Consolidated Financial Statements and
Supplementary Information Together with
Report of Independent Certified Public Accountants

SESAME WORKSHOP AND SUBSIDIARIES

For the years ended June 30, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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 of financial position and activities and consolidated schedule of operating expenses as of and for the year ended June 30, 2016 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 28, 2016

SESAME WORKSHOP AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of June 30, 2016 and 2015
(in thousands)

ASSETS	**2016**	**2015**
Cash and cash equivalents	$ 30,322	$ 7,542
Receivables:		
Programs, product licenses, and contracts in support of programs, less allowance for doubtful accounts of $1,088 in 2016 and $1,473 in 2015	19,093	23,405
Grants	11,351	8,267
Total receivables	30,444	31,672
Note receivable	-	14,628
Programs in process	17,220	16,478
Investments	165,674	153,536
Intangible assets, net of accumulated amortization of $102,273 in 2016 and $100,247 in 2015	38,518	37,644
Property and equipment, net	21,529	22,321
Other assets	4,890	5,024
Total assets	$ 308,597	$ 288,845
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 34,593	$ 30,130
Deferred revenues	22,545	9,465
Deferred rent payable	16,097	16,847
Total liabilities	73,235	56,442
Commitments and contingencies		
NET ASSETS		
Unrestricted	215,209	213,739
Temporarily restricted	20,153	18,664
Total net assets	235,362	232,403
Total liabilities and net assets	$ 308,597	$ 288,845

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, 2016 and 2015
(in thousands)

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Program support	$ 14,051	$ 21,336	$ 35,387	$ 15,611	$ 13,659	$ 29,270
Distribution fees and royalties	49,636	-	49,636	27,252	-	27,252
Licensing	36,598	-	36,598	37,389	-	37,389
Net assets released from restrictions	19,847	(19,847)	-	12,763	(12,763)	-
Total operating revenues	120,132	1,489	121,621	93,015	896	93,911
EXPENSES						
Program expenses:						
Media and education	54,010	-	54,010	35,723	-	35,723
Global social impact	22,142	-	22,142	19,898	-	19,898
Creative	7,973	-	7,973	12,701	-	12,701
Strategy and research	5,431	-	5,431	5,339	-	5,339
Amortization expense	2,026	-	2,026	6,845	-	6,845
Total program expenses	91,582	-	91,582	80,506	-	80,506
Support expenses:						
Fundraising	2,426	-	2,426	1,980	-	1,980
General and administrative	20,189	-	20,189	18,862	-	18,862
Total support expenses	22,615	-	22,615	20,842	-	20,842
Total operating expenses	114,197	-	114,197	101,348	-	101,348
Operating income (loss)	5,935	1,489	7,424	(8,333)	896	(7,437)
Net investment (loss) income	(4,575)	-	(4,575)	777	-	777
Increase (decrease) in net assets before interest income and (benefit) provision for income taxes	1,360	1,489	2,849	(7,556)	896	(6,660)
Interest income	105	-	105	298	-	298
(Benefit) provision for income taxes	(5)	-	(5)	7	-	7
Increase (decrease) in net assets	1,470	1,489	2,959	(7,265)	896	(6,369)
Net assets, beginning of year	213,739	18,664	232,403	221,004	17,768	238,772
Net assets, end of year	$ 215,209	$ 20,153	$ 235,362	$ 213,739	$ 18,664	$ 232,403

