginning of year	31,058,780	3,811,260	34,870,040	29,373,026	5,387,958	34,760,984
End of year	$ 34,141,204	$ 5,368,309	$ 39,509,513	$ 31,058,780	$ 3,811,260	$ 34,870,040

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

The Advertising Council, Inc.
Statements of Cash Flows
June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	$ 4,639,473	$ 109,056
Adjustments to reconcile net assets to net cash		
(used in) provided by operating activities		
Depreciation and amortization	994,246	1,146,773
Net realized and unrealized (gains) losses on investments	(62,416)	(515,491)
Changes in assets and liabilities		
(Increase) Decrease in accounts receivable, net	(1,642,020)	1,209,887
Decrease in contribution receivable, net	694,720	515,488
Increase in prepaid expenses and other assets	(45,001)	(221,604)
(Decrease) Increase in accounts payable	(314,087)	707,820
(Decrease) Increase in accrued expenses	(818,925)	739,183
Increase in retirement and other deferred compensation	62,377	-
Increase (Decrease) in deferred revenue	5,252,641	(2,543,228)
Increase (Decrease) in deposits from campaign sponsors	40,000	(120,000)
Increase in refundable deposit from PPP loan	1,321,442	-
Increase in deferred rental obligation	201,403	368,615
(Decrease) Increase in accumulated post retirement obligations	(42,822)	6,548
Net cash provided by operating activities	10,281,031	1,403,047
Cash flows for investing activities		
Proceeds from sale of investments	1,154,600	2,610,510
Purchases of investments	(1,732,615)	(5,091,706)
Expenditures for property and equipment	(361,860)	(403,566)
Net cash used in investing activities	(939,875)	(2,884,762)
Cash flows from financing activities		
Net cash used in financing activities	-	-
Increase (decrease) in cash, cash equivalents, and restricted cash	9,341,156	(1,481,715)
Cash and cash equivalents		
Cash, cash equivalents, and restricted cash at the beginning of the year	11,835,292	13,317,007
Cash, cash equivalents, and restricted cash at the end of the year	$ 21,176,448	$ 11,835,292

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.

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,	
	2020	**2019**
Annual dinner - FY20	$ -	$ 200,000
Annual dinner replacement support - FY21	60,000	-
FY21 operations	150,000	-
FY20 operations	-	630,000
Bullying prevention	288,560	477,250
Chronic absenteeism	4,019	4,019
Crisis response and recovery	1,650,000	-
LGBT acceptance		100,000
Love has no labels	1,303,818	1,199,859
STEM for girls	1,123,312	1,200,133
Workforce ready	788,600	-
Total	$ 5,368,309	$ 3,811,261

In fiscal 2020 and 2019, $3,543,936 and $4,601,858, respectively, have been reclassified to net assets without donor restrictions as the related restrictions have been satisfied.

At June 30, 2020 cash and cash equivalents include $4,768,305 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 2021 Annual Dinner replacement support and Crisis Effort, and Campaign Contributions which relates to Bullying Prevention, Love Has No Labels, STEM for Girls, Workforce Ready. Also included are loan proceeds under the CARES Act Paycheck Protection Program (Note 6). At June 30, 2019 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 2020 Annual Dinner and Campaign Contributions which relates to Bullying Prevention, Love Has No Labels, STEM for Girls, and LGBT Acceptance.

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 $1,687,864 and $744,827 in 2020 and 2019, 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 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 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
Effective July 1, 2019, The Council adopted accounting standards update ("ASU") 2014-09 (topic 606), Revenue from Contracts with Customers, as amended. The guidance provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework.

Analysis of various provisions of this standard resulted in no changes in the way the Council recognizes campaign and production revenue, and therefore there was no impact upon adoption using the modified retrospective method. When revenue is earned over a period that spans the year end, it is recognized in the applicable period in which it is earned. The new guidance requires the Council to not recognize revenue until it is probable of collection. Based on strong collection experience, the Council has concluded that all revenue recognized is probable of collection.

During 2018 FASB issued ASU 2018-08, Clarifying the Scope and the Accounting guidance for Contributions Received and Contributions Made. This guidance provides a framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction along with examining barriers to conditional or non-conditional contributions. The Council reviews all of its contribution pledges, letter of agreements, and/or grants to determine if a) it is an exchange or nonexchange transaction and b) if there is either a right of return, performance obligation, time or purpose restriction and once determined records contribution revenue as it is able to be recognized. Applying this standard, adopted on July 1,2019, has had no impact on the Council's recognition of contributions and as such there is no change required retrospectively to the previously issued financial statement.

In September 2020, the FASB issued ASU 2020-07 Presentation and Disclosure by Not-for Profit Entries 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. Management is evaluating the impact of this standard on its financial statements.

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 after December 15, 2021 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, 2022, which is the fiscal year ending June 30, 2023, 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	$ 21,176,448
Investments	21,179,502
Accounts receivable	8,007,383
Contributions receivable	1,678,250
Subtotal	52,041,583
Less: assets with donor restrictions, cash	(4,768,305)
Less: assets with donor restrictions	(600,004)
Less: board designated restrictions on investments	(21,179,502)
Total Available for General Expenditure	$ 25,493,772

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, 2020 and 2019, by caption on the statement of financial position by the ASC Topic 820 valuation hierarchy defined above.

At June 30, 2020 and 2019, 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, 2020 or 2019. 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.

