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, 2015 and 2014

SESAME WORKSHOP AND SUBSIDIARIES

TABLE OF CONTENTS

Grant Thornton LLP
757 Third Avenue, 9th Floor
New York, NY 10017

T 212.599.0100
F 212.370.4520
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 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.

Grant Thornton LLP

New York, New York
September 30, 2015

SESAME WORKSHOP AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of June 30, 2015 and 2014
(in thousands)

ASSETS	**2015**	**2014**
Cash and cash equivalents	$ 7,542	$ 8,665
Receivables:		
Programs, product licenses, and contracts in support of programs, less allowance for doubtful accounts of $1,473 in 2015 and $1,135 in 2014	23,405	24,019
Grants	8,267	11,028
Total receivables	31,672	35,047
Note receivable	14,628	14,330
Inventory, net	1,281	1,238
Programs in process	16,478	6,121
Investments	153,536	158,333
Intangible assets, net of accumulated amortization of $100,247 in 2015 and $93,402 in 2014	37,644	44,489
Property and equipment, net	22,321	23,633
Other assets	3,743	2,455
Total assets	$ 288,845	$ 294,311
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 30,130	$ 27,789
Deferred revenues	9,465	10,152
Deferred rent payable	16,847	17,598
Total liabilities	56,442	55,539
Commitments and contingencies		
NET ASSETS		
Unrestricted	213,739	221,004
Temporarily restricted	18,664	17,768
Total net assets	232,403	238,772
Total liabilities and net assets	$ 288,845	$ 294,311

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, 2015 and 2014
(in thousands)

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Program support	$ 15,611	$ 13,659	$ 29,270	$ 19,598	$ 11,652	$ 31,250
Distribution fees and royalties	27,252	-	27,252	31,617	-	31,617
Licensing	37,389	-	37,389	41,182	-	41,182
Net assets released from restrictions	12,763	(12,763)	-	12,152	(12,152)	-
Total operating revenues	93,015	896	93,911	104,549	(500)	104,049
EXPENSES						
Program expenses:						
Media and education	35,723	-	35,723	36,758	-	36,758
Global social impact	19,898	-	19,898	22,060	-	22,060
Creative	12,701	-	12,701	24,474	-	24,474
Strategy and research	5,339	-	5,339	4,977	-	4,977
Amortization expense	6,845	-	6,845	6,845	-	6,845
Total program expenses	80,506	-	80,506	95,114	-	95,114
Support expenses:						
Fundraising	1,980	-	1,980	3,116	-	3,116
General and administrative	18,862	-	18,862	16,863	-	16,863
Total support expenses	20,842	-	20,842	19,979	-	19,979
Total operating expenses	101,348	-	101,348	115,093	-	115,093
Operating (loss) income	(8,333)	896	(7,437)	(10,544)	(500)	(11,044)
Net investment income	777	-	777	18,474	-	18,474
(Decrease) increase in net assets before interest income and provision (benefit) for income taxes	(7,556)	896	(6,660)	7,930	(500)	7,430
Interest income	298		298	288	-	288
Provision (benefit) for income taxes	7	-	7	(15)	-	(15)
(Decrease) increase in net assets	(7,265)	896	(6,369)	8,233	(500)	7,733
Net assets, beginning of year	221,004	17,768	238,772	212,771	18,268	231,039
Net assets, end of year	$ 213,739	$ 18,664	$ 232,403	$ 221,004	$ 17,768	$ 238,772

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, 2015 and 2014
(in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	$ (6,369)	$ 7,733
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization of property and equipment	3,036	3,864
Amortization of intangible assets	6,845	6,845
Amortization of programs in process	7,190	5,547
Change in provision for uncollectible receivables	338	(419)
Net unrealized depreciation (appreciation) on investments	3,009	(14,437)
Gain on sale of investments	(4,756)	(4,588)
Change in provision for inventory obsolescence	(12)	(12)
Changes in operating assets and liabilities:		
Decrease in gross receivables	3,037	6,976
Increase in inventory	(31)	(27)
Additions to programs in process	(17,547)	(7,373)
(Increase) decrease in other assets	(1,288)	537
Increase (decrease) in accounts payable and accrued expenses	3,730	(1,980)
Decrease in deferred revenues	(687)	(2,197)
Decrease in deferred rent payable	(751)	(117)
Net cash (used in) provided by operating activities	(4,256)	352
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(1,724)	(2,022)
Purchases of investments	(3,393)	(6,713)
Proceeds from sale of investments	9,937	9,758
Change in note receivable	(298)	(288)
Net cash provided by investing activities	4,522	735
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(1,389)	(1,479)
Net cash used in financing activities	(1,389)	(1,479)
Net decrease in cash and cash equivalents	(1,123)	(392)
Cash and cash equivalents, beginning of year	8,665	9,057
Cash and cash equivalents, end of year	$ 7,542	$ 8,665
Supplemental cash flow disclosures:		
Cash paid for income taxes	$ 227	$ 293

