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

SESAME WORKSHOP AND SUBSIDIARIES

For the years ended June 30, 2018 and 2017

SESAME WORKSHOP AND SUBSIDIARIES

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Sesame Workshop and Subsidiaries:

Report on the financial statements

We have audited the accompanying consolidated financial statements of Sesame Workshop and Subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sesame Workshop and Subsidiaries as of June 30, 2018 and 2017, 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, 2018 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
October 24, 2018

SESAME WORKSHOP AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of June 30, 2018 and 2017
(in thousands)

	2018	2017
ASSETS		
Cash and cash equivalents	$ 21,856	$ 22,254
Receivables:		
Programs, product licenses, and contracts in support of programs, less allowance for doubtful accounts of $583 in 2018 and $911 in 2017	23,285	24,053
Grants and contributions	13,440	9,534
Total receivables	36,725	33,587
Programs in process	19,461	18,024
Investments	226,933	196,956
Intangible assets, net	34,464	36,491
Property and equipment, net	19,469	21,138
Other assets, net	2,958	3,451
Total assets	$ 361,866	$ 331,901
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 34,335	$ 31,953
Deferred revenues	26,864	24,831
Deferred rent payable	14,597	15,347
Total liabilities	75,796	72,131
NET ASSETS		
Unrestricted	260,950	243,883
Temporarily restricted	25,120	15,887
Total net assets	286,070	259,770
Total liabilities and net assets	$ 361,866	$ 331,901

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, 2018 and 2017
(in thousands)

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Program support	$ 11,819	$ 35,967	$ 47,786	$ 19,500	$ 16,172	$ 35,672
Distribution fees and royalties	52,931	-	52,931	48,591	-	48,591
Licensing	34,517	-	34,517	34,229	-	34,229
Net assets released from restrictions	26,734	(26,734)	-	20,438	(20,438)	-
Total operating revenues	126,001	9,233	135,234	122,758	(4,266)	118,492
EXPENSES						
Program expenses:						
Media and education	53,426	-	53,426	52,993	-	52,993
Global social impact	29,875	-	29,875	22,560	-	22,560
Creative	9,640	-	9,640	7,945	-	7,945
Strategy and research	4,486	-	4,486	4,711	-	4,711
Amortization expense	2,027	-	2,027	2,027	-	2,027
Total program expenses	99,454	-	99,454	90,236	-	90,236
Support expenses:						
Fundraising	4,283	-	4,283	3,541	-	3,541
General and administrative	20,711	-	20,711	18,017	-	18,017
Total support expenses	24,994	-	24,994	21,558	-	21,558
Total operating expenses	124,448	-	124,448	111,794	-	111,794
Operating income (loss)	1,553	9,233	10,786	10,964	(4,266)	6,698
Net investment income	15,501	-	15,501	17,710	-	17,710
Increase (decrease) in net assets before benefit for income taxes	17,054	9,233	26,287	28,674	(4,266)	24,408
Benefit for income taxes	(13)	-	(13)	-	-	-
Increase (decrease) in net assets	17,067	9,233	26,300	28,674	(4,266)	24,408
Net assets, beginning of year	243,883	15,887	259,770	215,209	20,153	235,362
Net assets, end of year	$ 260,950	$ 25,120	$ 286,070	$ 243,883	$ 15,887	$ 259,770

