

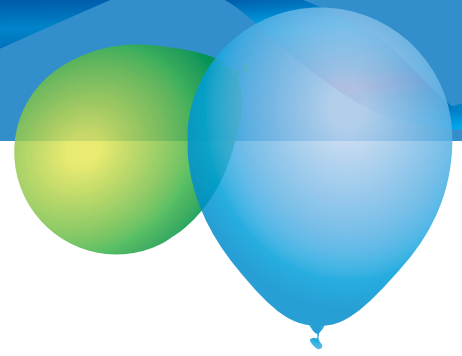
NEW MEXICO LOTTERY



**HAPPY 15TH
BIRTHDAY!**

**ANNUAL REPORT
FISCAL YEAR 2011**

BOARD OF DIRECTORS 2011



Marcus J. Rael Jr., Esq.
Chair
Albuquerque
Attorney
Board Member since 2009



Ken Hoeksema
Vice Chair
Las Cruces
Business & Professional
Representative
Board Member since 2008



Clifford Stroud, MBA
Secretary
Carlsbad
Business & Professional
Representative
Board Member since 2006



Herman J. Tabet
Assistant Secretary - Treasurer
Belen
Business & Professional
Representative
Board Member since 2005



Nino Trujillo
Member
Belen
Business & Professional
Representative
Board Member since 2005



Reta D. Jones, CPA
Member
Albuquerque
Certified Public Accountant
Board Member since 2003

A LETTER FROM THE BOARD OF DIRECTORS AND CEO

The New Mexico Lottery marked two significant achievements in Fiscal Year 2011.

First, we raised **\$41.3 million** for Legislative Lottery Scholarships. It was our second-highest revenue year even though we missed our sales goal of \$146 million. Net ticket sales came to **\$135.5 million**, down \$8.1 million from \$143.5 million in FY 2010 and \$10.5 million off our FY 2011 goal.

Despite the sluggish economy, our players remembered the two most important things about New Mexico Lottery games – they're a great entertainment value and they help a son, a daughter, a grandchild or a friend realize their dream of acquiring a college education. We are very grateful for the support of our players, especially when they have so many pastimes appealing for their discretionary dollars.

In the year's second milestone, we celebrated our 15th anniversary.

Since selling our first Scratcher ticket in April 1996, we have raised **\$487.5 million** for education in our state. These profits have helped build and repair schools and provide college tuition. As of the spring 2011 semester, more than **75,300 students** have attended college on Legislative Lottery Scholarships. More than **34,000** of those students have already earned their college degrees. Each scholarship has helped make New Mexico a better place for all of us to live.

Over 15 years, our numbers have added up in other ways:

- **\$1.91 billion** in net tickets sales;
- **\$1.05 billion** in prize expense;
- **32 millionaires**;
- **\$131 million** in commissions for retailers;
- **\$23.9 million** in state taxes withheld.

These are great numbers to build upon.

On behalf of our 55 employees and volunteer board of directors, we wish to thank players, retail partners, and suppliers as well as legislators past and present for their unfailing commitment to the success of the New Mexico Lottery and the Legislative Lottery Scholarship program.

Sincerely,

Marcus J. Rael Jr., Esq.
Chair, Board of Directors

Tom Romero
CEO

“Every person who has bought a lottery ticket in the past 15 years has helped someone go to college and contributed to our state's good fortune.”

— Tom Romero, CEO



Marcus J. Rael Jr., Esq.
Chair, Board of Directors



Tom Romero
CEO

WINNER SNAPSHOTS



**KATHY FARMER
ZUNI**
\$50,000
"5X LUCKY"
SCRATCHER

“I didn't think it was a winner so I threw it aside. When I checked it, I found I'd won \$50,000! It's a wonderful feeling!”



WILLIAM HART
LAS CRUCES
\$179,000
ROADRUNNER
CASH

“I started chuckling. It felt good. I might buy a new car and make investments.”



Department Highlights

FINANCE

- ▶ Received an unqualified opinion on the independent financial audit for the 16th consecutive fiscal year
- ▶ Collected \$78,012,203 in retailer sweeps, \$232,495 in non-sufficient funds with only \$1,300 in write-offs, and \$5,000 in non-sufficient funds fee income
- ▶ Identified and reclassified accumulated obsolete assets to sell at state auction
- ▶ Arranged and attended cost effective four-day in-house customized Great Plains accounting software training

HUMAN RESOURCES

- ▶ Negotiated minimal health and dental premium increases
- ▶ Negotiated no increases in short/long-term disability and supplemental life insurance

MANAGEMENT INFORMATION SYSTEMS

- ▶ Developed and tested a VIP Club
- ▶ Re-wrote programs and modified existing code so that stores could validate Scratchier tickets for prizes after the Lottery entered into a contract with a new ticket printing vendor
- ▶ Automated monthly, quarterly, bi-annual and annual sales reports
- ▶ Migrated to Windows 7 Operating System
- ▶ Issued an RFP for re-development of Lottery network
- ▶ Performed quality assurance testing for four software releases

