

Consolidated Financial Statements and
Supplemental Consolidating Schedules Together with
Report of Independent Certified Public Accountants

SESAME WORKSHOP AND SUBSIDIARIES

For the years ended June 30, 2014 and 2013

SESAME WORKSHOP AND SUBSIDIARIES

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Sesame Workshop and Subsidiaries:

We have audited the accompanying consolidated financial statements of Sesame Workshop and Subsidiaries (collectively, the “Company”), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sesame Workshop and Subsidiaries as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating schedules as of and for the year ended June 30, 2014 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Grant Thornton LLP".

New York, New York
October 1, 2014

SESAME WORKSHOP AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of June 30, 2014 and 2013
(In Thousands)

ASSETS	2014	2013
Cash and cash equivalents	\$ 8,665	\$ 9,057
Receivables:		
Programs, product licenses, and contracts in support of programs, less allowance for doubtful accounts of \$1,135 in 2014 and \$1,554 in 2013	24,019	27,302
Grants	11,028	14,302
Total receivables	35,047	41,604
Note receivable	14,330	14,042
Inventory, net	1,238	1,199
Programs in process	6,121	4,295
Investments	158,333	142,353
Intangible assets, net of accumulated amortization of \$93,402 in 2014 and \$86,557 in 2013	44,489	51,334
Property and equipment, net	23,633	25,475
Other assets	2,455	2,992
Total assets	<u>\$ 294,311</u>	<u>\$ 292,351</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 27,789	\$ 31,248
Deferred revenues	10,152	12,349
Deferred rent payable	17,598	17,715
Total liabilities	<u>55,539</u>	<u>61,312</u>
Commitments and contingencies		
NET ASSETS		
Unrestricted	221,004	212,771
Temporarily restricted	17,768	18,268
Total net assets	<u>238,772</u>	<u>231,039</u>
Total liabilities and net assets	<u>\$ 294,311</u>	<u>\$ 292,351</u>

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

SESAME WORKSHOP AND SUBSIDIARIES
Consolidated Statements of Activities
For the years ended June 30, 2014 and 2013
(In Thousands)

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Program support	\$ 19,598	\$ 11,652	\$ 31,250	\$ 17,885	\$ 17,129	\$ 35,014
Distribution fees and royalties	31,617	-	31,617	39,346	-	39,346
Licensing	41,182	-	41,182	46,521	-	46,521
Net assets released from restrictions	12,152	(12,152)	-	9,818	(9,818)	-
Total operating revenues	<u>104,549</u>	<u>(500)</u>	<u>104,049</u>	<u>113,570</u>	<u>7,311</u>	<u>120,881</u>
EXPENSES						
Program expenses:						
Education, research and outreach	13,422	-	13,422	15,068	-	15,068
Content distribution	16,796	-	16,796	18,475	-	18,475
Production and development	41,023	-	41,023	43,596	-	43,596
Global product licensing	5,461	-	5,461	5,961	-	5,961
Global project management	8,051	-	8,051	7,570	-	7,570
Public awareness	3,884	-	3,884	3,694	-	3,694
Muppet acquisition	6,845	-	6,845	6,845	-	6,845
Total program expenses	<u>95,482</u>	<u>-</u>	<u>95,482</u>	<u>101,209</u>	<u>-</u>	<u>101,209</u>
Support expenses:						
Fundraising	3,767	-	3,767	4,846	-	4,846
General and administrative	15,844	-	15,844	20,566	-	20,566
Total support expenses	<u>19,611</u>	<u>-</u>	<u>19,611</u>	<u>25,412</u>	<u>-</u>	<u>25,412</u>
Total operating expenses	<u>115,093</u>	<u>-</u>	<u>115,093</u>	<u>126,621</u>	<u>-</u>	<u>126,621</u>
Operating (loss) income	(10,544)	(500)	(11,044)	(13,051)	7,311	(5,740)
Net investment income	<u>18,474</u>	<u>-</u>	<u>18,474</u>	<u>13,789</u>	<u>-</u>	<u>13,789</u>
Increase (decrease) in net assets before gain on sale of joint venture and (benefit) provision for income taxes	7,930	(500)	7,430	738	7,311	8,049
Gain on sale of joint venture	288	-	288	13,232	-	13,232
(Benefit) provision for income taxes	(15)	-	(15)	104	-	104
Increase (decrease) in net assets	8,233	(500)	7,733	13,866	7,311	21,177
Net assets, beginning of year	<u>212,771</u>	<u>18,268</u>	<u>231,039</u>	<u>198,905</u>	<u>10,957</u>	<u>209,862</u>
Net assets, end of year	<u>\$ 221,004</u>	<u>\$ 17,768</u>	<u>\$ 238,772</u>	<u>\$ 212,771</u>	<u>\$ 18,268</u>	<u>\$ 231,039</u>

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

SESAME WORKSHOP AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended June 30, 2014 and 2013
(In Thousands)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 7,733	\$ 21,177
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	3,864	3,834
Amortization of intangible assets	6,845	6,845
Amortization of programs in process	5,547	5,338
Change in provision for uncollectible receivables	(419)	(5,454)
Net unrealized appreciation on investments	(14,437)	(11,036)
Gain on sale of investments	(4,588)	(2,753)
Change in provision for inventory obsolescence	(12)	353
Changes in operating assets and liabilities:		
Decrease (increase) in gross receivables	6,976	(1,357)
(Increase) decrease in inventories	(27)	59
Additions to programs in process	(7,373)	(3,938)
Decrease in other assets	537	1,339
(Decrease) increase in accounts payable and accrued expenses	(1,980)	1,133
Decrease in deferred revenues	(2,197)	(5,361)
(Decrease) increase in deferred rent payable	(117)	779
Net cash provided by operating activities	<u>352</u>	<u>10,958</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(2,022)	(1,557)
Purchases of investments	(6,713)	(22,566)
Proceeds from sale of investments	9,758	27,796
Change in note receivable	(288)	(14,042)
Net cash provided by (used in) investing activities	<u>735</u>	<u>(10,369)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(1,479)	(1,554)
Net cash used in financing activities	<u>(1,479)</u>	<u>(1,554)</u>
Net decrease in cash and cash equivalents	(392)	(965)
Cash and cash equivalents, beginning of year	9,057	10,022
Cash and cash equivalents, end of year	<u>\$ 8,665</u>	<u>\$ 9,057</u>
Supplemental cash flow disclosures:		
Cash paid for income taxes	<u>\$ 293</u>	<u>\$ 140</u>

