



**ANNUAL REPORT FISCAL YEAR 2010**

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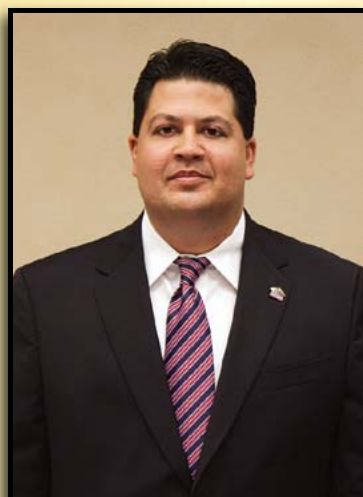
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## A Letter from the CEO and Board of Directors

### Record Revenues

At a time when more students than ever need tuition assistance, the New Mexico Lottery raised a record **\$43.6 million** for Legislative Lottery Scholarships in Fiscal Year 2010.

Sales were up for the first time in four years. Players bought **\$143.6 million** in tickets, an increase from **\$142.3 million** in FY 2009.

To re-engage lapsed players, connect with new players and grow sales, the Lottery completed several important initiatives from its strategic plan.

They included:

#### ► Changing Roadrunner Cash™

We increased the starting jackpot and improved the overall odds of winning. Players responded enthusiastically and ticket sales jumped nearly **19 percent**.

#### ► Making it easier to buy tickets

We acquired 50 more stores, including Kmart<sup>SM</sup> with its 15 locations across New Mexico.

#### ► Adding more excitement to Scratcher™ games

Players entered non-winning tickets into drawings for merchandise of flat-panel TVs, laptops and other great prizes. These exciting "second-chance" promotions drew **75,200** entries.

#### ► Introducing Mega Millions®

Two industry groups voted to allow lotteries to offer both Powerball® and Mega Millions. Previously, lotteries could sell only one of the two games. Nearly all 46 U.S. lotteries — including Texas, Arizona and Colorado — acted upon this rule change. Offering Mega Millions gives our players in border towns a good reason to continue buying their lottery tickets at home and contributing to Legislative Lottery Scholarships.

Although these efforts boosted sales, cost-cutting delivered the record revenues.

For the second consecutive year, we froze salaries.

For the third consecutive year, we held advertising expenses at **\$2.2 million** and suspended retailer incentives. In the past, paying incentives helped keep Lottery games in the best locations within stores.

Lastly, we enjoyed our first full year under contract rates for our new gaming system launched in late 2008. We saved approximately **\$4.5 million** in vendor fees compared to rates paid to the previous gaming system supplier for equivalent sales in FY 2008.

Since 1996, the New Mexico Lottery has raised nearly **\$446.2 million** for education and more than **68,000 students** have attended college on Legislative Lottery Scholarships. This milestone was made possible by the support of players, retailers, vendors and legislators past and present. Thank you for your commitment to the ongoing success of the New Mexico Lottery and the Legislative Lottery Scholarship program.

Sincerely,  
**Tom Romero**  
CEO

**Reta D. Jones, CPA**  
Chair, Board of Directors



**Tom Romero**  
CEO



# Year in Review

## Company Highlights

- ▶ Redesigned *Roadrunner Cash*™
- ▶ Introduced *Mega Millions*®, a multi-state drawing game
- ▶ Created “*The Works*” so that players can purchase tickets for all five drawing games in one simple step
- ▶ Issued RFP for ticket printing contract for Instant (*Scratchers*™) games
- ▶ Met our legislative mandate to transfer net revenues of 30% each month to the Lottery Tuition Fund
- ▶ Installed nearly 500 Check-A-Ticket units to allow players to check their own tickets for prizes

## Department Highlights

### FINANCE

- ▶ Received an unqualified opinion on the financial audit for the 15th consecutive year with no adjustments
- ▶ Paid nearly \$13 million in drawing and instant ticket prizes from the claims center; withheld nearly \$3.2 million in federal taxes and \$767,000 in state taxes
- ▶ Collected nearly \$81 million in weekly Automated Clearing House sweeps from retailers; paid retailers nearly \$9.4 million in commissions

### HUMAN RESOURCES

- ▶ Reviewed more than 1,000 resumes from applicants interested in employment with the Lottery
- ▶ Drafted a program to reward employees for tangible ideas to increase sales and cut costs

### MANAGEMENT INFORMATION SYSTEMS

- ▶ Incorporated new validation algorithm from GTECH Instant Printing
- ▶ Updated server infrastructure to provide faster and more reliable data storage and retrieval
- ▶ Prepared the infrastructure of external website in preparation for a VIP Club

### MARKETING & COMMUNICATIONS

- ▶ Re-designed New Mexico Lottery website
- ▶ Produced 23 winner videos
- ▶ Events and Promotions
  - Created four “second-chance” drawing promotions for *Scratcher* players
  - Negotiated 309 radio promotions and 52 radio remotes

- Hosted “Lucky Landmark” events to celebrate *Hot Lotto* jackpot wins in Elida and Ruidoso
- Participated in 12 major community events

