

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

SESAME WORKSHOP AND SUBSIDIARIES

For the years ended June 30, 2011 and 2010

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 statements of financial position of Sesame Workshop and Subsidiaries (the “Company”) as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the Company’s basic consolidated financial statements as of and for the years ended June 30, 2011 and 2010 taken as a whole. The supplementary information, included on pages 20 through 23, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.



New York, New York
October 6, 2011

SESAME WORKSHOP AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of June 30, 2011 and 2010
(In thousands)

ASSETS	2011	2010
Cash and cash equivalents	\$ 29,161	\$ 50,514
Receivables:		
Program, product licenses, and contracts in support of programs, less allowance for doubtful accounts, of \$7,601 in 2011 and \$7,271 in 2010	29,580	25,589
Grants	17,623	15,816
Total receivables	47,203	41,405
Inventory, net	1,330	1,491
Programs in process	10,732	10,307
Investments	121,206	92,535
Intangible assets, net of accumulated amortization of \$72,868 in 2011 and \$65,973 in 2010	65,023	71,918
Property and equipment, net	11,802	5,872
Other assets, net of accumulated amortization of \$3,047 in 2011 and \$4,247 in 2010	2,640	2,344
Total assets	<u>\$ 289,097</u>	<u>\$ 276,386</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 33,533	\$ 27,056
Deferred revenues	15,707	20,294
Deferred rent payable	7,634	1,570
Total liabilities	<u>56,874</u>	<u>48,920</u>
Commitments and contingencies		
 NET ASSETS		
Unrestricted	214,069	211,022
Temporarily restricted	18,154	16,444
Total net assets	<u>232,223</u>	<u>227,466</u>
 Total liabilities and net assets	 <u>\$ 289,097</u>	 <u>\$ 276,386</u>

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

SESAME WORKSHOP AND SUBSIDIARIES
Consolidated Statements of Activities
For the years ended June 30, 2011 and 2010
(In Thousands)

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Program support	\$ 30,701	\$ 14,524	\$ 45,225	\$ 31,714	\$ 16,650	\$ 48,364
Distribution fees and royalties	41,987	-	41,987	43,018	-	43,018
Licensing	46,931	-	46,931	44,984	-	44,984
Net assets released from restrictions	12,814	(12,814)	-	12,387	(12,387)	-
Total operating revenues	<u>132,433</u>	<u>1,710</u>	<u>134,143</u>	<u>132,103</u>	<u>4,263</u>	<u>136,366</u>
EXPENSES						
Program expenses:						
Education, research and outreach	17,391	-	17,391	17,484	-	17,484
Content distribution	27,548	-	27,548	35,954	-	35,954
Production and development	55,747	-	55,747	43,121	-	43,121
Sesame Street in schools	1,275	-	1,275	172	-	172
Global product licensing	6,998	-	6,998	6,423	-	6,423
Global project management	2,349	-	2,349	1,873	-	1,873
Public awareness	3,954	-	3,954	3,692	-	3,692
Muppet acquisition	6,895	-	6,895	6,944	-	6,944
Total program expenses	<u>122,157</u>	<u>-</u>	<u>122,157</u>	<u>115,663</u>	<u>-</u>	<u>115,663</u>
Support expenses:						
Fundraising	5,074	-	5,074	5,593	-	5,593
General and administrative	17,714	-	17,714	15,240	-	15,240
Total support expenses	<u>22,788</u>	<u>-</u>	<u>22,788</u>	<u>20,833</u>	<u>-</u>	<u>20,833</u>
Total operating expenses	<u>144,945</u>	<u>-</u>	<u>144,945</u>	<u>136,496</u>	<u>-</u>	<u>136,496</u>
Operating (loss) income	(12,512)	1,710	(10,802)	(4,393)	4,263	(130)
Net investment income	<u>15,658</u>	<u>-</u>	<u>15,658</u>	<u>8,802</u>	<u>-</u>	<u>8,802</u>
Increase in net assets before provision for income taxes	3,146	1,710	4,856	4,409	4,263	8,672
Provision for income taxes	99	-	99	73	-	73
Increase in net assets	3,047	1,710	4,757	4,336	4,263	8,599
Net assets, beginning of year	<u>211,022</u>	<u>16,444</u>	<u>227,466</u>	<u>206,686</u>	<u>12,181</u>	<u>218,867</u>
Net assets, end of year	<u>\$ 214,069</u>	<u>\$ 18,154</u>	<u>\$ 232,223</u>	<u>\$ 211,022</u>	<u>\$ 16,444</u>	<u>\$ 227,466</u>

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

SESAME WORKSHOP AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended June 30, 2011 and 2010
(In Thousands)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 4,757	\$ 8,599
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	3,653	3,259
Loss on disposal of property and equipment	2,135	-
Amortization of intangible assets	6,895	6,944
Amortization of other assets	-	356
Amortization of programs in process	30,020	25,784
Increase (decrease) in deferred rent payable	3,515	(785)
Change in provision for uncollectible receivables	330	2,886
Net unrealized appreciation on investments	(11,718)	(8,085)
Gain on sale of investments	(810)	(408)
Change in provision for inventory obsolescence	69	(250)
Changes in operating assets and liabilities:		
Increase in gross receivables	(3,579)	(2,970)
Decrease in inventories	92	143
Additions to programs in process	(30,445)	(24,876)
(Increase) decrease in other assets	(296)	1,266
Increase in accounts payable and accrued expenses	1,895	433
(Decrease) increase in deferred revenues	(4,587)	3,261
Net cash provided by operating activities	<u>1,926</u>	<u>15,557</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(6,612)	(407)
Purchases of investments	(25,302)	(20,136)
Proceeds from sale of investments	9,159	28,949
Net cash (used in) provided by investing activities	<u>(22,755)</u>	<u>8,406</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(524)	-
Payments on note payable	-	(768)
Net cash used in financing activities	<u>(524)</u>	<u>(768)</u>
(Decrease) increase in cash and cash equivalents	(21,353)	23,195
Cash and cash equivalents, beginning of year	<u>50,514</u>	<u>27,319</u>
Cash and cash equivalents, end of year	<u>\$ 29,161</u>	<u>\$ 50,514</u>
Supplemental cash flow disclosures:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ 105</u>	<u>\$ -</u>

