

The Advertising Council, Inc.

Financial Statements

June 30, 2025 and 2024

The Advertising Council, Inc.
Index
June 30, 2025 and 2024

| | Page(s) |
|---|----------------|
| Report of Independent Auditors | 1–2 |
| Financial Statements | |
| Statements of Financial Position..... | 3 |
| Statements of Activities..... | 4 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements | 6–15 |



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, 2025 and 2024, and the related statements of activities 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 Council as of June 30, 2025 and 2024, 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.

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.

PricewaterhouseCoopers LLP

New York, New York
December 12, 2025

The Advertising Council, Inc.
Statements of Financial Position
June 30, 2025 and 2024

| | 2025 | 2024 |
|--|-----------------------|-----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 43,609,768 | \$ 43,761,206 |
| Investments (Note 3) | 37,875,530 | 34,351,039 |
| Accounts receivable (less allowance for doubtful accounts of \$50,000 and \$50,000, respectively) | 8,914,087 | 11,445,558 |
| Unbilled accounts receivable | 5,600,000 | 2,225,000 |
| Contributions receivable (less allowance for doubtful accounts of \$50,000 and \$50,000, respectively) | 4,191,702 | 4,179,708 |
| Prepaid expenses and other current assets | 1,408,780 | 1,121,534 |
| Total current assets | <u>101,599,867</u> | <u>97,084,045</u> |
| Property and equipment, at cost | | |
| Furniture and fixtures | 1,398,220 | 1,397,061 |
| Computer and telephone equipment | 5,900,703 | 5,594,294 |
| Leasehold improvements | 6,386,172 | 6,386,172 |
| | <u>13,685,095</u> | <u>13,377,527</u> |
| Less: Accumulated depreciation and amortization | 11,572,890 | 10,844,279 |
| Property and equipment, net | 2,112,205 | 2,533,248 |
| Operating lease right of use assets | 2,987,062 | 3,880,580 |
| Unbilled accounts receivable - long term | 2,600,000 | 2,075,000 |
| Investments (Note 3) | 664,845 | 506,827 |
| Total assets | <u>\$ 109,963,979</u> | <u>\$ 106,079,700</u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable | \$ 2,356,730 | \$ 1,744,663 |
| Accrued expenses and other current liabilities | 7,528,980 | 8,390,980 |
| Lease liabilities | 1,258,352 | 1,196,169 |
| Deferred revenue | 6,841,282 | 11,778,974 |
| Deposits from campaign sponsors | 418,750 | 440,000 |
| Total current liabilities | <u>18,404,094</u> | <u>23,550,786</u> |
| Lease liabilities - long term | 2,830,657 | 4,089,009 |
| Retirement and other deferred compensation - long term | 664,845 | 506,827 |
| Accumulated postretirement benefit obligation - long term | 95,606 | 97,209 |
| Total liabilities | <u>21,995,202</u> | <u>28,243,831</u> |
| Commitments and contingencies | | |
| Net assets | | |
| Without donor restrictions | 67,296,314 | 62,638,224 |
| With donor restrictions (Note 2) | 20,672,463 | 15,197,645 |
| Total net assets | <u>87,968,777</u> | <u>77,835,869</u> |
| Total liabilities and net assets | <u>\$ 109,963,979</u> | <u>\$ 106,079,700</u> |

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

The Advertising Council, Inc.
Statements of Activities
Years Ended June 30, 2025 and 2024

