Consolidated Financial Statements Together with Report of Independent Certified Public Accountants

Sesame Workshop and Subsidiaries

June 30, 2022 and 2021

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Sesame Workshop and Subsidiaries

Opinion
We have audited the consolidated financial statements of Sesame Workshop and Subsidiaries (the “Company”), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2022 and 2021, and the changes in their net assets and their 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 audits of the consolidated financial statements 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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Grant Thornton LLP

New York, New York
November 9, 2022

Sesame Workshop and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,
(Dollars in thousands)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 33,688	$ 37,899
Receivables:		
Programs, product licenses, and contracts in support of programs, less allowance for doubtful accounts of $10,127 in 2022 and $594 in 2021	31,854	23,337
Grants and contributions, net	15,484	23,226
Total receivables, net	47,338	46,563
Programs in process, net	50,608	66,715
Investments	384,014	393,679
Intangible assets, net	26,354	28,382
Property and equipment, net	19,077	20,460
Other assets, net	3,513	4,602
Total assets	$ 564,592	$ 598,300
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 56,095	$ 61,402
Deferred revenues	46,564	54,399
Deferred rent payable	10,530	11,546
Total liabilities	113,189	127,347
Net assets		
Net assets without donor restrictions	410,752	412,152
Net assets with donor restrictions	40,651	58,801
Total net assets	451,403	470,953
Total liabilities and net assets	$ 564,592	$ 598,300

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

Sesame Workshop and Subsidiaries

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended June 30,
(Dollars in thousands)

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues						
Program support	$ 15,162	$ 51,495	$ 66,657	$ 14,138	$ 59,903	$ 74,041
Distribution fees and royalties	149,799	-	149,799	87,902	-	87,902
Licensing	40,879	-	40,879	35,845	-	35,845
Investment return designated for operations	1,014	-	1,014	824	-	824
Net assets released from restrictions	69,645	(69,645)	-	67,069	(67,069)	-
Total operating revenues	276,499	(18,150)	258,349	205,778	(7,166)	198,612
Operating expenses						
Program expenses:						
Media and education	124,166	-	124,166	62,844	-	62,844
Global social impact	74,880	-	74,880	70,422	-	70,422
Creative	7,109	-	7,109	8,065	-	8,065
Strategy and research	5,367	-	5,367	4,930	-	4,930
Public awareness	12,760	-	12,760	9,811	-	9,811
Total program expenses	224,282	-	224,282	156,072	-	156,072
Support expenses:						
Fundraising	4,428	-	4,428	6,173	-	6,173
General and administrative	27,468	-	27,468	26,012	-	26,012
Total support expenses	31,896	-	31,896	32,185	-	32,185
Total operating expenses	256,178	-	256,178	188,257	-	188,257
Change in net assets from operating activities	20,321	(18,150)	2,171	17,521	(7,166)	10,355
Non-operating activity						
Investment (loss) return, net	(21,658)	-	(21,658)	99,492	-	99,492
Change in net assets before provision for income taxes	(1,337)	(18,150)	(19,487)	117,013	(7,166)	109,847
Provision for income taxes	63	-	63	23	-	23
Change in net assets	(1,400)	(18,150)	(19,550)	116,990	(7,166)	109,824
Net assets, beginning of year	412,152	58,801	470,953	295,162	65,967	361,129
Net assets, end of year	$ 410,752	$ 40,651	$ 451,403	$ 412,152	$ 58,801	$ 470,953

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

Sesame Workshop and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,
(Dollars in thousands)

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (19,550)	$ 109,824
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation of property and equipment	4,437	4,260
Amortization of intangible assets	2,028	2,027
Amortization of programs in process	79,682	31,172
Change in provision for uncollectible receivables	(9,533)	(77)
Investment loss (return), net	20,618	(100,316)
Changes in operating assets and liabilities:		
Decrease in gross receivables	8,758	7,093
Additions to programs in process	(63,575)	(62,311)
Decrease (Increase) in other assets	1,089	(664)
(Decrease) Increase in accounts payable and accrued expenses	(3,700)	15,377
(Decrease) Increase in deferred revenues	(7,835)	16,378
Decrease in deferred rent payable	(1,016)	(1,017)
Net cash provided by operating activities	11,403	21,746
Cash flows from investing activities:		
Additions to property and equipment	(3,054)	(2,810)
Purchases of investments	(127,449)	(106,092)
Proceeds from sale of investments	116,496	72,887
Net cash used in investing activities	(14,007)	(36,015)
Cash flows from financing activities:		
Payments on capital lease obligation	(1,607)	(1,378)
Net cash used in financing activities	(1,607)	(1,378)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,211)	(15,647)
Cash and cash equivalents, beginning of year	37,899	53,546
Cash and cash equivalents, end of year	$ 33,688	$ 37,899
Supplemental cash flow disclosures:		
Cash paid for income taxes	$ 63	$ 23
Assets acquired under capital lease	$ 590	$ 3,506
Cash paid for interest	$ 48	$ 15