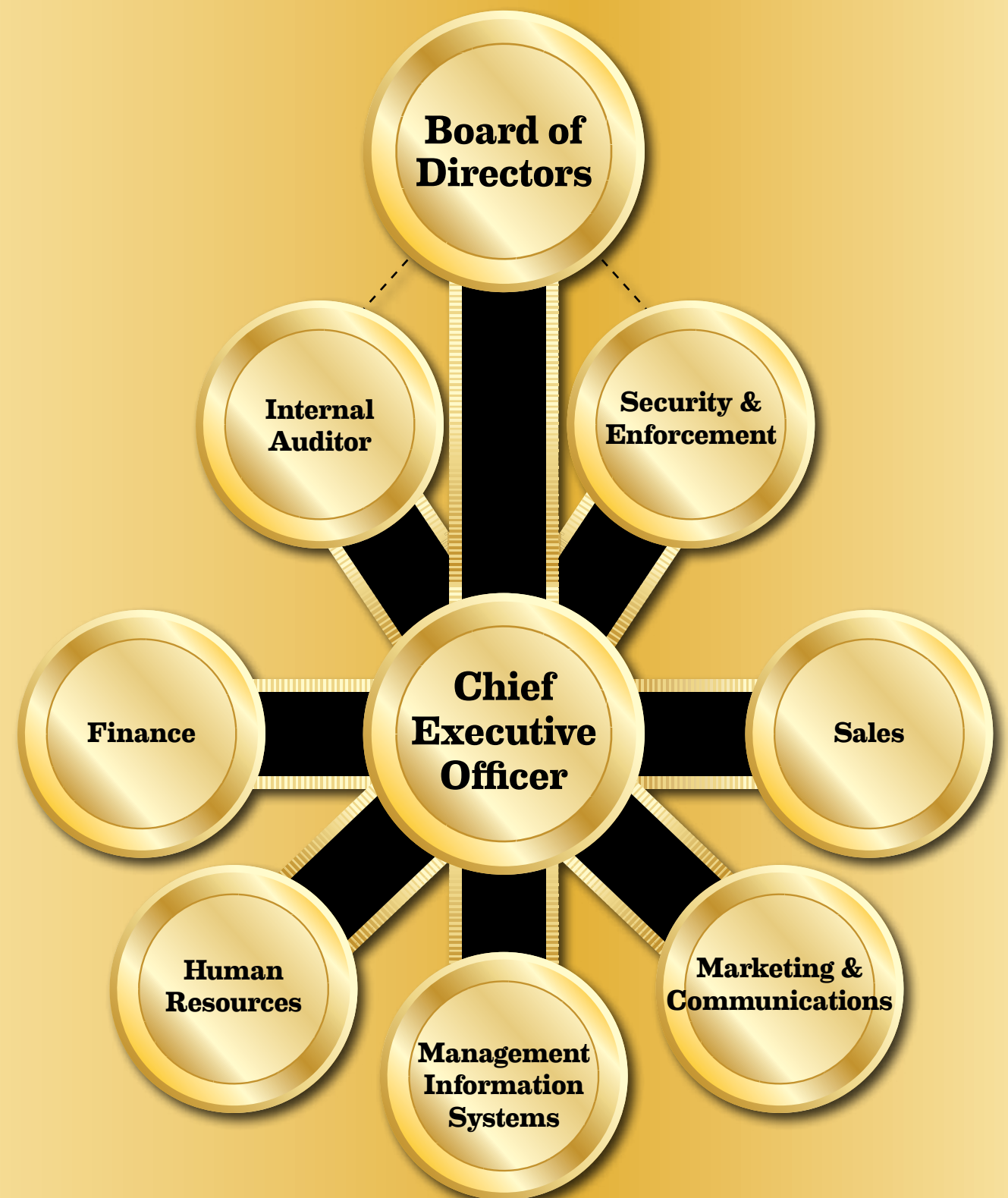
### SALES

- ▶ Processed 48 retailer applications, including nine chain stores for a total of 59 Lottery retailer locations
- ▶ Completed site surveys for Check-A-Ticket installations
- ▶ Processed 44,025 orders for a total of 214,754 packs of *Scratcher* tickets
- ▶ Conducted 23,345 retailer visits driving a total of 307,759 miles
- ▶ Supported 130 events, wheel spins and/or radio remotes

### SECURITY & ENFORCEMENT

- ▶ Installed and maintained more than 340 electronic jackpot signs at retailers across the state
- ▶ Conducted more than 90 investigations in response to Lottery retailer or customer issues
- ▶ Performed background checks on Lottery employee applicants, vendors and vendor employee applicants and conducted 73 retailer background investigations
- ▶ Inspected more than 100 Lottery retailers and provided security training
- ▶ Packed more than 68,500 orders for initial *Scratcher* game launches and ticket re-orders