MARKETING & COMMUNICATIONS

- ▶ Introduced the "Whatchagonnado?"™ campaign to help attract new players and re-energize the Lottery brand
- ▶ Launched the VIP Club and established a Facebook presence
- ▶ Created "Lucky Dog" Scratchier, our first player-inspired ticket; players entered more than 7,000 pet photos and cast more than 100,000 votes

- ▶ Negotiated and implemented 337 radio promotions; 43 included radio remotes
- ▶ Participated in 10 major community and educational events

SALES

- ▶ Introduced "Sales Accelerator" program
 - Immersed three retailers in Lottery signage
 - Increased the three retailers' sales by 27% to 39%
- ▶ Acquired 39 new Lottery retailers
 - Including 8 chains with 19 stores
 - Increased Lottery retail presence by 2%
- ▶ Conducted 15,300 retailer visits traveling 208,000 miles
- ▶ Processed 61,000 retailer calls
 - 11,000 inbound calls
 - 50,000 outbound calls
- ▶ Placed 51,000 orders for 209,350 Scratchier ticket packs

SECURITY & ENFORCEMENT

- ▶ Assisted the Albuquerque Police Department in apprehending a suspect posing as a Lottery employee
- ▶ Conducted six second-chance drawings and assisted with "Lucky Dog," "Aerosmith"™ and "KISS"™ Scratchier promotions
- ▶ Performed 100 retailer inspections and monitored 15 retailers for sales to minors
- ▶ Conducted background investigations of 100 retailers and 72 prospective Lottery and vendor employees
- ▶ Hosted a course to help Lottery security agents and law enforcement agencies throughout the state conduct background investigations to determine employment eligibility of job applicants
- ▶ Validated 600 claims for winning tickets of more than \$600; packed and shipped 66,700 Scratchier ticket orders



BLANCHE BOYD, FORT SUMNER
\$50,000, POWERBALL

“ I plan to visit my three-year-old great grandson in Texas. And now I'm going home to brag to my sisters. ”

ORGANIZATIONAL DIVISIONS



HISTORICAL REVIEW

	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 ↓
TOTALS	\$1.92 Billion	\$487.5 Million

- Lottery Tuition Fund: \$420,926,253 (1996 to present)
- Public School Capital Outlay Fund: \$66,553,850 (1996 to 2001)
- Raised for public education through Fiscal Year 2011: \$487,480,103

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

** Rounded



ANDREW TORN
ALBUQUERQUE
\$1 MILLION
POWERBALL

“I thanked God.
 Then I had a cup of
 coffee.”



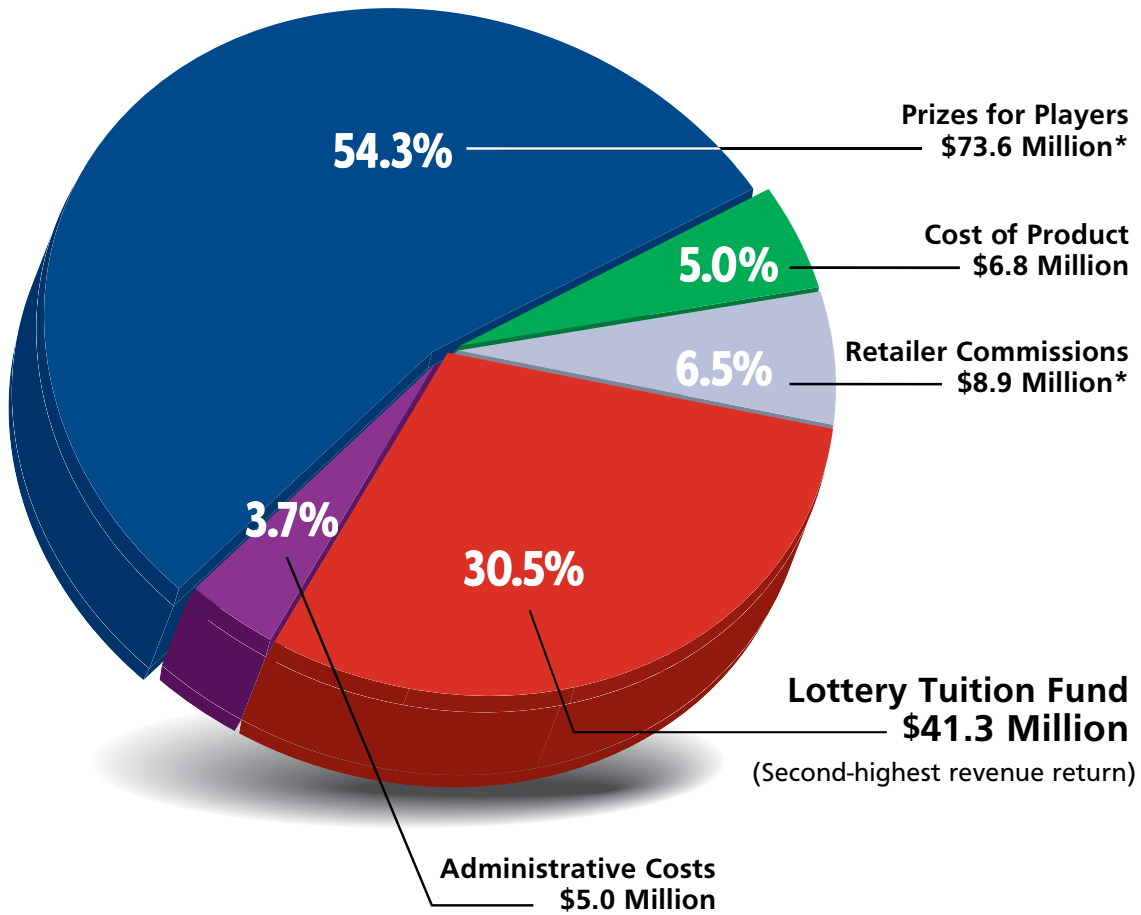
CHRIS HENDERSON
ALBUQUERQUE
\$217,000
ROADRUNNER
CASH