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, 2016 and 2015
(in thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 2,959	$ (6,369)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	3,192	3,036
Amortization of intangible assets	2,026	6,845
Amortization of programs in process	21,149	7,190
Change in provision for uncollectible receivables	385	338
Net unrealized depreciation on investments	7,010	3,009
Gain on sale of investments	(3,217)	(4,756)
Change in provision for inventory obsolescence	165	(12)
Changes in operating assets and liabilities:		
Decrease in gross receivables	843	3,037
Decrease (increase) in inventory	414	(31)
Additions to programs in process	(21,891)	(17,547)
Increase in other assets	(445)	(1,288)
Increase in accounts payable and accrued expenses	5,580	3,730
Increase (decrease) in deferred revenues	13,080	(687)
Decrease in deferred rent payable	(750)	(751)
Net cash provided by (used in) operating activities	30,500	(4,256)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(2,400)	(1,724)
Purchases of investments	(28,607)	(3,393)
Proceeds from sale of investments	12,676	9,937
Acquisition of intangible assets	(2,900)	-
Proceeds from/(change in) note receivable	14,628	(298)
Net cash (used in) provided by investing activities	(6,603)	4,522
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(1,117)	(1,389)
Net cash used in financing activities	(1,117)	(1,389)
Net increase (decrease) in cash and cash equivalents	22,780	(1,123)
Cash and cash equivalents, beginning of year	7,542	8,665
Cash and cash equivalents, end of year	$ 30,322	$ 7,542
Supplemental cash flow disclosures:		
Cash paid for income taxes	$ 414	$ 227

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 U.S. and around the world, with a focus on developed and developing markets. This group is responsible for creating and distributing *Sesame Street*, the Company's flagship preschool series, which premiered in the United States in 1969 and is currently broadcasting its 46th season. This group's primary sources of revenues are the sale and licensing of educational content and the licensing of the *Sesame Street* characters and brand, both domestically and internationally.

The second group, Social Impact and Philanthropy, focuses its 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 source 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, 2016 and 2015, 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 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, 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 was $28.2 million and $5.0 million from two and one distribution partners, respectively, for the years ended June 30, 2016 and 2015, 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 was $12.5 million from one licensee of the Company for each of the years ended June 30, 2016 and 2015.

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 Financial Accounting Standards Board ("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.

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

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

In 2015, the FASB issued guidance eliminating the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share ("NAV") as a practical expedient. The amendments within this update must be applied retrospectively to all periods presented. As such, the Company has adopted this guidance for the years ended June 30, 2016 and 2015. This new guidance only amended disclosure requirements and did not have any impact on the Company's consolidated statements of financial position or consolidated statements of activities for the years presented.

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 (loss) 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

Inventory, which is included within the caption other assets in the accompanying consolidated statements of financial position, consists of DVD's available for sale at June 30, 2016 and 2015, and is carried at the lower of cost or market. Inventory is reviewed for estimated obsolescence or unusable items and, if appropriate, is 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 $1.0 million and $0.8 million at June 30, 2016 and 2015, 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, related to new programs, are expensed as incurred.

Long-Lived Assets and Intangible Assets

Recoverability of long-lived assets and definite-lived intangible assets is assessed periodically and impairments, if any, are recognized in operating results if a permanent diminution in value were to occur when the carrying value of the asset exceeds its fair value, calculated using an undiscounted cash flow analysis. No impairment charges were incurred for the years ended June 30, 2016 and 2015.

Depreciation and Amortization

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

Taxes

The Company follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the 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, 2013, 2014, 2015 and 2016 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.

3. INTANGIBLE ASSETS

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 these intangible assets based on the net present value of the cash payments.

In December 2015, the Company acquired a defined set of rights in perpetuity to *Sesame Street* music composed by a third-party for $2.9 million. These rights will be amortized over a 20-year useful life. Furthermore, the Company reevaluated the useful life of the Sesame Street Muppets acquisition mentioned above and determined that the useful life should be extended to a corresponding 20-year life.

The intangible assets described above are being amortized over their estimated useful lives as follows (in thousands):

ASSET	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization June 30, 2016	Accumulated Amortization June 30, 2015
Sesame Street Music Rights	20 Years	$ 2,900	$ 145	$ -
Sesame Street Muppets Copyrights and Trademarks	20 Years	133,761	98,816	96,977
Sesame Street Muppets Transaction costs	20 Years	3,130	2,312	2,270
Sesame Street Muppets License fees	10 Years	1,000	1,000	1,000
		$ 140,791	$ 102,273	$ 100,247

Amortization expense totaling $2.0 million and $6.8 million has been recorded on these assets for the years ended June 30, 2016 and 2015, respectively.