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

SESAME WORKSHOP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

1. ORGANIZATION

Sesame Workshop (the “Company”) is a nonprofit 501(c)(3) corporation that develops innovative and entertaining educational content for children that is distributed across multiple platforms including television, interactive media, outreach, radio, books, magazines and live entertainment. Sesame Street, the Company’s flagship preschool series, premiered in the United States in 1969 and is currently broadcasting its 42nd season on PBS. Sesame Street has been seen in over 120 countries, including 30 Sesame Street international co-productions developed in partnership with local experts who develop educational goals tailored to the needs of children in their own countries.

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

The Company’s primary sources of revenue are derived through the production and distribution of educational media including television, video, interactive media, publishing, educational research and outreach and through the licensing of the Sesame Street characters and brand, both domestically and internationally.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Sesame Workshop’s wholly-owned, not-for-profit subsidiaries (SW Financing, Inc. (“SW Financing”), Sesame Street, Inc., Electric Company, Inc., Galli Galli Sim Sim Educational Initiative (formerly Sesame Workshop India) (“GGSSEI”), The Joan Ganz Cooney Center for Educational Media and Research) and its for-profit subsidiaries, Sesame Workshop India Initiatives, PLC., and CTW Communications, Inc. (“CTW/C”), and CTW/C’s subsidiary, Distinguished Productions, Inc. (“DPI”), are consolidated in the Company’s financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

In June 2009, the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 105 was issued, which established the FASB Accounting Standards Codification as the source of authoritative U.S. generally accepted accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. The Company has applied this guidance in the preparation of the Company’s consolidated financial statements as of and for the years ended June 30, 2011 and 2010.

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

SESAME WORKSHOP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

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 either 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, 2011 and 2010, the Company did not possess any permanently restricted net assets.

Measure of Operations

Operations include all revenues and expenses other than interest expense not specifically incurred for financing operations, investment 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 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. Grant revenues from governments or government agencies are recognized when the programs have been completed and delivered.

Distribution Fees and Royalties

Distribution fees and royalties are generated from the distribution and licensing of the Company's content across various media distribution platforms including television, home video and audio, print, online, and live entertainment. Home video revenues are recognized upon shipment. Television sales revenues are recognized when there is evidence of a sale or licensing arrangement, the program is complete and has been delivered or is available for delivery, the license period has begun and the arrangement fee is determinable and deemed collectible. Other distribution revenues including audio, print, online and live entertainment are recognized as income as it is earned over the related license periods. Included within distribution fees and royalties in the accompanying consolidated statements of activities is approximately \$16.5 million from one distribution partner for the year ended June 30, 2011 and \$16.9 million from three distribution partners for the year ended June 30, 2010.

SESAME WORKSHOP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

Licensing

The Company's share of revenues from the licensing of its characters and brands for use in consumer products including, toys, games, clothing and food, is recognized as income as it is earned over the related license periods. Included within licensing revenue in the accompanying consolidated statements of activities are \$11.5 million from two licensees and \$13.0 million from one licensee of the Company, for the years ended June 30, 2011 and 2010, respectively.

Cash and Cash Equivalents

Cash equivalents, with original maturity of less than three months, consist principally of money market funds which are recorded at cost, which approximates fair value.

Fair Value Measurements

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

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

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

SESAME WORKSHOP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

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 and accounts payable, accrued expenses and other liabilities approximate fair value due to the short-term nature of these financial instruments.

Investments

Investments in publicly traded debt and equity securities are recorded at fair market value generally determined on the basis of quoted market values. In September 2009, the FASB issued FASB Accounting Standards Update No. 2009-12, Investment in Certain Entities That Calculate Net Asset Value per Share (“ASU 2009-12”). ASU 2009-12 (formerly FAS 157-g) amends FASB Statement No. 157, Fair Value Measurements, adds disclosures, and provides guidance for estimating the fair value of investments in investment companies that calculate net asset value per share, allowing the Net Asset Value per Share (“NAV”) to be used as a practical expedient for fair value where investment companies follow the American Institute of Certified Public Accountants (“AICPA”) Guide in arriving at their reported NAV. The Company adopted ASU 2009-12 effective July 1, 2009.

In January 2010, the FASB issued ASU No. 2010-6, Improving Disclosures about Fair Value Measurements. This amended ASC 820 (formerly FAS 157-4) to require additional disclosures. The guidance requires entities to disclose transfers of assets in and out of Levels 1 and 2 of the fair value hierarchy, and the reasons for those transfers. In addition, the guidance requires separate presentation of purchases and sales in the Level 3 asset reconciliation. The Company adopted this guidance effective July 1, 2009.

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 and interest are recognized as earned.

Inventory

Inventories consist of DVDs available for sale at June 30, 2011 and 2010, and are carried at the lower of cost or market. Inventories are reviewed for estimated obsolescence or unusable items and, if appropriate, are written down to the net realizable value based upon assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than those the Company projects, additional inventory write-downs may be required. These are considered permanent adjustments to the cost basis of the inventory. Reserves for inventory obsolescence were \$0.5 million and \$0.4 million at June 30, 2011 and 2010.

