



Benefitting New Mexico's Future®

Annual Report Fiscal Year 2009

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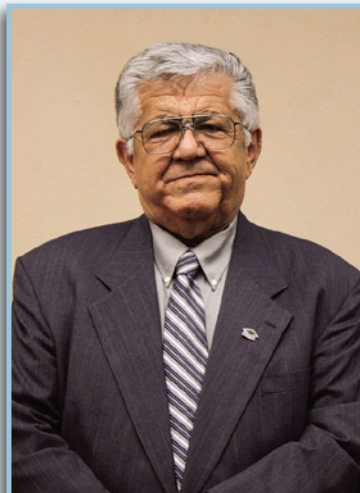
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A Letter from the CEO and Board of Directors

We are pleased to report that in Fiscal Year 2009 the New Mexico Lottery delivered net revenues of \$40.8 million to the Legislative Lottery Scholarship program.

The year's revenues also brought us to a new fundraising milestone. Since launching in 1996, the Lottery has raised a total of \$402.6 million for education in New Mexico. As of the Spring 2009 semester, more than 61,000 high school graduates and GED recipients have received Legislative Lottery Scholarships to attend the state's 25 public college and universities.

During FY '09, we experienced a third consecutive year of declining sales. At \$142.6 million, gross revenues were down \$5.2 million (-3.5%) from the previous year. At \$40.8 million, the Lottery missed its original net revenue forecast of \$42.1 million. By cutting \$700,000 in operating and administrative expenses, freezing employee wages and postponing hiring for new and vacant positions, we were able to return the same sum we delivered for education in FY '08.

We believe the ongoing sales loss and lack of revenue growth has its roots in the economic downturn, vigorous gaming competition and limited resources to promote Lottery games among players who have fewer dollars to spend among more and more entertainment options.

In spite of these challenging marketplace conditions and the increasing demands to generate more revenue, we achieved many notable accomplishments. As the year's highlight, the Lottery launched a new gaming system on schedule in November 2008, completing a four-year project to bring advanced technology to the state of New Mexico at lower costs. Over the life of the seven-year contract with vendor Intralot, the Lottery expects to save \$34.5 million over previous contract rates.

In the project's final stages, we installed more than 6,000 pieces of retail equipment, developed a secure communications network linking 1,100 stores to the central gaming system, transferred the Lottery's entire database of wagers and prizes from the old system to the new system, and trained 3,500 retail clerks.

Other key accomplishments include:

- ◆ Recruiting 50 new retailers to help offset the loss of 75 stores, many of which were forced to close their doors during the economic downturn;
- ◆ Laying the technology groundwork for a more interactive website, an online VIP players club and a fully-networked disaster-recovery facility;
- ◆ Re-launching *Powerball*® to create bigger jackpots and more overall winners, giving players more reasons to get into the game.

On behalf of our 55 dedicated employees, our 1,100 retail partners and our enthusiastic players from every corner of the state, we are very pleased to present the New Mexico Lottery's annual report for the fiscal year ending June 30, 2009.

Sincerely,

Tom Romero
CEO

Reta D. Jones
Chair, Board of Directors



Tom Romero
CEO

Year in Review

- Launched a new gaming system
 - ✦ Developed, installed secure communications network linking 1,100 retailers to central system
 - ✦ Installed 6,000+ pieces of equipment among 1,100 retailers
 - ✦ Trained 3,500 clerks at 25 events statewide
- Relaunched *Powerball*®
- Issued RFPs/RFBs for lease broker/consultant services, new vehicles and advertising services
- Reduced the FY '09 operating budget by \$700,000 to achieve a savings of 11.1%
- Formulated a budget for FY '10 that allowed the Lottery to return 30% of gross revenues to the Legislative Lottery Scholarship Fund



Department Highlights

FINANCE

- Received an unqualified opinion on audit for the 14th consecutive year with no adjusting entries or passed adjusting entries and one management letter comment
- Withheld \$6.9 million in state taxes on prizes paid, including cash value on \$206.9 million *Powerball* jackpot
- Kept bad debt write-offs to .013% or \$10,250 out of \$79 million in weekly Automatic Clearing House sweeps from retailer accounts
- Identified 68 new vendors during the year and purchased goods from 40 of them with the goal of minimizing costs
- Installed new gaming system equipment in the claims center

HUMAN RESOURCES

- Negotiated minimal increase in medical insurance premiums and no increase in dental, life, short-term disability and long-term disability premiums
- Coordinated management and staff training

MARKETING AND COMMUNICATIONS

- Wrote and produced retailer training materials and equipment manuals for new gaming system
- Designed graphics for new retailer equipment including terminals, Customer Display Units, Player Advertising Displays and Self-Service Lottery Terminals
- Created and produced "Play It Safe" advertising and PR campaign to inform players of consumer safeguards
- Coordinated publicity campaigns to increase winner awareness with a focus on the \$1 million *Powerball* winner from Las Vegas and the \$206.9 million *Powerball* winners from Roswell
- Coordinated 315 radio promotions featuring ten *Scratchers* and *Powerball*