“I’m going to give
 my kids money so
 that they can make
 their own investments.
 They can spend half,
 but then they have
 to invest half.”

WHERE THE MONEY GOES

15

\$135.6 Million in Gross Revenues for the New Mexico Lottery Fiscal Year 2011: A Financial Overview



(Numbers are rounded)

*Includes jackpot prize payments to the Multi-State Lottery Association for Powerball®, Mega Millions® 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.

75,315 High School Graduates and GED Recipients Have Attended College on Legislative Lottery Scholarships (LLS)

Student Count By County Fall 1997 — Spring 2011

County	LLS Students	Total Awards	Total Graduates So Far
Bernalillo	22,938	\$ 143,294,770	10,631
Catron	101	\$ 616,446	55
Chaves	2,578	\$ 9,556,832	1,116
Cibola	916	\$ 3,775,106	450
Colfax	339	\$ 1,556,255	158
Curry	1,972	\$ 6,624,496	841
De Baca	127	\$ 585,756	61
Doña Ana	8,338	\$ 44,895,125	3,976
Eddy	2,203	\$ 8,977,050	1,030
Grant	1,265	\$ 6,509,817	628
Guadalupe	200	\$ 856,336	87
Harding	74	\$ 377,571	49
Hidalgo	198	\$ 1,025,063	96
Lea	1,651	\$ 4,253,315	704
Lincoln	789	\$ 3,641,805	346
Los Alamos	1,226	\$ 7,935,323	617
Luna	726	\$ 3,418,334	288
McKinley	2,103	\$ 7,766,242	774
Mora	235	\$ 947,713	102
Otero	2,309	\$ 10,822,265	1,162
Quay	415	\$ 1,685,518	198
Rio Arriba	1,985	\$ 8,162,529	899
Roosevelt	1,026	\$ 4,111,923	452
San Juan	3,860	\$ 13,416,353	1,749
San Miguel	1,265	\$ 5,686,143	642
Sandoval	4,101	\$ 22,890,552	1,670
Santa Fe	4,847	\$ 24,428,844	2,052
Sierra	277	\$ 1,713,807	128
Socorro	495	\$ 2,983,654	256
Taos	1,215	\$ 5,704,395	491
Torrance	556	\$ 2,866,510	237
Union	171	\$ 842,340	88
Valencia	3,188	\$ 14,527,221	1,351
Other*	1,306	\$ 5,258,001	451
No Response [‡]	320	\$ 1,697,544	176
Total:	75,315	\$ 383,410,954	34,011

*“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 2011

• 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 1999; 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 2001 and the last grants made with Lottery revenues occurred in FY 2002

