Consolidated Financial Statements Together with Report of Independent Certified Public Accountants

Sesame Workshop and Subsidiaries

For the years ended June 30, 2021 and 2020

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Sesame Workshop and Subsidiaries

We have audited the accompanying consolidated financial statements of Sesame Workshop and Subsidiaries (collectively, the "Company"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sesame Workshop and Subsidiaries as of June 30, 2021 and 2020, 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.

Grant Thornton LLP

New York, New York
October 22, 2021

Sesame Workshop and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30,
(Dollars in thousands)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 37,899	$ 53,546
Receivables:		
Programs, product licenses, and contracts in support of programs, less allowance for doubtful accounts of $594 in 2021 and $517 in 2020	23,337	29,588
Grants and contributions, net	23,226	23,991
Total receivables	46,563	53,579
Programs in process, net	66,715	35,576
Investments	393,679	260,158
Intangible assets, net	28,382	30,409
Property and equipment, net	20,460	19,676
Other assets, net	4,602	3,938
Total assets	$ 598,300	$ 456,882
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 61,402	$ 45,169
Deferred revenues	54,399	38,021
Deferred rent payable	11,546	12,563
Total liabilities	127,347	95,753
Net assets		
Net assets without donor restrictions	412,152	295,162
Net assets with donor restrictions	58,801	65,967
Total net assets	470,953	361,129
Total liabilities and net assets	$ 598,300	$ 456,882

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

Sesame Workshop and Subsidiaries

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended June 30,
(Dollars in thousands)

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues						
Program support	$ 14,138	$ 59,903	$ 74,041	$ 12,985	$ 76,333	$ 89,318
Distribution fees and royalties	87,902	-	87,902	122,210	-	122,210
Licensing	35,845	-	35,845	36,195	-	36,195
Investment return designated for operations	824	-	824	819	-	819
Net assets released from restrictions	67,069	(67,069)	-	48,811	(48,811)	-
Total operating expenses	205,778	(7,166)	198,612	221,020	27,522	248,542
Operating expenses						
Program expenses:						
Media and education	62,844	-	62,844	107,496	-	107,496
Global social impact	70,422	-	70,422	53,948	-	53,948
Creative	8,065	-	8,065	8,004	-	8,004
Strategy and research	4,930	-	4,930	5,069	-	5,069
Public awareness	9,811	-	9,811	8,882	-	8,882
Total program expenses	156,072	-	156,072	183,399	-	183,399
Support expenses:						
Fundraising	6,173	-	6,173	4,436	-	4,436
General and administrative	26,012	-	26,012	23,568	-	23,568
Total support expenses	32,185	-	32,185	28,004	-	28,004
Total operating expenses	188,257	-	188,257	211,403	-	211,403
Change in net assets from operating activities	17,521	(7,166)	10,355	9,617	27,522	37,139
Non-operating activity						
Investment return, net	99,492	-	99,492	9,217	-	9,217
Change in net assets before provision for income taxes	117,013	(7,166)	109,847	18,834	27,522	46,356
Provision for income taxes	23	-	23	112	-	112
Change in net assets	116,990	(7,166)	109,824	18,722	27,522	46,244
Net assets, beginning of year	295,162	65,967	361,129	276,440	38,445	314,885
Net assets, end of year	$ 412,152	$ 58,801	$ 470,953	$ 295,162	$ 65,967	$ 361,129

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

Sesame Workshop and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30,
(Dollars in thousands)

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 109,824	$ 46,244
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation of property and equipment	4,260	3,053
Amortization of intangible assets	2,027	2,027
Amortization of programs in process	31,172	75,103
Change in provision for uncollectible receivables	(77)	(27)
Investment return, net	(100,316)	(10,036)
Changes in operating assets and liabilities:		
Decrease (increase) in gross receivables	7,093	(11,558)
Additions to programs in process	(62,311)	(48,761)
Increase in other assets	(664)	(311)
Increase in accounts payable and accrued expenses	15,377	1,054
Increase (decrease) in deferred revenues	16,378	(3,145)
Decrease in deferred rent payable	(1,017)	(1,017)
Net cash provided by operating activities	21,746	52,626
Cash flows from investing activities:		
Additions to property and equipment	(2,810)	(4,647)
Purchases of investments	(106,092)	(331,760)
Proceeds from sale of investments	72,887	319,400
Net cash used in investing activities	(36,015)	(17,007)
Cash flows from financing activities:		
Payments on capital lease obligation	(1,378)	(1,175)
Net cash used in financing activities	(1,378)	(1,175)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(15,647)	34,444
Cash and cash equivalents, beginning of year	53,546	19,102
Cash and cash equivalents, end of year	$ 37,899	$ 53,546
Supplemental cash flow disclosures:		
Cash paid for income taxes	$ 23	$ 112
Assets acquired under capital lease	$ 3,506	$ 2,402
Cash paid for interest	$ 15	$ 42