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

SESAME WORKSHOP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

1. ORGANIZATION

Sesame Workshop (the “Company”) is a nonprofit 501(c)(3) corporation that develops innovative and entertaining educational content for children that is distributed across multiple platforms including television, digital and interactive media, radio, books, magazines and live entertainment and through community outreach initiatives. Sesame Street, the Company’s flagship preschool series, premiered in the United States in 1969 and is currently broadcasting its 45th season on PBS. Sesame Street has been seen in over 150 countries, including 30 Sesame Street international co-productions, developed in partnership with local experts, designed to address the educational needs of children in their own countries.

Taking advantage of all forms of media and using those that are best suited to delivering a particular curriculum, the Company effectively and efficiently reaches millions of children, parents, caregivers and educators. The Company also creates needs-driven public service initiatives and outreach programs that provide age appropriate materials around such issues as health, military deployment, global citizenship, school readiness and financial education.

The Company’s primary sources of revenue are direct funding support for its educational programs and initiatives, the distribution of its educational media including television, video, interactive media, publishing, educational research and outreach and through the licensing of the Sesame Street characters and brand, both domestically and internationally.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

- Sesame Street, Inc.;
- Electric Company, Inc.;
- Galli Galli Sim Sim Educational Initiative (formerly Sesame Workshop India) (“GGSSEI”); and
- The Joan Ganz Cooney Center for Educational Media and Research.

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

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

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

The classification of the Company’s net assets and program support revenue is based on the existence or absence of donor-imposed restrictions. Amounts for each of the three classes of net assets (unrestricted, temporarily restricted and permanently restricted) are displayed in the accompanying consolidated statements of financial position and changes in each of those classes of net assets are displayed in the accompanying consolidated statements of activities.

SESAME WORKSHOP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

These net asset classes are defined as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Company are considered unrestricted.

Temporarily restricted net assets

Net assets which include resources that have been limited by donor-imposed stipulations that expire with the passage of time and/or can be fulfilled and removed by the actions of the Company pursuant to those stipulations are considered temporarily restricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Permanently restricted net assets

Net assets which include funds whereby the donors have stipulated that the principal contributed be invested and maintained in perpetuity. Income earned from these investments is available for expenditures according to restrictions, if any, imposed by donors. At June 30, 2014 and 2013, the Company did not possess any permanently restricted net assets.

Measure of Operations

Operations include all revenues and expenses other than income and losses generated by the Company's investments, joint venture and income taxes.

Program Support

Program support revenues include unrestricted and temporarily restricted contributions from individuals, corporations and foundations, corporate sponsorships, and grants and contracts from governments and government agencies to support the development, production and distribution of educational content. Contributions from individuals and foundations are recognized upon receipt of verifiable documentation of a promise to give. Corporate sponsorship revenue is recognized pro rata over the corresponding term of the agreement. Grants and awards received from governments or government agencies are recognized as awards are expended.

Distribution Fees and Royalties

Distribution fees and royalties are generated from the distribution and licensing of the Company's content across various media platforms including television, home video and audio, print, online, and live entertainment. Revenues from the sale of DVD's are recognized upon shipment. Television sales revenues are recognized when there is evidence of a sale or licensing arrangement, the program is complete and has been delivered or is available for delivery, the license period has begun and the arrangement fee is determinable and deemed collectible. Other distribution revenues including audio, print, online and live entertainment are recognized as income as it is earned over the related license periods. Included within distribution fees and royalties in the accompanying consolidated statements of activities is approximately \$8.2 million and \$12.7 million from one distribution partner for the years ended June 30, 2014 and 2013, respectively.

SESAME WORKSHOP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

Licensing

The Company's share of revenues from the licensing of its characters and brands for use in consumer products including, toys, games, clothing and food, is recognized as income as it is earned over the related license periods. Included within licensing revenue in the accompanying consolidated statements of activities are approximately \$12.5 million and \$13.3 million from one licensee of the Company, for the years ended June 30, 2014 and 2013, respectively.

Cash and Cash Equivalents

Cash equivalents, with original maturities of less than three months, consist principally of money market funds which are recorded at cost, which approximates fair value. Cash and cash equivalents managed by the Company's investment managers as part of its long-term investment strategy are included in investments. The Company maintains its cash and cash equivalents in various bank accounts and money market funds that, at times, may exceed federally insured limits. The Company's cash and cash equivalent accounts were placed with high credit quality financial institutions. The Company has not experienced, nor does it anticipate, any losses in such accounts.

Fair Value Measurements

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

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

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date.
- Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. Also included in Level 2 are investments using a net asset value ("NAV") per share, or its equivalent, that may be redeemed at NAV at the statement of financial position date or in the near term, which the Company has determined to be within ninety days.
- Level 3 - Pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV at the reporting date or in the near term or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

SESAME WORKSHOP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

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

The carrying amounts of cash and cash equivalents, receivables, other assets, accounts payable and accrued expenses and other liabilities approximate fair value due to the short-term nature of these financial instruments.

Investments

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

The fair value of debt and equity securities with a readily determinable fair value is based on quotations obtained from national security exchanges. The alternative investments are carried at NAV as provided by the investment managers. The Company's management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining their estimated fair value.

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

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

Inventory

Inventories consist of DVD's available for sale at June 30, 2014 and 2013, and are carried at the lower of cost or market. Inventories are reviewed for estimated obsolescence or unusable items and, if appropriate, are written down to the net realizable value based upon assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than those the Company projects, additional inventory write-downs may be required. These are considered permanent adjustments to the cost basis of the inventory. Reserves for inventory obsolescence were approximately \$0.8 million at June 30, 2014 and 2013, respectively.