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

NOTE 1 - ORGANIZATION AND MISSION

Sesame Workshop (the “Company”) is a nonprofit 501(c)(3) corporation whose mission is to help kids grow smarter, stronger and kinder. It achieves its mission by developing and distributing innovative and entertaining educational content for children. The Company organizes its activities into two operating units to most efficiently deliver on its mission. The Media and Education group distributes the Company’s educational content through mass media platforms, including television, streaming video, mobile, interactive, print and live entertainment, in the U.S. and around the world, with a focus on developed and developing markets. This group is responsible for creating and distributing *Sesame Street*, the Company’s flagship preschool series, which premiered in the United States in 1969 and is currently broadcasting its 52nd season. This group’s primary sources of revenues are the sale and licensing of educational content and the licensing of the *Sesame Street* characters and brand, both domestically and internationally.

The second group, Global Social Impact & Philanthropy, focuses its efforts on un-served, underserved, and vulnerable communities in the U.S. and less developed markets. It creates and distributes content for specific target audiences, including creating and distributing local versions of *Sesame Street* that are developed in partnership with local experts, designed to address the educational needs of children in their own countries. It also creates needs-driven public services initiatives and outreach programs that provide age-appropriate materials and behavior change strategies around themes of access to early education, critical health lessons, and tools for vulnerable children. Projects address health and sanitation, parent engagement, traumatic childhood experiences, financial empowerment, military deployment, humanitarian response and school readiness. This group’s primary source of revenue is direct funding support for its educational programs and initiatives from foundations, corporations, government agencies, and individuals.

Overall, *Sesame Street* has been seen in over 150 countries, including 30 *Sesame Street* international co-productions. Taking advantage of all forms of media and using those that are best suited to delivering a particular curriculum, the Company effectively and efficiently reaches millions of children, parents, caregivers and educators.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Sesame Workshop’s wholly owned, not-for-profit subsidiaries include the following:

- Sesame Street, Inc.;
- Electric Company, Inc.;
- Galli Galli Sim Sim Educational Initiative (“GGSSEI”);
- The Joan Ganz Cooney Center for Educational Media and Research (“JGCC”); and
- Sesame Workshop International Inc. and Subsidiaries (“SWII”), excluding Sesame Services FP, Inc. and Subsidiary, Sesame Workshop Europe GmbH, and Sesame Workshop Latin America

Sesame Workshop’s wholly owned, for-profit subsidiaries include the following:

- Sesame Workshop India Initiatives, PLC;
- Sesame Street Brand Management and Service (Shanghai) Co., Ltd;
- CTW Communications, Inc. (“CTW/C”);

- Sesame Street Season 51 Productions, Inc;
- Sesame Street Season 52 Productions, Inc;
- Sesame Street Season 53 Productions, Inc;
- Sesame Street Season 54 Productions, Inc;
- Sesame Services FP, Inc. and Subsidiary;
- Sesame Workshop Europe GmbH; and
- Sesame Workshop Latin America.

These subsidiaries are consolidated in the Company's financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company's resources are classified and reported based upon the existence or absence of donor-imposed restrictions, as follows:

Without Donor Restrictions - net assets that are not subject to donor-imposed restrictions and, therefore, are available to meet the Company's objectives. Net assets without donor restrictions may also be designated by the Company's Board of Trustees (Note 8).

With Donor Restrictions - net assets that are subject to donor-imposed restrictions that either expire with the passage of time or, can be fulfilled and removed by the actions of the Company pursuant to those restrictions, or which may be perpetual (Note 8).

Measure of Operations

Operations include all revenues and expenses other than income and losses generated by the Company's investments, excluding investment return designated for operations of the JGCC (Note 8) and provision for income taxes.

Cash and Cash Equivalents

Cash consists of cash on deposit with banks. Cash equivalents represent short-term investments with original maturities of three months or less from the date of purchase. Cash and cash equivalents managed by the Company's investment managers as part of its long-term investment strategy are included in investments. Included in cash are contributions received from donors that are time and/or purpose restricted as of June 30, 2022 and 2021, respectively (Note 8). The Company maintains its cash and cash equivalents in various bank accounts and money market funds that, at times, may exceed federally insured limits. The Company's cash and cash equivalent accounts were placed with high credit quality financial institutions. The Company has not experienced, nor does it anticipate, any losses in such accounts.

Revenue Recognition

The Company adopted Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), on July 1, 2020. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligation(s) in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation(s).

The Company recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company has identified licensing and distribution fees and royalties as revenue categories subject to ASC 606.

Program Support

Program support revenues include contributions, both with and without donor restrictions, from individuals, corporations and foundations, corporate sponsorships, and grants and contracts from governments and government agencies to support the development, production and distribution of educational content. Contributions from individuals and foundations are recognized upon receipt of verifiable documentation of a promise to give. Corporate sponsorship revenue is recognized pro rata over the corresponding term of the agreement. Grants and awards received from governments or government agencies are recognized as the awards are expended. Included within program support revenue in the accompanying consolidated statements of activities was revenue from two foundations totaling $17.3 million and $16.1 million, respectively, for the year ended June 30, 2022 and $22.8 million and $15.8 million, respectively, for the year ended June 30, 2021.