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

1. ORGANIZATION

Sesame Workshop (the "Company") is a nonprofit 501(c)(3) corporation whose mission is to help kids grow smarter, stronger and kinder. It achieves its mission by developing and distributing innovative and entertaining educational content for children. The Company organizes its activities into two operating units to most efficiently deliver on its mission. The Media and Education group distributes the Company's educational content through mass media platforms, including television, mobile, interactive, print and live entertainment, in the US and around the world, with a focus on developed and developing markets. This group is responsible for creating and distributing *Sesame Street*, the Company's flagship preschool series, which premiered in the United States in 1969 and is currently broadcasting its 45th season on PBS. This group's primary sources of revenues are the sale and licensing of educational content and the licensing of the *Sesame Street* characters and brand, both domestically and internationally.

The second group, Social Impact and Philanthropy, focuses it efforts on underserved communities in the U.S. and in less developed international markets. It creates and distributes local adaptations of *Sesame Street*, that are developed in partnership with local experts, designed to address the educational needs of children in their own countries. It also creates needs-driven public service initiatives and outreach programs that provide age appropriate materials around such issues as health and sanitation, parent engagement, financial empowerment, military deployment and school readiness. This group's primary sources of revenue is direct funding support for its educational programs and initiatives from government agencies, foundations, corporations and individuals.

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

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, as applicable.

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, 2015 and 2014, 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 activities 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 the 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, digital streaming and download to own 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 are recognized as income as they are earned over the related license periods. Included within distribution fees and royalties in the accompanying consolidated statements of activities is approximately $5.0 million and $8.2 million from one distribution partner for the years ended June 30, 2015 and 2014, respectively.

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 is approximately $12.5 million from one licensee of the Company for each of the years ended June 30, 2015 and 2014.

Cash and Cash Equivalents

Cash consists of cash on deposit with banks. Cash equivalents represent short-term investments with original maturities of three months or less from the date of purchase. Cash and cash equivalents managed by the Company's investment managers as part of its long-term investment strategy are included in investments. 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.

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, 2015 and 2014, 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 totaled approximately $0.8 million at June 30, 2015 and 2014, respectively.

Programs in Process

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

Long-Lived Assets and Intangible Assets

Recoverability of long-lived assets and definite-lived intangible assets is assessed periodically and impairments, if any, are recognized in operating results if a permanent diminution in value were to occur when the carrying value of the asset exceeds its fair value, calculated using an undiscounted cash flow analysis. No impairment charges were incurred for the years ended June 30, 2015 and 2014.

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 Sesame Street 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 ended 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.

Contingencies

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

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.

Reclassifications

Certain information in the fiscal 2014 consolidated financial statements has been reclassified to conform to the fiscal 2015 presentation. There were no changes in total assets, liabilities, revenues, expenses or changes in net assets as reflected in the fiscal 2014 consolidated financial statements.

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, 2015	Accumulated Amortization June 30, 2014
Copyrights and Trademarks	20 Years	$ 133,761	$ 96,977	$ 90,290
Transaction costs	20 Years	3,130	2,270	2,112
License fees	10 Years	1,000	1,000	1,000
		$ 137,891	$ 100,247	$ 93,402

Amortization expense totaling approximately $6.8 million has been recorded on these assets for each of the years ended June 30, 2015 and 2014.

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, 2015 and 2014, are as follows (in thousands):

	2015	2014
Within one year	$ 6,396	$ 8,193
1 to 5 years	1,871	2,835
	$ 8,267	$ 11,028

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.

