

"Keep going. It's bigger than we are."

JIM HENSON'S advice to a young Kevin Clash, *Sesame Street*'s Elmo. Those words are as compelling today as they were when spoken in 1984, as Sesame Workshop carries on the dream of its original creators to help all children learn – the way it's doing here in a South African classroom and, as reflected throughout this year's report, around the world.

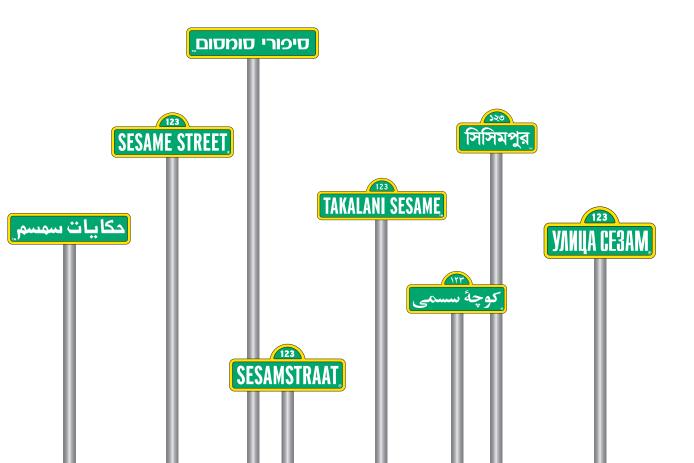


"...if we don't have a vision for a better world for our children, what do we have?"

CHARLOTTE COLE, Ph.D., Sesame Workshop's Vice President for International Research, on the Workshop's willingness to take on such issues as the stigma of AIDS in South Africa, female illiteracy in Egypt and Afghanistan, intercommunal conflict in Israel and Palestine, and other overwhelming and seemingly insolvable obstacles to human progress.

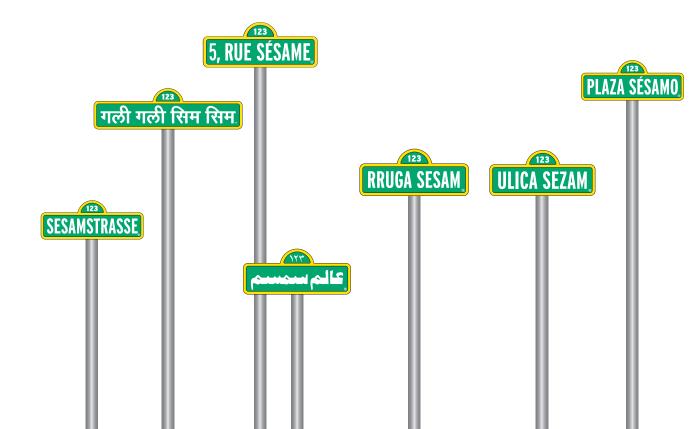
Whether providing access to preschool education where little exists, confronting the stigma of AIDS in South Africa, tackling the epidemic of childhood obesity in the United States, or fostering respect and understanding among children in areas of conflict worldwide, we are committed to helping all children reach their highest potential.





"We may be different, we may speak different languages, we may come from different places, but on *Sesame Street* we all live together..."

SOREN JESSEN-PETERSON, Special Representative of the Secretary General, United Nations Interim Administration Mission in Kosovo, speaking at the 2004 launch of *Rruga Sesam/Ulica Sezam*, the *Sesame Street* coproduction in the Albanian and Serbian languages that helps children from different backgrounds in Kosovo learn about one another, appreciate cultural and ethnic diversity, and participate in a shared society.





Sesame Workshop's Vice President for International Research, Charlotte Cole, surrounded by Roma children in Čezmin Lug, North Mitrovica, Kosovo.

"...Sesame Street has brought the world's children together by celebrating cultures and customs of places near and far. Today, Kosovo's children join the Sesame Street generations; today we are taking the first step in building a long tradition to be inherited by our young viewers."

AGIM ZATRIQI, Director General, Radio Television Kosovo (RTK), speaking at the 2004 launch of *Rruga Sesam/Ulica Sezam*, the *Sesame Street* coproduction in the Albanian and Serbian languages that helps children from different backgrounds in Kosovo learn about one another.

THE WHITE HOUSE WASHINGTON.

November 13, 1995

I am delighted to congratulate Children's Television Workshop, Israeli Educational Television, and the Jerusalem Institute as you begin production of "Sesame Street" in

On September 13, 1993, the world watched with wonder as leaders of Israel and the p.L.O. shook hands in an historic gesture of reconciliation. As you introduce "Sesame Street" to the youngest generation of Israelis and Palestinians, I commend you for building on the spirit of that extraordinary Your efforts to pursue the cause of peace and hope to children, who gave his life in the pursuit of peace. who gave his life in the pursuit of peace.

As we have learned in the United States, educational programming is an effective means of reaching a diverse audience and emphasizing the importance of cooperation and confident that your bold venture will also audience and emphasizing the importance of cooperation and tolerance. I am confident that your bold venture will also encourage the mutual understanding necessary for Israeli and calcarinian youth to overcome the differences that have divide encourage the mutual understanding necessary for Israeli and Palestinian youth to overcome the differences that have divided their parents and grandparents for so many years. Their future, and that of the Middle East, depends on their ability to one day realize a shared vision of peace.

Best wishes for a truly successful project.

Bris Chinton

Sesame diplomacy

By NATHAN BURSTEIN

ith a long history abandoned negotiations and failed peace plans behind them, Middle East peace advocates now have a new disposal: at their tool Sesame Street.