| | 2025 | | | 2024 | | |
|---|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue | | | | | | |
| Production and distribution campaign revenue | \$ 36,658,015 | \$ - | \$ 36,658,015 | \$ 39,857,988 | \$ - | \$ 39,857,988 |
| Contributions | 13,020,879 | 400,000 | 13,420,879 | 12,788,341 | 250,000 | 13,038,341 |
| Contributed nonfinancial assets (Note 8) | 1,932,554 | - | 1,932,554 | 1,825,512 | - | 1,825,512 |
| Special events | 8,729,056 | 1,140,500 | 9,869,556 | 7,396,510 | 525,000 | 7,921,510 |
| Grants and contributions for projects | 4,433,459 | 10,458,941 | 14,892,400 | 552,918 | 14,041,149 | 14,594,067 |
| Satisfaction of restrictions - grants | | | | | | |
| from foundations | 5,724,623 | (5,724,623) | - | 7,364,572 | (7,364,572) | - |
| Satisfaction of restrictions - contributions | 275,000 | (275,000) | - | 25,000 | (25,000) | - |
| Satisfaction of restrictions - special events | 525,000 | (525,000) | - | 745,000 | (745,000) | - |
| Consultancy services | 1,013,395 | - | 1,013,395 | 1,396,418 | - | 1,396,418 |
| Interest & other income | 2,229,019 | - | 2,229,019 | 1,866,317 | - | 1,866,317 |
| Total revenue | <u>74,541,000</u> | <u>5,474,818</u> | <u>80,015,818</u> | <u>73,818,576</u> | <u>6,681,577</u> | <u>80,500,153</u> |
| Expenses | | | | | | |
| Production and distribution | 21,868,602 | - | 21,868,602 | 24,674,840 | - | 24,674,840 |
| Consultancy services | 549,277 | - | 549,277 | 837,723 | - | 837,723 |
| Salaries and related expenses | 35,012,469 | - | 35,012,469 | 31,704,588 | - | 31,704,588 |
| Office expenses | 823,685 | - | 823,685 | 796,570 | - | 796,570 |
| Operating lease expense | 1,027,785 | - | 1,027,785 | 1,027,785 | - | 1,027,785 |
| General and administrative | 3,831,715 | - | 3,831,715 | 3,232,940 | - | 3,232,940 |
| Special events | 1,767,481 | - | 1,767,481 | 1,645,466 | - | 1,645,466 |
| Depreciation and amortization | 728,611 | - | 728,611 | 795,887 | - | 795,887 |
| Expenses for projects | 4,731,452 | - | 4,731,452 | 4,620,235 | - | 4,620,235 |
| Media development | 139,447 | - | 139,447 | 111,678 | - | 111,678 |
| Interactive services | 150,631 | - | 150,631 | 129,923 | - | 129,923 |
| Campaign management | 2,170,460 | - | 2,170,460 | 2,032,247 | - | 2,032,247 |
| Government and nonprofit affairs | 33,066 | - | 33,066 | 3,650 | - | 3,650 |
| Creative services | 46,154 | - | 46,154 | 80,736 | - | 80,736 |
| Public relations | 422,063 | - | 422,063 | 438,497 | - | 438,497 |
| Fundraising | 178,376 | - | 178,376 | 179,820 | - | 179,820 |
| Total expenses | <u>73,481,274</u> | <u>-</u> | <u>73,481,274</u> | <u>72,312,585</u> | <u>-</u> | <u>72,312,585</u> |
| Excess from operations | 1,059,726 | 5,474,818 | 6,534,544 | 1,505,991 | 6,681,577 | 8,187,568 |
| Actuarial (loss) gain on accumulated post retirement obligation | (377) | - | (377) | 2,755 | - | 2,755 |
| Investment income, net | 3,598,741 | - | 3,598,741 | 2,853,878 | - | 2,853,878 |
| Change in net assets | <u>4,658,090</u> | <u>5,474,818</u> | <u>10,132,908</u> | <u>4,362,624</u> | <u>6,681,577</u> | <u>11,044,201</u> |
| Net assets | | | | | | |
| Beginning of year | <u>62,638,224</u> | <u>15,197,645</u> | <u>77,835,869</u> | <u>58,275,600</u> | <u>8,516,068</u> | <u>66,791,668</u> |
| End of year | <u>\$ 67,296,314</u> | <u>\$ 20,672,463</u> | <u>\$ 87,968,777</u> | <u>\$ 62,638,224</u> | <u>\$ 15,197,645</u> | <u>\$ 77,835,869</u> |

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

The Advertising Council, Inc.
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

| | 2025 | 2024 |
|--|----------------------|----------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 10,132,908 | \$ 11,044,201 |
| Adjustments to reconcile net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 1,622,129 | 1,655,597 |
| Net realized and unrealized gains on investments | (2,624,301) | (1,987,052) |
| Changes in assets and liabilities | | |
| Decrease in accounts receivable, net | 2,531,471 | 5,722,143 |
| Increase in unbilled accounts receivable | (3,900,000) | (4,300,000) |
| Increase in contribution receivable, net | (11,994) | (59,408) |
| Increase in prepaid expenses and other assets | (287,246) | (68,307) |
| Increase (decrease) in accounts payable | 612,067 | (434,849) |
| Decrease in accrued expenses | (862,000) | (220,842) |
| Increase in lease liabilities | 62,183 | 59,894 |
| Increase in retirement and other deferred compensation | 158,018 | 168,612 |
| (Decrease) increase in deferred revenue | (4,937,692) | 4,110,943 |
| Decrease in deposits from campaign sponsors | (21,250) | (80,000) |
| Decrease in lease liabilities - long term | (1,258,352) | (1,196,169) |
| Decrease in accumulated post retirement obligations | (1,603) | (2,762) |
| Net cash provided by operating activities | <u>1,214,338</u> | <u>14,412,001</u> |
| Cash flows from investing activities | | |
| Proceeds from sale of investments | 13,283,500 | 1,169,835 |
| Purchases of investments | (14,341,708) | (3,140,514) |
| Expenditures for property and equipment | (307,568) | (85,269) |
| Net cash used in investing activities | <u>(1,365,776)</u> | <u>(2,055,948)</u> |
| Cash flows from financing activities | | |
| Net cash used in financing activities | <u>-</u> | <u>-</u> |
| (Decrease) increase in cash, cash equivalents, and restricted cash | (151,438) | 12,356,053 |
| Cash, cash equivalents, and restricted cash | | |
| Beginning of the year | <u>43,761,206</u> | <u>31,405,153</u> |
| End of the year | <u>\$ 43,609,768</u> | <u>\$ 43,761,206</u> |

