



2017 ANNUAL FISCAL YEAR REPORT





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Letter from the Board

Fiscal Year (FY) 2017 was a challenging year. Our players are experiencing jackpot fatigue after the record-breaking \$1.5 Billion Powerball® jackpot in FY 2016. Many players are now waiting for the next “big” jackpot instead of buying tickets when the jackpot is a mere \$100 million, \$200 million, etc. Sales were down for both Draw Games and Scratchers™.

Despite these challenges, the New Mexico Lottery was still able to raise \$37.8 million for the Legislative Lottery Scholarship program in FY 2017. Since inception, the New Mexico Lottery has raised more than \$738.7 million for the program. With the help of a Legislative Lottery Scholarship, 116,531 students have attended college in New Mexico and 66,076 have earned a degree.

We have continued to look for opportunities to grow. We offered retailer promotions, player promotions and a variety of different Scratchers to fit a diverse player base.

We have also continued to search for cost-effective solutions in every aspect of our business.

On behalf of my fellow board members, we would like to thank our players, legislators and the Legislative Lottery Scholarship recipients for their support as we continue to maximize revenue for education.

Sincerely,

Dan Salzwedel



Dan Salzwedel, Ph.D.
Chair



Mark Koson
Vice Chair



John D. Kubiak, CPA
Secretary/Treasurer



Amy Bailey, Esq.
Assistant Secretary/Treasurer



Claude Austin
Member



Salvatore Baragiola
Member



Paul Guerin, Ph.D.
Member

Letter from the CEO

Fiscal Year (FY) 2017 was a year of innovation and exploration.

Net Sales for FY 2017 were \$126 million. Of that, we returned \$37.8 million (30%) to the Legislative Lottery Scholarship Fund.

In FY 2017, we continued our Super Tuesday Scratcher promotions – launching instant games on the first Tuesday of every month. This consistency has helped the organization to work together more efficiently. From advertising the games to shipping them out to the retailers, everyone is on the same page.

We were awarded for innovation early in the year. At its national conference, the North American Association of State and Provincial Lotteries (NASPL) recognized the New Mexico Lottery with two prestigious awards. The “Best New Instant Game of the Year” for 2016 in North America was given to our Dia de Los Muertos Scratcher. The Lottery also won a “Batchy Award” given for advertising excellence for the television ad for that game.

As always, we selected a variety of Scratcher games for our players. We brought back fan-favorite Betty Boop™ and added a new licensed game, Chia Pet®. In FY 2016, the Dia de Los Muertos Scratchers were so successful that we launched a second series of Scratchers in FY 2017 with local artist Sean Wells, called “Legends of the Southwest.”

For the holiday season, we trialed an innovative concept that combined a Scratcher with a gift card. A first in the lottery industry, the “Give Some! Play Some!” game included a guaranteed \$20 virtual gift card and a \$5 Scratcher game on the same ticket.

We have also continued to pursue exciting gaming opportunities to engage our players and provide

added value. After the success of the Points and Rewards promotion in FY 2016, the Lottery extended the popular player loyalty offering through FY 2017. This fiscal year, we developed a special “Frenzy” promotion that allowed players to play an interactive game when they entered tickets from any of four Frenzy Scratcher games into Points and Rewards.

The Points and Rewards promotion also expanded to include the entry of Roadrunner Cash™ and Pick 3® tickets. This opened up the loyalty promotion to a different segment of our player base, increasing membership numbers and player loyalty.

Another opportunity for players was offered with experiential trips. This year, we held promotions for two separate trips. One trip was to the Mountain West Basketball Tournament in Las Vegas, NV and the other trip was a getaway to San Francisco, CA. (See more on page 10.)

As a way to incentivize and reward the people who sell Lottery products day in and day out, we ran three Scratcher activation promotions for our retailer partners. The winning retailers received a Lottery Wheel Spin event at their location to reward them and their players, and also to potentially bring in new players. (See more on page 11.)

As we start the next fiscal year, we will continue to explore new opportunities for our players, retailers and ultimately for the mission of the Lottery: raising funds for the Legislative Lottery Scholarship.