A recent study conducted by Tel Aviv University and the University of Maryland has revealed that Jewish and Arab Israeli kindergartners were more likely to reject negative stereotypes and adopt constructive problemmethods repeated viewings of Sesame solving Stories, an Israeli offshoot of the popular educational children's series. 1

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The study examined 250 Israeli kindergartners and

dents were 20 percent more likely to adopt constructive solutions "ethical" when confronted with conand flicts involving children from other backgrounds. Sesame Stories had an even bigger impact on Arab with children, one-third Israeli approximately more Arab kindergartners choosing cooperative solutions to the situations presented. In response to the study, the HOP! Channel and the producers of Sesame Stories are distributing a free package of games and other interactive activities to Arab and Jewish kindergartens across th country. The channel as the Sesame Workshop currently at work on next season of Sesame

"With a long history of abandoned negotiations and failed peace plans behind them, Middle East peace advocates now have a new tool at their disposal:

Sesame Street."

NATHAN BURSTEIN, Reporter for the *Jerusalem Post*, describing how *Sesame Stories*, the groundbreaking initiative helping Jordanian, Israeli, and Palestinian children learn about themselves and the world around them, is having its intended impact: After repeated viewing, Jewish and Arab Israeli kindergartners were more likely to reject negative stereotypes and adopt constructive problem-solving techniques.



"During the past 30 years, our education system collapsed. Sesame Workshop is working to teach fundamental reading and writing skills to students in Afghanistan."

SAID TAYEB JAWAD, Afghan Ambassador to the United States, referring to *Koche Sesame*, the Afghan coproduction of *Sesame Street* that brings to life basic lessons on literacy, numeracy, gender equality, and global cultural awareness for Afghan children.



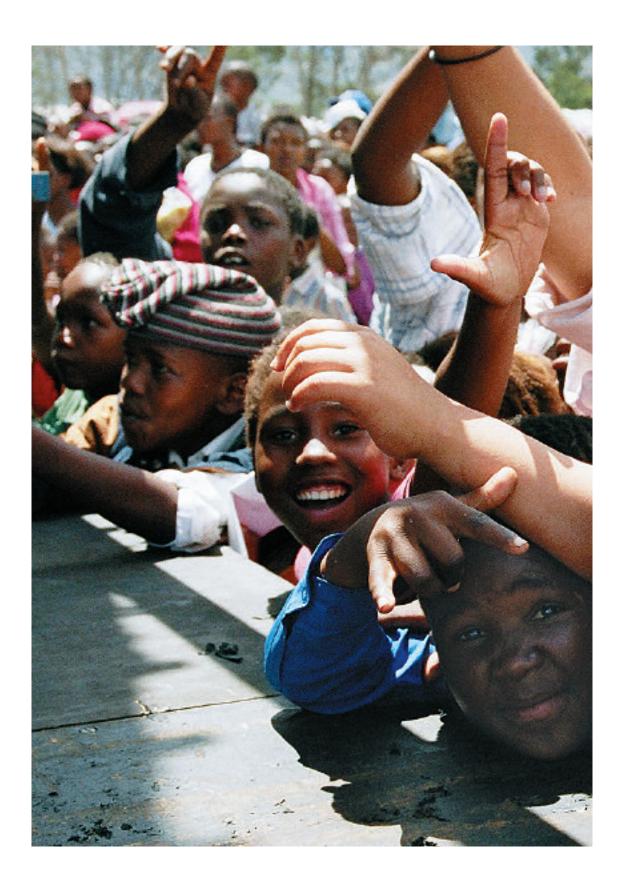


"There is nothing more important in preventing future crises than the kind of work *Sesame Street* does in so many countries around the world...in opening the minds of young people, in uniting us around our common humanity while respecting the culture and context of every country it works in."

KOFI ANNAN, Secretary General of the United Nations, acknowledging the unique way in which Sesame Workshop develops international coproductions, bringing together local educators, researchers, artists, and producers to create culturally specific coproductions that reflect local languages, customs, and educational needs.

"Sesame Workshop....
You have campaigned so magnificently on behalf of some of the most precious human beings, but also the most vulnerable — our young children."

DESMOND M. TUTU, Archbishop Emeritus, referring to the Workshop's pioneering efforts to break the silence and promote better understanding of HIV and AIDS in South Africa. On *Takalani Sesame*, Kami, a vibrant Muppet living with HIV, engages children with age-appropriate messages designed to reduce the fear and stigma associated with the disease. This South African *Sesame Street* coproduction also helps build literacy and math skills as well as promote school readiness among South Africa's youngest citizens.







"Our greatest honor? Knowing we're making a difference for South African children affected by HIV and AIDS."

ROBERT KNEZEVIC, Sesame Workshop's Regional Director for South Africa, referring to the power of "Talk to Me," the national call-to-action presented by *Takalani Sesame*, South Africa's *Sesame Street*, that encourages communication between South African adults and children on the subject of HIV and AIDS. "Talk to Me" was honored with a Peabody Award, recognizing distinguished achievement and meritorious public service by media organizations and individuals; and the Japan Prize, honoring programs that contribute to the advancement of educational television around the world.





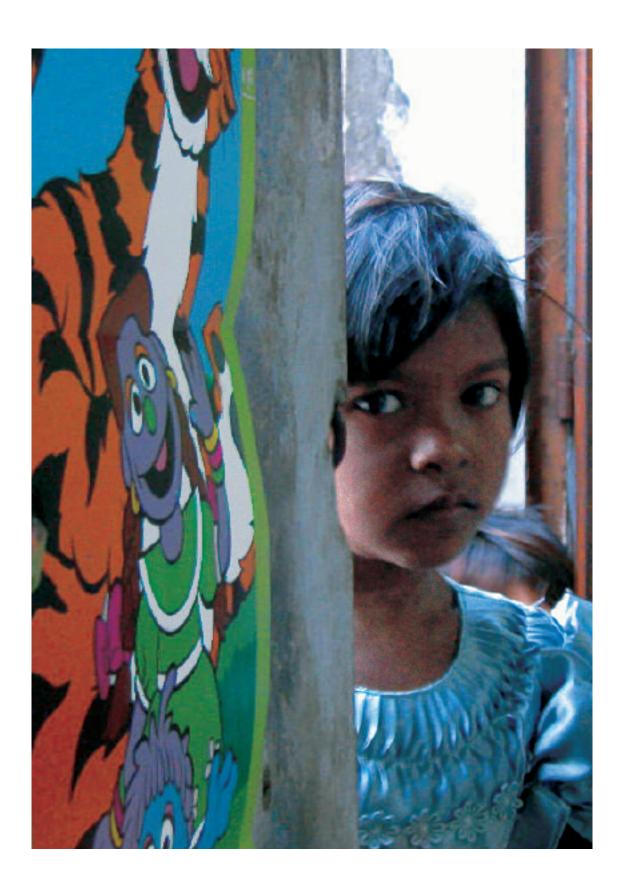
"Reading in English, Arabic, or any other language does expand our minds. So read with your children and open the door to a better and brighter future for them.