MANAGEMENT INFORMATION SYSTEMS

- Tested and implemented the new online gaming system while providing users with a 99.8% network systems uptime
- Provided the foundation for a new website and VIP players club
 - Supported marketing efforts by creating specialized tools for second-chance drawings
 - Implemented financial software upgrade to provide latest financial technology abilities to end-users
 - Began building the technology foundation for the Lottery's disaster-recovery plan

SALES

- Conducted approximately 101,000 calls and 22,440 retailer visits, traveling more than 300,000 miles
- Completed approximately 1,100 retailer site surveys for placement of more than 6,000 pieces of new gaming system equipment including, 170 Self-Service Lottery Terminals
- Added 50 new retailers
- Provided Lottery industry, ethics and customer service training to Intralot management and Customer Service Technicians
- Conducted 31 wheel spins and 28 radio remotes at retailer locations

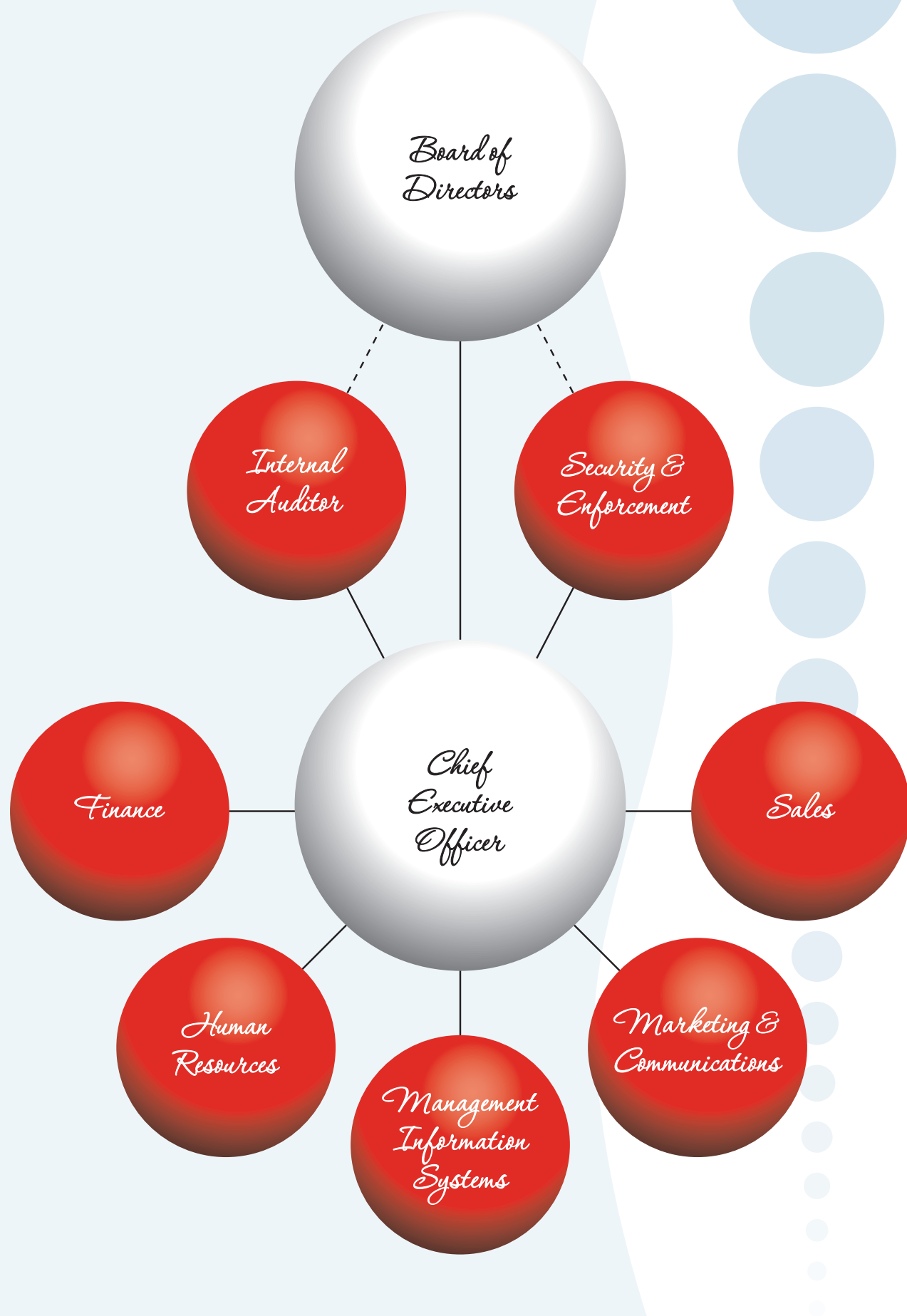
SECURITY

- Provided information on new security features and safety tips to clerks during gaming system training
- Performed background checks for 99 vendor employees
- Packed and shipped 54 *Scratcher* games
- Conducted 23 winner investigations involving prizes of \$100,000 or more
- Conducted more than 40 security investigations in response to Lottery retailer and customer issues