	2020 (Level 1)	2020 (Level 2)	2020 (Total)	2019 (Level 1)	2019 (Level 2)	2019 (Total)
Money Market Funds	$ -	$ 379,761	$ 379,761	$ -	$ 401,611	$ 401,611
Marketable Equity Securities Funds	5,766,763	-	5,766,763	5,188,337		5,188,337
Short Term Duration Bond Funds	5,847,791	-	5,847,791	6,052,297		6,052,297
Intermediate Duration Bond Funds	4,338,053	-	4,338,053	4,423,520		4,423,520
International And Emerging Markets Equities Funds	4,349,314	-	4,349,314	4,071,763		4,071,763
Real Estate Investment Trust Funds	435,444	-	435,444	401,543		401,543
Total	$ 20,737,365	$ 379,761	$ 21,117,126	$ 20,137,460	$ 401,611	$ 20,539,071
Participant Discretionary Retirement Investment Funds, Executive Deferred Compensation and SERP (Note 5)	62,377		62,377			
	$ 20,799,742	$ 379,761	$ 21,179,503	$ 20,137,460	$ 401,611	$ 20,539,071

During the year ended June 30, 2020, there was $27,500 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 year ended June 30, 2020 and 2019, realized and unrealized losses, interest and dividend income is as follows:

	Year Ended June 30, 2020	Year Ended June 30, 2019
Realized and unrealized gains (losses)	$ 66,617	$ 515,492
Dividend and interest income	510,370	481,280
Total	$ 576,987	$ 996,772

4. Functional Classification of Expenses

The Council's functional classification of expenses for the year ended June 30, 2020 with comparative totals for the year ended June 30, 2019 is as follows:

	Program Services	Management and General	Fund Raising	Year Ended June 30, 2020	Year Ended June 30, 2019
Total production and distribution	$ 14,989,661			$14,989,661	$20,302,110
Consultancy expenses	250,737			250,737	250,310
Salaries and related expenses	13,529,413	4,885,265	2,458,915	20,873,593	20,866,040
Office expenses	1,509,799	587,778	128,211	2,225,788	2,248,023
General and administration	385,034	1,628,699	62,726	2,076,459	2,393,752
Special events	1,449	36,116	1,244,390	1,281,955	1,416,717
Depreciation and amortization		994,246		994,246	1,146,773
Expenses for grants and projects	3,472,003			3,472,003	2,692,223
Media development	111,253			111,253	150,416
Interactive services	259,314			259,314	586,096
Campaign management	1,764,265	3,209		1,767,474	1,025,632
Government and non-profit affairs	13,579			13,579	14,167
Creative services	65,363			65,363	49,337
Public relations	90,035	62,167		152,202	156,244
Fundraising			75,398	75,398	105,016
For the year ended June 30, 2020	$ 36,441,905	$ 8,197,480	$ 3,969,640	$ 48,609,025	
For the year ended June 30, 2019	$ 40,501,668	$ 8,633,041	$ 4,268,147		$ 53,402,856

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 not to contribute for the year ended June 30, 2020. The Council elected to contribute 5% for the year ended June 30, 2019 of an employee's covered compensation to the Plan and related expense to this Plan was $717,363. Certain highly compensated employees, as defined by the Plan document, can 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 $-0- and $34,166 for the years ended June 30, 2020 and 2019,

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. Contribution 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, 2020 unrealized losses were $2,427, realized gains were -0- and dividends earned were $1,360. 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, 2020 is $1,067. The non-current liability portion of $62,377 and -0-are reflected in retirement and other deferred compensation-long term for the years ending June 30, 2020 and June 30, 2019 respectively.

6. CARES Act – Paycheck Protection Program

As a result of the economic uncertainty stemming from the impact of the COVID-19 pandemic, on April 22, 2020, the Council received a Paycheck Protection Program (PPP) loan in the principal amount of $2,806,400 from the US Small Business Administration (SBA). The PPP loan has a stated interest rate of 1% per annum over an eighteen-month period. This can be mutually negotiated to a five-year term requiring monthly payments of $64,335 through the contractual maturity date of April 5, 2025

Under the terms of the Paycheck Protection Program, a PPP loan provides for the conditional forgiveness if the Council utilizes the loan proceeds on admissible expenses, including qualifying payroll, rent, and utility expenses, and maintains employment and compensation levels for a specified period of time. Although the Council believes the conditions for full forgiveness of the PPP loan will be met, ultimate forgiveness is conditioned upon the SBA concurring with the Council's good-faith assessment that the current economic uncertainty made the loan request necessary to support ongoing operations and the loan proceeds were used for admissible expenses. If the Council is later determined to have violated the provisions of the Payroll Protection Program, the Council may be required to repay the PPP loan in its entirety and/or subject to additional penalties.

The Council believes that it qualifies as an intended recipient of the Paycheck Protection Program, has utilized the proceeds of the PPP loan for purposes consistent with the program and as such has met the conditions for forgiveness of the loan. Accordingly, the Council has elected to account for its PPP loan as a conditional contribution in accordance with Subtopic 958-605. In addition, the Council also believes that the condition for ultimate forgiveness of the loan by the SBA, as described above, is perfunctory and therefore is recognizing contribution revenue as eligible expenses are incurred. For the year ending June 30, 2020, the Council has incurred eligible expenses of $1,484,958 which has been recognized as a payroll protection program grant. The balance of $1,321,442 is expected to be satisfied and recognized as revenue in 2021.

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.

8. 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 had a sublease agreement in place for approximately 25% of the DC office space to a subtenant, which was terminated on June 30, 2020.

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, 2020 and 2019 is $2,510,623 and $2,309,221, respectively.

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

2021	1,563,798
2022	1,590,530
2023	1,307,263
2024	1,304,350
2025	1,330,437
Thereafter	4,270,951
	$ 11,367,329

Rent expense incurred for the lease of office space was reported within the statement of activities as part of office expenses and was $1,245,650 and $1,250,349 for the years ended June 30, 2020 and 2019, respectively.

9. Subsequent Events

The Council has evaluated subsequent events through December 14, 2020, the date on which the financial statements were available to be issued.