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, 2018 and 2017
(in thousands)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 26,300	$ 24,408
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	3,486	3,305
Amortization of intangible assets	2,027	2,027
Amortization of programs in process	20,421	22,436
Change in provision for uncollectible receivables	328	177
Net unrealized appreciation on investments	(13,427)	(16,263)
Gain on sale of investments	(3,101)	(2,738)
Changes in operating assets and liabilities:		
Increase in gross receivables	(3,466)	(3,320)
Additions to programs in process	(21,858)	(23,240)
Decrease in other assets	493	454
Increase (decrease) in accounts payable and accrued expenses	3,559	(563)
Increase in deferred revenues	2,033	2,286
Decrease in deferred rent payable	(750)	(750)
Net cash provided by operating activities	16,045	8,219
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(1,817)	(2,914)
Purchases of investments	(55,428)	(43,309)
Proceeds from sale of investments	41,979	31,028
Net cash used in investing activities	(15,266)	(15,195)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(1,177)	(1,092)
Net cash used in financing activities	(1,177)	(1,092)
Net decrease in cash and cash equivalents	(398)	(8,068)
Cash and cash equivalents, beginning of year	22,254	30,322
Cash and cash equivalents, end of year	$ 21,856	$ 22,254
Supplemental cash flow disclosures:		
Cash paid for income taxes	$ 280	$ 256

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

1. ORGANIZATION AND MISSION

Sesame Workshop (the "Company") is a nonprofit 501(c)(3) corporation whose mission is to help kids grow smarter, stronger and kinder. It achieves its mission by developing and distributing innovative and entertaining educational content for children. The Company organizes its activities into two operating units to most efficiently deliver on its mission. The Media and Education group distributes the Company's educational content through mass media platforms, including television, 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 48th season. This group's primary sources of revenues are the sale and licensing of educational content and the licensing of the *Sesame Street* characters and brand, both domestically and internationally.

The second group, Global Social Impact & Philanthropy, focuses its efforts on un-served, underserved, and vulnerable communities in the U.S. and less developed markets. It creates and distributes content for specific target audiences, including creating and distributing local versions of *Sesame Street* that are developed in partnership with local experts, designed to address the educational needs of children in their own countries. It also creates needs-driven public services initiatives and outreach programs that provide age-appropriate materials and behavior change strategies around themes of access to early education, critical health lessons, and tools for vulnerable children. Projects address health and sanitation (WASH), parent engagement, financial empowerment, military deployment, refugee response and school readiness. This group's primary source of revenue is direct funding support for its educational programs and initiatives from foundations, corporations, government agencies, and individuals.

Overall, *Sesame Street* has been seen in over 160 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 ("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 whose use has been limited by donor-imposed stipulations that expire with the passage of time and/or can be fulfilled 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, 2018 and 2017, 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.

Revenues from the sale or licensing of video content for broadcast or digital distribution 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 $31.2 million and $26.1 million from one distribution partner for the years ended June 30, 2018 and 2017, 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 $9.8 million and $11.2 million from one licensee of the Company for the years ended June 30, 2018 and 2017, respectively.

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.

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. Alternative investments are carried at net asset value as provided by the investment managers or General Partners. The Company's management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining their estimated fair value.

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

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

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, 2018 and 2017, 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. Net inventory, inclusive of reserves for inventory obsolescence totaling $0.9 million and $0.8 million was $0.3 million and $0.6 million at June 30, 2018 and 2017, 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, 2018 and 2017, respectively.

Depreciation and Amortization

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

Taxes

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

The Company is exempt from income tax under 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 has nexus; and to identify and evaluate other matters that may be considered tax positions. The Company has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

Contingencies

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

The Company receives a portion of its revenue from government grants, which are subject to audit by various federal and state agencies. The ultimate determination of amounts received under these grants generally is based upon allowable costs reported to and audited by the governments or their designees. The liabilities, if any, arising from such compliance audits cannot be determined at this time. In the opinion of management, adjustments resulting from such audits, if any, will not have a significant effect on the consolidated financial position, changes in net assets or cash flows of the Company.

