UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2023

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________ to ___________

Commission file number: 000-54389

GENIUS BRANDS INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Nevada	**20-4118216**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

190 N. Canon Drive, 4th FL
Beverly Hills, CA 90210
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: **310-273-4222**

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of Exchange where registered
Common Stock, par value $0.001 per share	**GNUS**	**The Nasdaq Capital Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o		Accelerated filer	o
Non-accelerated filer x		Smaller reporting company	x
		Emerging growth company	o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yeso No x

As of May 19, 2023, the registrant had32,117,452 shares of common stock outstanding.

GENIUS BRANDS INTERNATIONAL, INC.
FORM 10-Q

For the Quarterly Period Ended March 31, 2023

Table of Contents

PART I- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Genius Brands International, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)

	March 31, 2023 (unaudited)	December 31, 2022
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 4,765	$ 7,432
Investments in Marketable Securities (amortized cost of $73,898)	69,650	83,706
Accounts Receivable, net	10,382	15,558
Tax Credits Receivable, net	23,523	26,255
Notes and Accounts Receivable from Related Party	2,896	2,844
Other Receivable	868	1,162
Prepaid Expenses and Other Assets	2,188	2,568
Total Current Assets	114,272	139,525
Noncurrent Assets:		
Property and Equipment, net	2,175	2,400
Operating Lease Right of Use Assets, net	8,300	8,506
Finance Lease Right of Use Assets, net	3,013	2,338
Film and Television Costs, net	7,909	7,780
Investment in Your Family Entertainment AG	15,660	16,247
Intangible Assets, net	24,562	29,167
Goodwill	20,520	31,807
Other Assets	149	148
Total Assets	**$ 196,560**	**$ 237,918**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 5,602	$ 11,436
Participations Payable	2,591	2,965
Accrued Expenses	1,023	895
Accrued Salaries and Wages	2,854	2,484
Deferred Revenue	6,316	9,065
Margin Loan	48,894	60,810
Production Facilities, net	16,711	18,282
Bank Indebtedness	3,865	1,741
Current Portion of Operating Lease Liability	857	802
Current Portion of Finance Lease Liability	1,726	1,623
Warrant Liability	159	548
Due To Related Party	—	2
Other Current Liabilities	161	255
Total Current Liabilities	90,759	110,908
Noncurrent Liabilities:		
Deferred Revenue	3,369	3,369
Operating Lease Liability, Net Current Portion	7,844	8,095
Finance Lease Liability, Net Current Portion	1,600	1,020
Deferred Tax Liability	705	705
Other Noncurrent Liabilities	936	952
Total Liabilities	**105,213**	**125,049**
Commitments and Contingencies (Note 20)		

Stockholders' Equity:				
Preferred Stock Series A, $0.001 par value, 10,000,000 shares authorized, 0 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively		–		–
Preferred Stock Series B, $0.001 par value, 1 share authorized, 1 share issued and outstanding as of March 31, 2023 and December 31, 2022, respectively		–		–
Common Stock, $0.001 par value, 40,000,000 shares authorized, 32,113,784 and 31,918,552 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively		320		319
Additional Paid in Capital		763,327		762,418
Treasury Stock at Cost, 46,333 and 42,633 shares of common stock as of March 31, 2023 and December 31, 2022, respectively		(299)		(290)
Accumulated Deficit		(666,205)		(641,443)
Accumulated Other Comprehensive Loss		(7,555)		(9,925)
Total Genius Brands International, Inc. Stockholders' Equity		89,588		111,079
Non-Controlling Interests in Consolidated Subsidiaries		1,759		1,790
Total Stockholders' Equity		**91,347**		**112,869**
Total Liabilities and Stockholders' Equity	**$**	**196,560**	**$**	**237,918**

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

Genius Brands International, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)

	Three Months Ended	
	March 31, 2023	**March 31, 2022**
Revenues:		
Production Services	$ 9,886	$ –
Content Distribution	3,301	414
Licensing & Royalties	46	41
Media Advisory & Advertising Services	956	986
Total Revenues	14,189	1,441
Operating Expenses:		
Marketing and Sales	245	160
Direct Operating Costs	11,285	344
General and Administrative	9,225	10,857
Impairment of Property and Equipment	120	—
Impairment of Intangible Assets	4,023	–
Impairment of Goodwill	11,287	–
Total Operating Expenses	36,185	11,361
Loss from Operations	(21,996)	(9,920)
Interest Expense	(1,085)	(55)
Other Income (Expense), Net	(1,712)	5,413
Loss Before Income Tax Expense	(24,793)	(4,562)
Income Tax Expense	–	–
Net Loss	(24,793)	(4,562)
Net Loss Attributable to Non-Controlling Interests	31	31
Net Loss Attributable to Genius Brands International, Inc.	**$ (24,762)**	**$ (4,531)**
Net Loss per Share (Basic)	**$ (0.77)**	**$ (0.15)**
Net Loss per Share (Diluted)	**$ (0.77)**	**$ (0.15)**
Weighted Average Shares Outstanding (Basic)	31,978,335	30,377,925
Weighted Average Shares Outstanding (Diluted)	31,978,335	30,377,925

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

Genius Brands International, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(in thousands)

	Three Months Ended	
	March 31, 2023	**March 31, 2022**
Net Loss	$ (24,793)	$ (4,562)
Change in Accumulated Other Comprehensive Income (Loss):		
Change in Unrealized Gain/(Losses) on Marketable Securities	830	(3,500)
Realized Losses on Marketable Securities Reclassified from AOCI into Earnings	1,537	79
Foreign Currency Translation Adjustments	3	37
Total Change in Accumulated Other Comprehensive Loss	2,370	(3,384)
Total Comprehensive Net Loss	**$ (22,423)**	**$ (7,946)**
Net Loss Attributable to Non-Controlling Interests	31	31
Total Comprehensive Net Loss Attributable to Genius Brands International, Inc.	**$ (22,392)**	**$ (7,915)**

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

Genius Brands International, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share data)

	Common Stock		Preferred Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total
	Shares	Amount	Shares	Amount		Shares	Amount				
Balance, December 31, 2022	**31,918,552**	**$ 319**	**1**	**$ –**	**$ 762,418**	**42,633**	**(290)**	**$ (641,443)**	**$ (9,925)**	**$ 1,790**	**$ 112,869**
Issuance of Common Stock for Vested Restricted Stock Units, Net of Shares Withheld for Taxes	78,088	1	–	–	(1)	3,700	(9)	–	–	–	(9)
Fractional Shares Issued Upon Reverse Stock Split	117,144	–	–	–	–	–	–	–	–	–	–
Share Based Compensation	–	–	–	–	910	–	–	–	–	–	910
Unrealized Gain on Marketable Securities	–	–	–	–	–	–	–	–	2,367	–	2,367
Foreign Translation Adjustment	–	–	–	–	–	–	–	–	3	–	3
Net Loss	–	–	–	–	–	–	–	(24,762)	–	(31)	(24,793)
Balance, March 31, 2023	**32,113,784**	**$ 320**	**1**	**$ –**	**$ 763,327**	**46,333**	**$ (299)**	**$ (666,205)**	**$ (7,555)**	**$ 1,759**	**$ 91,347**
Balance, December 31, 2021	**30,337,914**	**$ 303**	**–**	**$ –**	**$ 739,495**	**–**	**$ –**	**$ (595,848)**	**$ (1,221)**	**$ 1,924**	**$ 144,653**
Issuance of Common Stock for Services	38,620	–	–	–	311	–	–	–	–	–	311
Issuance of Common Stock for Vested Restricted Stock Units, Net of Shares Withheld for Taxes	60,366	1	–	–	(1)	–	–	–	–	–	–
Share Based Compensation	–	–	–	–	4,491	–	–	–	–	–	4,491
Unrealized Loss on Marketable Securities	–	–	–	–	–	–	–	–	(3,421)	–	(3,421)
Foreign Translation Adjustment	–	–	–	–	–	–	–	–	37	–	37
Net Loss	–	–	–	–	–	–	–	(4,531)	–	(31)	(4,562)
Balance, March 31, 2022	**30,436,900**	**$ 304**	**–**	**$ —**	**$ 744,296**	**–**	**$ —**	**$ (600,379)**	**$ (4,605)**	**$ 1,893**	**$ 141,509**

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

Genius Brands International, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)

	March 31, 2023	March 31, 2022
Cash Flows from Operating Activities:		
Net Loss	$ (24,793)	$ (4,562)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Amortization of Film and Television Costs	236	200
Depreciation and Amortization of Property, Equipment & Intangible Assets	705	263
Amortization of Right of Use Asset	748	97
Amortization of Premium on Marketable Securities	169	276
Share Based Compensation Expense	910	4,491
Impairment Loss of Intangible Assets	4,023	–
Impairment of Goodwill	11,287	–
Impairment of Property and Equipment	120	–
(Gain) Loss on Revaluation of Equity Investments in Your Family Entertainment AG	895	(5,395)
Unrealized (Gain) Loss on Foreign Currency Transactions	(308)	192
Gain on Warrant Revaluation	(139)	(41)
Realized Loss on Marketable Securities	1,537	79
Noncash Interest Expense	1,044	–
Stock Issued for Services	–	312
Bad Debt Expense	161	9
Other Non-Cash Items	2	–
Decrease (Increase) in Operating Assets:		
Accounts Receivable, net	5,107	4,399
Other Receivable	294	295
Tax Credits Earned (less capitalized)	(4,597)	–
Tax Credits Received, net	7,237	–
Film and Television Costs, net	(365)	(1,293)
Prepaid Expenses and Other Assets	379	(914)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(5,838)	(2,016)
Accrued Salaries & Wages	370	49
Accrued Expenses	129	84
Accrued Production Costs	(94)	(1,552)
Participations Payable	(373)	(114)
Deferred Revenue	(2,749)	(73)
Lease Liability	(195)	(98)
Interest Paid on Debt	(636)	–
Due To Related Party	(2)	(51)
Other Liabilities	(21)	–
Net Cash Used in Operating Activities	(4,757)	(5,363)
Cash Flows from Investing Activities:		
Cash Payment for Equity Investment in Your Family Entertainment	–	(6,637)
Cash Payment for Ameba, net of Cash Acquired	–	(3,893)
Loans to Related Party	(52)	(102)
Proceeds from Principal Collections on Marketable Securities	460	1,910
Proceeds from Sales and Maturities of Marketable Securities	14,257	5,536
Purchase of Property & Equipment	(17)	(61)
Net Cash Provided by (Used in) Investing Activities	14,648	(3,247)
Cash Flows from Financing Activities:		
Proceeds from Margin Loan	3,732	59,570
Repayments of Margin Loan	(15,648)	(8,210)
(Repayments of)/Proceeds from Production Facilities, net	(1,840)	–
Proceeds from Bank Indebtedness, net	2,030	–
Repayments of Notes Payable	–	(7)
Principal Payments on Finance Lease Obligations	(535)	–
Debt Issuance Costs	(45)	–

Shares Withheld for Taxes on Vested Restricted Shares	(9)	–
Payment for Warrant Put Option Exercise	(250)	–
Net Cash Provided by (Used in) Financing Activities	(12,565)	51,353
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	7	8
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(2,667)	42,751
Beginning Cash, Cash Equivalents and Restricted Cash	7,432	10,060
Ending Cash, Cash Equivalents and Restricted Cash	**$ 4,765**	**$ 52,811**
Schedule of Non-Cash Financing and Investing Activities		
Leased Assets Obtained in Exchange for New Finance Lease Liabilities	$ 1,216	$ –

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

Genius Brands International, Inc. And Subsidiaries
Notes to Condensed Consolidated Financial Statements
March 31, 2023

Note 1: Organization and Business

Organization and Nature of Business

Genius Brands International, Inc. ("we," "us," "our," or the "Company") is a global content and brand management company that creates, produces, licenses, and broadcasts timeless and educational, multimedia animated content for children. Led by experienced industry personnel, the Company distributes its content primarily on streaming platforms and television and license properties for a broad range of consumer products based on the Company's characters. The Company is a "work for hire" producer for many of the streaming outlets and animated content intellectual property ("IP") holders. In the children's media sector, the Company's portfolio features "content with a purpose" for toddlers to tweens, providing enrichment as well as entertainment. With the exception of selected Wow Unlimited Media Inc. titles, the Company's programs, along with licensed programs, are being broadcast in the United States on the Company's wholly-owned advertisement supported video on demand ("AVOD") service, its free ad supported TV ("FAST") channels and subscription video on demand ("SVOD") outlets, *Kartoon Channel!* and *Ameba*. These streaming services are available on Apple TV, Apple iOS, Android TV, Android mobile, Amazon Prime, Amazon Fire, Tubi, Roku, Comcast, Cox, Dish/Sling, Xumo, Pluto, Samsung Smart TVs, LG Smart TVs, as well as YouTube, among other platforms. The Company's in-house owned and produced animated shows include *Stan Lee's Superhero Kindergarten* starring Arnold Schwarzenegger, *Llama Llama* starring Jennifer Garner, *Rainbow Rangers, KC Pop Quiz*, and the upcoming *Shaq's Garage* starring Shaquille O'Neal, scheduled to debut in the second quarter of 2023. The Company's library titles include the award-winning *Baby Genius*, adventure comedy *Thomas Edison's Secret Lab®,* and *Warren Buffett's Secret Millionaires Club*, created with and starring iconic investor Warren Buffett, *Team Zenko Go!, Reboot*, *Bee & PuppyCat: Lazy in Space* and *Castlevania*.

The Company also licenses its programs to other services worldwide, in addition to the operation of its own channels, including but not limited to Netflix, HBO Max, Paramount+, Nickelodeon, and satellite, cable and terrestrial broadcasters around the world.

Through the Company's investments in Germany's *Your Family Entertainment* ("YFE"), a publicly traded company on the Frankfurt Exchange (RTV-Frankfurt), it has gained access to one of the largest animation catalogues in Europe with over 50 titles consisting of over 1,600 episodes, and a global distribution network which currently covers over 60 territories worldwide.

Through the ownership of WOW Unlimited Media Inc. ("Wow"), the Company established an affiliate relationship with Mainframe Studios, which is one of the largest animation producers in the world. In addition, Wow owns Frederator Networks Inc. ("Frederator") and its *Channel Frederator Network*, the largest animation focused multi-channel network on *YouTube* with over 2,500 channels.

The Company has rights to a select amount of valuable IP, included among them a controlling interest in Stan Lee Universe ("SLU"), through which it controls the name, likeness, signature, and all consumer product and IP rights to Stan Lee (the "Stan Lee Assets").

The Company also owns Beacon Media Group ("Beacon"), the largest media buying service for children in North America. Beacon represents over30 major toy companies, including Playmobile, Bandai Toys, Bazooka, Moose Toys, and JAKKS Pacific.

In addition, the Company owns the Canadian company Ameba Inc. ("Ameba"), which distributes SVOD service for kids, and has become the focal point of revenue growth for Genius Networks' subscription offering.

The Company and its affiliates provide world class animation production studios, a catalogue representing thousands of hours of premium global content for children, a broadcast system for delivering that content and an in-house consumer products licensing infrastructure to fully exploit the content.

Recent Developments

On February 6, 2023, the Company's board of directors approved a 1-for-10 reverse stock split of the Company's outstanding shares of common stock. The reverse stock split was effected on February 10, 2023 at 5:00 p.m. Eastern time. At the effective time, every 10 issued and outstanding shares of the Company's common stock were converted into one share of common stock. Any fractional shares of common stock resulting from the reverse stock split were rounded up to the nearest whole post-split share and no shareholders received cash in lieu of fractional shares. The par value of each share of common stock remained unchanged. The reverse stock split proportionately reduced the number of shares of authorized common stock from 400,000,000 to 40,000,000 shares. The reverse stock split also applied to common stock issuable upon the exercise of the Company's outstanding warrants and stock options. The reverse stock split did not affect the authorized preferred stock of 10,000,001 shares. Unless noted, all references to shares of common stock and per share amounts contained in this Quarterly Report on Form 10-Q have been retroactively adjusted to reflect a 1-for-10 reverse stock split.