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 51st 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'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.; and
- Sesame Services FP, Inc. and Subsidiary.

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 9), 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, 2021 and June 30, 2020 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 $22.8 million and $15.8 million, respectively, for the year ended June 30, 2021 and $25.7 million and $32.8 million, respectively, for the year ended June 30, 2020.

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, 2021 and 2020, the Company had $64.8 million and $102 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’s 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 $55.6 million and $8.1 million, respectively, for the year ended June 30, 2021 and $41.3 million and $55.5 million, respectively, for the year ended June 30, 2020.

For the years ended June 30, 2021 and 2020, distribution fees and royalties recognized are comprised of the following:

	2021	2020
Domestic	$ 79,100	$ 98,740
International	8,802	23,470
Total	$ 87,902	$ 122,210

Licensing

The Company's 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, 2021 and 2020.

For the years ended June 30, 2021 and 2020, licensing revenues recognized are comprised of the following:

	2021	2020
Domestic	$ 26,973	$ 26,955
International	8,872	9,240
Total	$ 35,845	$ 36,195

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, 2021 and 2020, 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 2020 consolidated financial statements in order to conform to the fiscal 2021 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses, or changes in net assets, as reflected in the fiscal 2020 consolidated financial statements.

NOTE 3 - INTANGIBLE ASSETS

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

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

2020	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Balance
Sesame Street Music Rights	20 Years	$ 2,900	$ 725	$ 2,175
Sesame Street Muppets Copyrights and Trademarks	20 Years	133,761	106,173	27,588
Sesame Street Muppets Transaction costs	20 Years	3,130	2,484	646
Sesame Street Muppets License fees	10 Years	1,000	1,000	-
		$ 140,791	$ 110,382	$ 30,409

Amortization expense, totaling approximately $2.0 million, has been recorded on these assets for each of the years ended June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, were as follows (in thousands):

	2021	2020
Amounts expected to be collected:		
Within one year	$ 15,286	$ 15,471
Within two to five years	8,082	8,761
Total grants and contributions receivable	23,368	24,232
Present value discount	(142)	(241)
Grants and contributions receivable, net	$ 23,226	$ 23,991

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, 2021 and 2020 (in thousands):

2021	# of Funds	Fair Value Level 1	Fair Value NAV	Total
Fixed income (a)	2	$ 7,948	$ -	$ 7,948
Global equities (b)	15	43,067	120,945	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	$ 71,700	$ 290,136	361,836
Cash and cash equivalents				26,562
Other investments				5,281
Total investments				$ 393,679

2020	# of Funds	Fair Value Level 1	Fair Value NAV	Total
Fixed income (a)	2	$ 5,492	$ -	$ 5,492
Global equities (b)	15	21,204	88,083	109,287
Absolute return (c)	2	-	26,573	26,573
Credit (d)	4	-	8,707	8,707
Hedged equities (e)	4	-	30,316	30,316
Multi-asset class (f)	1	-	19,477	19,477
Private debt (g)	6	-	18,204	18,204
Private equity (h)	3	-	1,944	1,944
Private equity real estate (i)	2	-	427	427
Inflation linked bonds (j)	1	7,540	-	7,540
Core property (k)	1	5,710	-	5,710
Venture capital (l)	4	-	13,731	13,731
Subtotal	45	$ 39,946	$ 207,462	247,408
Cash and cash equivalents				12,470
Other investments				280
Total investments				$ 260,158

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 $0.7 million as of June 30, 2021 and $1.6 million as of June 30, 2020. The timing to draw down on these commitments ranged from one to three years at 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 $12.6 million as of June 30, 2021 and $5.2 million as of June 30, 2020. The timing to draw down on these commitments ranged from four to five years on two commitments, from two to three years on one commitment, and from one to three years on three commitments at June 30, 2021.