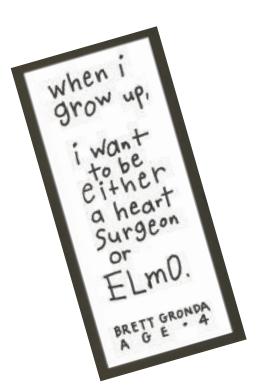
LAURA BUSH, First Lady of the United States, with Suzanne Mubarak, First Lady of Egypt, recording a public-service announcement on the set of *Alam Simsim*, the Egyptian coproduction of *Sesame Street*, promoting the importance of early literacy for all.

In Dhaka, Bangladesh, a young girl looks in on an outreach event, in which parents received training on how to use educational materials inspired by Sisimpur, the Bangladeshi coproduction of Sesame Street.

"Sesame Workshop is striving to give every child the right to read, the right to literacy, the right to education. If you just think of the mathematics of what we're doing: 144 million people; there is one television station, and it has an 80 percent reach. How can you not profoundly change the lives of these children?"

NADINE ZYLSTRA, Sesame Workshop's Executive Producer for *Sisimpur*, the Bangladeshi coproduction of *Sesame Street*, designed to increase access to educational opportunities for all Bangladeshi children.







card contest, submitted by a 4-year-old fan.

"Above all, Sesame Workshop has been a tremendous democratizing force, promoting early literacy and math skills and improving school readiness for underserved children in many parts of the world."

STAN O'NEAL, Chairman and CEO, Merrill Lynch & Co., Inc., announcing Merrill Lynch Foundation's partnership with Sesame Workshop in "Worldwide Kids," a new multinational, public-service initiative to foster good global citizenship in children ages 4 to 6.



SESAME STREET - 4 -

FREUDBERG SHOW 3977

BIG BIRD KEEPS WALKING UNTIL, HE IS IN FRONT OF HIS NEST AREA. GORDON WALKS WITH HIM. THERE IS A HUGE MESS INSIDE THERE ARE TWIGS AREA. THE NEST IS GONE. ALL OVER TWIGS FROM THE NEST IS GONE. EVERYTHING IN THE NEST AREA IS DOWN AND TELEPHONE, BIG BIRD'S MAILBOX, TOY CHEST, ALPHABET SIGN, TELEPHONE, TOY CHEST, ALPHABET SIGN,

BB: (GASPS AS HIS BEAK DROPS) G... GORDON: Oh, my...

BB: G...G...G...Gordon! My home!
My nest! My everything!

GORDON: (TRYING TO COMFORT HIM) Bird, Big Bird...It, s all right. Big

BB: No, it's not...

GORDON: You're, you're right, Big Bird, it's not all right. (PUTS HIS ARM AROUND BIG BIRD) But it will be all BB:

BB: My nest!! What happened to my GORDON:

Well, the wind was so strong that it just blew it apart. BB:

Oh, no...Ohhh...

GORDON: It's all right. I'm here, Big Bird, with you.

BIG BIRD STARTS TO CRY AND GORDON COMFORTS HIM.

IT'S ALL RIGHT TO CRY SONG (LAF) 25-0002-2:10 25-0002-2:10



"That an 8-foot yellow bird can help kids deal with the toughest of issues still amazes me."

CAROLYN JERVIS, mother of two and longtime Sesame Street fan, marveling at how Sesame Street helps children cope with difficult issues such as anger, sadness, and separation.

"It was as if someone they knew came to make sure that they were all right."

LISA SIMON, longtime *Sesame Street* producer, on the response of children in Gulf Coast shelters and schools when a team of *Sesame Street* Muppets and performers paid a visit to comfort them and help them cope in the aftermath of Hurricane Katrina.



As part of its outreach efforts, Sesame Workshop distributed this specially designed kit to parents and child-care providers containing Sesame Street books, toys, videos, and tips on how to reassure children and restore a sense of normalcy.



"Sesame Street was built about a single, breakthrough insight: that if you can hold the attention of children, you can educate them."

MALCOLM GLADWELL, Staff Writer for *The New Yorker* since 1996 and best-selling author of *The Tipping Point: How Little Things Can Make a Big Difference* and *Blink: The Power of Thinking Without Thinking*, recognizing *Sesame Street's* impact on the landscape of children's educational programming.



Jim Henson with Bert and Ernie, 1971



"You've got two jobs. One is to do a show that a 4-year-old wants to watch. The second is to do a show that *you* want to watch."

JEFF MOSS, original Sesame Street Head Writer, quoted in Sesame Street Unpaved: Scripts, Stories, Secrets, and Songs. This dual appeal to both children and adults is one of the many reasons Sesame Street has enjoyed such enduring success.

"This season's *Sesame Street* will begin running stories about healthy eating habits, with Cookie Monster learning that there are anytime foods, like vegetables, and sometime foods, like cookies. Executives are also considering changing the character's name to Pilates Monster."