17,053 Legislative Lottery Scholarships — Spring Semester 2011

Name of School	Spring 2011 LLS Students	Total Students (Fall '97 – Spring '11)	Total LLS Awards (Fall '97 – Spring '11)
RESEARCH UNIVERSITIES			
New Mexico Institute of Mining and Technology — Socorro	438 ↗	1,802	\$ 11,834,280
New Mexico State University — Las Cruces (Main Campus)	3,850 ↗	17,405	\$ 110,852,053
University of New Mexico — Albuquerque (Main Campus)	7,294 ↗	29,744	\$ 212,316,172
COMPREHENSIVE UNIVERSITIES			
Eastern New Mexico University — Portales (Main Campus)	863 ↗	4,524	\$ 16,625,880
New Mexico Highlands University — Las Vegas ⁽¹⁾	289	1,808	\$ 5,247,608
Northern New Mexico College — Española & El Rito ⁽⁴⁾	195 ↗	1,159	\$ 1,165,428
Western New Mexico University — Silver City	198	1,186	\$ 3,613,797
TWO-YEAR BRANCH COLLEGES			
Eastern New Mexico University — Roswell	228	1,694	\$ 1,493,097
Eastern New Mexico University — Ruidoso	63 ↗	319	\$ 169,743
New Mexico State University — Alamogordo	172 ↗	1,214	\$ 1,392,830
New Mexico State University — Carlsbad	91	993	\$ 953,890
New Mexico State University — Doña Ana	667 ↗	3,296	\$ 3,924,571
New Mexico State University — Grants	53	460	\$ 501,219
University of New Mexico — Gallup	140	996	\$ 1,019,522
University of New Mexico — Los Alamos	39	606	\$ 554,363
University of New Mexico — Taos	63	413	\$ 440,569
University of New Mexico — Valencia (Los Lunas)	240 ↗	1,608	\$ 1,743,080
INDEPENDENT COMMUNITY/JUNIOR COLLEGES			
Central New Mexico Community College ⁽⁵⁾	1,242 ↗	7,217	\$ 4,773,418
Clovis Community College	84	1,110	\$ 689,950
Luna Community College — Las Vegas ⁽¹⁾⁽²⁾	79	290	\$ 168,165
Mesalands Community College — Tucumcari ⁽³⁾	35	235	\$ 332,952
New Mexico Junior College — Hobbs	134	1,252	\$ 578,389
New Mexico Military Institute — Roswell	17	153	\$ 174,032
San Juan College — Farmington	351	2,551	\$ 1,597,132
Santa Fe Community College	228	1,731	\$ 1,248,814
TOTAL CAMPUSES — 25⁽¹⁾			
TOTAL STUDENTS SPRING 2011 SEMESTER⁽⁶⁾⁽⁷⁾		17,053	
TOTAL SINCE INCEPTION THROUGH SPRING 2011⁽⁶⁾⁽⁷⁾⁽⁸⁾			\$ 383,410,954

- (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

Not Reported '97 (88 students)	\$ 65,260	Spring '03 (11,273 students)	\$ 11,724,857	Fall '07 (11,513 students)	\$ 17,671,062
Summer '97 (45 students)	\$ 11,641	Summer '03 (2 students)	\$ 2,328	Spring '08 (14,395 students)	\$ 21,106,409
Not Reported '98 (5,208 students)	\$ 4,327,019	Fall '03 (9,470 students)	\$ 10,840,562	Summer '08 (41 students)	\$ 82,164
Summer '98 (46 students)	\$ 11,683	Spring '04 (12,023 students)	\$ 13,142,538	Fall '08 (12,046 students)	\$ 19,443,158
Fall '99 (6,293 students)	\$ 5,088,456	Summer '04 (3 students)	\$ 4,083	Spring '09 (15,565 students)	\$ 23,711,548
Not Reported '99 (8,037 students)	\$ 8,029,942	Fall '04 (10,014 students)	\$ 12,775,860	Summer '09 (40 students)	\$ 86,960
Spring '00 (9,804 students)	\$ 7,639,693	Spring '05 (12,770 students)	\$ 15,531,521	Fall '09 (12,866 students)	\$ 21,385,426
Fall '00 (7,377 students)	\$ 6,712,523	Summer '05 (3 students)	\$ 3,129	Spring '10 (16,343 students)	\$ 25,633,991
Spring '01 (10,249 students)	\$ 8,814,067	Fall '05 (10,657 students)	\$ 14,802,211	Summer '10 (31 students)	\$ 133,462
Summer '01 (1 student)	\$ 978	Spring '06 (13,067 students)	\$ 17,345,946	Fall '10 (13,619 students)	\$ 24,404,371
Fall '01 (8,133 students)	\$ 8,327,143	Summer '06 (16 students)	\$ 23,394	Spring '11 (17,017 students)	\$ 28,669,026
Spring '02 (10,602 students)	\$ 10,423,916	Fall '06 (11,032 students)	\$ 16,259,849		
Summer '02 (1 student)	\$ 1,074	Spring '07 (13,788 students)	\$ 19,540,205		
Fall '02 (8,753 students)	\$ 9,551,759	Summer '07 (43 students)	\$ 81,740		

Total number of LLS students for Academic Year 2010-2011 20,683

Data provided by New Mexico Higher Education Department for the Legislative Lottery Scholarship program through FY '11⁽⁶⁾⁽⁷⁾⁽⁸⁾

Keepin' Up with the Times

Very Important Players Club

The New Mexico Lottery launched its VIP Club in December 2010. Players can now get email and text message reminders about jackpot amounts and the winning numbers from the previous night's drawing. Members can also elect to receive announcements about big winners, new Scratchers and Lottery promotions.

