The Advertising Council, Inc.

As of and for the years ended June 30, 2018 and 2017

The Advertising Council, Inc.
Index
June 30, 2018 and 2017

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, 2018 and 2017 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, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

New York, New York
November 2, 2018

The Advertising Council, Inc.
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 13,317,007	$ 13,423,177
Investments (Note 3)	17,542,384	18,162,559
Accounts receivable (less allowance for doubtful accounts of $50,000 and $50,000, respectively)	7,575,250	8,379,484
Contributions receivable (less allowance for doubtful accounts of $50,000 and $50,000, respectively)	2,888,458	2,379,094
Prepaid expenses and other current assets	1,498,719	1,233,667
Total current assets	42,821,818	43,577,981
Property and equipment, at cost		
Furniture and fixtures	1,277,130	1,277,130
Computer and telephone equipment	4,287,078	3,732,679
Leasehold improvements	6,254,286	4,092,528
	11,818,494	9,102,337
Less - accumulated depreciation and amortization	5,168,011	7,240,157
Property and equipment, net	6,650,483	1,862,180
Total assets	$ 49,472,301	$ 45,440,161
Liabilities and Net Assets		
Current liabilities		
Accounts payable	2,589,590	2,335,030
Accrued expenses and other current liabilities	4,284,062	5,237,067
Deferred revenue	5,108,284	2,857,486
Retirement and other deferred compensation - short term	-	374,481
Deposits from campaign sponsors	600,000	760,000
Total current liabilities	12,581,936	11,564,064
Deferred rental obligations (Note 7)	1,940,605	1,601,967
Retirement and other deferred compensation - long term	-	1,077,066
Accumulated Postretirement benefit obligation - long term	188,776	215,255
Total liabilities	14,711,317	14,458,352
Net assets		
Unrestricted	29,373,026	27,450,427
Temporarily net assets, cash (Note 2)	4,387,958	3,121,382
Temporarily restricted net assets	1,000,000	410,000
Total net assets	34,760,984	30,981,809
Total liabilities and net assets	$ 49,472,301	$ 45,440,161

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

The Advertising Council, Inc.
Statements of Activities
Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue						
Production and distribution campaign revenue	$ 30,587,605		$ 30,587,605	$ 30,890,597		$ 30,890,597
Contributions	10,511,217	302,000	10,813,217	10,778,399	210,000	10,988,399
Special events	5,224,901	110,000	5,334,901	4,812,061	235,000	5,047,061
Interest & other income	167,484		167,484	53,972		53,972
Grants and contributions for projects	169,320	3,689,149	3,858,469	919,265	2,973,822	3,893,087
Satisfaction of restrictions - Grants from foundations	1,929,574	(1,929,574)	-	1,656,049	(1,656,049)	-
Satisfaction of restrictions - Contributions	180,000	(180,000)	-	240,000	(240,000)	-
Satisfaction of restrictions - Special events	135,000	(135,000)	-	125,000	(125,000)	-
Total revenue	48,905,101	1,856,575	50,761,676	49,475,343	1,397,773	50,873,116
Expenses						
Production and distribution	18,478,608		18,478,608	18,840,526		18,840,526
Expenses for projects	1,202,733		1,202,733	1,633,911		1,633,911
Salaries and related expenses	19,819,729		19,819,729	19,040,152		19,040,152
Office expenses	2,343,149		2,343,149	2,226,206		2,226,206
General and administrative	1,967,025		1,967,025	1,545,681		1,545,681
Special events	1,384,265		1,384,265	1,399,900		1,399,900
Depreciation and amortization	1,223,216		1,223,216	1,457,262		1,457,262
Media development	95,090		95,090	153,937		153,937
Interactive services	381,701		381,701	500,494		500,494
Campaign management	767,087		767,087	1,299,646		1,299,646
Government and non-profit affairs	15,535		15,535	12,369		12,369
Creative services	69,122		69,122	82,793		82,793
Public relations	101,115		101,115	199,616		199,616
Fundraising	104,831		104,831	127,767		127,767
Total expenses	47,953,206	-	47,953,206	48,520,260	-	48,520,260
Excess (deficit) from operations	951,895	1,856,575	2,808,470	955,083	1,397,773	2,352,856
Actuarial (loss) gain on accumulated post retirement obligation	27,298		27,298	(68,099)		(68,099)
Investment Income / (Loss)						
Net realized gains / (losses) on investments	1,186,088		1,186,088	440,128		440,128
Net unrealized gains (losses) on investments	(667,052)		(667,052)	712,217		712,217
Net investment income	424,371		424,371	373,928		373,928
Total investment income / (loss)	943,407	-	943,407	1,526,273	-	1,526,273
Change in net assets	1,922,600	1,856,575	3,779,175	2,413,257	1,397,773	3,811,030
Net assets						
Beginning of year	27,450,427	3,531,382	30,981,809	25,037,170	2,133,609	27,170,779
End of year	$ 29,373,027	$ 5,387,957	$ 34,760,984	$ 27,450,427	$ 3,531,382	$ 30,981,809