AMY POEHLER on Saturday Night Live's "Weekend Update," April 9, 2005. For Sesame Street's 36th season, the Workshop enlisted an unlikely champion in Cookie Monster, whose new approach to cookies as a "sometimes food" made headlines and launched a nationwide buzz about healthy eating – all part of a comprehensive, multiyear initiative to help preschoolers and their families develop "Healthy Habits for Life."







CNN's "Person of the Day" segment

The Daily Show with Jon Stewart



Streaming Sesame Street segments onto cell phones provides parents and caregivers increased opportunities for teachable moments.



"We're about reaching children wherever they are and with whatever resources are available to them, whether through rickshaws in rural villages or streaming video on cell phones."

TERRY FITZPATRICK, Sesame Workshop's Executive Vice President for Distribution, on how the Workshop enlists media in the service of children around the world.



"Yesserooni Positooni!"

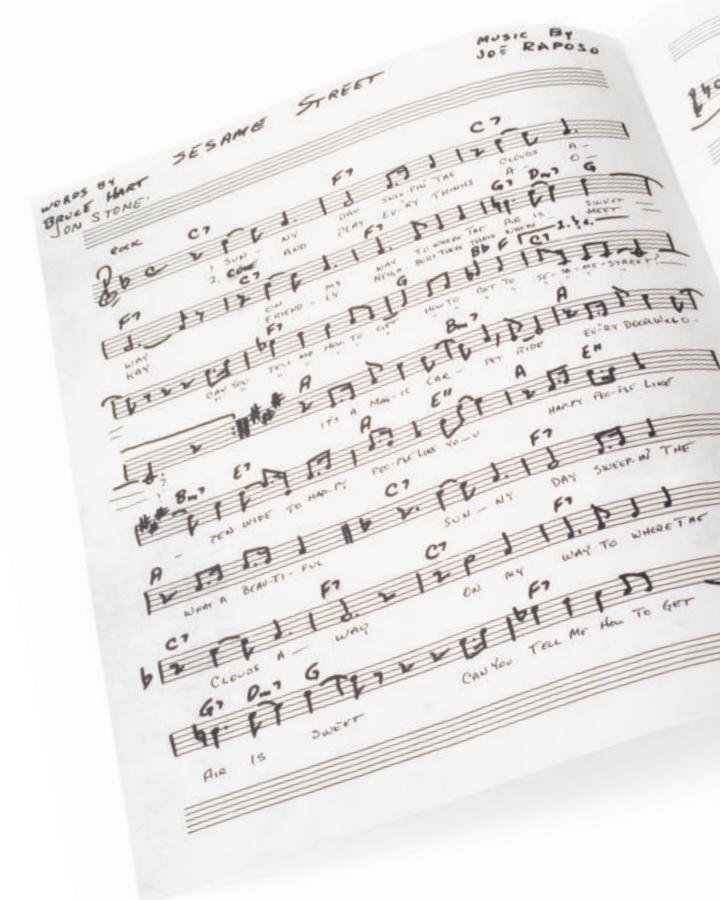
Signature saying of **PINKY DINKY DOO**, star of chapter books and the upcoming animated series of the same name that encourages literacy through the power of storytelling. The TV show premieres in 2006 on Noggin, BBC, CBC, ABC-Australia, and Discovery Kids Latin America.

"...Through the doors that Sesame Street has opened wide around the world, children see a future full of color, music, opportunity, and hope. And no matter what they look like or where they come from, they're always assured of a warm welcome and encouraged to come inside...."

"Those doors will usher in more and more children from many places in this world and will help lead the way to a sunny day where everything is A-OK."

HER MAJESTY QUEEN RANIA AL-ABDULLAH, First Lady of the Hashemite Kingdom of Jordan, a champion for children around the world.





Over the years we've learned a lot about children, about education, about the power of media, and about ourselves.

And though the world has changed in ways no one could have imagined in 1969, the fundamental reasons for our existence have not: We know that education makes the world a better place and that all parents want a better life for their children.

Whether it's providing access to preschool education where little exists, confronting the stigma of AIDS in South Africa, tackling the epidemic of childhood obesity in the United States, or fostering respect and understanding among children in areas of conflict, we are committed to helping all children reach their highest potential.

Wherever and however we can make a difference, our vision will always be a better world for our children.

A Message from the President

"Keep going; it's bigger than we are," is what Jim Henson once said to encourage a young Kevin Clash, the extraordinary talent behind Elmo. I wonder if even the wonderfully imaginative Jim Henson could have envisioned just how much bigger.

That declaration, so simple on its surface, is, in fact, a guiding force for us at the Workshop. It says we find our purpose not within the walls of this organization but with children around the world. And while much progress has been made since we began almost four decades ago, much work remains to ensure that all children — whether in the Bronx or Bhopal, in Cape Town or Kabul — can reach their highest potential.

As the single largest informal educator in the world, we are the custodians of an experience — an educational experience, not just a television show. As such, we serve as a catalyst for change that contributes to benefits well beyond the boundaries of any one project. Through our work, we inspire educational opportunities, expand technical capacity, engage both publicand private-sector funders, influence policy, and, perhaps most powerfully, create a collective consciousness about the ways in which we can work together to make a difference in children's lives.

This is the Sesame "movement" that gained significant ground this past year. Our mission is to use media to meet children's developmental needs cognitive, physical, and socioemotional.



"HEALTHY HABITS FOR LIFE" This comprehensive campaign helps preschoolers and their families make the connection between good nutrition and exercise for healthy living.

This past year, we've worked with new partners in Bangladesh, India, France, and the United States to advance literacy, promote school readiness, and impart important life skills to millions more children around the world.

