

2006

THE LOUDEST ROAR

[The potential for Sesame Street in India to make a positive change is enormous: 128 million children between the ages of 2 and 6 live in India and two-thirds lack access to early childhood care and education.]

**DEPLOYING ELMO:
HELP FOR FAMILIES
DURING MILITARY
DEPLOYMENT**

WORD ON THE STREET:
NEW DIRECTIONS IN
LITERACY LEARNING

**UPSIDE DOWN:
ABSTRACT THINKING
GOES TO THE GYM**

NEW ACTIVITIES IN
THE MIDDLE EAST



Galli Galli Sim Sim Mobile Community Viewing event, Dakshinpuri, Delhi

ROAR

Chamki

123
गली गली सिम

INDIA



Whether the “loudest roar” emanates from Boombah, the friendly lion of our newest *Sesame Street* coproduction in India, or one of the many other characters in Sesame Workshop’s global family, the message is the same: Educate a child; change the world.

Educate a child, change the world — We're talking about social change through Muppets, through songs and stories children love and parents trust. We're joined around the world in this effort by unlikely coalitions of government ministers, corporate leaders, and social activists. Why? Because we all hope for a better future, and that future begins with children.

These shared convictions are proving especially powerful in places where the challenges are so great, the animosity and acrimony so high, that many feel them to be insurmountable. AIDS is not insurmountable, ethnic conflict and educational inequity are not insurmountable. And media interventions such as the Workshop's *Takalani Sesame* in South Africa, *Alam Simsim* in Egypt and the Arab-speaking world, and *Rruga Sesam* (in Albanian)/ *Ulica Sezam* (in Serbian) for the children of Kosovo, are making a difference.

POSITIVE CHANGE IN INDIA

That's why we're excited about *Galli Galli Sim Sim*, *Sesame Street* in India. The numbers alone make the potential for positive change enormous: 1 out of 6 children in the world lives in India; 128 million of them are between the ages of 2 and 6. With uneven economic and academic opportunity, a staggering 2 out of 3 of these lack access to early childhood care and education, while at the same time, a strong and growing middle- and upper-middle class has India on track to become the world's third largest economy.

We've teamed with Turner Entertainment Networks Asia, a visionary partner whose commit-

ment reaches far beyond its own television audiences, and Miditech Pvt. Ltd., a gifted local production company, to launch *Galli Galli Sim Sim* on television (public, cable, and satellite) and through educational outreach. This simultaneous launch was a first for us internationally and a strong testament to a shared vision of reaching children in need. Also new is

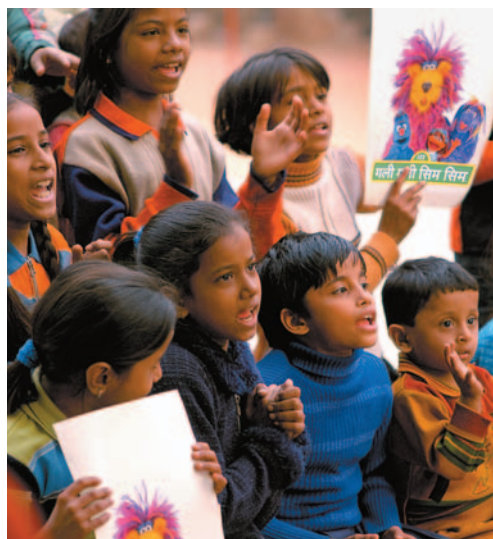
Sesame Workshop India, our local non-governmental organization (NGO) which has already started working with communities in the Delhi area to help reach some of the poorest children in India. Early reports indicate that the series is doing well with the audiences it's intended to reach, and, equally gratifying, work has already begun on a second season.

DEPLOYING ELMO

Closer to home, and again in August, we launched another Workshop first — this time for the nearly 700,000 children under age 5 who have a parent or parents on active military duty or in the National Guard or Reserves.

When a parent is deployed, the entire family is deployed — something that can be especially confusing and frightening to a young child. Recognizing this, and with generous support from Wal-Mart Stores, Inc., as well as The New York State Office of Mental Health and the Military Child Education Coalition, we created "Talk, Listen, Connect: Helping Families During Military Deployment." A bilingual English/Spanish multimedia kit, "Talk, Listen, Connect" provides parents and other caregivers with practical strategies to help preschoolers cope with all the

One out of 6 children in the world lives in India; 128 million of them are between the ages of 2 and 6.



phases of deployment and build resiliency during times of separation and change.

In the first two weeks of production, a record-setting 100,000 kits were distributed free of charge to military families through the Department of Defense's Military OneSource.

As we go to press, 385,000 "Talk, Listen, Connect" kits have been distributed through schools, child care programs, family support centers, and other organizations serving the needs of military families. And, in yet another first for us, the kits are now fully available online at www.sesameworkshop.org/tlc.

Moreover, with support from the Corporation for Public Broadcasting, we produced a behind-the-scenes, half-hour special to acknowledge — and show our appreciation for — the extraordinary



courage, hope, pride, and sacrifice of our military families. Broadcast on December 27 on PBS and hosted by Cuba Gooding Jr., "When Parents Are Deployed" is especially important today, with more children waiting for their active duty mother or father to come home than at

any time since World War II.

NEW DIRECTIONS IN LITERACY LEARNING

Whether addressing the needs of children in military families in this country or providing access to preschool education where little exists in such places as India, the key to the Workshop's success — and by success we mean our continuing impact on children — has been our ability to integrate into everything we do new knowledge about how children learn and grow.

DEPLOYING ELMO

[Elmo and his friends are helping the 700,000 American children under age 5 who have a parent or parents on military duty cope with all the phases of deployment.]



For example, because we now know that building vocabulary is vital to developing oral language skills, in *Sesame Street's* 38th season we're placing a stronger emphasis on words, not as print on screen, but in relevant and contextualized ways — words our young viewers can use to express thoughts, observations and feelings.