Thank you,
David Barden



David M. Barden
CEO

Historical Review



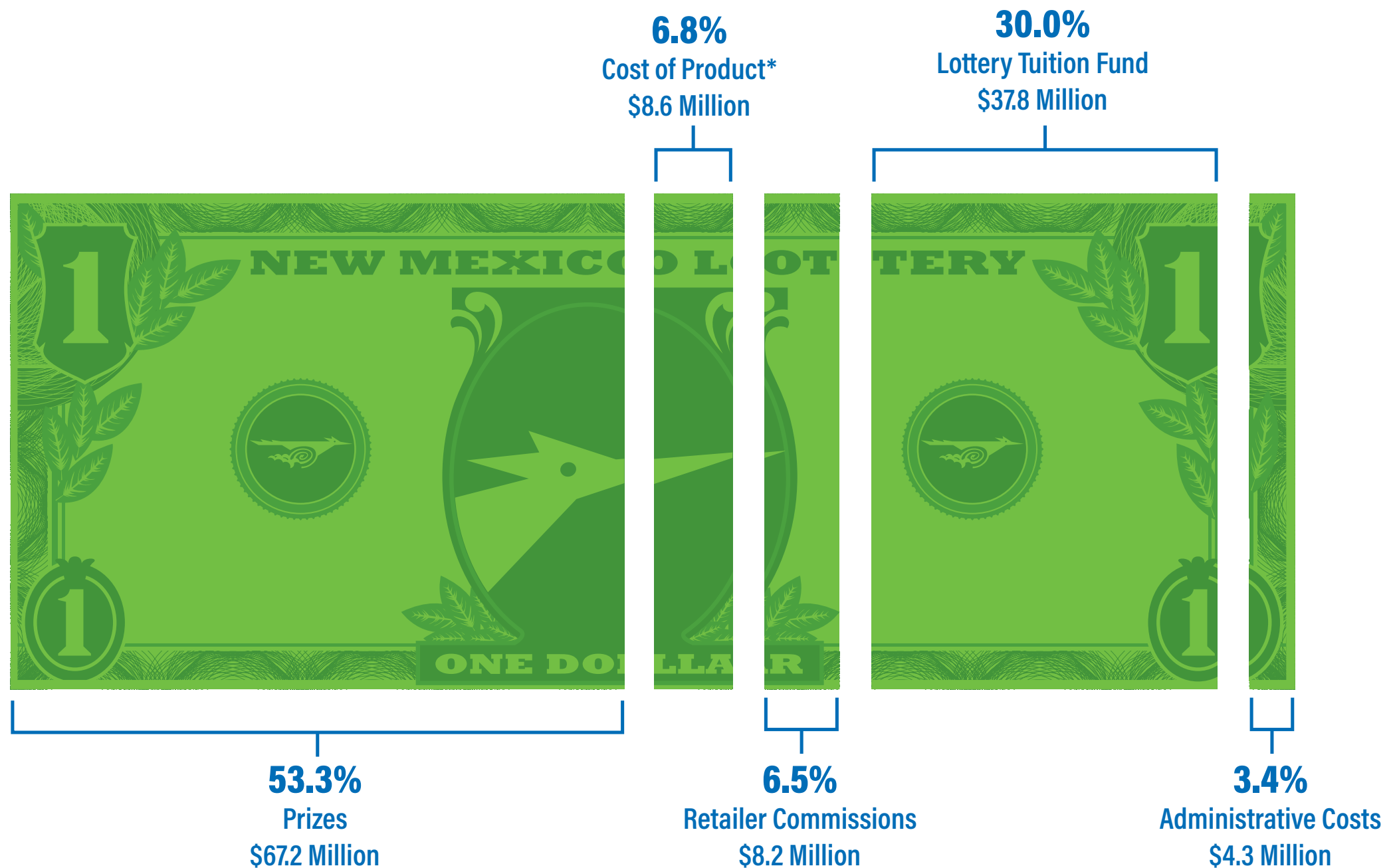
| FISCAL YEAR | GROSS REVENUES** | NET REVENUES FOR PUBLIC EDUCATION** |
|---------------|-----------------------|-------------------------------------|
| FY 1996* | \$28.5 Million | \$6.3 Million |
| FY 1997 | \$82.4 Million ↗ | \$21.9 Million ↗ |
| FY 1998 | \$85.4 Million ↗ | \$20.1 Million ↘ |
| FY 1999 | \$89.7 Million ↗ | \$19.6 Million ↘ |
| FY 2000 | \$111.2 Million ↗ | \$24.5 Million ↗ |
| FY 2001 | \$113.7 Million ↗ | \$25.9 Million ↗ |
| FY 2002 | \$129.5 Million ↗ | \$29.6 Million ↗ |
| FY 2003 | \$133.6 Million ↗ | \$33.1 Million ↗ |
| FY 2004 | \$142.6 Million ↗ | \$35.9 Million ↗ |
| FY 2005 | \$134.7 Million ↘ | \$32.2 Million ↘ |
| FY 2006 | \$150.6 Million ↗ | \$36.9 Million ↗ |
| FY 2007 | \$148.8 Million ↘ | \$34.8 Million ↘ |
| FY 2008 | \$147.8 Million ↘ | \$40.8 Million ↗ |
| FY 2009 | \$142.6 Million ↘ | \$40.8 Million → |
| FY 2010 | \$143.6 Million ↗ | \$43.6 Million ↗ |
| FY 2011 | \$135.6 Million ↘ | \$41.3 Million ↘ |
| FY 2012 | \$133.9 Million ↘ | \$41.3 Million → |
| FY 2013 | \$141.8 Million ↗ | \$43.7 Million ↗ |
| FY 2014 | \$136.1 Million ↘ | \$40.9 Million ↘ |
| FY 2015 | \$137.1 Million ↗ | \$41.1 Million ↗ |
| FY 2016 | \$154.4 Million ↗ | \$46.3 Million ↗ |
| FY 2017** | \$126.1 Million ↘ | \$37.8 Million ↘ |
| TOTALS | \$2.75 BILLION | \$738.7 MILLION |

Lottery Tuition Fund: \$672,162,064 (1996 to through FY 2017)
 Public School Capital Outlay Fund: \$66,553,850 (1996 to 2001)
 Raised for public education through Fiscal Year 2017: \$738,715,914 (1996 through FY 2017)

* Represents partial fiscal year of November 1995 - June 30, 1996

** Rounded

\$126.1 Million in Gross Revenues for the New Mexico Lottery Fiscal Year 2017



**Cost of Product includes: On-line vendor fees, advertising, ticket vendor fees, retailer equipment, promotions, shipping and postage, responsible gaming, and game membership.*

By statute, the Lottery is required to return a minimum of 50% of proceeds to players in the form of prizes and 30% to the Lottery Tuition Fund. The remaining funds are allocated to cover the cost of product as well as retailer commissions and administrative costs.

Organizational Chart



116,531

Student Count By County Fall 1997 — Spring 2017

116,531 High school graduates and GED recipients have attended college on Legislative Lottery Scholarships.

* "Other" includes New Mexico students who graduated from a Texas or Arizona high school under a reciprocal agreement with the State Department of Education and Arizona residents on the Navajo Reservation who qualify for Legislative Lottery Scholarships

** "No Response" accounts for students that did not provide county information on their admission forms; this information is requested, but not required

• Source: New Mexico Higher Education Department (NMHED), (800) 279-9777
www.hed.state.nm.us; table represents Legislative Lottery Scholarship (LLS) draws through Spring 2017

• This report was prepared using the institution-supplied student and student financial aid files

• These figures will always differ slightly in different categories because of official reconciliation adjustments between NMHED and the various institutions

• Some students may be counted more than once because of transfers or other factors, according to NMHED

• Student count is cumulative and includes all students that were awarded a Legislative Lottery Scholarship or Lottery Disability at anytime.

• Graduates so far: non-graduates may still be enrolled, may no longer be on LLS, or may have left the institution

• Graduates and degrees may include duplicates if a student attained more than one degree — i.e., a student received an associate's degree and continued for a bachelor's degree; degrees include bachelor's, associate's, certificate and professional; several graduate students are also included because their Legislative Lottery Scholarships applied to undergraduate tuition that was part of their simultaneous graduate programs