Programs in Process

Programs in process include costs that relate to programs that will be broadcast principally in the next three fiscal years. These costs are amortized generally 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. Costs incurred in the development of new programs are expensed as incurred.

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Notes to Consolidated Financial Statements

June 30, 2011 and 2010

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, 2011 and 2010.

Depreciation and Amortization

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

Taxes

Effective July 1, 2009, the Company adopted the provisions of FASB Interpretation No. 48 (“FIN 48”) “Accounting for Uncertainties in Income Taxes – an interpretation of FASB Statement No. 109,” now incorporated in Accounting Standards Codification (“ASC”) 740. ASC 740-10 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 section provides that the tax effects from an uncertain tax position can be recognized in the financial statements only 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 federal and New York income taxation by virtue of being an organization described in Section 501(c)(3) of the Internal Revenue Code and similar provisions of the New York State tax code. Nevertheless, the Company may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The tax years ending June 30, 2008, 2009 and 2010 are still open to audit for both federal and state purposes. The adoption of ASC 740-10 did not have a material impact on the Company’s consolidated financial statements, as management determined that there are no uncertain tax positions within its consolidated financial statements.

Use of Estimates

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

Reclassifications

Certain fiscal 2010 balances have been reclassified to conform to the fiscal 2011 presentation.

SESAME WORKSHOP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

3. ACQUISITION OF INTELLECTUAL PROPERTY

On December 28, 2000, the Company acquired the copyrights and trademark rights relating to the Sesame Street Muppet puppet characters (“Sesame Street Muppets”) from the Jim Henson Company, Inc. and EM.TV & Merchandising (collectively, the “Henson Companies”). In addition to the acquisition of the copyrights and trademark rights, the Company acquired the right and license to use the term Muppet(s), as defined. The agreement effectively terminated all existing agreements between the Company and the Henson Companies. The purchase price of \$180.0 million included an upfront cash payment of \$110.0 million and 40 quarterly installments of \$1.75 million, which commenced on April 1, 2001. The Company recorded intangible assets based on the net present value of the cash payments totaling \$162.9 million. The Company recorded the net present value of the future quarterly payments as debt. On January 17, 2003, the Company entered into an agreement with the Henson Companies to prepay the 32 remaining quarterly installments for \$36.75 million.

These assets are being amortized over their estimated useful lives as follows (in thousands):

ASSET	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization June 30,	
			2011	2010
Copyrights and Trademarks	20 Years	\$ 133,761	\$ 70,225	\$ 63,536
Transaction costs	20 Years	3,130	1,643	1,487
License fees	10 Years	1,000	1,000	950
		<u>\$ 137,891</u>	<u>\$ 72,868</u>	<u>\$ 65,973</u>

Amortization expense of \$6.9 million has been recorded on these assets in each of the years ended June 30, 2011 and 2010.

4. GRANTS RECEIVABLE

Amounts related to productions, campaigns and/or education programs are receivable in less than one year or within one to five years as follows at June 30, 2011 and 2010 (in thousands):

	2011	2010
Within one year	\$ 12,303	\$ 10,042
1 to 5 years	5,320	5,774
	<u>\$ 17,623</u>	<u>\$ 15,816</u>

5. INVESTMENTS

The Company has established an investment objectives and guidelines policy, approved by the Board of Trustees, which states that the investment objectives are to maintain purchasing power and appreciate capital with an emphasis on minimizing overall portfolio volatility. The Company’s strategy to achieve these objectives is to allocate its investments across multiple asset classes including fixed income, domestic

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and international equities and a variety of other investments. These other investments include a diverse range of funds that pursue a variety of strategies including consistency of performance, low volatility and low correlation to the broader markets.

The following tables present the Company's fair value hierarchy for its investments, measured at fair value, as of June 30, 2011 and 2010:

<u>2011</u>	# of Funds	Cost Basis	Fair Value			Total
			Level 1	Level 2	Level 3	
Fixed income	2	\$ 47,191	\$ 49,685	\$ -	\$ -	\$ 49,685
Domestic equities	2	14,787	19,044	-	-	19,044
International equities	3	12,694	9,097	3,719	-	12,816
Other investments:						-
Absolute return (a)	4	6,470	-	4,358	3,493	7,851
Equity hedge (b)	2	3,533	-	-	2,123	2,123
Fund of funds (c)	2	2,240	-	-	19,954	19,954
Private equity (d)	2	9,438	-	-	9,733	9,733
Total other investments	10	21,681	-	4,358	35,303	39,661
Total investments	17	\$ 96,353	\$ 77,826	\$ 8,077	\$ 35,303	\$ 121,206

<u>2010</u>	# of Funds	Cost Basis	Fair Value			Total
			Level 1	Level 2	Level 3	
Fixed income	2	\$ 25,198	\$ 26,506	\$ -	\$ -	\$ 26,506
Domestic equities	2	13,645	15,341	-	-	15,341
International equities	3	12,456	6,968	2,862	-	9,830
Other investments:						
Absolute return (a)	4	13,429	-	4,177	9,962	14,139
Equity hedge (b)	3	4,976	-	-	3,033	3,033
Fund of funds (c)	2	2,240	-	-	18,097	18,097
Private equity (d)	2	6,563	-	-	5,589	5,589
Total other investments	11	27,208	-	4,177	36,681	40,858
Total investments	18	\$ 78,507	\$ 48,815	\$ 7,039	\$ 36,681	\$ 92,535

At June 30, 2011 and 2010, Level 3 investments comprised approximately 29% and 40% of the Company's total investments at fair value (in thousands), respectively.