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

The Advertising Council, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

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 accounting principles generally accepted in the United States of America ("GAAP") pursuant to Accounting Standards Codification ("ASC") Topic 958, Not-for-Profit Entities.

Production and Distribution of Public Service Campaigns

Production and distribution campaign revenue consists 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 nonprofit 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 noncash 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 \$1,932,554 and \$1,825,512 in 2025 and 2024, respectively. These in-kind contributions relate specifically to research data tools, regional office space and accounting software. See Note 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.

The Advertising Council, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

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 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. 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:

| | <u>June 30,</u> | |
|-----------------------------|----------------------|----------------------|
| | <u>2025</u> | <u>2024</u> |
| Annual dinner - Fiscal 2026 | \$ 1,140,500 | \$ - |
| Annual dinner - Fiscal 2025 | - | 525,000 |
| Operations - Fiscal 2026 | 425,000 | 25,000 |
| Operations - Fiscal 2025 | - | 275,000 |
| Creators For Good - events | 50,000 | 50,000 |
| Fentanyl Youth Awareness | - | 205,000 |
| Gun Violence Prevention | 9,292,840 | 8,653,918 |
| Love Has No Labels | 237,802 | 526,534 |
| Mental Health Awareness | 9,508,941 | 4,918,782 |
| STEM For Girls | 1,350 | 1,350 |
| Vaccine Education | 16,030 | 17,061 |
| | <u>\$ 20,672,463</u> | <u>\$ 15,197,645</u> |

In fiscal 2025 and 2024, \$6,524,623 and \$8,134,572, respectively, have been reclassified to net assets without donor restrictions as the related restrictions have been satisfied.

At June 30, 2025, cash and cash equivalents include \$10,592,462 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 2026 Annual Dinner, Love Has No Labels, Mental Health Awareness, Firearm Injury Prevention, Vaccine Education, STEM for Girls and future operations. At June 30, 2024, cash and cash equivalents include \$9,620,530 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 2025 Annual Dinner, Vaccine Education, Love Has No Labels, Mental Health Awareness, Gun Violence Preventions, Fentanyl Youth Awareness, and future operations.

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

The Advertising Council, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

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 as net assets released from restrictions.

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. The revenue and expenses for these projects are stated separately on the statements of activities 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. Certain 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 equivalents 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.

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.

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.

The Advertising Council, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

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 and disclosure of contingent 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 Federal Deposit Insurance Corporation. 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 entering into service agreements.

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 the years ended June 30, 2025 and June 30, 2024 was \$3,139,207 and \$3,329,691, respectively. These costs are reflected in the production and 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.

Leasing

The Council adopted ASC Topic 842, Leases ("ASC 842") on July 1, 2022. Currently, the Council has no finance leases, and therefore all right of use ("ROU") assets and lease liabilities relate to operating leases.

As of June 30, 2025, the Council 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 Council's statements of financial position. The lease liabilities are separately presented within short-term and long-term liabilities on the statements of financial position.

The Council's office lease contains escalating lease payments. Escalating lease payments that are based upon explicit amounts contained in the lease are included in the Council'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 Advertising Council, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

The Council 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 Council 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 Council 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.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. This ASU, along with related amendments, revised the credit-loss measurement for receivables measured at amortized cost from an incurred-loss to an expected-loss approach and requires that credit losses be presented as an allowance rather than as a write-down. The Council implemented this new guidance in fiscal year 2024, with no significant effect on the financial statements.

Reclassifications

Certain amounts in the 2024 financial statements have been reclassified to conform to the 2025 presentation. In 2025, the Council elected to present the current portion of unbilled accounts receivable on the balance sheet separate from accounts receivable.