• \$66,553,850 in Lottery revenues were allocated previously to the Public School Capital Outlay Fund for state-awarded school construction and repair grants. Following action by the New Mexico Legislature, the Lottery's contribution to this fund ended in FY 2001 and the last grants made with Lottery revenues occurred in FY 2002

| COUNTY | LLS STUDENTS | TOTAL AWARDS | TOTAL GRADUATES SO FAR |
|---------------|----------------|----------------------|------------------------|
| Bernalillo | 36,164 | \$286,349,602 | 21,595 |
| Catron | 136 | \$1,152,448 | 89 |
| Chaves | 3,777 | \$17,866,337 | 2,117 |
| Cibola | 1,232 | \$6,597,083 | 706 |
| Colfax | 584 | \$4,220,347 | 336 |
| Curry | 2,631 | \$12,071,038 | 1,490 |
| De Baca | 158 | \$882,403 | 95 |
| Doña Ana | 13,538 | \$95,495,210 | 7,640 |
| Eddy | 3,056 | \$16,227,769 | 1,694 |
| Grant | 1,714 | \$11,140,019 | 1,021 |
| Guadalupe | 265 | \$1,540,884 | 152 |
| Harding | 83 | \$491,621 | 62 |
| Hidalgo | 287 | \$1,884,879 | 171 |
| Lea | 2,207 | \$7,523,527 | 1,158 |
| Lincoln | 1,092 | \$6,462,772 | 621 |
| Los Alamos | 1,687 | \$14,576,694 | 1,077 |
| Luna | 1,167 | \$8,012,941 | 615 |
| McKinley | 2,760 | \$13,414,266 | 1,388 |
| Mora | 326 | \$1,711,899 | 223 |
| Otero | 3,146 | \$18,916,356 | 1,857 |
| Quay | 587 | \$2,811,026 | 337 |
| Rio Arriba | 2,669 | \$15,052,974 | 1,519 |
| Roosevelt | 1,484 | \$7,093,696 | 814 |
| San Juan | 5,562 | \$24,289,281 | 3,092 |
| San Miguel | 1,796 | \$9,901,243 | 1,122 |
| Sandoval | 6,941 | \$50,193,340 | 3,898 |
| Santa Fe | 7,011 | \$45,871,902 | 3,841 |
| Sierra | 407 | \$3,166,196 | 234 |
| Socorro | 716 | \$5,363,963 | 451 |
| Taos | 1,724 | \$10,285,491 | 939 |
| Torrance | 765 | \$5,004,633 | 463 |
| Union | 224 | \$1,522,020 | 140 |
| Valencia | 4,829 | \$27,880,270 | 2,553 |
| Other* | 5,600 | \$12,321,437 | 2,434 |
| No Response** | 206 | \$872,116 | 132 |
| TOTAL | 116,531 | \$748,167,683 | 66,076 |

| | SPRING 2017 LLS STUDENTS | TOTAL STUDENTS (FALL '97 - SPRING '17) | TOTAL LLS AWARDS (FALL '97 - SPRING '17) |
|---|-----------------------------|---|---|
| RESEARCH UNIVERSITIES | | | |
| New Mexico Institute of Mining and Technology — Socorro | 575 | 3,054 | \$27,061,776 |
| New Mexico State University — Las Cruces (Main Campus) | 3,117 | 25,048 | \$210,336,240 |
| University of New Mexico — Albuquerque (Main Campus) | 7,180 | 45,927 | \$416,367,790 |
| COMPREHENSIVE UNIVERSITIES | | | |
| Eastern New Mexico University — Portales (Main Campus) | 819 | 6,892 | \$31,480,146 |
| New Mexico Highlands University — Las Vegas ⁽¹⁾ | 275 | 2,629 | \$9,714,161 |
| Northern New Mexico College — Española & El Rito | 107 | 1,624 | \$3,326,748 |
| Western New Mexico University — Silver City | 184 | 1,780 | \$7,098,152 |
| TWO-YEAR BRANCH COLLEGES | | | |
| Eastern New Mexico University — Roswell | 176 | 2,592 | \$2,738,187 |
| Eastern New Mexico University — Ruidoso | 21 | 618 | \$333,022 |
| New Mexico State University — Alamogordo | 62 | 1,573 | \$2,086,438 |
| New Mexico State University — Carlsbad | 72 | 1,349 | \$1,360,593 |
| New Mexico State University — Doña Ana | 683 | 6,207 | \$8,557,040 |
| New Mexico State University — Grants | 21 | 601 | \$733,240 |
| University of New Mexico — Gallup | 67 | 1,312 | \$1,551,176 |
| University of New Mexico — Los Alamos | 64 | 843 | \$875,730 |
| University of New Mexico — Taos | 66 | 702 | \$874,185 |
| University of New Mexico — Valencia (Los Lunas) | 194 | 2,507 | \$3,150,804 |
| INDEPENDENT COMMUNITY/JUNIOR COLLEGES | | | |
| Central New Mexico Community College — Albuquerque | 1,300 | 13,775 | \$11,549,828 |
| Clovis Community College | 47 | 1,482 | \$1,037,697 |
| Luna Community College — Las Vegas ⁽¹⁾ | 51 | 554 | \$432,600 |
| Mesalands Community College — Tucumcari | 28 | 373 | \$517,514 |
| New Mexico Junior College — Hobbs | 147 | 1,777 | \$1,008,189 |
| New Mexico Military Institute — Roswell | 10 | 204 | \$236,944 |
| San Juan College — Farmington | 332 | 3,891 | \$3,252,308 |
| Santa Fe Community College | 223 | 2,725 | \$2,487,175 |
| TOTAL CAMPUSES — 25⁽¹⁾ | | | |
| TOTAL STUDENTS SPRING 2017 SEMESTER⁽²⁾ | 15,821 | | |
| TOTAL SINCE INCEPTION THROUGH SPRING 2017⁽²⁾⁽³⁾ | \$748,167,683 | | |

15,821

Legislative Lottery Scholarships

Spring Semester 2017



Legislative Lottery Scholarship Recipients and Amounts Awarded by Semester

| | |
|-----------------------------------|---------------|
| Not Reported '97 (88 students) | \$ 65,260 |
| Summer '97 (45 students) | \$ 11,641 |
| Not Reported '98 (5,208 students) | \$ 4,327,019 |
| Summer '98 (46 students) | \$ 11,683 |
| Fall '99 (6,293 students) | \$ 5,088,456 |
| Not Reported '99 (8,037 students) | \$ 8,029,942 |
| Spring '00 (9,804 students) | \$ 6,712,523 |
| Fall '00 (7,377 students) | \$ 7,639,693 |
| Spring '01 (10,249 students) | \$ 8,327,143 |
| Summer '01 (1 student) | \$ 8,814,067 |
| Fall '01 (8,133 students) | \$ 978 |
| Spring '02 (10,602 students) | \$ 9,551,759 |
| Summer '02 (1 student) | \$ 10,423,916 |
| Fall '02 (8,753 students) | \$ 1,074 |
| Spring '03 (11,273 students) | \$ 10,840,562 |
| Summer '03 (2 students) | \$ 11,724,857 |
| Fall '03 (9,470 students) | \$ 2,328 |
| Spring '04 (12,023 students) | \$ 12,775,860 |
| Summer '04 (3 students) | \$ 13,142,538 |
| Fall '04 (10,014 students) | \$ 4,083 |
| Spring '05 (12,770 students) | \$ 14,802,211 |
| Summer '05 (3 students) | \$ 15,531,521 |
| Fall '05 (10,657 students) | \$ 3,129 |
| Spring '06 (13,067 students) | \$ 16,259,849 |
| Summer '06 (16 students) | \$ 17,345,946 |
| Fall '06 (11,032 students) | \$ 23,394 |
| Spring '07 (13,788 students) | \$ 17,671,062 |
| Summer '07 (43 students) | \$ 19,540,205 |