The Company uses the 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. Per ASU 2009-12, the following lists investments by major category:

- (a) This category includes investments in hedge funds that employ event driven investment strategies to invest in diversified portfolios focused on the securities of distressed companies, special situations and related capital structure opportunities.

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- (b) This category includes investments in hedge funds that seek to take advantage of discrepancies between fundamental value and price.
- (c) This category includes investments in offshore and U.S. managed funds.
- (d) This category includes private equity funds that invest in privately held corporations and domestic and international venture capital and private funds. The nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2011, 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 was \$4.8 million and \$8.3 million at June 30, 2011 and 2010, respectively. The timing to drawn down on these commitments ranges from 2 to 4 years at June 30, 2011 and 3 to 5 years at June 30, 2010.

Investments valued at net asset value or its equivalent as of June 30, 2011, consisted of the following:

Alternative Investment Strategy	Number of Funds	NAV in Funds	Redemption Terms	Redemption Restrictions
Absolute Return	4	\$ 7,851	Ranges from quarterly with 60 days notice to annually with 90 days notice	Side pockets remain for two funds. One fund has been notified but has a slow payout option. The remaining fund has no restrictions.
Equity Hedge	2	2,123	Annual with 90 days notice.	Side pocket remains for one fund. The other fund has been given notice with full redemption received in fiscal 2012.
Fund of Funds	2	19,954	Annual with 90 days notice.	None
Private Equity	2	9,733	Investments are distributed when underlying assets are sold.	
Total	<u>10</u>	<u>\$ 39,661</u>		

Investments valued at net asset value or its equivalent as of June 30, 2010, consisted of the following:

Alternative Investment Strategy	Number of Funds	NAV in Funds	Redemption Terms	Redemption Restrictions
Absolute Return	4	\$ 14,139	Ranges from quarterly with 60 days notice to annually with 90 days notice	A side pocket remains for one fund. One fund has been notified but has a slow payout option. The remaining two funds have no restrictions.
Equity Hedge	3	3,033	Annual with 90 days notice.	Side pocket remains for one fund. The remaining two funds have no restrictions.
Fund of Funds	2	18,097	Annual with 90 days notice.	None
Private Equity	2	5,589	Investments are distributed when underlying assets are sold.	
Total	<u>11</u>	<u>\$ 40,858</u>		

SESAME WORKSHOP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

The following table presents a rollforward for Level 3 investments measured at fair value for the period from July 1, 2010 to June 30, 2011 (in thousands):

Beginning balance at July 1, 2010	\$ 36,681
Additions	3,443
Redemptions	(9,382)
Unrealized appreciation	4,189
Realized gains	400
Investment expenses	(28)
Ending balance at June 30, 2011	<u>\$ 35,303</u>

The following table presents a rollforward for Level 3 investments measured at fair value for the period from July 1, 2009 to June 30, 2010 (in thousands):

Beginning balance at July 1, 2009	\$ 47,573
Additions	2,193
Redemptions	(18,139)
Unrealized appreciation	4,769
Realized gains	350
Investment expenses	(65)
Ending balance at June 30, 2010	<u>\$ 36,681</u>

Included in net investment income for the years ended June 30, 2011 and 2010, are the following amounts related to the investment activities of the Company (in thousands):

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 3,291	\$ 575
Unrealized appreciation	11,718	8,085
Realized gains	810	408
Investment expenses	(161)	(266)
	<u>\$ 15,658</u>	<u>\$ 8,802</u>

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

SESAME WORKSHOP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

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. The Company agreed to license its program library at a below market cost as well as the use of the Sesame Street trade name over a ten year period. In exchange for these licenses the Company received a 15% equity ownership in Sprout as well as minimum purchase commitment for its programming. In December 2010, Sprout declared and paid a \$20 million dividend of which the Company received \$3 million, representing its 15% ownership stake. The dividend has been recorded as net investment income on the Company's consolidated statement of activities for the year ended June 30, 2011.

6. OFFICE LEASE AND PROPERTY AND EQUIPMENT

On September 29, 2010, the Company amended the lease for its main office space which extended the lease term through June 30, 2030. The new rent terms became effective on January 1, 2011. In addition, the Company is undergoing a reconstruction of the leased space which will be completed in February 2012. The new lease terms include both landlord contributions toward the cost of the construction as well as rent abatements during and after the construction period. The Company recognizes rent expense on a straight-line basis over the remaining 19½ year term, inclusive of the rent abatements and landlord contributions.

Total future commitments under this lease are as follows (in thousands) at June 30, 2011:

2012	\$	531
2013		4,897
2014		4,771
2015		5,725
2016		5,725
2017 and thereafter		85,749
	\$	<u>107,398</u>

During the year ended June 30, 2011, total landlord contributions toward the cost of construction were \$2.3 million, with an additional \$7.4 million due in fiscal 2012.

Total rent expense was \$4.3 million and \$3.4 million for the years ended June 30, 2011 and 2010, respectively.

The reconstruction required a complete demolition of the existing space and the disposal of all existing furniture and fixtures. As a result, the Company recognized a loss on disposal of \$2.1 million. The cost of construction through June 30, 2011, has been included in the assets not yet placed into service category. These assets will be depreciated once the space is re-occupied in fiscal 2012.

SESAME WORKSHOP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

At June 30, 2011 and 2010, property and equipment consisted of (in thousands):

	Useful Life		
	In Years	2011	2010
Computer and office equipment	3 - 4	\$ 9,365	\$ 6,544
Furniture and fixtures	4 - 10	-	1,292
Leasehold improvements	5 - 15	-	12,834
Assets not yet placed into service	N/A	<u>8,610</u>	<u>314</u>
		17,975	20,984
Less: accumulated depreciation and amortization		<u>(6,173)</u>	<u>(15,112)</u>
		<u>\$ 11,802</u>	<u>\$ 5,872</u>

Depreciation and amortization expense was \$3.7 million and \$3.3 million for the years ended June 30, 2011 and 2010, respectively. During the years ended June 30, 2011 and 2010, \$12.6 million and \$1.3 million, respectively, of fully depreciated assets were written off by the Company since they were no longer in service.

