

FY 2013 Annual Report



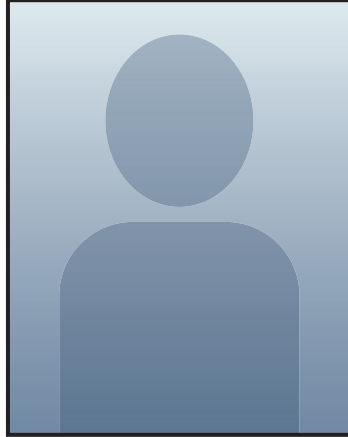
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Board of Directors



Mark Koson
Secretary (8/12 – 10/12)
Member (10/12 – 7/13)
Vice Chair (7/13 – current)
Albuquerque
Business & Professional Representative
Board Member Since 5/12



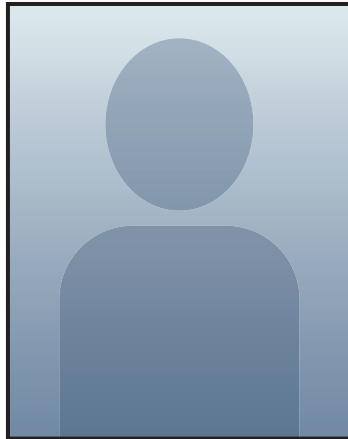
John Kubiak
Secretary/Treasurer
(7/13 – current)
Albuquerque
Certified Public Accountant
Board Member Since 7/13



Amy Bailey
Secretary (10/12 – 7/13)
Assistant Secretary/Treasurer
(7/13 – current)
Albuquerque
Business & Professional Representative
Board Member Since 9/12



Salvatore Baragiola
Member
Albuquerque
Law Enforcement Officer
Board Member Since 10/12



Claude Austin
Member
Clayton
Business & Professional Representative
Board Member Since 9/13



Paul Guerin, Ph.D.
Member
Albuquerque
Business & Professional Representative
Board Member Since 8/13

New Mexico Lottery Mission Statement
Maximize revenues for education by conducting a fair and honest lottery for the entertainment of the public.

A Letter from the Board

At a time when more college students than ever need financial aid, the New Mexico Lottery raised a record \$43.7 million for Legislative Lottery Scholarships in Fiscal Year 2013.

Our sales goal for the year was \$135 million. Thanks to two record-breaking Powerball® jackpots, Scratcher™ games that offered more opportunities to win, and exciting promotions for both players and store clerks, our net sales came to \$141.8 million.

With net sales up 6 percent from FY 2012, we were able to beat our revenue projection by more than \$3 million.

At the same time, prizes were \$77.1 million. This includes three prizes of \$1 million each and two prizes of \$2 million each.

In the past 17 years, the New Mexico Lottery has raised \$572.5 million for education and 90,083 students have attended the state's public colleges and universities on Legislative Lottery Scholarships. More than 43,000 students have already earned their college degrees.

On behalf of our staff, players, retail partners, suppliers, vendors, Gov. Susana Martinez, and legislators past and present, the New Mexico Lottery's board of directors thanks you for your continued support and encouragement. Together, we're bringing much good fortune to New Mexico.

Sincerely,
Dan Salzwedel
Chair, Board of Directors



Dan Salzwedel
Treasurer (10/12 – 7/13)
Chair (7/13 – current)
Sandia Park
Business & Professional Representative
Board Member Since 8/12



Rosemarie Montoya and son Justin won \$50,000 playing Scratchers™.

Justin and his three siblings attended college on Legislative Lottery Scholarships. Rosemarie who lives in Las Vegas understands the importance of a good education.

"I always encourage people to buy lottery tickets – always, always – so that other families' children can have the opportunity our children had."

Division Highlights

Finance

- ▶ Unqualified financial audit with no adjusting entries or passed adjusting entries and no financial findings for the 18th consecutive year
- ▶ Hired and trained a new Accounting Specialist, processed approximately 1,560 checks and 157 bank wires for Accounts Payable, and reconciled approximately 120 General Ledger accounts each month
- ▶ Claims Center sold a winning Roadrunner Cash™ ticket for a \$112,002 jackpot; ran two promotions
- ▶ Collected \$88.6 million from retailers; \$1.485 million in NSF's; \$3,900 in NSF fee income. Charged \$6,500 to Bad Debts
- ▶ Purchaser attended a four-day procurement conference; issued five RFPs and one RFB which resulted in four contracts

Human Resources

- ▶ Negotiated health insurance premiums to a lower rate
- ▶ Negotiated dental premiums to a lower rate
- ▶ Provided two management training classes
- ▶ Provided all-staff training sessions

Management Information Systems

- ▶ Completed migration of all users to new network and infrastructure; implemented wireless access points throughout the Lottery facility enabling computer mobility
- ▶ Upgraded network by installing multiple bonded T1s connecting

the Lottery to Disaster Recovery location – which allows the Lottery to replicate backup data across locations, improving recovery and reducing business risk

- ▶ Installed Google Analytics to monitor website traffic and traffic sources and to understand what content resonates with visitors to nm lottery.com
- ▶ Completed design and software development of retailer portal:
 - Internal and external web site requirements
 - Deployed web server within DMZ of network
 - Retailer code development
 - Defined and developed tables for data transfer from AS/400 to SQL Server
- ▶ Designed and modified back-end code for Hot Lotto® advertised grand prize change to reflect the after-tax amount. Five of the game's eight non-grand prizes increased.