(i) This category includes funds that invest 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 $3.6 million as of June 30, 2021 and $4.6 million as of June 30, 2020. The timing to draw down on one commitment ranged from one to three years and one commitment ranged to four years at June 30, 2021.

(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 mission-aligned, 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 $1.3 million and $1.6 million for the years ended June 30, 2021 and 2020, 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, 2021, consisted of the following (in thousands):

2021				
Alternative Investment Strategy	# of Funds	NAV in Funds	Redemption Terms	Redemption Restrictions
Global equities	11	$ 120,945	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		$ 290,136		

Investments valued at NAV or its equivalent as of June 30, 2020, consisted of the following (in thousands):

2020				
Alternative Investment Strategy	# of Funds	NAV in Funds	Redemption Terms	Redemption Restrictions
Global equities	12	$ 88,083	Two funds allow daily redemption, two funds allow daily redemption with a five-day notice, one fund allows redemption twice monthly with a three-day notice, one fund allows redemption twice monthly with a six-day notice, one fund allows monthly redemption with a 15-day notice, three funds allow quarterly redemptions with a 60-day notice, one fund allows quarterly redemption with a 30-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	2	26,573	Quarterly redemption terms with a 95-day notice period	None.
Credit	4	8,707	One fund allows quarterly redemption with a 60-day notice, one fund allows quarterly redemption with a 185-day notice, and one fund allows monthly redemption with a five-day notice	One fund has a six-month lock and one find has a one-year lock
Hedged equities	4	30,316	Funds can be redeemed quarterly, two with a 90-day notice, one with a 95-day notice, and one with a 60-day notice	Two funds have a two year lock and one fund has a three-year lock
Multi-asset class	1	19,477	Quarterly	None.
Private debt	6	18,204	Bi-annual with a 100-day notice	Redemptions on December 31st of every odd year
Private equity real estate	2	427	Illiquid	None.
Private equity	3	1,944	Illiquid	None.
Venture capital	4	13,731	Investments are distributed when the underlying assets are sold	Investments are distributed when the underlying assets are sold
Total		$ 207,462		

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, 2021 were as follows (in thousands):

2022	$ 5,992
2023	5,992
2024	6,258
2025	6,258
2026	6,258
Thereafter	25,565
	$ 56,323

Rent expense totaled $5.0 million for each of the years ended June 30, 2021 and 2020, respectively.

At June 30, 2021 and 2020, property and equipment consisted of (in thousands):

	Useful Life in Years	2021	2020
Technology and office equipment	3 - 4	$ 12,053	$ 8,513
Furniture and fixtures	4 - 10	5,062	5,062
Leasehold improvements	Remaining Life of Lease	22,519	22,415
Assets not yet placed into service	N/A	1,184	1,048
		40,818	37,038
Less: accumulated depreciation and amortization		(20,358)	(17,362)
		$ 20,460	$ 19,676

Depreciation expense totaled approximately $4.3 million and $3.1 million for the years ended June 30, 2021 and 2020, respectively. During the years ended June 30, 2021 and 2020, $1.2 million and $1.8 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	
2022	$ 1,574
2023	1,425
2024	1,100
2025	524
2026	252
Total minimum lease payments	4,875
Less: amount representing interest	97
Present value of minimum lease payments	$ 4,778

NOTE 8 - NET ASSETS

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

Net assets with donor restrictions which were time and/or purpose restricted as of June 30, 2020 and 2019 were as follows (in thousands):

	Net Assets With Donor Restrictions as of June 30, 2019	Contributions to Net Assets With Donor Restrictions in Fiscal 2020	Net Assets Released From Restrictions in Fiscal 2020	Net Assets With Donor Restrictions as of June 30, 2020
Domestic:				
Autism	$ 881	$ 529	$ (300)	$ 1,110
Military families	604	-	(604)	-
Sesame Street in communities	5,318	15,397	(7,992)	12,723
	6,803	15,926	(8,896)	13,833
International:				
Financial empowerment	2,279	-	(1,376)	903
Production, distribution, and outreach	12,924	2,139	(3,615)	11,448
Humanitarian response	15,265	56,641	(33,694)	38,212
Hygiene and sanitation	914	1,627	(970)	1,571
	31,382	60,407	(39,655)	52,134
Joan Ganz Cooney Center:				
Research and dissemination	260	-	(260)	-
Total	$ 38,445	$ 76,333	$ (48,811)	$ 65,967