| | |
|------------------------------|---------------|
| Fall '07 (11,513 students) | \$ 81,740 |
| Spring '08 (14,395 students) | \$ 19,450,166 |
| Summer '08 (41 students) | \$ 21,106,409 |
| Fall '08 (12,053 students) | \$ 82,164 |
| Spring '09 (15,576 students) | \$ 21,404,865 |
| Summer '09 (40 students) | \$ 23,723,559 |
| Fall '09 (12,879 students) | \$ 86,960 |
| Spring '10 (16,360 students) | \$ 24,433,638 |
| Summer '10 (31 students) | \$ 25,655,114 |
| Fall '10 (13,653 students) | \$ 133,462 |
| Spring '11 (17,062 students) | \$ 26,815,581 |
| Fall '11 (13,941 students) | \$ 28,714,616 |
| Spring '12 (17,138 students) | \$ 28,446,213 |
| Summer '12 (32 students) | \$ 31,226,643 |
| Fall '12 (14,279 students) | \$ 143,648 |
| Spring '13 (17,758 students) | \$ 30,828,123 |
| Summer '13 (101 students) | \$ 33,524,756 |
| Fall '13 (14,527 students) | \$ 490,689 |
| Spring '14 (17,371 students) | \$ 35,194,296 |
| Fall '14 (14,181 students) | \$ 29,708,613 |
| Spring '15 (16,462 students) | \$ 31,936,768 |
| Summer '15 (69 students) | \$ 158,470 |
| Fall '15 (12,800 students) | \$ 26,715,387 |
| Spring '16 (16,263 students) | \$ 31,343,170 |
| Summer '16 (70 students) | \$ 165,538 |
| Fall '16 (12,498 students) | \$ 26,735,933 |
| Spring '17 (15,814 students) | \$ 31,013,448 |
| Summer '17 (17 students) | \$ 175,015 |

TOTAL

\$ 748,167,683

Notes for pages 8-9

- (1) Some satellite campuses are reflected in main campus information
- (2) Legislative Lottery Scholarship (LLS) debits and student count may be adjusted by New Mexico Higher Education Department (NMHED) in subsequent semesters, pending reviews, audits and/or appeals; these may also reflect minor financial differences due to overall decimal point rounding, and are statistically insignificant
- (3) The less than 1 percent discrepancy (0.26%) in total LLS awards stems from the difference in data sources

★ Record-breaking Spring semester LLS enrollment (None of the schools had a record enrollment in the 2017 Spring semester.)

Source:
New Mexico Higher Education Department,
(800) 279-9777
www.hed.state.nm.us

Data provided by New Mexico Higher Education Department for the Legislative Lottery Scholarship program through FY 2017.⁽²⁾⁽³⁾

As of the time of this writing, Summer 2011 and Summer 2014 data is unavailable due to reporting issues and under review by NMHED.

Promotions

MOUNTAIN WEST BASKETBALL TOURNAMENT

MOUNTAIN WEST BASKETBALL TOURNAMENT TRIP GIVEAWAY

January 14 - February 4, 2017, VIP Points and Rewards Players could enter their non-winning Scratchers for a chance to win a trip for two to the Mountain West Basketball Tournament. The five day/four night trip included airfare, hotel, tickets to the men's and women's games, and \$500 spending money.

Winner – Frank Martinez of Vadito



Click on the images
to watch the TV Spots.



A TRIP FOR 2 TO SAN FRANCISCO

In May, 2017, VIP Points and Rewards Players could enter for a chance to win a four day/three night trip to San Francisco. The trip included airfare, hotel, a \$200 City Pass, \$200 GO Card and \$500 spending money.

Winner – Brandy Jaramillo of Albuquerque



Christmas Carnival in Albuquerque

FUN ON THE MOVE!

Throughout the year, the Lottery ran three Scratcher Activation Promotions. Retailers were given a specific date to activate certain Scratchers. Those who met the deadline were entered into a drawing to win a Lottery Carnival! Two lucky retailers were chosen for each promotion. All three promotions had a different theme based on the upcoming holidays. The first two retailers had “Christmas-themed” Carnivals. The second was for “Valentine’s Day” and the third was for “Mardi Gras.”



Christmas Carnival in Grants

Mardi Gras Carnival

Allsup's Store #9, Alamogordo



Allsup's employees dressed in festive Mardi Gras masks

Mardi Gras Carnival in Grants



Players excited to spin the prize wheel.

Mardi Gras Carnival in Grants

Valentine's Day Carnival

Santa Cruz Country Store, Santa Cruz



Players could win Lottery Bucks playing the Betty Boop bean bag toss game.



Randy Quintana, Second Chance Drawing winner, poses with staff.



The Lottery Event Vehicle decorated brightly with heart-shaped balloons.

Valentine's Day Carnival in Santa Cruz

New Mexico Lottery Authority
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---|-----------------------------|-----------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 4,660,713 | \$ 6,381,875 |
| Accounts receivable (net of allowance for doubtful accounts) | 736,905 | 742,846 |
| Reserves on deposit | 3,217,539 | 3,308,537 |
| Inventory | 188,110 | 156,721 |
| Prepaid expenses | <u>157,802</u> | <u>179,517</u> |
| Total current assets | 8,961,069 | 10,769,496 |
| CAPITAL ASSETS, NET | <u>3,228,247</u> | <u>3,248,070</u> |
| Total assets | <u><u>\$ 12,189,316</u></u> | <u><u>\$ 14,017,566</u></u> |
| CURRENT LIABILITIES | | |
| Accounts payable and other current liabilities | \$ 1,979,997 | \$ 1,760,948 |
| Current portion of note payable | 239,717 | 231,644 |
| Prizes payable | 3,748,021 | 6,331,639 |
| Due to Lottery Tuition Fund | <u>3,044,533</u> | <u>3,440,087</u> |
| Total current liabilities | 9,012,268 | 11,764,318 |
| LONG-TERM LIABILITIES | | |
| Noncurrent portion of note payable | <u>506,048</u> | <u>745,248</u> |
| Total liabilities | <u><u>\$ 9,518,316</u></u> | <u><u>\$ 12,509,566</u></u> |
| NET POSITION | | |
| Investment in capital assets | \$ 2,482,482 | \$ 2,271,178 |
| Unrestricted surplus (deficit) | <u>188,518</u> | <u>(763,178)</u> |
| Total net position | <u><u>\$ 2,671,000</u></u> | <u><u>\$ 1,508,000</u></u> |