# Organizational Divisions



# Historical Review

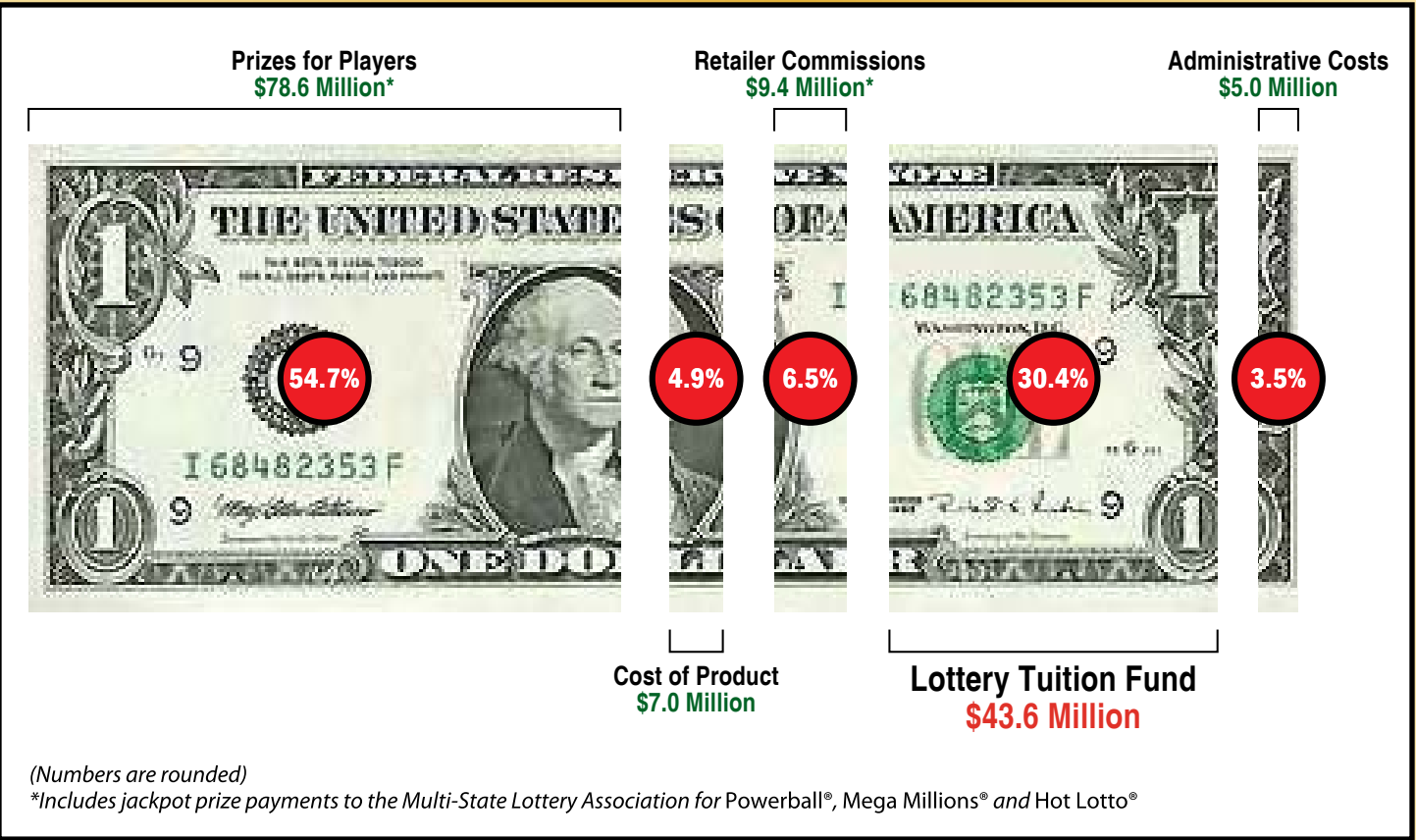
	GROSS REVENUES**	NET PROFITS FOR PUBLIC EDUCATION**
FY 1996*	\$28.5 Million	\$6.3 Million
FY 1997	\$82.4 Million ↑	\$21.9 Million ↑
FY 1998	\$85.4 Million ↑	\$20.1 Million ↓
FY 1999	\$89.7 Million ↑	\$19.6 Million ↓
FY 2000	\$111.2 Million ↑	\$24.5 Million ↑
FY 2001	\$113.7 Million ↑	\$25.9 Million ↑
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 ↑
TOTALS	\$ 1.78 Billion	\$446.2 Million

- Legislative Lottery Scholarship/Lottery Tuition Fund: \$379,618,963 (1996 to present)
- Public School Capital Outlay Fund: \$66,553,850 (1996 to 2001)
- Raised for public education through Fiscal Year 2010: \$446,172,813

\* Represents partial fiscal year of November 1995 – June 30, 1996  
\*\* Rounded

# Where the Money Goes

\$143.6 Million in Gross Revenues for the New Mexico Lottery  
Fiscal Year 2010: A Financial Overview



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.