Marketing & Communications

- ▶ Issued Request for Proposals for Professional Advertising Services
- ▶ Introduced seven advertising campaigns to promote new games and New Mexico Lottery winners
- ▶ Wrote and designed publications to inform constituents of key Lottery activities:
 - Four Retail Round-Up newsletters
 - Four Legislative Newsletters
 - 15 VIP Club e-newsletters for players
 - FY 2012 Annual Report

- ▶ Negotiated and implemented 270+ player promotions; participated in 25 major community, educational and store events
- ▶ Issued 40 news releases, generating more than 500 on-message news stories

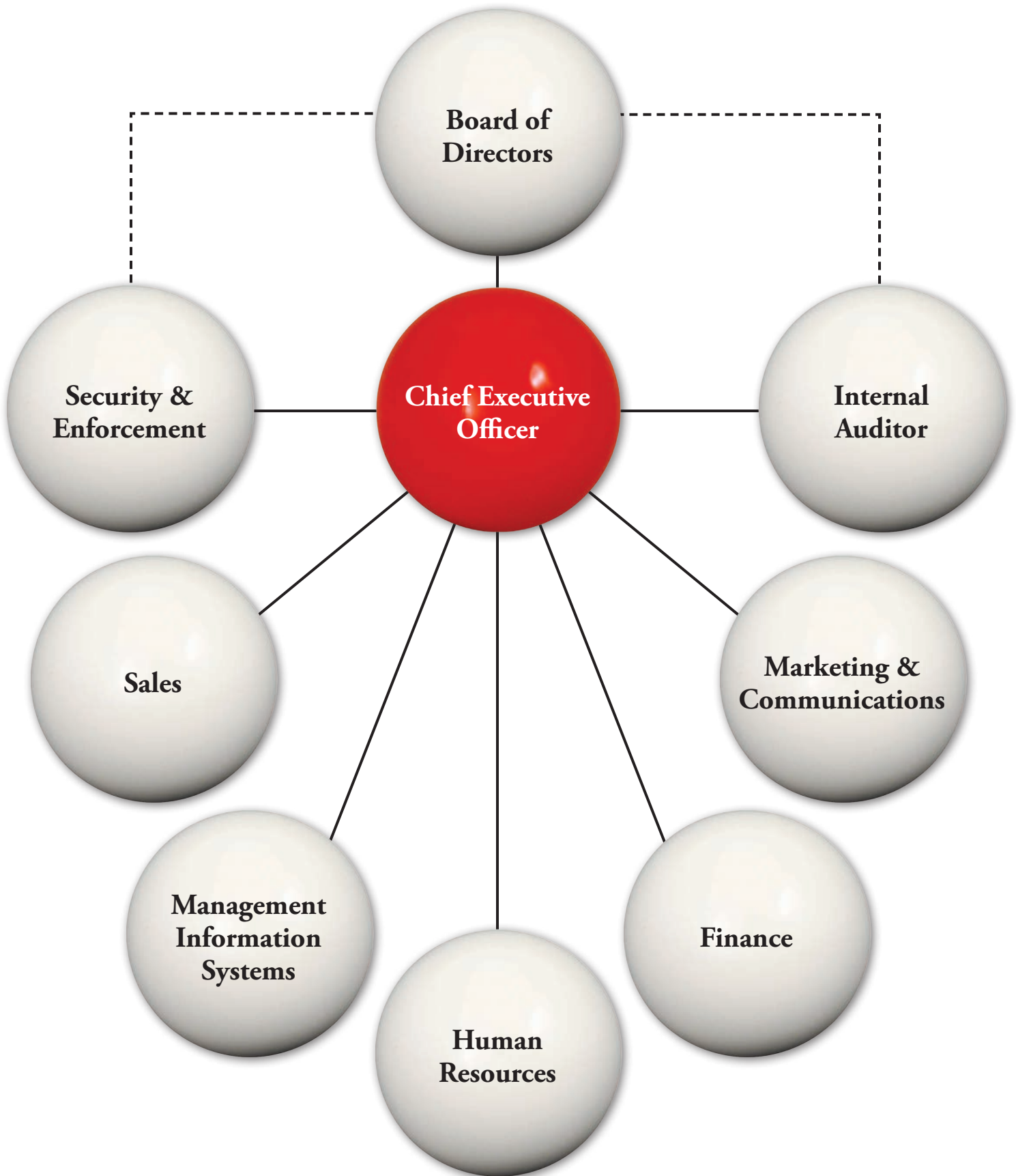
Sales

- ▶ Conducted 25,898 retailer visits
- ▶ Processed 78,364 calls (10,960 inbound and 67,404 outbound)
- ▶ Processed 60,664 ticket orders for 259,154 packs of tickets
- ▶ Increased Lottery visibility in the field by selling in and installing 728 pieces of signage (103% increase over FY 2012)
- ▶ Issued Request for Proposals for Lottery Information Centers (LICs); procured 525 new LICs to replace aging equipment for retailers statewide