We have great news on this front from *Pinky Dinky Doo*, our multimedia literacy initiative for children ages 4 to 7 that airs daily in the United States on Noggin and on a variety of broadcast networks around the world. Dr. Deborah Linebarger and her team at the Annenberg School for Communication at the University of Pennsylvania found that *Pinky Dinky Doo* enhances early literacy skills. What's particularly exciting is that *Pinky* viewers from lower income backgrounds perform significantly better on early literacy outcome measures than those who

watch a related show or nothing at all. Given that reading failure is distressingly stable (almost 90 percent of children identified as poor readers at the end of first grade are still identified as poor readers at the end of fourth grade), these outcomes are indeed promising news.

Building vocabulary, critical-thinking skills, and a sense of self-confidence and mastery is also what drives our newest broadcast offering for preschoolers, *The Upside Down Show*. Grounded in imaginative play, based on the belief that pretend play is one of the most powerful ways for young children to learn, *The Upside Down Show* premiered on Nick Jr. and Noggin this October. After only nine weeks on the air, response to this eye-popping physical comedy featuring Shane Dundas and David Collins in a breakthrough interactive format has been great, with the afternoon telecast ranking among the top two programs with



preschoolers on Noggin. We look forward to continued positive ratings trends and the show's promise to help children enter school ready to learn.

LITERACY LEARNING ON NEW PLATFORMS

I'm also pleased to report some of the new work we're doing with respect to literacy learning on new platforms. With funding from the U.S. Department of Education through PBS Ready-to-Learn supplemental funds, we've been experimenting with cell phones as a means of encouraging parents to engage their children in daily literacy activities. In this "Learning Letters With Elmo" study, 75 percent of low-income parent participants reported that the alphabet clips transmitted

over the cell phone helped their children learn letters. Perhaps most powerfully, all participants viewed this model as an effective way to support their children's development, reporting that cell-phone delivery made it easy to fit literacy activities into their daily routine.

The cell phone study is the latest in a series of efforts to take advantage of new "anytime, anywhere"

technologies to help parents and children engage in literacy learning activities together. Last year, I reported on our work with Verizon to stream *Sesame Street* segments onto cell phones, making it possible for parents and caregivers to advance their children's

learning while, for example, waiting in line at the grocery store. We're also looking at new handheld devices for use at home and in school, seeking to create an experience engaging enough to motivate kids to want to use it on their own, yet powerful enough to teach literacy skills effectively. Even *Sesame Street* on TV has multiple portals: It anchors pre-school programming on PBS; it is available on

Sprout, the digital cable channel for preschoolers with 24/7 video-on-demand service; and *Play With Me Sesame* airs on Noggin every morning. The point is that we're working to make our content as available and accessible as possible. We want children and families to be able to access our content wherever they are, whenever they want.



In the "Learning Letters With Elmo" study, 75 percent of low-income parent participants reported that the alphabet clips transmitted over the cell phone helped their children learn letters.





Filfil  EGYPT

NEW ACTIVITIES IN THE MIDDLE EAST

Returning to the international arena, several initiatives are underway in the Middle East. We're preparing for a second season of *Alam Simsim* (for the Arab World), currently broadcast by Future TV to 22 Arabic-speaking nations reaching more than 40 million preschoolers. With support from the Mosaic Foundation and culled from the three Arabic language *Sesame Street* coproductions in the region (*Alam Simsim* in Egypt, *Shara'a Simsim* in Palestine, and *Hikayat Simsim* also in Palestine and Jordan), *Alam Simsim* (for the Arab World) celebrates the richness and diversity of Arab culture and language while at the same time promoting school readiness. In Arabic-speaking countries where only a third of the 52 million preschool-age children

In Arabic-speaking countries where only a third of the 52 million preschool-age children complete primary school, this extensive library of educational programming can make a difference.

complete primary school, this extensive library of educational programming can make a difference. New this year will also be the production of 5,000 DVDs to be distributed to U.S. organizations to engage American preschoolers and their families in learning about the Arabic-speaking world.

In Israel, we launched the first of 40 new episodes of *Rechov Sumsum* on Channel Hop!. Returning after nearly a decade-long hiatus, the new *Rechov Sumsum* provides children in Israel with a vision of “reality as it can be” — a place where they can live together in mutual respect and understanding. In December, we were deeply honored when Haifa’s mayor and Israel’s Minister of Tourism dedicated a street in the area of Wadi Nisnas, long an exemplar of coexistence between Israeli Jews and Arabs, as “Rechov Sumsum,” with the same street sign that appears on this barrier-breaking initiative.

WHAT KEEPS US GOING

When I reflect on these far-ranging Workshop activities, I’m struck by their strong commonalities: All are consistent with our focus on addressing children’s needs; all demonstrate our proven ability to connect with kids; and all confirm our capacity to mobilize like-minded public and private sector partners to achieve a shared vision.

These qualities position us to continue making a meaningful, measurable, lasting difference in children’s lives, especially in today’s world, where the opportunities to use media to help children reach their highest potential have never been greater.

Together we believe that empowering children through education is going to make a better world. Some might call this naive, but to the skeptics and cynics I say: What is the alternative?



Gary E. Knell, President and Chief Executive Officer



Sesame Street works.

Among the more than 1,000 studies on record are those telling us that *Sesame Street* reaches children in every demographic group and that preschoolers who watch are more likely to show signs of emerging literacy and numeracy skills than nonviewers.

Studies also show that the *Sesame Street* advantage lasts: Teens who watched as children had better grades in high school, read more books for pleasure, placed higher value on academic achievement, and expressed less aggressive attitudes than those who watched rarely or not at all.



Programs and Initiatives

ALAM SIMSIM (EGYPT)

Airing daily on Egyptian television since 2000 and throughout North Africa and the Middle East via satellite, this Egyptian coproduction of *Sesame Street* helps preschoolers develop basic literacy and numeracy skills, with a particular emphasis on educating girls. An extensive outreach program deepens and extends the on-air messages, with recent research documenting gains in the areas of health, hygiene, and nutrition among children, parents, caregivers, and families.