The following tables present the Company's fair value hierarchy for its investments, measured at fair value, as of June 30, 2015 and 2014 (in thousands):

2015	# of Funds	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total
Cash equivalents	N/A	$ 3,843	$ -	$ -	$ 3,843
Fixed income (a)	6	14,017	19,339	-	33,356
Domestic equities (b)	1	-	12,377	-	12,377
International equities (c)	3	2,172	32,974	-	35,146
Commodities (d)	1	1,398	-	-	1,398
Hedge funds (e)	4	-	38,349	374	38,723
Global balanced fund of funds (f)	1	-	16,715	-	16,715
Private equity (g)	2	-	-	10,380	10,380
Opportunistic funds (h)	3	-	897	-	897
Treasury inflation-protected securities ("TIPS") (i)	1	-	701	-	701
Total investments	22	$ 21,430	$ 121,352	$ 10,754	$ 153,536

2014	# of Funds	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total
Cash equivalents	N/A	$ 3,140	$ -	$ -	$ 3,140
Fixed income (a)	6	17,750	19,036	-	36,786
Domestic equities (b)	1	-	11,656	-	11,656
International equities (c)	3	1,512	34,461	-	35,973
Commodities (d)	1	1,132	-	-	1,132
Hedge funds (e)	3	-	37,927	459	38,386
Global balanced fund of funds (f)	1	-	16,605	-	16,605
Private equity (g)	2	-	-	13,732	13,732
Opportunistic funds (h)	3	-	923	-	923
Total investments	20	$ 23,534	$ 120,608	$ 14,191	$ 158,333

At June 30, 2015 and 2014, Level 3 investments comprised approximately 7% and 9% 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.

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 a commodity-backed investment 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, 2015, 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 for each of the years ended June 30, 2015 and 2014. The timing to draw down on these commitments ranged from approximately 1 to 2 years at June 30, 2015 and 2014, respectively.

(h) This category includes investments focusing on distressed debt and equity securities, as well as direct loans made to middle market companies. The nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets of the fund.

(i) This category consisted of direct holdings of inflation-protected securities issued by the U.S. Treasury.

Investments valued at net asset value or its equivalent as of June 30, 2015, consisted of the following (in thousands):

Alternative Investment Strategy	Funds	NAV in Funds	Redemption Terms	Redemption Restrictions
Fixed income	4	$ 19,339	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	12,377	Monthly with 30 days notice.	None.
International equities	1	32,974	Monthly with 30 days notice.	None.
Hedge funds	4	38,723	One fund is quarterly with 90 days notice, one fund is daily, and the other two funds have been given redemption notices and are currently in liquidation.	Two funds have no restrictions, a side pocket remains for one fund, and the other fund has a slow payout option.
Global balanced fund of funds	1	16,715	Monthly with 30 days notice.	None.
Private equity	2	10,380	Investments are distributed when underlying assets are sold.	Investments are distributed when underlying assets are sold.
Opportunistic funds	3	897	None.	None.
TIPS	1	701	Daily.	None.
Total		$ 132,106		

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

Alternative Investment Strategy	Funds	NAV in Funds	Redemption Terms	Redemption Restrictions
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 underlying assets are sold.	Investments are distributed when underlying assets are sold.
Opportunistic funds	3	923	None.	None.
Total		$ 134,799		

The following table presents a rollforward for Level 3 investments measured at fair value for the period from July 1, 2014 to June 30, 2015 (in thousands):

Beginning balance at July 1, 2014	$	14,191
Additions		-
Redemptions		(131)
Unrealized depreciation		(3,306)
Ending balance at June 30, 2015	$	10,754

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	$	14,191

Included in net investment income for the years ended June 30, 2015 and 2014, are the following amounts related to the investment activities of the Company (in thousands):

	2015	**2014**
Interest and dividend income	$ 82	$ 94
Unrealized (depreciation) appreciation	(3,009)	14,437
Realized gains	4,756	4,588
Investment expenses	(1,052)	(645)
	$ 777	$ 18,474

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, 2015 and 2014, the Company had accrued interest income of approximately $0.6 million and $0.4 million at an average annual rate of 1.75% and 1.78%, respectively.

In addition, the Company present value discounted the note receivable using a risk adjusted rate of approximately 1% as follows (in thousands):

	2015	2014
Purchase price	$ 14,000	$ 14,000
Accrued interest	647	394
	14,647	14,394
Less: discount to present value	(19)	(64)
Total note receivable	$ 14,628	$ 14,330

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 lease-term, inclusive of the rent abatements and landlord contributions.