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, 2016 and 2015, were as follows (in thousands):

	2016	2015
Within one year	$ 8,592	$ 6,396
1 to 5 years	2,759	1,871
	$ 11,351	$ 8,267

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, 2016 and 2015 (in thousands):

	# of	Fair Value		
2016	**Funds**	**Level 1**	**Net Asset Value**	**Total**
Fixed income (a)	5	$ 20,229	$ 18,138	$ 38,367
Domestic equities (b)	1	-	18,444	18,444
International equities (c)	3	984	33,767	34,751
Commodities (d)	2	-	3,315	3,315
Hedge funds (e)	3	-	39,045	39,045
Global balanced fund of funds (f)	1	-	15,969	15,969
Private equity (g)	2	-	7,716	7,716
Opportunistic funds (h)	3	-	1,051	1,051
Treasury inflation-protected securities ("TIPS") (i)	1	-	725	725
Venture capital (j)	2	-	1,809	1,809
Subtotal	23	21,213	139,979	161,192
Cash and cash equivalents				4,482
Total investments				$ 165,674

2015	# of Funds	Fair Value Level 1	Fair Value Net Asset Value	Total
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	-	38,723	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
Subtotal	22	17,587	132,106	149,693
Cash and cash equivalents				3,843
Total investments				$ 153,536

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 funds that invest in privately held domestic and international corporations. The nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2016, it is possible 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 $0.2 and $0.6 million as of June 30, 2016 and 2015, respectively. The timing to draw down on these commitments ranged from 1 to 2 years at June 30, 2016 and 2015, 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. The total amount of unfunded commitments pertaining to these investments totaled $1.3 and $1.1 million as of June 30, 2016 and 2015, respectively. The timing to draw down on these commitments ranged from 1 to 4 years at June 30, 2016 and 2015, respectively.

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

(j) During the year ended June 30, 2016, the Company began investing in funds managed by mission-aligned Venture Capital Firms who invest in privately held early stage companies. As of June 30, 2016, the Company had invested in two venture capital 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, 2016, 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 $5.5 million for the year ended June 30, 2016. The timing to draw down on these commitments ranged from 5 to 7 years at June 30, 2016.

Investments valued at net asset value or its equivalent as of June 30, 2016, consisted of the following (in thousands):

Alternative Investment Strategy	Funds	NAV in Funds	Redemption Terms	Redemption Restrictions
Fixed income	4	$ 18,138	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	18,444	Monthly with 30 days notice.	None.
International equities	1	33,767	Monthly with 30 days notice.	None.
Commodities	2	3,315	Both funds are daily with 1 day notice.	None.
Hedge funds	3	39,045	One fund is quarterly with 90 days notice, one fund is daily, and one fund has been given a redemption notice and is 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	15,969	Monthly with 30 days notice.	None.
Private equity	2	7,716	Investments are distributed when underlying assets are sold.	Investments are distributed when underlying assets are sold.
Opportunistic funds	3	1,051	None.	None.
TIPS	1	725	Daily with 1 day notice.	None.
Venture capital	2	1,809	Investments are distributed when underlying assets are sold.	Investments are distributed when underlying assets are sold.
Total		$ 139,979		

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		

Included in net investment (loss) income for the years ended June 30, 2016 and 2015, were the following amounts related to the investment activities of the Company (in thousands):

	2016	2015
Interest and dividend income	$ 276	$ 82
Unrealized depreciation	(7,010)	(3,009)
Realized gains	3,217	4,756
Investment expenses	(1,058)	(1,052)
	$ (4,575)	$ 777

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. Principal balance together with all accrued interest was paid in full on the third anniversary of the closing date in December 2015. Interest was 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. Total interest income earned over the three year term was $0.7 million.

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

	2016	2015
Purchase price	$ 14,000	$ 14,000
Accrued interest	733	647
	14,733	14,647
Less: discount to present value	-	(19)
Less: payment of note receivable	(14,733)	-
Total note receivable	$ -	$ 14,628

6. OFFICE LEASE AND PROPERTY AND EQUIPMENT

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

Total future commitments under this lease at June 30, 2016 were as follows (in thousands):

2017	$ 5,725
2018	5,725
2019	5,992
2020	5,992
2021	5,992
2022 and thereafter	56,322
	$ 85,748

Rent expense totaled $5.0 million for each of the years ended June 30, 2016 and 2015.