During the year ended June 30, 2020, the Company adopted Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and made, including guidance to help an entity evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determine whether a contribution is conditional.

For contributions, revenue is recognized when a contribution becomes unconditional, that is, when the conditions on which they depend are substantially met. Grants are evaluated as to whether they qualify as exchange transactions or contributions. Grants that are treated as exchange transactions are reported as revenue without donor restrictions when expenses are incurred in accordance with the terms of the agreement. The excess of amounts received in exchange transactions over the amount of expenditures incurred are classified as deferred revenues in the accompanying consolidated statements of financial position. If a contract or grant agreement contains a right of return or right of release from the respective obligation provision on the part of the grantor, and the agreement also contains a barrier to be overcome, the Company recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome. At June 30, 2022 and 2021, the Company had $37.5 million and $64.8 million in unrecognized conditional contributions. Funds received in advance of conditions being met are reported as deferred revenues in the accompanying consolidated statements of financial position.

Distribution Fees and Royalties

The Company has entered into various agreements that provide third-party partners the right to utilize the Company's intellectual property, inclusive of various media platforms including television, digital streaming, download to own, print and live entertainment.

Revenues from these arrangements are in the form of a fee or royalty based on the sale or usage of licensing of video content for broadcast or digital distribution. These revenues are recognized over time when the sale or use occurs under the sales or usage-based royalty exception.

The terms of distribution fees and royalties arrangements are such that each period of availability of rights is considered a separate performance obligation. Accordingly, the Company does not have any unsatisfied performance obligations as of year end.

Included within distribution fees and royalties in the accompanying consolidated statements of activities was revenue from two distribution partners totaling $66.2 million and $51.7 million, respectively, for the year ended June 30, 2022 and $55.6 million and $8.1 million, respectively, for the year ended June 30, 2021.

For the years ended June 30, 2022 and 2021, distribution fees and royalties recognized are comprised of the following:

	2022	2021
Domestic	$ 125,919	$ 79,100
International	23,880	8,802
Total	$ 149,799	$ 87,902

Licensing

The Company has entered into various agreements that provide third parties the right to utilize the Company's intellectual property, inclusive of licensing of its characters and brands for use in consumer products including, toys, games, clothing and food.

Revenues from these arrangements are in the form of a royalty, based on the sale or usage of relevant licensed intellectual property, which is recognized over time when the sale or use occurs under the sales or usage-based royalty exception.

The terms of distribution fees and royalties arrangements are such that each period of availability of rights is considered a separate performance obligation. Accordingly, the Company does not have any unsatisfied performance obligations as of year end.

Included within licensing revenue in the accompanying consolidated statements of activities was $9.8 million from one licensee of the Company for both years ended June 30, 2022 and 2021.

For the years ended June 30, 2022 and 2021, licensing revenues recognized are comprised of the following:

	2022	2021
Domestic	$ 31,802	$ 26,973
International	9,077	8,872
Total	$ 40,879	$ 35,845

Fair Value Measurements

The Financial Accounting Standards Board ("FASB") issued ASC Topic 820 which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities, subject to the standard, measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date.

Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets.

Investments

Investments are measured and reported at fair value. Changes in fair value are reported as investment return, net in the accompanying consolidated statements of activities.

The fair value of debt and equity securities with a readily determinable fair value is based on quotations obtained from national security exchanges. Alternative investments are carried at net asset value (“NAV”) as provided by the investment managers or General Partners. The Company’s management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining their estimated fair value.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the consolidated statements of activities in the period in which the securities are sold. Dividends are accrued based on the ex-dividend date. Interest is recognized as earned.

All investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statements of financial position.

Programs in Process

Programs in process include costs that relate to programs that will be delivered in the next three fiscal years. These costs are amortized on an individual-production basis in the ratio that current year gross revenue bears to estimated future gross revenues. If the capitalized costs for an individual production are greater than the estimated future gross revenues, such costs are written down to net realizable value. Exploitation costs, related to new programs, are expensed as incurred.

Long-Lived Assets and Intangible Assets

Recoverability of long-lived assets and definite-lived intangible assets is assessed periodically and impairments, if any, are recognized in operating results if a permanent diminution in value were to occur when the carrying value of the asset exceeds its fair value, calculated using an undiscounted cash flow analysis. No impairment charges were incurred for the years ended June 30, 2022 and 2021, respectively.

Depreciation and Amortization

Property and equipment are depreciated on a straight-line basis over their estimated useful lives, which range from three to ten years. Leasehold improvements are amortized over their useful lives or the remaining term of the lease, whichever is shorter (Note 6). Intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from ten to twenty years (Note 3).