7. CAPITAL LEASE OBLIGATION

During the year ended June 30, 2011, the Company entered into several capital leases for office equipment. The net book value of the equipment is \$2.0 million at June 30, 2011, and is included in property and equipment, net, in the accompanying fiscal 2011 consolidated statement of financial position. The following is a schedule of annual future minimum lease payments (in thousands) due under the Company's capital lease obligation, together with the present value of the net minimum lease payments as of June 30, 2011:

	Amount
Year ending June 30:	
2012	\$ 800
2013	814
2014	383
2015	143
2016	<u>61</u>
Total minimum lease payments	2,201
Less: amount representing interest	<u>(102)</u>
Present value of minimum lease payments	<u>\$ 2,099</u>

SESAME WORKSHOP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

8. NET ASSETS

Temporarily restricted net assets which were available for educational programs as of June 30, 2011 and 2010, are as follows (in thousands):

	Temporarily Restricted Net Assets as of June 30, 2010	Temporarily Restricted Contributions in Fiscal 2011	Net Assets Released from Restrictions in Fiscal 2011	Temporarily Restricted Net Assets as of June 30, 2011
Israel Coproduction	\$ 4,006	\$ 227	\$ (2,151)	\$ 2,082
Colombia Coproduction	1,286	-	(383)	903
Northern Ireland Coproduction	1,559	-	(1,500)	59
South Africa Coproduction	67	1,476	(81)	1,462
Indonesia Coproduction	-	214	-	214
Palestine Coproduction	-	100	(18)	82
India Educational Outreach	1,173	695	(757)	1,111
China Educational Outreach and Research	-	2,200	(731)	1,469
Ghana Teacher Training	-	708	-	708
Global Road Safety Campaign	-	150	(117)	33
Planetarium	192	-	(11)	181
Talk, Listen, Connect	843	348	(382)	809
Healthy Habits for Life	3,405	2,907	(3,301)	3,011
Emergency Preparedness	34	3,490	(107)	3,417
Financial Education	879	949	(1,329)	499
School Readiness	2,355	463	(925)	1,893
Joan Ganz Cooney Center for Educational Media and Research	508	465	(839)	134
Other Initiatives	137	132	(182)	87
	<u>\$ 16,444</u>	<u>\$ 14,524</u>	<u>\$ (12,814)</u>	<u>\$ 18,154</u>

SESAME WORKSHOP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Temporarily restricted net assets which were available for educational programs as of June 30, 2010 and 2009, are as follows (in thousands):

	Temporarily Restricted Net Assets as of June 30, 2009	Temporarily Restricted Contributions in Fiscal 2010	Net Assets Released from Restrictions in Fiscal 2010	Temporarily Restricted Net Assets as of June 30, 2010
Israel Coproduction	\$ 5,135	\$ 1,085	\$ (2,214)	\$ 4,006
West Bank/Gaza Coproduction	150	-	(150)	-
Colombia Coproduction	44	1,497	(255)	1,286
Northern Ireland Coproduction	111	1,508	(60)	1,559
South Africa Coproduction	109	51	(93)	67
Jordan Coproduction	51	-	(51)	-
India Educational Outreach	1,575	11	(413)	1,173
Planetarium	211	-	(19)	192
Global Citizenship	356	-	(310)	46
Talk, Listen, Connect	3,868	1,300	(4,325)	843
Healthy Habits for Life	151	4,607	(1,353)	3,405
Emergency Preparedness	54	-	(20)	34
Financial Education	-	1,000	(121)	879
School Readiness	-	4,494	(2,139)	2,355
Joan Ganz Cooney Center for Educational Media and Research	181	863	(536)	508
Other Initiatives	185	234	(328)	91
	<u>\$ 12,181</u>	<u>\$ 16,650</u>	<u>\$ (12,387)</u>	<u>\$ 16,444</u>

9. RETIREMENT PLANS

Sesame Workshop sponsors a 401(k) defined contribution plan (the "Plan"). Prior to January 1, 2011, the Company sponsored two separate plans, a 401(a) retirement plan and 403(b) savings plan. Effective January 1, 2011, the Company replaced the 401(a) and 403(b) plans with the 401(k) retirement plan. The earnings and holdings related to the 403(b) plan earned and contributed prior to January 1, 2011 are maintained in the 403(b) plan. Substantially all full-time employees of the Company are covered under the Plan. Under the Plan, the Company contributes 5% of eligible employees' salaries, which vests based upon years of service and is fully vested after three years of service. The Company also matches employee contributions to the Plan. The matching contributions to the Plan vest immediately. Total Company contributions to the Plans were \$3.5 million in fiscal 2011 and \$2.8 million in fiscal 2010.

SESAME WORKSHOP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

10. INCOME TAXES

At June 30, 2011 and 2010, CTW/C had net loss carryforwards of \$8.3 million, representing approximately \$2.8 million of tax benefits. Deferred tax assets are periodically evaluated to determine their recoverability, and where recovery is not likely, a valuation allowance is established. Valuation allowances of \$2.8 million have been recorded at June 30, 2011 and 2010, respectively, due to the uncertainty of realizing these tax benefits.