In addition, club membership features access to an online ticket checking tool for Powerball, Mega Millions, Hot Lotto, Roadrunner Cash and Pick 3.

After players enter their ticket numbers from a specific game, the tool will list drawings from the past 90 days that included those numbers and the prize amounts won.

There is no fee to join the VIP Club and all club services are free.



“The VIP Club lets players automate reminders so that they're always in the know about the latest Lottery happenings.”

—Tom Romero, CEO



JACKIE & JIMMY HUNT
ALAMOGORDO
\$200,000

"DIAMOND EXPLOSION" SCRATCHER

“He (Jimmy) is my good luck charm. Whenever he gets the tickets, I always win my money back.”



KENNETH & KENNI NUTT, CLOVIS
\$303,000, ROADRUNNER CASH

“We will pay off a home loan and give gifts to our grown children. I've already written checks to send in their Valentines. I would love to be there when they open their cards.”

SOCIAL MEDIA

Lucky Dog Photo Contest

The New Mexico Lottery ran its first player-inspired Scratcher contest in January 2011. Dog owners were invited to submit their pets' photos to nmllottery.com where players voted for their favorite pooch. From the 25 top vote-getters, six furry faces were selected for the game's tickets.



Facebook



You can find the New Mexico Lottery on Facebook.

In December 2010, the Lottery joined the social media set as part of its strategy to reach younger, more connected players that may not be consuming mainstream media.

At its Facebook page, the Lottery announces winners, posts videos and photos, announces new Scratcher games, promotes jackpots, invites fans to come to Lottery events and reminds people to take advantage of Legislative Lottery Scholarships to attend college.

And because Facebook is a two-way medium, players post their own content. They congratulate winners, post their own stories about winning a Lottery prize, share their dreams of how they would spend a jackpot and ask questions.

We "like" that.



**RAUL ESTRADA
LA MESILLA
\$200,000
POWERBALL**

“ I don't know how many times I blinked. Then I started yelling, 'We won, we won!' ”

New Mexico Lottery Authority

STATEMENTS OF NET ASSETS

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,561,825	\$ 2,988,826
Accounts receivable (net of allowance for doubtful accounts)	885,691	2,219,806
Reserves on deposit	2,925,251	2,698,135
Inventory	11,334	96,342
Prepaid expenses	113,005	103,401
	<hr/>	<hr/>
Total current assets	9,497,106	8,106,510
CAPITAL ASSETS, NET		
	168,065	317,497
	<hr/>	<hr/>
Total assets	<u>\$ 9,665,171</u>	<u>\$ 8,424,007</u>
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 1,829,650	\$ 1,674,615
Current portion of capital lease obligation	6,228	6,229
Prizes payable	4,592,530	3,314,239
Due to Lottery Tuition Fund	3,215,482	3,401,415
	<hr/>	<hr/>
Total current liabilities	9,643,890	8,396,498
LONG-TERM LIABILITIES		
Noncurrent portion of capital lease obligation	21,281	27,509
	<hr/>	<hr/>
Total liabilities	<u>\$ 9,665,171</u>	<u>\$ 8,424,007</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 168,065	\$ 317,497
Unrestricted net assets (deficit)	(168,065)	(317,497)
	<hr/>	<hr/>
Total net assets	<u>\$ -</u>	<u>\$ -</u>

New Mexico Lottery Authority
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years ended June 30, 2011 and 2010

	2011	2010
REVENUES		
Instant ticket sales	\$ 78,857,176	\$ 81,231,127
Powerball sales	29,113,287	41,177,600
Mega Millions sales	10,665,551	3,846,692
Roadrunner Cash sales	8,754,477	7,654,480
Hot Lotto sales	7,571,584	9,138,601
Pick 3 sales	3,731,680	3,408,240
Retailer fees	12,674	32,350
Prize tickets	(3,086,281)	(2,798,905)
Spoiled, stolen, and promotional tickets	(66,440)	(71,413)
Bad debts	(12,000)	(80,000)
Total revenues	135,541,708	143,538,772
GAME EXPENSES		
Prize expense	73,613,337	78,606,569
Retailer commissions	8,859,206	9,363,616
Advertising	2,286,794	2,160,112
On-line vendor fees	2,170,366	2,290,586
Ticket vendor fees	1,350,379	1,597,118
Shipping and postage	423,742	396,779
Promotions	323,236	292,958
Drawing game	122,372	134,059
Responsible gaming	87,400	82,690
Game membership	57,450	61,865
Total game expenses	89,294,282	94,986,352
OPERATING EXPENSES		
Salaries, wages, and benefits	3,456,748	3,468,593
Leases and insurance	593,740	613,877
Utilities and maintenance	402,813	429,692
Depreciation and amortization	160,834	138,632
Professional fees	123,524	155,994
Materials and supplies	104,361	93,130
Other	67,746	55,122
Travel	65,323	55,589
Total operating expenses	4,975,089	5,010,629
OPERATING INCOME	41,272,337	43,541,791
NON-OPERATING INCOME		
Interest income	23,557	51,663
Other income	11,396	15,372
Total non-operating income	34,953	67,035
Net income before transfers	41,307,290	43,608,826
Transfers to Lottery Tuition Fund	41,307,290	43,608,826
Change in net assets	-	-
Net assets at beginning of year	-	-
Net assets at end of year	\$ -	\$ -