Total future commitments under this lease at June 30, 2015 are as follows (in thousands):

2016	$ 5,725
2017	5,725
2018	5,725
2019	5,992
2020	5,992
2021 and thereafter	62,314
	$ 91,473

Rent expense totaled approximately $5.0 million for each of the years ended June 30, 2015 and 2014.

At June 30, 2015 and 2014, property and equipment consisted of (in thousands):

	Useful Life In Years	2015	2014
Computer and office equipment	3 - 4	$ 7,971	$ 9,191
Furniture and fixtures	4 - 10	4,783	4,734
Leasehold improvements	5 - 18	20,316	20,288
Assets not yet placed into service	N/A	699	22
		33,769	34,235
Less: accumulated depreciation and amortization		(11,448)	(10,602)
		$ 22,321	$ 23,633

Depreciation and amortization expense totaled approximately $3.0 million and $3.9 million for the years ended June 30, 2015 and 2014, respectively. During the years ended June 30, 2015 and 2014, approximately $2.2 million and $0.5 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:

Year ending June 30:

2016	$	897
2017		525
2018		153
2019		64
Total minimum lease payments		1,639
Less: amount representing interest		(35)
Present value of minimum lease payments	$	1,604

8. NET ASSETS

Temporarily restricted net assets which were available for educational programs as of June 30, 2015 and 2014, are as follows (in thousands):

	Temporarily Restricted Net Assets as of June 30, 2014	Temporarily Restricted Contributions in Fiscal 2015	Net Assets Released From Restrictions in Fiscal 2015	Temporarily Restricted Net Assets as of June 30, 2015
International production, distribution & outreach	$ 6,816	$ 4,160	$ (5,621)	$ 5,355
Health programs	1,014	792	(392)	1,414
School readiness programs	3,725	372	(1,018)	3,079
Financial empowerment	3,143	4,000	(2,675)	4,468
Science programs	-	300	(148)	152
Social & emotional well-being programs	1,568	2,662	(1,523)	2,707
Joan Ganz Cooney Center for educational media and research	1,502	1,373	(1,386)	1,489
	$ 17,768	$ 13,659	$ (12,763)	$ 18,664

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)	-
	$ 18,268	$ 11,652	$ (12,152)	$ 17,768

9. RETIREMENT PLAN

Sesame Workshop sponsors a 401(k) defined contribution plan (the "Plan"). Substantially all full-time employees of the Company are covered under the Plan, and the Company matches a portion of employee contributions, which vest immediately. The Company's contributions to the Plan totaled approximately $2.4 million for each of the years ended June 30, 2015 and 2014.

10. INCOME TAXES

At June 30, 2015 and 2014, 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, 2015 and 2014, respectively, due to the uncertainty of realizing these tax benefits.

Net operating loss carryforwards were available at June 30, 2015, and will expire, if unused, in the following years (in thousands):

2018	$ 7,353
2019	668
2020	131
2021	36
2022 and thereafter	24
	$ 8,212

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, 2015 and 2014, the Company recognized losses totaling approximately $1.3 million and $1.8 million, respectively. For the years ended June 30, 2015 and 2014, exploitation costs of approximately $3.0 million and $1.8 million, respectively, were expensed as incurred.

Programs in process, net of amortization, as of June 30, 2015 and 2014, were as follows (in thousands):

	June 30, 2014	Prior Year Productions Released	Fiscal 2015 Additions	Fiscal 2015 Amortization	June 30, 2015
Television productions:					
Released	$ 2,141	$ 3,518	$ 3,305	$ (5,338)	$ 3,626
In production	3,980	(3,518)	14,242	(1,852)	12,852
	$ 6,121	$ -	$ 17,547	$ (7,190)	$ 16,478

	June 30, 2013	Prior Year Productions Released	Fiscal 2014 Additions	Fiscal 2014 Amortization	June 30, 2014
Television productions:					
Released	$ 1,995	$ 2,300	$ 1,569	$ (3,723)	$ 2,141
In production	2,300	(2,300)	5,804	(1,824)	3,980
	$ 4,295	$ -	$ 7,373	$ (5,547)	$ 6,121

As of June 30, 2015, the Company estimated that approximately 34% of unamortized production costs from released productions are expected to be amortized in fiscal 2016 and 72% of unamortized production costs from released productions are expected to be amortized within the next three years.