Programs in Process

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

SESAME WORKSHOP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

Long-Lived Assets and Intangible Assets

Recoverability of long-lived assets and definite-lived intangible assets is assessed periodically and impairments, if any, are recognized in operating results if a permanent diminution in value were to occur when the carrying value of the asset exceeds its fair value, calculated using an undiscounted cash flow analysis. No impairment charges were incurred for the years ended June 30, 2014 and 2013.

Depreciation and Amortization

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

Taxes

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

The Company is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Company has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. The tax years ending June 30, 2011, 2012, 2013 and 2014 are still open to audit for both federal and state purposes. The Company has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

Use of Estimates

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

SESAME WORKSHOP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

3. ACQUISITION OF INTELLECTUAL PROPERTY

On December 28, 2000, the Company acquired the copyrights and trademark rights relating to the Sesame Street Muppet puppet characters (“Sesame Street Muppets”) from the Jim Henson Company, Inc. and EM.TV & Merchandising (collectively, the “Henson Companies”). In addition to the acquisition of the copyrights and trademark rights, the Company acquired the right and license to use the term Muppet(s), as defined. The agreement effectively terminated all existing agreements between the Company and the Henson Companies. The purchase price of \$180.0 million included an upfront cash payment of \$110.0 million and 40 quarterly installments of \$1.75 million, which commenced on April 1, 2001. The Company recorded intangible assets based on the net present value of the cash payments which are being amortized over their estimated useful lives as follows (in thousands):

ASSET	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization June 30,	
			2014	2013
Copyrights and Trademarks	20 Years	\$ 133,761	\$ 90,290	\$ 83,601
Transaction costs	20 Years	3,130	2,112	1,956
License fees	10 Years	1,000	1,000	1,000
		<u>\$ 137,891</u>	<u>\$ 93,402</u>	<u>\$ 86,557</u>

Amortization expense totaling approximately \$6.8 million has been recorded on these assets for each of the years ended June 30, 2014 and 2013.

4. GRANTS RECEIVABLE

Amounts related to productions, campaigns and/or educational programs that are receivable in less than one year or within one to five years, at June 30, 2014 and 2013, are as follows (in thousands):

	2014	2013
Within one year	\$ 8,193	\$ 9,215
1 to 5 years	2,835	5,087
	<u>\$ 11,028</u>	<u>\$ 14,302</u>

5. INVESTMENTS

The Company has established an investment objectives and guidelines policy, approved by the Board of Trustees, with the stated purpose of providing long term resources necessary to sustain the Company and provide capital to support its mission-related activities. The investment policy is based on a highly diversified portfolio structured to be consistent with the Company’s investment objectives and risk tolerance in a way that efficiently balances the tradeoff between return, risk and liquidity.

SESAME WORKSHOP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

The following tables present the Company's fair value hierarchy for its investments, measured at fair value, as of June 30, 2014 and 2013 (in thousands):

<u>2014</u>	# of Funds	Cost Basis	Fair Value			Total
			Level 1	Level 2	Level 3	
Cash equivalents	N/A	\$ 3,140	\$ 3,140	\$ -	\$ -	\$ 3,140
Fixed income (a)	6	31,287	17,750	19,036	-	36,786
Domestic equities (b)	1	4,250	-	11,656	-	11,656
International equities (c)	3	25,072	1,512	34,461	-	35,973
Commodities (d)	1	1,300	1,132	-	-	1,132
Hedge funds (e)	3	31,628	-	37,927	459	38,386
Global balanced fund of funds (f)	1	12,806	-	16,605	-	16,605
Private equity (g)	2	13,507	-	-	13,732	13,732
Opportunistic funds (h)	3	1,408	-	923	-	923
Total investments	<u>20</u>	<u>\$ 124,398</u>	<u>\$ 23,534</u>	<u>\$ 120,608</u>	<u>\$ 14,191</u>	<u>\$ 158,333</u>

<u>2013</u>	# of Funds	Cost Basis	Fair Value			Total
			Level 1	Level 2	Level 3	
Cash equivalents	N/A	\$ 3,818	\$ 3,818	\$ -	\$ -	\$ 3,818
Fixed income (a)	5	28,173	14,493	17,235	-	31,728
Domestic equities (b)	1	3,450	-	8,482	-	8,482
International equities (c)	3	26,643	3,361	28,559	-	31,920
Commodities (d)	1	1,300	1,016	-	-	1,016
Hedge funds (e)	3	31,668	-	35,255	863	36,118
Global balanced fund of funds (f)	1	12,806	-	14,575	-	14,575
Private equity (g)	2	13,421	-	-	13,819	13,819
Opportunistic funds (h)	2	735	-	841	-	841
Treasury inflation-protected securities ("TIPS") (i)	<u>1</u>	<u>-</u>	<u>-</u>	<u>36</u>	<u>-</u>	<u>36</u>
Total investments	<u>19</u>	<u>122,014</u>	<u>22,688</u>	<u>104,983</u>	<u>14,682</u>	<u>142,353</u>

At June 30, 2014 and 2013, Level 3 investments comprised approximately 9% and 10% of the Company's total investments at fair value, respectively.