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 as of June 30, 2025:

| | |
|--|----------------------|
| Cash | \$ 43,609,768 |
| Investments | 38,540,375 |
| Accounts receivable, net | 8,914,087 |
| Contributions receivable, net | <u>4,191,702</u> |
| | 95,255,932 |
| Less: Current assets with donor restrictions | (20,672,463) |
| Less: Board designated restrictions on investments | (29,896,357) |
| Less: Retirement and other deferred compensation | <u>(664,845)</u> |
| Total available for general expenditure | <u>\$ 44,022,267</u> |

The Council's contributions are due to be collected during the upcoming 2026 fiscal year. The Council's board designated-investment pool (the "Investment Pool") endeavors to ensure, to the degree reasonably possible, the maintenance, in perpetuity, of sufficient funds in the Investment Pool to keep pace with inflation and to provide a reserve fund with a total market value at or above fifty percent (50%) of projected annual operating expenses excluding depreciation plus the addition of committed capital expenditures (the "Target Reserve Fund Amount").

The Advertising Council, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

3. Investments

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. 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, 2025 and 2024, by caption on the statement of financial position. At June 30, 2025 and 2024, 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, 2025 or 2024. 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.

Investments

| | 2025 | 2024 |
|---|----------------------|----------------------|
| | (Level 1) | (Level 1) |
| Money market funds | \$ 576,004 | \$ 543,651 |
| Marketable equity securities funds | 17,253,576 | 13,991,628 |
| Short term duration bond funds | 5,441,199 | 11,286,278 |
| Intermediate duration bond funds | 9,527,650 | 2,714,379 |
| International and emerging markets equities funds | 4,511,342 | 5,289,755 |
| Real estate investment trust funds | 565,759 | 525,348 |
| | <u>37,875,530</u> | <u>34,351,039</u> |
| Participant discretionary retirement investment funds and executive deferred compensation (Note 5) | 664,845 | 506,827 |
| | <u>664,845</u> | <u>506,827</u> |
| Total investments | <u>\$ 38,540,375</u> | <u>\$ 34,857,866</u> |

The Advertising Council, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

For the year ended June 30, 2025 and 2024, realized and unrealized gains, interest and dividend income is as follows:

| | 2025 | 2024 |
|-------------------------------|---------------------|---------------------|
| Realized and unrealized gains | \$ 2,624,301 | \$ 1,987,052 |
| Dividend and interest income | <u>974,440</u> | <u>866,826</u> |
| | <u>\$ 3,598,741</u> | <u>\$ 2,853,878</u> |

4. Functional Classification of Expenses

The Council's functional classification of expenses for the years ended June 30, 2025 and 2024 is as follows:

Year Ended June 30, 2025

| | Program Services | Management and General | Fund Raising | Year Ended June 30, 2025 |
|----------------------------------|-----------------------------|-----------------------------------|-------------------------|-------------------------------------|
| Production and distribution | \$ 21,868,602 | \$ - | \$ - | \$ 21,868,602 |
| Consultancy services | 549,277 | - | - | 549,277 |
| Salaries and related expenses | 23,720,278 | 7,486,039 | 3,806,152 | 35,012,469 |
| Office expenses | 295,364 | 508,346 | 19,975 | 823,685 |
| Operating lease expense | 783,275 | 173,798 | 70,712 | 1,027,785 |
| General and administration | 988,121 | 2,616,755 | 226,839 | 3,831,715 |
| Special events | 899 | 31,321 | 1,735,261 | 1,767,481 |
| Depreciation and amortization | - | 728,611 | - | 728,611 |
| Expenses for projects | 4,731,452 | - | - | 4,731,452 |
| Media development | 139,447 | - | - | 139,447 |
| Interactive services | 150,631 | - | - | 150,631 |
| Campaign management | 2,168,280 | 2,180 | - | 2,170,460 |
| Government and nonprofit affairs | 33,066 | - | - | 33,066 |
| Creative services | 46,154 | - | - | 46,154 |
| Public relations | 147,840 | 274,223 | - | 422,063 |
| Fundraising | - | - | 178,376 | 178,376 |
| Total operating expenses | <u>\$ 55,622,686</u> | <u>\$ 11,821,273</u> | <u>\$ 6,037,315</u> | <u>\$ 73,481,274</u> |