New Mexico Lottery Authority

STATEMENTS OF CASH FLOWS

Years ended June 30, 2011 and 2010

Increase (Decrease) in Cash and Cash Equivalents

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Cash received:		
From retailers – sales net of commissions, incentives, and prize, spoiled, and stolen ticket credits	\$ 128,008,488	\$ 133,667,712
From MUSL – Hot Lotto jackpots	-	2,957,650
Cash payments:		
To prize winners and related taxes	(60,028,057)	(66,896,189)
To MUSL	(12,306,989)	(15,495,941)
To suppliers of goods or services	(8,771,710)	(9,354,158)
To employees for services and related taxes	(2,827,093)	(2,820,576)
Net cash provided by operating activities	<u>44,074,639</u>	<u>42,058,498</u>
Cash flows from investing activities		
Receipts of interest	8,987	15,547
Other	227	154
Net cash provided by investing activities	<u>9,214</u>	<u>15,701</u>
Cash flows from noncapital financing activities		
Transfers to Lottery Tuition Fund	(41,493,223)	(42,966,875)
Cash flows from capital and related financing activities		
Purchases of capital assets	(11,402)	(201,536)
Principal payments under capital lease	(6,229)	(6,228)
Net cash used by capital and related financing activities	<u>(17,631)</u>	<u>(207,764)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,572,999	(1,100,440)
Cash and cash equivalents at beginning of year	<u>2,988,826</u>	<u>4,089,266</u>
Cash and cash equivalents at end of year	<u>\$ 5,561,825</u>	<u>\$ 2,988,826</u>

New Mexico Lottery Authority
STATEMENTS OF CASH FLOWS — CONTINUED
Years ended June 30, 2011 and 2010

Increase (Decrease) in Cash and Cash Equivalents

	2011	2010
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 41,272,337	\$ 43,541,791
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	160,834	138,632
Vendor's non-cash transactions	31,992	48,628
Interest on MUSL unreserved account	1,876	8,279
Net changes in assets and liabilities:		
Accounts receivable	1,325,986	(507,444)
Reserves on deposit	(227,116)	(49,791)
Inventory	85,008	(87,080)
Prepaid expenses	(9,604)	2,597
Accounts payable and other liabilities	155,035	(209,203)
Prizes payable	1,278,291	(827,911)
	<u>\$ 44,074,639</u>	<u>\$ 42,058,498</u>

New Mexico Lottery Authority
BUDGETARY COMPARISON STATEMENTS
Years ended June 30, 2011 and 2010

	2011				2010			
	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	\$ 78,000,000	\$ 78,857,176	\$ 857,176	\$ 84,500,000	\$ 81,500,000	\$ 81,231,127	\$ (268,873)
Powerball sales	36,000,000	27,000,000	29,113,287	2,113,287	42,000,000	38,000,000	41,177,600	3,177,600
Mega Millions sales	11,000,000	9,500,000	10,665,551	1,165,551	-	5,300,000	3,846,692	(1,453,308)
Roadrunner Cash sales	6,500,000	10,000,000	8,754,477	(1,245,523)	6,000,000	7,000,000	7,654,480	654,480
Hot Lotto sales	9,000,000	8,000,000	7,571,584	(428,416)	8,000,000	9,500,000	9,138,601	(361,399)
Pick 3 sales	3,000,000	3,600,000	3,731,680	131,680	2,500,000	3,200,000	3,408,240	208,240
Retailer fees	16,000	11,000	12,674	1,674	16,000	29,000	32,350	3,350
Prize tickets	(3,800,000)	(3,250,000)	(3,086,281)	163,719	(3,800,000)	(3,500,000)	(2,798,905)	701,095
Spoiled, stolen, and promotional tickets	(192,000)	(137,000)	(66,440)	70,560	(192,000)	(75,000)	(71,413)	3,587
Bad debts	(24,000)	(24,000)	(12,000)	12,000	(24,000)	(24,000)	(80,000)	(56,000)
Total revenues	<u>146,000,000</u>	<u>132,700,000</u>	<u>135,541,708</u>	<u>2,841,708</u>	<u>139,000,000</u>	<u>140,930,000</u>	<u>143,538,772</u>	<u>2,608,772</u>
Total game expenses	96,271,000	87,567,000	89,294,282	1,727,282	91,560,000	93,254,000	94,986,352	1,732,352
Total operating expenses	<u>5,975,000</u>	<u>5,344,000</u>	<u>4,975,089</u>	<u>(368,911)</u>	<u>5,900,000</u>	<u>5,378,000</u>	<u>5,010,629</u>	<u>(367,371)</u>
Operating income	43,754,000	39,789,000	41,272,337	1,483,337	41,540,000	42,298,000	43,541,791	1,243,791
Total non-operating income	<u>75,000</u>	<u>30,000</u>	<u>34,953</u>	<u>4,953</u>	<u>228,000</u>	<u>125,000</u>	<u>67,035</u>	<u>(57,965)</u>
Net income before transfers to Lottery Tuition Fund	<u>\$ 43,829,000</u>	<u>\$ 39,819,000</u>	<u>\$ 41,307,290</u>	<u>\$ 1,488,290</u>	<u>\$ 41,768,000</u>	<u>\$ 42,423,000</u>	<u>\$ 43,608,826</u>	<u>\$ 1,185,826</u>