Liquidity

As of March 31, 2023, the Company had cash and cash equivalents of $4.8 million, which decreased by $2.7 million as compared to December 31, 2022. The decrease was primarily due to cash used in financing activities of $12.6 million, primarily due to the repayment of the margin loan, and $4.8 million used in operational activities. The cash used was offset by cash provided by the sales and maturities of marketable securities of $14.3 million.

As of March 31, 2023, the Company held available-for-sale marketable securities with a fair value of $69.7 million, which decreased by $14.1 million as compared to December 31, 2022. The decrease was primarily due to selling $11.4 million of securities, $2.9 million of securities maturing and additional prepayment proceeds of $0.5 million on principals for certain mortgage-backed securities during the three months ended March 31, 2023. The decrease was offset by the net decrease of $0.8 million in unrealized and realized loss activity. The available-for-sale securities consist principally of corporate and government debt securities and are also available as a source of liquidity.

The Company borrowed an additional $3.7 million from its investment margin account during the three months ended March 31, 2023 and repaid $16.3 million with cash received from sales and maturities of marketable securities. During the three months ended March 31, 2023, the borrowed amounts were primarily used for operational costs. The interest rates for the borrowings fluctuate based on the Federal Funds Rate plus 0.65%. The weighted average interest rates were 0.89% and 1.66% on average margin loan balances of $46.2 million and $27.1 million as of March 31, 2023 and December 31, 2022, respectively. The Company incurred interest expense on the loan of $0.7 million and $21,846 during the three months ended March 31, 2023 and March 31, 2022, respectively. The investment margin account borrowings do notmature but are collateralized by the marketable securities held by the same custodian and the custodian can issue a margin call at any time, effecting a payable on demand loan. Due to the call option, the margin loan is recorded as a current liability on the Company's condensed consolidated balance sheets. As of March 31, 2023 and December 31, 2022, the Company's margin loan balance was $48.9 million and $60.8 million, respectively.

Historically, the Company has incurred net losses. For the three months ended March 31, 2023 and March 31, 2022, the Company reported net losses of $24.8 million and $4.5 million, respectively. The Company reported net cash used in operating activities of $4.8 million and $5.4 million for the three months ended March 31, 2023 and March 31, 2022, respectively. As of March 31, 2023, the Company had an accumulated deficit of $ 666.2 million and total stockholders' equity of $91.3 million. As of March 31, 2023, the Company had current assets of $114.3 million, including cash and cash equivalents of $4.8 million and marketable securities of $69.7 million, and current liabilities of $90.8 million. The Company had working capital of $23.5 million as of March 31, 2023, compared to working capital of $28.6 million as of December 31, 2022.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles ("GAAP").

The accompanying condensed consolidated financial statements include, in the opinion of management, all adjustments (consisting of normal recurring adjustments and reclassifications) necessary to state fairly the Condensed Consolidated Balance Sheets, Statements of Operations, Statements of Comprehensive Loss, Statements of Stockholders' Equity, and Statements of Cash Flows for all periods presented.

Certain prior period amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

Segments

The Company determines its operating segments on the same basis that it assesses performance and makes operating decisions. The Company principally operates in two distinct business segments: the Content Production & Distribution Segment, which produces and distributes children's content, and the Media Advisory & Advertising Services Segment, which provides media and advertising services. These segments are reflective of how the Company's Chief Operating Decision Maker ("CODM") reviews operating results for the purposes of allocating resources and assessing performance. The Company has identified its Chief Executive Officer as the CODM. The segments are organized around the products and services provided to customers and represent the Company's reportable segments.

The accounting policies for each segment are the same as for the Company as a whole. Refer to Note 22 for additional information.

Principles of Consolidation and Basis of Presentation

The Company's condensed consolidated financial statements include the accounts of Genius Brands International, Inc. and its wholly-owned subsidiaries. The Company consolidates all majority-owned subsidiaries and variable interest entities where the Company has been determined to be the primary beneficiary. The interests in a variable interest entity which the Company does not control are recorded as non-controlling interests. Non-consolidated investments are accounted for using the equity method or the fair value option and recorded at fair value with changes recognized within Other Income (Expense), net on the condensed consolidated statements of operations and comprehensive income (loss). All significant intercompany accounts and transactions have been eliminated in consolidation.

Business Combinations

The Company accounts for transactions that are classified as business combinations in accordance with the Financial Accounting Standards Boards' ("FASB") Accounting Standards Codification ("ASC") 805, *Business Combinations ("ASC 805").* Once a business is acquired, the Company allocates the fair value of the purchase consideration to the tangible assets, liabilities, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. As required, preliminary fair values are determined upon acquisition, with the final determination of the fair values being completed within the one-year measurement period from the date of acquisition. The valuation of acquired assets and assumed liabilities requires significant judgment and estimates, especially with respect to intangible assets. The valuation of intangible assets requires that the Company use valuation techniques such as the income approach. The income approach includes the use of a discounted cash flow model, which includes discounted cash flow scenarios and requires significant estimates such as future expected revenue, expenses, capital expenditures and other costs, and discount rates. The Company estimates the fair value based upon assumptions management believes to be reasonable, but are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Estimates associated with the accounting for acquisitions may change as additional information becomes available regarding the assets acquired and liabilities assumed. Acquisition-related expenses and any related restructuring costs are recognized separately from the business combination and are expensed as incurred.

Variable Interest Entities

The Company holds an interest in Stan Lee University ("SLU"), an entity that is considered a variable interest entity ("VIE"). The variable interest relates to 50% ownership in the entity that is comprised of the Stan Lee Assets and that requires additional financial support from the Company to continue operations. The Company is considered the primary beneficiary and is required to consolidate the VIE.

In evaluating whether the Company has the power to direct the activities of a VIE that most significantly impact its economic performance, the Company considers the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and the Company's decision-making role, if any, in those activities that significantly determine the entity's economic performance as compared to other economic interest holders. This evaluation requires consideration of all facts and circumstances relevant to decision-making that affects the entity's future performance and the exercise of professional judgment in deciding which decision-making rights are most important.

In determining whether the Company has the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE, the Company evaluates all of its economic interests in the entity, regardless of form (debt, equity, management and servicing fees, and other contractual arrangements). This evaluation considers all relevant factors of the entity's design, including: the entity's capital structure, contractual rights to earnings (losses), subordination of the Company's interests relative to those of other investors, contingent payments, as well as other contractual arrangements that have the potential to be economically significant. The evaluation of each of these factors in reaching a conclusion about the potential significance of the Company's economic interests is a matter that requires the exercise of professional judgment. The Company continuously assesses whether it is the primary beneficiary of a variable interest entity as changes to existing relationships or future transactions may result in the Company consolidating its collaborators or partners.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

Foreign Currency

The Company considers the U.S. dollar ("USD") to be its functional currency for its United States and certain Canadian based operations. The Canadian dollar ("CAD") is the functional currency of its Wow entity. Accordingly, the financial information is translated from the Canadian dollar to the U.S. dollar for inclusion in the Company's condensed consolidated financial statements. Revenue and expenses are translated at average exchange rates prevailing during the period, and assets and liabilities are translated at exchange rates in effect at the balance sheet date. Resulting translation adjustments are included as a component of Accumulated Other Comprehensive Income (Loss), net in stockholders' equity.

Foreign exchange transaction gains and losses are included in Other Income (Expense), Net on the condensed consolidated statements of operations.

Foreign Currency Forward Contracts

The Company's wholly-owned subsidiary, Wow, is exposed to fluctuations in various foreign currencies against its functional currency, the Canadian dollar. Wow uses foreign currency derivatives, specifically foreign currency forward contracts ("FX forwards"), to manage its exposure to fluctuations in the CAD-USD exchange rates. FX forwards involve fixing the foreign currency exchange rate for delivery of a specified amount of foreign currency on a specified date. The FX forwards are typically settled in CAD for their fair value at or close to their settlement date. The Company does not currently designate any of the FX forwards under hedge accounting and therefore reflects changes in fair value as unrealized gains or losses immediately in earnings as part of the revenue generated from the transactions hedged. The Company does not hold or use these instruments for speculative or trading purposes.

Per FASB ASC 815-10-45, *Derivatives and Hedging*, the Company has elected an accounting policy to offset the fair value amounts recognized for eligible forward contract derivative instruments. Therefore, the Company presents the asset or liability position of the FX forwards that are with the same counterparty net as either an asset or liability in its condensed consolidated balance sheets.

As of March 31, 2023, the gross amount of FX forwards in an asset and liability position that were subject to a master netting arrangement was $14.9 million and $15.0 million, respectively, resulting in a liability recorded within Other Current Liabilities on the Company's condensed consolidated balance sheet of $0.1 million. The change in fair value of $0.1 million for the three months ended March 31, 2023 was recorded as an unrealized gain within Production Services Revenue on the Company's condensed consolidated statement of operations. The Company did not hold FX forwards prior to the Wow Acquisition.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with initial maturities of three months or less to be cash equivalents.As of March 31, 2023 and December 31, 2022, the Company had cash and cash equivalents of $4.8 million and $7.4 million, respectively, that at times could exceed FDIC or CDIC limits.

Allowance for Doubtful Accounts

Accounts receivables are presented on the condensed consolidated balance sheets, net of estimated uncollectible amounts. The carrying amounts of trade accounts receivable and unbilled accounts receivable represent the maximum credit risk exposure of these assets. On a quarterly basis, in accordance with FASB ASC 326, *Measurement of Credit Losses on Financial Instruments ("ASC 326")*, the Company evaluates the collectability of outstanding accounts receivable balances to determine an allowance for doubtful accounts that reflects its best estimate of the lifetime expected credit losses. The allowance for credit loss is based on an assessment of past events, current economic conditions, and forecasts of future events. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. As of March 31, 2023 and December 31, 2022, the Company recorded an allowance for doubtful accounts of $70,977 and $65,421, respectively.

The Company limits its exposure to this credit risk through a credit approval process and credit monitoring procedures. In addition, Wow's contracts with customers usually require upfront and milestone payments throughout the production process. The Company's customer base is mainly comprised of major Canadian, American, and worldwide studios, distributors, broadcasters, toy companies and AVOD and SVOD platforms that have been customers for several years.

Tax Credits Receivable

The Canada Revenue Agency ("CRA") and certain Provincial governments in Canada provide programs that are designed to assist film and television production in the form of refundable tax credits or other incentives.

Estimated amounts receivable in respect of refundable tax credits are recorded as an offset to the related production operating cost, or to investment in film and television costs when the conditions for eligibility of production assistance based on the government's criteria are met, the qualifying expenditures are made and there is reasonable assurance of realization. Determination of when and if the conditions of eligibility have been met is based on management's judgment, and the amount recognized is based on management's estimates of qualifying expenditures. The ultimate collection of previously recorded estimates is subject to ordinary course audits from the CRA and Provincial agencies. Changes in administrative policies by the CRA or subsequent review of eligibility documentation may impact the collectability of these estimates. The Company continuously reviews the results of these audits to determine if any circumstances arise that in management's judgment would result in a previously recognized amount to be considered no longer collectible.

The Company classifies the tax credits receivable as current based on their normal operating cycle. Government assistance, in the form of refundable tax credits, is relied upon as a key component of production financing. These amounts are claimed from the CRA through the submission of income tax returns and can take up to 18 to 24 months from the date of the first tax credit dollar being earned to being received. As this financing is fundamental to the Company's ability to produce animated productions and generate revenue in the normal course of business, the normal operating cycle for such assets is considered to be a 12 to 24-month period, or the time it takes for the CRA to assess and refund the tax credits earned.

As of March 31, 2023 and December 31, 2022, $23.5 million and $26.3 million in current tax credit receivables related to Wow's film and television productions was recorded, net of $0.3 million and $0.2 million recorded as an allowance for doubtful accounts, respectively.

Marketable Debt Securities

The Company purchases high quality, investment grade securities from diverse issuers. Management determines the appropriate classification of securities at the time of purchase and reevaluates such designation as of each balance sheet date. Currently, the Company classifies its investments in marketable securities as available-for-sale ("AFS") and records these investments at fair value. The securities are available to support current operations and, accordingly, the Company classifies the investments as current assets without regard to their contractual maturity.

Unrealized gains or losses on available-for-sale securities for which the Company expects to fully recover the amortized cost basis are recognized in accumulated other comprehensive income (loss), a component of stockholders' equity. Gains and losses as a result of sales of securities are reclassified from previously unrealized gains and losses on AFS securities in accumulated other comprehensive income (loss) to other income (expense), net in the condensed consolidated statements of operations.

On a quarterly basis, the Company reviews its AFS securities to assess declines in fair value for credit losses. For each AFS security with an amortized cost that exceeds its fair value, the Company first determines if it intends to sell or is more-likely-than-not required to sell the debt security before the expected recovery of its amortized cost. If it intends to sell or will more-likely-than-not be required to sell the security, the Company recognizes the impairment as a credit loss in the condensed consolidated statements of operations by writing down the security's amortized cost to its fair value. For AFS securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss. The portion of the decline in fair value that is due to factors other than a credit loss is recognized in accumulated other comprehensive income (loss) as an unrealized loss.

The Company reports accrued interest receivable separately from the AFS securities and has elected not to measure an allowance for credit losses for accrued interest receivables. Uncollectible accrued interest is written off when the Company determines that no additional interest payments will be received. Classified within Other Receivables on the condensed consolidated balance sheets, approximately $0.4 million and $0.3 million in interest income was receivable as of March 31, 2023 and December 31, 2022, respectively.

Interest earned on investment securities is reported in interest income, net of applicable adjustments for accretion of discounts and amortization of premiums accounted for over the life of the security or, in the case of callable securities, through the first call date, using the level yield method, with no prepayment anticipated.

Equity-Method Investments

When the Company does not have a controlling financial interest in an entity but can exert significant influence over the entity's operating and financial policies, the investment is accounted for either (i) under the equity method of accounting or (ii) at fair value by electing the fair value option available under U.S. GAAP. Significant influence generally exists when the firm owns 20% to 50% of the entity's common stock or in-substance common stock.

In general, the Company accounts for investments acquired at fair value. See Note 5 for further information about the Company's investment in YFE's equity securities accounted for under the fair value option.

Property and Equipment

Property and equipment are recorded at cost. Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from two to seven years. Maintenance, repairs, and renewals, which neither materially add to the value of the assets nor appreciably prolong their lives, are charged to expense as incurred. Gains and losses from any dispositions of property and equipment are reflected in the condensed consolidated statement of operations. Whenever events or circumstances change, an assessment is made as to whether there has been impairment to the value of long-lived assets by determining whether projected undiscounted cash flows generated by the applicable asset exceed its net book value as of the assessment date. The Company has performed an interim review of its long-lived assets due to decreases in the Company's market value during the three months ended March 31, 2023. Refer to Note 7 for details.

Right of Use Leased Assets

The Company determines at contract inception whether the arrangement is a lease based on its ability to control a physically distinct asset and determines the classification of the lease as either operating or finance under FASB ASC 842, *Leases ("ASC 842")*. For all leases, the Company combines all components of the lease including related nonlease components as a single component. Operating leases are reflected as Operating Lease Right of Use ("ROU") Assets and Operating Lease Liabilities and finance leases are reflected as Finance Lease ROU assets and Finance Lease Liabilities on the condensed consolidated balance sheets.

Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's operating leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company estimates the incremental borrowing rate to reflect the profile of collateralized borrowing over the expected term of the leases based on the information available on the lease commencement date or for leases existing upon the date of initial adoption of ASC 842, the date of adoption. The implicit rates within the Company's existing finance leases are determinable and therefore used to determine the present value of finance lease payments.

