

SCHOLASTIC CORP
Form 11-K
June 26, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS AND SIMILAR PLANS
PURSUANT TO SECTION 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

(mark one)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For The Fiscal Year Ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934.

For the transition period from to

Commission file number 000-19860

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

SCHOLASTIC CORPORATION
401(k) SAVINGS AND RETIREMENT PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

SCHOLASTIC CORPORATION
557 Broadway,
New York, New York 10012

SCHOLASTIC CORPORATION
401(k) SAVINGS AND RETIREMENT PLAN
Financial Statements and Supplemental Schedule
December 31, 2014 and 2013 and Year ended December 31, 2014

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Report of Independent Registered Public Accounting Firm

To the Retirement Plan Committee of the Board of Directors of Scholastic Corporation,

We have audited the accompanying statements of net assets available for benefits of the Scholastic Corporation 401(k) Savings and Retirement Plan as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Scholastic Corporation 401(k) Savings and Retirement Plan at December 31, 2014 and 2013, and the changes in its net assets available for benefits for the year ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2014 has been subjected to audit procedures performed in conjunction with the audit of the Scholastic Corporation 401(k) Savings and Retirement Plan's financial statements. The information in the supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule of assets (held at end of year) as of December 31, 2014. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

MetroPark, New Jersey
June 26, 2015

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SCHOLASTIC CORPORATION
 401(k) SAVINGS AND RETIREMENT PLAN
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 (Amounts in thousands)

| | December 31, | |
|---|--------------|------------|
| | 2014 | 2013 |
| ASSETS | | |
| Investments, at fair value | | |
| Mutual funds: | | |
| Mid/Large cap stock funds | \$ 124,194 | \$ 262,552 |
| Small cap stock funds | 17,227 | 16,202 |
| International fund | 15,849 | 16,944 |
| Fixed income funds | 14,331 | 16,275 |
| Collective investment trust funds | 165,172 | — |
| Pooled stable value fund | 28,609 | 29,900 |
| Money market fund | 27 | — |
| Common Stock: | | |
| Scholastic Corporation common stock | 9,342 | 9,199 |
| Total investments at fair value | \$ 374,751 | \$ 351,072 |
| Receivables | | |
| Employer contribution receivables | \$— | \$ 98 |
| Notes receivable from participants | 7,930 | 7,478 |
| Total receivables | \$ 7,930 | \$ 7,576 |
| Total assets | \$ 382,681 | \$ 358,648 |
| LIABILITIES | | |
| Accrued expenses | \$(51) | \$(13) |
| Total liabilities | \$(51) | \$(13) |
| Net assets available for benefits reflecting investments at fair value | \$ 382,630 | \$ 358,635 |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | (412) | (421) |
| Net assets available for benefits | \$ 382,218 | \$ 358,214 |

See accompanying notes

SCHOLASTIC CORPORATION
 401(k) SAVINGS AND RETIREMENT PLAN
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 (Amounts in thousands)

| | December 31, 2014 |
|---|-------------------|
| Interest and dividend income | \$7,437 |
| Net appreciation in fair value of investments | 16,815 |
| Contributions: | |
| Employer | 7,713 |
| Participants | 22,604 |
| Rollovers | 1,991 |
| Total contributions | 32,308 |
| Total additions | 56,560 |
| Distributions to participants | (32,149) |
| Fees | (407) |
| Total distributions | (32,556) |
| Net increase | 24,004 |
| Net assets available for benefits: | |
| Beginning of year | 358,214 |
| End of year | \$382,218 |
| See accompanying notes | |

SCHOLASTIC CORPORATION
401(k) SAVINGS AND RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PLAN