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

The Advertising Council, Inc.
Statements of Cash Flows
June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 3,779,175	$ 3,811,030
Adjustments to reconcile net assets to net cash		
(used in) provided by operating activities		
Depreciation and amortization	1,223,216	1,457,262
Net realized and unrealized (gains) losses on investments	(519,036)	(1,152,344)
Accretion expense	-	(255,547)
Changes in assets and liabilities		
Decrease in accounts receivable, net	804,234	120,595
Decrease (Increase) in contribution receivable, net	(509,364)	421,909
Increase in prepaid expenses and other assets	(265,052)	(540,423)
Increase (Decrease) in accounts payable	254,560	(771,680)
(Decrease) Increase in accrued expenses	(953,005)	417,956
Decrease in retirement and other deferred compensation	(1,451,547)	(1,010,607)
Increase in deferred revenue	2,250,798	1,122,606
Decrease in deposits from campaign sponsors	(160,000)	(4,339)
Increase (Decrease) in deferred rental obligation	338,638	(140,717)
(Decrease) Increase in accumulated post retirement obligations	(26,479)	68,397
Net cash provided by (used in) operating activities	4,766,138	3,544,098
Cash flows for investing activities		
Proceeds from sale of investments	7,351,518	8,272,086
Purchases of investments	(6,212,280)	(1,960,545)
Expenditures for property and equipment	(6,011,546)	(888,801)
Net cash provided by (used in) investing activities	(4,872,308)	5,422,740
Cash flows from financing activities		
Net cash used in financing activities	0	0
Increase (decrease) in cash, cash equivalents, and restricted cash	(106,170)	8,966,838
Cash and cash equivalents		
Cash, cash equivalents, and restricted cash at the beginning of the year	13,423,177	4,456,339
Cash, cash equivalents, and restricted cash at the end of the year	$ 13,317,007	$ 13,423,177

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 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 statement 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 Ad Council's mission to stimulate action on significant public issues through communication programs the Ad 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 unrestricted use, unless specifically restricted by the donor, and are recognized in the statements of activities as unrestricted revenue in the period pledged. Unrestricted net assets represent resources over which the Council has full discretion with respect to use. Special events include contributions earmarked for the Council's New York annual dinner or other Council sponsored events and similar to contributions, may be classified as unrestricted or temporarily restricted sources of revenue.

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

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

	Year Ended June 30,	
	2018	**2017**
Annual dinner - fiscal 2020	$ 50,000	$ 50,000
Annual dinner - fiscal 2019	160,000	50,000
Annual dinner - fiscal 2018		135,000
Fiscal 2020 operations	100,000	
Fiscal 2019 operations	282,000	80,000
Fiscal 2018 operations		180,000
Bullying Prevention	316,806	377,036
Chronic Absenteeism	4,019	4,019
LGBT Acceptance		378,201
Love Has No Labels	2,254,256	1,255,795
News Literacy	250,000	
STEM for Girls	1,970,877	1,021,331
Total	$ 5,387,958	$ 3,531,382

In fiscal 2018 and 2017, $2,244,574 and $2,021,049, respectively, have been reclassified to unrestricted net assets as the related restrictions have been satisfied.

At June 30, 2018 cash and cash equivalents include $4,387,958 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 2018 and 2019 Annual Dinner and Campaign Contributions which relates to Bullying Prevention, Love Has No Labels, STEM for Girls, and News Literacy. At June 30, 2017 cash and cash equivalents include $3,121,382 of cash received that was limited as to its use because of donor imposed restrictions, and which was held in connection with the Council's fiscal 2019 and 2018 operations, Operations and Campaign Contributions related to Bullying Prevention, Chronic Absenteeism, and Love Has No Labels.

In-Kind Contributions

The Advertising 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 Advertising Council recorded in-kind contributions of $591,756 and $1,129,649 in 2018 and 2017, respectively. These in-kind contributions relate specifically to research data tools, regional office space, staff training and conferences, travel and printing costs.

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 unrestricted revenue on the statements of activities.

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

At June 30, 2018 and 2017, investments also include $-0- and $1,451,547, respectively, related to mutual fund investments held in connection with non-qualified deferred compensation and supplementary executive retirement plans for certain executives of the Council (see Note 5).