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

SESAME WORKSHOP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

The following lists investments by major category:

- (a) This category combines investments in commingled funds employing a range of strategies with direct holdings of treasuries and fixed income futures positions to arrive at a diversified portfolio of corporate credit (both investment grade and below investment grade), bank loan, asset backed and government fixed income securities.
- (b) This category combines positions in commingled funds investing in segments of the U.S. equity market with direct holdings of U.S. equity futures and exchange-traded funds (“ETFs”) to arrive at a broadly diversified portfolio of publicly traded/listed U.S. equities.
- (c) This category combines positions in commingled funds investing in both developed and emerging market securities with direct holdings of non-U.S. equity ETFs to arrive at a broadly diversified portfolio of publicly traded/listed non-U.S. equities.
- (d) This category consists of commodity backed investments through a portfolio of inflation-indexed securities and other fixed income instruments.
- (e) This category includes investments in hedge funds employing a variety of diversifying strategies including equity long/short, fixed income relative value, convertible arbitrage, merger arbitrage, equity market-neutral, global macro, long/short credit, and other opportunities.
- (f) This category includes broadly diversified investments in offshore and U.S. managed funds.
- (g) This category includes private equity funds that invest in privately held corporations and domestic and international venture capital and private funds. The nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2014, it is probable that all of the investments in this category will be sold at an amount different from the net asset value of the Company’s ownership interest in partners’ capital. The total amount of unfunded commitments pertaining to these investments totaled approximately \$0.6 million and \$1.1 million at June 30, 2014 and 2013, respectively. The timing to draw down on these commitments ranged from approximately 1 to 2 years at June 30, 2014 and 2013, respectively.
- (h) This category includes investments focusing on distressed debt and equity securities, as well as credit based structured products including predominately collateralized loan obligations backed by senior secured assets with a focus on debt opportunities.
- (i) This category consisted of direct holdings of inflation-protected securities issued by the U.S. Treasury.

SESAME WORKSHOP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

Investments valued at net asset value or its equivalent as of June 30, 2014, consisted of the following (in thousands):

<u>Alternative Investment Strategy</u>	<u>Funds</u>	<u>NAV in Funds</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Fixed income	4	\$ 19,036	One fund monthly with 30 days notice, one fund monthly with 15 days notice, one fund monthly with 10 days notice and one fund daily with 1 day notice.	None.
Domestic equities	1	11,656	Monthly with 30 days notice.	None.
International equities	1	34,461	Monthly with 30 days notice.	None.
Hedge funds	3	38,386	One fund is quarterly with 90 days notice and the other two funds have been given redemption notices and are currently in liquidation.	One fund has no restrictions, a side pocket remains for one fund, and the other fund has a slow payout option.
Global balanced fund of funds	1	16,605	Monthly with 30 days notice.	None.
Private equity	2	13,732	Investments are distributed when assets are sold.	Investments are distributed when assets are sold.
Opportunistic funds	3	<u>923</u>	None.	None.
Total		<u>\$ 134,799</u>		

Investments valued at net asset value or its equivalent as of June 30, 2013, consisted of the following (in thousands):

<u>Alternative Investment Strategy</u>	<u>Funds</u>	<u>NAV in Funds</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Fixed income	3	\$ 17,235	One fund monthly with 30 days notice, one fund monthly with 15 days notice and one fund monthly with 10 days notice.	None.
Domestic equities	1	8,482	Monthly with 30 days notice.	None.
International equities	1	28,559	Monthly with 30 days notice.	None.
Hedge funds	3	36,118	One fund is quarterly with 90 days notice and the other two funds have been given redemption notices and are currently in liquidation	One fund has no restrictions, a side pocket remains for one fund, and the other fund has a slow payout option.
Global balanced fund of funds	1	14,575	Monthly with 30 days notice.	None.
Private equity	2	13,819	Investments are distributed when underlying assets are sold.	Investments are distributed when underlying assets are sold.
Opportunistic funds	2	841	None.	None.
TIPS	1	<u>36</u>	Daily.	None.
Total		<u>\$ 119,665</u>		

SESAME WORKSHOP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

The following table presents a rollforward for Level 3 investments measured at fair value for the period from July 1, 2013 to June 30, 2014 (in thousands):

Beginning balance at July 1, 2013	\$ 14,682
Additions	454
Redemptions	(878)
Unrealized depreciation	(67)
Ending balance at June 30, 2014	<u>\$ 14,191</u>

The following table presents a rollforward for Level 3 investments measured at fair value for the period from July 1, 2012 to June 30, 2013 (in thousands):

Beginning balance at July 1, 2012	\$ 14,594
Additions	1,498
Redemptions	(1,605)
Unrealized appreciation	195
Ending balance at June 30, 2013	<u>\$ 14,682</u>

Included in net investment income for the years ended June 30, 2014 and 2013, are the following amounts related to the investment activities of the Company (in thousands):

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 94	\$ 105
Unrealized appreciation	14,437	11,737
Realized gains	4,588	2,753
Investment expenses	(645)	(806)
	<u>\$ 18,474</u>	<u>\$ 13,789</u>

The Company's investment portfolio is exposed to various risks, such as interest rate risk, market risk, and credit risk. Because of the level of risk associated with such investments, it is possible that changes in their values will occur and that such changes could materially affect the Company's consolidated financial statements.

During the year ended June 30, 2005, the Company entered into a venture with Comcast Corporation, Public Broadcasting Service and HIT Entertainment to form the Children's Network, LLC ("Sprout") for the purpose of producing and distributing educational television programming via a 24 hour digital cable channel and on-demand service branded PBS Kids Sprout. On December 5, 2012, the Company sold its 15% equity ownership in Sprout for \$14.0 million. Upon signing the sales agreement, the Company then entered into an unsecured promissory note in which the unpaid principal amount would accrue interest. The unpaid principal balance together with all accrued but unpaid interest will be paid in full on the third anniversary of the closing date, which would be December 2015. Interest is calculated at the end of every 360 day period at a rate equal to a variable rate of LIBOR (or the 12 month London Interbank offered rate reported 2 days prior to the beginning of the relevant interest period in the Wall Street Journal) plus 1 percent. At June 30, 2014 and 2013, the Company had accrued interest income of approximately \$0.4

SESAME WORKSHOP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

million and \$0.2 million at an average annual rate of 1.78% and 1.86%, respectively. In addition, the Company present value discounted the note receivable using a risk adjusted rate of approximately 1% as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Purchase price	\$ 14,000	\$ 14,000
Accrued interest	394	151
	<u>14,394</u>	<u>14,151</u>
Less: discount to present value	(64)	(109)
Total note receivable	<u>\$ 14,330</u>	<u>\$ 14,042</u>

6. OFFICE LEASE AND PROPERTY AND EQUIPMENT

On September 29, 2010, the Company amended the lease for its main office space which extended the lease term through June 30, 2030. The new rent terms became effective on January 1, 2011. In addition, the Company completed a reconstruction of the leased space in April 2012. The new lease terms include both landlord contributions toward the cost of the construction as well as rent abatements during and after the construction period. The Company recognizes rent expense on a straight-line basis over the remaining 18 year term, inclusive of the rent abatements and landlord contributions.