GENERAL

The Scholastic Corporation 401(k) Savings and Retirement Plan, amended and restated effective January 1, 2014 and as thereafter amended (the "Plan"), is a defined contribution plan sponsored by Scholastic Corporation (the "Company"). The Plan is administered by the Retirement Plan Committee of the Board of Directors of the Company, which has delegated certain responsibility and authority to an Administrative Committee composed of members of senior management of the Company. Fidelity Management Trust Company serves as Trustee for the Plan (the "Trustee"). In addition, Fidelity Institutional Retirement Services Company provides administrative and recordkeeping services on behalf of the Plan. Investment products offered during the plan year ended December 31, 2014 to participants under the Plan ("Participants"), other than the Company's common stock ("Company Stock"), were provided by Vanguard, Fidelity Investments and several other mutual fund companies. Investment products offered through December 31, 2013 to Participants under the Plan, other than the Company Stock, were provided by Fidelity Investments and several other mutual fund companies. The Plan is an employer plan qualified under Section 401(a) of the Internal Revenue Code, as amended (the "Code") and is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

The Plan's fiscal year ("Plan Year") is the twelve-months ended December 31. This description of the Plan provides only general information and is presented to assist in understanding the Plan's financial statements. Participants should refer to the Plan's documents for a more complete description of the Plan's provisions, copies of which are available from the Company.

ELIGIBILITY

Employees eligible to enroll in the Plan include all employees of the Company and its domestic subsidiaries (other than "leased" employees) who have attained the age of 18 ("Eligible Employees") except those the Company has designated as temporary employees who are eligible after a six month period of service. Eligible Employees may enroll in the Plan on any business day after they become eligible to participate in the Plan. After 90 days of employment, Eligible Employees (except temporary employees), who have not otherwise elected to enroll in the Plan, are automatically enrolled at a 3% contribution rate, as soon as administratively feasible, and the Plan provides for automatic subsequent pre-tax contribution increases of 1% each calendar year on October 1 for Participants whose pre-tax contribution deferral rate is less than 6%. The Plan permits Eligible Employees to opt-out of the automatic enrollment program and the automatic contribution increase in provisions of the Plan.

PARTICIPANT CONTRIBUTIONS

As approved by the Retirement Plan Committee and subject to the provisions of the Code, Eligible Employees may contribute during the Plan Year at the Participant's election into any of the Plan's fund options, in pre-tax and/or after-tax compensation dollars ("Compensation Contributions"), provided that the sum of pre-tax and after-tax contributions during any Plan Year does not exceed the following limitations:

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Pre-tax Contributions: Pre-tax contributions are limited to the lesser of 50% of annual salary, overtime, bonuses and commissions (“Compensation”), subject to the requirements of the Code, or \$17,500 for the Plan Year ended December 31, 2014. Eligible Employees whose Compensation is in excess of \$115,000 in the prior year (“Highly Compensated Employees”) are limited to the lesser of 7% of their annual Compensation or \$17,500 for the Plan Year ended December 31, 2014. The sum of pre-tax and after-tax contributions during any Plan Year cannot exceed 50% (or 7%, if a Highly Compensated Employee) of annual Compensation.

After-tax Contributions: After-tax contributions are limited to 50% of annual Compensation, subject to the requirements of the Code. Highly Compensated Employees are limited to a contribution of 7% of their annual Compensation. The sum of pre-tax and after-tax contributions during any Plan Year cannot exceed 50% (or 7%, if a Highly Compensated Employee) of annual Compensation.

Catch-up Contributions: All Participants who are at least age 50 or who will reach age 50 during the calendar year have the option to make additional pre-tax contributions of up to \$5,500.

Rollover Contributions: Any Eligible Employee may transfer to the Plan contributions and such other amounts from an “eligible rollover plan” that meets the requirements of the Code at the time of the transfer (“Rollover Contributions”).

SCHOLASTIC CORPORATION
401(k) SAVINGS AND RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS

EMPLOYER CONTRIBUTIONS

Under the Plan, the Company contributes a percentage of each Participant's Compensation ("Matching Contributions"). The Company's contributions for the benefit of the Participants are made in cash in an amount equal to a percentage of the Participant's pre-tax contributions. For the Plan Year ended December 31, 2014, the Company contributed an amount equal to 50% of a Participant's pre-tax contributions, up to a maximum amount equal to 6% of the Participant's annual Compensation.