The Advertising Council, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

Year Ended June 30, 2024

| | Program Services | Management and General | Fund Raising | Year Ended June 30, 2024 |
|----------------------------------|-----------------------------|-----------------------------------|-------------------------|-------------------------------------|
| Production and distribution | \$ 24,674,840 | \$ - | \$ - | \$ 24,674,840 |
| Consultancy services | 837,723 | - | - | 837,723 |
| Salaries and related expenses | 21,525,555 | 6,828,563 | 3,350,470 | 31,704,588 |
| Office expenses | 246,407 | 527,433 | 22,730 | 796,570 |
| Operating lease expense | 776,183 | 187,982 | 63,620 | 1,027,785 |
| General and administration | 843,896 | 2,293,141 | 95,903 | 3,232,940 |
| Special events | - | 19,329 | 1,626,137 | 1,645,466 |
| Depreciation and amortization | - | 795,887 | - | 795,887 |
| Expenses for projects | 4,620,235 | - | - | 4,620,235 |
| Media development | 111,678 | - | - | 111,678 |
| Interactive services | 129,923 | - | - | 129,923 |
| Campaign management | 2,028,918 | 3,329 | - | 2,032,247 |
| Government and nonprofit affairs | 3,650 | - | - | 3,650 |
| Creative services | 80,736 | - | - | 80,736 |
| Public relations | 166,974 | 271,523 | - | 438,497 |
| Fundraising | - | - | 179,820 | 179,820 |
| Total operating expenses | <u>\$ 56,046,718</u> | <u>\$ 10,927,187</u> | <u>\$ 5,338,680</u> | <u>\$ 72,312,585</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% of an employee's covered compensation to the Plan for the years ended June 30, 2025 and 2024. Related expenses to this Plan were \$1,187,948 and \$1,061,336 in 2025 and 2024, respectively, which includes \$92,453 and \$100,177 in excess contributions for executives in 2025 and 2024, respectively.

Deferred Executive Compensation Retirement Plan

The Council maintains a deferred executive 457(b) retirement plan for members of its executive leadership team. The 457(b) plan is a nonqualified deferred compensation plan providing for contributions to be made each year by the Council and/or the participants. Related expenses to this plan were \$211,500 and \$0 in 2025 and 2024, respectively. Contributions are invested in various mutual funds at the direction of the individual participants and held by the Council. Participants are 100% vested.

The Advertising Council, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

For the years ended June 30, 2025 and 2024, earnings on 457(b) plan investments consisted of the following:

| | 2025 | 2024 |
|------------------|------------------|------------------|
| Unrealized gains | \$ 40,777 | \$ 46,356 |
| Realized gains | - | 925 |
| Dividend income | 28,093 | 17,479 |
| | <u>\$ 68,870</u> | <u>\$ 64,760</u> |

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

The Council leases its New York office pursuant to a lease agreement expiring on July 31, 2028. The lease includes a 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, 2025, the Council has a lease liability of \$4,089,009. The average interest rate used in calculating the lease liability was approximately 3%.

Future minimum annual rental payments for the Council through the fiscal year ended June 30, 2030, are as follows:

| | |
|-------------------------------|---------------------|
| 2026 | \$ 1,357,046 |
| 2027 | 1,384,187 |
| 2028 | 1,411,870 |
| 2029 | 117,848 |
| 2030 | <u>-</u> |
| Total undiscounted cash flows | 4,270,951 |
| Less: Imputed interest | <u>(181,942)</u> |
| Total lease liabilities | <u>\$ 4,089,009</u> |

The Advertising Council, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

| | Years Ended June 30, | |
|--|-----------------------------|---------------------|
| | 2025 | 2024 |
| Right of use asset - operating lease | \$ 5,567,898 | \$ 5,567,898 |
| Less: Accumulated amortization | <u>(2,580,836)</u> | <u>(1,687,318)</u> |
| Total right of use asset - operating lease | <u>\$ 2,987,062</u> | <u>\$ 3,880,580</u> |

Rent and related expenses incurred under the lease was \$1,082,019 and \$1,073,985 for the years ended June 30, 2025 and 2024, respectively.

8. Contributed Nonfinancial Assets

Donated nonfinancial assets for the fiscal years ended June 30, 2025 and 2024, included in the statement of activities, were as follows:

| | 2025 | 2024 |
|----------------------------|---------------------|---------------------|
| Research tools & reporting | \$ 1,788,521 | \$ 1,689,512 |
| Data processing | 100,000 | 100,000 |
| Regional office space | <u>44,033</u> | <u>36,000</u> |
| | <u>\$ 1,932,554</u> | <u>\$ 1,825,512</u> |

9. Subsequent Events

The Council has evaluated events and transactions subsequent to the date of the statement of financial position up to and including December 12, 2025, the date these financial statements were available to be issued.

The Council has not identified any events which require disclosure or adjustments to the financial statements.