Arie Weissman
Executive Vice President, Chief Financial Officer

Fiscal Accountability

The Ad Council is committed to making the most effective and efficient use of all the resources it receives and fully discloses financial information pertaining to the broad scope of Ad Council programs and activities.

The Ad Council's management is responsible for the preparation of financial statements on the proceeding pages which conform to generally accepted accounting principles in the United States of America. The financial statements for the fiscal year ended June 30, 2007 are presented on the following pages and include:

- Statement of Financial Position;
- Statement of Activities and Changes in Net Assets;
- Statement of Cash Flows; and
- Notes to Financial Statements.

The Ad Council has engaged PricewaterhouseCoopers LLP as its independent auditor and their financial audit report is presented on the following pages.

In addition, OMB Circular A-133 requires the Ad Council to report billing activities from Federal government-sponsored campaigns. The Ad Council provides this report as well as other financial information and disclosures as requested to the Department of Defense – Defense Contract Audit Agency.

The Ad Council's management ensures that an organization-wide internal control structure is in place to provide reasonable assurances that financial records are reliable and that assets are protected. Annually, the Audit Committee appoints independent auditors and reviews matters affecting the Ad Council's financial operation, especially those affecting internal control structure and audits. PricewaterhouseCoopers has unrestricted access to the committee to discuss the results of their work.

Peggy Conlon
President & CEO

Arie Weissman
Executive Vice President
& Chief Financial Officer

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Report of Independent Auditors

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

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets and of cash flows present fairly, in all material respects, the financial position of The Advertising Council, Inc. (the "Council") at June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 4, 2007

The Advertising Council, Inc.

Financial Statements
June 30, 2007 and 2006

The Advertising Council, Inc.
Index
June 30, 2007 and 2006

Page(s)

Report of Independent Auditors 1

Financial Statements

Statements of Financial Position 2

Statements of Activities and Changes in Net Assets 3

Statements of Cash Flows 4

Notes to Financial Statements 5–10

The Advertising Council, Inc.
Statements of Financial Position
June 30, 2007 and 2006

	2007	2006
Assets		
Current assets		
Cash and cash equivalents	$ 6,430,883	$ 4,541,834
Investments	10,964,983	9,104,104
Accounts receivable (less allowance for doubtful accounts of $69,038 and $48,119 in 2007 and 2006, respectively)	7,128,390	7,333,144
Contributions receivable	1,188,102	1,358,250
Prepaid expenses and other current assets	551,737	222,574
Total current assets	26,264,095	22,559,906
Property and equipment, at cost		
Furniture and fixtures	855,553	851,687
Computer and telephone equipment	2,984,367	2,912,381
Leasehold improvements	1,510,848	1,490,281
	5,350,768	5,254,349
Less - accumulated depreciation and amortization	4,661,989	4,185,390
Property and equipment, net	688,779	1,068,959
Other long-term assets	81,546	10,309
Total assets	$ 27,034,420	$ 23,639,174
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 3,766,756	$ 3,848,752
Accrued expenses and other current liabilities	3,167,309	2,464,681
Deferred revenue	1,511,096	1,753,282
Unexpended campaign funds	2,857,769	2,603,610
Total current liabilities	11,302,930	10,670,325
Other long-term liabilities	2,941,634	1,796,519
Accrued postretirement benefit obligation	316,105	364,650
Total liabilities	14,560,669	12,831,494
Net assets		
Unrestricted	12,036,251	10,532,680
Temporarily restricted	437,500	275,000
Total net assets	12,473,751	10,807,680
Total liabilities and net assets	$ 27,034,420	$ 23,639,174

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

The Advertising Council, Inc.
Statements of Activities and Changes in Net Assets
Year Ended June 30, 2007 and 2006