Total Participant Plan contributions, including Matching Contributions, are limited to the lesser of 100% of the Participant's Compensation, or \$52,000. Catch-up contributions are not eligible for Company Matching Contributions.

On May 29, 2015, the Company announced it had completed the sale of its Education Technology business segment. Participants affected by this sale may not make contributions to the Plan after that date and the Company will not make any future contributions to the Plan on their behalf. An amendment was made to the Plan in 2015 to accelerate the vesting for the Participants affected by the sale.

VESTING

Participants are immediately vested in their Compensation Contributions and Rollover Contributions. Matching Contributions vest at the rate of 20% per year of service by a Participant. A Participant becomes 100% vested in all Matching Contributions after either five years of credited service, or upon death or disability while employed, or upon reaching age 65.

FORFEITURES

Upon termination of employment, Participants forfeit their unvested matching contributions balance. Forfeitures by Participants of unvested matching contributions ("Forfeitures") were used to refund certain previously forfeited amounts that were reinstated during the Plan Year, to offset Matching Contributions for other Participants, and to pay for Plan expenses. For the Plan Year ended December 31, 2014, Matching Contributions were reduced by \$833,100 from Forfeitures. Plan level expenses for recordkeeping and investment advisory services of approximately \$122,000 for the Plan Year 2014, were paid from Forfeitures. At December 31, 2014, and December 31, 2013, there were Forfeitures of approximately \$22,200 and \$15,836, respectively, available to reduce future Matching Contributions and pay Plan expenses.

PARTICIPANT ACCOUNT DISTRIBUTIONS

A Participant's account under the Plan may be distributed in full upon cessation of employment for any reason, including termination, death, disability or retirement at the Participant's election. On a daily basis, a Participant, for any reason, may withdraw all or a portion of his or her after-tax contributions. All distributions from the Plan are in cash or, if elected by the Participant, in whole shares of Company Stock, to the extent that the Participant is invested in Company Stock. In the event of attainment of age 59-1/2, a Participant may withdraw his or her entire vested balance during employment. At December 31, 2014 and 2013, all withdrawals requested by Participants had been

paid.

In the event of a hardship, a Participant may withdraw during employment such portion of his or her account to meet such hardship. In addition, once each Plan Year, Participants may request a loan from the Plan of up to 50% of the vested value of their account not to exceed \$50,000. In no event may a Participant have more than one loan outstanding for the purchase of a principal residence or more than two outstanding loans at any time. All loans must be repaid in equal installments of principal and interest through automatic payroll deductions over a period not to exceed five years, except for certain loans made to purchase a Participant's principal residence, which may be repaid over a period of up to ten years pursuant to the Code. Upon termination, outstanding loan balances that are not repaid by the Participant are treated as a taxable distribution to the Participant.

PLAN EXPENSES

Expenses are incurred at either the fund level or the Plan level. All expenses incurred by the funds (commissions, management fees, etc.) are paid out of investor assets and are, therefore, netted in realized and unrealized appreciation in fair value of investments in the statements of changes in net assets available for benefits. Plan level expenses for recordkeeping and investment advisory services were approximately \$155,000 for the Plan Year ended December 31, 2014. Participants paid other Plan level expenses of approximately \$252,000.

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SCHOLASTIC CORPORATION
401(k) SAVINGS AND RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS

COMPANY STOCK FUND

The Plan offers Company Stock as an investment choice in the Plan. Dividends are paid and then reinvested in Company Stock.

Each Participant is entitled to exercise voting rights attributable to the shares allocated to his or her account and is notified by the Company prior to the time that such rights may be exercised. The Trustee is not permitted to vote any allocated shares for which instructions have not been given by a Participant.