Property and Equipment

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

Towards the end of fiscal 2017, the Council began the renovation of its New York offices located at 815 Second Avenue which was completed during fiscal year 2018. As a result of these renovations, the Council had shortened the useful lives of certain leasehold improvements which resulted in such assets being fully depreciated in 2018 rather than in 2023. The impact of this change was additional depreciation of $635,752 and $445,026 in fiscal years 2017 and 2018, respectively.

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
Balance sheet items that potentially subject the Council to concentrations of credit risk are primarily cash and cash equivalents, as well as accounts receivable. The Council maintains cash accounts at various financial institutions. The value of these accounts, individually and in the aggregate, typically exceeds the amount insured by the FDIC. Concentrations of credit risk as it relates to accounts receivable are mitigated by a large customer base.

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

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

Recent Accounting Pronouncements
In May 2014, as part of its ongoing efforts to assist in the convergence of U.S. GAAP and International Financial Reporting Standards, the FASB issued a new standard related to revenue recognition. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to receive in exchange for the goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will be effective for the Ad Council beginning July 1, 2019, which is the fiscal year ending June 30, 2020, with an optional early adoption date beginning July 1, 2018. We are currently evaluating the impact this standard will have on our financial statements. It is noted that the new standard relates to revenue arising from contracts with customers and as such, any non-reciprocal transactions such as contributions, will continue to be recorded in accordance with ASC 958-605, "Contributions Received."

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* The FASB's Not-for-Profit Advisory Committee (NAC) and other stakeholders indicated that existing standards for financial statements of NFPs are sound but could be improved to provide more useful information to donors, grantors, creditors, and other users of financial statements. The final standard is the result of the FASB's effort to address these concerns and improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows.

The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017 with early application permitted. The amendments in this Update are required to be applied on a retrospective basis in the year that the Update is first applied. The Council will adopt the amendments in this Update in its financial statements for fiscal year ending June 30, 2019.

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

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, 2018 and 2017, by caption on the statement of financial position by the ASC Topic 820 valuation hierarchy defined above.

At June 30, 2018 and 2017, 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, 2018 or 2017. 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.

	2018 (Level 1)	2018 (Level 2)	2018 (Total)	2017 (Level 1)	2017 (Level 2)	2017 (Total)
Money Market Funds	$ -	$ 351,718	$ 351,718	$ -	$ 491,482	$ 491,482
Marketable Equity Securities Funds	4,508,794		4,508,794	4,970,325		4,970,325
Short Term Duration Bond Funds	5,284,667		5,284,667	6,584,646		6,584,646
Intermediate Duration Bond Funds	3,816,622		3,816,622	830,872		830,872
International And Emerging Markets Equities Funds	3,201,323		3,201,323	3,003,264		3,003,264
Real Estate Investment Trust Funds	379,260		379,260	830,423		830,423
Total	$ 17,190,666	$ 351,718	$ 17,542,384	$ 16,219,530	$ 491,482	$ 16,711,012
Participant Discretionary Retirement Investment Funds, Executive Deferred Compensation and SERP (Note 5)	-		-	1,451,547	0	1,451,547
	$ 17,190,666	$ 351,718	$ 17,542,384	$ 17,671,077	$ 491,482	$ 18,162,559

During the year ended June 30, 2018, there was $145,687 transferred from Level 2 investments to Level 1 investments as a result 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, 2018 and 2017, realized and unrealized gains (losses), interest and dividend income are summarized below:

For the year ended June 30, 2018 and 2017, realized and unrealized losses, interest and dividend income is as follows:

	Year Ended June 30, 2018	Year Ended June 30, 2017
Realized and unrealized gains (losses)	$ 519,036	$ 1,152,345
Dividend and interest income	424,371	373,928
Total	$ 943,407	$ 1,526,273

4. Functional Classification of Expenses

The Council's functional classification of expenses for the year ended June 30, 2018 with comparative totals for the year ended June 30, 2017 is as follows:

	Program Services	Management and General	Fund Raising	Year Ended June 30, 2018	Year Ended June 30, 2017
Total production and distribution	$ 18,478,608			$ 18,478,608	$ 18,840,526
Expenses for grants and projects	1,202,733			1,202,733	1,633,911
Salaries and related expenses	12,425,657	4,921,541	2,472,531	19,819,729	19,040,152
Office expenses	1,596,742	606,433	139,974	2,343,149	2,226,206
General and administration	522,129	1,378,719	66,177	1,967,025	1,545,681
Special events		72,361	1,311,904	1,384,265	1,399,900
Depreciation and amortization		1,223,216		1,223,216	1,457,262
Media development	95,090			95,090	153,937
Interactive services	381,701			381,701	500,494
Campaign management	751,683	15,195	209	767,087	1,299,646
Government and non-profit affairs	14,299			15,535	12,369
Creative services	69,122			69,122	82,793
Public relations	89,115	13,236		101,115	199,616
Fundraising			104,831	104,831	127,767
For the year ended June 30, 2018	$ 35,626,879	$ 8,230,701	$ 4,095,626	$ 47,953,206	
For the year ended June 30, 2017	$ 36,231,463	$ 8,575,587	$ 3,713,210		$ 48,520,260