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

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

2018	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Balance
Sesame Street Music Rights	20 Years	$ 2,900	$ 435	$ 2,465
Sesame Street Muppets Copyrights and Trademarks	20 Years	133,760	102,494	31,266
Sesame Street Muppets Transaction costs	20 Years	3,130	2,397	733
Sesame Street Muppets License fees	10 Years	1,000	1,000	-
		$ 140,790	$ 106,326	$ 34,464

2017	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Balance
Sesame Street Music Rights	20 Years	$ 2,900	$ 290	$ 2,610
Sesame Street Muppets Copyrights and Trademarks	20 Years	133,760	100,654	33,106
Sesame Street Muppets Transaction costs	20 Years	3,130	2,355	775
Sesame Street Muppets License fees	10 Years	1,000	1,000	-
		$ 140,790	$ 104,299	$ 36,491

Amortization expense totaling approximately $2.0 million has been recorded on these assets for each of the years ended June 30, 2018 and 2017.

4. GRANTS AND CONTRIBUTIONS RECEIVABLE

Amounts related to productions and/or educational programs that are receivable in less than one year or within one to five years, at June 30, 2018 and 2017, were as follows (in thousands):

	2018	2017
Within one year	$ 7,198	$ 7,252
1 to 5 years	6,242	2,282
	$ 13,440	$ 9,534

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, 2018 and 2017 (in thousands):

2018	# of Funds	Fair Value: Level 1	Fair Value: Net Asset Value	Total
Fixed income (a)	5	$ 32,390	$ 21,245	$ 53,635
Domestic equities (b)	3	10,229	22,545	32,774
International equities (c)	3	1,341	46,251	47,592
Commodities (d)	2	-	4,081	4,081
Hedge funds (e)	3	-	45,167	45,167
Global balanced fund of funds (f)	1	-	23,496	23,496
Private equity (g)	2	-	6,829	6,829
Opportunistic funds (h)	3	-	1,659	1,659
Treasury inflation-protected securities ("TIPS") (i)	1	-	735	735
Venture capital (j)	4	-	5,168	5,168
Subtotal	27	$ 43,960	$ 177,176	221,136
Cash and cash equivalents				5,297
Other investments				500
Total investments				$ 226,933

2017	# of Funds	Fair Value Level 1	Fair Value Net Asset Value	Total
Fixed income (a)	5	$ 26,043	$ 19,772	$ 45,815
Domestic equities (b)	1	-	20,705	20,705
International equities (c)	2	1,071	41,126	42,197
Commodities (d)	2	-	3,015	3,015
Hedge funds (e)	3	-	42,856	42,856
Global balanced fund of funds (f)	1	-	21,837	21,837
Private equity (g)	2	-	7,129	7,129
Opportunistic funds (h)	3	-	1,485	1,485
Treasury inflation-protected securities (“TIPS”) (i)	1	-	719	719
Venture capital (j)	3	-	3,835	3,835
Subtotal	23	$ 27,114	$ 162,479	189,593
Cash and cash equivalents				7,363
Total investments				$ 196,956

The Company uses net asset value (“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. The investment period for these two funds has expired so the likelihood of any additional capital call from the funds is very limited.

(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 $0.4 million and $0.8 million as of June 30, 2018 and 2017, respectively. The timing to draw down on these commitments ranged from 1 to 3 years at June 30, 2018 and from 1 to 4 years at June 30, 2017.

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

(j) This category includes investments in funds managed by mission-aligned Venture Capital Firms who invest in privately held early stage 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 $7.0 million and $7.3 million for the years ended June 30, 2018 and 2017, respectively. The timing to draw down on these commitments are expected to occur over the next 6 years.

Investments valued at NAV or its equivalent as of June 30, 2018, consisted of the following (in thousands):