At June 30, 2016 and 2015, property and equipment consisted of (in thousands):

	Useful Life In Years	2016	2015
Technology and office equipment	3 - 4	$ 7,449	$ 7,971
Furniture and fixtures	4 - 10	4,807	4,783
Leasehold improvements	5 - 18	20,324	20,316
Assets not yet placed into service	N/A	856	699
		33,436	33,769
Less: accumulated depreciation and amortization		(11,907)	(11,448)
		$ 21,529	$ 22,321

Depreciation and amortization expense totaled approximately $3.1 million and $3.0 million for the years ended June 30, 2016 and 2015, respectively. During the years ended June 30, 2016 and 2015, $2.7 million and $2.2 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 technology and office equipment. The following is a schedule of annual future minimum lease payments (in thousands) due under the Company's capital lease obligations, together with the present value of the net minimum lease payments:

Year ending June 30:

2017	$	871
2018		532
2019		430
2020		124
Total minimum lease payments		1,957
Less: amount representing interest		(48)
Present value of minimum lease payments	$	1,909

8. NET ASSETS

Temporarily restricted net assets which were time and purpose restricted as of June 30, 2016 and 2015, were as follows (in thousands):

	Temporarily Restricted Net Assets as of June 30, 2015	Temporarily Restricted Contributions in Fiscal 2016	Net Assets Released From Restrictions in Fiscal 2016	Temporarily Restricted Net Assets as of June 30, 2016
International production, distribution & outreach	$ 5,355	$ 4,051	$ (7,049)	$ 2,357
Health programs	1,414	4,219	(2,185)	3,448
School readiness programs	3,079	1,652	(1,729)	3,002
Financial empowerment	4,468	4,000	(4,706)	3,762
Science programs	152	-	(152)	-
Social & emotional well-being programs	2,707	6,308	(2,338)	6,677
Research programs of the Joan Ganz Cooney Center	1,489	1,106	(1,688)	907
	$ 18,664	$ 21,336	$ (19,847)	$ 20,153

Temporarily restricted net assets which were available for educational programs as of June 30, 2015 and 2014 were 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
Research programs of the Joan Ganz Cooney Center	1,502	1,373	(1,386)	1,489
	$ 17,768	$ 13,659	$ (12,763)	$ 18,664

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 $2.4 million for each of the years ended June 30, 2016 and 2015.

10. INCOME TAXES

At June 30, 2016 and 2015, CTW/C had net loss carryforwards totaling $8.2 million, representing $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, 2016 and 2015, respectively, due to the uncertainty of realizing these tax benefits.

Net operating loss carryforwards were available at June 30, 2016, and will expire, if unused, in the following years (in thousands):

2019	$ 7,348
2020	668
2021	131
2022	36
2023 and thereafter	22
	$ 8,205

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 for the amount by which the unamortized cost exceeds the production's fair value. For the years ended June 30, 2016 and 2015, the Company recognized losses totaling $1.4 million and $1.3 million, respectively. For the years ended June 30, 2016 and 2015, exploitation costs of $1.7 million and $2.4 million, respectively, were expensed as incurred.

Programs in process, net of amortization, as of June 30, 2016 and 2015, were as follows (in thousands):

	June 30, 2015	Prior Year Productions Released	Fiscal 2016 Additions	Fiscal 2016 Amortization	June 30, 2016
Television productions:					
Released	$ 3,626	$ 11,847	$ 5,008	$ (16,503)	$ 3,978
In production	12,852	(11,847)	16,883	(4,646)	13,242
	$ 16,478	$ -	$ 21,891	$ (21,149)	$ 17,220

	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

As of June 30, 2016, the Company estimated that approximately 45% of unamortized production costs from released productions are expected to be amortized in fiscal 2017 and 77% of unamortized production costs from released productions are expected to be amortized within the next three years.

As of June 30, 2015, the Company estimated that approximately 42% of unamortized production costs from released productions were expected to be amortized in fiscal 2016 and 78% of unamortized production costs from released productions were expected to be amortized within the next three years.