In a nation where only about 1 in 5 of its 11 million preschoolers has access to early childhood education, Sisimpur, the Bangladeshi adaptation of Sesame Street, is poised to make a difference. Launched in April 2005 on BTV, the country's only national broadcaster, Sisimpur has fast become Bangladesh's most popular children's program, creating the kind of buzz that, in turn, deepens and extends impact. This was especially clear when an outreach team traveled to a rural village in September with a specially designed rickshaw painted with colorful *Sisimpur* characters and outfitted with a 22-inch TV screen. More than 500 children — ten times the anticipated 50 — crowded around.

We anticipate the same level of excitement and potential for impact when our newest Sesame Street coproduction, Galli Galli Sim Sim, airs in India this summer. We've teamed with Turner India and with Miditech, a local production company, to help India's youngest citizens develop emergent literacy, math, and life skills while being exposed to India's rich cultural diversity. Central to this effort is a locally organized educational outreach program designed to reach children and families without regular access to television that will promote the value of early-childhood development and education.



Shiku is one of the central Muppets in Sisimpur, the Bangladeshi coproduction of Sesame Street, designed to increase access to educational opportunities for all Bangladeshi children.

Here at home, we're launching several new initiatives to enhance learning both before and after the *Sesame Street* viewing years — initiatives to help infants and toddlers, as well as *Sesame Street* graduates.

"Sesame Beginnings," a new initiative created specifically for infants and their parents or caregivers, grew out of the need to provide age-appropriate programming for the millions of children under age 2 who are watching TV and videos that may not be geared to their developmental needs. Based on research that shows young children learn best when experiences are shared with a loved one, "Sesame Beginnings" books and DVDs will promote interaction between child and adult and model everyday activities for caregivers to enjoy with their little ones. Developed in collaboration with ZERO TO THREE, a national nonprofit organization dedicated to promoting the healthy development of infants and toddlers, and informed by an advisory board of child-development and media experts, Sesame Workshop is releasing the first two DVDs in April 2006.

For *Sesame Street* graduates, we're motivated by evidence that if children fail to make the shift from "learning to read" to "reading to learn" that typically occurs by the end of third grade, their ability to succeed in school is severely challenged. *Pinky Dinky Doo*, designed for children ages 4 to 7, encourages literacy through the power of storytelling. Research shows that as children listen to, talk about, or create their own stories, they become familiar with the building blocks of narrative, expand their vocabularies, and establish a foundation for success in reading.

Helping children stay healthy and safe is also a key component of our work.

This year, we're pleased to report that our South African coproduction, Takalani Sesame, launched a national call-to-action with "Talk to Me," a multimedia initiative to encourage communication between adults and children on the crucial subjects of HIV and AIDS.

Winner of the Peabody Award, the Japan Prize, and other prestigious honors, "Talk to Me" is already having an impact, with new research showing that parents and caregivers who watched segments from the "Talk to Me" television special were more than twice as likely as nonviewers to discuss HIV with their children.

Further, the Workshop inaugurated "Healthy Habits for Life," a comprehensive campaign to help preschoolers and their families make the connections between good nutrition and exercise for healthy living. For Sesame Street's 36th season, we enlisted an unlikely champion in Cookie Monster, whose new approach to cookies as a "sometimes food" teaches children the important lessons of delayed gratification and moderation. We've been joined in our efforts by a coalition of public and private sector partners and an advisory board of health, nutrition, fitness, and education experts.

The Workshop is also developing content to help children challenge ignorance, dispel stereotypes, and champion diversity — skills that contribute in no small way to sustaining peace in an increasingly complex and interconnected world.

Among our efforts this year is Rruga Sesam/Ulica Sezam, a Sesame Street coproduction in the Albanian and Serbian languages that helps children from different backgrounds in Kosovo learn about one another. Support for this initiative is strong, and planning is under way for a second, more expansive, season.

"Sesame Mosaic" celebrates cultural diversity within the Arab world. This regional adaptation of Alam Simsim, our Egyptian coproduction, is being broadcast in 22 Arabic-speaking nations on Future Television. This new initiative will reach more than 40 million preschool children with content that not only prepares them for school but also fosters appreciation of diversity and respect for differences.

And, we've had encouraging reports from research on *Hikayat Simsim*/ Sippuray Sumsum, the groundbreaking project helping Jordanian, Palestinian, and Israeli children learn about themselves and one another. A new study concludes that Jewish and Arab Israeli kindergartners were more likely to reject negative stereotypes and adopt constructive problemsolving methods after repeated viewing — strong confirmation that we're on the right track.

Reaching Children

Just as 37 years ago Sesame Street infused learning into the world of television, so, too, are we experimenting with new ways to educate and engage children through new platforms. We've joined with Comcast Corporation, PBS, and HIT Entertainment to launch PBS KIDS Sprout, the digital cable channel for preschoolers that makes Sesame Street available 24/7 through video-ondemand service. We're working with Verizon to stream Sesame Street segments onto cell phones, providing parents and caregivers with opportunities to advance their children's learning while riding in the car or waiting in line at the grocery store. And we're experimenting with educationally rich content for new handheld digital devices and interactive TV.

Whether it's a rickshaw in a Bangladeshi village or a cell phone on a Brooklyn bus, our aim is to reach children wherever they are and with whatever resources are available to them.



PBS KIDS SPROUT The digital cable channel for preschoolers that makes Sesame Street available 24/7 through video-on-demand service.

"Keep Going; It's Bigger than We Are"

As we've said before, we don't pretend that media can, by itself, solve the many problems of the world, but we do believe — and research confirms that they can contribute to the solutions.

We've learned a lot over the past four decades about children, about learning, about the power of media, and about ourselves. And although the world has changed in ways none of us could have predicted when we began in 1969, the fundamental reasons for our work have not. We know that education makes the world a better place and that all parents want a better life for their children.

That's the Sesame movement. Think big, start small, start now.



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.