The operating lease ROU assets also include any lease payments made prior to lease commencement date and excludes lease incentives. Specific lease terms used in computing the ROU assets and lease liabilities may include options to extend or terminate the lease when the Company is reasonably certain that it will exercise the option. The Company will reassess expected lease terms based on changes in circumstances that indicate options may be more or less likely to be exercised. Lease expense is recognized on a straight-line basis over the lease term within General and Administrative Expenses on the condensed consolidated statements of operations. Lease incentives are recognized as a reduction to the lease expense on a straight-line basis over the underlying lease term. Refer to Notes 8 and 20 for details of the Company's leases.

Film and Television Costs

The Company capitalizes production costs for episodic series produced in accordance with FASB ASC 926-20,*Entertainment-Films - Other Assets - Film Costs*. Accordingly, production costs are capitalized at actual cost and amortized using the individual-film-forecast method, whereby these costs are amortized, and participations costs are accrued based on the ratio of the current period's revenues to management's estimate of ultimate revenue expected to be recognized from each production.

Productions in Development

Capitalized development costs are reclassified to productions in progress once the project is approved and physical production of the film or television program commences. Development costs include the costs of acquiring film rights to books, scripts or original screenplays and the third-party costs to adapt such projects, including visual development and design. Advances or contributions received from third parties to assist in development are deducted from these costs.

Productions in Progress

For the Company's film and television programs in progress, capitalized costs include all direct production and financing costs incurred during production that are expected to provide future economic benefit to the Company. Borrowing costs and depreciation are capitalized to the cost of a film or television program until substantially all of the activities necessary to prepare the film or television program for its use intended by management are complete.

Completed Productions

Completed productions are carried at the cost of proprietary film and television programs which have been produced by the Company or to which the Company has acquired distribution rights, less accumulated amortization and accumulated impairment losses.

Due to the inherent uncertainties involved in making such estimates of ultimate revenues and expenses, these estimates have differed in the past from actual results and are likely to differ to some extent in the future from actual results. In addition, in the normal course of business, some titles are more successful or less successful than anticipated. Management reviews the ultimate revenue and cost estimates on a title-by-title basis, when an event or change in circumstances indicates that the fair value of the production may be less than its unamortized cost. This may result in a change in the rate of amortization of film costs and participations and/or a write-down of all or a portion of the unamortized costs of the film or television production to its estimated fair value. An impairment charge is recorded in the amount by which the unamortized costs exceed the estimated fair value. These write-downs are included in amortization expense within Direct Operating Expenses on the condensed consolidated statements of operations.

All capitalized costs that exceed the initial market firm commitment revenue are expensed in the period of delivery of the episodes. Additionally, for episodic series, from time to time, the Company develops additional content, improved animation and bonus songs/features for its existing content. After the initial release of the episodic series, the costs of significant improvement to existing products are capitalized while routine and periodic alterations to existing products are expensed as incurred.

Goodwill and Intangible Assets

Goodwill represents the excess of purchase price over the estimated fair value of net assets acquired in business combinations accounted for by the acquisition method. In accordance with FASB ASC 350, *Intangibles Goodwill and Other,* goodwill and certain intangible assets are presumed to have indefinite useful lives and are thus not amortized, but subject to an impairment test annually or more frequently if indicators of impairment arise. The Company completes the annual goodwill and indefinite-lived intangible asset impairment tests at the end of each fiscal year. To test for goodwill impairment, the Company may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit, of which the Company has two, is less than its carrying value. If impairment is indicated in the qualitative assessment, or, if management elects to initially perform a quantitative assessment of goodwill, the impairment test uses a one-step approach. The fair value of a reporting unit is compared with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired. If the carrying amount of a reporting unit exceeds its fair value, an impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

Changes in future results, assumptions, and estimates after the measurement date may lead to an outcome where additional impairment charges would be required in future periods. Specifically, actual results may vary from the Company's forecasts and such variations may be material and unfavorable, thereby triggering the need for future impairment tests where the conclusions may differ in reflection of prevailing market conditions. Further, continued adverse market conditions could result in the recognition of additional impairment if the Company determines that the fair values of its reporting units have fallen below their carrying values.

Intangible assets have been acquired, either individually or with a group of other assets, and were initially recognized and measured based on fair value. Annual amortization of these intangible assets is computed based on the straight-line method over the remaining economic life of the asset.

The Company has performed an interim review of its intangible assets and goodwill due to decreases in the Company's market value during the three months ended March 31, 2023. Refer to Note 10 for details.

Debt and Attached Equity-Linked Instruments

The Company measures issued debt on an amortized cost basis, net of debt premium/discount and debt issuance costs amortized using the effective interest rate method or the straight-line method when the latter does not lead to materially different results.

The Company analyzes freestanding equity-linked instruments including warrants attached to debt to determine whether the instrument meets the definition of the derivative and whether it is considered indexed to the Company's own stock. If the instrument is not considered indexed to the Company's stock, it is classified as an asset or liability recorded at fair value. If the instrument is considered indexed to the Company's stock, the Company analyzes additional equity classification requirements per FASB ASC 815-40, *Contract's in Entity's Own Equity* . When the requirements are met, the instrument is recorded as part of the Company's equity, initially measured based on its relative fair value with no subsequent re-measurement. When the equity classification requirements are not met, the instrument is recorded as an asset or liability and is measured at fair value with subsequent changes in fair value recorded in earnings.

When required, the Company also considers the bifurcation guidance for embedded derivatives per ASC 815-15,*Embedded Derivatives*.

Treasury stock

The Company records the repurchase of shares of its common stock at cost on the trade date of the transaction. These shares are considered treasury stock, which is a reduction to stockholders' equity. Treasury stock is included in authorized and issued shares but excluded from outstanding shares.

Revenue Recognition

The Company accounts for revenue according to standard FASB ASC 606,*Revenue from Contracts with Customers* ("ASC 606").

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognized when a customer obtains control of the products or services in a contract. Judgment is required in determining the timing of whether the transfer of control occurs at a point in time or over time and is discussed below. The Company evaluates each contract to identify separate performance obligations as a contract with a customer may have one or more performance obligations. Consideration in a contract with multiple performance obligations is allocated to the separate performance obligations based on their stand-alone selling prices. If a stand-alone selling price is not determinable, the Company estimates the stand-alone selling price using an adjusted market assessment approach. The Company's main sources of revenue are derived from animation production services provided to third parties, the sale of licenses for the distribution of films and television programs, advertising revenues, and merchandising and licensing sales.

The Company has identified the following material and distinct performance obligations:

- Provide animation production services.

- License rights to exploit Functional Intellectual Property ("functional IP" is defined as intellectual property that has significant standalone functionality, such as the ability to be played or aired. Functional IP derives a substantial portion of its utility from its significant standalone functionality).

- License rights to exploit Symbolic Intellectual Property ("symbolic IP" is intellectual property that is not functional as it does not have significant standalone use and substantially all of the utility of symbolic IP is derived from its association with the entity's past or ongoing activities, including its ordinary business activities, such as the Company's licensing and merchandising programs associated with its animated content).

- Provide media and advertising services to clients.

- Fixed and variable fee advertising and subscription-based revenue generated from the Genius Brands *Kartoon Channel!,* the Frederator owned and operated *YouTube* channels and revenues generated from the operation of its multi-channel network on *YouTube*.

- Options to renew or extend a contract at fixed terms. (While this performance obligation is not significant for the Company's current contracts, it could become significant in the future).

- Options on future seasons of content at fixed terms. (While this performance obligation is not significant for the Company's current contracts, it could become significant in the future).

Production Services

Animation Production Services

For revenue from animation production services, the customer controls the output throughout the production process. Each production is made to an individual customer's specifications and if the contract is terminated by the customer, the Company is entitled to be reimbursed for any costs incurred to date, and for any prepaid commitments made, plus the agreed contractual mark-up. Revenue and the associated costs of such contracts are recognized over time on a percentage of completion basis - i.e., as the project is being produced, prior to it being delivered to the customer. The percentage-of-completion is calculated based upon the proportion of costs incurred cumulatively to total expected costs. Changes in revenue recognized as a result of adjustments to total expected costs are recognized in profit or loss on a prospective basis. Invoices related to these projects are issued based on the achievement of milestones during the project or other contractual terms. The difference between contractual payments received and revenue recognized is recorded as deferred revenue when receipts exceed revenue. When revenue exceeds milestone billings, the Company recognizes this difference as unbilled accounts receivable within other receivables on the Company's condensed consolidated balance sheet. Unbilled accounts receivables are transferred to accounts receivable when the Company has an unconditional right to consideration.

When the outcome of an arrangement cannot be estimated reliably, revenue is recognized only to the extent of the expenses incurred that are recoverable.

Content Distribution

Film and Television Licensing

The Company recognizes revenue related to licensed rights to exploit functional IP in two ways; for minimum guarantees, the Company recognizes fixed revenue upon delivery of content and the start of the license period and for functional IP contracts with a variable component, the Company estimates revenue such that it is probable there will not be a material reversal of revenue in future periods. The Company recognizes revenue related to licensed rights to exploit symbolic IP substantially similarly to functional IP. Although it has a different recognition pattern from functional IP, the valuation method is substantially the same, depending on the nature of the license.

Invoices related to these projects are issued based on the achievement of milestones during the project or other contractual terms. The difference between contractual payments received and revenue recognized is recorded as deferred revenue when receipts exceed revenue. When revenue exceeds milestone billings, the Company recognizes this difference as unbilled accounts receivable within other receivables on the Company's condensed consolidated balance sheet. Unbilled accounts receivables are transferred to accounts receivable when the Company has an unconditional right to consideration.

Advertising revenues

The Company sells advertising and subscriptions on its wholly-owned AVOD service, *Kartoon Channel!*, and its SVOD distribution outlets, *Kartoon Channel! Kidaverse*, and *Ameba TV*. Advertising sales are generated in the form of either flat rate promotions or advertising impressions served. For flat rate promotions with a fixed term, revenue is recognized when all five revenue recognition criteria under ASC 606 are met. For impressions served, the Company delivers a certain minimum number of impressions on the channel to the advertiser for which the advertiser pays a contractual cost per mille impressions ("CPM"). Impressions served are reported on a monthly basis, and revenue is reported in the month the impressions are served. For subscription-based revenue, revenue is recognized when a customer downloads the mobile device application and their credit card is charged.

Upon the acquisition of Wow, the Company generates advertising revenue from Frederator’s owned and operated *YouTube* channels as well as revenues generated from the operation of its multi-channel network on *YouTube*. Revenue is recognized when services are provided in accordance with the Company’s agreement with YouTube, the price is fixed or determinable, and collection of the related receivable is probable. Receivables are usually collectable within 30 days.

Licensing & Royalties

Merchandising and licensing

The Company enters into merchandising and licensing agreements that allow licensees to produce merchandise utilizing certain of the Company’s intellectual property. For minimum guaranteed amounts that make up a contract, revenue is recognized over time, over the term of the license period commencing on the date at which the licensees can use and benefit from the licensed content. Variable consideration in excess of non-refundable guaranteed amounts, such as royalties and other contractual payments are recognized as revenue when the amounts are known and become due provided collectability is reasonably assured. Invoices are issued based on the contractual terms of an agreement and are usually payable within 30-45 days.

Product Sales

The Company recognizes revenue related to product sales when the Company completes its performance obligation, which is when the goods are transferred to the buyer.

Media Advisory & Advertising Services

Media and Advertising Services

The Company provides media and advertising services to clients. Revenue is recognized when the services are performed. When the Company purchases advertising for clients on linear and across digital and streaming platforms and receives a commission, the commissions are recognized as revenue in the month the advertising is displayed.

Gross Versus Net Revenue Presentation

The Company evaluates individual arrangements with third parties to determine whether the Company acts as principal or agent under the terms. To the extent that the Company acts as the principal in an arrangement, revenues are reported on a gross basis, resulting in revenues and expenses being classified in their respective financial statement line items. To the extent that the Company acts as the agent in an arrangement, revenues are reported on a net basis, resulting in revenues being presented net of any expenses incurred in providing agency services. Determining whether the Company acts as principal or agent is based on an evaluation of which party has substantial risks and rewards of ownership under the terms of an arrangement. The most significant factors that the Company considers include identification of the primary obligor, as well as which party has credit risk, general and inventory risk and the latitude or ability in establishing prices.

Direct Operating Costs

Direct operating costs include costs of the Company's product sales, non-capitalizable film costs, film and television cost amortization expense, impairment expenses related to film and television costs, and participation expense related to agreements with various animation studios, post-production studios, writers, directors, musicians or other creative talent with which the Company is obligated to share net profits of the properties on which they have rendered services. Upon the acquisition of Wow, the Company also includes salaries and related service production employee costs as part of its direct operating costs.

Share-Based Compensation

The Company issues stock-based awards to employees and non-employees that are generally in the form of stock options or restricted stock units ("RSUs"). Share-based compensation cost is recorded for all options and awards based on the grant-date fair value of the award.

The fair value of stock options is estimated at the date of grant using the Black-Scholes-Merton ("BSM") option pricing model, which requires management to make assumptions with respect to the fair value on the grant date. The assumptions are as follows: (i) the expected term assumption of the award is based on the Company's historical exercise and post-vesting behavior (ii) the expected volatility assumption is based on historical and implied volatilities of the Company's common stock calculated based on a period of time generally commensurate with the expected term of the award; (iii) the risk-free interest rates are based on the implied yield available on U.S. treasury zero-coupon issues with an equivalent expected term; (iv) and the expected dividend yields of the Company's stock are based on history and expectations of future dividends payable. In the case of RSUs the fair value is calculated based on the Company's underlying common stock on the date of grant.

The Company recognizes compensation expense over the requisite service period ratably, using the graded attribution method, which is in-substance, recognizing multiple awards based on the vesting schedule. The Company has elected to account for forfeitures when they occur. The Company issues authorized shares available for issuance under the Company's 2015 Incentive Plan and the Company's 2020 Incentive Plan upon employees' exercise of their stock options.

Debt Issuance Costs

Debt issuance costs relate to the issuance of Wow's Production Facilities and are recorded as a reduction to the carrying amount of debt and amortized to interest expense using the effective interest method over the respective terms of the facilities. Debt issuance costs directly attributable to the acquisition or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time the assets are substantially ready for their intended use or sale. Debt issuance costs as of March 31, 2023 and December 31, 2022 were insignificant.

Earnings Per Share

Basic earnings (loss) per share of common stock ("EPS") is calculated by dividing net income (loss) applicable to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted EPS is calculated by dividing net income (loss) applicable to common stockholders by the weighted average number of shares of common stock outstanding, plus the assumed exercise of all dilutive securities using the treasury stock or "as converted" method, as appropriate. During periods of net loss, all common stock equivalents are excluded from the diluted EPS calculation because they are antidilutive.

Income Taxes

Deferred income tax assets and liabilities are recognized based on differences between the financial statement and tax basis of assets and liabilities using presently enacted tax rates. At each balance sheet date, the Company evaluates the available evidence about future taxable income and other possible sources of realization of deferred tax assets and records a valuation allowance that reduces the deferred tax assets to an amount that represents management's best estimate of the amount of such deferred tax assets that more likely than not will be realized.

Concentration of Risk

The Company maintains its cash in bank deposit accounts which, at times, may exceed the Federal Deposit Insurance Corporation's ("FDIC") or the Canadian Deposit Insurance Corporation's ("CDIC") insured amounts. Balances on interest bearing deposits at banks in the United States are insured by the FDIC up to $250,000 per account and deposits in banks in Canada are insured by the CDIC up to $100,000 CAD. As of March 31, 2023 and December 31, 2022, the Company had eleven and twelve bank deposit accounts with an aggregate uninsured balance of $3.2 million and $3.4 million, respectively.