# 68,182 High School Graduates and GED Recipients Have Attended College on Legislative Lottery Scholarships (LLS)

## Student Count By County Fall 1997 — Spring 2010

County	LLS Students	Total Awards	Total Graduates So Far
Bernalillo	20,765	\$ 123,614,162	9,104
Catron	94	\$ 529,901	49
Chaves	2,433	\$ 8,699,999	999
Cibola	838	\$ 3,233,458	400
Colfax	370	\$ 1,807,636	175
Curry	1,764	\$ 5,607,899	700
De Baca	116	\$ 504,974	50
Doña Ana	7,535	\$ 38,451,069	3,369
Eddy	2,047	\$ 7,910,289	942
Grant	1,164	\$ 5,631,652	542
Guadalupe	172	\$ 741,800	71
Harding	71	\$ 321,768	43
Hidalgo	178	\$ 921,582	95
Lea	1,490	\$ 3,586,310	608
Lincoln	702	\$ 3,078,132	296
Los Alamos	1,128	\$ 6,912,941	557
Luna	642	\$ 2,826,554	259
McKinley	1,915	\$ 6,866,945	670
Mora	218	\$ 886,360	97
Otero	2,124	\$ 9,574,202	1,032
Quay	387	\$ 1,505,360	170
Rio Arriba	1,819	\$ 7,189,441	816
Roosevelt	940	\$ 3,474,625	391
San Juan	3,542	\$ 11,851,245	1,552
San Miguel	1,219	\$ 5,278,494	576
Sandoval	3,589	\$ 19,152,223	1,391
Santa Fe	4,454	\$ 21,203,427	1,784
Sierra	260	\$ 1,503,975	112
Socorro	471	\$ 2,667,181	225
Taos	1,072	\$ 4,701,029	408
Torrance	501	\$ 2,450,290	208
Union	153	\$ 754,163	80
Valencia	2,821	\$ 12,302,011	1,162
Other*	996	\$ 3,718,866	289
No Response†	192	\$ 744,132	113
Total:	68,182	\$ 330,204,095	29,335

\* “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](http://www.hed.state.nm.us); table represents Legislative Lottery Scholarship (LLS) draws through Spring 2010
- 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

# 16,368 Legislative Lottery Scholarships — Spring Semester 2010

Name of School	Spring 2010 LLS Students	Total Students (Fall '97 – Spring '10)	Total LLS Awards (Fall '97 – Spring '10)
RESEARCH UNIVERSITIES			
New Mexico Institute of Mining and Technology — Socorro	411	1,641	\$ 10,097,174
New Mexico State University — Las Cruces (Main Campus)	3,845 ♦	16,041	\$ 95,850,476
University of New Mexico — Albuquerque (Main Campus)	7,120 ♦	26,996	\$ 182,672,166
COMPREHENSIVE UNIVERSITIES			
Eastern New Mexico University — Portales (Main Campus)	825 ♦	4,128	\$ 14,515,235
New Mexico Highlands University — Las Vegas <sup>(1)</sup>	315 ♦	1,691	\$ 4,609,389
Northern New Mexico College — Española & El Rito <sup>(4)</sup>	184 ♦	1,049	\$ 968,054
Western New Mexico University — Silver City	198 ♦	1,084	\$ 3,115,810
TWO-YEAR BRANCH COLLEGES			
Eastern New Mexico University — Roswell	229 ♦	1,533	\$ 1,268,024
Eastern New Mexico University — Ruidoso	49 ♦	254	\$ 140,357
New Mexico State University — Alamogordo	130	1,093	\$ 1,176,430
New Mexico State University — Carlsbad	93	926	\$ 884,479
New Mexico State University — Doña Ana	545 ♦	2,820	\$ 3,152,568
New Mexico State University — Grants	72 ♦	432	\$ 431,035
University of New Mexico — Gallup	156 ♦	883	\$ 879,791
University of New Mexico — Los Alamos	37	570	\$ 518,430
University of New Mexico — Taos	70 ♦	358	\$ 373,604
University of New Mexico — Valencia (Los Lunas)	208 ♦	1,432	\$ 1,476,856
INDEPENDENT COMMUNITY/JUNIOR COLLEGES			
Central New Mexico Community College <sup>(5)</sup>	1,004 ♦	6,161	\$ 4,002,266
Clovis Community College	106	1,041	\$ 628,677
Luna Community College — Las Vegas <sup>(1)(2)</sup>	77	227	\$ 114,821
Mesalands Community College — Tucumcari <sup>(3)</sup>	35 ♦	235	\$ 285,749
New Mexico Junior College — Hobbs	82	1,148	\$ 503,845
New Mexico Military Institute — Roswell	11	140	\$ 157,334
San Juan College — Farmington	359 ♦	2,306	\$ 1,303,944
Santa Fe Community College	207	1,572	\$ 1,077,581

TOTAL CAMPUSES — 25 <sup>(1)</sup>		
TOTAL STUDENTS SPRING 2010 SEMESTER <sup>(6)(7)</sup>	16,368	
TOTAL SINCE INCEPTION THROUGH SPRING 2010 <sup>(6)(7)(8)</sup>		\$ 330,204,095