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue						
Gross billings for production and distribution	$ 30,396,279	$ -	$ 30,396,279	$ 24,680,657	$ -	$ 24,680,657
Contributions	5,186,996	362,500	5,549,496	5,418,194	5,000	5,423,194
Special events	2,209,300	75,000	2,284,300	2,200,000	270,000	2,470,000
Interest & other income	274,700	-	274,700	187,669	-	187,669
Grants from foundations for projects	242,872	-	242,872	30,481	-	30,481
Satisfaction of restrictions	275,000	(275,000)	-	326,000	(326,000)	-
Total revenue	38,585,147	162,500	38,747,647	32,843,001	(51,000)	32,792,001
Expenses						
Production and distribution	21,871,245	-	21,871,245	17,747,975	-	17,747,975
Salaries and related expenses	11,862,441	-	11,862,441	10,238,813	-	10,238,813
Office expenses	1,546,109	-	1,546,109	1,175,607	-	1,175,607
General and administrative	1,480,828	-	1,480,828	1,415,234	-	1,415,234
Special events	599,035	-	599,035	630,712	-	630,712
Depreciation and amortization	476,599	-	476,599	470,588	-	470,588
Expenses for foundation funded projects	157,087	-	157,087	29,798	-	29,798
Media development	61,770	-	61,770	38,944	-	38,944
Interactive services	59,952	-	59,952	105,849	-	105,849
Campaign management	338,017	-	338,017	158,583	-	158,583
Government and non-profit affairs	6,750	-	6,750	10,848	-	10,848
Creative services	11,754	-	11,754	12,597	-	12,597
Public relations	69,337	-	69,337	186,086	-	186,086
Fundraising	12,774	-	12,774	14,861	-	14,861
Total expenses	38,553,698	-	38,553,698	32,236,495	-	32,236,495
Excess of revenue over expenses before net yield on investments	31,449	162,500	193,949	606,506	(51,000)	555,506
Actuarial gain on Accumulated Post Retirement Obligation	53,134	-	53,134	-	-	-
Net realized gains on investments	317,167	-	317,167	337,274	-	337,274
Net unrealized gains on investments	612,175	-	612,175	255,550	-	255,550
Net investment income	489,646	-	489,646	150,321	-	150,321
Change in net assets	1,503,571	162,500	1,666,071	1,349,651	(51,000)	1,298,651
Net assets						
Beginning of year	10,532,680	275,000	10,807,680	9,183,029	326,000	9,509,029
End of year	$ 12,036,251	$ 437,500	$ 12,473,751	$ 10,532,680	$ 275,000	$ 10,807,680

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

The Advertising Council, Inc.
Statements of Cash Flows
Year Ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Change in net assets	$ 1,666,071	$ 1,298,651
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	476,599	470,588
Net realized and unrealized (gain) on investments	(929,342)	(592,824)
Conditional pledge rescinded due to cancellation of event	-	100,000
Changes in assets and liabilities		
Decrease / (Increase) in accounts receivable, net	204,754	(2,244,339)
Decrease / (Increase) in contributions receivable, net	170,148	(531,400)
(Increase) / Decrease in prepaid expenses and other assets	(318,854)	5,597
(Decrease) / Increase in accounts payable	(81,996)	46,640
Increase in accrued expenses	702,628	378,495
(Decrease) / Increase in deferred revenue	(242,186)	524,562
Increase in unexpended campaign funds	254,159	661,798
Increase in other long-term liabilities	1,107,758	572,920
(Decrease) / Increase in accrued postretirement benefit obligation	(48,545)	12,287
Net cash provided by operating activities	2,961,194	702,975
Cash flows for investing activities		
Proceeds from sale of investments	6,264,041	1,376,063
Purchase of investments	(7,158,221)	(2,232,072)
Expenditures for property and equipment	(177,965)	(227,078)
Net cash used for investing activities	(1,072,145)	(1,083,087)
Increase / (Decrease) in cash and cash equivalents	1,889,049	(380,112)
Cash and cash equivalents		
Beginning of year	4,541,834	4,921,946
End of year	$ 6,430,883	$ 4,541,834

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 private organizations. 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.

Production and Distribution of Public Service Campaigns

Gross billings for production and distribution consist of 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. Indirect costs are also recorded as revenue and are reimbursed at a percentage of allowable direct costs by private and government sponsors. A fixed fee may also be charged to the sponsor and revenue is recognized in accordance with the sponsors' contractual arrangement. Advances from sponsors to the Council are recorded as unexpended campaign funds for deposits until an associated sponsors' campaign has been completed. The advance may be applied to the related campaign costs or refunded to the sponsor upon completion of the campaign. Amounts recorded in deferred revenue are for specific sponsors' campaigns which have been invoiced and represent future revenue when the service is performed.

Contributions and Special Events

All contributions, including donated services and products, 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 annual dinner or other Council sponsored events and like contributions, may be classified as unrestricted or temporarily restricted sources of revenue and are recognized as revenue when the event occurs.

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.

At June 30, 2007, temporarily restricted net assets included $75,000 of future contributions related to the Council's three subsequent annual dinners and $362,500 in pledges received for the Council's fiscal 2008 and 2009 operations, respectively at $192,500 and $170,000. At June 30, 2006, temporarily restricted net assets include $270,000 pledged to fund the Council's fiscal 2007 annual dinner and $5,000 in contributions and pledges received for the Council's fiscal 2007 operations. In fiscal 2007 and 2006 $275,000 and $326,000, respectively, have been reclassified to unrestricted net assets as the related restrictions have been satisfied.

Grants
Grants are 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 for projects other than public service messages.