The Trustee votes any unallocated shares in the same proportion as those shares that were allocated, unless the Committee directs the Trustee otherwise. Participants have the same voting rights in the event of a tender or exchange offer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Plan are prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"). Purchases and sales of investment securities are recorded at fair value on the trade date.

RECLASSIFICATIONS

The current presentation includes a reclassification of certain investments in statements of net assets available for benefits.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes and supplemental schedule. Actual results could differ from those estimates.

PAYMENT OF BENEFITS

Benefits are recorded when paid.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent) to Accounting Standards Codification 820, Fair Value Measurement. ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair values are estimated using the net asset value practical expedient provided by Fair Value Measurement. Disclosures about investments in certain entities that calculate net asset value per share are limited under ASU 2015-07 to those investments for which the entity has elected to estimate the fair value using the net asset value practical expedient.

The amendments in ASU 2015-07 are effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years with retrospective application to all periods presented. Earlier application is permitted. Plan management is evaluating the impact of this update on the Plan's financial statements.

VALUATION OF INVESTMENTS

Mutual funds held by the Plan are valued at the quoted net asset value of shares held. Collective investment trust funds held by the Plan are valued at the net asset value of shares held. The investment contracts held as part of the Fidelity Managed Income Portfolio II fund, a pooled stable value fund (the "Stable value fund") are recorded at fair value (see Note 3); however, since these contracts are fully benefit-responsive, an adjustment is reflected in the Statements of net assets available for benefits to show these investments at contract value. The contract value is the relevant measurement attributable to fully benefit-responsive investment contracts because it is the amount Participants would receive if they were to initiate permitted transactions under the terms of the Plan.

SCHOLASTIC CORPORATION
401(k) SAVINGS AND RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS

The contract value represents contributions plus earnings, less Participant withdrawals and administrative expenses. Investments in Company Stock and the money market fund are recorded at fair value, using the closing price as quoted on the NASDAQ Stock Market on the valuation date. Purchases and sales of investments are reflected on a trade-date basis. Dividend income is reported on the ex-dividend date while interest income is recorded as earned on an accrual basis. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTES RECEIVABLE FROM PARTICIPANTS

Notes receivable from Participants represent Participant loans that are recorded at their unpaid principal balance. Interest income on notes receivable from Participants is recorded when it is earned. Related fees are paid by Participants. No allowance for credit losses has been recorded as of December 31, 2014 or 2013. If a Participant ceases to make loan repayments and the Plan administrator deems the Participant loan to be a distribution, the Participant loan balance is reduced to zero and a benefit payment is recorded.

3. INVESTMENTS

Mutual funds and Collective investment trust funds, held by the Plan, are valued at the quoted net asset value of shares held. The investment contracts held as part of the Stable value fund are recorded at fair value; however, since these contracts are fully benefit-responsive, an adjustment is reflected in the statements of net assets available for benefits to present these investments at contract value. Investments in Company Stock and the money market fund are recorded at fair value. The carrying value approximates the fair value for all investments other than the Stable value fund. The Stable value fund is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. Certain events may limit the ability of the Plan to transact at contract value with the issuer. The Stable value fund includes restrictions on liquidating the fund under certain circumstances, in which event it could take up to twelve months to liquidate the Plan's holdings in that fund. The Plan administrator does not believe that the Plan's Participants would be subject to any event that would limit the Plan's ability to transact at contract value. The average yield of the Stable value fund based on actual earnings was approximately 1.15% and 1.07% at December 31, 2014 and 2013, respectively, and the average yield based on the interest rate credited to Participants was approximately 1.38% and 1.14% at December 31, 2014 and 2013, respectively.