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years ended June 30, 2017 and 2016

| | 2017 | 2016 |
|---------------------------------------|---------------------|---------------------|
| OPERATING REVENUES | | |
| Instant ticket sales | \$ 72,398,832 | \$ 83,105,873 |
| Powerball sales | 26,329,419 | 43,321,879 |
| Mega Millions sales | 9,655,935 | 10,509,262 |
| Roadrunner Cash sales | 7,141,187 | 7,394,565 |
| Pick 3 sales | 5,364,936 | 4,891,153 |
| Hot Lotto sales | 4,294,146 | 4,283,277 |
| Quickster sales | 741,067 | 691,531 |
| Lucky Numbers Bingo sales | 115,742 | 147,228 |
| Net ticket sales | <u>126,041,264</u> | <u>154,344,768</u> |
| Retailer fees | 11,800 | 14,720 |
| Instant game gift card commissions | 4,880 | — |
| Bad debts | — | (21,000) |
| Total operating revenues | <u>126,057,944</u> | <u>154,338,488</u> |
| GAME EXPENSES | | |
| Prize expense | 67,184,150 | 84,754,383 |
| Retailer commissions | 8,196,191 | 10,035,060 |
| On-line vendor fees | 4,612,157 | 4,284,035 |
| Advertising | 2,126,939 | 2,053,906 |
| Ticket vendor fees | 1,172,844 | 1,314,494 |
| Shipping and postage | 289,581 | 276,853 |
| Promotions | 122,588 | 116,770 |
| Retailer equipment | 114,539 | 182,538 |
| Responsible gaming | 70,250 | 69,999 |
| Game membership | 60,004 | 56,878 |
| Total game expenses | <u>83,949,243</u> | <u>103,144,916</u> |
| OPERATING EXPENSES | | |
| Salaries, wages, and benefits | 2,350,058 | 2,609,094 |
| Utilities and maintenance | 223,841 | 313,846 |
| Depreciation and amortization | 186,593 | 225,958 |
| Professional fees | 154,181 | 229,908 |
| Leases, property taxes, and insurance | 113,646 | 145,591 |
| Other | 47,131 | 54,878 |
| Materials and supplies | 46,313 | 48,743 |
| Travel | 10,589 | 24,607 |
| Total operating expenses | <u>3,132,352</u> | <u>3,652,625</u> |
| OPERATING INCOME | <u>38,976,349</u> | <u>47,540,947</u> |
| NON-OPERATING INCOME (EXPENSE) | | |
| Interest expense | (31,719) | (40,104) |
| Interest income | 33,641 | 17,141 |
| Other income | 20,188 | 47,173 |
| Total non-operating income | <u>22,110</u> | <u>24,210</u> |
| Net income before transfers | 38,998,459 | 47,565,157 |
| Transfers to Lottery Tuition Fund | <u>37,835,459</u> | <u>46,324,157</u> |
| Change in net position | 1,163,000 | 1,241,000 |
| Net position at beginning of year | <u>1,508,000</u> | <u>267,000</u> |
| Net position at end of year | <u>\$ 2,671,000</u> | <u>\$ 1,508,000</u> |

New Mexico Lottery Authority
STATEMENTS OF CASH FLOWS
Years ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Cash received: | | |
| From retailers-sales net of commissions, incentives, and prize, spoiled, and stolen ticket credits | \$ 117,839,738 | \$ 145,142,254 |
| Cash payments: | | |
| To prize winners and related taxes | (55,530,784) | (69,215,424) |
| To MUSL | (14,236,984) | (17,317,362) |
| To suppliers of goods or services | (9,201,817) | (9,135,798) |
| To employees for services and related taxes | <u>(1,923,647)</u> | <u>(2,259,228)</u> |
| Net cash provided by operating activities | <u>36,946,506</u> | <u>47,214,442</u> |
| Cash flows from noncapital financing activities | | |
| Transfers to Lottery Tuition Fund | <u>(38,231,013)</u> | <u>(45,936,991)</u> |
| Cash flows from capital and related financing activities | | |
| Purchases of capital assets | (180,953) | (167,517) |
| Principal paid on capital debt | (231,127) | (223,108) |
| Interest paid on capital debt | (31,835) | (39,853) |
| Principal payments under capital lease | <u>—</u> | <u>(2,595)</u> |
| Net cash used by capital and related financing activities | <u>(443,915)</u> | <u>(433,073)</u> |
| Cash flows from investing activities | | |
| Receipts of interest | 6,878 | 8,277 |
| Other | <u>382</u> | <u>14,175</u> |
| Net cash provided by investing activities | <u>7,260</u> | <u>22,452</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,721,162) | 866,830 |
| Cash and cash equivalents at beginning of year | <u>6,381,875</u> | <u>5,515,045</u> |
| Cash and cash equivalents at end of year | <u>\$ 4,660,713</u> | <u>\$ 6,381,875</u> |

New Mexico Lottery Authority
STATEMENTS OF CASH FLOWS - CONTINUED
Years ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income | \$ 38,976,349 | \$ 47,540,947 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | 186,593 | 225,958 |
| Vendor's non-cash transactions | 66,902 | 52,866 |
| Interest on MUSL unreserved account | 4,825 | 4,335 |
| Net changes in assets and liabilities: | | |
| Accounts receivable | (22,015) | 838,826 |
| Reserves on deposit | 108,095 | 123,924 |
| Inventory | (31,389) | 5,303 |
| Prepaid expenses | 21,715 | (23,162) |
| Accounts payable and other liabilities | 219,049 | 223,848 |
| Prizes payable | <u>(2,583,618)</u> | <u>(1,778,403)</u> |
| Net cash provided by operating activities | <u>\$ 36,946,506</u> | <u>\$ 47,214,442</u> |