LEGISLATIVE LOTTERY SCHOLARSHIP RECIPIENTS AND AMOUNTS AWARDED BY SEMESTER					
Fall '97 (2,192 students)	\$ 1,398,445	Fall '02 (8,875 students)	\$ 9,532,303	Fall '07 (11,415 students)	\$ 17,671,062
Spring '98 (5,087 students)	\$ 3,024,521	Spring '03 (11,352 students)	\$ 11,735,843	Spring '08 (14,224 students)	\$ 21,106,409
Fall '98 (4,139 students)	\$ 2,809,491	Fall '03 (9,608 students)	\$ 10,833,452	Summer '08 (41 students)	\$ 82,164
Spring '99 (7,802 students)	\$ 5,230,796	Spring '04 (12,288 students)	\$ 13,089,784	Fall '08 (12,053 students)	\$ 19,450,166
Fall '99 (6,406 students)	\$ 5,001,758	Fall '04 (10,219 students)	\$ 12,711,544	Spring '09 (15,576 students)	\$ 23,723,559
Spring '00 (10,014 students)	\$ 7,686,597	Spring '05 (13,497 students)	\$ 16,205,026	Summer '09 (40 students)	\$ 86,960
Fall '00 (7,593 students)	\$ 6,773,604	Fall '05 (10,714 students)	\$ 14,802,211	Fall '09 (12,866 students)	\$ 21,385,426
Spring '01 (10,429 students)	\$ 8,849,942	Spring '06 (13,123 students)	\$ 17,350,460	Spring '10 (16,343 students)	\$ 25,633,991
Fall '01 (8,181 students)	\$ 8,369,094	Fall '06 (11,076 students)	\$ 16,259,849	<div>Total number of LLS students for Academic Year 2009-2010</div> <div>19,696</div>	
Spring '02 (11,001 students)	\$ 10,605,208	Spring '07 (13,826 students)	\$ 19,540,205		
Data provided by New Mexico Higher Education Department for the Legislative Lottery Scholarship program through FY '10 <sup>(6)(7)(8)</sup>					

(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](http://www.hed.state.nm.us)



# Our Winners' Thoughts About Legislative Lottery Scholarships



**Kathy & Gilbert Martinez**

Las Vegas  
Won \$16,000 playing Scratchers™  
The Martinez's daughter received a Legislative Lottery Scholarship and attended school at NMHU where she earned an undergraduate degree in social work.



**Jennifer Ha with Aaron Lucero**

Las Vegas  
Won \$50,000 playing Scratchers  
Jennifer received a Legislative Lottery Scholarship to study nursing at Luna Community College. "A lot of the kids I graduated with continued on to college because they got the scholarship."



**Frank & Martha Gutierrez**

Villanueva  
Won \$50,000 playing Scratchers  
The Gutierrez's son, Benito, plans to study engineering at NMHU with a Legislative Lottery Scholarship.



**Darlene & Manny Rincon**

Deming  
Won a \$970 camera package in a second-chance drawing  
Their son's friends attended NMSU on Legislative Lottery Scholarships and one of those friends now teaches school in Chaparral.



**Vandean & Jerry Isler**

Grady  
Won \$200,000 playing Powerball®  
Their granddaughter, Jadee Isler, is a college freshman at NMSU. "She chose a New Mexico college so she could take advantage of the (Legislative) Lottery Scholarship."



**Shari Runions with daughter Heather**

Roswell  
Won \$30,000 playing Scratchers  
As an assistant restaurant manager, Shari has supervised many young people who went on to college on Legislative Lottery Scholarships.



**Christina & Patrick Urban**

Las Cruces  
Won \$27,000 playing Scratchers  
The Urbans' three children attended NMSU on Legislative Lottery Scholarships. They're counting on the program to be available for their three young grandchildren. The Urbans believe that college is a necessity.



**Aurbra King**

Elida  
Won \$1.1 Million playing Hot Lotto®  
Fifty students from Elida, population 183, have attended college on Legislative Lottery Scholarships since 1996. Of those 50 students, 27 have already earned their college degrees and three have gone on to earn master's degrees.



**Ryan Kamm**

Albuquerque  
Won \$16,666 playing Powerball  
Ryan attended UNM on a Legislative Lottery Scholarship. He graduate in 2005 with a degree in nuclear engineering.



**Jean Hall**

Silver City  
Won \$60,000 playing Scratchers  
As a professor of communications at WNMU, Jean meets many young people who are worried about finding the money to pay for college. "I always encourage students to get the scholarship."



**Vicki Lee**

Crownpoint  
Won \$75,000 playing Roadrunner Cash™  
Vicki's 17-year-old son plans to attend college on a Legislative Lottery Scholarship.



**Sean Ray**

Albuquerque  
Won a \$970 camera package in a second-chance drawing  
Ray has five children and he's setting an expectation that they must attend college. He is counting on Legislative Lottery Scholarships to help.