Broadcast Partner:
Egyptian Television

Project Partners:
AlKarma Edutainment
Egyptian Ministry of Education

Funding Partner:
United States Agency for
International Development (USAID)



ALAM SIMSIM (FOR THE ARAB WORLD)

Alam Simsim (for the Arab World) celebrates the rich cultural diversity within the region and is currently broadcast in 22 Arabic-speaking nations, reaching more than 40 million preschool children. The series' content prepares children for school and fosters respect for differences.

Broadcast Partner:
Future Television

Project Partner:
AlKarma Edutainment

Funding Partner:
The Mosaic Foundation

GALLI GALLI SIM SIM (INDIA)

Launched in 2006, this new *Sesame Street* coproduction is helping India's youngest citizens develop reading, math, and life skills. Central to the effort is a long-term, locally organized outreach program designed to reach children and families with limited access to television.

Broadcast Partners:
Cartoon Network
Doordarshan
Pogo

Project Partners:
Turner Entertainment Networks Asia
Sesame Workshop India

Production Partner:
Miditech Pvt. Ltd.

Funding Partners:
Michael and Susan Dell Foundation**
Turner Entertainment Networks Asia

(Development Phase, only)

ICICI Bank Limited
United States Agency for
International Development (USAID)

HIKAYAT SIMSIM (JORDAN)

Following the success of the *Sesame Stories* program launched in Jordan in 2003, Sesame Workshop is producing a new season of *Hikayat Simsim*, a television and educational outreach initiative for young children and their caregivers. The second season of *Hikayat Simsim* will air on Jordan Television with a renewed focus on Jordanian culture and school readiness.

Broadcast Partner:
Jordan Television

Project Partners:
Jordanian Ministry of Education
Jordan Pioneers

Funding Partner:
United States Agency for
International Development (USAID)

PLAZA SÉSAMO (MEXICO/LATIN AMERICA/UNITED STATES)

Premiering in 1972, this Spanish-language coproduction of *Sesame Street* is produced and broadcast throughout the Americas and promotes school readiness while showcasing cultural diversity. The current season emphasizes health and wellness messages, which are extended through multiple media platforms including public service announcements, outreach materials, and special events. In 2006, through partnership with the World Heart Federation, Sesame Workshop began developing a three-year initiative to reach Colombian children and caregivers with messages about nutrition, physical activity, and heart health.

Broadcast Partners:
Televisa
Discovery Kids Latin America
Telefutura
PBS

Project Partner:
World Heart Federation (Colombia)

Funding Partner:
Mr. and Mrs. Julio Mario and
Beatrice Santo Domingo (Colombia)

RECHOV SUMSUM (ISRAEL)

Rechov Sumsum builds on more than two decades of *Sesame Street* programming in Israel. This new series presents a "rechov," or street, where Israelis of different ethnic and religious backgrounds live together with mutual respect and understanding. A multimedia outreach initiative, including the world's first educational online material in both Hebrew and Arabic, will extend the project's messages to children, parents, and educators.

Broadcast Partner:
Channel Hop!
Gold Zebra Communications, Ltd.

Project Partner:
Channel Hop!
Gold Zebra Communications, Ltd.

Funding Partners:
Alan B. Slifka Foundation
Charles H. Revson Foundation
Fohs Foundation
Foreign Affairs and International Trade Canada
The Gruss-Lipper Family Foundation
Joseph and Harvey Meyerhoff Family
Charitable Funds
Silverweed Foundation



RRUGA SESAM/ULICA SEZAM (KOSOVO)

Debuted in November 2004, this *Sesame Street* coproduction — *Rruga Sesam* in Albanian and *Ulica Sezam* in Serbian — provides children in Kosovo with critical early-education skills. At the same time, it promotes awareness and understanding of Kosovo's multiethnic society. Season 2 of this groundbreaking television and outreach program launched in 2006.

Broadcast Partners:
Radio Television of Kosovo (RTK)
TV Herpce
TV Most
TV Puls

Project Partners:
CMB Productions
UNICEF

Funding Partners:
Canadian International
Development Agency (CIDA)
German Institute for
Foreign Cultural Relations (ifa)
Netherlands Ministry of Foreign Affairs
Organization for Security and
Cooperation in Europe (OSCE)
Swedish International
Development Cooperation Agency (SIDA)
UNICEF
United States Agency for
International Development (USAID)

5, RUE SÉSAME (FRANCE)

Created by French educators and artists for French children, *5, Rue Sésame*, coproduced with public broadcaster France 5 and production company Expand-Drama & Breakout Films, emphasizes learning across social, emotional, cognitive, and physical domains.

Broadcast Partner:
France 5

Project Partner:
Expand-Drama & Breakout Films

SESAME STREET (INDONESIA)

Sesame Workshop is currently partnering with Creative Indigo Production and Indonesian educational experts to develop the creative vision for a local *Sesame Street* coproduction in Indonesia. This television and outreach program, set to debut in 2007, will reflect the vibrant diversity of Indonesia's vast archipelago, an area rich in culture, tradition, language and art.

Project Partner:
Creative Indigo Production

Funding Partner:
United States Agency for
International Development (USAID)

Programs and Initiatives

SESAME STREET (JAPAN)

Japanese children and families, who had long benefited from the United States' version of *Sesame Street*, celebrated the launch of their own entirely original coproduction in 2004. Focusing on the socioemotional development of young children, the series helps Japanese children use their imagination, think independently, appreciate diversity, and learn simple English phrases.

Broadcast Partner:
TV TOKYO Corporation

Project Partners:
ASATSU-DK Inc.
Kyodo Television, Ltd.
Nikkeisha, Inc.
Odyssey Communications, Inc
Sesame Street Partners Japan
Television Tokyo Broadband Entertainment Inc.
We've, Inc.

SESAME STREET (NORTHERN IRELAND)

Sesame Street Northern Ireland will serve as a valuable resource for children, parents and educators by contributing to a vision for a shared future in Northern Ireland and presenting positive images to children of the self and others. The program is currently in development and is expected to go on air in winter 2007/2008.