Taxes

The Company follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Company is exempt from income tax under Internal Revenue Code (the “Code”) section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Company has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Company has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. In addition, the Company has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

Contingencies

The Company may be involved in various legal actions from time to time arising in the normal course of business. In the opinion of management, there are no matters outstanding that would have a material adverse effect on the consolidated financial statements of the Company.

The Company receives a portion of its revenue from government grants, which are subject to audit by various federal and state agencies. The ultimate determination of amounts received under these grants generally is based upon allowable costs reported to and audited by the governments or their designees. The liabilities, if any, arising from such compliance audits cannot be determined at this time. In the opinion of management, adjustments resulting from such audits, if any, will not have a significant effect on the consolidated financial position, changes in net assets or cash flows of the Company.

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on the Company’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on, licensing and distribution partners, consumers, donors, employees and vendors, all of which at present cannot be determined. Accordingly, the extent of which COVID-19 may impact the Company's consolidated financial position and changes in net assets and cash flows in the future is uncertain.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Company for fiscal year 2023. Early adoption is permitted. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on its consolidated financial statements.

Reclassifications

Certain reclassifications were made to the fiscal 2021 consolidated financial statements in order to conform to the fiscal 2022 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses, or changes in net assets, as reflected in the fiscal 2021 consolidated financial statements.

NOTE 3 - INTANGIBLE ASSETS

The Company's intangible assets are being amortized over their estimated useful lives as follows (in thousands):

2022	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Balance
Sesame Street Music Rights	20 Years	$ 2,900	$ 1,015	$ 1,885
Sesame Street Muppets Copyrights and Trademarks	20 Years	133,761	109,851	23,910
Sesame Street Muppets Transaction costs	20 Years	3,130	2,571	599
Sesame Street Muppets License fees	10 Years	1,000	1,000	-
		$ 140,791	$ 114,437	$ 26,354

2021	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Balance
Sesame Street Music Rights	20 Years	$ 2,900	$ 870	$ 2,030
Sesame Street Muppets Copyrights and Trademarks	20 Years	133,761	108,012	25,749
Sesame Street Muppets Transaction costs	20 Years	3,130	2,527	603
Sesame Street Muppets License fees	10 Years	1,000	1,000	-
		$ 140,791	$ 112,409	$ 28,382

Amortization expense, totaling approximately $2 million, has been recorded on these assets for each of the years ended June 30, 2022 and 2021, respectively.

NOTE 4 - GRANTS AND CONTRIBUTIONS RECEIVABLE

The Company recognizes all grants and contributions receivable at the present value of their estimated future cash flow, discounted using credit adjusted discount rates applicable to the years in which the promises were received and which reflect the collection period of the respective receivable. Such discount rates ranged from 0.7% to 3.5% at June 30, 2022 and 2021, respectively.

Amounts related to productions and/or educational programs that are receivable in less than one year or within one to five years, at June 30, 2022 and 2021, were as follows (in thousands):

	2022	2021
Amounts expected to be collected:		
Within one year	$ 12,296	$ 15,286
Within two to five years	3,242	8,082
Total grants and contributions receivable	15,538	23,368
Present value discount	(54)	(142)
Grants and contributions receivable, net	$ 15,484	$ 23,226

NOTE 5 - INVESTMENTS

The Company has established an investment objectives and guidelines policy, approved by the Board of Trustees. The policy states that the purpose of the Company’s investment portfolio is to 1) provide support for operations in times of economic distress and 2) provide capital for mission related investments (internal or external). The investment policy is based on a highly diversified portfolio structured to be consistent with the Company’s investment objectives and risk tolerance in a way that efficiently balances the tradeoff between return, risk and liquidity.

The following tables present the Company's fair value hierarchy for its investments, measured at fair value, as of June 30, 2022 and 2021 (in thousands):

		Fair Value		
2022	# of Funds	Level 1	NAV	Total
Fixed income (a)	2	$ 6,915	$ -	$ 6,915
Global equities (b)	14	44,487	83,595	128,082
Absolute return (c)	2	-	52,384	52,384
Credit (d)	3	-	7,111	7,111
Hedged equities (e)	5	-	42,329	42,329
Multi-asset class (f)	1	-	21,527	21,527
Private debt (g)	5	-	19,682	19,682
Private equity (h)	8	-	10,297	10,297
Private equity real estate (i)	3	-	1,917	1,917
Inflation linked bonds (j)	1	12,921	-	12,921
Core property (k)	1	6,982	-	6,982
Venture capital (l)	9	-	51,299	51,299
Subtotal	54	$ 71,305	$ 290,141	361,446
Cash and cash equivalents				17,287
Other investments				5,281
Total investments				$ 384,014