New Mexico Lottery Authority

**STATEMENTS OF NET ASSETS**

June 30, 2010 and 2009

	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,988,826	\$ 4,089,266
Accounts receivable (net of allowance for doubtful accounts)	2,219,806	1,717,935
Reserves on deposit	2,698,135	2,648,344
Inventory	96,342	9,262
Prepaid expenses	103,401	105,998
Total current assets	8,106,510	8,570,805
CAPITAL ASSETS, NET	317,497	254,593
Total assets	<u>\$ 8,424,007</u>	<u>\$ 8,825,398</u>
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 1,674,615	\$ 1,883,818
Current portion of capital lease obligation	6,228	6,228
Prizes payable	3,314,239	4,142,150
Due to Lottery Tuition Fund	3,401,415	2,759,464
Total current liabilities	8,396,497	8,791,660
LONG-TERM LIABILITIES		
Noncurrent portion of capital lease obligation	27,510	33,738
Total liabilities	<u>\$ 8,424,007</u>	<u>\$ 8,825,398</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 317,497	\$ 254,593
Unrestricted net assets (deficit)	(317,497)	(254,593)
Total net assets	<u>\$ –</u>	<u>\$ –</u>

New Mexico Lottery Authority

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

Years ended June 30, 2010 and 2009

	2010	2009
REVENUES		
Instant ticket sales	\$ 81,231,127	\$ 82,178,010
Powerball sales	41,177,600	43,983,020
Hot Lotto sales	9,138,601	8,424,318
Roadrunner Cash sales	7,654,480	6,451,302
Mega Millions sales	3,846,692	–
Pick 3 sales	3,408,240	2,897,012
Retailer fees	32,350	40,188
Prize tickets	(2,798,905)	(1,588,669)
Spoiled, stolen, and promotional tickets	(71,413)	(68,964)
Bad Debts	(80,000)	–
Total revenues	<u>143,538,772</u>	<u>142,316,217</u>
GAME EXPENSES		
Prize expense	78,606,569	78,307,339
Retailer commissions	9,363,616	9,271,602
On-line vendor fees	2,290,586	4,009,103
Advertising	2,160,112	2,177,579
Ticket vendor fees	1,597,118	1,596,931
Shipping and postage	396,779	366,280
Promotions	292,958	289,495
Drawing game	134,059	133,113
Responsible gaming	82,690	81,120
Game membership	61,865	90,207
Instant ticket vending machine lease	–	33,750
Total game expenses	<u>94,986,352</u>	<u>96,356,519</u>
OPERATING EXPENSES		
Salaries, wages, and benefits	3,468,593	3,580,649
Leases and insurance	613,877	610,217
Utilities and maintenance	429,692	417,736
Professional fees	155,994	200,270
Depreciation and amortization	138,632	172,315
Materials and supplies	93,130	102,952
Travel	55,589	47,638
Other	55,122	261,897
Total operating expenses	<u>5,010,629</u>	<u>5,393,674</u>
OPERATING INCOME	<u>43,541,791</u>	<u>40,566,024</u>
NON-OPERATING INCOME		
Interest income	51,663	142,683
Other income	15,372	105,665
Total non-operating income	<u>67,035</u>	<u>248,348</u>
Net income before transfers	43,608,826	40,814,372
Transfers to Lottery Tuition Fund	<u>(43,608,826)</u>	<u>(40,814,372)</u>
Change in net assets	–	–
Net assets at beginning of year	<u>–</u>	<u>–</u>
Net assets at end of year	<u>\$ –</u>	<u>\$ –</u>

**New Mexico Lottery Authority**  
**STATEMENTS OF CASH FLOWS**  
Years ended June 30, 2010 and 2009

**Increase (Decrease) in Cash and Cash Equivalents**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Cash received:		
From retailers-sales net of commissions, incentives, and prize, spoiled, and stolen ticket credits	\$ 133,667,712	\$ 133,127,232
From MUSL - Powerball and Hot Lotto jackpots	2,957,650	102,903,653
Cash payments:		
To prize winners and related taxes	(66,896,189)	(170,567,957)
To MUSL	(15,495,941)	(12,386,671)
To suppliers of goods or services	(9,354,158)	(10,593,510)
To employees for services and related taxes	(2,820,576)	(2,907,184)
	<u>42,058,498</u>	<u>39,575,563</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Receipts of interest	15,547	226,578
Receipt of royalties	–	28,226
Receipts of rent	–	79,169
Other	154	8,749
	<u>15,701</u>	<u>342,722</u>
Net cash provided by investing activities		
Cash flows from noncapital financing activities		
Transfers to Lottery Tuition Fund	(42,966,875)	(41,007,557)
Cash flows from capital and related financing activities		
Purchases of capital assets	(201,536)	(177,656)
Principal payments under capital lease	(6,228)	(3,634)
	<u>(207,764)</u>	<u>(181,290)</u>
Net cash used by capital and related financing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,100,440)	(1,270,562)
Cash and cash equivalents at beginning of year	<u>4,089,266</u>	<u>5,359,828</u>
Cash and cash equivalents at end of year	<u>\$ 2,988,826</u>	<u>\$ 4,089,266</u>