Net operating loss carryforwards were available at June 30, 2011, and will expire, if unused, in the following years (in thousands):

2018	\$	7,419
2019		668
2020		131
2022		36
2023 and thereafter		8
	<u>\$</u>	<u>8,262</u>

11. PROGRAMS IN PROCESS

Programs in process are stated at the lower of unamortized cost or estimated fair value on an individual production basis. Revenue forecasts are continually reviewed by management and revised when warranted by changing conditions. When estimates of total revenues indicate that a production has a fair value that is less than its unamortized cost, a loss is recognized currently for the amount by which the unamortized cost exceeds the production's fair value. For the years ended June 30, 2011 and 2010, the Company recognized losses of \$0.6 million and \$1.9 million, respectively. For the years ended June 30, 2011 and 2010, exploitation costs of approximately \$2.0 million and \$1.5 million, respectively, were expensed as incurred.

Programs in process, net of amortization, as of June 30, 2011 and 2010, were as follows (in thousands):

	<u>June 30, 2010</u>	<u>Prior Year Productions Released</u>	<u>Fiscal 2011 Additions</u>	<u>Fiscal 2011 Amortization</u>	<u>June 30, 2011</u>
Television productions:					
Released	\$ 5,408	\$ 2,482	\$ 27,741	\$ (30,020)	\$ 5,611
In production	<u>4,899</u>	<u>(2,482)</u>	<u>2,704</u>	<u>-</u>	<u>5,121</u>
	<u>\$ 10,307</u>	<u>\$ -</u>	<u>\$ 30,445</u>	<u>\$ (30,020)</u>	<u>\$ 10,732</u>

SESAME WORKSHOP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

	<u>June 30, 2009</u>	<u>Prior Year Productions Released</u>	<u>Fiscal 2010 Additions</u>	<u>Fiscal 2010 Amortization</u>	<u>June 30, 2010</u>
Television productions:					
Released	\$ 6,816	\$ 2,021	\$ 19,263	\$ (22,692)	\$ 5,408
In production	<u>4,399</u>	<u>(2,021)</u>	<u>5,613</u>	<u>(3,092)</u>	<u>4,899</u>
	<u>\$ 11,215</u>	<u>\$ -</u>	<u>\$ 24,876</u>	<u>\$ (25,784)</u>	<u>\$ 10,307</u>

As of June 30, 2011, the Company estimated that approximately 81% of unamortized production costs from released productions are expected to be amortized in fiscal 2012 and 100% of unamortized production costs from released productions are expected to be amortized within the next three years.

12. COMMITMENTS AND CONTINGENCIES

The Company leases computer and printing equipment under several operating leases. The future commitments under these leases are as follows (in thousands) at June 30, 2011:

2012	\$ 505
2013	373
2014	<u>219</u>
	<u>\$ 1,097</u>

Total rent expense under these equipment leases was \$0.9 million and \$1.4 million for the years ended June 30, 2011 and 2010, respectively.

See Note 6 for office lease commitment.

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

13. SUBSEQUENT EVENTS

The Company evaluated its June 30, 2011 consolidated financial statements for subsequent events through October 6, 2011, the date the consolidated financial statements were available to be issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

SESAME WORKSHOP AND SUBSIDIARIES

Consolidating Schedule of Financial Position

As of June 30, 2011

(In Thousands)

ASSETS	Sesame Workshop	Electric Company, Inc.	Sesame Street, Inc.	CTW Communications, Inc.	SW Financing, Inc.	Galli Galli Sim Sim Educational Initiative	Joan Ganz Cooney Center	Sesame Workshop India Initiatives, PLC	Elimination Entries	Consolidated
Cash and cash equivalents	\$ 28,089	\$ -	\$ -	\$ 11	\$ -	\$ 67	\$ 935	\$ 59	\$ -	\$ 29,161
Receivables:										
Programs, product licenses, and contracts in support of programs, less allowance for doubtful accounts of \$7,601 in 2011 and \$7,271 in 2010	29,666	(34)	(96)	-	-	17	11	16	-	29,580
Grants	17,623	-	-	-	-	-	-	-	-	17,623
Total receivables	47,289	(34)	(96)	-	-	17	11	16	-	47,203
Intercompany receivables	135,662	2,620	8,673	-	-	-	-	-	(146,955)	-
Inventory, net	1,330	-	-	-	-	-	-	-	-	1,330
Programs in process	10,190	-	-	31	-	466	-	45	-	10,732
Investments	109,610	-	-	-	-	-	11,596	-	-	121,206
Intangible assets, net of accumulated amortization of \$72,868 in 2011 and \$65,973 in 2010	65,023	-	-	-	-	-	-	-	-	65,023
Property and equipment, net	11,802	-	-	-	-	-	-	-	-	11,802
Other assets, net of accumulated amortization of \$3,047 in 2011 and \$4,247 in 2010	2,640	-	-	-	-	-	-	-	-	2,640
Total assets	\$ 411,635	\$ 2,586	\$ 8,577	\$ 42	\$ -	\$ 550	\$ 12,542	\$ 120	\$ (146,955)	\$ 289,097
LIABILITIES AND NET ASSETS (DEFICIT)										
LIABILITIES										
Accounts payable and accrued expenses	\$ 32,491	\$ 201	\$ 607	\$ 9	\$ -	\$ 22	\$ 178	\$ 25	\$ -	\$ 33,533
Deferred revenues	15,652	-	-	-	-	10	45	-	-	15,707
Deferred rent payable	7,634	-	-	-	-	-	-	-	-	7,634
Intercompany payable	-	-	-	12,443	131,068	2,322	1,111	11	(146,955)	-
Total liabilities	55,777	201	607	12,452	131,068	2,354	1,334	36	(146,955)	56,874
NET ASSETS (DEFICIT)										
Unrestricted	337,839	2,385	7,970	(12,410)	(131,068)	(1,804)	10,563	84	510	214,069
Temporarily restricted	18,019	-	-	-	-	-	645	-	(510)	18,154
Total net assets (deficit)	355,858	2,385	7,970	(12,410)	(131,068)	(1,804)	11,208	84	-	232,223
Total liabilities and net assets (deficit)	\$ 411,635	\$ 2,586	\$ 8,577	\$ 42	\$ -	\$ 550	\$ 12,542	\$ 120	\$ (146,955)	\$ 289,097