The Company has a managed account and a brokerage account with a financial institution. The managed account maintains its investments in marketable securities of $69.7 million as of March 31, 2023. The brokerage account didnot have a cash balance as of March 31, 2023. Assets in the managed account and brokerage account are protected by the Securities Investor Protection Corporation ("SIPC") up to $500,000 (with a limit of $250,000 for cash). In addition, the financial institution provides additional "excess of SIPC" coverage which insures up to $1.0 billion. As of March 31, 2023, the Company has not had account balances held at this financial institution that exceed the insured balances.

The Company's investment portfolio consists of investment-grade securities diversified among security types, industries and issuers. The Company's policy limits the amount of credit exposure to any one security issue or issuer and the Company believes no significant concentration of credit risk exists with respect to these investments.

During the three months ended March 31, 2023, the Company had three customers, whose total revenue exceeded 10% of total consolidated revenue. These customers accounted for 71.9% of total revenue. As of March 31, 2023, the Company had five customers whose total accounts receivable exceeded 10% of total accounts receivable. These customers accounted for 69.0% of the total accounts receivable as of March 31, 2023.

During the three months ended March 31, 2022, the Company had one customer whose total revenue exceeded 10% of the total consolidated revenue. This customer accounted for 13.3% of total revenue. As of December 31, 2022, the Company had two customers whose total accounts receivable exceeded 10% of total accounts receivable. These customers accounted for 26.1% of the total accounts receivable as of December 31, 2022.

There is significant financial risk associated with a dependence upon a small number of customers. The Company periodically assesses the financial strength of these customers and establishes allowances for any anticipated bad debt.

Fair value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1 - Observable inputs such as quoted prices for identical instruments in active markets;
- Level 2 - Inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3 - Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The carrying amounts of cash, restricted cash, receivables, payables, accrued liabilities, bank indebtedness and the margin loan approximate fair value due to the short-term nature of the instruments. The Company used the fair values of the liability-classified derivative warrants revalued at the end of each reporting period determined using the BSM model (Level 2) with standard valuation inputs. Refer to Note 18 for additional details. The investment in YFE is also revalued at the end of each reporting period based on the trading price of YFE (Level 1). Refer to Note 5 for additional details. Upon the acquisition of Wow, foreign currency forward contracts that are not traded in active markets were assumed. These are fair valued using observable forward exchange rates at the measurement dates and interest rates corresponding to the maturity of the contracts (Level 2).

The fair values of the available-for-sale securities are generally based on quoted market prices, where available. These fair values are obtained primarily from third-party pricing services, which generally use Level 1 or Level 2 inputs for the determination of fair value to facilitate fair value measurements and disclosures. Level 2 securities primarily include corporate securities, securities from states, municipalities and political subdivisions, mortgage-backed securities, United States Government securities, foreign government securities, and certain other asset-backed securities. For securities not actively traded, the pricing services may use quoted market prices of comparable instruments or a variety of valuation techniques, incorporating inputs that are currently observable in the markets for similar securities.

The following table summarizes the marketable securities measured at fair value by level within the fair value hierarchy as of March 31, 2023 (in thousands):

	Level 1	Level 2	Total Fair Value
Marketable investments:			
Corporate Bonds	$ 31,552	$ 2,387	$ 33,939
U.S. Treasury	19,775	–	19,775
U.S. agency and government sponsored securities	—	6,392	6,392
U.S. states and municipalities	—	9,544	9,544
Total	**$ 51,327**	**$ 18,323**	**$ 69,650**

Fair values were determined for each individual security in the investment portfolio. The Company's marketable securities are considered to be available-for-sale investments as defined under FASB ASC 320, *Investments – Debt and Equity Securities*. Neither an impairment or an allowance for credit loss was recorded for the marketable securities as of March 31, 2023 and December 31, 2022. Refer to Note 6 for additional details.

Financial and nonfinancial assets and liabilities measured on a non-recurring basis are those that are adjusted to fair value when a significant event occurs and include the Company's goodwill, intangible assets and film and television costs.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic 326)*. ASU 2016-13 replaces the "incurred loss" credit losses framework with a new accounting standard that requires management's measurement of the allowance for credit losses to be based on a broader range of reasonable and supportable information for lifetime credit loss estimates. The new model, referred to as the current expected credit loss ("CECL") model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments, and financial guarantees. The CECL model does not apply to available-for-sale ("AFS") debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. The ASU also simplifies the accounting model for purchased credit-impaired debt securities and loans. ASU No. 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and lease losses. On October 16, 2019, the FASB approved a proposal to change the effective date of ASU No. 2016-13 for smaller reporting companies, such as the Company, delaying the effective date to fiscal years beginning after December 31, 2022, including interim periods within those fiscal periods. Early adoption is permitted for interim and annual reporting periods. The Company has adopted the ASU as of January 1, 2023. The adoption did not have a material impact on the Company's condensed consolidated financial statements. Refer to Note 6 for additional details.

Note 3: Acquisitions

The Company has determined that the following acquisition completed by the Company constitutes a business acquisition as defined by ASC 805, *Business Combinations* ("ASC 805"). Accordingly, the assets acquired and the liabilities assumed in the transaction were recorded at their estimated acquisition date fair values, while transaction costs associated with the acquisition were expensed as incurred pursuant to the purchase method of accounting in accordance with ASC 805. The Company's purchase price allocations were based on an evaluation of the appropriate fair values and represent management's best estimate based on available data at the time of acquisition and during the one year period thereafter. Fair values were determined based on the requirements of ASC 820, *Fair Measurements and Disclosures* ("ASC 820").

Wow Unlimited Media

On April 6, 2022, the Company completed the acquisition of Wow. On October 26, 2021, the Company's wholly-owned subsidiary, 1326919 B.C. LTD., a corporation existing under the laws of the Province of British Columbia and Wow, entered into an Arrangement Agreement to effect a plan of arrangement under the arrangement provisions of Part 9, Division 5 of the Business Corporations Act. The Company purchased 100% of the issued and outstanding shares of Wow, including Wow's subsidiary Frederator. The plan of arrangement and final agreement, together with the acquisition of Wow's Mainframe Studios and its subsidiary Frederator, are referred to as the "Wow Acquisition."

The final consideration of $52.7 million, excluding transaction costs, was paid by the Company at closing. The consideration consisted of $38.3 million in cash, 1,105,708 shares of the Company's common stock, including 69,126 Exchangeable Shares, with a fair value of $11.6 million, 240,952 options granted to employees of Wow, 196,753 of which with a fair value of $1.2 million, were previously vested and included in the purchase price and $1.6 million in severance and bonuses to executives.

Transaction costs relating to the Wow Acquisition of $4.5 million, including bank, legal and accounting fees, were expensed as part of General and Administrative expenses on the Company's fiscal year ended December 31, 2022 consolidated statement of operations. The Company will also expense the unvested replacement options, with a fair value of $0.3 million, as stock-based compensation expense over the remaining requisite service period specified in the agreements.

The Wow Acquisition facilitates the Company's expansion as a global animation and children's digital media company. With Wow's content, ongoing production projects and the addition of two studios that can also be leveraged for in-house production of the Company's properties, will drive cost synergies, facilitate further expansion into the global children's entertainment market and strengthen financial growth. Frederator, with its owned and operated channels on YouTube, will provide a distribution platform to facilitate the global growth of *Kartoon Channel!*.

The following table summarizes the consideration paid (in thousands):

		Amount
Cash	$	38,310
Genius Common Stock Issued		10,832
Shares Issued Exchangeable for Genius Common Stock		722
Stock Option Value of Replacement Options- Pre- Combination Vested Options		1,214
Severance Payments		1,044
Bonuses		529
Total	**$**	**52,651**

The Company has completed and finalized the purchase price allocation as of December 31, 2022 and recorded the respective fair values of assets acquired and liabilities assumed on April 6, 2022 as follows (in thousands):

Cash and cash equivalents	$	2,573
Accounts Receivable		34,237
Other Receivable		78
Prepaid Expenses and Other		1,245
Property and Equipment		1,936
ROU Assets		10,311
IP (Productions in Progress)		4,600

IP (Completed Productions)		5,684
Tradename		7,630
Customer Relationships		16,064
Networks and Platforms		803
Goodwill		21,398
Accounts Payable		(1,547)
Participations Payable		(1,380)
Bank Debt		(1,475)
Accrued Liabilities		(3,825)
Interim Production Facilities		(16,930)
Deferred Revenue		(18,080)
Lease Liabilities		(10,614)
Other Liabilities		(57)
Total Consideration	**$**	**52,651**

The identifiable intangible assets acquired of $34.8 million is comprised of $16.1 million for Customer Relationships, with remaining economic lives of 8 years, $10.3 million for IP Content including completed productions and productions in progress, that is included as part of Film and Television Costs, net on the condensed consolidated balance sheet and will be amortized as such, Tradenames for $7.6 million, with an indefinite life and Networks and Platforms of $0.8 million, with a remaining economic life of 16 years. The goodwill of $21.4 million arising from the acquisition consists largely of the synergies expected from the combined businesses, including the Company's ability to produce its content in-house utilizing the acquired studios and expansion of the *Kartoon Channel!* platform. The goodwill was recorded to the Content Production & Distribution reporting unit and is not deductible for tax purposes.

The fair values of the acquired identifiable intangible assets as described above were determined using the following methods:

Valuation Methodology

The Networks and Platforms were valued by performing a discounted cash flow analysis, specifically the multi-period excess earnings method. This method involves quantifying the amount of residual (or excess) cash flows generated by the current digital network content, based primarily upon historical revenue and projections over its expected life, and considers the operating expenses and contributory asset charges associated with servicing such network. Projected cash flows attributable to the networks are discounted to present value at a rate commensurate with the perceived risk. The significant assumptions used in this model included the customer attrition rate, acquisition rate of new customers, weighted average cost of capital, and expense estimates. The useful life of the networks is estimated based primarily upon the present value of cash flows attributable to the digital network. The significant assumptions used in this method included the royalty rate and weighted average cost of capital.

The Tradenames were valued using the relief-from-royalty method. The relief-from-royalty method is one of the methods under the income approach wherein estimates of a company's earnings attributable to the intangible asset are based on the royalty rate the company would have paid for the use of the asset if it did not own it. Royalty payments are estimated by applying a royalty rate to the prospective revenue attributable to the intangible asset. The resulting annual royalty payments are tax-affected and then discounted to present value.

Supplemental Pro Forma Information

The following supplemental unaudited pro forma information summarizes the Company's results of operations as if the acquisitions were completed at the beginning of the periods presented (in thousands, except for share and per share data):

	Three Months Ended				Three Months Ended	
	Genius Brands Consolidated (including WOW Pre-Acquisition Results)				Wow Pre-Acquisition	
	March 31, 2023		March 31, 2022 (1)		March 31, 2022 (1)	
Total Revenues	$	14,189	$	19,517	$	18,076
Net Income (Loss) Attributable to Genius Brands International, Inc.	$	(24,762)	$	(3,520)	$	1,011
Net Loss per Share of Common Stock (Basic and Diluted)	$	(0.77)	$	(0.11)		
Weighted Average Shares Outstanding (Basic and Diluted)		31,978,335		31,483,633		

(1) The unaudited historical financial statements of Wow are not adjusted for conversion to U.S. GAAP from International Financial Reporting Standards, as the adjustments are immaterial to the periods presented.

Note 4: Variable Interest Entity

In July 2020, the Company entered into a binding term sheet with POW! Entertainment, LLC. ("POW") in which we agreed to form an entity with POW to exploit certain rights in intellectual property created by Stan Lee, as well as the name and likeness of Stan Lee. The entity is called "Stan Lee Universe, LLC." POW and the Company executed an Operating Agreement for the joint venture, effective as of June 1, 2021. The purpose of the acquisition was to enable the Company to assume the worldwide rights, in perpetuity, to the name, physical likeness, physical signature, live-action and animated motion picture, television, online, digital, publishing, comic book, merchandising and licensing rights to Stan Lee and over 100 original Stan Lee creations (the "Stan Lee Assets"), from which the Company plans to develop and license multiple properties each year.

During the three months ended March 31, 2023, SLU generated $0.1 million in net income. The Company's net investment as of March 31, 2023 of $0.8 million, remained the same as compared to December 31, 2022. There were no changes in facts and circumstances that occurred during the three months ended March 31, 2023 that would result in a re-evaluation of the VIE assessment.

Note 5: Investment in Equity Interest

As of March 31, 2023, the Company owned 6,857,132 shares of YFE. At the time of the initial investment in 2021, it was determined that based on the Company's 28.69% ownership in YFE, the Company had significant influence over the entity. Therefore, under the equity method of accounting, the Company elected to account for the investment at fair value under the fair value option. Under the fair value option, the investment is remeasured and recorded at fair value each reporting period, with the change recorded through earnings. As of March 31, 2023, the fair value of the investment was determined to be $15.7 million recorded within noncurrent assets on the Company's condensed consolidated balance sheets. The fair value as of March 31, 2023 decreased $0.6 million, as compared to December 31, 2022. The decrease is comprised of the net impact of a decrease in YFE's stock price, resulting in a loss in fair value of $0.9 million and the effect of remeasuring the investment balance from the EURO to USD, resulting in a gain of $0.3 million. The total change in fair value is recorded within Other Income (Expense) on the Company's condensed consolidated statement of operations. As of March 31, 2023 and December 31, 2022, the Company's ownership in YFE was 44.8%.

Note 6: Marketable Securities

The Company classifies and accounts for its marketable debt securities as AFS and the securities are stated at fair value. On January 1, 2023, the Company adopted ASU 2016-13 *Measurement of Credit Losses on Financial Instruments (Topic 326)*, which replaced the legacy GAAP other-than-temporary impairment ("OTTI") model with a credit loss model. The credit loss model applicable to AFS debt securities require the recognition of credit losses through an allowance account but retains the concept from the OTTI model that credit losses are recognized once securities become impaired. The adoption of the ASU did not have a material impact on the Company's financial statements.

The investments in marketable securities had an adjusted cost basis of $73.9 million and a market value of $69.7 million as of March 31, 2023. The balances consisted of the following securities (in thousands):

	Adjusted Cost	Unrealized Gain/(Loss)	Fair Value
Corporate Bonds	$ 35,901	$ (1,962)	$ 33,939
U.S. Treasury	20,816	(1,041)	19,775
U.S. agency and government sponsored securities	6,898	(506)	6,392
U.S. states and municipalities	10,283	(739)	9,544
Total	**$ 73,898**	**$ (4,248)**	**$ 69,650**

The investments in marketable securities as of December 31, 2022 had an adjusted cost basis of $90.3 million and a market value of $83.7 million. The balances consisted of the following securities (in thousands):

	Adjusted Cost	Unrealized Gain/(Loss)	Fair Value
Corporate Bonds	$ 40,823	$ (2,579)	$ 38,244
U.S. Treasury	20,869	(1,313)	19,556
Mortgage-Backed	5,980	(606)	5,374
U.S. agency and government sponsored securities	10,781	(1,221)	9,560
U.S. states and municipalities	11,801	(895)	10,906
Asset-Backed	67	(1)	66
Total	**$ 90,321**	**$ (6,615)**	**$ 83,706**

The Company holds sixty-eight AFS securities, all of which are in an unrealized loss position and have been in an unrealized loss position for a period greater than twelve months as of March 31, 2023. The AFS securities held by the Company as of December 31, 2022 have also been in an unrealized loss position for a period greater than twelve months. The Company reported the net unrealized losses in accumulated other comprehensive (loss) income, a component of stockholders' equity. As of March 31, 2023 and December 31, 2022, no allowance for credit loss impairment has been recognized as the issuers of these securities have not established a cause for default and various rating agencies have reaffirmed each security's investment grade status. The fair value of these securities has fluctuated since the purchase date as market interest rates fluctuate. The Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell before the recovery of the securities' amortized cost basis.