New Mexico Lottery Authority
SCHEDULE OF PERCENTAGE RETURN TO THE STATE OF NEW MEXICO

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Instant ticket sales	\$ 78,857,176	\$ 81,231,127
Powerball sales	29,113,287	41,177,600
Mega Millions sales	10,665,551	3,846,692
Roadrunner Cash sales	8,754,477	7,654,480
Hot Lotto sales	7,571,584	9,138,601
Pick 3 sales	3,731,680	3,408,240
Retailer fees	12,674	32,350
Prize tickets	(3,086,281)	(2,798,905)
Spoiled, stolen, and promotional tickets	(66,440)	(71,413)
Bad debts	(12,000)	(80,000)
Total revenues	<u>135,541,708</u>	<u>143,538,772</u>
NON-OPERATING INCOME		
Interest income	23,557	51,663
Other income	11,396	15,372
Total non-operating income	<u>34,953</u>	<u>67,035</u>
GROSS REVENUES	<u>135,576,661</u>	<u>143,605,807</u>
GAME EXPENSES		
Prize expense	73,613,337	78,606,569
Retailer commissions	8,859,206	9,363,616
Advertising	2,286,794	2,160,112
On-line vendor fees	2,170,366	2,290,586
Ticket vendor fees	1,350,379	1,597,118
Shipping and postage	423,742	396,779
Promotions	323,236	292,958
Drawing game	122,372	134,059
Responsible gaming	87,400	82,690
Game membership	57,450	61,865
Total game expenses	<u>89,294,282</u>	<u>94,986,352</u>
OPERATING EXPENSES		
Salaries, wages, and benefits	3,456,748	3,468,593
Leases and insurance	593,740	613,877
Utilities and maintenance	402,813	429,692
Depreciation and amortization	160,834	138,632
Professional fees	123,524	155,994
Materials and supplies	104,361	93,130
Other	67,746	55,122
Travel	65,323	55,589
Total operating expenses	<u>4,975,089</u>	<u>5,010,629</u>
OPERATING INCOME	<u>41,272,337</u>	<u>43,541,791</u>
NET INCOME	<u>\$ 41,307,290</u>	<u>\$ 43,608,826</u>
GROSS REVENUE PERCENTAGE RETURN	<u>30.47%</u>	<u>30.37%</u>

CAMPAIGNS & SPECIALTY GAMES



To reach new players, the Lottery launched a marketing campaign called “Whatchagonnado?” The phrase is intended to arouse the curiosity most people have about how Lottery winners will use their prizes while urging non-players to think about getting into the game.

The question “Whatchagonnado?” is also used to ask students to think about their future as college graduates and to promote awareness of Legislative Lottery Scholarships.

“Whatchagonnado?” is the centerpiece of broadcast and online advertising for Lottery games, the Lottery’s website, point-of-sale materials, ticket messages, billboards, social media engagements, and television ads. The ads, filmed to appear as unedited home movies, depict the raw emotion that grabs Lottery players when they realize they have a winning ticket.



Scenes from “Whatchagonnado?” television ads capture the fun of winning.



The Hector Martinez family of Clovis received a ceremonial check.

The Lottery commemorated its 15th anniversary in April 2011 with the “15th Anniversary Special Edition” Scratcher. The game's tickets were done entirely in tuxedo black ink. The \$3 game featured top prizes of \$25,000.



The Lottery hosted wheel spin events throughout the state while radio stations gave away tickets to listeners.



“M&M’s®” sweetened the Lottery’s Valentine-themed Scratcher. Ticket scenes included the cool “Blue” candy belting out a soulful saxophone serenade and the seductive “Green” candy – the group’s single female – blowing flirty green kisses. The \$2 game featured top prizes of \$10,000.