Cash Equivalents and Investments
The Council maintains its operating funds primarily in highly liquid money market funds that are classified in the statements of financial position as cash equivalents. The Council's policy is that earnings on cash and cash equivalents is 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 investment guidelines established by the Council's Board of Directors ("the Board"). Investment activity within the portfolio is limited to trades and sales at the discretion of the Council's financial advisor. The transfer of operating funds to the portfolio requires approval of the Council's Finance Committee. Due to the restrictions in place on the investment portfolio, gains and losses on investments and investment income are not a component of revenue on the statements of activities and changes in net assets. Investment income on the statements of activities and changes in net assets is stated net of advisory fees of $50,521 and $36,688 for the years ended June 30, 2007 and 2006, respectively.

At June 30, 2007 and 2006, investments also include $2,270,375 and $1,563,760, 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 4 to the financial statements).

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 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. New purchases are depreciated one-half year in the year of acquisition.

Use of Estimates
Financial statements prepared in accordance with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts and disclosure of any contingent items. Actual amounts could differ from those estimates.

Reclassifications
Certain prior year amounts within the balance sheet have been reclassified for consistent presentation to the current year. These reclassifications occurred within current liabilities and do not materially impact the overall financial position or the operating results, and do not constitute restatement of the prior year financial statements.

3. Functional Classification of Expenses

The Council's functional classification of expenses for the year ended June 30, 2007 with comparative totals for the year ended June 30, 2006 is as follows:

	Program Services	Management and General	Fund Raising	Year Ended June 30, 2007	2006
Total production and distribution	$ 21,871,245	$ -	$ -	$ 21,871,245	$ 17,747,975
Salaries and related expenses	7,463,500	3,520,811	878,130	11,862,441	10,238,813
Office expenses	1,038,051	409,294	98,764	1,546,109	1,175,607
General and administration	391,015	1,042,701	47,112	1,480,828	1,415,234
Special events	24,595	-	574,440	599,035	630,712
Depreciation and amortization	-	476,599	-	476,599	470,588
Expenses for foundation funded projects	157,087	-	-	157,087	29,798
Media development	61,770	-	-	61,770	38,944
Interactive services	59,952	-	-	59,952	105,849
Campaign management	338,017	-	-	338,017	158,583
Government and non-profit affairs	6,750	-	-	6,750	10,848
Creative services	11,754	-	-	11,754	12,597
Public relations	-	69,337	-	69,337	186,086
Fundraising	-	-	12,774	12,774	14,861
For the year ended June 30, 2007	$ 31,423,736	$ 5,518,742	$ 1,611,220	$ 38,553,698	
For the year ended June 30, 2006	$ 25,193,673	$ 5,515,967	$ 1,526,855		$ 32,236,495

4. Employee Benefits

Defined contribution benefit plan
The Council maintains a defined contribution benefit plan for all eligible employees. The Council contributed 7% of an employee's covered compensation to the plan for each of the years ended June 30, 2007 and 2006, respectively. Expense related to this plan was $451,131 and $411,275 for the years ended June 30, 2007 and 2006, respectively.

Deferred compensation
The Council maintained two non-qualified deferred compensation plans. The first such non-qualified plan permits certain executives to defer all or a portion of their incentive compensation amounts received which could be invested in mutual funds selected by the executives under the guidelines of the Plan. During fiscal 2007, the Council invested the 2006 deferred compensation amounts in mutual funds selected by the executives under the guidelines of the Plan. At June 30, 2007 and 2006, these investments have been recorded in the statements of financial position at fair market value of $1,463,114 and $1,033,804. The unrealized gain on these funds of $143,138 and $119,403 for the years ended June 30, 2007 and 2006, respectively, is reflected in the accompanying statements of activities.

During the 2007 fiscal year, the Council terminated the second non-qualified plan, for certain executive management members, under which certain compensation amount for the 2001 fiscal year had been invested. The participants of this plan received distributions, of approximately $192,000, in full liquidation of this plan.

Supplemental executive retirement plan
The Council established a supplemental executive retirement plan ("SERP") for members of its executive management. The SERP is a noncontributory defined contribution retirement Plan

providing for contributions to be made each year by the Council on behalf of the participants. The contributions are based on a percentage of participants' eligible compensation, as defined by the SERP. Contributions are to be invested in various mutual funds at the direction of the individual participant and held by the Council until the executive vests into the plan, which occurs at the latter of a.) five years of service with the Council, b.) the participant reaching age 55 or c.) June 30, 2008. The investments held in the plan as of June 30, 2007 and 2006 totaled $807,261 and $342,413, respectively. The unrealized gain on these investments as of June 30, 2007 and 2006 is $72,144 and $845, respectively, and has been reflected in the accompanying statements of activities. For the years ended June 30, 2007 and 2006, the Council incurred costs of $381,000 and $359,000, respectively, for participants of the SERP. These costs are reflected within salaries and related expenses on the statements of activities and changes in net assets for the years ended June 30, 2007 and 2006.