Total future commitments under this lease at June 30, 2014 are as follows (in thousands):

2015	\$ 5,725
2016	5,725
2017	5,725
2018	5,725
2019	5,992
2020 and thereafter	<u>68,306</u>
	<u>\$ 97,198</u>

Rent expense totaled approximately \$5.0 million for each of the years ended June 30, 2014 and 2013.

At June 30, 2014 and 2013, property and equipment consisted of (in thousands):

	Useful Life		
	In Years	<u>2014</u>	<u>2013</u>
Computer and office equipment	3 - 4	\$ 9,191	\$ 7,916
Furniture and fixtures	4 - 10	4,734	4,703
Leasehold improvements	5 - 18	20,288	20,131
Assets not yet placed into service	N/A	<u>22</u>	<u>-</u>
		34,235	32,750
Less: accumulated depreciation and amortization		<u>(10,602)</u>	<u>(7,275)</u>
		<u>\$ 23,633</u>	<u>\$ 25,475</u>

SESAME WORKSHOP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

Depreciation and amortization expense totaled approximately \$3.9 million and \$3.8 million for the years ended June 30, 2014 and 2013, respectively. During the years ended June 30, 2014 and 2013, approximately \$0.5 million and \$4.8 million, respectively, of fully depreciated assets were written off by the Company since they were no longer in service.

7. CAPITAL LEASE OBLIGATION

The Company maintains several capital leases for office equipment. The following is a schedule of annual future minimum lease payments (in thousands) due under the Company's capital lease obligations, together with the present value of the net minimum lease payments as of June 30, 2014 and 2013:

Year ending June 30:	2014	2013
2015	\$ 1,348	\$ 958
2016	666	346
2017	295	102
Total minimum lease payments	2,309	1,406
Less: amount representing interest	(63)	(49)
Present value of minimum lease payments	<u>\$ 2,246</u>	<u>\$ 1,357</u>

8. NET ASSETS

Temporarily restricted net assets which were available for educational programs as of June 30, 2014 and 2013, are as follows (in thousands):

	Temporarily Restricted Net Assets as of June 30, 2013	Temporarily Restricted Contributions in Fiscal 2014	Net Assets Released from Restrictions in Fiscal 2014	Temporarily Restricted Net Assets as of June 30, 2014
International production, distribution & outreach	\$ 7,498	\$ 4,851	\$ (5,533)	\$ 6,816
Health programs	1,535	151	(672)	1,014
School readiness programs	6,455	50	(2,780)	3,725
Financial empowerment	-	3,600	(457)	3,143
Science programs	300	-	(300)	-
Social & emotional well-being programs	892	1,780	(1,104)	1,568
Joan Ganz Cooney Center for educational media and research	1,585	1,220	(1,303)	1,502
Other initiatives	3	-	(3)	-
	<u>\$ 18,268</u>	<u>\$ 11,652</u>	<u>\$ (12,152)</u>	<u>\$ 17,768</u>

SESAME WORKSHOP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

Temporarily restricted net assets which were available for educational programs as of June 30, 2013 and 2012 are as follows (in thousands):

	Temporarily Restricted Net Assets as of June 30, 2012	Temporarily Restricted Contributions in Fiscal 2013	Net Assets Released from Restrictions in Fiscal 2013	Temporarily Restricted Net Assets as of June 30, 2013
International production, distribution & outreach	\$ 4,746	\$ 6,601	\$ (3,849)	\$ 7,498
Health programs	1,124	1,541	(1,130)	1,535
School readiness programs	1,832	5,221	(598)	6,455
Science programs	121	450	(271)	300
Social & emotional well-being programs	2,856	961	(2,925)	892
Joan Ganz Cooney Center for educational media and research	278	2,255	(948)	1,585
Other initiatives	-	100	(97)	3
	<u>\$ 10,957</u>	<u>\$ 17,129</u>	<u>\$ (9,818)</u>	<u>\$ 18,268</u>

9. RETIREMENT PLANS

Sesame Workshop sponsors a 401(k) defined contribution plan (the "Plan"). Substantially all full-time employees of the Company are covered under the Plan. The Company matches employee contributions to the Plan, which vest immediately. Prior to January 1, 2011, the Company sponsored two separate plans, a 401(a) retirement plan and 403(b) savings plan. Effective January 1, 2011, the Company replaced the 401(a) and 403(b) plans with the Plan. Effective January 1, 2013, the 403(b) savings plan was terminated and all assets and employee accounts were distributed or rolled into another qualified plan. Total Company contributions to the Plan totaled approximately \$2.4 million and \$3.6 million for the years ended June 30, 2014 and 2013, respectively.

10. INCOME TAXES

At June 30, 2014 and 2013, CTW/C had net loss carryforwards of \$8.2 million, representing approximately \$2.8 million of tax benefits. Deferred tax assets are periodically evaluated to determine their recoverability, and where recovery is not likely, a valuation allowance is established. Valuation allowances of \$2.8 million have been recorded at June 30, 2014 and 2013, respectively, due to the uncertainty of realizing these tax benefits.

SESAME WORKSHOP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

Net operating loss carryforwards were available at June 30, 2014, and will expire, if unused, in the following years (in thousands):

2018	\$ 7,353
2019	668
2020	131
2021	36
2022 and thereafter	<u>24</u>
	<u>\$ 8,212</u>

11. PROGRAMS IN PROCESS

Programs in process are stated at the lower of unamortized cost or estimated fair value on an individual production basis. Revenue forecasts are continually reviewed by management and revised when warranted by changing conditions. When estimates of total revenues indicate that a production has a fair value that is less than its unamortized cost, a loss is recognized currently for the amount by which the unamortized cost exceeds the production's fair value. For the years ended June 30, 2014 and 2013, the Company recognized losses totaling approximately \$1.8 million and \$0 million, respectively. For the years ended June 30, 2014 and 2013, exploitation costs of approximately \$1.8 million and \$1.5 million, respectively, were expensed as incurred.