		Fair Value		
2021	# of Funds	Level 1	NAV	Total
Fixed income (a)	2	$ 7,948	$ -	$ 7,948
Global equities (b)	15	57,221	106,791	164,012
Absolute return (c)	1	-	32,939	32,939
Credit (d)	3	-	6,155	6,155
Hedged equities (e)	4	-	35,995	35,995
Multi-asset class (f)	1	-	24,283	24,283
Private debt (g)	6	-	20,373	20,373
Private equity (h)	6	-	3,575	3,575
Private equity real estate (i)	2	-	1,179	1,179
Inflation linked bonds (j)	1	12,904	-	12,904
Core property (k)	1	7,781	-	7,781
Venture capital (l)	5	-	44,692	44,692
Subtotal	47	$ 85,854	$ 275,982	361,836
Cash and cash equivalents				26,562
Other investments				5,281
Total investments				$ 393,679

The Company uses NAV to determine the fair value of all the underlying investments which (1) do not have a readily determinable fair value and (2) prepare their consolidated financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The following lists investments by major category:

(a) This category offers contractual income yield and repayment of principal, typically with no limited credit risk.

(b) This category includes investments in publicly listed shares across the globe including developed and emerging markets. This asset class includes sector and geographic specialists.

(c) This category typically includes hedge fund strategies with low market exposure resulting in uncorrelated sources of return, driven largely by active manager skill. Managers in this asset class would generally have a broad geographic exposure to target the highest alpha potential across multiple asset classes including equities, interest rates, credit, currency, and commodities.

(d) This category includes investment grade bonds, high yield bonds, bank loans, emerging market sovereign bonds, but also structured credit like residential and commercial mortgage-backed securities. Credit may also include more complex trades involving credit derivatives or illiquid strategies such as direct lending and mezzanine financing. This asset class offers contractual income yield and repayment of principal with the risk of loss due to credit risk.

(e) This category includes a combination of long and short stocks, options, and ETFs in order to construct a reasonably diversified portfolio with an intentional exposure to market risk. The portfolio has a long bias, maintains a long-term business mindset in its analysis, and is intently focused on managing risk.

(f) This category includes broadly diversified investments across asset classes.

(g) This category includes investments in senior secured debt, secured mortgages, consumer debt, mezzanine/unsecured debt and structured credit. Returns are generated primarily from income yield but can include upside from equity warrants and upfront. The total amount of unfunded commitments pertaining to these investments totaled $0.9 million as of June 30, 2022 and $0.7 million as of June 30, 2021.

(h) This category typically includes funds that invest in privately held domestic and international corporations. The nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets of the fund. The total amount of unfunded commitments pertaining to these investments totaled $21.7 million as of June 30, 2022 and $12.6 million as of June 30, 2021. The timing to draw down on these commitments ranged from one to two years on two commitments, from two to three years on two commitments, from three to four years on one commitment, and from four to five years on two commitments at June 30, 2022.

(i) This category includes investments in real estate (office, retail, industrial, residential) via either equity or debt and may include more opportunistic strategies such as development, redevelopment, and distressed strategies. Returns are generated through asset management, change of use, or development. The total amount of unfunded commitments pertaining to these investments totaled $4.5 million as of June 30, 2022 and $3.6 million as of June 30, 2021. The timing to draw down on one commitment ranged from one to two years, from four to five years on one commitment, and one year on one commitment at June 30, 2022.

(j) This category includes investments in government bonds where the principal is adjusted upward for inflation.

(k) This category includes funds that invest in offices, retail, apartments, hotels, etc., and offers income yields and the opportunity for long-term capital appreciation and inflation protection.

(l) This category includes investments in funds who invest in privately held early stage companies that are believed to have long-term growth potential. The nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets of the fund. The total amount of unfunded commitments pertaining to these investments totaled $11.9 million and $1.3 million for the years ended June 30, 2022 and 2021, respectively. The timing to draw down on these commitments are expected to occur over the next five years.

Investments valued at NAV or its equivalent as of June 30, 2022, consisted of the following (in thousands):

2022				
Alternative Investment Strategy	# of Funds	NAV in Funds	Redemption Terms	Redemption Restrictions
Global equities	9	$ 83,595	One fund allows twice monthly redemption with a six-day notice; one fund allows redemption monthly with a thirty-day notice; one fund allows quarterly redemption with a 60-day notice; one fund allows quarterly redemption with a 30-day notice; one fund allows quarterly redemption with a 61-day notice; one fund allows twice monthly redemption with a three-day notice; one fund allows annual redemption with a 90-day notice; one fund allows monthly redemption with a 10-day notice; and one fund allows biannual redemption with a 123-day notice.	Two funds have a one-year lock and one fund has a rolling two-year lock.
Absolute return	2	52,384	One fund allows quarterly redemption with a 95-day notice and one fund allows monthly redemption with a 30-day notice.	None.
Credit	3	7,111	Two funds allow quarterly redemption with a 60-day notice and one fund allows monthly redemption with a five-day notice.	One fund has a six-month lock and one fund has a one-year lock.
Hedged equities	5	42,329	Two funds allow quarterly redemption with a 30-day notice; one fund allows monthly redemption with a 45-day notice; one with quarterly redemption with a 95-day notice; and one with quarterly redemption with a 60-day notice.	Two funds have a two-year lock and one fund has a one-year lock with a 4% exit fee, or a two-year lock with a 3% exit fee or three-year lock with a 2% exit fee.
Multi-asset class	1	21,527	Quarterly with a 95-day notice	None.
Private debt	5	19,682	Bi-annual with a 100-day notice	Redemptions on December 31st of every odd year
Private equity real estate	3	1,917	Illiquid	None.
Private equity	8	10,297	Illiquid	None.
Venture capital	9	51,299	Investments are distributed when the underlying assets are sold.	Investments are distributed when the underlying assets are sold.
Total		$ 290,141		