Alternative Investment Strategy	# of Funds	NAV in Funds	Redemption Terms	Redemption Restrictions
Fixed income	4	$ 21,245	One fund monthly with 30 days notice, one fund monthly with 10 days notice, one fund monthly with 15 days notice and one fund daily with 1 day notice.	None.
Domestic equities	1	22,545	Monthly with 30 days notice.	None.
International equities	1	46,251	Monthly with 30 days notice.	None.
Commodities	2	4,081	Both funds are daily with 1-2 days notice.	None.
Hedge funds	3	45,167	One fund is quarterly with 90 days notice, two funds are daily and have been given redemption notices and are currently in liquidation.	None.
Global balanced fund of funds	1	23,496	Monthly with 30 days notice.	None.
Private equity	2	6,829	Investments are distributed when underlying assets are sold.	Investments are distributed when underlying assets are sold.
Opportunistic funds	3	1,659	One fund quarterly with 30 days notice, two funds are daily	Investments are distributed when underlying assets are sold.
TIPS	1	735	Daily with 1 day notice.	None.
Venture capital	4	5,168	Investments are distributed when underlying assets are sold.	Investments are distributed when underlying assets are sold.
Total		$ 177,176		

Investments valued at NAV or its equivalent as of June 30, 2017, consisted of the following (in thousands):

Alternative Investment Strategy	# of Funds	NAV in Funds	Redemption Terms	Redemption Restrictions
Fixed income	4	$ 19,772	One fund monthly with 30 days notice, one fund monthly with 10 days notice, one fund monthly with 5 days notice and one fund daily with 1 day notice.	None.
Domestic equities	1	20,705	Monthly with 30 days notice.	None.
International equities	1	41,126	Monthly with 30 days notice.	None.
Commodities	2	3,015	Both funds are daily with 1 day notice.	None.
Hedge funds	3	42,856	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.	None.
Global balanced fund of funds	1	21,837	Monthly with 30 days notice.	None.
Private equity	2	7,129	Investments are distributed when underlying assets are sold.	Investments are distributed when underlying assets are sold.
Opportunistic funds	3	1,485	One fund quarterly with 30 days notice, two funds are daily	Investments are distributed when underlying assets are sold.
TIPS	1	719	Daily with 1 day notice.	None.
Venture capital	3	3,835	Investments are distributed when underlying assets are sold.	Investments are distributed when underlying assets are sold.
Total		$ 162,479		

Included in net investment income for the years ended June 30, 2018 and 2017, were the following amounts related to the investment activities of the Company (in thousands):

	2018	2017
Interest and dividend income	$ 217	$ 86
Unrealized appreciation	13,427	16,263
Realized gains	3,101	2,738
Investment expenses	(1,244)	(1,377)
	$ 15,501	$ 17,710

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, 2018 were as follows (in thousands):

2019	$ 5,992
2020	5,992
2021	5,992
2022	5,992
2023	5,992
Thereafter	44,338
	$ 74,298

Rent expense totaled $5.0 million for each of the years ended June 30, 2018 and 2017, respectively.

At June 30, 2018 and 2017, property and equipment consisted of (in thousands):

	Useful Life In Years	**2018**	**2017**
Technology and office equipment	3 - 4	$ 6,832	$ 7,595
Furniture and fixtures	4 - 10	4,834	4,834
Leasehold improvements	Remaining Life of Lease	21,555	21,541
Assets not yet placed into service	N/A	800	361
		34,021	34,331
Less: accumulated depreciation and amortization		(14,552)	(13,193)
		$ 19,469	$ 21,138

Depreciation and amortization expense totaled approximately $3.5 million and $3.3 million for the years ended June 30, 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, $2.1 million and $2.0 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:		
2019	$	1,195
2020		784
2021		236
2022		89
Total minimum lease payments		2,304
Less: amount representing interest		(93)
Present value of minimum lease payments	$	2,211

8. NET ASSETS

Temporarily restricted net assets which were time and/or purpose restricted as of June 30, 2018 and 2017, were as follows (in thousands):