Realized losses of $1.5 million were recognized in earnings during the three months ended March 31, 2023. The realized losses were primarily due to the sale of certain mortgage and asset-backed securities prior to their maturities to prevent further losses on the securities due to market conditions during the quarter. Realized losses of $0.1 million were recognized during the three months ended March 31, 2022 due to prepayments of principal on certain mortgage-backed securities.

The contractual maturities of the Company’s marketable investments as of March 31, 2023 were as follows (in thousands):

	Fair Value
Due within 1 year	$ 16,240
Due after 1 year through 5 years	53,410
Total	**$ 69,650**

The Company may sell certain of its marketable debt securities prior to their stated maturities for reasons including, but not limited to, managing liquidity, credit risk, duration and asset allocation.

Note 7: Property and Equipment, Net

The Company has property and equipment as follows (in thousands):

	March 31, 2023		December 31, 2022	
Furniture and Equipment	$	180	$	224
Computer Equipment		213		315
Leasehold Improvements		2,258		2,273
Software		163		263
Production Equipment		—		23
Property and Equipment, Gross		2,814		3,098
Less Accumulated Depreciation		(471)		(530)
Foreign Currency Translation Adjustment		(168)		(168)
Property and Equipment, Net	**$**	**2,175**	**$**	**2,400**

During the three months ended March 31, 2023 and 2022, the Company recorded depreciation expense of $121,607 and $37,051, respectively.

During the three months ended March 31, 2023, due to changes in the Company's estimated undiscounted future cash flows, a reassessment of its long-lived assets was performed. As a result, the carrying value of one of the Company's asset groups property and equipment assets were written down to zero and an Impairment of Property and Equipment of $119,727 was recorded within Operating Expenses in the condensed consolidated statement of operations.

Note 8: Right of Use Leased Asset

Right of use asset consisted of the following (in thousands):

	March 31, 2023		December 31, 2022	
Office Lease Assets	$	10,313	$	10,313
Equipment Lease Assets		5,145		3,928
Right Of Use Asset, Gross		15,458		14,241
Accumulated Amortization		(3,335)		(2,587)
Foreign Currency Translation Adjustment		(810)		(810)
Right Of Use Asset, Net	**$**	**11,313**	**$**	**10,844**

Refer to Note 20 for details on the Company's lease commitments.

As of March 31, 2023, the weighted-average lease term for the Company's operating leases was 90 months and the weighted-average discount rate was 10.4%. As of December 31, 2022, the weighted-average lease term for operating leases was 93 months and the weighted-average discount rate was 10.4%.

As of March 31, 2023, the weighted-average lease term for the Company's finance leases was 43 months and the weighted-average discount rate was 5.4%. As of December 31, 2022, the weighted-average lease term for the Company's finance leases was 35 months and the weighted-average discount rate was 5.3%.

Operating lease costs during the three months ended March 31, 2023 and 2022 were $0.4 million and $0.2 million, respectively, recorded within General and Administrative Expenses on the Company's condensed consolidated statement of operations.

During the three months ended March 31, 2023 the Company recorded finance lease costs of $0.6 million, comprised of ROU amortization of $0.5 million recorded within General and Administrative Expenses on the Company's condensed consolidated statement of operations and accretion of interest expense of $49,904 recorded within Interest

Expense on the Company's condensed consolidated statement of operations. The Company did not have finance leases as of March 31, 2022.

Note 9: Film and Television Costs, Net

The following table highlights the activity in Film and Television Costs as of March 31, 2023 and December 31, 2022 (in thousands):

Film and Television Costs, Net as of December 31, 2021	$	2,940
Additions to Film and Television Costs		18,364
Disposals		(11)
Film Amortization Expense & Impairment Losses		(12,996)
Foreign Currency Translation Adjustment		(517)
Film and Television Costs, Net as of December 31, 2022		**7,780**
Additions to Film and Television Costs		365
Film Amortization Expense		(236)
Foreign Currency Translation Adjustment		—
Film and Television Costs, Net as of March 31, 2023	**$**	**7,909**

Note 10: Intangible Assets, Net and Goodwill

Intangible Assets, Net

The Company had the following intangible assets (in thousands) with their weighted average remaining amortization period (in years)

Intangible Assets, Net

	Weighted Average Remaining Amortization Period	**March 31, 2023**		**December 31, 2022**	
Customer Relationships	6.9	$	17,325	$	17,325
Digital Networks	15.0		803		3,537
Trade Names	68.2		10,360		11,783
Technology	–		–		293
Other Intangible Assets (a)	–		–		325
Intangible Assets, Gross			28,488		33,263
Less Accumulated Amortization			(2,228)		(2,398)
Foreign Currency Translation Adjustment			(1,698)		(1,698)
Intangible Assets, Net		**$**	**24,562**	**$**	**29,167**

(a) Represents the remaining unamortized logo and website intangible assets related to the merger with A Squared.

During the three months ended March 31, 2023 and 2022, the Company recorded intangible asset amortization expense of $0.6 million and $0.2 million, respectively. As of March 31, 2023, $7.2 million of the Company's intangible assets related to the acquired trade names from the Wow acquisition that have indefinite lives and are not subject to amortization. The Company did not have any indefinite-lived intangible assets as of March 31, 2022.

Pursuant to ASC 350-30, *General Intangibles Other than Goodwill*, the Company reviews its intangible assets periodically to determine if the value should be retired or impaired due to recent events. During the three months ended March 31, 2023, due to changes in the Company's financial projections, the Company reassessed its definite and indefinite-lived intangible asset values to determine whether impairments existed. As a result, the Company recorded a total Impairment of Intangible Assets of $4.0 million within Operating Expenses in the condensed consolidated statement of operations at March 31, 2023. The impairment charge consisted of a write-down of definite-lived intangible assets of $2.8 million due to a decrease in one of the Company's asset groups estimated undiscounted cash flows. In addition, due to a decrease in its estimated present value of cash flows, it was determined that the Frederator tradename, an indefinite-lived intangible asset, was impaired by $1.3 million.

Expected future amortization of intangible assets subject to amortization as of March 31, 2023 is as follows (in thousands):

Fiscal Year:		
2023	$	1,545
2024		2,058
2025		2,058
2026		2,058
2027		2,058
Thereafter		8,846
Total	**$**	**18,623**

Goodwill

In 2013, the Company recognized $10.4 million in goodwill as a result of its merger with A Squared which was allocated to the Content Production and Distribution reporting unit. During the first quarter of 2021, the Company recognized $9.7 million in goodwill as a result of its acquisition of Beacon, which was allocated to its Media Advisory and Advertising Services reporting unit.

As a result of the Ameba Acquisition during the first quarter of 2022 and the Wow Acquisition during the second quarter of 2022, the Company recorded goodwill of $1.5 million, including a tax basis step-up of $0.8 million and $21.4 million, respectively. The goodwill resulting from the Ameba and Wow Acquisitions was allocated to the Content Production and Distribution reportable segment. As Wow's functional currency is the CAD, goodwill will change each period due to currency exchange differences.

As of December 31, 2022, the goodwill allocated to the Company's Media Advisory and Advertising Services reporting unit was written down tozero due to impairment.

During the three months ended March 31, 2023, the Company reassessed its remaining goodwill allocated to the Content Production and Distribution reporting unit for impairment. As a result, the Company recorded an Impairment of Goodwill of $11.3 million within Operating Expenses in its condensed consolidated statement of operations.

The following table summarizes the changes in the carrying amount of goodwill by reporting unit (in thousands):

	Content Production & Distribution	Media Advisory & Advertising Services	Total
Goodwill as of December 31, 2022	$ 31,807	$ –	$ 31,807
Goodwill Impairment	(11,287)	–	(11,287)
Foreign Currency Translation Adjustment	–	–	–
Goodwill as of March 31, 2023	**$ 20,520**	**$ –**	**$ 20,520**

Note 11: Deferred Revenue

As of March 31, 2023 and December 31, 2022, the Company had total short term and long term deferred revenue of $9.7 million and $12.4 million, respectively. The decrease in deferred revenue is primarily related to productions on various shows nearing completion of the project as of March 31, 2023, compared to the progress as of December 31, 2022. Wow's deferred revenue balance relates to cash received from customers for productions in progress. Revenue is fully recognized upon production completion. Deferred revenue also includes both (i) variable fee contracts with licensees and customers in which the Company collected advances and minimum guarantees against future royalties and (ii) fixed fee contracts. The Company recognizes revenue related to these contracts when all revenue recognition criteria have been met.

Note 12: Supplemental Financial Statement Information

Other Income (Expense), Net

Components of other income (expense), net, are summarized as follows (in thousands):

	Three Months Ended	
	March 31, 2023	March 31, 2022
Interest Expense (a)	**$ (1,085)**	**$ (55)**
Gain on Warrant Revaluation (b)	139	41
Gain (Loss) on Foreign Exchange (c)	320	(192)
Loss on Marketable Securities Investments (d)	(1,537)	(79)
Gain (Loss) on Revaluation of Equity Investment in YFE (e)	(895)	5,395
Interest Income (f)	310	248
Finance Lease Interest Expense (g)	(50)	–
Other	1	–
Other Income (Expense)	**$ (1,712)**	**$ 5,413**

(a) Interest expense during the three months ended March 31, 2023 primarily consisted of $0.7 million of interest incurred on the margin loan collateralized by the marketable security investments and $0.4 million of interest incurred on production facilities loans and bank indebtedness assumed as part of the Wow Acquisition.

(b) The gain on warrant revaluation is related to the change in fair value of outstanding warrants that were determined to be derivative liabilities attached to previously issued and converted convertible notes.

(c) The gain on foreign currency exchange during the three months ended March 31, 2023 primarily related to the EURO weakening against the USD compared to the previous reporting period end date of December 31, 2022. The remeasurement of the investment in YFE's equity securities resulted in a foreign exchange gain of $0.3 million.

(d) The net realized loss on marketable securities reflects the loss that will not be recovered from the investments due to selling securities and issuers' prepayments of principals on certain mortgage-backed securities.

(e) The fair value revaluation of the investment in YFE accounted for using the fair value option as of March 31, 2023, resulted in a $0.9 million loss, excluding the impact of foreign currency recorded separately as a Gain on Foreign Exchange. The loss is a result of the decrease in YFE's stock price as of March 31, 2023, as compared to December 31, 2022.

(f) Interest Income during the three months ended March 31, 2023 primarily consisted of cash interest received of $0.4 million from the investments in marketable securities, net of premium amortization expense of $0.2 million. The remaining increase is due to interest accrued on the Notes Receivable from Related Parties.

(g) The finance lease interest expense represents the interest portion of the finance lease obligations assumed as part of the Wow Acquisition for equipment purchased under an equipment lease line. Prior to the acquisition of Wow, the Company did not have any finance leases.

Note 13: Bank Indebtedness and Production Facilities

Upon the acquisition of Wow, the Company assumed certain credit facilities (the "Facilities"). The Facilities are comprised of the following:

Revolving Demand Facility

On December 15, 2022, the Company amended the Facility. Draws of up to $8.0 million CAD (previously $5.0 million CAD) under a revolving demand facility can be made in Canadian or US dollars at the option of the Company by way of bank prime rate loans, Canadian Bankers' Acceptances, Secured Overnight Financing Rate ("SOFR") or letters of credit. Canadian or US dollar bank prime borrowings bear interest at a rate equal to bank prime plus 2.00% per annum.

For other draws under the revolving facility, the respective loans bear interest at a rate equal to Canadian Bankers' Acceptances or SOFR plus 3.75% per annum.

As of March 31, 2023, the Company had an outstanding balance of $3.9 million USD ($5.2 million CAD) on the revolving demand facility by way of bank prime rate loan draws, included as Bank Indebtedness within current liabilities on the Company's condensed consolidated balance sheets.

Equipment Lease Line

On March 17 2023, the Company amended the terms of the equipment lease line under the Facility. Under the equipment lease line, the Company may borrow up to $4.0 million CAD (previously $4.3 million CAD) under a revolving demand equipment lease line.

Each transaction under the equipment lease line has specific financing terms in respect of the leased equipment such as term, finance amount, rate, and payment terms. The finance rates for these equipment leases range from 3.94% - 7.18% with remaining lease terms of 5 - 40 months. The Company has recorded finance lease right of use assets and finance lease liabilities for the leased equipment acquired in respect of these draws.

As of March 31, 2023, the Company has drawn down a total of $2.1 million USD ($2.9 million CAD) under the equipment lease line. These outstanding balances as of March 31, 2023, net of repayments, are included within current and noncurrent Finance Lease Liabilities on the Company's condensed consolidated balance sheets.

Treasury Risk Management Facility

Advances of up to $500,000 CAD available under the treasury risk management facility are subject to market rates as determined by the lender's treasury department or derivatives group at the time of the drawdown request. The maximum term for foreign exchange forward contracts and interest rate swaps is one year.

As of March 31, 2023, there were no outstanding amounts drawn under the treasury risk management facility.

As of March 31, 2023, the Company was in compliance with all covenants under the Facility.

Production Facilities

As part of the acquisition of WOW, the Company assumed production facilities for financing specific productions. The Company's production facilities bear interest at rates ranging from bank prime plus 1.00% - 1.25% per annum. The production facilities are generally repayable on demand and are guaranteed and secured by the Company. The security reflects substantially all of the Company's tangible and intangible assets including a combination of federal and provincial tax credits, other government incentives, production service agreements and license agreements.

As of March 31, 2023, the Company had an outstanding balance of $16.7 million USD ($22.6 million CAD), including $0.8 million USD ($1.1 million CAD of interest), recorded as Production Facilities, net within current liabilities on the Company's condensed consolidated balance sheets.

Equipment Lease Facility

Separate from the Facility's equipment lease line, a subsidiary of the Company entered into an equipment lease agreement with a Canadian bank. This additional equipment lease facility allows the Company to finance equipment purchases of up to $1.4 million CAD in total. Each equipment lease is for a term of three years and will have specific financing terms such as finance amount and the bank's lease base rate. The Company has recorded finance lease right of use assets and finance lease liabilities for the leased equipment acquired in respect of these draws.

The outstanding balance as of March 31, 2023, net of repayments, is $0.5 million USD ($0.7 million CAD) and is included within current and noncurrent Finance Lease Liabilities on the Company's condensed consolidated balance sheets.

Note 14: Margin Loan

The Company borrowed an additional $3.7 million from its investment margin account during the three months ended March 31, 2023 and repaid $16.3 million with cash received from sales and maturities of marketable securities. During the three months ended March 31, 2023, the borrowed amounts were primarily used for operational costs. The interest rates for the borrowings fluctuate based on the Federal Funds Rate plus 0.65% with interest only payable monthly. The weighted average interest rates were 0.89% and 1.66% on average margin loan balances of $46.2 million and $27.1 million as of March 31, 2023 and December 31, 2022, respectively. The Company incurred interest expense on the loan of $0.7 million and $21,846 during the three months ended March 31, 2023 and March 31, 2022, respectively. The investment margin account borrowings do not mature but are collateralized by the marketable securities held by the same custodian and the custodian can issue a margin call at any time, effecting a payable on demand loan. Due to the call option, the margin loan is recorded as a current liability on the Company’s condensed consolidated balance sheets. As of March 31, 2023 and December 31, 2022, the Company's margin loan balance was $48.9 million and $60.8 million, respectively.

Note 15: Stockholders’ Equity

Common Stock

On February 6, 2023, the Company's board of directors approved a 1-for-10 reverse stock split of the Company's outstanding shares of common stock. The reverse stock split was effected on February 10, 2023 at 5:00 p.m. Eastern time. At the effective time, every 10 issued and outstanding shares of the Company's common stock were converted into 1 share of common stock. Any fractional shares of common stock resulting from the reverse stock split were rounded up to the nearest whole post-split share and no shareholders received cash in lieu of fractional shares. The par value of each share of common stock remained unchanged. The reverse stock split proportionately reduced the number of shares of authorized common stock from 400,000,000 to 40,000,000 shares. The reverse stock split also applied to common stock issuable upon the exercise of the Company's outstanding warrants and stock options. The reverse stock split did not affect the authorized preferred stock of 10,000,001 shares. Unless noted, all references to shares of common stock and per share amounts contained in this Quarterly Report on Form 10-Q have been retroactively adjusted to reflect a 1-for-10 reverse stock split.