For six weeks, Lottery employees traveled around the state to train retail clerks on the new gaming system. Shown in blue polo shirts are Claims Representative Christen Oorlog and Graphic Designer Joseph "Joby" Elliott.



Organizational Divisions



Historical Review

	GROSS REVENUES**	NET PROFITS FOR PUBLIC EDUCATION**
FY '96(*)	\$28.5 Million	\$6.3 Million
FY '97	\$82.4 Million ↑	\$21.9 Million ↑
FY '98	\$85.4 Million ↑	\$20.1 Million ↓
FY '99	\$89.7 Million ↑	\$19.6 Million ↓
FY '00	\$111.2 Million ↑	\$24.5 Million ↑
FY '01	\$113.7 Million ↑	\$25.9 Million ↑
FY '02	\$129.5 Million ↑	\$29.6 Million ↑
FY '03	\$133.6 Million ↑	\$33.1 Million ↑
FY '04	\$142.6 Million ↑	\$35.9 Million ↑
FY '05	\$134.7 Million ↓	\$32.2 Million ↓
FY '06	\$150.6 Million ↑	\$36.9 Million ↑
FY '07	\$148.8 Million ↓	\$34.8 Million ↓
FY '08	\$147.8 Million ↓	\$40.8 Million ↑
FY '09	\$142.6 Million ↓	\$40.8 Million ↔
TOTALS	\$ 1.6 Billion	\$402.6 Million

- Legislative Lottery Scholarship/Lottery Tuition Fund: \$336,010,137 (1996 to present)
- Public School Capital Outlay Fund: \$66,553,850 (1996 to 2001)
- Raised for public education through Fiscal Year 2009: \$402,563,987