5. Employee Benefits

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

Defined Contribution Benefit Plan
The Council maintains a defined contribution benefit plan ("Plan") for all eligible employees. The Council elects to contribute 5% for the year ended June 30, 2018 and 7% for the year ended June 30, 2017 of an employee's covered compensation to the Plan. Expense related to this Plan was $670,617 and $858,234 for the years ended June 30, 2018 and 2017, respectively. Certain highly compensated employees, as defined by the plan document, receive additional compensation for the portion of the current year's contribution that exceeds the IRS' individual participant contribution limits. The expense associated with employees meeting this qualification was $70,339 and $195,119 for the years ended June 30, 2018 and 2017, respectively.

Supplemental Executive Retirement Plan
The Council maintained a supplemental executive retirement plan ("SERP") for members of its executive management. Effective June 30, 2018 The Council dissolved its SERP and no longer accepts participants. The SERP was a noncontributory defined contribution retirement plan providing for contributions to be made each year by the Council on behalf of the participants. The contributions were based on a percentage of participants' eligible compensation, as defined by the SERP. Contributions were invested in various mutual funds at the direction of the individual participant and held by the Council until the executive vested into the plan. Participants vested after the latter of the following events: a) completion of five (5) years of service; or b) attaining the age of fifty-five (55). A participant and the employer could agree to delay the vesting date for a period of at least five (5) years and the participant could accrue benefits until they were fully vested, subject to certain conditions laid out in the plan documents. The investments held in the

plan as of June 30, 2018 and 2017 totaled $-0- and $1,451,547, respectively. The unrealized losses were $156,556 and $118,081, realized gains were $227,516 and $270,079, and the dividends earned were $39,502 and $38,197 for the years ended June 30, 2018 and 2017, respectively. For the years ended June 30, 2018 and 2017, the Council incurred costs of $374,051 and $397,100 respectively, for participants of the SERP.

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

During fiscal 2018 and 2017 certain SERP benefits, $-0- and $374,481, were classified as Retirement and other deferred compensation – Short Term due to participant vesting.

The Ad Council's deferred compensation and SERP obligation is measured at fair value of the amount owed to the employees, which is equal to the asset value during the years ended June 30, 2018 and 2017. The non-current portion of the SERP obligation is recorded in other long-term liabilities and changes in the fair value of that obligation is adjusted, with a corresponding charge (or credit) to salaries and related expenses in the statement of activities and changes in net assets. The net debit (credit) to salaries and related expense for the years ending June 30, 2018 and 2017 was $110,012 and $189,615, respectively.

During the years ending June 30, 2018 and 2017, the Council made distributions from the SERP of $2,195,559 and $1,745,821.

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 FY2008, 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 Ad 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 Ad Council has not yet determined whether to implement.

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.

In connection with the New York office lease discussed above, in the year ended June 30, 2015 the Council booked an Asset Retirement Obligation asset and liability for removal of structural alterations. Due to the Council entering a new amended lease agreement for their New York office in FY2017, this new agreement released the Council of its Asset Retirement Obligation, resulting in reversal of a $255,547 liability in FY2017.

On March 1, 2012, the Council relocated its Washington D.C. office and became obligated under the new operating lease agreement for a term of ten years and five months, for monthly payments which increase annually at a standard escalation. The Agreement also provides for an option to renew for an additional five-year period. The Council has not yet decided whether to exercise its renewal option and has not included it in the annual office rental commitments schedule. The Council has a sublease agreement in place for approximately 25% of the DC office space to a subtenant.

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

The difference between the amount recorded to expense and the actual cash payments made by the Council on a monthly basis is recorded to the statement of financial position as deferred rent within other long-term liabilities. Deferred rental obligations at June 30, 2018 and 2017 is $1,940,605 and $1,601,967, respectively

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

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

2019	912,022
2020	1,081,179
2021	1,563,798
2022	1,590,530
2023	1,307,263
Thereafter	6,905,738
	$ 13,360,531

Rent expense incurred for the lease of office space was reported within the statement of activities and changes in net assets as part of office expenses and was $1,460,842 and $1,274,186 for each of the years ended June 30, 2018 and 2017, respectively.

8. Subsequent Events

The Council has evaluated subsequent events through November 2, 2018, the date on which the financial statements were issued.