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 Partners:

Egyptian Television Future Television

Project Partners:

Funding Partner:

AlKarma Edutainment

Egyptian Ministry of Education

United States Agency for International Development (USAID)

GALLI GALLI SIM SIM (INDIA)

Set to launch this summer, this new Sesame Street coproduction will help 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 without access to television as well as those whose languages are not captured in the series.

Broadcast Partner:

Turner India: Cartoon Network and Pogo

Project Partners:

Turner India

Miditech

Funding Partners:

Turner India

United States Agency for International Development (USAID)

ICICI Bank, Limited

KOCHE SESAME (AFGHANISTAN)

Launched in 2004, Koche Sesame, the Afghan coproduction of Sesame Street, is an educational outreach initiative that brings to life basic lessons on literacy, numeracy, gender equality, and global cultural awareness for Afghan children. The initiative includes print and video materials supported by classroom supplies that together advance educational reconstruction in Afghanistan.

Project/Funding Partners:

The Government of Qatar RAND

PLAZA SÉSAMO (MEXICO/ LATIN AMERICA/UNITED STATES)

Premiering in Mexico in 1972, this Spanish-language coproduction of Sesame Street now broadcast throughout Latin America, the Caribbean, and the United States, promotes school readiness while showcasing cultural diversity. Next season will focus on health and wellness messages. which will be extended through publicservice announcements, outreach programs, and messaging using all media platforms.

Broadcast/Project Partners:

Televisa

Discovery Kids Latin America Telefutura PBS

RRUGA SESAM AND ULICA SEZAM (KOSOVO)

Debuting in November 2004 and beginning its second season in 2006, 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 their own culture and the multiethnic society in which they live.

Broadcast Partners:

Radio Television of Kosovo (RTK) Children's Television Station (DTV) TV Herpce

TV Most

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)

UNICEF

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, emphasizes learning across social, emotional, cognitive, and physical domains.

Broadcast Partner:

France 5

Project Partner:

Expand-Drama & Breakout Films

HIKAYAT SIMSIM (JORDAN), SIPPURAY SUMSUM (ISRAEL), HIKAYAT SIMSIM (PALESTINE)

This groundbreaking media initiative helps Jordanian, Israeli, and Palestinian children learn about themselves and the world around them as a bridge to a better tomorrow in the region.

Broadcast Partners:

HOP! Channel

Keshet

Jordan Radio and Television

Ma'an Network

Project Partners:

Al-Quds Educational Television

Gold Zebra Communications

HOP! Channel

Jordan Pioneers TV Production

Middle East Nonviolence and

Democracy (MEND)

Funding Partners:

European Union

The Kahanoff Foundation

The Ford Foundation

The Atlantic Philanthropies

Charles H. Revson Foundation

Netherlands Ministry of Foreign Affairs

Joseph and Harvey Meyerhoff Family Charitable Funds

Foreign Affairs Canada

The Double H Foundation, Inc.

Alan B. Slifka Foundation

The Zanvyl and

Isabelle Krieger Fund

Wolfensohn Family Foundation

SESAME STREET (JAPAN)

In September 2004, 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. 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 (UNITED STATES)

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

Broadcast Partners:

PBS

PBS Kids Sprout

Noggin

Funding Partners:

Corporation for Public Broadcasting U.S. Department of Education (Ready-to-Learn)

McDonald's Corporation

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 our earliest international coproductions. Airing seven days a week, the program remains popular among Germany's youngest citizens. Throughout 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)

SISIMPUR (BANGLADESH)

Launched in April 2005, this Sesame Street coproduction provides access to educational opportunities for all Bangladeshi children. A comprehensive outreach component ensures that the program's educational message is delivered to those without access to television. In only its first season the show was recognized internationally being selected as a finalist for the Japan Prize.

Broadcast Partner:

Bangladesh Television

Project Partner:

Nayantara Communications

Funding Partner:

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. And, in a country where the devastation of HIV/AIDS impacts so many children's lives, Kami, a young, vibrant Muppet who is HIV-positive, conveys age-appropriate messages designed to reduce the fear and stigma associated with the disease and to help children cope.

Broadcast Partner:

South African Broadcasting Corporation (SABC)

Project Partner:

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)

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First broadcast in 1996, this coproduction 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.

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

DRAGON TALES

Consistently one of the top-rated preschool series,* Dragon Tales helps children here and around the world with the "three Rs" of early childhood education: resilience, relationships, and readiness. New this year are 13 original episodes using 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.

U.S. 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. Funded by The PNC Financial Services Group, Inc., one of the educational outreach components is a collection of print materials (both in English and Spanish) and a DVD designed to improve school readiness for children from birth to age 5 in Delaware, Indiana, Kentucky, Maryland, New Jersey, Ohio, Pennsylvania, Virginia, and the District of Columbia.

Funding Partner:

The PNC Financial Services Group, Inc.

* Source: Nielsen, PBS PP, 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. Ratings may include viewing to more than one telecast per program per day. Galaxy Explorer/PNF, 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, 6AM-6PM; Dragon Tales versus all regularly scheduled children's programs 6AM-6PM, 120+ episodes M-F.

PLAY WITH ME SESAME

Broadcast throughout Europe, the United Kingdom, Canada, Asia, the Middle East, Australia, the Caribbean, and 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

Project Partner:

Games Productions Inc.

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

Sony Wonder

SESAME STREET MUSIC WORKS

Sesame Street Music Works is a publicservice initiative that encourages children to explore, create, learn, and grow with music. Since 2001, Sesame Workshop and NAMM, the International Music Products Association, have provided hundreds of thousands of free "Music Works Wonders" DVDs and tens of thousands of "Music Works" educational kits to parents of preschoolers and to preschool programs around the world to raise awareness of the valuable role of music-making in early childhood development.