**New Mexico Lottery Authority**  
**STATEMENTS OF CASH FLOWS — CONTINUED**  
Years ended June 30, 2010 and 2009

**Increase (Decrease) in Cash and Cash Equivalents**

	<u>2010</u>	<u>2009</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 43,541,791	\$ 40,566,024
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	138,632	172,315
Vendor's non-cash transactions	49,466	(525)
Interest on MUSL unreserved account	8,279	8,347
Net changes in assets and liabilities:		
Accounts receivable	(507,444)	82,617
Reserves on deposit	(49,791)	(106,062)
Inventory	(87,080)	6,418
Prepaid expenses	2,597	(12,293)
Accounts payable and other liabilities	(209,203)	644,232
Accrued liabilities	(838)	(41,874)
Prizes payable	(827,911)	(1,743,636)
	<u>\$ 42,058,498</u>	<u>\$ 39,575,563</u>
Net cash provided by operating activities		



New Mexico Lottery Authority

**BUDGETARY COMPARISON STATEMENTS**

Years ended June 30, 2010 and 2009

	2010				2009			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues								
Instant ticket sales	\$ 84,500,000	\$ 81,500,000	\$ 81,231,127	\$ (268,873)	\$ 91,000,000	\$ 82,000,000	\$ 82,178,010	\$ 178,010
Powerball sales	42,000,000	38,000,000	41,177,600	3,177,600	45,000,000	42,000,000	43,983,020	1,983,020
Hot Lotto sales	8,000,000	9,500,000	9,138,601	(361,399)	5,800,000	8,000,000	8,424,318	424,318
Roadrunner Cash sales	6,000,000	7,000,000	7,654,480	654,480	6,900,000	6,000,000	6,451,302	451,302
Mega Millions sales	–	5,300,000	3,846,692	(1,453,308)	–	–	–	–
Pick 3 sales	2,500,000	3,200,000	3,408,240	208,240	2,300,000	2,500,000	2,897,012	397,012
Retailer fees	16,000	29,000	32,350	3,350	24,000	33,000	40,188	7,188
Prize tickets	(3,800,000)	(3,500,000)	(2,798,905)	701,095	(3,700,000)	(2,300,000)	(1,588,669)	711,331
Spoiled, stolen, and promotional tickets	(192,000)	(75,000)	(71,413)	3,587	(188,000)	(83,000)	(68,964)	14,036
Bad debts	(24,000)	(24,000)	(80,000)	(56,000)	(12,000)	(10,000)	–	10,000
Total revenues	139,000,000	140,930,000	143,538,772	2,608,772	147,124,000	138,140,000	142,316,217	4,176,217
Total game expenses	91,560,000	93,254,000	94,986,352	1,732,352	99,383,000	92,885,000	96,356,519	3,471,519
Total operating expenses	5,900,000	5,378,000	5,010,629	(367,371)	6,067,000	5,631,000	5,393,674	(237,326)
Operating income	41,540,000	42,298,000	43,541,791	1,243,791	41,674,000	39,624,000	40,566,024	942,024
Total non-operating income	228,000	125,000	67,035	(57,965)	398,000	251,000	248,348	(2,652)
Net income before transfers to Lottery Tuition Fund	\$ 41,768,000	\$ 42,423,000	\$ 43,608,826	\$ 1,185,826	\$ 42,072,000	\$ 39,875,000	\$ 40,814,372	\$ 939,372

New Mexico Lottery Authority

**SCHEDULES OF PERCENTAGE RETURN TO THE STATE OF NEW MEXICO**

Years ended June 30, 2010 and 2009

	2010	2009
REVENUES		
Instant ticket sales	\$ 81,231,127	\$ 82,178,010
Powerball sales	41,177,600	43,983,020
Hot Lotto sales	9,138,601	8,424,318
Roadrunner Cash sales	7,654,480	6,451,302
Mega Millions sales	3,846,692	–
Pick 3 sales	3,408,240	2,897,012
Retailer fees	32,350	40,188
Prize tickets	(2,798,905)	(1,588,669)
Spoiled, stolen, and promotional tickets	(71,413)	(68,964)
Bad debts	(80,000)	–
Total revenues	143,538,772	142,316,217
NON-OPERATING INCOME		
Interest income	51,663	142,683
Other income	15,372	105,665
Total non-operating income	67,035	248,348
GROSS REVENUES	143,605,807	142,564,565
GAME EXPENSES		
Prize expense	78,606,569	78,307,339
Retailer commissions	9,363,616	9,271,602
On-line vendor fees	2,290,586	4,009,103
Advertising	2,160,112	2,177,579
Ticket vendor fees	1,597,118	1,596,931
Shipping and postage	396,779	366,280
Promotions	292,958	289,495
Drawing game	134,059	133,113
Responsible gaming	82,690	81,120
Game membership	61,865	90,207
Instant ticket vending machine lease	–	33,750
Total game expenses	94,986,352	96,356,519
OPERATING EXPENSES		
Salaries, wages, and benefits	3,468,593	3,580,649
Leases and insurance	613,877	610,217
Utilities and maintenance	429,692	417,736
Professional fees	155,994	200,270
Depreciation and amortization	138,632	172,315
Materials and supplies	93,130	102,952
Travel	55,589	47,638
Other	55,122	261,897
Total operating expenses	5,010,629	5,393,674
OPERATING INCOME	43,541,791	40,566,024
NET INCOME	\$ 43,608,826	\$ 40,814,372
GROSS REVENUE PERCENTAGE RETURN	30.37%	28.63%

## Mega Millions® Comes to New Mexico



In early FY 2010, two industry trade associations reached an agreement to let state lotteries sell both *Powerball*® and *Mega Millions*.