New Mexico Lottery Authority
SUPPLEMENTARY INFORMATION
SCHEDULES OF PERCENTAGE RETURN TO THE STATE OF NEW MEXICO
Years ended June 30,

| | 2017 | 2016 |
|---------------------------------------|----------------------|----------------------|
| OPERATING REVENUES | | |
| Instant ticket sales | \$ 72,398,832 | \$ 83,105,873 |
| Powerball sales | 26,329,419 | 43,321,879 |
| Mega Millions sales | 9,655,935 | 10,509,262 |
| Roadrunner Cash sales | 7,141,187 | 7,394,565 |
| Pick 3 sales | 5,364,936 | 4,891,153 |
| Hot Lotto sales | 4,294,146 | 4,283,277 |
| Quickster sales | 741,067 | 691,531 |
| Lucky Numbers Bingo sales | 115,742 | 147,228 |
| Net ticket sales | <u>126,041,264</u> | <u>154,344,768</u> |
| Retailer fees | 11,800 | 14,720 |
| Instant game gift card commissions | 4,880 | — |
| Bad debts | — | (21,000) |
| Total operating revenues | <u>126,057,944</u> | <u>154,338,488</u> |
| NON-OPERATING INCOME | | |
| Interest income | 33,641 | 17,141 |
| Other income | 20,188 | 47,173 |
| Total non-operating income | <u>53,829</u> | <u>64,314</u> |
| GROSS REVENUES | <u>126,111,773</u> | <u>154,402,802</u> |
| GAME EXPENSES | | |
| Prize expense | 67,184,150 | 84,754,383 |
| Retailer commissions | 8,196,191 | 10,035,060 |
| On-line vendor fees | 4,612,157 | 4,284,035 |
| Advertising | 2,126,939 | 2,053,906 |
| Ticket vendor fees | 1,172,844 | 1,314,494 |
| Shipping and postage | 289,581 | 276,853 |
| Promotions | 122,588 | 116,770 |
| Retailer equipment | 114,539 | 182,538 |
| Responsible gaming | 70,250 | 69,999 |
| Game membership | 60,004 | 56,878 |
| Total game expenses | <u>83,949,243</u> | <u>103,144,916</u> |
| OPERATING EXPENSES | 2,350,058 | 2,609,094 |
| Salaries, wages, and benefits | 223,841 | 313,846 |
| Utilities and maintenance | 186,593 | 225,958 |
| Depreciation and amortization | 154,181 | 229,908 |
| Professional fees | 113,646 | 145,591 |
| Leases, property taxes, and insurance | 47,131 | 54,878 |
| Other | 46,313 | 48,743 |
| Materials and supplies | 10,589 | 24,607 |
| Travel | 1,163,000 | 1,241,000 |
| Operational Reserve Fund expense | 4,295,352 | 4,893,625 |
| Total operating expenses | <u>37,813,349</u> | <u>46,299,947</u> |
| OPERATING INCOME | | |
| NON-OPERATING EXPENSE | 31,719 | 40,104 |
| Interest expense | 31,719 | 40,104 |
| Total non-operating expense | <u>31,719</u> | <u>40,104</u> |
| NET INCOME | <u>\$ 37,835,459</u> | <u>\$ 46,324,157</u> |
| GROSS REVENUE PERCENTAGE RETURN | <u>30.00%</u> | <u>30.00%</u> |

Meet the Big Winners!



\$100,008 Powerball

Clyde & Lynette Hinkley of Gallup
Giant (Gasman #408)
3340 E. Hwy 66, Gallup



\$100,000 Scratcher

Charles King of Chaparral
Stires Fina Mart
550 E. Lisa Dr., Chaparral



\$100,000 Scratcher

Henry Canales of Las Cruces
Pic Quik #14
210 E. Union Ave., Las Cruces



\$150,000 Powerball

Jose Camacho of Albuquerque
Circle K #01041
7660 Louisiana Blvd. NE, Albuquerque



\$161,000 Roadrunner Cash

Reyes Smith of Belen
Al's Mini Mart #1
102 Rio Communities Blvd., Belen



\$222,000 Roadrunner Cash

Kerry Dugan of Santa Fe
Allsup's Store #336
650 Cerrillos Rd., Santa Fe



\$350,000 Roadrunner Cash

Shirley Vario of Grants
Smith's #415
700 Roosevelt Ave., Grants



Record Number of Winning Pick 3 Tickets Claimed by One Person for One Drawing

Abdel (Joe) Manasra of Albuquerque claimed \$72,500 in Pick 3 prizes on December 13, 2016. This is a record Pick 3 prize for any one New Mexico player for one drawing. Joe purchased 150 tickets for the Dec. 12th eve draw. He gave 5 of his tickets to his friend and fellow Pick 3 player, Nicolae. Both players picked their own numbers.