Funding Partner:
The American Ireland Fund

SESAME STREET (UNITED STATES)

Now in its 37th consecutive season, *Sesame Street* continues to set the gold standard for excellence in educational media. The series helps children in the United States develop the cognitive, emotional, physical, and social skills essential for today's world.

Broadcast Partners:
Noggin
PBS
PBS Kids Sprout

Funding Partners:
AstraZeneca, LLP
The Hain Celestial Group, Inc.
McDonald's Corporation
New Balance**
Procter & Gamble
Unique Vacations, Inc., worldwide representatives for Beaches Resorts

SESAMSTRAAT (THE NETHERLANDS)

Celebrating its 30th anniversary in 2006, the Dutch coproduction of *Sesame Street* focuses on children's socioemotional development with an emphasis on music and the arts, closing every evening broadcast with a signature bedtime story.

Broadcast Partners:
Nederlandse Programma Stichting (NPS)
Nederlandse Omroep Stichting (NOS)
Z@ppelin

Project Partner:
Nederlandse Programma Stichting (NPS)

SESAMSTRASSE (GERMANY)

Premiering in 1973, the German adaptation of *Sesame Street* is among the Workshop's earliest international coproductions. Over the years, *Sesamstrasse* has helped children learn through discovery. More recently, the program has included a special focus on helping children develop awareness of and respect for Germany's increasingly diverse population.

Broadcast Partners:
Norddeutscher Rundfunk (NDR)
KiKa (Der Kinderkanal)

Arbeitsgemeinschaft der öffentlichrechtlichen Rundfunkanstalten Deutschlands (ARD)

SHARA'A SIMSIM (PALESTINIAN PROJECT)

Shara'a Simsim will broadcast in 2007 throughout the West Bank and Gaza. The series builds on the success of the *Sesame Stories* project launched in 2003 and the original *Shara'a Simsim* project from 1998. The new *Shara'a Simsim* television and outreach initiative highlights basic educational needs and emphasizes pride in Palestinian culture and identity.

Broadcast Partner:
Ma'an Television

Project Partner:
Al Quds University, Institute of Modern Media

Funding Partners:
Al Habtoor Engineering
Al Hikma Pharmaceuticals
Foreign Affairs and International Trade Canada
Netherlands Ministry of Foreign Affairs
The Ford Foundation
UNESCO



SISIMPUR (BANGLADESH)

Launched in April 2005, this *Sesame Street* coproduction provides access to educational opportunities for all Bangladeshi children. A comprehensive outreach component ensures the program's educational messages are delivered to those without television. Now in its second season, the show has been selected as a finalist for the Japan Prize and was featured in the documentary film "The World According to *Sesame Street*," which premiered at the 2006 Sundance Film Festival.

Broadcast Partner:
Bangladesh Television

Project Partner:
Nayantara Communications

Funding Partners:
Unilever Bangladesh Ltd
United States Agency for International Development (USAID)



TAKALANI SESAME (SOUTH AFRICA)

Through television, radio, and community-outreach programs, this South African coproduction helps preschoolers develop basic literacy and numeracy skills. In a country where the devastation of HIV/AIDS impacts so many children's lives, Kami, a young and vibrant Muppet who is HIV-positive, conveys age-appropriate messages designed to reduce the fear and stigma associated with the disease.

Broadcast Partner:
South African Broadcasting Corporation (SABC)

Project Partners:
KWK Kwasukasukela
South African National Department of Education

Funding Partners:
The Mai Family Foundation
SANLAM Life Insurance Limited
United States Agency for International Development (USAID)

ULITSA SEZAM (RUSSIA)

First broadcast in 1996, *Ulitsa Sezam* focuses on helping Russia's youngest citizens develop the skills to thrive in an open society, maintain a healthy lifestyle, and gain an awareness of and appreciation for diversity. In 2006, the series celebrated its 10th anniversary with a children's art exhibition at the State Tretyakov Gallery in Moscow.

Broadcast Partner:
CTC

Project Partners:
Ministry of Education and Science of the Russian Federation
Ritm TV, a subsidiary of DIXI-TV Productions

Funding Partner:
Nestlé Food LLC

DA NIAO AND BIG BIRD LOOK AT THE SKY

This innovative planetarium program will introduce young children in the United States and China to the wonders of astronomy. Featuring the beloved characters of *Sesame Street* and of its Chinese version, *Zhima Jie*, the project will provide an opportunity to teach children in each nation about their counterparts' similarities and differences through our shared universe.

Project Partners:
Adler Planetarium and Astronomy Museum
Beijing Planetarium
The Liberty Science Center
Yunnan Observatory

Funding Partners:
National Science Foundation
W.L.S. Spencer Foundation

LET'S GET READY! PREPARING FAMILIES FOR EMERGENCIES

"Let's Get Ready" is an educational outreach program designed to help children ages 2 to 5 and their families prepare for the challenges of today's complex world. The bilingual English/Spanish kit will offer tips on how families can physically and emotionally prepare their children for an emergency in age-appropriate ways.

Project Partner:
Department of Pediatrics of Weill Cornell Medical College

Funding Partners:
The Bear Stearns Charitable Foundation
The Blanche & Irving Laurie Foundation

DRAGON TALES

Consistently one of the top-rated preschool series,* *Dragon Tales* helps children in the United States and around the world with the "three Rs" of early childhood education: resilience, relationships, and readiness. The program uses folk stories, music, and street games to highlight the heritage and customs of children and families with Spanish-speaking backgrounds.

Broadcast Partners:
PBS
PBS Kids Sprout

Project Partner:
Sony Pictures Television

Funding Partners:
Corporation for Public Broadcasting
Kellogg USA, Inc.
United States Department of Education (Ready-to-Learn)

HAPPY, HEALTHY, READY FOR SCHOOL

PNC Grow Up Great is the most comprehensive corporate-based school readiness program in the country. This multiyear, bilingual outreach initiative includes a new *Sesame Street* DVD, and print and online resources designed to improve school readiness and to encourage parents and children to embrace the everyday learning opportunities that surround them.