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

SESAME WORKSHOP AND SUBSIDIARIES

Consolidating Schedule of Activities

For the year ended June 30, 2011

(In Thousands)

	Unrestricted										Temporarily Restricted					
	Sesame Workshop	Electric Company, Inc.	Sesame Street, Inc.	CTW Communications, Inc.	SW Financing, Inc.	Galli Sim Educational Initiative	Galli Sim Center	Joan Ganz Cooney Center	Sesame Workshop India Initiatives, PLC	Elimination Entries	Total Unrestricted	Sesame Workshop	Joan Ganz Cooney Center	Elimination Entries	Total Temporarily Restricted	Consolidated
REVENUES																
Program support	\$ 29,906	\$ -	\$ -	\$ -	\$ -	\$ 1,086	\$ 396	\$ 431	\$ (1,118)	\$ 30,701	\$ 14,059	\$ 715	\$ (250)	\$ 14,524	\$ 45,225	
Distribution fees and royalties	41,909	20	34	24	-	-	-	-	-	41,987	-	-	-	-	41,987	
Licensing	46,931	-	-	-	-	-	-	-	-	46,931	-	-	-	-	46,931	
Net assets released from restrictions	11,976	-	-	-	-	-	1,315	-	(477)	12,814	(11,976)	(1,315)	477	(12,814)	-	
Total operating revenues	<u>130,722</u>	<u>20</u>	<u>34</u>	<u>24</u>	<u>-</u>	<u>1,086</u>	<u>1,711</u>	<u>431</u>	<u>(1,595)</u>	<u>132,433</u>	<u>2,083</u>	<u>(600)</u>	<u>227</u>	<u>1,710</u>	<u>134,143</u>	
EXPENSES																
Program expenses:																
Education, research and outreach	15,022	-	-	-	-	1,366	2,024	347	(1,368)	17,391	-	-	-	-	17,391	
Content distribution	27,365	1	182	-	-	-	-	-	-	27,548	-	-	-	-	27,548	
Production and development	55,747	-	-	-	-	-	-	-	-	55,747	-	-	-	-	55,747	
Sesame Street in schools	1,275	-	-	-	-	-	-	-	-	1,275	-	-	-	-	1,275	
Global product licensing	6,998	-	-	-	-	-	-	-	-	6,998	-	-	-	-	6,998	
Global project management	2,349	-	-	-	-	-	-	-	-	2,349	-	-	-	-	2,349	
Public awareness	3,954	-	-	-	-	-	-	-	-	3,954	-	-	-	-	3,954	
Muppet acquisition	6,895	-	-	-	-	-	-	-	-	6,895	-	-	-	-	6,895	
Total program expenses	<u>119,605</u>	<u>1</u>	<u>182</u>	<u>-</u>	<u>-</u>	<u>1,366</u>	<u>2,024</u>	<u>347</u>	<u>(1,368)</u>	<u>122,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,157</u>	
Support expenses:																
Fundraising	5,074	-	-	-	-	-	-	-	-	5,074	-	-	-	-	5,074	
General and administrative	17,708	-	-	1	5	-	-	-	-	17,714	-	-	-	-	17,714	
Total support expenses	<u>22,782</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,788</u>	
Total operating expenses	<u>142,387</u>	<u>1</u>	<u>182</u>	<u>1</u>	<u>5</u>	<u>1,366</u>	<u>2,024</u>	<u>347</u>	<u>(1,368)</u>	<u>144,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,945</u>	
Operating (loss) income	(11,665)	19	(148)	23	(5)	(280)	(313)	84	(227)	(12,512)	2,083	(600)	227	1,710	(10,802)	
Net investment income	14,403	-	-	-	-	-	1,255	-	-	15,658	-	-	-	-	15,658	
Increase (decrease) in net assets before provision for income taxes	2,738	19	(148)	23	(5)	(280)	942	84	(227)	3,146	2,083	(600)	227	1,710	4,856	
Provision for income taxes	94	-	-	1	-	-	4	-	-	99	-	-	-	-	99	
Increase (decrease) in net assets	2,644	19	(148)	22	(5)	(280)	938	84	(227)	3,047	2,083	(600)	227	1,710	4,757	
Net assets, beginning of year	335,195	2,366	8,118	(12,432)	(131,063)	(1,524)	9,625	-	737	211,022	15,936	1,245	(737)	16,444	227,466	
Net assets, end of year	<u>\$ 337,839</u>	<u>\$ 2,385</u>	<u>\$ 7,970</u>	<u>\$ (12,410)</u>	<u>\$ (131,068)</u>	<u>\$ (1,804)</u>	<u>\$ 10,563</u>	<u>\$ 84</u>	<u>\$ 510</u>	<u>\$ 214,069</u>	<u>\$ 18,019</u>	<u>\$ 645</u>	<u>\$ (510)</u>	<u>\$ 18,154</u>	<u>\$ 232,223</u>	

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

SESAME WORKSHOP AND SUBSIDIARIES
Consolidating Schedule of Cash Flows
For the year ended June 30, 2011
(In Thousands)