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

12. SUBSEQUENT EVENTS

The Company evaluated its June 30, 2015 consolidated financial statements for subsequent events through September 30, 2015, the date the consolidated financial statements were available to be issued. On July 14, 2015, the Company entered into an agreement with a third-party for the rights to broadcast seasons forty-six to fifty of *Sesame Street*, the Company's flagship preschool series. In addition to the next five seasons of *Sesame Street*, the Company will also produce a *Sesame Street* Muppet spinoff series, as well as develop a new original educational series for children. Furthermore, as part of the agreement, the third party has also licensed library episodes of *Sesame Street*, *Pinky Dinky Doo* and *The Electric Company*. Management is in the process of evaluating the future financial statement impact of the new agreement. 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, 2015
(in thousands)

ASSETS	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 and cash equivalents	$ 5,966	$ -	$ 130	$ 8	$ -	$ 691	$ 538	$ 209	$ -	$ 7,542
Receivables:										
Programs, product licenses, and contracts in support of programs, less allowance for doubtful accounts of $1,473 in 2015 and $1,135 in 2014	23,021	95	273	-	-	7	9	-	-	23,405
Grants	7,462	-	-	-	-	518	287	-	-	8,267
Total receivables	30,483	95	273	-	-	525	296	-	-	31,672
Note receivable	14,628	-	-	-	-	-	-	-	-	14,628
Intercompany receivables	7,536	2,857	9,198	-	-	-	26	-	(19,617)	-
Inventory, net	1,281	-	-	-	-	-	-	-	-	1,281
Programs in process	16,447	-	-	31	-	-	-	-	-	16,478
Investments	136,464	-	-	-	-	16,884	188	-	-	153,536
Intangible assets, net of accumulated amortization of $100,247 in 2015 and $93,402 in 2014	37,644	-	-	-	-	-	-	-	-	37,644
Property and equipment, net	22,321	-	-	-	-	-	-	-	-	22,321
Other assets	1,799	-	-	-	-	-	1,927	17	-	3,743
Total assets	274,569	2,952	9,601	39	-	18,100	2,975	226	(19,617)	288,845
LIABILITIES AND NET ASSETS (DEFICIT)										
LIABILITIES										
Accounts payable and accrued expenses	27,669	58	173	2	-	55	2,111	62	-	30,130
Deferred revenues	9,389	-	-	-	-	17	59	-	-	9,465
Deferred rent payable	16,847	-	-	-	-	-	-	-	-	16,847
Intercompany payables	-	-	-	12,401	2,320	2,482	1,678	736	(19,617)	-
Total liabilities	53,905	58	173	12,403	2,320	2,554	3,848	798	(19,617)	56,442
NET ASSETS (DEFICIT)										
Unrestricted	203,596	2,894	9,428	(12,364)	(2,320)	14,256	(1,179)	(572)	-	213,739
Temporarily restricted	17,068	-	-	-	-	1,290	306	-	-	18,664
Total net assets (deficit)	220,664	2,894	9,428	(12,364)	(2,320)	15,546	(873)	(572)	-	232,403
Total liabilities and net assets (deficit)	$ 274,569	$ 2,952	$ 9,601	$ 39	$ -	$ 18,100	$ 2,975	$ 226	$ (19,617)	$ 288,845

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, 2015
(in thousands)