Project Partner:
The PNC Financial Services Group, Inc.

Funding Partner:
The PNC Financial Services Group, Inc.

HEALTHY HABITS FOR LIFE RESOURCE KIT

The Healthy Habits for Life bilingual resource kit offers child care providers, parents, and young children, especially those from underserved communities and most at risk for obesity, innovative print activities and an original *Sesame Street* DVD that integrates healthy eating and physical activity into the existing routines of child-care programs.

Project Partners:
KidsHealth and Nemours Health and Prevention Services

Funding Partners:
KidsHealth and Nemours Health and Prevention Services

TALK, LISTEN, CONNECT: HELPING FAMILIES DURING MILITARY DEPLOYMENT

"Talk, Listen, Connect" is a bilingual outreach initiative, with print and DVD materials that feature the *Sesame Street* Muppets. This kit is designed to help military families and their young children cope with the challenges of a parent's deployment and to offer a sense of stability and build resiliency during times of separation and change.

Project Partners:
The Department of Defense
Quality of Life Information Technology Center
Military OneSource
Wal-Mart Stores, Inc.

Funding Partners:
Wal-Mart Stores, Inc.
New York State Office of Mental Health
Military Child Education Coalition

PANWAPA: WHERE KIDS SHAPE THE WORLD

Sesame Workshop and the Merrill Lynch Foundation have partnered to create a Worldwide Kids initiative which promotes global citizenship in 4- to 7-year-olds. This multiplatform program, "Panwapa," immerses children in a unique exploration of self, community, and cultures from around the world. "Panwapa" will be available in Arabic, English, Japanese, Mandarin, and Spanish.

Project Partner:
The Merrill Lynch Foundation

Funding Partner:
The Merrill Lynch Foundation

PLAY WITH ME SESAME

Broadcast throughout Europe, Canada, Asia, the Middle East, Australia, and the Caribbean, as well as on Armed Forces Radio and Television Services, *Play With Me Sesame* fosters individual creative expression through social interaction. The series invites children to get up out of their chairs and play along with their favorite *Sesame Street* friends — Bert and Ernie, Grover, and Prairie Dawn — and encourages them to reach for a bigger world.

Broadcast Partner:
Noggin

PINKY DINKY DOO

This new, animated series encourages literacy in 4- to 7-year-olds through the power of storytelling, which introduces children to the building blocks of narrative, expands their vocabularies, and helps them make the critical transition from "learning to read" to "reading to learn."

Broadcast Partners:
Noggin
Canadian Broadcasting Corporation (CBC)
British Broadcasting Corporation (BBC/CBeebies)
Discovery Kids Latin America
Australian Broadcasting Corporation (ABC)

Project Partners:
Cartoon Pizza, Inc.
Random House

SESAME BEGINNINGS

Sesame Workshop broke new ground through the introduction of an innovative research-based DVD series for parents and young children that encourages learning through parent-child interactions. Based on research that shows young children learn best when experiences are shared with a loved one, the *Sesame Beginnings* DVDs are specially designed to help parents and caregivers encourage their child's curiosity during everyday interactions.

Project Partners:
Random House
Sony BMG
Zero to Three

SESAME STREET PRESENTS: THE BODY

Part of the *Healthy Habits for Life* initiative, this traveling museum exhibition was created in response to the growing crisis of childhood obesity. Set in the familiar and reassuring world of *Sesame Street*, the exhibit teaches children the importance of establishing an early foundation of healthy habits through active participation and self-discovery.

Project Partner:
Thinkwell Design and Production

Funding Partner:
New Balance**

THE UPSIDE DOWN SHOW

This innovative new series starring the Umbilical Brothers encourages preschoolers to explore and interact creatively with the world around them. With the overall theme that imagination can take you anywhere, this half-hour show builds critical-thinking skills, language, and self-confidence through pretend play.

Broadcast Partners:
Noggin/Nick Jr.
Nick U.K.
Nick Asia
Nick Australia

Project Partner:
Blink Films

* Source: Nielsen, PBS PP, Live AA% K2-5, Oct 99-Sept 00, Oct 00-Sept 01, Oct 01-Sept 02, Oct 02-Sept 03, Oct 03-Sept 04, Oct 04-Sept 05, Live + 7 AA% K2-5 Oct 05 - Jun 06. Ratings may include viewing to more than one telecast per program per day. Galaxy Explorer/PNF, Live AA% K2-5, total U.S. coverage, 9/27/99-10/1/00, 10/2/00-9/30/01, 10/1/01-9/29/02, 9/30/02-9/28/03, 9/29/03-9/26/04, 9/27/04- 9/25/05, Live + 7 AA% K2-5 9/26/06- 6/25/06. 6AM-6PM; *Dragon Tales* versus all regularly scheduled children's programs 6AM-6PM, 120+ episodes M-F.

** Committed to project subsequent to June 30, 2006

Major Supporters

Sesame Workshop gratefully acknowledges the generous support of partners and individuals around the world who share our vision. Their commitment makes our endeavors on behalf of children possible and enables us to bring our mission to life.