As a result, the New Mexico Lottery's Board approved the *Mega Millions* game. The Board's decision allowed the Lottery to create sales materials, train store clerks and program software to enable the Lottery's

1,100 retailers to sell tickets and validate prizes.

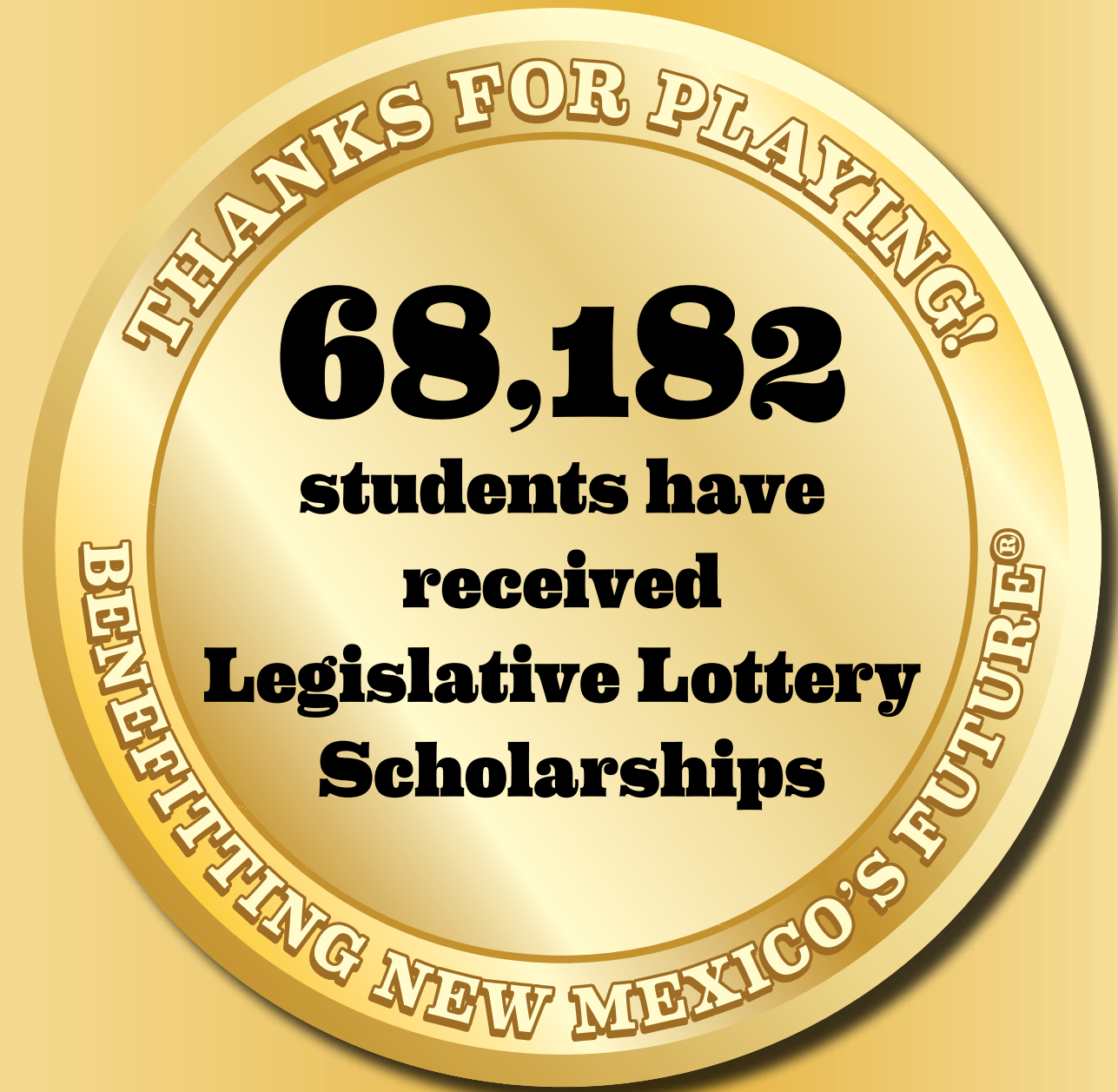
On January, 31, 2010, the New Mexico Lottery began offering the *Mega Millions* multi-state jackpot game alongside *Powerball* and *Hot Lotto*®.

During FY 2010, *Mega Millions* brought in **\$3.85 million** in net sales.



Above: Installation of new billboard

Right: In-store counter card for the "Dream Big" launch campaign



### Layout and Design

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### Financial Statements

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Complete financial information for Fiscal Year 2010 and previous New Mexico Lottery Authority annual reports are available at [nmlottery.com](http://nmlottery.com)