12. REVOLVING CREDIT AGREEMENT

On December 11, 2015, the Company entered into a two-year, $10.0 million revolving line of credit agreement with JP Morgan Chase Bank. Borrowings under the agreement will bear interest at the prevailing LIBOR Rate plus 1.5%. There were no outstanding borrowings under the agreement at June 30, 2016.

13. SUBSEQUENT EVENTS

The Company evaluated its June 30, 2016 consolidated financial statements for subsequent events through September 28, 2016, the date the consolidated financial statements were available to be issued. The Company is not aware of any material subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

SESAME WORKSHOP AND SUBSIDIARIES

Consolidating Schedule of Financial Position

As of June 30, 2016

(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	$ 29,469	$ -	$ 63	$ 16	$ -	$ 164	$ 248	$ 362	$ -	$ 30,322
Receivables:										
Programs, product licenses, and contracts in support of programs, less allowance for doubtful accounts of $1,088 in 2016 and $1,473 in 2015	18,791	46	156	-	-	100	-	-	-	19,093
Grants	10,576	-	-	-	-	539	236	-	-	11,351
Total receivables	29,367	46	156	-	-	639	236	-	-	30,444
Note receivable	-	-	-	-	-	-	-	-	-	-
Intercompany receivables	6,289	3,249	10,157	-	-	-	-	-	(19,695)	-
Programs in process	17,146	-	-	31	-	-	-	43	-	17,220
Investments	149,535	-	-	-	-	15,968	171	-	-	165,674
Intangible assets, net of accumulated amortization of $102,273 in 2016 and $100,247 in 2015	38,518	-	-	-	-	-	-	-	-	38,518
Property and equipment, net	21,529	-	-	-	-	-	-	-	-	21,529
Other assets	2,377	-	-	-	-	-	2,501	12	-	4,890
Total assets	$ 294,230	$ 3,295	$ 10,376	$ 47	$ -	$ 16,771	$ 3,156	$ 417	$ (19,695)	$ 308,597
LIABILITIES AND NET ASSETS (DEFICIT)										
LIABILITIES										
Accounts payable and accrued expenses	$ 31,945	$ 57	$ 125	$ 3	$ -	$ 68	$ 2,255	$ 140	$ -	$ 34,593
Deferred revenues	22,535	-	-	-	-	10	-	-	-	22,545
Deferred rent payable	16,097	-	-	-	-	-	-	-	-	16,097
Intercompany payables	-	-	-	12,404	2,320	3,065	1,154	752	(19,695)	-
Total liabilities	70,577	57	125	12,407	2,320	3,143	3,409	892	(19,695)	73,235
NET ASSETS (DEFICIT)										
Unrestricted	204,633	3,238	10,251	(12,360)	(2,320)	12,720	(478)	(475)	-	215,209
Temporarily restricted	19,020	-	-	-	-	908	225	-	-	20,153
Total net assets (deficit)	223,653	3,238	10,251	(12,360)	(2,320)	13,628	(253)	(475)	-	235,362
Total liabilities and net assets (deficit)	$ 294,230	$ 3,295	$ 10,376	$ 47	$ -	$ 16,771	$ 3,156	$ 417	$ (19,695)	$ 308,597