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SCHOLASTIC CORPORATION
 401(k) SAVINGS AND RETIREMENT PLAN
 NOTES TO FINANCIAL STATEMENTS

The following individual investments represent 5% or more of the net assets available for benefits (in thousands)

| | December 31, | |
|--|--------------|----------|
| | 2014 | 2013 |
| AF Washington Mutual Investors Fund R4 ⁽¹⁾ | \$— | \$18,479 |
| AF Washington Mutual Investors Fund R6 ⁽²⁾ | 20,667 | — |
| Artisan Mid Capital Fund ⁽¹⁾ | — | 21,573 |
| Artisan Mid Capital Institutional ⁽²⁾ | 21,533 | — |
| Fidelity Freedom Fund 2020 ⁽¹⁾ | — | 23,515 |
| Fidelity Freedom Fund 2025 ⁽¹⁾ | — | 26,130 |
| Fidelity Freedom Fund 2030 ⁽¹⁾ | — | 22,799 |
| Fidelity Freedom Fund 2035 ⁽¹⁾ | — | 21,456 |
| Fidelity Freedom Fund 2040 ⁽¹⁾ | — | 20,400 |
| Vanguard Target Retirement Trust II 2020 ⁽²⁾ | 24,565 | — |
| Vanguard Target Retirement Trust II 2025 ⁽²⁾ | 28,862 | — |
| Vanguard Target Retirement Trust II 2030 ⁽²⁾ | 27,037 | — |
| Vanguard Target Retirement Trust II 2035 ⁽²⁾ | 23,806 | — |
| Vanguard Target Retirement Trust II 2040 ⁽²⁾ | 22,452 | — |
| Fidelity Managed Income Portfolio Fund II ⁽³⁾ | 28,609 | 29,900 |
| T. Rowe Price Blue Chip Growth ⁽¹⁾ | — | 21,458 |
| T. Rowe Price Institutional Large Capital Core Growth ⁽²⁾ | 23,194 | — |
| Vanguard Institutional Index Fund | 58,800 | 53,886 |

⁽¹⁾ Fund was deleted as an investment choice in Plan Year 2014.

⁽²⁾ Fund was added as an investment choice in Plan Year 2014.

⁽³⁾ The contract value of the Stable value fund was \$28,197 and \$29,479 as of December 31, 2014 and 2013, respectively.

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SCHOLASTIC CORPORATION
401(k) SAVINGS AND RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS

During 2014, the Plan's total net realized and unrealized appreciation (depreciation) in the fair value of investments was as follows (in thousands):

| Fund Name | Realized | Unrealized | Total |
|---|----------|------------|-----------|
| American Funds Washington Mutual Investors Fund R4 | \$ 186 | \$ 0 | \$ 186 |
| American Funds Washington Mutual Investors Fund R6 | 39 | 469 | 508 |
| American Beacon Small Capital Value Investor | 51 | 0 | 51 |
| American Beacon Small Capital Value Institutional | 4 | (526) | (522) |
| Artisan Mid Capital Investor | (70) | 0 | (70) |
| Artisan Mid Capital Institutional | (11) | (734) | (745) |
| Fidelity Freedom Income Fund | 24 | 0 | 24 |
| Fidelity Freedom Fund 2005 | 17 | 0 | 17 |
| Fidelity Freedom Fund 2010 | 55 | 0 | 55 |
| Fidelity Freedom Fund 2015 | 128 | 0 | 128 |
| Fidelity Freedom Fund 2020 | 238 | 0 | 238 |
| Fidelity Freedom Fund 2025 | 252 | 0 | 252 |
| Fidelity Freedom Fund 2030 | 174 | 0 | 174 |
| Fidelity Freedom Fund 2035 | 145 | 0 | 145 |
| Fidelity Freedom Fund 2040 | 131 | 0 | 131 |
| Fidelity Freedom Fund 2045 | 59 | 0 | 59 |
| Fidelity Freedom Fund 2050 | 53 | 0 | 53 |
| Fidelity Freedom Fund 2055 | 6 | 0 | 6 |
| Vanguard Target Retirement Income | 16 | 154 | 170 |
| Vanguard Target Retirement Trust II 2010 | 14 | 197 | 211 |
| Vanguard Target Retirement Trust II 2015 | 57 | 515 | 572 |
| Vanguard Target Retirement Trust II 2020 | 69 | 1,172 | 1,241 |
| Vanguard Target Retirement Trust II 2025 | 65 | 1,395 | 1,460 |
| Vanguard Target Retirement Trust II 2030 | 59 | 1,324 | 1,383 |
| Vanguard Target Retirement Trust II 2035 | 60 | 1,174 | 1,234 |
| Vanguard Target Retirement Trust II 2040 | 62 | 1,125 | 1,187 |
| Vanguard Target Retirement Trust II 2045 | 39 | 435 | 474 |
| Vanguard Target Retirement Trust II 2050 | 45 | 350 | 395 |
| Vanguard Target Retirement Trust II 2055 | 6 | 47 | 53 |
| Scholastic Corporation Common Stock | 9 | 627 | 636 |
| T. Rowe Price Institutional Large Capital Core Growth | 95 | 2,092 | 2,187 |
| T. Rowe Price Institutional Large Capital Core Growth | (552) | 0 | (552) |
| Vanguard Institutional Index Fund | 251 | 5,755 | 6,006 |
| Vanguard Total Bond Market Index Fund | 53 | 338 | 391 |
| Vanguard Total International Stock Index Fund (Institutional) | (23) | (1,208) | (1,231) |
| Vanguard Small-Cap Growth Index Fund (Institutional) | 7 | 301 | 308 |
| Total | \$ 1,813 | \$ 15,002 | \$ 16,815 |

4. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs when measuring fair value. The fair value hierarchy prioritizes the inputs, which refer to assumptions that market participants would use in pricing an asset or liability, based upon the highest and best use, into three levels as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

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SCHOLASTIC CORPORATION
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NOTES TO FINANCIAL STATEMENTS

Level 2 Observable inputs other than unadjusted quoted prices in active markets for identical assets or liabilities such as

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 Unobservable inputs in which there is little or no market data available, which are significant to the fair value measurement and require the Company to develop its own assumptions.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2014 and 2013.

- Mutual funds: Valued at the net asset value of shares held by the Plan at year end, as quoted on the open market.
- Collective investment trust funds: Valued at the net asset value of units held by the Plan at year end, which is based on the value of the underlying index funds.
- Stable value fund: Valued at the net asset value of shares held by the Plan at year end, which is based on the value of the underlying investments.
- Common stock: Valued at the closing price reported on the active market on which the individual security is traded.
- Money market fund: Valued at the closing price.

The tables below sets forth by level, within the fair value hierarchy, the Plan investments carried at fair value as of the dates indicated:

| | Assets at Fair Value as of December 31, 2014 (in thousands) | | | |
|--|---|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds: | | | | |
| Mid/Large cap stock funds | \$ 124,194 | \$— | \$— | \$ 124,194 |
| Small cap stock funds | 17,227 | — | — | 17,227 |
| International fund | 15,849 | — | — | 15,849 |
| Fixed income funds | 14,331 | — | — | 14,331 |
| Collective investment trust funds ⁽¹⁾ | — | 165,172 | — | 165,172 |
| Pooled stable value fund | — | 28,609 | — | 28,609 |
| Scholastic Corporation common stock | 9,342 | — | — | 9,342 |
| Money market fund | 27 | — | — | 27 |
| Total | \$ 180,970 | \$ 193,781 | \$— | \$ 374,751 |

| | Assets at Fair Value as of December 31, 2013 (in thousands) | | | |
|---------------------------|---|---------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds: | | | | |
| Mid/Large cap stock funds | \$ 262,552 | \$— | \$— | \$ 262,552 |
| Small cap stock funds | 16,202 | — | — | 16,202 |

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| | | | | |
|--|-----------|----------|-----|---------|
| International fund | 16,944 | — | — | 16,944 |
| Fixed income funds | 16,275 | — | — | 16,275 |
| Collective investment trust funds ⁽¹⁾ | — | — | — | — |
| Pooled stable value fund | — | 29,900 | — | 29,900 |
| Scholastic Corporation common stock | 9,199 | — | — | 9,199 |
| Money market fund | — | — | — | — |
| Total | \$321,172 | \$29,900 | \$— | 351,072 |

⁽¹⁾ The funds were added as investment choices in 2014.