As of March 31, 2023, the total number of authorized shares of common stock was 40,000,000.

As of March 31, 2023 and December 31, 2022, there were 32,113,784 and 31,918,552 shares of common stock outstanding, respectively.

Preferred Stock

The Company has 10,000,001 shares of preferred stock authorized with a par value of $0.001 per share. The Board of Directors is authorized, subject to any limitations prescribed by law, without further vote or action by our stockholders, to issue from time-to-time shares of preferred stock in one or more series. Each series of preferred stock will have such number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as shall be determined by our Board of Directors, which may include, among others, dividend rights, voting rights, liquidation preferences, conversion rights and preemptive rights.

In connection with the Company’s acquisition of Wow, certain eligible Canadian shareholders, noteholders and optionholders of Wow elected to receive the Exchangeable Shares in the capital of the Wow Exchange Co. Inc. (“ExchangeCo”) instead of shares of the Company’s common stock to which they were otherwise entitled.

The shares of ExchangeCo are exchangeable into shares of the Company’s common stock in accordance with their terms. Holders of the ExchangeCo shares are entitled to defined voting rights (the “Voting Rights”) in the Company pursuant to a voting and exchange trust agreement (the “Voting Agreement”) dated April 6, 2022 between the Company, ExchangeCo, 1329258 B.C. Ltd. and Computershare Trust Company of Canada (the “Voting Trustee”). The Voting Trustee holds a single share of Series B Preferred Stock in the capital of the Company (the “Special Voting Share”), which grants the Voting Trustee that number of votes at the meetings of the Company’s shareholders as is equal to the number of shares of the Company’s common stock that at such time have not been delivered pursuant to the tender of ExchangeCo shares. The Voting Trustee is required to exercise each vote attached to the Special Voting Share only as directed by the relevant holder of the underlying Company shares of common stock and, in the absence of any instructions, will not exercise voting rights with respect to the applicable shares.

As of March 31, 2023 and December 31, 2022, there were 0 shares of Series A Convertible Preferred Stock outstanding. As of March 31, 2023 and December 31, 2022, there was 1 share of Series B Preferred Stock outstanding.

Treasury Stock

During the three months ended March 31, 2023, 3,700 shares of common stock with a cost of $9.435 were withheld to cover taxes owed by certain employees, all of which were included as treasury stock outstanding and recorded at cost within Treasury Stock on the condensed consolidated balance sheet.

Note 16: Stock Options

On September 18, 2015, the Company adopted the Genius Brands International, Inc. 2015 Incentive Plan (the "2015 Plan"). The total number of shares that can be issued under the 2015 Plan is 216,767 shares.

On September 1, 2020, the Company adopted the Genius Brands International, Inc. 2020 Incentive Plan (the "2020 Plan"). On August 4, 2020, the Board of Directors voted to adopt the 2020 Plan. The shares available for issuance under the 2020 Plan were approved by stockholders on August 27, 2020. The 2020 Plan as approved by the stockholders increased the maximum number of shares available for issuance up to an aggregate of 3,000,000 shares of common stock, which does not include shares that the Company may issue related to acquisitions.

The following table summarizes the stock option activity during the three months ended March 31, 2023:

	Number of Shares	Weighted- Average Remaining Contractual Life	Weighted- Average Exercise Price
Outstanding at December 31, 2022	1,351,421	6.49	$ 15.09
Granted	–	–	$ –
Exercised	–	–	$ –
Forfeited/Cancelled	(4,100)	2.78	$ 30.34
Expired	–	–	$ –
Outstanding at March 31, 2023	**1,347,321**	**6.26**	**$ 15.05**
Unvested at March 31, 2023	312,877	5.92	$ 13.23
Vested and exercisable March 31, 2023	1,034,444	6.36	$ 15.59

During the three months ended March 31, 2023, upon termination of certain employees, the Company accelerated the vesting of any unvested options held by the employee per the original employment agreement. This resulted in 95,758 options becoming immediately vested on the separation date and $0.1 million in expense recognized by the Company.

During the three months ended March 31, 2023 and 2022, the Company recognized $0.4 million and $0.4 million, respectively, in share-based compensation expense related to stock options. The unrecognized share-based compensation expense as of March 31, 2023 was $0.9 million and will be recognized over a weighted average remaining contractual life of 6.26 years. The outstanding shares as of March 31, 2023 have an aggregated intrinsic value of $0.

Note 17: Restricted Stock Units

On March 17, 2023, the Company granted 11,070 fully vested RSUs to the Company's board members with a fair market value of $30,000. The RSUs expire five years from date of grant.

An aggregate of 593,358 shares of common stock were issued as a result of vested RSUs.

The following table summarizes the Company's RSU activity during the three months ended March 31, 2023:

	Restricted Stock Units	Weighted-Average Remaining Contractual Life	Weighted-Average Grant Date Fair Value per Share
Unvested at December 31, 2022	1,161,944	3.41	$ 13.67
Granted	11,070	4.96	$ 2.71
Vested	(37,105)	3.49	$ 11.76
Forfeited/Cancelled	–	–	$ –
Unvested at March 31, 2023	**1,135,909**	**3.17**	**$ 13.63**

During the three months ended March 31, 2023, upon termination of certain employees, the Company accelerated the vesting of any unvested shares held by the employee per the original employment agreement. This resulted in 24,243 shares becoming immediately vested and issued on the separation date and $0.1 million in expense recognized by the Company.

During the three months ended March 31, 2023 and 2022, the Company recognized $0.5 million and $4.1 million, respectively, in share-based compensation expense related to RSU awards. The unvested share-based compensation as of March 31, 2023 is $1.2 million which will be recognized through the second quarter of 2025 assuming the underlying grants are not cancelled or forfeited. The total fair value of shares vested during the three months ended March 31, 2023 was $0.4 million.

Note 18: Warrants

The following table summarizes the activity in the Company's outstanding warrants during the three months ended March 31, 2023:

	Warrants Outstanding Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price Per Share
Balance at December 31, 2022	**4,433,593**	**3.37**	**$ 22.50**
Granted	–	–	$ –
Exercised	–	–	$ –
Expired	(4,000)	–	$ 30.00
Forfeitures	(50,000)	7.69	$ 13.90
Balance at March 31, 2023	**4,379,593**	**3.08**	**$ 22.59**
Exercisable March 31, 2023	4,379,593	3.08	$ 22.59
Exercisable December 31, 2022	4,433,593	3.37	$ 22.50

The warrants to purchase shares of the Company's common stock outstanding as of March 31, 2023 and December 31, 2022 had a total value of $72.4 million and $73.3 million, respectively.

As of March 31, 2023, 89,286 liability classified derivative warrants to purchase shares of the Company's common stock remained outstanding and are revalued each reporting period. As of March 31, 2023, the warrants were revalued at $0.2 million, resulting in a decrease of $0.1 million in liability as compared to December 31, 2022. The change in value is recorded within net other income (expense) on the condensed consolidated statements of operations.

The fair value of the outstanding derivative warrants was determined by using the Black-Scholes option pricing model ("BSM") based on the following assumptions:

Exercise Price	$ 2.10
Dividend Yield	0 %
Volatility	127 %
Risk-free interest rate	4.03 %
Expected life of options	2.0 years

On February 16, 2023, the Company received a notification of exercise from the holder of the remaining 50,000 warrants with a put option. The put option was exercised for a fixed rate of $250,000.

Note 19: Income Taxes

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"), which requires the recognition of deferred tax liabilities and assets at currently enacted tax rates for the expected future tax consequences of events that have been included in the financial statements or tax returns. A valuation allowance is recognized to reduce the net deferred tax asset to an amount that is more likely than not to be realized.

ASC 740 provides guidance on the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC 740 requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements.

The Company includes interest and penalties arising from the underpayment of income taxes in the statements of operation in the provision for income taxes. As of March 31, 2023 and December 31, 2022, the Company had no accrued interest or penalties related to uncertain tax positions.

The Company files income tax returns in the U.S. federal jurisdiction and in the states of California, Massachusetts and New Jersey and will start filing in New York. The Company is currently subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities since inception of the Company.

The Company is subject to U.S. income taxes on a stand-alone basis. The Company, the Beacon Media Group (formerly ChizComm) and Wow file separate stand-alone tax returns in each jurisdiction in which they operate. Beacon Communications, Wow and Ameba are corporations operating in Canada and are subject to Canadian income taxes on their stand-alone taxable income.

Note 20: Commitments and Contingencies

The following is a schedule of future minimum contractual obligations as of March 31, 2023 (in thousands):

	2023	2024	2025	2026	2027	Thereafter	Total
Operating Leases	$ 1,229	$ 1,701	$ 1,750	$ 1,768	$ 1,541	$ 4,601	$ 12,590
Finance Leases	1,504	1,066	588	228	–	–	3,386
Employment Contracts	2,924	1,088	427	–	–	–	4,439
Consulting Contracts	2,365	1,428	–	–	–	–	3,793
Debt	52,759	16,711	–	–	–	–	69,470
	$ 60,781	$ 21,994	$ 2,765	$ 1,996	$ 1,541	$ 4,601	$ 93,678

Leases

On January 30, 2019, the Company entered into an operating lease for 5,838 square feet of general office space at 190 N. Canon Drive, Suite 400, Beverly Hills, CA 90210 pursuant to a 96-month lease that commenced on August 1, 2019. The Company pays rent of $0.4 million annually, subject to annual escalations of 3.5%.

On February 1, 2021, as part of the ChizComm Acquisition, the Company assumed an operating lease that was entered into on May 19, 2019 for 6,845 square feet of general office space located at 245 Fairview Mall Drive, Suites 202 and 301, Toronto, Ontario M2J 4T1 pursuant to an 84-month lease which commenced on October 1, 2019. The Company pays rent of $95,830 annually, subject to annual escalations of 5% to 7%.

On March 2, 2021, the Company entered into an operating lease for 4,765 square feet of general office space located at 1050 Wall Street West, Suite 665, Lyndhurst NJ, 07071 pursuant to an 89-month lease which commenced on October 1, 2021. The Company pays rent of $115,154 annually subject to annual escalations of 2.5%.

On April 6, 2022, as part of the Wow Acquisition, the Company assumed an operating lease for 45,119 square feet of general office space located at 2025 West Broadway, Suite 200, Vancouver, B.C., V6J 1Z6. The right of use asset and lease liability were revalued on the acquisition date based on the remaining lease term of 117 months with payments of $81,769 per month, subject to escalations of 7% each of the third and fifth years. The lease liability and right of use asset were determined to be $6.6 million, utilizing a discount rate of 11.5%. As part of the assumed office lease, the Company also assumed a parking lease for 80 parking spaces. The parking lease was also revalued utilizing the 11.5% discount rate. With a remaining lease term of 117 months, paying $6,091 per month, the ROU asset and lease liability were determined to be $0.5 million as of the acquisition date and recorded within current and noncurrent Operating Lease Liabilities on the Company's condensed consolidated balance sheet upon acquisition.

Also, as part of the Wow Acquisition, the Company assumed various equipment finance leases, the majority of which are under Master Line of Credit Agreements with certain banking institutions. As the rates were implicit in the leases, the Company determined that the carrying value of the leases as of the acquisition date equaled the fair value. With the implicit rates in the leases range from 3.7% - 14.5%, remaining lease terms of 10-33 months and monthly payments of $1,346-$57,362 as of the Wow Acquisition date, the finance lease obligations were determined to be $3.5 million and recorded as current and noncurrent Finance Lease Liabilities on the Company's condensed consolidated balance sheet upon consolidation.

The present value discount of the minimum operating lease payments above was $3.9 million as of March 31, 2023.

Other Funding Commitments

The Company enters into various agreements associated with its individual properties. Some of these agreements call for the potential future payment of royalties or "profit" participations for either (i) the use of third party intellectual property, in which the Company is obligated to share net profits with the underlying rights holders on a certain basis as defined in the respective agreements or (ii) services rendered by animation studios, post-production studios, writers, directors, musicians or other creative talent for which the Company is obligated to share with these service providers a portion of the net profits of the properties on which they have rendered services, as defined in each respective agreement.

Note 21: Related Party Transactions

Pursuant to his employment agreements dated December 7, 2020, Andy Heyward, the Company's CEO, is entitled to an Executive Producer fee of $12,500 per one-half hour episode for each episode he provides services as an executive producer. During the three months ended March 31, 2023 and March 31, 2022, Mr. Heyward earned and was paid $162,500 and $612,155 in producer fees, respectively. Mr. Heyward also earned his $55,000 quarterly bonus during the three months ended March 31, 2023.

On August 25, 2022, Mr. Heyward's employment agreement was amended to include assignment of music royalties to Mr. Heyward for all musical compositions in which he provides services as a composer for or on behalf of the Company, in the event that the Company acquires up to 50% of the writer's share of the royalties for that musical composition. If the Company acquires more than 50% of the writer's share of the royalties on musical compositions Mr. Heyward provided services for, he has the option to purchase the additional royalties from the Company at the price the Company paid to acquire the additional royalties. During the three months ended March 31, 2023, Mr. Heyward has not earned royalties from musical compositions.

Pursuant to his employment agreement dated April 7, 2022, Michael Hirsh, CEO of Wow and its Frederator and Mainframe Studio subsidiaries is entitled to an Executive Producer fee of $12,400 per one-half hour for each episode of any audio-visual production produced by Wow and any of its subsidiaries during the term of his employment, up to 52 episodes per year. During the three months ended March 31, 2023, Mr. Hirsh hasnot earned producer fees under the employment agreement.

On July 21, 2020, the Company entered into a merchandising and licensing agreement with Andy Heyward Animation Art ("AHAA"), whose principal is Andy Heyward. The Company entered into a customary merchandise license agreement with AHAA for the use of characters and logos related to Warren Buffett's *Secret Millionaires Club* and *Stan Lee's Mighty 7* in connection with certain products to be sold by AHAA. The terms and conditions of such license are customary within the industry, and the Company earns an arm-length industry standard royalty on all sales made by AHAA utilizing the licensed content. During the three months ended March 31, 2023 and March 31, 2022, Mr. Heyward has not earned royalties from this agreement.

On September 30, 2021, the Company entered into a Loan Agreement and Promissory Note with POW in the amount of $1,250,000, accruing simple interest at the annualized rate of 9%. The loan has accrued interest of $0.2 million and $0.1 million as of March 31, 2023 and December 31, 2022, respectively, recorded with the principal balance within Note Receivable from Related Party on the Company's condensed consolidated balance sheets. In addition, pursuant to its joint venture with POW and formation of the entity Stan Lee Universe, LLC, the Company included within Note Receivable from Related Party, the amount owed to the Company related to the 50% non-controlling interest held by POW. On November 1, 2022, POW failed to repay the Loan as set forth in the applicable loan agreement and the Company had not received any payment as of March 31, 2023. As the Library secures repayment, the Company initiated a public sale of the Stan Lee Library owned by POW during February 2023, however, POW has since repaid the loan during April 2023 and the auction has been cancelled.

On July 19, 2022, the Company entered into a Shareholder Loan Agreement with YFE in the amount of EURO 1.3 million, accruing interest at the fixed annualized rate of 5%, with successive interest periods of three months due on the last day of each calendar quarter. The entire principal sum was required to be remitted to YFE within 5 days of the effective date. The principal, plus interest must be repaid by no later than June 30, 2026. The loan has accrued interest of USD $44,701 as of March 31, 2023 recorded with the principal balance within Note Receivable from Related Party on the Company's condensed consolidated balance sheet.