	Unrestricted										Temporarily Restricted					
	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	Total Unrestricted	Sesame Workshop	Joan Ganz Cooney Center for Educational Media and Research	Sesame Workshop India Initiatives, PLC	Elimination Entries	Total Temporarily Restricted	Consolidated
REVENUES																
Program support	$ 15,514	$ -	$ -	$ -	$ -	$ 96	$ -	$ 1	$ -	$ 15,611	$ 12,077	$ 1,272	$ 310	$ -	$ 13,659	$ 29,270
Distribution fees and royalties	26,147	213	715	-	-	-	177	-	-	27,252	-	-	-	-	-	27,252
Licensing	37,359	-	-	-	-	-	-	30	-	37,389	-	-	-	-	-	37,389
Net assets released from restrictions	11,276	-	-	-	-	1,386	101	-	-	12,763	(11,276)	(1,386)	(101)	-	(12,763)	-
Total operating revenues	90,296	213	715	-	-	1,482	278	31	-	93,015	801	(114)	209	-	896	93,911
EXPENSES																
Program expenses:																
Media and education	35,568	-	-	-	-	-	-	155	-	35,723	-	-	-	-	-	35,723
Global social impact	18,657	-	-	-	-	-	1,241	-	-	19,898	-	-	-	-	-	19,898
Creative	12,701	-	-	-	-	-	-	-	-	12,701	-	-	-	-	-	12,701
Strategy and research	2,982	-	-	-	-	2,357	-	-	-	5,339	-	-	-	-	-	5,339
Muppet acquisition	6,845	-	-	-	-	-	-	-	-	6,845	-	-	-	-	-	6,845
Total program expenses	76,753	-	-	-	-	2,357	1,241	155	-	80,506	-	-	-	-	-	80,506
Support expenses:																
Fundraising	1,980	-	-	-	-	-	-	-	-	1,980	-	-	-	-	-	1,980
General and administrative	18,861	-	-	1	-	-	-	-	-	18,862	-	-	-	-	-	18,862
Total support expenses	20,841	-	-	1	-	-	-	-	-	20,842	-	-	-	-	-	20,842
Total operating expenses	97,594	-	-	1	-	2,357	1,241	155	-	101,348	-	-	-	-	-	101,348
Operating (loss) income	(7,298)	213	715	(1)	-	(875)	(963)	(124)	-	(8,333)	801	(114)	209	-	896	(7,437)
Net investment income	615	-	-	-	-	124	38	-	-	777	-	-	-	-	-	777
Increase (decrease) in net assets before interest income and provision (benefit) for income taxes	(6,683)	213	715	(1)	-	(751)	(925)	(124)	-	(7,556)	801	(114)	209	-	896	(6,660)
Interest income	298	-	-	-	-	-	-	-	-	298	-	-	-	-	-	298
Provision (benefit) for income taxes	6	-	-	1	-	-	-	-	-	7	-	-	-	-	-	7
(Decrease) increase in net assets (deficit)	(6,391)	213	715	(2)	-	(751)	(925)	(124)	-	(7,265)	801	(114)	209	-	896	(6,369)
Net assets (deficit), beginning of year	209,987	2,681	8,713	(12,362)	(2,320)	15,007	(254)	(448)	-	221,004	16,267	1,404	97	-	17,768	238,772
Net assets (deficit), end of year	$ 203,596	$ 2,894	$ 9,428	$ (12,364)	$ (2,320)	$ 14,256	$ (1,179)	$ (572)	$ -	$ 213,739	$ 17,068	$ 1,290	$ 306	$ -	$ 18,664	$ 232,403

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, 2015
(in thousands)

	Media & Education	Global Social Impact	Creative	Strategy & Research	Amortization Expense	Fundraising	General & Administrative	Total Operating Expenses
People costs	$ 11,967	$ 5,761	$ 7,540	$ 2,665	$ -	$ 1,136	$ 11,767	$ 40,836
Benefits	2,735	1,151	1,898	688	-	326	2,640	9,438
Guild payments	2,075	315	5,506	-	-	1	4	7,901
Travel and entertainment	1,116	669	238	84	-	64	228	2,399
Outside services	8,496	7,655	3,785	1,222	-	475	1,636	23,269
Advertising and promotion	375	256	19	4	-	22	4	680
Bad debt expense	378	-	-	-	-	15	-	393
Materials and supplies	1,547	89	221	4	-	5	147	2,013
Machinery and equipment	1,306	426	1,071	315	-	106	(933)	2,291
Participations and commissions	-	21	94	-	-	-	-	115
Office costs	306	1,586	289	19	-	27	593	2,820
Occupancy expenses	2,976	1,148	3,846	748	-	260	414	9,392
Miscellaneous expenses	138	3	1	-	-	-	136	278
Depreciation and amortization	-	-	11	-	6,845	-	3,024	9,880
Allocated expenses	58	27	33	-	-	2	(120)	-
Staff Allocations	1,525	1,199	(1,177)	(410)	-	(459)	(678)	-
Amounts capitalized as programs in process, net of amortization	725	(408)	(10,674)	-	-	-	-	(10,357)
Total operating expenses	$ 35,723	$ 19,898	$ 12,701	$ 5,339	$ 6,845	$ 1,980	$ 18,862	$ 101,348

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