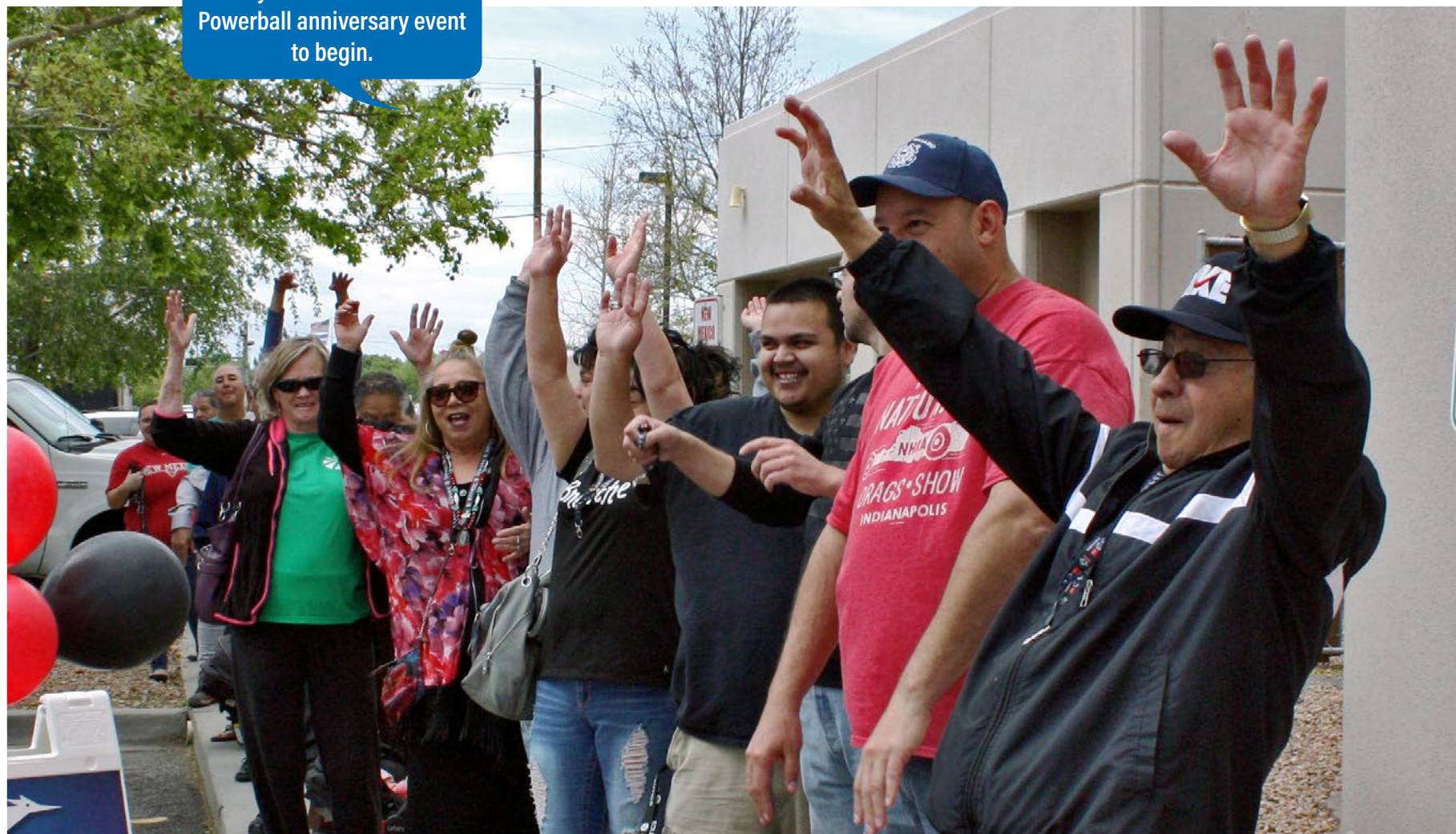


On April 19, 1992, Powerball® fever swept the nation. George H.W. Bush was President, Johnny Carson was planning his retirement and Hulk Hogan was the star of WrestleMania VIII. Meanwhile, Powerball took flight and inspired twenty-five years of water-cooler talk with life-changing dreams of giant jackpots. In October 1996, the New Mexico Lottery began selling Powerball tickets and joined the fun.

On April 19, 2017, Powerball celebrated its 25th anniversary with 2,610 draws and \$37 billion in prizes won, including 356 jackpot-winning tickets totaling \$19 billion. More than 2,000 Powerball players have become millionaires just in the last 5 years. New Mexico players have won five Powerball jackpots and more than 18 million New Mexico Lottery Powerball tickets have won a prize.

On April 27, 2017, the New Mexico Lottery celebrated Powerball with a player prize extravaganza at Lottery headquarters. The first 500 players, age 18 and older, received a \$10 Powerball ticket and were able to play fun games and spin the prize wheel.

Players excited for the Powerball anniversary event to begin.



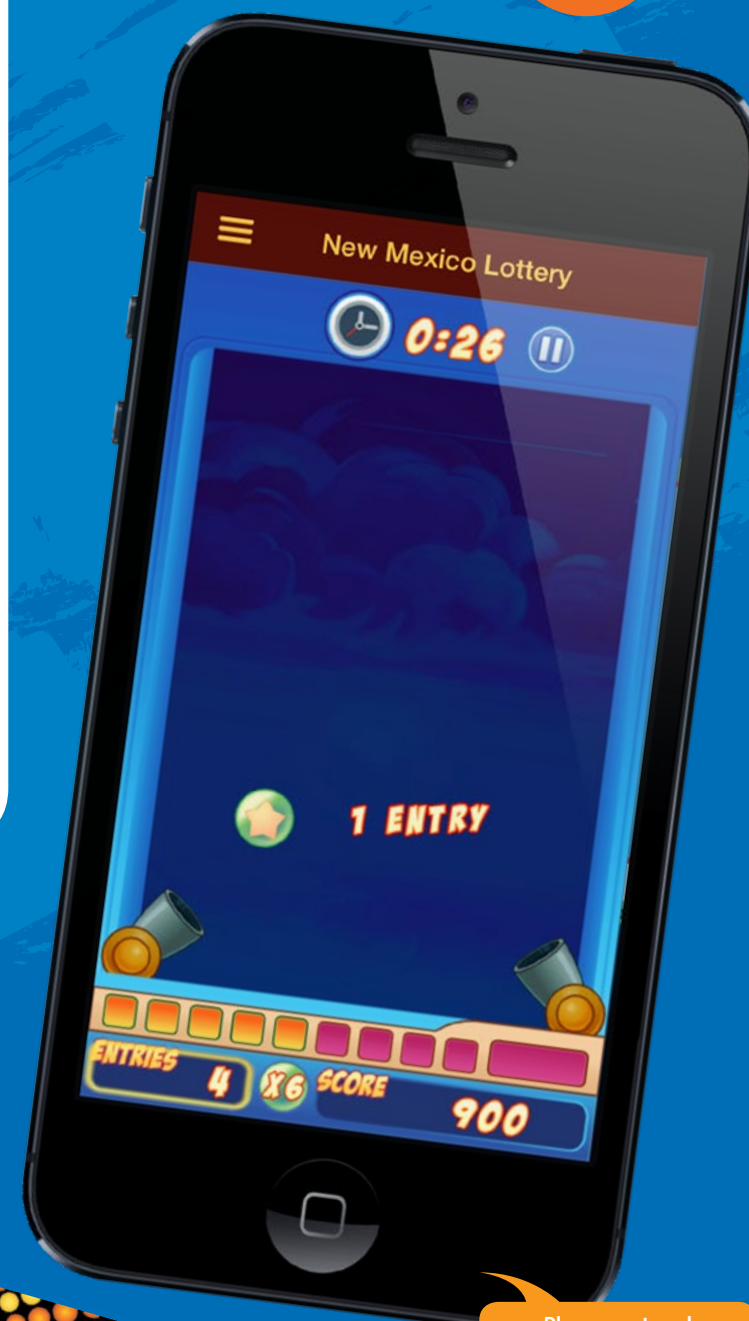
Powerball Celebrates 25 Years of Making Millionaires



FRANTIC FRENZY

On January 3, 2017, a family of four Frenzy Scratchers were launched. Straight out of the 80's, these kaleidoscope, retro-looking tickets were printed with neon ink and totaled more than \$5.3 million in cash prizes.