On December 1, 2021, the Company entered into an Independent Contractor Agreement for two years with F&M Film and Medien Beteiligungs GmbH ("F&M"), a company controlled by Dr. Stefan Piëch. Pursuant to the agreement, F&M will receive $150,000 annually, paid on a semi-monthly basis. In addition, Dr. Piëch was granted 30,000 of the Company's RSUs that vest in three six-month intervals beginning on December 1, 2021.

During 2022, the Company entered into a sublease agreement with a related party to lease one office in the general office space at 190 N. Canon Drive, Suite 400, Beverly Hills, CA 90210. The sublease payment is $595 per month and recorded to Other Income in the Company's condensed consolidated statement of operations.

Note 22: Segment Reporting

The Company's CODM uses revenue and net earnings to evaluate the profitability and performance of each operating segment. All other financial information is reviewed by the CODM on a consolidated basis. The CODM does not evaluate the operating segments using asset information and it is therefore not disclosed. All expenses directly attributable to each reportable segment are included in the operating results for each segment. However, the CODM does not evaluate the expenses by operating segment and, therefore, it is not separately presented.

The following table presents the revenue and net earnings within the Company's two operating segments (in thousands):

	Three Months Ended	
	March 31, 2023	**March 31, 2022**
Total Revenues:		
Content Production & Distribution	$ 13,233	$ 455
Media Advisory & Advertising Services	956	986
Total Revenue	**$ 14,189**	**$ 1,441**
Net Loss:		
Content Production & Distribution	$ (24,208)	$ (4,040)
Media Advisory & Advertising Services	(554)	(491)
Total Operating Loss	**$ (24,762)**	**$ (4,531)**

Geographic Information

The following table provides information about disaggregated revenue by geographic area (in thousands):

	Three Months Ended	
	March 31, 2023	March 31, 2022
Total Revenues:		
United States	$ 8,640	$ 553
Canada	3,555	888
United Kingdom	1,844	–
Other	150	–
Total Revenue	**$ 14,189**	**$ 1,441**

Note 23: Subsequent Events

During April 2023, the Company received the principal, plus interest accrued, payment due of $1.4 million related to the Loan Agreement and Promissory Note with POW.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of our results of operations, financial condition and liquidity and capital resources should be read in conjunction with our financial statements and related notes for the three months ended March 31, 2023 and 2022. Certain statements made or incorporated by reference in this report and our other filings with the Securities and Exchange Commission, in our press releases and in statements made by or with the approval of authorized personnel constitute forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and are subject to the safe harbor created thereby. Forward-looking statements reflect intent, belief, current expectations, estimates or projections about, among other things, our industry, management's beliefs, and future events and financial trends affecting us. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "will" and variations of these words or similar expressions are intended to identify forward looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward looking statements. Although we believe the expectations reflected in any forward-looking statements are reasonable, such statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors. These differences can arise as a result of the risks described in the section entitled "Item 1A. Risk Factors" in our Annual Report on Form 10-K filed on April 13, 2023 and elsewhere in this report, as well as other factors that may affect our business, results of operations, or financial condition. Forward-looking statements in this report speak only as of the date hereof, and forward-looking statements in documents incorporated by reference speak only as of the date of those documents. Unless otherwise required by law, we undertake no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, we cannot assure you that the forward-looking statements contained in this report will, in fact, transpire.

Overview

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide readers of our consolidated financial statements with the perspectives of management. This should allow the readers of this report to obtain a comprehensive understanding of our businesses, strategies, current trends, and future prospects. It should be noted that the MD&A contains forward-looking statements that involve risks and uncertainties.

Our Business

Genius Brands International, Inc. ("we," "us," "our," or the "Company") is a global content and brand management company that creates, produces, licenses, and broadcasts timeless and educational, multimedia animated content for children. Led by experienced industry personnel, we distribute our content primarily on streaming platforms and television and license properties for a broad range of consumer products based on our characters. We are a "work for hire" producer for many of the streaming outlets and animated content intellectual property ("IP") holders. In the children's media sector, our portfolio features "content with a purpose" for toddlers to tweens, providing enrichment as well as entertainment. With the exception of selected Wow Unlimited Media Inc. titles, our programs, along with licensed programs, are being broadcast in the United States on our wholly-owned advertisement supported video on demand ("AVOD") service, our free ad supported TV ("FAST") channels andsubscription video on demand ("SVOD") outlets, *Kartoon Channel!* and *Ameba*. These streaming services are available on Apple TV, Apple iOS, Android TV, Android mobile, Amazon Prime, Amazon Fire, Tubi, Roku, Comcast, Cox, Dish/Sling, Xumo, Pluto, Samsung Smart TVs, LG Smart TVs, as well as YouTube, among other platforms. Our in-house owned and produced animated shows include *Stan Lee's Superhero Kindergarten* starring Arnold Schwarzenegger, *Llama Llama* starring Jennifer Garner, *Rainbow Rangers, KC Pop Quiz*, and the upcoming *Shaq's Garage* starring Shaquille O'Neal, scheduled to debut in the second quarter of 2023. Our library titles include the award-winning *Baby Genius*, adventure comedy *Thomas Edison's Secret Lab®,* and *Warren Buffett's Secret Millionaires Club*, created with and starring iconic investor Warren Buffett, *Team Zenko Go!, Reboot*, *Bee & PuppyCat: Lazy in Space* and *Castlevania*.

We also license our programs to other services worldwide, in addition to the operation of our own channels, including but not limited to Netflix, HBO Max, Paramount+, Nickelodeon, and satellite, cable and terrestrial broadcasters around the world.

Through our investments in Germany's *Your Family Entertainment* ("YFE"), a publicly traded company on the Frankfurt Exchange (RTV-Frankfurt), we have gained access to one of the largest animation catalogues in Europe with over 50 titles consisting of over 1,600 episodes, and a global distribution network which currently covers over 60 territories worldwide.

Through the ownership of WOW Unlimited Media Inc. ("Wow"), we established an affiliate relationship with Mainframe Studios, which is one of the largest animation producers in the world. In addition, Wow owns Frederator Networks Inc. ("Frederator") and its *Channel Frederator Network*, the largest animation focused multi-channel network on *YouTube* with over 2,500 channels.

We have rights to a select amount of valuable IP, included among them a controlling interest in Stan Lee Universe ("SLU"), through which we control the name, likeness, signature, and all consumer product and IP rights to Stan Lee (the "Stan Lee Assets").

We also own Beacon Media Group ("Beacon"), the largest media buying service for children in North America. Beacon represents over 30 major toy companies, including Playmobile, Bandai Toys, Bazooka, Moose Toys, and JAKKS Pacific.

In addition, we own the Canadian company Ameba Inc. ("Ameba"), which distributes SVOD service for kids, and has become the focal point of revenue growth for Genius Networks' subscription offering.

We and our affiliates provide world class animation production studios, a catalogue representing thousands of hours of premium global content for children, a broadcast system for delivering that content and an in-house consumer products licensing infrastructure to fully exploit the content.

Environmental, Social and Governance Strategy

We are attempting to shape culture, social attitudes and societal outcomes with our animated content and consumer products that touch the lives of young people and their families. As a global content company that reaches millions of people, we aim to be a positive force in the world.

We are committed to advancing and strengthening our approach to environmental, social and governance ("ESG") topics to help serve our partners, audiences, employees and shareholders — and to enhance our success as a business.

We are committed to responsible, ethical and inclusionary business practices as outlined below:

Human Capital Management

As of March 31, 2023, we employed 715 full-time employees and 46 independent contractors.

We aim to build a culture that attracts and retains the best employees and a workplace where everyone feels welcome, safe and inspired. Our human capital management strategy is intended to address the following areas:

A Culture of Diversity, Equity and Inclusion

We seek to foster a culture of diversity, equity and inclusion through a range of partnerships, collaborations, programs and initiatives, some of which are described below.

We strive to be an inclusionary workplace because we believe that it strengthens our business.

- In 2021, we created the role of Chief Diversity Officer. That role is responsible for both helping meet our hiring goals and reviewing the content we create.
- Our board of directors is diverse with representation from people of color and the LGBTQ community.

Preventing Harassment and Discrimination

We have enacted policies addressing harassment, discrimination and other behaviors that could create a hostile workplace, some of which are described below.

- We make training on preventing sexual harassment, discrimination and retaliation available to our employees.

- We expect employees to report any violations of Company policies, including sexual harassment, they witness. Among other ways, employees can report incidents of harassment using our anonymous complaint and reporting hotline.

Social Impact and Corporate Social Responsibility

We believe that the content we produce, primarily directed at young people and their families, both reflects and influences how our young viewers perceive and understand important issues. We endeavor to earn our viewers' trust through a variety of practices, and we are focused on using our platforms to create positive social impacts.

By way of just a few examples: in our show *Rainbow Rangers*, a diverse cast of girls works to save animals and protect the environment, while demonstrating the power of teamwork; in our *Llama Llama* series, we teach kindness and inclusion, and feature a differently abled character, which we have been told is appreciated by moms and kids who deal with physical challenges. In the earliest days of the COVID-19 pandemic, we spread public service messages to keep our audiences safe and informed with animated shorts featuring the iconic voices from our series including Warren Buffett from *The Secret Millionaires Club* and Jennifer Garner, the voice of Mama Llama from the *Llama Llama* series.

Our mission statement says it all: "Content with a Purpose." Social justice, caring about the environment and modeling appropriate and inclusionary behavior for kids has been part of our company for many years and we are constantly seeking ways to improve on what we have already been doing.

Recent Developments

On February 6, 2023, our board of directors approved a 1-for-10 reverse stock split of our outstanding shares of common stock. The reverse stock split was effected on February 10, 2023 at 5:00 p.m. Eastern time. At the effective time, every 10 issued and outstanding shares of the Company's common stock were converted into one share of common stock. Any fractional shares of common stock resulting from the reverse stock split were rounded up to the nearest whole post-split share and no shareholders received cash in lieu of fractional shares. The par value of each share of common stock remained unchanged. The reverse stock split proportionately reduced the number of shares of authorized common stock from 400,000,000 to 40,000,000 shares. The reverse stock split also applied to common stock issuable upon the exercise of our outstanding warrants and stock options. The reverse stock split did not affect the authorized preferred stock of 10,000,001 shares. Unless noted, all references to shares of common stock and per share amounts contained in this Quarterly Report on Form 10-Q have been retroactively adjusted to reflect a 1-for-10 reverse stock split.

Results of Operations

Our summary results for the three months ended March 31, 2023 and 2022 are below:

Revenues

	Three Months Ended			
	March 31, 2023	**March 31, 2022**	**Change**	**% Change**
	(in thousands, except percentages)			
Production Services	$ 9,886	$ –	$ 9,886	100 %
Content Distribution	3,301	414	2,887	697 %
Licensing & Royalties	46	41	5	12 %
Media Advisory & Advertising Services	956	986	(30)	(3) %
Total Revenue	**$ 14,189**	**$ 1,441**	**$ 12,748**	**885 %**

Production Services revenue is generated specifically by Wow providing animation production services for the three months ended March 31, 2023.

Content Distribution revenue is generated from the distribution of our properties for broadcast on television, video-on-demand (“VOD”) or subscription video-on-demand (“SVOD”) in domestic and international markets and the sale of DVDs for home entertainment through our partners. Content Distribution also includes our advertising sales generated on our digital network, the *Kartoon Channel!* in the form of either flat rate promotions or advertising impressions served, SVOD revenues generated by Ameba and revenue generated by Frederator on its multi-channel network.

Fluctuations in Content Distribution revenue are based on the achievement of revenue recognition criteria such as the start of a license period and the delivery of the content or advertisement to the customer. Revenue related to our AVOD and SVOD, including advertising sales for the three months ended March 31, 2023, increased 697% as compared to the three months ended March 31, 2022 primarily due to the acquisition of Ameba, Wow and Frederator, increasing Content Distribution revenue by $3.0 million.

Licensing & Royalties revenues are generated by the items in which we license the rights to our copyrights and trademarks of our brands and those of the brands for which we act as a licensing agent. Revenue related to our licensing and royalties for the three months ended March 31, 2023 increased 12% as compared to the three months ended March 31, 2022 primarily due to entering an agreement for the licensing of certain Stan Lee Assets.

Media Advisory & Advertising Services revenue is a combination of client retainer fee-based services and media commissions generated by our wholly-owned subsidiary, Beacon Media Group ("Beacon").

Expenses

	Three Months Ended			
	March 31, 2023	**March 31, 2022**	**Change**	**% Change**
	(in thousands, except percentages)			
Marketing and Sales	$ 245	$ 160	$ 85	53 %
Direct Operating Costs	11,285	344	10,941	3181 %
General and Administrative	9,225	10,857	(1,632)	(15) %
Impairment of Property and Equipment	120	–	120	100 %
Impairment of Intangible Assets	4,023	–	4,023	100 %
Impairment of Goodwill	11,287	–	11,287	100 %
Total Expenses	**$ 36,185**	**$ 11,361**	**$ 24,824**	**219 %**

Marketing and Sales expenses consist primarily of advertising expenses and certain payments made to our marketing partners. Advertising expenses include promotional activities such as digital and television advertising. Marketing expenses also include payroll and related expenses for personnel that support marketing activities. The increase in marketing and sales expenses for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022 was primarily due to a decrease in marketing and advertising expenses incurred to promote the *Kartoon Channel!* as well as the launch of *Superhero Kindergarten.*

Direct Operating Costs during the three months ended March 31, 2023 consist primarily of salaries and related expenses for the animation production services employees of Mainframe and Frederator. Channel expenses, licensing and production of content costs, such as participation expenses related to profit sharing obligations with various animation studios, post-production studios, writers, directors, musicians or other creative talent that have rendered services and amortization, including any write-downs of film and television costs, make up the remainder of Direct Operating Costs.

The increase is primarily due to the acquisition of Ameba, Wow and Frederator, which increased Direct Operating Costs for the three months ended March 31, 2023 by $11.1 million as compared to the three months ended March 31, 2022.

General and Administrative expenses primarily consist of payroll and related expenses, share-based compensation related to our equity compensation plan, rent, depreciation of our property and equipment and amortization of our intangible assets, as well as professional fees and other general corporate expenses. The $1.6 million decrease in general and administrative expenses for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022 was primarily due to a decrease in stock-based compensation of $3.6 million due to the absence of modification expenses that were incurred in the prior year period and a decrease in professional fees of $0.9 million offset by the increase during the three months ended March 31, 2023 of $8.2 million, due to the consolidation of Ameba, Wow and Frederator's general and administration expenses.

During the three months ended March 31, 2023, we reassessed our long-lived assets, including our definite-lived intangible assets, our indefinite-lived intangible assets and our remaining goodwill allocated to the Content Production and Distribution reportable segment for impairment. As a result, we recorded an impairment charge to our property and equipment of $0.1 million, our definite-lived intangible assets of $2.8 million, our indefinite-lived intangible assets of $1.3 million and our goodwill recorded within the Content Production and Distribution reporting unit of $11.3 million in our condensed consolidated statement of operations.

Other Income (Expense), Net

Components of other income (expense), net are summarized as follows:

	Three Months Ended			
	March 31, 2023	**March 31, 2022**	**Change**	**% Change**
	(in thousands, except percentages)			
Interest Expense (a)	**$ (1,085)**	**$ (55)**	**$ (1,030)**	**1,873 %**
Gain on Warrant Revaluation (b)	139	41	98	239 %
Gain (Loss) on Foreign Exchange (c)	320	(192)	512	(267)%
Loss on Marketable Securities Investments (d)	(1,537)	(79)	(1,458)	1,846 %
Gain (Loss) on Revaluation of Equity Investment in YFE (e)	(895)	5,395	(6,290)	(117)%
Interest Income (f)	311	248	63	25 %
Finance Lease Interest Expense (g)	(50)	–	(50)	100 %
Other	1	–	1	100 %
Other Income (Expense)	**$ (1,711)**	**$ 5,413**	**$ (7,124)**	**(132)%**

(a) Interest expense during the three months ended March 31, 2023 primarily consisted of $0.7 million of interest incurred on the margin loan collateralized by the marketable security investments and $0.4 million of interest incurred on production facilities loans and bank indebtedness assumed as part of the Wow Acquisition.