Investments valued at NAV or its equivalent as of June 30, 2021, consisted of the following (in thousands):

		2021		
Alternative Investment Strategy	# of Funds	NAV in Funds	Redemption Terms	Redemption Restrictions
Global equities	10	$ 106,791	One fund allows twice monthly redemption with a six-day notice; one fund allows redemption twice monthly with a three-day notice; one fund allows monthly redemption with a 10-day notice; one fund allows monthly redemption with a 30-day notice; one fund allows quarterly redemption with a 30-day notice, two funds allow quarterly redemption with a 60-day notice; one fund allows quarterly redemption with a 61-day notice; one fund has a biannual redemption with a 123-day notice, and the last fund has annual redemption with a 90-day notice.	Two funds have a one-year lock and one fund has a rolling two-year lock.
Absolute return	1	32,939	Quarterly redemption terms with a 95-day notice period.	None.
Credit	3	6,155	One fund allows quarterly redemption with a 60-day notice and one fund allows monthly redemption with a five-day notice.	One fund has a six-month lock.
Hedged equities	4	35,995	Funds can be redeemed quarterly, one with a 90-day notice, one with a 95-day notice, and one with a 60-day notice.	One fund has a two-year lock and one fund has a one-year lock with a 4% exit fee, or a two-year lock with a 3% exit fee or three-year lock with a 2% exit fee.
Multi-asset class	1	24,283	Quarterly with a 95-day notice	None.
Private debt	6	20,373	Bi-annual with a 100-day notice	Redemptions on December 31st of every odd year
Private equity real estate	2	1,179	Illiquid	None.
Private equity	6	3,575	Illiquid	None.
Venture capital	5	44,692	Investments are distributed when the underlying assets are sold.	Investments are distributed when the underlying assets are sold.
Total		$ 275,982		

NOTE 6 - OFFICE LEASE AND PROPERTY AND EQUIPMENT

The Company maintains a lease for its main office space through June 30, 2030. The lease terms included both landlord contributions toward the cost of construction, as well as rent abatements. The Company recognizes rent expense on a straight-line basis over the lease term, inclusive of the rent abatements and landlord contributions.

Total future commitments under this lease at June 30, 2022 were as follows (in thousands):

2023	$ 5,992
2024	6,258
2025	6,258
2026	6,258
2027	6,258
Thereafter	19,307
	$ 50,331

Rent expense totaled $5.0 million for each of the years ended June 30, 2022 and 2021, respectively.

At June 30, 2022 and 2021, property and equipment consisted of (in thousands):

	Useful Life in Years	2022	2021
Technology and office equipment	3 - 4	$ 14,195	$ 12,053
Furniture and fixtures	4 - 10	5,067	5,062
Leasehold improvements	Remaining Life of Lease	22,575	22,519
Assets not yet placed into service	N/A	1,510	1,184
		43,347	40,818
Less: accumulated depreciation and amortization		(24,270)	(20,358)
		$ 19,077	$ 20,460

Depreciation expense totaled approximately $4.4 million and $4.3 million for the years ended June 30, 2022 and 2021, respectively. During the years ended June 30, 2022 and 2021, $0.5 million and $1.2 million, respectively, of fully depreciated assets were written off by the Company since they were no longer in service.

NOTE 7 - CAPITAL LEASE OBLIGATION

The Company maintains several capital leases for technology and office equipment. The following is a schedule of annual future minimum lease payments (in thousands) due under the Company's capital lease obligations, together with the present value of the net minimum lease payments:

Year Ending June 30,	
2023	$ 1,657
2024	1,332
2025	757
2026	360
2027	202
Total minimum lease payments	4,308
Less: amount representing interest	78
Present value of minimum lease payments	$ 4,230

NOTE 8 - NET ASSETS

Net assets with donor restrictions which were time and/or purpose restricted as of June 30, 2022 and 2021, were as follows (in thousands):