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 a spending policy equal to 3.5% of its prior year ending investment balance. The amount included as a board-designated quasi-endowment totaled $29.2 million and $23.6 million for the years ended at June 30, 2021 and 2020, 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 $3.8 million and $3.4 million for the years ended June 30, 2021 and 2020, 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, 2021 and June 30, 2020, the Company did not incur any losses. For the years ended June 30, 2021 and 2020, exploitation costs of $3.1 million and $2.7 million, respectively, were expensed as incurred.

Programs in process, net of amortization, as of June 30, 2020 and 2019, were as follows (in thousands):

	June 30, 2020	Prior Year Productions Released	Fiscal 2021 Additions	Fiscal 2021 Amortization	June 30, 2021
Television productions:					
Released	$ 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

	June 30, 2019	Prior Year Productions Released	Fiscal 2020 Additions	Fiscal 2020 Amortization	June 30, 2020
Television productions:					
Released	$ 48,553	$ 13,015	$ 34,581	$ (75,103)	$ 21,046
In production	13,365	(13,015)	14,180	-	14,530
	$ 61,918	$ -	$ 48,761	$ (75,103)	$ 35,576

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.

As of June 30, 2020, the Company estimated that approximately 77% of unamortized production costs from released productions are expected to be amortized in fiscal 2021 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 and then further extended for an additional two years in December of 2019. The size of the line was increased to $15.0 million when it was extended in December 2019. Borrowings under the agreement will bear interest at the prevailing LIBOR Rate plus 0.95%. There were no outstanding borrowings under the agreement as of June 30, 2021 and 2020, 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, 2021 and 2020:

	2021	2020
Cash and cash equivalents	$ 37,899	$ 53,546
Receivables	46,563	53,579
Available line of credit	15,000	15,000
Investments	393,679	260,158
	493,141	382,283
Less:		
Investments not redeemable within one year	69,613	34,586
Net assets with donor restrictions	58,801	65,967
Board Designations:		
Operating reserve	294,830	202,020
Quasi-endowment fund of the JGCC	29,236	23,552
Total amounts unavailable due to restrictions and designations	452,480	326,125
Total financial assets available for general expenditure within one year	$ 40,661	$ 56,158

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.

	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

	2020							
	Media and Education	Global Social Impact	Creative	Strategy and Research	Public Awareness	Fundraising	General and Administrative	Total Operating Expenses
People costs	$ 12,375	$ 12,117	$ 10,882	$ 2,765	$ 3,939	$ 2,307	$ 12,963	$ 57,348
Benefits	2,758	2,062	2,376	812	1,446	680	3,547	13,681
Guild payments	2,204	398	5,584	-	43	2	67	8,298
Travel expenses	880	928	219	70	85	88	207	2,477
Outside services	7,931	34,320	30,404	764	1,555	191	2,478	77,643
Advertising and promotion	358	330	22	2	29	443	31	1,215
Bad debt expense	463	-	-	-	-	-	-	463
Materials and supplies	395	134	148	4	64	16	78	839
Technology and office equipment	541	392	748	114	378	116	333	2,622
Participations and commissions	1,966	1	162	-	7	-	-	2,136
Office costs	441	1,127	172	20	87	97	955	2,899
Occupancy expenses	1,877	1,306	3,739	369	901	345	1,869	10,406
Miscellaneous expenses	59	5	2	-	3	11	193	273
Depreciation and amortization	2,157	828	615	149	345	140	847	5,081
Amounts capitalized as programs in process, net of amortization	73,091	-	(47,069)	-	-	-	-	26,022
Total operating expenses	$ 107,496	$ 53,948	$ 8,004	$ 5,069	$ 8,882	$ 4,436	$ 23,568	$ 211,403

NOTE 14 - SUBSEQUENT EVENTS

The Company evaluated its June 30, 2021 consolidated financial statements for subsequent events through October 22, 2021, 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.