(*) Represents partial fiscal year of November 1995 – June 30, 1996

** Rounded

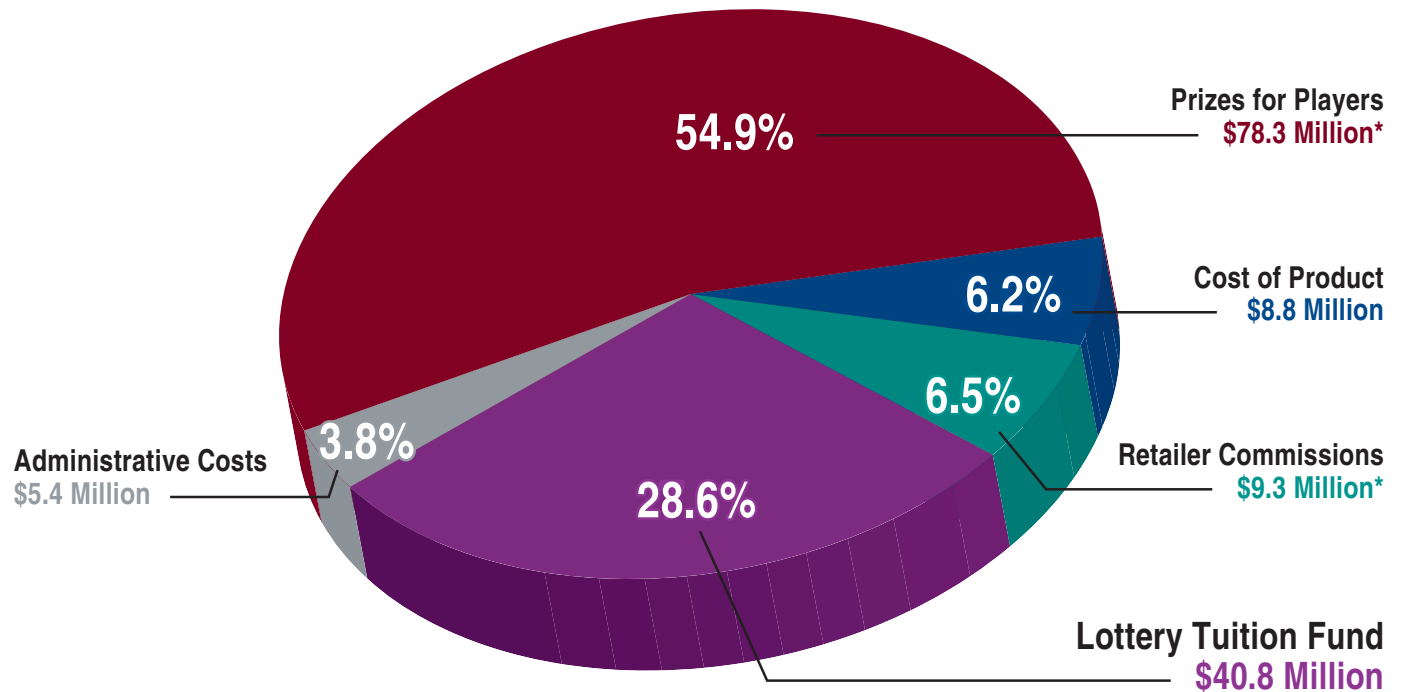


Mark Burton of Santa Fe won \$230,000 playing Roadrunner Cash™!

Where the Money Goes

\$142.6 Million in Gross Revenues for the New Mexico Lottery Fiscal Year 2009: A Financial Overview

(Numbers are rounded)



*Includes jackpot prize payments to the Multi-State Lottery Association for Powerball® and Hot Lotto®

By statute, the Lottery is required to return a minimum of 50% of proceeds to players in the form of prizes. Funds are also allocated to cover the cost of product as well as retailer commissions and administrative costs. Once these expenses have been paid, the Lottery delivers all net proceeds to the State Treasurer to fund the Legislative Lottery Scholarship program.

Melissa Martin of Taos
(pictured with friend Yolanda Nez, right)
won the top prize playing the
"\$250,000 Money Mania" Scratcher™!



61,251 High School Graduates and GED Recipients Have Attended College on Legislative Lottery Scholarships

Student Count By County
Fall 1997 — Spring 2009

County	Attended College	Total Awards	Total Graduates So Far
Bernalillo	18,592	\$ 105,618,219	7,817
Catron	86	\$ 457,899	43
Chaves	2,191	\$ 7,555,710	859
Cibola	747	\$ 2,790,701	339
Colfax	333	\$ 1,583,191	154
Curry	1,616	\$ 4,853,841	619
De Baca	105	\$ 446,430	48
Dona Ana	6,677	\$ 32,547,697	2,885
Eddy	1,871	\$ 6,991,793	854
Grant	1,061	\$ 4,875,520	480
Guadalupe	151	\$ 642,563	63
Harding	69	\$ 300,083	39
Hidalgo	162	\$ 811,251	81
Lea	1,392	\$ 3,101,610	543
Lincoln	622	\$ 2,576,161	256
Los Alamos	1,035	\$ 5,964,784	481
Luna	545	\$ 2,340,218	223
McKinley	1,695	\$ 5,962,325	582
Mora	194	\$ 781,997	90
Otero	1,965	\$ 8,371,422	927
Quay	360	\$ 1,352,526	154
Rio Arriba	1,680	\$ 6,333,029	725
Roosevelt	868	\$ 3,013,585	350
San Juan	3,177	\$ 10,405,832	1,375
San Miguel	1,131	\$ 4,613,437	489
Sandoval	3,104	\$ 16,108,971	1,183
Santa Fe	4,018	\$ 18,236,947	1,566
Sierra	247	\$ 1,277,176	97
Socorro	434	\$ 2,307,381	193
Taos	942	\$ 3,983,625	351
Torrance	451	\$ 2,090,827	179
Union	143	\$ 678,272	69
Valencia	2,528	\$ 10,548,954	1,003
Other*	870	\$ 2,867,167	204
No Response†	189	\$ 725,593	109
Total:	61,251	\$ 283,116,737	25,430

* "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 2009
- This report was prepared using the institution-supplied student and student financial aid files
- Student count is cumulative and includes all students awarded a Legislative Lottery Scholarship
- These figures will always differ slightly in different categories because of official reconciliation and adjustments between NMHED and the various institutions
- Some students may be counted more than once because of transfers or other factors, according to NMHED
- 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
- Rio Rancho High School's first graduating class was in FY '99; some student data may be split between Bernalillo and Sandoval Counties
- \$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 '01 and the last grants made with Lottery revenues occurred in FY '02