	Temporarily Restricted Net Assets as of June 30, 2017	Temporarily Restricted Contributions in Fiscal 2018	Net Assets Released From Restrictions in Fiscal 2018	Temporarily Restricted Net Assets as of June 30, 2018
Refugee Response	$ -	$ 9,250	$ (5,960)	$ 3,290
International production, distribution & outreach	4,661	7,308	(5,574)	6,395
Health programs	1,287	2,365	(1,487)	2,165
School readiness programs	1,199	6,015	(2,633)	4,581
Financial empowerment	2,064	4,000	(4,957)	1,107
Social & emotional well-being programs	5,505	7,029	(5,468)	7,066
Research programs of the Joan Ganz Cooney Center	1,171	-	(655)	516
	$ 15,887	$ 35,967	$ (26,734)	$ 25,120

Temporarily restricted net assets which were time and/or purpose restricted as of June 30, 2017 and 2016 were as follows (in thousands):

	Temporarily Restricted Net Assets as of June 30, 2016	Temporarily Restricted Contributions in Fiscal 2017	Net Assets Released From Restrictions in Fiscal 2017	Temporarily Restricted Net Assets as of June 30, 2017
International production, distribution & outreach	$ 2,357	$ 6,703	$ (4,399)	$ 4,661
Health programs	3,448	903	(3,064)	1,287
School readiness programs	3,002	-	(1,803)	1,199
Financial empowerment	3,762	4,000	(5,698)	2,064
Social & emotional well-being programs	6,677	3,339	(4,511)	5,505
Research programs of the Joan Ganz Cooney Center	907	1,227	(963)	1,171
	$ 20,153	$ 16,172	$ (20,438)	$ 15,887

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 $2.8 million and $2.5 million for the years ended June 30, 2018 and 2017, respectively.

10. INCOME TAXES

As of the year ended June 30, 2017, CTW/C had net operating losses totaling $8.2 million; $7.4 million of that balance expired unused, thereby resulting in CTW/C having available net operating losses totaling $0.9 million as of the year ended June 30, 2018.

Net operating loss carryforwards were available at June 30, 2018, and will expire, if unused, in the following years (in thousands):

2019	$ 668
2020	131
2021	36
2022	-
2023 and thereafter	22
	$ 857

While these net operating losses represent a deferred tax asset, CTW/C anticipates that it will not utilize them prior to their expiration. Deferred tax assets are periodically evaluated to determine their recoverability, and where recovery is not likely, a valuation allowance is established. CTW/C has booked a full valuation allowance against its deferred tax asset due to the uncertainty of realizing these tax benefits.

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, 2018 and 2017, the Company recognized losses totaling $0.1 million and $2.1 million, respectively. For the years ended June 30, 2018 and 2017, exploitation costs of $2.4 million and $1.0 million, respectively, were expensed as incurred.

Programs in process, net of amortization, as of June 30, 2018 and 2017, were as follows (in thousands):

	June 30, 2017	Prior Year Productions Released	Fiscal 2018 Additions	Fiscal 2018 Amortization	June 30, 2018
Television productions:					
Released	$ 3,502	$ 14,360	$ 7,137	$ (19,339)	$ 5,660
In production	14,522	(14,360)	14,721	(1,082)	13,801
	$ 18,024	$ -	$ 21,858	$ (20,421)	$ 19,461

	June 30, 2016	Prior Year Productions Released	Fiscal 2017 Additions	Fiscal 2017 Amortization	June 30, 2017
Television productions:					
Released	$ 3,978	$ 11,447	$ 6,471	$ (18,394)	$ 3,502
In production	13,242	(11,447)	16,769	(4,042)	14,522
	$ 17,220	$ -	$ 23,240	$ (22,436)	$ 18,024

As of June 30, 2018, the Company estimated that approximately 77% of unamortized production costs from released productions are expected to be amortized in fiscal 2019 and 94% of unamortized production costs from released productions are expected to be amortized within the next three years.

As of June 30, 2017, the Company estimated that approximately 20% of unamortized production costs from released productions are expected to be amortized in fiscal 2018 and 72% of unamortized production costs from released productions are 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 JPMorgan Chase Bank. The line was extended for an additional two years in December of 2017. Borrowings under the agreement will bear interest at the prevailing LIBOR Rate plus 1.5%. There were no outstanding borrowings under the agreement for the years ended June 30, 2018 and 2017, respectively.