Corporations, Foundations, Government, and Donor Agencies

\$1,000,000 +

The American Ireland Fund
AstraZeneca, LLP
Corporation for Public Broadcasting
The Gruss-Lipper Family Foundation
Kellogg USA, Inc.
McDonald's Corporation
The Merrill Lynch Foundation
National Science Foundation
Nestlé Food LLC
The PNC Financial Services Group, Inc.
Procter & Gamble
PBS
SANLAM Life Insurance Limited
South African Broadcasting Corporation (SABC)
The Starr Foundation
Turner Entertainment Networks Asia
Unique Vacations, Inc., worldwide
representatives for Beaches Resorts
U.S. Agency for International Development
(USAID)
U.S. Department of Education
Wal-Mart Stores, Inc.
World Heart Federation

\$500,000-\$999,999

The Bear Stearns Charitable Foundation
The Hain Celestial Group, Inc.
KidsHealth and Nemours Health and
Prevention Services
The Mai Family Foundation
The Mosaic Foundation

\$250,000-\$499,999

The Ford Foundation
Netherlands Ministry of Foreign Affairs
Stavros S. Niarchos Foundation
Swedish International Development
Cooperation Agency (SIDA)
Qualtia Alimentos
Charles H. Revson Foundation

\$100,000-\$249,999

Anonymous
Joseph and Harvey Meyerhoff Family
Charitable Funds
NAMM, The International Music
Products Association
New York State Office of Mental Health
Organization for Security and
Cooperation in Europe (OSCE)
Tetra Pak
UNICEF
W.L.S. Spencer Foundation

\$50,000-\$99,999

American Greetings
Robert C. Atkins Foundation
Canadian International Development Agency
(CIDA)

Fohs Foundation
Foreign Affairs and International Trade Canada
Mattel/Fisher-Price
National Conference for Community and Justice
SONY BMG MUSIC ENTERTAINMENT
Unilever Bangladesh Ltd
VEE Corporation

\$25,000-\$49,999

The German Institute for Foreign Cultural
Relations (ifa)
The Helen Hotze Haas Foundation
The A.C. Kobayashi Family Foundation, Inc.
The Blanche & Irving Laurie Foundation
Markle Foundation
McKinsey & Company
Military Child Education Coalition
Silverweed Foundation
Alan B. Slifka Foundation
Turner Broadcasting System, Inc.
UNESCO

\$15,000-\$24,999

AARP Services, Inc.
Aetos Capital, LLC
Al Habtoor Engineering
Center for Advanced Illness Coordinated Care
Comcast
The Walt Disney Company
Foote Cone & Belding
Macy's Parade Group
Nickelodeon Networks
Sesame Place/Busch Entertainment Corporation
Simpson Thacher & Bartlett LLP
Thirteen/WNET New York and WLIW21

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The following pages provide an overview of Sesame Workshop's financial performance for the year ending June 30, 2006. The financial statements on pages 17 and 18 are an extract of Sesame Workshop's audited financial statements, which are available upon request.

SOURCES OF FUNDING

Sesame Workshop's long-term success has been predicated on forming strategic partnerships with corporations, foundations, and government agencies, to address critical educational needs around the world. For example, initial funding partners for *Sesame Street*, the Workshop's flagship preschool series, included the United States Department of Education, the Corporation for Public Broadcasting, the Carnegie Corporation of New York, and the Ford Foundation. This combination of public- and private-funding partnerships is categorized as Program Support in the Consolidated Statement of Activities on page 17 and 18. Recent examples of these partnerships include a School Readiness initiative in the United States funded by The PNC Financial Services Group, Inc., a Global Citizenship initiative funded by The Merrill Lynch Foundation, a program to help families dealing with military deployment funded by Wal-Mart Stores, Inc., and a program to help families prepare for emergencies funded by The Bear Stearns Charitable Foundation. *Sesame Street* in the United States, now in its 37th season, receives significant support from its corporate sponsors including Beaches Resorts, McDonald's Corporation, New Balance, AstraZeneca, The Hain Celestial Group, Inc., and Procter & Gamble. In addition, Sesame Workshop has received long-term funding from the United States Agency for International Development to create sustainable models to deliver educational media in Egypt, South Africa, India, Bangladesh, and Indonesia, among others. Sesame Workshop's future financial vitality depends upon continued success in working with partners as well as individuals compelled to champion our mission.

Sesame Workshop's second revenue source is from the distribution of its educational content across all media channels. In this arena, the organization has successfully undertaken a range of

activities that enable it to generate revenue while at the same time deliver its educational content through multiple forms of distribution. These activities include foreign distribution of local-language television programs; the overseas syndication of our domestic television series; production and distribution of DVDs and home videos; publication of books and magazines; participation in theme parks and live shows; and the distribution of video and gaming across digital platforms. Sesame Workshop works with long-term and committed distribution partners such as Turner Entertainment, Verizon Wireless, Busch Entertainment Corporation, VEE Corporation, Sony Wonder, Random House, and The Parenting Group.

Sesame Workshop also relies on income from the sales of licensed products to fund its educational programs. We partner with best-in-class licensees that believe in our brands and share our vision, including Mattel/Fisher-Price, American Greetings, Procter & Gamble, Children's Apparel Network, Sunkist, and Del Monte Foods.

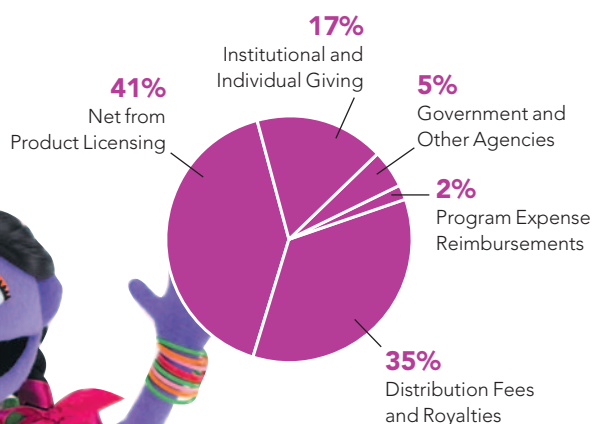
In addition to the revenues earned to support the creation and distribution of its educational content, the Workshop, similar to other nonprofit educational institutions, maintains an investment portfolio to ensure the organization's long-term financial viability and to provide financing for educational activities that are otherwise difficult to fund.

FISCAL YEAR 2006 FINANCIAL CONDITION AND LIQUIDITY

Sesame Workshop had a strong financial performance in fiscal year 2006 by a number of financial measures. Outstanding debt was reduced by \$41.0 million and net cash flow from operating activities was \$7.4 million.