This 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, 2016
(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	$ 13,773	$ -	$ -	$ -	$ -	$ 259	$ 4,227	$ 1,224	$ (5,432)	$ 14,051	$ 19,903	$ 1,106	$ 327	$ -	$ 21,336	$ 35,387
Distribution fees and royalties	47,988	205	730	4	-	-	709	-	-	49,636	-	-	-	-	-	49,636
Licensing	36,590	-	-	-	-	-	-	8	-	36,598	-	-	-	-	-	36,598
Net assets released from restrictions	17,951	-	-	-	-	1,488	408	-	-	19,847	(17,951)	(1,488)	(408)	-	(19,847)	-
Total operating revenues	116,302	205	730	4	-	1,747	5,344	1,232	(5,432)	120,132	1,952	(382)	(81)	-	1,489	121,621
EXPENSES																
Program expenses:																
Media and education	53,964	49	85	-	-	-	-	1,136	(1,224)	54,010	-	-	-	-	-	54,010
Global social impact	21,698	-	-	-	-	-	4,652	-	(4,208)	22,142	-	-	-	-	-	22,142
Creative	7,973	-	-	-	-	-	-	-	-	7,973	-	-	-	-	-	7,973
Strategy and research	2,888	-	-	-	-	2,543	-	-	-	5,431	-	-	-	-	-	5,431
Amortization expense	2,026	-	-	-	-	-	-	-	-	2,026	-	-	-	-	-	2,026
Total program expenses	88,549	49	85	-	-	2,543	4,652	1,136	(5,432)	91,582	-	-	-	-	-	91,582
Support expenses:																
Fundraising	2,426	-	-	-	-	-	-	-	-	2,426	-	-	-	-	-	2,426
General and administrative	20,189	-	-	-	-	-	-	-	-	20,189	-	-	-	-	-	20,189
Total support expenses	22,615	-	-	-	-	-	-	-	-	22,615	-	-	-	-	-	22,615
Total operating expenses	111,164	49	85	-	-	2,543	4,652	1,136	(5,432)	114,197	-	-	-	-	-	114,197
Operating income (loss)	5,138	156	645	4	-	(796)	692	96	-	5,935	1,952	(382)	(81)	-	1,489	7,424
Net investment income	(3,865)	-	-	-	-	(744)	34	-	-	(4,575)	-	-	-	-	-	(4,575)
Increase (decrease) in net assets before interest income and provision (benefit) for income taxes	1,273	156	645	4	-	(1,540)	726	96	-	1,360	1,952	(382)	(81)	-	1,489	2,849
Interest income	105	-	-	-	-	-	-	-	-	105	-	-	-	-	-	105
Provision (benefit) for income taxes	1	-	-	(1)	-	(5)	-	-	-	(5)	-	-	-	-	-	(5)
Increase (decrease) in net assets (deficit)	1,377	156	645	5	-	(1,535)	726	96	-	1,470	1,952	(382)	(81)	-	1,489	2,959
Net assets (deficit), beginning of year	203,256	3,082	9,606	(12,365)	(2,320)	14,255	(1,204)	(571)	-	213,739	17,068	1,290	306	-	18,664	232,403
Net assets (deficit), end of year	$ 204,633	$ 3,238	$ 10,251	$ (12,360)	$ (2,320)	$ 12,720	$ (478)	$ (475)	$ -	$ 215,209	$ 19,020	$ 908	$ 225	$ -	$ 20,153	$ 235,362

This 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, 2016
(in thousands)

	Media and Education	Global Social Impact	Creative	Strategy and Research	Amortization Expense	Fundraising	General and Administrative	Total Operating Expenses
People costs	$ 13,309	$ 5,839	$ 8,062	$ 3,158	$ -	$ 1,107	$ 13,076	$ 44,551
Benefits	2,924	1,190	1,958	733	-	267	2,570	9,642
Guild payments	3,673	71	7,003	2	-	-	3	10,752
Travel and entertainment	1,154	676	218	159	-	61	161	2,429
Outside services	7,054	9,128	4,772	851	-	483	2,004	24,292
Advertising and promotion	448	119	5	24	-	23	1	620
Bad debt expense	422	1	-	-	-	-	-	423
Materials and supplies	1,815	61	266	4	-	29	120	2,295
Technology and office equipment	1,297	541	759	306	-	104	(776)	2,231
Participations and commissions	126	44	37	-	-	-	-	207
Office costs	483	1,419	233	32	-	234	622	3,023
Occupancy expenses	2,941	1,191	3,829	717	-	227	252	9,157
Miscellaneous expenses	30	7	-	-	-	-	107	144
Depreciation and amortization	-	-	11	-	2,026	-	3,136	5,173
Allocated expenses	48	34	11	-	-	1	(94)	-
Staff Allocations	1,508	1,401	(1,251)	(555)	-	(110)	(993)	-
Amounts capitalized as programs in process, net of amortization	16,778	420	(17,940)	-	-	-	-	(742)
Total operating expenses	$ 54,010	$ 22,142	$ 7,973	$ 5,431	$ 2,026	$ 2,426	$ 20,189	$ 114,197

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