13. SUBSEQUENT EVENTS

The Company evaluated its June 30, 2018 consolidated financial statements for subsequent events through October 24, 2018, 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, 2018
(in thousands)

	Sesame Workshop	Electric Company, Inc.	Sesame Street, Inc.	CTW Communications, Inc.	Galli Galli Sim Sim Educational Initiative	Joan Ganz Cooney Center for Educational Media and Research	Sesame Workshop India Initiatives, PLC	Sesame Street Brand Mgmt. and Service (Shanghai) Co.,Ltd.	Elimination Entries	Consolidated
ASSETS										
Cash and cash equivalents	$ 19,923	$ -	$ 72	$ 18	$ -	$ 809	$ 255	$ 779	$ -	$ 21,856
Receivables:										
Programs, product licenses, and contracts in support of programs, less allowance for doubtful accounts of $583 in 2018 and $911 in 2017	22,689	65	194	-	-	-	49	288	-	23,285
Grants	13,304	-	-	-	-	36	100	-	-	13,440
Total receivables	35,993	65	194	-	-	36	149	288	-	36,725
Intercompany receivables	7,139	3,535	10,824	-	-	-	-	-	(21,498)	-
Programs in process	19,356	-	-	31	-	-	-	74	-	19,461
Investments	202,492	-	-	-	-	23,496	945	-	-	226,933
Intangible assets, net	34,464	-	-	-	-	-	-	-	-	34,464
Property and equipment, net	19,469	-	-	-	-	-	-	-	-	19,469
Other assets	2,035	-	-	-	-	-	909	14	-	2,958
Total assets	$ 340,871	$ 3,600	$ 11,090	$ 49	$ -	$ 24,341	$ 2,258	$ 1,155	$ (21,498)	$ 361,866
LIABILITIES AND NET ASSETS (DEFICIT)										
LIABILITIES										
Accounts payable and accrued expenses	$ 33,142	$ 106	$ 94	$ 2	$ -	$ 3	$ 766	$ 222	$ -	$ 34,335
Deferred revenues	26,838	-	-	-	-	-	26	-	-	26,864
Deferred rent payable	14,597	-	-	-	-	-	-	-	-	14,597
Intercompany payables	-	-	-	12,405	2,320	3,643	2,242	888	(21,498)	-
Total liabilities	74,577	106	94	12,407	2,320	3,646	3,034	1,110	(21,498)	75,796
NET ASSETS (DEFICIT)										
Unrestricted	241,842	3,494	10,996	(12,358)	(2,320)	20,178	(927)	45	-	260,950
Temporarily restricted	24,452	-	-	-	-	517	151	-	-	25,120
Total net assets (deficit)	266,294	3,494	10,996	(12,358)	(2,320)	20,695	(776)	45	-	286,070
Total liabilities and net assets (deficit)	$ 340,871	$ 3,600	$ 11,090	$ 49	$ -	$ 24,341	$ 2,258	$ 1,155	$ (21,498)	$ 361,866