The Consolidated Statement of Activities reflects an operating loss of \$2.5 million, as compared to net operating income of \$0.2 million in fiscal year 2005. Operating revenues in fiscal year 2006 decreased by \$5.2 million from fiscal year 2005 including a \$10.6 million decrease in Program Support revenue. Fiscal year 2005 Program Support included significant new grant commitments from The Merrill Lynch Foundation for the Worldwide

Revenues earned from product licensing, net of the related expenses, account for 41 percent of Sesame Workshop's operating revenues. The remaining 59 percent comes from institutional and individual giving, distribution fees and royalties, and government and other agencies.



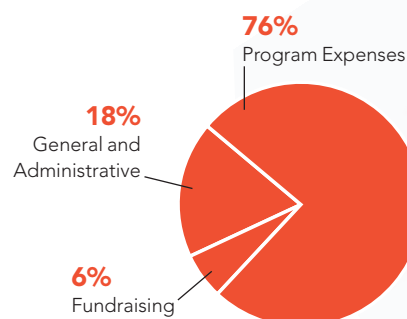


Kids initiative and from The Gruss-Lipper Family Foundation to support production in Israel, as well as the premiere of the third season of *Dragon Tales* on PBS. Other decreases in program support are due to the shift in the broadcast of *Sesame Street* season 37 into fiscal year 2007. These declines were partially offset by higher sponsorship revenue for *Sesame Street*, funding for an expansion of our Mexican coproduction, *Plaza Sésamo*, into Colombia and grants for new outreach initiatives including "Talk, Listen, Connect: Helping Families During Military Deployment," "Healthy Habits for Life," and a \$1.0 million grant for outreach activities in India.

Distribution Fees and Royalties increased \$6.7 million from fiscal year 2005. This increase is primarily due to the worldwide launch of *Pinky Dinky Doo*, the release of the *Sesame Beginnings* Home Video line and the transition of *Sesame Street* Home Video to a distribution business. In January 2006, Sesame Workshop commenced a new distribution agreement with Sony Wonder which led to increased control over the home-video business. The impact of this new arrangement was to increase both revenue and expenses on the Consolidated Statement of Activities. Licensing revenues declined \$1.4 million in fiscal year 2006 primarily due to the end of our exclusive Kmart apparel agreement on June 30, 2005, which was partially mitigated by royalties from our new core apparel licensee, the Children's Apparel Network.

Operating expenses for fiscal year 2006 were \$104.4 million, a decrease of \$2.6 million from fiscal year 2005. This reduction in expenses included lower *Sesame Street* production expenses and lower advertising and corporate marketing expenses as well as savings in staff costs due to a corporate restructuring that was completed in June 2005. These savings were partially offset by higher home video manufacturing and marketing expenses and *Pinky Dinky Doo* production expenses.

Total Assets decreased by \$27.0 million in fiscal year 2006. The combined decrease in Cash and Short-term Investments and Marketable Securities was \$23.3 million, due to the \$41.0 million paydown of the outstanding loan balance partially offset by \$12.2 million in investment income and \$7.4 million in positive cash flow from operations in fiscal year 2006. The \$0.8 million in Inventory represents *Sesame Street* and *Sesame Beginnings* home-video units on hand at June 30, 2006. The increase in Programs in Process reflects investments in new productions including *The Upside Down Show*, new home-video titles, and the first season of *Galli Galli Sim Sim* in India, which premiered in August 2006.



76 cents of every dollar spent goes directly to funding the Workshop's programmatic activities.

Total Liabilities were reduced by \$34.6 million. This decrease was primarily due to the \$41.0 million in principal payments made on the outstanding bank loan, partially offset by revenue advances received for the India coproduction, Home Video sales and season 37 of *Sesame Street*, which premiered on PBS in August 2006.

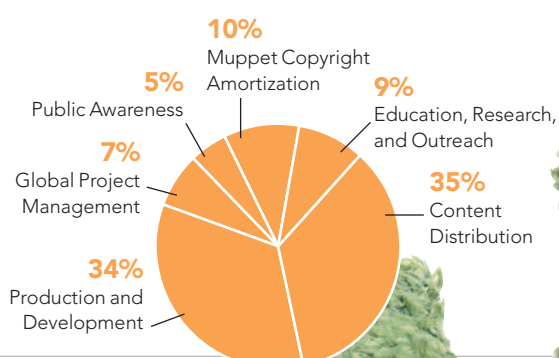
SIGNIFICANT STRATEGIC TRANSACTIONS

In December 2000, the Workshop acquired the *Sesame Street* Muppet characters from the Jim Henson Company, a subsidiary of EM.TV & Merchandising AG. Full ownership of the *Sesame Street* Muppets allows for greater creative freedom, control of content, and enhanced revenue opportunities. In fiscal year 2006, Sesame Workshop used the proceeds from the sale of a portion of its marketable securities to pay down all but \$1.0 million of the outstanding debt that was incurred in fiscal year 2001 to acquire the *Sesame Street* Muppet characters.

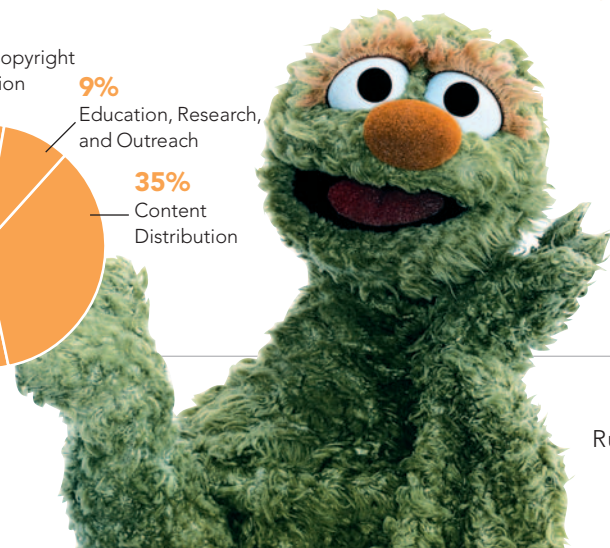
In September 2002, the Workshop sold its 50 percent ownership interest in the Noggin joint venture to its partner, MTV Networks/Viacom, providing capital to expand its mission internationally, remain strong in a highly competitive domestic marketplace, and retire a portion of existing debt.