	Net Assets With Donor Restrictions as of June 30, 2021	Contributions to Net Assets With Donor Restrictions in Fiscal 2022	Net Assets Released From Restrictions in Fiscal 2022	Net Assets With Donor Restrictions as of June 30, 2022
Domestic:				
Autism	$ 535	$ 200	$ (630)	$ 105
Military families	288	375	(293)	370
Production, distribution, and outreach	-	1,000	-	1,000
Joan Ganz Cooney Center	-	888	(675)	213
Sesame Street in communities	13,072	9,246	(10,413)	11,905
	13,895	11,709	(12,011)	13,593
International:				
Financial empowerment	-	2,060	(754)	1,306
Production, distribution, and outreach	10,214	5,964	(6,745)	9,433
Humanitarian response	33,573	31,637	(49,321)	15,889
Hygiene and sanitation	1,119	125	(814)	430
	44,906	39,786	(57,634)	27,058
Total	$ 58,801	$ 51,495	$ (69,645)	$ 40,651

Net assets with donor restrictions which were time and/or purpose restricted as of June 30, 2021 and 2020, were as follows (in thousands):

	Net Assets With Donor Restrictions as of June 30, 2020	Contributions to Net Assets With Donor Restrictions in Fiscal 2021	Net Assets Released From Restrictions in Fiscal 2021	Net Assets With Donor Restrictions as of June 30, 2021
Domestic:				
Autism	$ 1,110	$ -	$ (575)	$ 535
Military families	-	1,000	(712)	288
Sesame Street in communities	12,723	13,566	(13,217)	13,072
	13,833	14,566	(14,504)	13,895
International:				
Financial empowerment	903	-	(903)	-
Production, distribution, and outreach	11,448	3,334	(4,568)	10,214
Humanitarian response	38,212	41,759	(46,398)	33,573
Hygiene and sanitation	1,571	244	(696)	1,119
	52,134	45,337	(52,565)	44,906
Total	$ 65,967	$ 59,903	$ (67,069)	$ 58,801

During the year ended June 30, 2019, the Board of Trustees of the JGCC authorized the creation of a quasi-endowment representing its total investment portfolio balance, which included a designated spending policy equal to 3.5% of its prior year ending investment balance. The amount included as a board-designated quasi-endowment totaled $24.8 million and $29.2 million for the years ended at June 30, 2022 and 2021, respectively.

NOTE 9 - RETIREMENT PLAN

Sesame Workshop sponsors a 401(k) defined contribution plan (the “Plan”). Substantially all full-time employees of the Company are covered under the Plan, and the Company matches a portion of employee contributions, which vest immediately. The Company’s contributions to the Plan totaled $3.9 million and $3.8 million for the years ended June 30, 2022 and 2021, respectively.

NOTE 10 - PROGRAMS IN PROCESS

Programs in process are stated at the lower of unamortized cost or estimated fair value on an individual-production basis. Revenue forecasts are continually reviewed by management and revised when warranted by changing conditions. When estimates of total revenues indicate that a production has a fair value that is less than its unamortized cost, a loss is recognized for the amount by which the unamortized cost exceeds the production’s fair value. For the years ended June 30, 2022 and 2021, the Company did not incur any losses. For the years ended June 30, 2022 and 2021, exploitation costs of $0.2 million and $3.1 million, respectively, were expensed as incurred.

Programs in process, net of amortization, as of June 30, 2022 and 2021, were as follows (in thousands):

	June 30, 2021	Prior Year Productions Released	Fiscal 2022 Additions	Fiscal 2022 Amortization	June 30, 2022
Television productions:					
Delivered	$ 8,329	$ 47,124	$ 32,644	$ (72,930)	$ 15,167
In production	58,386	(47,124)	30,931	(6,752)	35,441
	$ 66,715	$ -	$ 63,575	$ (79,682)	$ 50,608

	June 30, 2020	Prior Year Productions Released	Fiscal 2021 Additions	Fiscal 2021 Amortization	June 30, 2021
Television productions:					
Delivered	$ 21,046	$ 13,025	$ 4,915	$ (30,657)	$ 8,329
In production	14,530	(13,025)	57,396	(515)	58,386
	$ 35,576	$ -	$ 62,311	$ (31,172)	$ 66,715

As of June 30, 2022, the Company estimated that approximately 100% of unamortized production costs from released productions are expected to be amortized in fiscal 2023 and 100% of unamortized production costs from released productions are expected to be amortized within the next three years.

As of June 30, 2021, the Company estimated that approximately 87% of unamortized production costs from released productions are expected to be amortized in fiscal 2022 and 100% of unamortized production costs from released productions are expected to be amortized within the next three years.

NOTE 11 - REVOLVING CREDIT AGREEMENT

On December 11, 2015, the Company entered into a two-year, $10.0 million revolving line of credit agreement with JPMorgan Chase Bank. The line was initially extended for an additional two years in December of 2017, then extended for an additional two years in December of 2019, and then further extended for an additional two years in December of 2021. The size of the line was increased to $15.0 million when it was extended in December 2019. Borrowings under the new amendment in 2021 will bear interest at either SOFR plus 0.9% or Prime plus 4%, the choice of borrowing terms and interest rate is at the discretion of the Company. There were no outstanding borrowings under the agreement as of June 30, 2022 and 2021, respectively.

NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Company regularly monitors the availability of resources required to meet its operating needs and manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets; and
- Maintaining sufficient reserves to provide reasonable assurance that general expenditures can be covered in the event that current revenues are not sufficient to fund these expenditures.

The Company anticipates generating annual operating surpluses, with revenues sufficient to cover general expenditures not covered by donor-restricted resources. The Company also has various sources of liquidity, including cash, short-term receivables and a line of credit.

In addition to its current liquid assets, the Company also maintains an operating reserve. The operating reserve provides a financial backstop for the Company to fund current operations, if needed, in a time of economic distress or uncertainty. As such, a significant portion of these reserves are invested in highly liquid investment vehicles. In addition, these reserves provide capital for mission-related investments or to expand the Company's programmatic activities.

The following table represents financial assets available within one year for general expenditure at June 30, 2022 and 2021:

	2022	2021
Cash and cash equivalents	$ 33,688	$ 37,899
Receivables	47,338	46,563
Available line of credit	15,000	15,000
Investments	384,014	393,679
	480,040	493,141
Less:		
Investments not redeemable within one year	86,386	69,613
Net assets with donor restrictions	40,651	58,801
Board designations:		
Operating reserve	272,814	294,830
Quasi-endowment fund of the JGCC	24,814	29,236
Total amounts unavailable due to restrictions and designations	424,665	452,480
Total financial assets available for general expenditure within one year	$ 55,375	$ 40,661

NOTE 13 - NATURAL CLASSIFICATION OF EXPENSES

Expenses attributable to more than one program or supporting service are allocated based on relevant drivers including square footage, salaries, employee headcount, or time spent.

2022	Media and Education	Global Social Impact	Creative	Strategy and Research	Public Awareness	Fundraising	General and Administrative	Total Operating Expenses
People costs	$ 13,494	$ 17,007	$ 9,046	$ 2,787	$ 4,888	$ 745	$ 14,468	$ 62,435
Benefits	2,556	2,950	2,299	845	1,900	664	4,081	15,295
Guild payments	2,017	318	2,324	-	62	14	5	4,740
Travel expenses	480	628	72	39	92	49	88	1,448
Outside services	10,131	48,890	53,517	861	3,292	874	3,843	121,408
Advertising and promotion	235	885	25	1	323	1,159	16	2,644
Bad debt expense (recovery)	9,930	-	-	-	-	(33)	-	9,897
Materials and supplies	206	43	78	3	29	3	63	425
Technology and office equipment	672	768	849	204	498	166	336	3,493
Participations and commissions	549	33	23	-	-	-	-	605
Office costs	789	534	63	18	89	323	1,429	3,245
Occupancy expenses	1,361	1,536	1,234	374	950	282	1,781	7,518
Miscellaneous expenses	81	36	4	1	55	4	102	283
Depreciation and amortization	2,199	1,252	762	234	582	178	1,256	6,463
Amounts capitalized as programs in process, net of amortization	79,466	-	(63,187)	-	-	-	-	16,279
Total operating expenses	$ 124,166	$ 74,880	$ 7,109	$ 5,367	$ 12,760	$ 4,428	$ 27,468	$ 256,178

2021	Media and Education	Global Social Impact	Creative	Strategy and Research	Public Awareness	Fundraising	General and Administrative	Total Operating Expenses
People costs	$ 12,219	$ 16,335	$ 11,202	$ 2,873	$ 4,130	$ 2,257	$ 14,437	$ 63,453
Benefits	2,654	2,631	2,462	828	1,709	696	3,878	14,858
Guild payments	2,595	345	4,497	-	53	34	4	7,528
Travel expenses	57	79	111	1	21	12	44	325
Outside services	8,683	45,941	45,963	407	2,035	352	3,033	106,414
Advertising and promotion	154	1,033	20	-	116	2,035	15	3,373
Bad debt expense	138	-	-	-	-	-	-	138
Materials and supplies	219	40	621	1	8	6	83	978
Technology and office equipment	678	578	804	183	390	136	452	3,221
Participations and commissions	1,028	1	77	-	-	-	-	1,106
Office costs	509	680	181	6	32	143	1,086	2,637
Occupancy expenses	1,610	1,374	2,177	398	816	317	1,815	8,507
Miscellaneous expenses	43	103	7	2	29	-	-	184
Depreciation and amortization	2,106	1,282	846	231	472	185	1,165	6,287
Amounts capitalized as programs in process, net of amortization	30,151	-	(60,903)	-	-	-	-	(30,752)
Total operating expenses	$ 62,844	$ 70,422	$ 8,065	$ 4,930	$ 9,811	$ 6,173	$ 26,012	$ 188,257

NOTE 14 - SUBSEQUENT EVENTS

The Company evaluated its June 30, 2022 consolidated financial statements for subsequent events through November 9, 2022, the date the consolidated financial statements were available to be issued. The Company is not aware of any material subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.