Programs in process, net of amortization, as of June 30, 2014 and 2013, were as follows (in thousands):

	June 30, 2013	Prior Year Productions Released	Fiscal 2014 Additions	Fiscal 2014 Amortization	June 30, 2014
Television productions:					
Released	\$ 1,995	\$ 2,300	\$ 5,804	\$ (1,423)	\$ 8,676
In production	<u>2,300</u>	<u>(2,300)</u>	<u>1,569</u>	<u>(4,124)</u>	<u>(2,555)</u>
	<u>\$ 4,295</u>	<u>\$ -</u>	<u>\$ 7,373</u>	<u>\$ (5,547)</u>	<u>\$ 6,121</u>

	June 30, 2012	Prior Year Productions Released	Fiscal 2013 Additions	Fiscal 2013 Amortization	June 30, 2013
Television productions:					
Released	\$ 3,395	\$ 2,300	\$ 1,638	\$ (5,338)	\$ 1,995
In production	<u>2,300</u>	<u>(2,300)</u>	<u>2,300</u>	<u>-</u>	<u>2,300</u>
	<u>\$ 5,695</u>	<u>\$ -</u>	<u>\$ 3,938</u>	<u>\$ (5,338)</u>	<u>\$ 4,295</u>

As of June 30, 2014, the Company estimated that approximately 33% of unamortized production costs from released productions are expected to be amortized in fiscal 2015 and 53% of unamortized production costs from released productions are expected to be amortized within the next three years.

As of June 30, 2013, the Company estimated that approximately 39% of unamortized production costs from released productions are expected to be amortized in fiscal 2014 and 61% of unamortized production costs from released productions are expected to be amortized within the next three years.

SESAME WORKSHOP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

12. COMMITMENTS AND CONTINGENCIES

The Company leases equipment under operating leases. The future commitments under these leases at June 30, 2014 are as follows (in thousands):

2015	\$	32
2016		<u>24</u>
	\$	<u>56</u>

Rent expense under these equipment leases totaled approximately \$0.4 million and \$0.7 million for the years ended June 30, 2014 and 2013, respectively.

See Note 6 for office lease commitment.

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

13. SUBSEQUENT EVENTS

The Company evaluated its June 30, 2014 consolidated financial statements for subsequent events through October 1, 2014, the date the consolidated financial statements were available to be issued. Effective September 29, 2014, the Company hired a new President and Chief Executive Officer to replace the previous President and Chief Executive Officer, who retired. The Company is not aware of any additional subsequent events which would require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTAL CONSOLIDATING SCHEDULES

SESAME WORKSHOP AND SUBSIDIARIES
Consolidating Schedule of Financial Position
As of June 30, 2014
(In Thousands)

	Sesame Workshop	Electric Company, Inc.	Sesame Street, Inc.	CTW Communications, Inc.	Galli Galli Sim Sim Educational Initiative	Joan Ganz Cooney Center for Educational Media and Research	Sesame Workshop India Initiatives, PLC	Sesame Street Brand Mgmt. and Service (Shanghai) Co.,Ltd.	Elimination Entries	Consolidated
ASSETS										
Cash and cash equivalents	\$ 6,716	\$ -	\$ 121	\$ 9	\$ -	\$ 480	\$ 1,171	\$ 168	\$ -	\$ 8,665
Receivables:										
Programs, product licenses, and contracts in support of programs, less allowance for doubtful accounts of \$1,135 in 2014 and \$1,554 in 2013	23,740	125	-	-	-	14	135	5	-	24,019
Grants	10,165	-	-	-	-	1,022	91	-	(250)	11,028
Total receivables	33,905	125	-	-	-	1,036	226	5	(250)	35,047
Note receivable	14,330	-	-	-	-	-	-	-	-	14,330
Intercompany receivables	7,132	3,007	9,356	-	-	-	-	-	(19,495)	-
Inventory, net	1,238	-	-	-	-	-	-	-	-	1,238
Programs in process	6,090	-	-	31	-	-	-	-	-	6,121
Investments	140,648	-	-	-	-	17,685	-	-	-	158,333
Intangible assets, net of accumulated amortization of \$93,402 in 2014 and \$86,557 in 2013	44,489	-	-	-	-	-	-	-	-	44,489
Property and equipment, net	23,633	-	-	-	-	-	-	-	-	23,633
Other assets	2,050	-	-	-	-	-	392	13	-	2,455
Total assets	\$ 280,231	\$ 3,132	\$ 9,477	\$ 40	\$ -	\$ 19,201	\$ 1,789	\$ 186	\$ (19,745)	\$ 294,311
LIABILITIES AND NET ASSETS (DEFICIT)										
LIABILITIES										
Accounts payable and accrued expenses	\$ 26,647	\$ 247	\$ 551	\$ 2	\$ 1	\$ 91	\$ 337	\$ 163	\$ (250)	\$ 27,789
Deferred revenues	9,732	204	213	-	-	2	1	-	-	10,152
Deferred rent payable	17,598	-	-	-	-	-	-	-	-	17,598
Intercompany payables	-	-	-	12,400	2,319	2,697	1,608	471	(19,495)	-
Total liabilities	53,977	451	764	12,402	2,320	2,790	1,946	634	(19,745)	55,539
NET ASSETS (DEFICIT)										
Unrestricted	209,987	2,681	8,713	(12,362)	(2,320)	15,007	(254)	(448)	-	221,004
Temporarily restricted	16,267	-	-	-	-	1,404	97	-	-	17,768
Total net assets (deficit)	226,254	2,681	8,713	(12,362)	(2,320)	16,411	(157)	(448)	-	238,772
Total liabilities and net assets (deficit)	\$ 280,231	\$ 3,132	\$ 9,477	\$ 40	\$ -	\$ 19,201	\$ 1,789	\$ 186	\$ (19,745)	\$ 294,311

The schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

SESAME WORKSHOP AND SUBSIDIARIES
Consolidating Schedule of Activities
For the year ended June 30, 2014
(In Thousands)

	Unrestricted									Temporarily Restricted						Consolidated
	Sesame Workshop	Electric Company, Inc.	Sesame Street, Inc.	CTW Communications, Inc.	Galli Galli Sim Sim Educational Initiative	Joan Ganz Cooney Educational Media and Research	Sesame Workshop India Initiatives, PLC	Sesame Street Brand Mgmt. and Service (Shanghai) Co., Ltd.	Elimination Entries	Total Unrestricted	Sesame Workshop	Joan Ganz Cooney Educational Media and Research	Sesame Workshop India Initiatives, PLC	Elimination Entries	Total Temporarily Restricted	
REVENUES																
Program support	\$ 19,329	\$ -	\$ -	\$ -	\$ -	\$ 44	\$ 2,938	\$ 240	\$ (2,953)	\$ 19,598	\$ 10,531	\$ 1,121	\$ -	\$ -	\$ 11,652	\$ 31,250
Distribution fees and royalties	31,065	136	350	6	-	-	60	-	-	31,617	-	-	-	-	-	31,617
Licensing	41,182	-	-	-	-	-	-	-	-	41,182	-	-	-	-	-	41,182
Net assets released from restrictions	10,686	-	-	-	-	1,303	163	-	-	12,152	(10,686)	(1,303)	(163)	-	(12,152)	-
Total operating revenues	<u>102,262</u>	<u>136</u>	<u>350</u>	<u>6</u>	<u>-</u>	<u>1,347</u>	<u>3,161</u>	<u>240</u>	<u>(2,953)</u>	<u>104,549</u>	<u>(155)</u>	<u>(182)</u>	<u>(163)</u>	<u>-</u>	<u>(500)</u>	<u>104,049</u>
EXPENSES																
Program expenses:																
Education, research and outreach	11,167	-	-	-	-	2,255	-	-	-	13,422	-	-	-	-	-	13,422
Content distribution	16,728	17	51	-	-	-	-	-	-	16,796	-	-	-	-	-	16,796
Production and development	41,023	-	-	-	-	-	-	-	-	41,023	-	-	-	-	-	41,023
Global product licensing	5,461	-	-	-	-	-	-	-	-	5,461	-	-	-	-	-	5,461
Global project management	7,937	-	-	-	1	-	2,444	622	(2,953)	8,051	-	-	-	-	-	8,051
Public awareness	3,884	-	-	-	-	-	-	-	-	3,884	-	-	-	-	-	3,884
Muppet acquisition	6,845	-	-	-	-	-	-	-	-	6,845	-	-	-	-	-	6,845
Total program expenses	<u>93,045</u>	<u>17</u>	<u>51</u>	<u>-</u>	<u>1</u>	<u>2,255</u>	<u>2,444</u>	<u>622</u>	<u>(2,953)</u>	<u>95,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,482</u>
Support expenses:																
Fundraising	3,767	-	-	-	-	-	-	-	-	3,767	-	-	-	-	-	3,767
General and administrative	15,843	-	-	1	-	-	-	-	-	15,844	-	-	-	-	-	15,844
Total support expenses	<u>19,610</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,611</u>
Total operating expenses	<u>112,655</u>	<u>17</u>	<u>51</u>	<u>1</u>	<u>1</u>	<u>2,255</u>	<u>2,444</u>	<u>622</u>	<u>(2,953)</u>	<u>115,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,093</u>
Operating (loss) income	<u>(10,393)</u>	<u>119</u>	<u>299</u>	<u>5</u>	<u>(1)</u>	<u>(908)</u>	<u>717</u>	<u>(382)</u>	<u>-</u>	<u>(10,544)</u>	<u>(155)</u>	<u>(182)</u>	<u>(163)</u>	<u>-</u>	<u>(500)</u>	<u>(11,044)</u>
Net investment income	16,437	-	-	-	-	2,009	28	-	-	18,474	-	-	-	-	-	18,474
Increase (decrease) in net assets before gain on sale of joint venture and (benefit) provision for income taxes	6,044	119	299	5	(1)	1,101	745	(382)	-	7,930	(155)	(182)	(163)	-	(500)	7,430
Gain on sale of joint venture	288	-	-	-	-	-	-	-	-	288	-	-	-	-	-	288
(Benefit) provision for income taxes	(8)	-	-	-	-	(10)	-	3	-	(15)	-	-	-	-	-	(15)
Increase (decrease) in net assets (deficit)	<u>6,340</u>	<u>119</u>	<u>299</u>	<u>5</u>	<u>(1)</u>	<u>1,111</u>	<u>745</u>	<u>(385)</u>	<u>-</u>	<u>8,233</u>	<u>(155)</u>	<u>(182)</u>	<u>(163)</u>	<u>-</u>	<u>(500)</u>	<u>7,733</u>
Net assets (deficit), beginning of year	<u>203,647</u>	<u>2,562</u>	<u>8,414</u>	<u>(12,367)</u>	<u>(2,319)</u>	<u>13,896</u>	<u>(999)</u>	<u>(63)</u>	<u>-</u>	<u>212,771</u>	<u>16,422</u>	<u>1,586</u>	<u>260</u>	<u>-</u>	<u>18,268</u>	<u>231,039</u>
Net assets (deficit), end of year	<u>\$ 209,987</u>	<u>\$ 2,681</u>	<u>\$ 8,713</u>	<u>\$ (12,362)</u>	<u>\$ (2,320)</u>	<u>\$ 15,007</u>	<u>\$ (254)</u>	<u>\$ (448)</u>	<u>\$ -</u>	<u>\$ 221,004</u>	<u>\$ 16,267</u>	<u>\$ 1,404</u>	<u>\$ 97</u>	<u>\$ -</u>	<u>\$ 17,768</u>	<u>\$ 238,772</u>

The schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

SESAME WORKSHOP AND SUBSIDIARIES
Consolidating Schedule of Cash Flows
For the year ended June 30, 2014
(In Thousands)

	Sesame Workshop	Electric Company, Inc.	Sesame Street, Inc.	CTW Communications, Inc.	Galli Galli Sim Sim Educational Initiative	Joan Ganz Cooney Center for Educational Media and Research	Sesame Workshop India Initiatives, PLC	Sesame Street Brand Mgmt. and Service (Shanghai) Co., Ltd.	Elimination Entries	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES										
Increase (decrease) in net assets	\$ 6,185	\$ 119	\$ 299	\$ 5	\$ (1)	\$ 929	\$ 582	\$ (385)	\$ -	\$ 7,733
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:										
Depreciation and amortization of property and equipment	3,864	-	-	-	-	-	-	-	-	3,864
Amortization of intangible assets	6,845	-	-	-	-	-	-	-	-	6,845
Amortization of programs in progress	5,547	-	-	-	-	-	-	-	-	5,547
Change in provision for uncollectible receivables	(419)	-	-	-	-	-	-	-	-	(419)
Net unrealized appreciation on investments	(12,435)	-	-	-	-	(2,002)	-	-	-	(14,437)
Gain on sale of investments	(4,588)	-	-	-	-	-	-	-	-	(4,588)
Change in provision for inventory obsolescence	(12)	-	-	-	-	-	-	-	-	(12)
Intercompany notes	(1,445)	11	(116)	(29)	-	706	502	371	-	-
Changes in operating assets and liabilities:										
Decrease (increase) in gross receivables	6,300	(125)	-	-	-	539	17	(5)	250	6,976
Increase in inventories	(27)	-	-	-	-	-	-	-	-	(27)
Additions to programs in process	(7,373)	-	-	-	-	-	-	-	-	(7,373)
Decrease (increase) in other assets	874	-	-	-	-	-	(329)	(8)	-	537
(Decrease) increase in accounts payable and accrued expenses	(1,859)	17	(45)	-	1	2	13	141	(250)	(1,980)
(Decrease) increase in deferred revenues	(2,049)	(22)	(125)	-	-	3	(4)	-	-	(2,197)
(Decrease) in deferred rent payable	(117)	-	-	-	-	-	-	-	-	(117)
Net cash (used in) provided by operating activities	(709)	-	13	(24)	-	177	781	114	-	352
CASH FLOWS FROM INVESTING ACTIVITIES										
Additions to property and equipment	(2,022)	-	-	-	-	-	-	-	-	(2,022)
Purchases of investments	(6,705)	-	-	-	-	(8)	-	-	-	(6,713)
Proceeds from sale of investments	9,758	-	-	-	-	-	-	-	-	9,758
Change in note receivable	(288)	-	-	-	-	-	-	-	-	(288)
Net cash provided by (used in) investing activities	743	-	-	-	-	(8)	-	-	-	735
CASH FLOWS FROM FINANCING ACTIVITIES										
Payments on capital lease obligations	(1,479)	-	-	-	-	-	-	-	-	(1,479)
Net cash used in financing activities	(1,479)	-	-	-	-	-	-	-	-	(1,479)
Net (decrease) increase in cash and cash equivalents	(1,445)	-	13	(24)	-	169	781	114	-	(392)
Cash and cash equivalents, beginning of year	8,161	-	108	33	-	311	390	54	-	9,057
Cash and cash equivalents, end of year	\$ 6,716	\$ -	\$ 121	\$ 9	\$ -	\$ 480	\$ 1,171	\$ 168	\$ -	\$ 8,665

The schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

SESAME WORKSHOP AND SUBSIDIARIES
Consolidated Schedule of Operating Expenses
For the year ended June 30, 2014
(In Thousands)

	Education, Research and Outreach	Content Distribution	Production and Development	Global Product Licensing	Global Project Management	Public Awareness	Muppet Acquisition	Fundraising	General and Administrative	Total Operating Expenses
People costs	\$ 5,245	\$ 3,655	\$ 11,803	\$ 2,171	\$ 2,825	\$ 1,325	\$ -	\$ 1,567	\$ 10,259	\$ 38,850
Benefits	99	50	536	35	63	20	-	7	8,932	9,742
Guild payments	3	1,485	6,131	315	-	87	-	-	7	8,028
Travel and entertainment	480	413	857	250	388	311	-	127	430	3,256
Outside services	2,664	3,198	13,242	497	1,863	730	-	520	2,170	24,884
Advertising and promotion	31	434	116	46	8	191	-	69	28	923
Bad debt expense	-	291	-	39	-	-	-	-	-	330
Materials and supplies	38	3,663	254	6	17	46	-	20	167	4,211
Machinery and equipment	4	14	487	8	59	-	-	3	2,044	2,619
Participations and commissions	-	82	82	-	-	40	-	-	-	204
Office costs	1,404	139	300	64	935	75	-	61	626	3,604
Occupancy expenses	56	106	2,125	79	260	19	-	13	6,638	9,296
Miscellaneous expenses	1	98	1	18	7	-	-	-	138	263
Depreciation and amortization	-	-	16	-	-	-	6,845	-	3,849	10,710
Allocated expenses	3,535	3,073	6,458	2,130	1,546	1,046	-	1,381	(19,169)	-
Staff Allocations	11	272	(1)	(195)	195	(6)	-	(1)	(275)	-
Amounts capitalized as programs in process, net of amortization	(149)	(177)	(1,384)	(2)	(115)	-	-	-	-	(1,827)
Total operating expenses	<u>\$ 13,422</u>	<u>\$ 16,796</u>	<u>\$ 41,023</u>	<u>\$ 5,461</u>	<u>\$ 8,051</u>	<u>\$ 3,884</u>	<u>\$ 6,845</u>	<u>\$ 3,767</u>	<u>\$ 15,844</u>	<u>\$ 115,093</u>

The schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.