In September 2004, the Workshop entered into a partnership with Comcast, PBS, and HIT Entertainment to establish and operate a digital cable and video-on-demand service, whose purpose is to distribute educational programming to preschool-aged children and their families. The channel named PBS Kids Sprout premiered first on VOD in April 2005 and, as of November 2006, was in more than 19 million households.

The following statements are an extract of Sesame Workshop's audited financial statements for the fiscal years 2006 and 2005.



This further breakdown of program expenses shows that Sesame Workshop is dependent on growing its public support in order to expand its programmatic activity around the world.



Consolidated Statement of Activities

For the years ended June 30 (000s omitted)	'06	'05
REVENUES		
Program Support	\$ 22,580	\$ 33,128
Distribution Fees and Royalties	32,466	25,717
Product Licensing	46,891	48,297
Total Operating Revenues	101,937	107,142
EXPENSES		
<i>Program Expenses</i>		
Education, Research, and Outreach	6,813	8,563
Content Distribution	25,570	14,435
Production and Development	24,664	31,392
Global Product Licensing	9,856	12,097
Global Project Management	4,880	5,626
Public Awareness	3,361	2,970
Amortization Expense	6,945	6,945
Total Program Expenses	82,089	82,028
<i>Support Expenses</i>		
Fundraising	5,280	4,305
General and Administrative	17,022	20,647
Total Support Expenses	22,302	24,952
Total Operating Expenses	104,391	106,980
Operating Income (Loss)	(2,454)	162
Net Investment Income	12,189	10,410
Interest Expense	(2,105)	(1,681)
Other Non-Operating Income (Losses)	–	(5)
Increase (Decrease) in Net Assets	\$ 7,630	\$ 8,886

Consolidated Statement of Financial Position

For the years ended June 30 (000s omitted)	'06	'05
ASSETS		
Cash and Short-term Investments	\$ 15,816	\$ 16,519
Receivables		
Program and Product Licenses and Contracts in Support of Programs, Net of Allowance for Doubtful Accounts	22,328	24,780
Grants	7,289	6,616
Total Receivables	29,617	31,396
Inventory	826	–
Programs in Process	13,527	8,266
Marketable Securities	117,388	139,957
Intangible Assets	99,696	106,641
Fixed Assets	8,132	9,048
Other Assets	4,285	4,422
Total Assets	289,287	316,249
LIABILITIES		
Accounts Payable and Accrued Expenses	23,241	25,934
Deferred Revenues	26,579	17,093
Deferred Rent Payable	4,310	4,695
Debt Payable	1,000	42,000
Total Liabilities	55,130	89,722
NET ASSETS		
Unrestricted	224,162	219,691
Temporarily Restricted	9,995	6,836
Total Net Assets	234,157	226,527
Total Liabilities and Net Assets	\$ 289,287	\$ 316,249

Consolidated Statement of Cash Flows

For the years ended June 30 (000s omitted)	'06	'05
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$ 7,630	\$ 8,886
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	10,342	9,881
Amortization of Programs in Process	16,117	20,316
Decrease in Deferred Rent Payable	(385)	(385)
(Increase) in Net Unrealized Appreciation on Marketable Securities	(11,003)	(9,912)
Loss (Gain) on Sale of Marketable Securities	(595)	92
Provision for Inventory Obsolescence	633	–
Decrease (Increase) in Receivables	1,779	(7,152)
(Increase) in Inventories	(1,459)	–
(Increase) in Programs in Process	(21,379)	(21,889)
(Increase) in Other Assets	(1,068)	(2,806)
(Decrease) Increase in Accounts Payable and Accrued Expenses	(2,693)	1,800
Increase (Decrease) in Program and Product License Revenues	9,486	(1,341)
Net Cash Provided by Operating Activities	7,405	(2,510)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property and Equipment	(1,275)	(1,984)
Purchases of Marketable Securities	(79,458)	(83,715)
Proceeds from the Sale of Marketable Securities	113,625	105,904
Net Cash Provided by Investing Activities	32,892	20,205
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(41,000)	(18,000)
Net Cash Used in Financing Activities	(41,000)	(18,000)
Net (Decrease) in Cash and Short-Term Investments	(703)	(305)
Cash and Short-Term Investments, Beginning of Period	16,519	16,824
Cash and Short-term Investments, End of Period	\$ 15,816	\$ 16,519

Partners in Licensing and Content Distribution

As a nonprofit organization, Sesame Workshop relies not only on philanthropic support but also on income from the sales of *Sesame Street* and other Workshop products to fund educational programs that help children everywhere learn and grow. We partner with best-in-class organizations that believe in our brands and share our vision. These are some long-term and committed partners which are essential to advancing our educational initiatives around the world.

American Greetings
 Apple & Eve
 Busch Entertainment Corporation (Sesame Place)
 Children's Apparel Network
 Del Monte Foods
 Gund, Inc.
 The Hain Celestial Group, Inc.
 Mattel/Fisher-Price
 The Parenting Group (*Sesame Street Magazine*)
 Procter & Gamble
 Random House
 Sony Wonder
 Sunkist
 VEE Corporation (*Sesame Street Live*)

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For more information about how you can support Sesame Workshop, please visit www.sesameworkshop.org or contact:

Jaime Greenberg, Vice President, Philanthropic Development, at 212.875.6451
Anita Stewart, Vice President, Corporate Sponsorship, at 212.875.6889

Many thanks to our colleagues and partners who contributed the wonderful candid photographs of children featured on the preceding pages of this year's annual report.

Special thanks to our creative team for their support and in-kind contribution: design, SamataMason; printing, Blanchette Press.

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The nonprofit educational organization
behind Sesame Street and so much more

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