15,599

Legislative Lottery Scholarships — Spring Semester 2009

Name of School	Spring 2009 LLS Students	Total Students (Fall '97 – Spring '09)	Total LLS Awards (Fall '97 – Spring '09)
RESEARCH UNIVERSITIES			
New Mexico Institute of Mining and Technology — Socorro	416 ♦	1,500	\$ 8,564,719
New Mexico State University — Las Cruces (Main Campus)	3,682	14,610	\$ 82,556,015
University of New Mexico — Albuquerque (Main Campus)	7,058 ♦	24,248	\$ 156,242,380
COMPREHENSIVE UNIVERSITIES			
Eastern New Mexico University — Portales (Main Campus)	776	3,774	\$ 12,677,069
New Mexico Highlands University — Las Vegas ⁽¹⁾	296 ♦	1,546	\$ 4,006,855
Northern New Mexico College — Española & El Rito ⁽⁴⁾	148	941	\$ 806,746
Western New Mexico University — Silver City	182 ♦	981	\$ 2,664,754
TWO-YEAR BRANCH COLLEGES			
Eastern New Mexico University — Roswell	175	1,354	\$ 1,076,469
Eastern New Mexico University — Ruidoso	39 ♦	196	\$ 118,661
New Mexico State University — Alamogordo	139 ♦	997	\$ 1,034,705
New Mexico State University — Carlsbad	83	852	\$ 817,437
New Mexico State University — Doña Ana	464 ♦	2,409	\$ 2,571,034
New Mexico State University — Grants	51	382	\$ 361,327
University of New Mexico — Gallup	124	757	\$ 744,465
University of New Mexico — Los Alamos	40	542	\$ 483,324
University of New Mexico — Taos	62 ♦	308	\$ 308,534
University of New Mexico — Valencia (Los Lunas)	185	1,272	\$ 1,276,270
INDEPENDENT COMMUNITY/JUNIOR COLLEGES			
Central New Mexico Community College ⁽⁵⁾	860 ♦	5,323	\$ 3,344,753
Clovis Community College	90	951	\$ 561,241
Luna Community College — Las Vegas ⁽¹⁾⁽²⁾	86 ♦	173	\$ 62,635
Mesalands Community College — Tucumcari ⁽³⁾	33 ♦	210	\$ 238,546
New Mexico Junior College — Hobbs	101	1,093	\$ 451,417
New Mexico Military Institute — Roswell	25	133	\$ 145,004
San Juan College — Farmington	305 ♦	2,023	\$ 1,062,120
Santa Fe Community College	179	1,414	\$ 940,257
TOTAL CAMPUSES — 25⁽¹⁾			
TOTAL STUDENTS SPRING 2009 SEMESTER⁽⁶⁾⁽⁷⁾		15,599	
TOTAL SINCE INCEPTION THROUGH SPRING 2009⁽⁶⁾⁽⁷⁾⁽⁸⁾			\$ 283,116,737

- (1) Some satellite campuses are reflected in main campus information
- (2) Luna Community College was formerly known as Luna Vocational Technical Institute
- (3) Mesalands Community College was formerly known as Mesa Technical College
- (4) Northern New Mexico College was formerly known as Northern New Mexico Community College; it now offers both two- and four-year programs
- (5) Central New Mexico Community College was formerly known as Albuquerque Technical Vocational Institute
- (6) 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
- (7) LLS transfer, draw and usage figures will always differ slightly in different categories because of official reconciliation and adjustments between NMHED and the various institutions
- (8) 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

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

LEGISLATIVE LOTTERY SCHOLARSHIP RECIPIENTS AND AMOUNTS AWARDED BY SEMESTER

Fall '97 (2,192 students)	\$ 1,398,445	Spring '02 (11,001 students)	\$ 10,605,208	Fall '06 (11,076 students)	\$ 16,259,849
Spring '98 (5,087 students)	\$ 3,024,521	Fall '02 (8,875 students)	\$ 9,532,303	Spring '07 (13,826 students)	\$ 19,540,205
Fall '98 (4,139 students)	\$ 2,809,491	Spring '03 (11,352 students)	\$ 11,735,843	Fall '07 (11,415 students)	\$ 17,671,062
Spring '99 (7,802 students)	\$ 5,230,796	Fall '03 (9,608 students)	\$ 10,833,452	Spring '08 (14,224 students)	\$ 21,106,409
Fall '99 (6,406 students)	\$ 5,001,758	Spring '04 (12,288 students)	\$ 13,089,784	Summer '08 (41 students)	\$ 82,164
Spring '00 (10,014 students)	\$ 7,686,597	Fall '04 (10,219 students)	\$ 12,711,544	Fall '08 (12,053 students)	\$ 19,450,166
Fall '00 (7,593 students)	\$ 6,773,604	Spring '05 (13,497 students)	\$ 16,205,026	Spring '09 (15,576 students)	\$ 23,723,559
Spring '01 (10,429 students)	\$ 8,849,942	Fall '05 (10,714 students)	\$ 14,802,211	TOTAL ⁽⁶⁾⁽⁷⁾⁽⁸⁾	\$ 283,843,493
Fall '01 (8,181 students)	\$ 8,369,094	Spring '06 (13,123 students)	\$ 17,350,460		

Data provided by New Mexico Higher Education Department for the Legislative Lottery Scholarship program through FY '09⁽⁶⁾

New Technology at Lower Costs

During Fiscal Year 2009, the New Mexico Lottery launched its new gaming system. This accomplishment completed a four-year project to enhance player safeguards, increase product visibility and improve customer service while further reducing operating costs and maximizing revenues for the Legislative Lottery Scholarship program.