Funding Partners:

NAMM, the International Music Products Association

WORLDWIDE KIDS

"Worldwide Kids" is a multiyear, multinational, activity-based public-service initiative fostering the foundation for global citizenship skills and community activism in young children. This program will help prepare children to be responsible citizens in an increasingly interdependent world. It nurtures basic civic values and promotes education about different lifestyles and family situations, accountability for one's actions, fiscal responsibility, and a general desire to work for the greater good.

Funding Partner:

The Merrill Lynch Foundation

Sesame Workshop gratefully acknowledges the generous support of these partners who have committed to projects subsequent to June 30, 2005.

The American Ireland Fund

AstraZeneca, LLP

The Bear Stearns Charitable Foundation

Fohs Foundation

Al Habtoor Engineering

The Hain Celestial Group, Inc.

Al Hikma Pharmaceuticals

KidsHealth® and Nemours Health and Prevention Services

The Mosaic Foundation

New York State Office of Mental Health

Procter & Gamble

Swedish International Development Cooperation Agency (SIDA)

UNESCO

Wal-Mart Stores, Inc.

The World Bank Group

Sesame Workshop gratefully acknowledges the generous support of partners 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 Atlantic Philanthropies Corporation for Public Broadcasting

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The Starr Foundation

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U.S. Department of Education

\$500,000 - \$999,999

The Mai Family Foundation NAMM, the International Music Products Association Netherlands Ministry of

Bernard van Leer Foundation

\$250,000 - \$499,999

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\$100,000 - \$249,999

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SONY BMG MUSIC **ENTERTAINMENT**

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SESAME 1000

Sesame Workshop extends special thanks to the following individuals and families who have joined together in support of Sesame 1000, our new philanthropic initiative that provides annual funding support of our projects on behalf of children around the world.

Sesame 1000 contributions help sustain these initiatives at their outset, before foundation and government funding is possible.

Anonymous

Douglas Adler

Susan Akbarpour and Faraj Aalaei

Rand S. April

Mark and Aynah Askanas

Robin and Marc Avram

Joanna Barsh and David Garbasz

Dick and Diana Beattie

Jennifer Bensch

Candice Bergen and

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David J. Berger

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Gina Maya and Richard Capelouto

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Rachel Hines and Michael Cembalest

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Sonja L. Hoel

Linda and Morton Janklow

Mary, Roy, James, Caroline, and Alexander Judelson

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Patti and Timothy Lyons

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Betty and Kenneth Tang

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America

Allen B. Uyeda Rodney and Sukey Wagner

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William S. Weil

Laura and Adrian Weller

Anita V. Wien

For more information about how you can support Sesame Workshop, please contact:

Jaime Greenberg Vice President, Philanthropic Development

Or visit:

(212) 875-6451

www.sesameworkshop.org

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 long-term and committed partners are essential to advancing our educational initiatives around the world.

- American Greetings
- Apple & Eve
- Busch Entertainment Corporation (Sesame Place)
- Fisher-Price
- The Hain Celestial Group, Inc.
- The Parenting Group (Sesame Street Magazine)
- Procter & Gamble
- Random House
- Sony Wonder
- Sunkist
- VEE Corporation (Sesame Street Live)





Sources of Funding

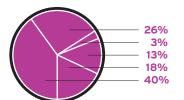
Over the years, funding alliances have been formed with a variety of government, corporate, and philanthropic partners to support Sesame Workshop's mission-related endeavors, including Sesame Street, the Workshop's flagship preschool series, whose initial funding partners included the U.S. Department of Education, the Corporation for Public Broadcasting, the Carnegie Corporation of New York, and the Ford Foundation. This combination of publicand private-funding partnerships is categorized as Program Support in the Consolidated Statement of Activities on page 54. Sesame Workshop's future financial vitality depends on its ability to continue to expand these sources of revenue for current and future educational projects in order to continue delivering on its educational 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 domestic and 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; operation of 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 Sony Wonder; Random House; The Parenting Group; Busch Entertainment; and VEE Corporation.

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 Fisher-Price, American Greetings, Children's Apparel Network, and Sunkist.

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.

> Revenues earned from product licensing, net of the related expenses, account for 40 percent of Sesame Workshop's operating revenues. The remaining 60 percent comes from institutional and individual giving, distribution fees and royalties, and government and other agencies.



Distribution Fees and Royalties Program Expense Reimbursements Government and Other Agencies Institutional and Individual Giving Net from Product Licensing

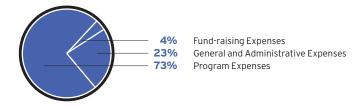
Fiscal Year 2005 Financial Condition and Liquidity

The financial condition of Sesame Workshop continued to be strong in fiscal year 2005. Highlights include an \$18.0 million reduction in outstanding debt and the receipt of significant funding commitments to support future production and outreach initiatives. The Consolidated Statement of Activities reflects operating income of \$0.2 million, an improvement of \$2.0 million over fiscal year 2004.

Revenues in fiscal year 2005 increased by \$10.3 million, or 10.7 percent, over fiscal year 2004 including a \$9.2 million increase in Program Support revenue. Included in fiscal year 2005 Program Support revenues are grant commitments from the Merrill Lynch Foundation for a global outreach project and from the Gruss-Lipper Family Foundation to support the production of Rechov Sumsum in Israel. Other increases in program support include the premier of the third season of Dragon Tales on PBS and the launch of a coproduction called Sisimpur in Bangladesh and additional production seasons of Alam Simsim in Egypt. Distribution Fee and Royalty revenues increased \$2.8 million from fiscal year 2004. This increase is the result of a new coproduction in Japan and the broadcast of programs in Mexico and the United Kingdom.

Expenses for fiscal year 2005 were \$107.0 million, an increase of \$8.3 million, or 8.5 percent over fiscal year 2004. General and Administrative Expenses increased by \$2.2 million primarily due to restructuring expenses. International production, outreach, and research expenses increased by \$2.2 million, as a result of projects in Bangladesh and Japan as well as new production seasons in Egypt and Mexico. Other expense increases include staff additions and increases in marketing expenses to support our fund-raising efforts.