	Sesame Workshop	Electric Company, Inc.	Sesame Street, Inc.	CTW Communications, Inc.	SW Financing, Inc.	Galli Galli Sim Sim Educational Initiative	Joan Ganz Cooney Center	Sesame Workshop India Initiatives, PLC	Elimination Entries	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES										
Increase (decrease) in net assets	\$ 4,728	\$ 19	\$ (148)	\$ 21	\$ (5)	\$ (280)	\$ 338	\$ 84	\$ -	\$ 4,757
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:										
Depreciation and amortization of property and equipment	3,653	-	-	-	-	-	-	-	-	3,653
Loss on disposal of property and equipment	2,135	-	-	-	-	-	-	-	-	2,135
Amortization of intangible assets	6,895	-	-	-	-	-	-	-	-	6,895
Amortization of programs in process	28,788	-	-	-	-	1,108	-	124	-	30,020
Increase (decrease) in deferred rent payable	3,515	-	-	-	-	-	-	-	-	3,515
Change in provision for uncollectible receivables	330	-	-	-	-	-	-	-	-	330
Net unrealized appreciation on investments	(10,464)	-	-	-	-	-	(1,254)	-	-	(11,718)
Gain on sale of investments	(810)	-	-	-	-	-	-	-	-	(810)
Change in provision for inventory obsolescence	69	-	-	-	-	-	-	-	-	69
Intercompany notes	(262)	(74)	(36)	(17)	(29)	120	287	11	-	-
Changes in operating assets and liabilities:										
(Increase) decrease in gross receivables	(3,643)	20	-	-	-	63	(3)	(16)	-	(3,579)
Decrease in inventories	92	-	-	-	-	-	-	-	-	92
Additions to programs in process	(29,069)	-	-	-	-	(1,207)	-	(169)	-	(30,445)
(Increase) decrease in other assets	(311)	-	15	-	-	-	-	-	-	(296)
Increase (decrease) in accounts payable and accrued expenses	1,673	35	96	(4)	-	13	57	25	-	1,895
(Decrease) increase in deferred revenues	(4,615)	-	-	-	-	10	18	-	-	(4,587)
Net cash provided by (used in) operating activities	<u>2,704</u>	<u>-</u>	<u>(73)</u>	<u>-</u>	<u>(34)</u>	<u>(173)</u>	<u>(557)</u>	<u>59</u>	<u>-</u>	<u>1,926</u>
CASH FLOWS FROM INVESTING ACTIVITIES										
Additions to property and equipment	(6,612)	-	-	-	-	-	-	-	-	(6,612)
Purchases of investments	(25,302)	-	-	-	-	-	-	-	-	(25,302)
Proceeds from sale of investments	9,159	-	-	-	-	-	-	-	-	9,159
Net cash used in investing activities	<u>(22,755)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,755)</u>
CASH FLOWS FROM FINANCING ACTIVITIES										
Payments on capital lease obligations	(524)	-	-	-	-	-	-	-	-	(524)
Net cash used in financing activities	<u>(524)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(524)</u>
Net (decrease) increase in cash and cash equivalents	(20,575)	-	(73)	-	(34)	(173)	(557)	59	-	(21,353)
Cash and cash equivalents, beginning of year	48,664	-	73	11	34	240	1,492	-	-	50,514
Cash and cash equivalents, end of year	<u>\$ 28,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ 935</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 29,161</u>

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

SESAME WORKSHOP AND SUBSIDIARIES
Consolidated Schedule of Operating Expenses
For the year ended June 30, 2011
(In Thousands)

	<u>Education, Research and Outreach</u>	<u>Content Distribution</u>	<u>Production and Development</u>	<u>Sesame Street in Schools</u>	<u>Global Product Licensing</u>	<u>Global Project Management</u>	<u>Public Awareness</u>	<u>Muppet Acquisition</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total Operating Expenses</u>
People costs	\$ 6,448	\$ 3,868	\$ 22,984	\$ 129	\$ 2,308	\$ 1,301	\$ 1,156	\$ -	\$ 2,188	\$ 12,289	\$ 52,671
Benefits	111	57	1,018	5	24	12	15	-	8	9,870	11,120
Guild payments	1	2,147	7,569	1	482	-	50	-	1	1	10,252
Travel and entertainment	911	322	762	102	230	35	342	-	207	365	3,276
Outside services	4,531	4,158	13,374	522	868	267	994	-	460	1,752	26,926
Advertising and promotion	185	1,374	132	1	206	10	226	-	125	50	2,309
Bad debt expense	-	185	1	-	382	-	10	-	151	-	729
Materials and supplies	96	5,194	430	1	38	4	28	-	7	246	6,044
Machinery and equipment	117	5	670	-	-	-	1	-	110	2,428	3,331
Participations and commissions	258	464	112	-	199	-	-	-	121	-	1,154
Administrative expenses	2,551	171	561	17	183	4	206	-	83	789	4,565
Occupancy expenses	209	81	2,181	-	42	4	38	-	42	7,573	10,170
Miscellaneous expenses	1	(10)	29	-	5	-	30	-	-	79	
Depreciation and amortization	-	1,392	78	-	-	-	-	6,895	26	4,293	12,684
Allocated expenses	4,375	2,947	7,987	77	2,245	1,054	1,034	-	1,711	(21,430)	-
Staff Allocations	(249)	521	(44)	420	-	(32)	(12)	-	(37)	(564)	3
Amounts capitalized as Programs in Process, net of amortization	(2,154)	4,672	(2,097)	-	(214)	(310)	(164)	-	(129)	(27)	(423)
Total operating expenses	\$ 17,391	\$ 27,548	\$ 55,747	\$ 1,275	\$ 6,998	\$ 2,349	\$ 3,954	\$ 6,895	\$ 5,074	\$ 17,714	\$ 144,945

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