Postretirement benefits

The Council at one time provided certain health care benefits for employees upon retirement. In addition, retirees hired prior to October 1, 1989 receive life insurance benefits through the Council upon retirement. These benefits are provided through an insurance company. Effective June 30, 2002, health care benefits provided under the Council's plan were frozen for retirees and vested active employees, and no further benefits will accrue to participants.

	Year Ended June 30,	
	2007	**2006**
Change in Accumulated Postretirement Benefit Obligation (APBO):		
APBO Beginning of Year	$ 374,017	$ 413,282
Service cost	-	-
Interest cost	19,328	21,390
Participation contributions	-	-
Actuarial (gain) / loss on plan assets	(62,501)	(47,484)
Curtailment (gain) / loss on plan assets	-	-
Plan amendments	-	-
Benefits paid	(14,739)	(13,171)
Special termination benefits	-	-
APBO End of Year	$ 316,105	$ 374,017
Change in Plan Assets:		
Fair value of plan assets, July 1	$ -	$ -
Actual return on plan assets	-	-
Employer contributions	14,739	13,171
Participants contributions	-	-
Benefits paid	(14,739)	(13,171)
Fair value of plan assets, June 30	$ -	$ -
Reconciliation of Funded Status:		
Funded status	$ (316,105)	$ (374,017)

	Year Ended June 30, 2007	2006
Amounts Recognized in the Statement of Financial Position consist of:		
Noncurrent Liabilities	$ 316,105	
Unrecognized net (gain)	$ (53,134)	
Net Periodic Postretirement Benefit Cost:		
Service cost	$ -	$ -
Interest cost	19,328	21,390
Amortization of unrecognized net (gain) / loss	-	4,068
Net periodic postretirement benefit cost	$ 19,328	$ 25,458
Net effect of 1% increase in the healthcare costs trend rate:		
APBO at June 30	$ 22,882	$ 26,819
Service costs	$ -	$ -
Interest costs	$ 1,430	$ 1,408
Net effect of 1% decrease in the healthcare costs trend rate:		
APBO at June 30	$ (24,917)	$ (31,448)
Service costs	$ -	$ -
Interest costs	$ (1,557)	$ (1,651)

The discount rate assumed in determining the accumulated postretirement benefit obligation as of June 30, 2007 was 6.25% and June 30, 2006 was 5.25%. The health care cost trend rate assumed is 9%, declining to a rate of 5% by the year 2012.

For the year ending June 30, 2008, the estimated interest cost is $19,303, the amortization gain is $7,175 and the postretirement costs are $12,128.

The following estimated future benefit payments are expected to be paid in the years indicated:

2008	$ 11,181
2009	11,384
2010	16,241
2011	16,328
2012 - 2017	94,634
	149,768

5. Line of Credit

The Council has a line of credit agreement with a financial institution for the purposes of partially financing a capital project and for purposes of securing short-term working capital. The agreement has a $5.0 million borrowing base, bears interest at LIBOR plus 0.25% and is collateralized by the corporate investment portfolio. Upon execution of this agreement, all prior financing arrangements were terminated. At June 30, 2007 and 2006, no amounts were outstanding against these lines of credit.

The line of credit will convert to a term note at March, 2008 and the amount borrowed and outstanding in relation to the funding of the capital project will be amortized and required to be repaid in equal monthly installments over a five year term, bearing interest at LIBOR plus 0.25%. There is no penalty for prepayment of principal amounts outstanding under this agreement.

6. Tax Status

The Council is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding provisions of New York State law. Accordingly, no income tax expense or liability is recorded in the financial statements.

7. Commitments

Leases
During the year, the Council entered into an operating lease agreement for the rental of office space in New York and renovations are currently underway to convert the space for the Council's use. This agreement was made effective March 2007 and stipulates a monthly rental of $78,256 commencing in January 2008, increasing for standard escalations through the initial term of ten years. The agreement also provides for an option to renew for an additional five year period through the year 2022 and it is the intention of Council's management to exercise such option, the rental payments below include such renewal extension period. In December 2007, the Council will be relocating its New York operations to this new space.

The aggregate minimum annual office rental commitments under significant long-term leases are summarized by fiscal year as follows:

2008	$ 957,663
2009	1,143,554
2010	1,159,609
2011	1,175,918
2012	1,121,591
Thereafter	11,734,337
	$ 17,292,672

Rent expense incurred for the lease of office space was $1,178,809 and $793,189 for each of the years ended June 30, 2007 and 2006, respectively.