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, 2018
(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	$ 11,774	$ -	$ -	$ -	$ -	$ 8	$ 2,191	$ 1,450	$ (3,604)	$ 11,819	$ 35,766	$ -	$ 201	$ -	$ 35,967	$ 47,786
Distribution fees and royalties	51,464	150	450	3	-	1	332	531	-	52,931	-	-	-	-	-	52,931
Licensing	34,504	-	-	-	-	-	-	13	-	34,517	-	-	-	-	-	34,517
Net assets released from restrictions	26,028	-	-	-	-	655	51	-	-	26,734	(26,028)	(655)	(51)	-	(26,734)	-
Total operating revenues	123,770	150	450	3	-	664	2,574	1,994	(3,604)	126,001	9,738	(655)	150	-	9,233	135,234
EXPENSES																
Program expenses:																
Media and education	53,316	14	84	-	-	-	-	1,457	(1,445)	53,426	-	-	-	-	-	53,426
Global social impact	28,685	-	-	-	-	-	3,349	-	(2,159)	29,875	-	-	-	-	-	29,875
Creative	9,640	-	-	-	-	-	-	-	-	9,640	-	-	-	-	-	9,640
Strategy and research	2,741	-	-	-	-	1,745	-	-	-	4,486	-	-	-	-	-	4,486
Amortization expense	2,027	-	-	-	-	-	-	-	-	2,027	-	-	-	-	-	2,027
Total program expenses	96,409	14	84	-	-	1,745	3,349	1,457	(3,604)	99,454	-	-	-	-	-	99,454
Support expenses:																
Fundraising	4,283	-	-	-	-	-	-	-	-	4,283	-	-	-	-	-	4,283
General and administrative	20,711	-	-	-	-	-	-	-	-	20,711	-	-	-	-	-	20,711
Total support expenses	24,994	-	-	-	-	-	-	-	-	24,994	-	-	-	-	-	24,994
Total operating expenses	121,403	14	84	-	-	1,745	3,349	1,457	(3,604)	124,448	-	-	-	-	-	124,448
Operating income (loss)	2,367	136	366	3	-	(1,081)	(775)	537	-	1,553	9,738	(655)	150	-	9,233	10,786
Net investment income	13,841	-	-	-	-	1,659	-	1	-	15,501	-	-	-	-	-	15,501
Increase (decrease) in net assets (deficit)	16,208	136	366	3	-	578	(775)	538	-	17,054	9,738	(655)	150	-	9,233	26,287
Benefit for income taxes	13									13						13
Net assets (deficit), beginning of year	225,621	3,358	10,630	(12,361)	(2,320)	19,600	(152)	(493)	-	243,883	14,714	1,172	1	-	15,887	259,770
Net assets (deficit), end of year	$ 241,842	$ 3,494	$ 10,996	$ (12,358)	$ (2,320)	$ 20,178	$ (927)	$ 45	$ -	$ 260,950	$ 24,452	$ 517	$ 151	$ -	$ 25,120	$ 286,070

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, 2018
(in thousands)

	Media and Education	Global Social Impact	Creative	Strategy and Research	Amortization Expense	Fundraising	General and Administrative	Total Operating Expenses
People costs	$ 11,148	$ 6,721	$ 11,827	$ 3,157	$ -	$ 2,041	$ 12,335	$ 47,229
Benefits	2,633	1,313	2,362	729	-	463	2,914	10,414
Guild payments	1,693	336	6,633	-	-	10	-	8,672
Travel and entertainment	1,252	1,102	266	109	-	151	244	3,124
Outside services	9,108	15,186	5,758	349	-	562	2,162	33,125
Advertising and promotion	502	244	9	3	-	142	10	910
Bad debt expense (recovery)	(266)	24	-	-	-	29	-	(213)
Materials and supplies	1,264	70	402	2	-	9	127	1,874
Technology and office equipment	880	565	1,028	220	-	117	(771)	2,039
Participations and commissions	468	-	59	-	-	-	-	527
Office costs	541	984	286	14	-	255	907	2,987
Occupancy expenses	2,534	1,616	4,216	619	-	333	287	9,605
Miscellaneous expenses	57	9	1	(1)	-	-	153	219
Depreciation and amortization	-	-	5	-	2,027	-	3,482	5,514
Allocated expenses	-	-	-	-	-	-	-	-
Staff allocations	1,641	1,687	(1,645)	(715)	-	171	(1,139)	-
Amounts capitalized as programs in process, net of amortization	19,971	18	(21,567)	-	-	-	-	(1,578)
Total operating expenses	$ 53,426	$ 29,875	$ 9,640	$ 4,486	$ 2,027	$ 4,283	$ 20,711	$ 124,448

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