SCHOLASTIC CORPORATION
401(k) SAVINGS AND RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS

A Collective investment trust fund is an investment vehicle similar to a mutual fund but is available only to qualified retirement plans, such as 401(k) plans. Collective investment trust funds are a series of life-cycle trusts that use a targeted maturity approach as a simplified way to meet investors' different objectives, time horizons, and changing risk tolerances. These Collective investment trust funds include eleven target-year trusts ranging from 2010 to 2060, in 5 year increments. The trusts invest in index funds using a balanced asset allocation strategy designed for Participants planning to retire within a few years of the target year. Collective investment trust funds seek to provide growth of capital and current income consistent with current target allocations and will become more conservative over time. The trusts' indirect bond holdings are a diversified mix of short, intermediate, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds. The combination of funds produces a portfolio that is diversified by asset class and holdings. The underlying investments of the Collective investment trust funds consist primarily of Level 2 inputs either directly or indirectly observable for substantially the full term of the asset through corroboration with observable market data. The Plan's investment in the Collective investment trust funds are not subject to any withdrawal or redemption restrictions.

5. TAX STATUS

The Plan received a favorable determination letter from the Internal Revenue Service dated October 29, 2014, covering all of the amendments executed through January 3, 2014 and stating that the Plan is qualified under Section 401(a) of the Code. Therefore, the related trust is exempt from taxation. Subsequent to this determination, the Plan was further amended. The Plan, as amended, is required to operate in conformity with the Code in order to maintain its qualification. The Plan administrator believes that the Plan is being operated, in all material respects, in accordance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax exempt. The Plan administrator has indicated that it will take the necessary steps, if any, to bring the Plan's operations into compliance with the Code.

The Plan administrator evaluates uncertain tax positions taken by the Plan, and the financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that, as of December 31, 2014, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2013.

6. PLAN TERMINATION

While the Plan is intended to be permanent, it may be terminated at any time by a resolution of the Board of Directors, subject to the provisions of ERISA. Upon termination of the Plan, all necessary provisions of the Plan shall remain in effect, no further contributions may be made to the Plan and the account of each Participant shall become fully vested and non-forfeitable and shall be distributed to the Participants.

7. RISK AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. As a result, changes in the value of investment securities could materially affect the

amounts reported in the Statements of net assets available for benefits.

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SCHOLASTIC CORPORATION
 401(k) SAVINGS AND RETIREMENT PLAN
 NOTES TO FINANCIAL STATEMENTS

8. RECONCILIATION TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2014 and 2013 (in thousands):

| | December 31, | |
|--|--------------|-----------|
| | 2014 | 2013 |
| Net assets available for benefits per the financial statements | \$382,218 | \$358,214 |
| Adjustment from contract value to fair value for fully benefit-responsive investment contracts | 412 | 421 |
| Other, net | 51 | (85) |
| Net assets available for benefits per Form 5500 | \$382,681 | \$358,550 |

9. RELATED PARTY TRANSACTIONS

Certain Plan investments are managed by the Trustee and are considered related parties as well as parties-in-interest. All investment transactions with such parties-in-interest qualify as party-in-interest transactions and are exempt from the prohibited transactions rules. Fees incurred by the Plan for the investment management services, including administrative services, were approximately \$357,000 for the Plan Year ended December 31, 2014. Plan level expenses for recordkeeping and investment advisory services paid from Forfeitures were approximately \$122,000 for the Plan Year ended December 31, 2014.