In the project's first two years, the Lottery analyzed technology innovation and revenue growth opportunities, wrote a 257-page Request for Proposal, evaluated vendor responses and completed negotiations with competing vendors. As a result, Georgia-based supplier Intralot was selected as both the lowest bidder and the partner best suited to help the Lottery grow sales responsibly.

The Lottery also negotiated contract rates that are among the industry's lowest. Over the life of the seven-year contract, the Lottery agreed to pay Intralot a base price of 1.50% – or \$18.2 million – on projected total net sales of \$1.15 billion. The new pricing represented a savings of approximately \$34.5 million over previous contract rates.

After completing contract negotiations, Intralot and the Lottery began building the new gaming system. When it was time to turn the switch in

November 2008, the Lottery had developed and tested a secure communications network and deployed it among 1,100 stores statewide, installed more than 6,000 pieces of in-store sales and communications equipment, transferred the Lottery's entire database of wagers and prizes from the old system to the new system, and trained 3,500 retail clerks.

For players, the new gaming system delivered an improved experience.

- Tickets are easier to read with larger, darker type. The tickets are also printed on fade-resistant paper.
- Display units show players their total purchase at the time of sale as well as prize information during the ticket-validation process.
- Point-of-sale advertising monitors promote jackpots, new *Scratcher*™ games, recent prize winners, eligibility for Legislative Lottery Scholarships, and other useful player information such as reminders to sign the backs of tickets.
- Self-service vending machines sell 25 *Scratcher* games as well as tickets for drawing games, replacing equipment that could sell only 12 *Scratcher* games.



Above: Lottery Sales Representative Sammie Leflar welcomes retailers to training. Lottery Field Sales Supervisor Scott Ward discusses the new Self-Service Lottery Terminals with retail employees.

Left: Retail employees get the feel of the new sales terminals during the "Hands-On" training session.

Below: Cashier Tiffany Crisostomo demonstrates the difference between the old and new Lottery sales terminals.



Congratulations to Our Big Winners!



The "Roswell Fun Havers" won a Powerball® jackpot of \$206.9 million!



Joseph Baca of Las Vegas won \$1 million when he added Power Play® to his Powerball wager!
(Pictured with wife Loretta)



Karl Vogt of Alamogordo won \$600,000 playing Powerball!



Lonnie Freyburger of Moriarty won the top prize on the "\$500,000 Extravaganza" Scratchers™!
(Pictured with wife Lois)

New Mexico Lottery Authority

STATEMENTS OF NET ASSETS

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,089,266	\$ 5,359,828
Accounts receivable (net of allowance for doubtful accounts)	1,717,935	1,817,274
Reserves on deposit	2,648,344	2,542,282
Inventory	9,262	15,680
Prepaid expenses	105,998	93,705
Total current assets	8,570,805	9,828,769
CAPITAL ASSETS, NET	<u>254,593</u>	<u>249,252</u>
Total assets	<u>\$ 8,825,398</u>	<u>\$10,078,021</u>
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 1,883,818	\$ 1,239,586
Current portion of capital lease obligation	6,228	—
Prizes payable	4,142,150	5,885,786
Due to Lottery Tuition Fund	2,759,464	2,952,649
Total current liabilities	\$ 8,791,660	10,078,021
LONG-TERM LIABILITIES		
Noncurrent portion of capital lease obligation	33,738	—
Total liabilities	<u>\$ 8,825,398</u>	<u>\$10,078,021</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 254,593	\$ 249,252
Unrestricted net assets (deficit)	(254,593)	(249,252)
Total net assets	<u>\$ —</u>	<u>\$ —</u>

New Mexico Lottery Authority

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years ended June 30, 2009 and 2008