“When the Lottery asked me to participate, I immediately recalled my own high school days when I was asking myself how I would pay for college.”

—Darius Rucker

Country music star Darius Rucker appeared in his first Scratcher game. The \$5 tickets featured top prizes of \$65,000. Plus, players with non-winning tickets could enter to win one of two prize packages that included a trip to meet Rucker in Nashville and see him perform at the Country Music Awards Music Festival.



Second-chance drawing winners Christopher Williams of Las Cruces with guest Rosie Quintana and Deborah Howden of Los Ranchos with guest Susan Spinelli met Darius Rucker in Nashville.



MARA STATNEKOV
SANTA FE
\$20,000
POWERBALL

“The only reason I buy a Lottery ticket is to support education in New Mexico. It's really important to me.”



Benefitting New Mexico's Future®

Layout and Design
Holli Fillmore

Contributing Photographers
Wendy Creel, Joby Elliott, Holli Fillmore,
Nadine Guillén, Jessica Quintana

Financial Statements
Sylvia A. Jaramillo, CPA

Additional Assistance
Dina Advani
New Mexico Higher Education Department

Complete financial information for Fiscal Year 2011 and previous New Mexico Lottery Authority annual reports are available at nmlottery.com



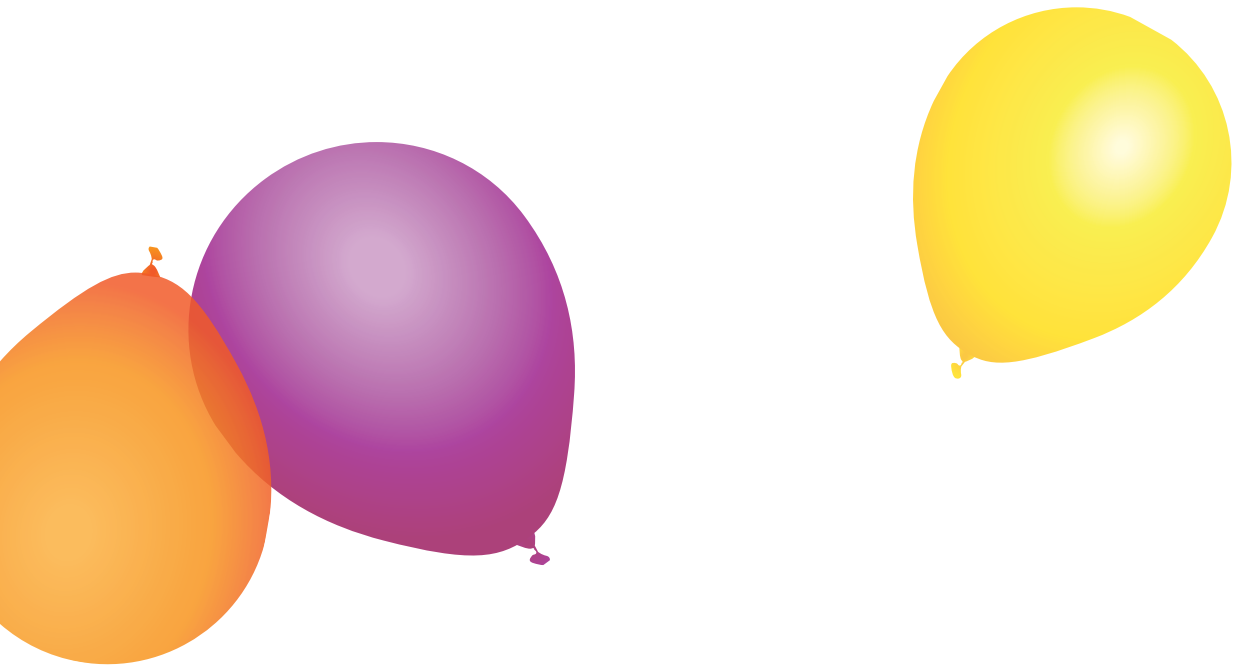
Buy a Ticket
CHANGE A LIFE

75,315

students have received

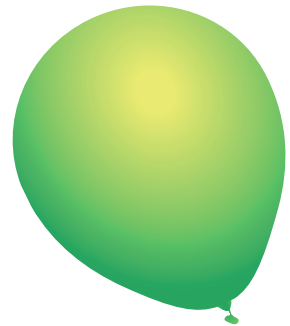
LEGISLATIVE
LOTTERY
SCHOLARSHIPS

100% of net revenues benefit
education in New Mexico



**\$487.5
MILLION**

**for New Mexico education
since 1996**



Benefitting New Mexico's Future®

P.O. Box 93130
Albuquerque, NM 87199-3130
(505) 342-7600
nmlottery.com