At December 31, 2014 and 2013, the Plan had \$9,341,683, or 2.5%, and \$9,199,094, or 2.6%, respectively, of its total net assets invested in Company Stock.

Supplemental Schedule

SCHOLASTIC CORPORATION 401(k) SAVINGS AND RETIREMENT PLAN
 EIN #13-3385513 Plan #004
 SCHEDULE H, Line 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
 December 31, 2014
 (Amounts in thousands)

| Identity of Issuer, Borrower, Lessor or Similar Party | Description of Investment Including Maturity Date, Rate of Interest, Par or Maturity Value | Number of Shares | Cost | Current Value |
|---|--|------------------|------|---------------|
| American Beacon | American Beacon Small Capital Value Institutional | 249.9 | ** | \$6,265 |
| American Funds | American Funds Washington Mutual Investors Fund R6 | 504.6 | ** | 20,667 |
| Artisan | Artisan Mid Capital Institutional | 449.4 | ** | 21,533 |
| Vanguard | Vanguard Target Retirement Income | 140.8 | ** | 4,191 |
| Vanguard | Vanguard Target Retirement Trust II 2010 | 180.3 | ** | 4,959 |
| Vanguard | Vanguard Target Retirement Trust II 2015 | 420.7 | ** | 11,565 |
| Vanguard | Vanguard Target Retirement Trust II 2020 | 906.5 | ** | 24,565 |
| Vanguard | Vanguard Target Retirement Trust II 2025 | 1,086.3 | ** | 28,862 |
| Vanguard | Vanguard Target Retirement Trust II 2030 | 1,040.7 | ** | 27,037 |
| Vanguard | Vanguard Target Retirement Trust II 2035 | 916.3 | ** | 23,806 |
| Vanguard | Vanguard Target Retirement Trust II 2040 | 848.9 | ** | 22,452 |
| Vanguard | Vanguard Target Retirement Trust II 2045 | 338.1 | ** | 8,937 |
| Vanguard | Vanguard Target Retirement Trust II 2050 | 276.7 | ** | 7,349 |
| Vanguard | Vanguard Target Retirement Trust II 2055 | 34.4 | ** | 1,223 |
| Vanguard | Vanguard Target Retirement Trust II 2060 | 8.0 | ** | 226 |
| Fidelity* | Fidelity Management Income Portfolio Fund II | 28,196.9 | ** | 28,609 |
| T. Rowe Price | T. Rowe Price Institutional Large Capital Core Growth | 933.0 | ** | 23,194 |
| Vanguard | Total Bond Market Index Fund (Institutional) | 1,318.4 | ** | 14,331 |
| Vanguard | Vanguard Institutional Index Fund | 311.7 | ** | 58,800 |
| Vanguard | Vanguard Small-Cap Growth Index Fund (Institutional) | 309.2 | ** | 10,962 |
| Vanguard | Vanguard Total International Stock Index Fund (Institutional) | 152.4 | ** | 15,849 |

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| | | | | |
|-------------------------|--|-------|-----|---------|
| Scholastic Corporation* | Company Stock | 256.5 | ** | 9,342 |
| Participant loans* | Prime + 0.5% Interest Rate; Repayment Terms: one to ten years | n/a | n/a | 7,930 |
| Fidelity* | Fidelity Cash Reserve | 26.8 | ** | \$27 |
| Total investments | | | | 382,681 |

* Indicates party-in-interest to the Plan

** Not required as the
investment is
Participant-directed

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Administrative Committee of Scholastic Corporation, the Plan administrator of the Scholastic Corporation 401(k) Savings and Retirement Plan, has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

SCHOLASTIC CORPORATION 401(k)
SAVINGS
AND RETIREMENT PLAN

Date: June 26, 2015

/s/ Gil A. Dickoff

Senior Vice President and Treasurer

Exhibits/Index

| Exhibit No. | Document |
|-------------|--|
| 23.1 | Consent of Independent Registered Public Accounting Firm |