	2009	2008
REVENUES		
Instant ticket sales	\$ 82,178,010	\$ 89,925,612
Powerball sales	43,983,020	44,504,959
Hot Lotto sales	8,424,318	6,004,241
Roadrunner Cash sales	6,451,302	6,552,774
Pick 3 sales	2,897,012	2,327,283
Raffle game sales	—	1,001,400
4 This Way! sales	—	215,546
Retailer fees	40,188	46,782
Prize tickets	(1,588,669)	(3,333,227)
Spoiled, stolen, and promotional tickets	(68,964)	(92,911)
Total revenues	<u>142,316,217</u>	<u>147,152,459</u>
GAME EXPENSES		
Prize expense	78,307,339	80,091,765
Retailer commissions	9,271,602	9,676,366
On-line vendor fees	4,009,103	6,999,633
Advertising	2,177,579	2,192,858
Ticket vendor fees	1,596,931	1,648,674
Shipping and postage	366,280	376,029
Promotions	289,495	368,766
Drawing game	133,113	142,298
Game membership	90,207	66,135
Responsible gaming	81,120	81,120
Instant ticket vending machine lease	33,750	81,000
Total game expenses	<u>96,356,519</u>	<u>101,724,644</u>
OPERATING EXPENSES		
Salaries, wages, and benefits	3,580,649	3,387,288
Leases and insurance	610,217	617,220
Utilities and maintenance	417,736	421,690
Other	261,897	69,339
Professional fees	200,270	402,993
Depreciation and amortization	172,315	191,907
Materials and supplies	102,952	108,370
Travel	47,638	73,312
Total operating expenses	<u>5,393,674</u>	<u>5,272,119</u>
OPERATING INCOME	<u>40,566,024</u>	<u>40,155,696</u>
NON-OPERATING INCOME		
Interest income	142,683	492,351
Other income	105,665	162,524
Total non-operating income	<u>248,348</u>	<u>654,875</u>
Net income before transfers	40,814,372	40,810,571
Transfers to Lottery Tuition Fund	<u>(40,814,372)</u>	<u>(40,810,571)</u>
Change in net assets	—	—
Net assets at beginning of year	—	—
Net assets at end of year	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

New Mexico Lottery Authority

STATEMENTS OF CASH FLOWS

Years ended June 30, 2009 and 2008

Increase (Decrease) in Cash and Cash Equivalents

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Cash received:		
From retailers – sales net of commissions, incentives, and prize, spoiled, and stolen ticket credits	\$ 133,127,232	\$ 137,504,704
From MUSL – Powerball and Hot Lotto Jackpots	102,903,653	4,117,513
Cash payments:		
To prize winners and related taxes	(170,567,957)	(70,519,847)
To suppliers of goods or services	(10,593,510)	(15,680,192)
To MUSL	(12,386,671)	(13,380,242)
To employees for services and related taxes	(2,907,184)	(2,793,486)
Net cash provided by operating activities	<u>39,575,563</u>	<u>39,248,450</u>
Cash flows from investing activities		
Receipts of interest	226,578	258,773
Receipt of royalties	28,226	–
Receipts of rent	79,169	131,204
Other	8,749	319
Net cash provided by investing activities	<u>342,722</u>	<u>390,296</u>
Cash flows from noncapital financing activities		
Transfers to Lottery Tuition Fund	(41,007,557)	(41,018,670)
Cash flows from capital and related financing activities		
Purchases of capital assets	(177,656)	(88,708)
Principal payments under capital lease	(3,634)	–
Net cash used by related financing activities	<u>(181,290)</u>	<u>(88,708)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,270,562)	(1,468,632)
Cash and cash equivalents at beginning of year	<u>5,359,828</u>	<u>6,828,460</u>
Cash and cash equivalents at end of year	<u>\$ 4,089,266</u>	<u>\$ 5,359,828</u>

New Mexico Lottery Authority

STATEMENTS OF CASH FLOWS, CONTINUED

Years ended June 30, 2009 and 2008

Increase (Decrease) in Cash and Cash Equivalents

	<u>2009</u>	<u>2008</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating Income	\$ 40,566,024	\$ 40,155,696
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	172,315	191,907
Interest on MUSL unreserved account	8,347	179,283
Vendor's non-cash transactions	(525)	(2,775)
Net changes in assets and liabilities:		
Accounts receivable	82,617	28,611
Reserves on Deposit	(106,062)	(204,264)
Inventory	6,418	110
Prepaid expenses	(12,293)	1,898
Accounts payable and other liabilities	644,232	(1,311,142)
Accrued	(41,874)	(100,064)
Prizes payable	(1,743,636)	309,190
Net cash provided by operating activities	<u>\$ 39,575,563</u>	<u>\$ 39,248,450</u>