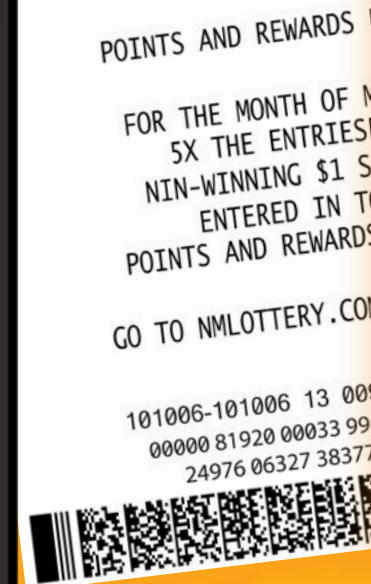
All non-winning Frenzy Scratchers were eligible for entry into the Points and Rewards "Frantic Frenzy Promotion." Once entered, players had a chance to win points for prizes and could also play a fast, fun online interactive game called "Frantic Frenzy."

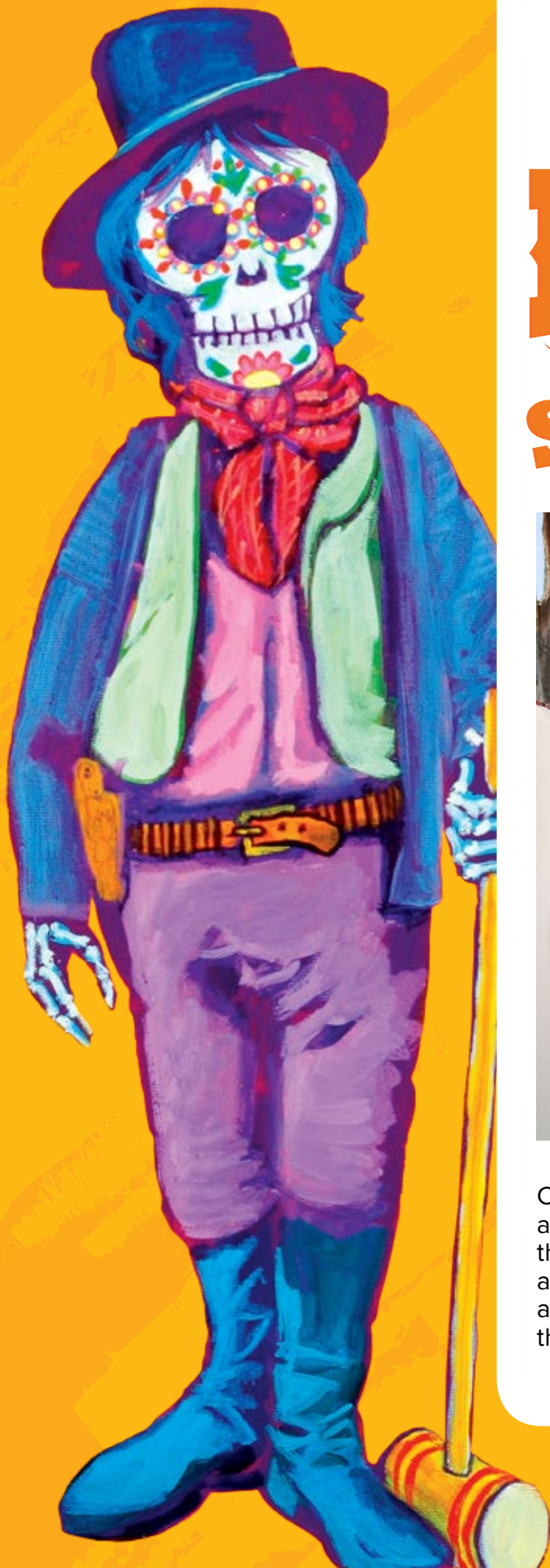


Players entered non-winning tickets to play the interactive game!

New Mexico Lottery Expands "Points and Rewards" Promotion

On May 1, 2017, the VIP Club Points and Rewards Promotion expanded to include Roadrunner Cash™ and Pick 3® tickets. The Promotion originally launched in 2015 and allowed players to enter non-winning \$1, \$2 and \$3 Scratchers for a second chance to win prizes. Each month, one lucky player won \$5,000 cash and 300 players won points, which could be redeemed for an assortment of items from the online Prize Store.





DIA DE LOS MUERTOS

LEGENDS OF THE SOUTHWEST

SCRATCHERS!



Dia De Los Muertos Scratchers were introduced in August 2015, the game was so successful that it was followed by a second series of tickets, titled "Legends of the Southwest" in August 2016.

This series of Scratchers featured Mae West, Diego Rivera and Frida Kahlo, the Roswell Alien, Pancho Villa, La Llorona and Billy the Kid. Both series of Scratchers were designed using the paintings of New Mexico artist, Sean Wells.

Ms. Wells is a fifth generation Spanish

Colonial New Mexican artist influenced by the traditional heritage art forms of the region. Her artwork has been commissioned for the Day of the Dead-themed beer labels, Cerveza de los Muertos, and the wine labels for La Catrina Vino. Wells shows her artwork at the weekly Rail Yards Market in Albuquerque and participates in the annual Traditional Spanish Market in Santa Fe.



Want to see more?



Dia De Los Muertos: Legends of the Southwest



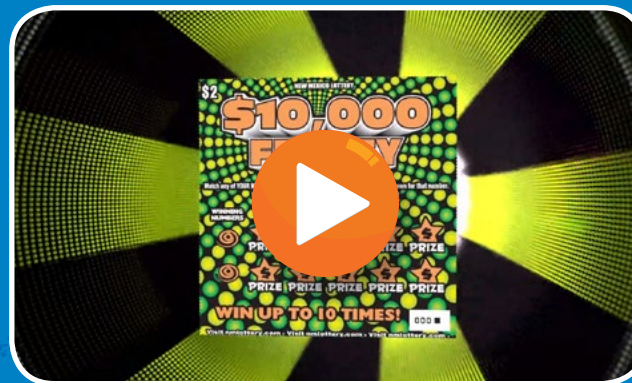
Oh What Fun it is to Play Holiday Scratchers!



Super Tuesday Games Scratchin' in the Rain



Oh What Fun it is to Give Some! Play Some!



Frantic Frenzy Scratchers



Lottery Elves at Discount Liquor in Grants

Layout & Design: McKaela Arviso

Contributing Photographers: Wendy Ahlm, Andrew Dormody, Mario Griego, Jessica Quintana

Video and Animation: Andrew Dormody

Financial Statements: Sylvia A. Jaramillo, CPA, Kevin Duda, CPA

Additional Assistance: Dina Advani, New Mexico Higher Education Department

Complete financial information for Fiscal Year 2017 and previous New Mexico Lottery Authority Financial statements and audit reports, and annual reports are available at nm lottery.com