(b) The gain on warrant revaluation is related to the change in fair value of outstanding warrants that were determined to be derivative liabilities attached to previously issued and converted convertible notes.

(c) The gain on foreign currency exchange during the three months ended March 31, 2023 primarily related to the EURO weakening against the USD compared to the previous reporting period end date of December 31, 2022. The remeasurement of the investment in YFE's equity securities resulted in a foreign exchange gain of $0.3 million.

(d) The net realized loss on marketable securities reflects the loss that will not be recovered from the investments due to selling securities and issuers' prepayments of principals on certain mortgage-backed securities.

(e) The fair value revaluation of the investment in YFE accounted for using the fair value option as of March 31, 2023, resulted in a $0.9 million loss, excluding the impact of foreign currency recorded separately as a Gain on Foreign Exchange. The loss is a result of the decrease in YFE's stock price as of March 31, 2023, as compared to December 31, 2022.

(f) Interest Income during the three months ended March 31, 2023 primarily consisted of cash interest received of $0.4 million from the investments in marketable securities, net of premium amortization expense of $0.2 million. The remaining increase is due to interest accrued on the Notes Receivable from Related Parties.

(g) The finance lease interest expense represents the interest portion of the finance lease obligations assumed as part of the Wow Acquisition for equipment purchased under an equipment lease line. Prior to the acquisition of Wow, we did not have any finance leases.

Liquidity and Capital Resources

As of March 31, 2023, we had cash and cash equivalents of $4.8 million, which decreased by $2.7 million as compared to December 31, 2022. The decrease was primarily due to cash used in financing activities of $12.6 million, primarily due to the repayment of the margin loan, and $4.8 million used in operational activities. The cash used was offset by cash provided by the sales and maturities of marketable securities of $14.3 million.

As of March 31, 2023, we held available-for-sale marketable securities with a fair value of $69.7 million, which decreased by $14.1 million as compared to December 31, 2022. The decrease was primarily due to selling $14.3 million of securities, $2.9 million of securities maturing and additional prepayment proceeds of $0.5 million on principals for certain mortgage-backed securities during the three months ended March 31, 2023. The decrease was offset by the net decrease of $0.8 million in unrealized and realized loss activity. The available-for-sale securities consist principally of corporate and government debt securities and are also available as a source of liquidity.

We borrowed an additional $3.7 million from our investment margin account during the three months ended March 31, 2023 and repaid $16.3 million with cash received from sales and maturities of marketable securities. During the three months ended March 31, 2023, the borrowed amounts were primarily used for operational costs. The interest rates for the borrowings fluctuate based on the Federal Funds Rate plus 0.65% with interest only payable monthly. The weighted average interest rates were 0.89% and 1.66% on average margin loan balances of $46.2 million and $27.1 million as of March 31, 2023 and December 31, 2022, respectively. We incurred interest expense on the loan of $0.7 million and $21,846 during the three months ended March 31, 2023 and March 31, 2022, respectively. The investment margin account borrowings do not mature but are collateralized by the marketable securities held by the same custodian and the custodian can issue a margin call at any time, effecting a payable on demand loan. Due to the call option, the margin loan is recorded as a current liability on our condensed consolidated balance sheets. As of March 31, 2023 and December 31, 2022, our margin loan balance was $48.9 million and $60.8 million, respectively.

Working Capital

As of March 31, 2023, we had current assets of $114.3 million, including cash and cash equivalents of $4.8 million and marketable securities of $69.7 million, and our current liabilities were $90.8 million. We had working capital of $23.5 million as of March 31, 2023 as compared to working capital of $28.6 million as of December 31, 2022. The decrease of $5.1 million was primarily due to a decrease in our cash and cash equivalents and marketable security position, offset by the change in net current assets and liabilities as a result of the acquisition of Wow and Ameba and additional short-term borrowings from our margin loan account.

During the three months ended March 31, 2023, we met our immediate cash requirements through existing cash balances. Additionally, we used equity and equity-linked instruments to pay for services and compensation. We believe that our current cash and cash equivalents balances and our investments in available for sale marketable securities are sufficient to support our operations for at least the next twelve months. To meet our short and long-term liquidity needs, we expect to use existing cash and marketable securities balances.

Comparison of Cash Flows for the Three Months Ended March 31, 2023 and March 31, 2022

Our total cash, cash equivalents and restricted cash as of March 31, 2023and March 31, 2022 was $4.8 million and $52.8 million, respectively.

	Three Months Ended		Increase (Decrease) in Net Cash
	March 31, 2023	March 31, 2022	
	(in thousands)		
Net Cash Used in Operating Activities	$ (4,757)	$ (5,363)	$ 606
Net Cash Provided by (Used in) Investing Activities	14,648	(3,247)	17,895
Net Cash Provided by (Used in) Financing Activities	(12,565)	51,353	(63,918)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	7	8	(1)
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	**$ (2,667)**	**$ 42,751**	**$ (45,418)**

Net Noncash Expenses

Items necessary to reconcile from net loss to cash flow used in operating activities included net noncash expenses of $21.4 million for the three months ended March 31, 2023 as compared to net noncash expenses of $0.5 million for the three months ended March 31, 2022. The majority of the increase of $20.9 million was due to the impairments of our long-lived assets, intangible assets and goodwill of $15.4 million incurred during the three months ended March 31, 2023, our equity investment in YFE going from a loss of $5.4 million to a gain of $0.9 million and a decrease in stock-based compensation of $3.6 million.

Change in Operating Assets and Liabilities

The increase in cash provided by operating asset activity of $5.6 million as of March 31, 2023 compared to March 31, 2022 was primarily due to the receipt of tax credits earned, net by the Wow entity of $2.6 million, a decrease in the cash used of $1.3 million in prepaid expenses and assets due to the absence of a prepayment incurred for an insurance policy, that was not incurred in the current period and a decrease in cash used for film and television costs of $0.9 million.

The increase in cash used in operating liability activities of $5.6 million as of March 31, 2023 compared to March 31, 2022 was primarily due to the increase in cash used for accounts payable of $3.8 million and deferred revenue of $2.7 million, offset by a decrease in accrued production costs of $1.5 million.

Change in Investing Activities

Cash investing activities for the three months ended March 31, 2023 compared to the three months ended March 31, 2022, increased from cash used in investing of $3.2 million, to cash provided by investing of $14.6 million, primarily due to using cash of $10.5 million for investments and acquisitions in the prior year, that did not occur in the current period and an increase in proceeds from the sales and maturities of marketable securities of $7.3 million during the three months ended March 31, 2023.

Change in Financing Activities

Cash financing activities for the three months ended March 31, 2023 compared to the three months ended March 31, 2022, decreased from cash provided by investing of $51.4 million, to cash used in investing of $12.6 million, primarily due to paying down the margin loan during the current quarter compared to additional borrowings in the prior year quarter resulting in a net $63.3 million decrease in cash provided by financing activities.

Material Cash Requirements

We have entered into arrangements that contractually obligate us to make payments that will affect our liquidity and cash flows in future periods. Our material cash requirements from known contractual and other obligations primarily relate to our debt and lease obligations and our employment and consulting contracts. The aggregate amount of future minimum purchase obligations under these agreements over the period of next five years is approximately $89.1 million as of March 31, 2023, of which about $60.8 million could be owed within one year if the margin loan and interim production facilities are called.

We plan to utilize our liquidity (as described above) to fund our material cash requirements.

As of March 31, 2023, we have $3.4 million in commitments for capital expenditures, related to equipment leases.

Critical Accounting Policies and Estimates

The preparation of the financial statements and related disclosures in conformity with U.S. generally accepted accounting principles and our discussion and analysis of our financial condition and operating results require our management to make judgments, assumptions and estimates that affect the amounts reported. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates, and such differences may be material.

Note 2, “Summary of Significant Accounting Policies” in Part I, Item 1 of this Form 10-Q and in the Notes to Consolidated Financial Statements in Part II, Item 8 of the 2022 Annual Report on Form 10-K, and “Critical Accounting Policies and Estimates” in Part II, Item 7 of the 2022 Annual Report on Form 10-K describe the significant accounting policies and methods used in the preparation of our condensed consolidated financial statements.

Off Balance Sheet Arrangements

We have no off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive officer and principal financial officer and effected by our board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of our inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of March 31, 2023. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework (2013 Framework).*

Based on this assessment, our management, with the participation of our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal financial and accounting officer), has concluded that, as of March 31, 2023, our internal controls over financial reporting were not effective based on those criteria.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The ineffectiveness of our internal control over financial reporting was due to the following material weaknesses which are observed in many small companies with a small number of accounting and financial reporting staff:

- Insufficient segregation of duties on certain controls or processes;
- Limited resources to design and implement internal control procedures to support financial reporting objectives;
- Lack of risk assessment procedures on internal controls to detect financial reporting risks; and
- Insufficient procedures and documentation related to review type controls and information technology controls.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the ''Exchange Act''). Disclosure controls and procedures include, without limitation, controls and procedures that are designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective for the three months ended March 31, 2023, in ensuring that information that we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

Management's Plan to Remediate the Material Weaknesses

Management had been implementing and continues to implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented, and operating effectively. Such measures include the following:

- Continue to hire qualified accounting personnel to prepare and report financial information in accordance with GAAP; and
- Continue to develop policies and procedures on internal control over financial reporting and monitor the effectiveness of operations on existing controls and procedures.

Changes in Internal Control over Financial Reporting

During the three months ended March 31, 2023, we continued to execute upon our planned remediation actions which are all intended to strengthen our overall control environment. This included the continuation of internal policies and procedures development and documentation on internal controls over financial reporting. We are committed to maintaining a strong internal control environment and believe that these remediation efforts will represent significant improvements in our control environment. Our management will continue to monitor and evaluate the relevance of our risk-based approach and the effectiveness of our internal controls and procedures over financial reporting on an ongoing basis and is committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

Inherent Limitations over Internal Controls

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error and circumvention by collusion or overriding of controls. Accordingly, even an effective internal control system may not prevent or detect material misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

As of March 31, 2023, there were no material pending legal proceedings to which the Company is a party or as to which any of its property is subject other than described below.

As previously disclosed, the Company, its Chief Executive Officer Andy Heyward, and its Chief Financial Officer Robert Denton were named as defendants in a putative class action lawsuit filed in the U.S. District Court for the Central District of California and styled *In re Genius Brands International, Inc. Securities Litigation*, Master File No. 2:20-cv-07457 DSF (RAOx). Lead plaintiffs alleged generally that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") by issuing allegedly false or misleading statements about the Company, initially over an alleged class period running from March into early July 2020, and, in their second amended complaint, over a class period alleged to extend into March 2021. Plaintiffs sought unspecified damages on behalf of the alleged class of persons who invested in the Company's common stock during the alleged class period. Defendants filed motions to dismiss the different versions of lead plaintiffs' pleading. Most recently, on July 15, 2022, the Court granted defendants' motion directed to lead plaintiffs' second amended complaint, ordering that the complaint and the action be dismissed in their entirety and with prejudice. On August 12, 2022, lead plaintiffs filed a notice of appeal to the United States Court of Appeals for the Ninth Circuit. Briefing of the appeal concluded earlier this year. The Company cannot predict whether the Court will entertain oral argument of the appeal, when a hearing might be scheduled, the outcome of the appeal or the timing of a decision on the appeal. In the meantime, there is no other activity in the case.

Related to the securities class action, the Company's directors (other than Dr. Cynthia Turner-Graham), together with Messrs. Heyward and Denton and former director Michael Klein, have been named as defendants in several punitive stockholder derivative lawsuits. As previously disclosed, these include a consolidated proceeding pending in the U.S. District Court for the Central District of California and styled *In re Genius Brands Stockholder Derivative Litigation*, Case No. 2:20-cv-08277 DSF (RAOx); an action filed in the Los Angeles County Superior Court captioned *Ly, etc. v. Heyward, et al.*, Case No. 20STCV44611; and an additional case pending in the U.S. District Court for the District of Nevada, styled *Miceli, etc. v. Heyward, et al.*, Case No. 3:21-cv-00132-MMD-WGC. While the allegations and legal claims vary somewhat among the derivative actions, they all generally allege that the defendants breached fiduciary duties owed to the Company. The plaintiffs, all alleged stockholders of the Company, purport to sue on behalf and for the benefit of the Company. Accordingly, the derivative plaintiffs seek no recovery from the Company. Instead, as a stockholder derivative action, the Company is named as a nominal defendant. Pursuant to agreements among the parties, the courts in all of the derivative lawsuits have stayed proceedings pending the outcome of the securities class action. The Company cannot predict the impact of the securities class action's outcome on appeal on the shareholder derivative lawsuits.

Finally, the Company is also a nominal defendant in an action filed in January 2022 in the U.S. District Court for the Southern District of New York and styled*Todd Augenbaum v. Anson Investments Master Fund LP, et al*., Case No. 1:22-cv-00249-VM. The action, which purports to be brought on behalf and for the benefit of the Company, seeks recovery under Section 16(b) of the Exchange Act of supposed short-swing profits allegedly realized by roughly a dozen persons and entities that participated as investors in certain of the Company's private placements of securities in 2020. No Company officer or director is among the defendants. The defendant investors filed a motion to dismiss, which the Court took under submission in mid-November 2022 after the completion of full briefing. By decision issued March 30, 2023, the Court granted defendants' motion to dismiss with leave to amend. On May 1, 2023, plaintiff filed an amended complaint. The Company anticipates that defendants will renew their motions to dismiss, but no schedule for doing so has yet been set. There is otherwise no current activity in the case. The Company cannot predict the outcome of the anticipated motion to dismiss the amended complaint, the timing of court action on the requests, or the outcome of the lawsuit more generally. While the Company again notes that plaintiff seeks no relief against the Company, several defendant investors have made demands on the Company that it indemnify their costs of defending the action, invoking provisions in the agreements by which the investors acquired Company securities. The Company disagrees that it has indemnity obligations applicable to this action; however, the Company cannot predict the outcome of the indemnification issue.

In all of the above-mentioned active proceedings, the Company has denied and continues to deny any wrongdoing and intends to defend the claims vigorously. The Company maintains a program of directors' and officers' liability insurance that, subject to the insurers' reservations of rights, has offset a portion of the costs of defending the securities class action litigation, and that the Company expects will afford coverage for some costs of the other shareholder litigation should any of those cases proceed.

ITEM 1A. RISK FACTORS.

There have been no material changes to the Risk Factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2022.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

31.1*	Section 302 Certification of Chief Executive Officer
31.2*	Section 302 Certification of Chief Financial Officer
32.1**	Section 906 Certification of Chief Executive Officer
32.2**	Section 906 Certification of Chief Financial Officer
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104.0	Cover Page Interactive Data File (formatted in inline XBRL, and included in exhibit 101).

____

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	Genius Brands International, Inc.	
May 22, 2023	By:	/s/ Andy Heyward
		Andy Heyward
		Chief Executive Officer (Principal Executive Officer)
May 22, 2023		/s/ Robert L. Denton
		Robert L. Denton
		Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Andy Heyward, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 of Genius Brands International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 22, 2023

By: */s/ Andy Heyward*
Andy Heyward
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert L. Denton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 of Genius Brands International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 22, 2023

By: */s/ Robert L. Denton*
Robert L. Denton
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andy Heyward, Chief Executive Officer of Genius Brands International, Inc., (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 22, 2023

By: */s/ Andy Heyward*
Andy Heyward
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert Denton, Chief Financial Officer of Genius Brands International, Inc., (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 22, 2023

By: */s/ Robert L. Denton*

Robert L. Denton
Chief Financial Officer
(Principal Financial and Accounting Officer)