New Mexico Lottery Authority

BUDGETARY COMPARISON STATEMENT

Years ended June 30, 2009 and 2008

	2009				2008			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues								
Instant ticket sales	\$ 91,000,000	\$ 82,000,000	\$ 82,178,010	\$ 178,010	\$ 91,500,000	\$ 87,000,000	\$ 89,925,612	\$ 2,925,612
Powerball sales	45,000,000	42,000,000	43,983,020	1,983,020	45,000,000	43,000,000	44,504,959	1,504,959
Hot Lotto sales	5,800,000	8,000,000	8,424,318	424,318	5,100,000	5,300,000	6,004,241	704,241
Roadrunner Cash sales	6,900,000	6,000,000	6,451,302	451,302	8,500,000	7,300,000	6,552,774	(747,226)
Pick 3 sales	2,300,000	2,500,000	2,897,012	397,012	2,000,000	2,100,000	2,327,283	227,283
Raffle game sales	—	—	—	—	2,500,000	1,001,000	1,001,400	400
4 This Way! sales	—	—	—	—	—	215,000	215,546	546
Retailer fees	24,000	33,000	40,188	7,188	42,000	45,000	46,782	1,782
Prize tickets	(3,700,000)	(2,300,000)	(1,588,669)	711,331	(3,600,000)	(4,300,000)	(3,333,227)	966,773
Spoiled, stolen, and promotional tickets	(188,000)	(83,000)	(68,964)	14,036	(180,000)	(180,000)	(92,911)	87,089
Bad debts	(12,000)	(10,000)	—	10,000	(12,000)	(6,000)	—	6,000
Total revenues	147,124,000	138,140,000	142,316,217	4,176,217	150,850,000	141,475,000	147,152,459	5,677,459
Total game expenses	99,383,000	92,885,000	96,356,519	3,471,519	103,977,000	97,972,000	101,724,644	3,752,644
Total operating expenses	6,067,000	5,631,000	5,393,674	(237,326)	5,833,000	5,642,000	5,272,119	(369,881)
Operating income	41,674,000	39,624,000	40,566,024	942,024	41,040,000	37,861,000	40,155,696	2,294,696
Total non-operating income	398,000	251,000	248,348	(2,652)	460,000	491,000	654,875	163,875
Net income before transfers to Lottery Tuition Fund	<u>\$ 42,072,000</u>	<u>\$ 39,875,000</u>	<u>\$ 40,814,372</u>	<u>\$ 939,372</u>	<u>\$ 41,500,000</u>	<u>\$ 38,352,000</u>	<u>\$ 40,810,571</u>	<u>\$ 2,458,571</u>

New Mexico Lottery Authority

SCHEDULE OF PERCENTAGE RETURN TO THE STATE OF NEW MEXICO

Years ended June 30, 2009 and 2008

	2009	2008
REVENUES		
Instant ticket sales	\$ 82,178,010	\$ 89,925,612
Powerball sales	43,983,020	44,504,959
Hot Lotto sales	8,424,318	6,004,241
Roadrunner Cash sales	6,451,302	6,552,774
Pick 3 sales	2,897,012	2,327,283
Raffle game sales	—	1,001,400
4 This Way! sales	—	215,546
Retailer fees	40,188	46,782
Prize tickets	(1,588,669)	(3,333,227)
Spoiled, stolen, and promotional tickets	(68,964)	(92,911)
Total revenues	<u>142,316,217</u>	<u>147,152,459</u>
NON-OPERATING INCOME		
Interest income	142,683	492,351
Other income	105,665	162,524
Total non-operating income	<u>248,348</u>	<u>654,875</u>
GROSS REVENUES	142,564,565	147,807,334
GAME EXPENSES		
Prize expense	78,307,339	80,091,765
Retailer commissions	9,271,602	9,676,366
On-line vendor fees	4,009,103	6,999,633
Advertising	2,177,579	2,192,858
Ticket vendor fees	1,596,931	1,648,674
Shipping and postage	366,280	376,029
Promotions	289,495	368,766
Drawing game	133,113	142,298
Game membership	90,207	66,135
Responsible gaming	81,120	81,120
Instant ticket vending machine lease	33,750	81,000
Total game expenses	<u>96,356,519</u>	<u>101,724,644</u>
OPERATING EXPENSES		
Salaries, wages, and benefits	3,580,649	3,387,288
Leases and insurance	610,217	617,220
Utilities and maintenance	417,736	421,690
Other	261,897	69,339
Professional fees	200,270	402,993
Depreciation and amortization	172,315	191,907
Materials and supplies	102,952	108,370
Travel	47,638	73,312
Total operating expenses	<u>5,393,674</u>	<u>5,272,119</u>
OPERATING INCOME	<u>40,566,024</u>	<u>40,155,696</u>
NET INCOME	<u>\$ 40,814,372</u>	<u>\$ 40,810,571</u>
GROSS REVENUE PERCENTAGE RETURN	<u>28.63%</u>	<u>27.61%</u>

Advertising Campaigns



Striking a pose between takes — staff of the New Mexico Lottery, Kilmer & Kilmer and Southwest Productions

Player Safeguards

The New Mexico Lottery's joyful "Ball Guys" demonstrated in-store technology that enhances player security. The "Ball Guys" also reminded players to sign their tickets and listen for the winner's tune when a retailer checks their tickets for prizes.



How Do You Play?

The New Mexico Lottery has a *Scratcher* for everyone over age 18. In this campaign, players connect their personalities with their style of play while highlighting the Scratchers' different subjects, prizes and price points.

▼ "I play fast,
really fast!"



▲ "If it's PINK,
I'll buy it!"



▼ "I buy 7 at a time!
It's my lucky number!"



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*Complete financial information for Fiscal Year 2009 and previous
New Mexico Lottery Authority annual reports are available at
www.nmlottery.com*