73 cents of every dollar spent goes directly to fulfilling the Workshop's educational mission.



Total Assets decreased by \$9.0 million, or 2.8 percent, in fiscal year 2005. The decrease in Marketable Securities of \$12.4 million was due to the \$18.0 million paydown on the outstanding loan balance partially offset by \$10.4 million in investment income earned in fiscal year 2005. The increase in Accounts Receivable of \$7.2 million was primarily attributable to the grant commitment from The Merrill Lynch Foundation along with an increase in domestic licensing receivables. Other assets increased by \$2.1 million primarily due to the costs incurred to create the traveling museum exhibit, "Sesame Street Presents: The Body."

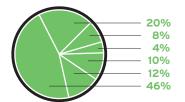
Total Liabilities were reduced by \$17.9 million, or 16.7 percent, in fiscal year 2005. This variance was primarily due to the \$18.0 million in principal payments made on the outstanding loan balance.

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 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-ondemand 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 December 2005 was in more than 18 million households.

The following statements are an extract of Sesame Workshop's audited financial statements for the fiscal years 2005 and 2004.

> This further breakdown of program expenses shows that as Sesame Workshop expands its programmatic activity around the world, increasing our expenditures on Education, Research, and Outreach as well as Production and Development is dependent on growing public support.



Content Distribution Global Project Management **Public Awareness** Muppet Copyright Amortization Education, Research, and Outreach Production and Development

	'05	'04
REVENUES		
Program Support	\$ 33,128	\$ 23,960
Distribution Fees and Royalties	25,718	22,902
Product Licensing	48,298	49,950
Total Operating Revenues	107,144	96,812
EXPENSES		
Program Expenses		
Education, Research, and Outreach	8,471	5,161
Content Distribution	14,064	11,580
Production and Development	32,693	34,178
Global Product Licensing	9,425	8,839
Global Project Management	5,529	5,354
Public Awareness	2,970	2,730
Amortization Expense	6,945	6,945
Total Program Expenses	80,097	74,787
Support Expenses		
Fund-raising Expenses	4,223	3,420
General and Administrative Expenses	22,663	20,441
Total Support Expenses	26,886	23,861
Total Operating Expenses	106,983	98,648
Operating Income (Loss)	161	(1,836)
Net Investment Income	10,410	9,124
Interest Expense	(1,681)	(1,217)
Other Nonoperating Income (Losses)	(5)	(3)
Increase (Decrease) in Net Assets	\$ 8,885	\$ 6,068

Note: Prior-year amounts have been updated to reflect the current year's presentation.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION For the years ended June 30 (000s omitted)

	'05	'04
ASSETS		
Cash and Short-term Investments	\$ 16,519	\$ 16,824
Receivables		
Program and Product Licenses and Contracts in Support of Programs,		
Net of Allowance for Doubtful Accounts	24,780	21,269
Grants	6,616	2,975
Total Accounts Receivable	31,396	24,244
Programs in Process	8,266	6,693
Marketable Securities	139,957	152,325
Intangible Assets	106,641	113,585
Fixed Assets	9,048	9,298
Other Assets	4,422	2,320
Total Assets	\$ 316,249	\$325,289
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 25,934	\$ 24,134
Deferred Revenues	17,093	18,434
Deferred Rent Payable	4,695	5,080
Debt Payable	42,000	60,000
Total Liabilities	89,722	107,648
NET ASSETS		
Unrestricted	219,691	217,143
Temporarily Restricted	6,836	498
Total Net Assets	226,527	217,641
Total Liabilities and Net Assets	\$ 316,249	\$325,289

	'05	'04
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 8,886	\$ 6,068
Adjustments to Reconcile Increase in Net Assets to Net Cash		
Provided by Operating Activities		
Depreciation and Amortization	9,348	9,245
Amortization of Programs in Process	20,316	20,548
(Increase) in Net Unrealized Appreciation on Marketable Securities	(9,912)	(8,288)
Loss (Gain) on Sale of Marketable Securities	91	243
Decrease (Increase) in Receivables	(7,152)	1,606
(Increase) in Programs in Process	(21,889)	(16,523)
Decrease (Increase) in Other Assets	(2,273)	1,387
(Decrease) Increase in Accounts Payable and Accrued Expenses	1,800	(3,416)
(Decrease) Increase in Program and Product License Revenues	(1,341)	(31)
(Decrease) in Deferred Rent Payable	(385)	(386)
Net Cash Provided by Operating Activities	(2,511)	10,453
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property and Equipment	(1,983)	(2,808)
Purchases of Marketable Securities	(83,715)	(43,138)
Proceeds from the Sale of Marketable Securities	105,904	49,170
Net Cash Provided by Investing Activities	20,206	3,224
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Note Payable	(18,000)	_
Net Cash (Used in) Financing Activities	(18,000)	_
Net Increase (Decrease) in Cash and Short-term Investments	(305)	13,677
Cash and Short-term Investments, Beginning of Period	16,824	3,147
Cash and Short-term Investments, End of Period	\$ 16,519	\$ 16,824

Mr. Vincent A. Mai

Chairman of the Board Sesame Workshop Chairman

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"Dear Big Bird,

You're my friend.
Please come over and play with me.
How about next Thursday?"

An excerpt from one of the many treasured letters Caroll Spinney, as Sesame Street's Big Bird, has received over the years from young fans, expressing that wonderful sense of connection to the Sesame Street characters.

"In an age when parents look far and wide for tools to endow their children with an early advantage, Sesame Street continues to distinguish itself as the best head start for learning a child can have."

GLENN CLOSE, actor and guest star on Sesame Street.