Security & Enforcement

- ▶ Security and Enforcement agents conducted or assisted with 40 stolen ticket cases:
 - In 10 cases, agents worked with retailer to combat internal thefts
 - Five cases resulted in arrests or warrants
- ▶ Performed 331 retailer inspections; monitored stores for sales to minors as a precaution
- ▶ Conducted background investigations of 113 retailers and 54 prospective Lottery and vendor employees
- ▶ Validated and authorized payment for 376 prizes of more than \$600; 27 prizes of more than \$100,000

Organizational Divisions



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 ↗
Totals	\$2.195 Billion	\$572.5 Million

Lottery Tuition Fund: \$505,939,677 (1996 to present)

Public School Capital Outlay Fund: \$66,553,850 (1996 to 2001)

Raised for public education through Fiscal Year 2013: \$572,493,527

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

** Rounded

Where the Money Goes

\$141.8 Million in Gross Revenues

(numbers are rounded)



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

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.

90,083 High School Graduates and GED Recipients Have Attended College on Legislative Lottery Scholarships

Student Count By County Fall 1997 — Spring 2013

County	LLS Students	Total Awards	Total Graduates So Far
Bernalillo	27,910	\$ 190,491,963	13,841
Catron	118	\$ 809,079	64
Chaves	3,114	\$ 12,525,313	1,513
Cibola	1,049	\$ 4,747,977	538
Colfax	484	\$ 2,839,724	227
Curry	2,236	\$ 8,408,642	1,046
De Baca	135	\$ 661,752	72
Doña Ana	10,320	\$ 61,858,359	5,097
Eddy	2,570	\$ 11,440,183	1,261
Grant	1,441	\$ 8,076,529	779
Guadalupe	219	\$ 1,073,907	104
Harding	81	\$ 413,748	54
Hidalgo	237	\$ 1,385,667	114
Lea	1,862	\$ 5,231,281	846
Lincoln	900	\$ 4,799,195	433
Los Alamos	1,401	\$ 10,260,349	762
Luna	895	\$ 4,926,224	388
McKinley	2,447	\$ 10,089,673	984
Mora	272	\$ 1,265,188	154
Otero	2,686	\$ 13,744,398	1,406
Quay	497	\$ 2,085,211	244
Rio Arriba	2,296	\$ 10,506,730	1,090
Roosevelt	1,190	\$ 5,015,838	541
San Juan	4,573	\$ 17,079,921	2,155
San Miguel	1,521	\$ 7,335,210	830
Sandoval	5,056	\$ 31,112,310	2,273
Santa Fe	5,730	\$ 31,742,241	2,636
Sierra	342	\$ 2,252,738	158
Socorro	601	\$ 3,834,712	322
Taos	1,408	\$ 7,220,656	599
Torrance	634	\$ 3,638,814	316
Union	192	\$ 1,070,374	108
Valencia	3,805	\$ 19,037,746	1,695
Other*	1,662	\$ 6,163,742	585
No Response**	199	\$ 785,778	121
Total	90,083	\$ 503,931,172	43,356

* "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 2013

• 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

• 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

17,818 Legislative Lottery Scholarships

Spring Semester 2013

	Spring 2013 LLS Students	Total Students (Fall '97 - Spring '13)	Total LLS Awards (Fall '97 - Spring '13)
Research Universities			
New Mexico Institute of Mining and Technology — Socorro	✦ 567	2,235	\$ 16,378,189
New Mexico State University — Las Cruces (Main Campus)	✦ 3,928	20,243	\$ 145,381,815
University of New Mexico — Albuquerque (Main Campus)	✦ 7,458	35,215	\$ 277,685,190
Comprehensive Universities			
Eastern New Mexico University — Portales (Main Campus)	✦ 1,000	5,398	\$ 21,600,239
New Mexico Highlands University — Las Vegas ⁽¹⁾	277	2,103	\$ 6,634,954
Northern New Mexico College — Española & El Rito	✦ 199	1,366	\$ 1,970,583
Western New Mexico University — Silver City	✦ 230	1,421	\$ 4,748,973
Two-Year Branch Colleges			
Eastern New Mexico University — Roswell	✦ 232	2,072	\$ 2,011,463
Eastern New Mexico University — Ruidoso	✦ 79	473	\$ 242,575
New Mexico State University — Alamogordo	120	1,376	\$ 1,773,060
New Mexico State University — Carlsbad	79	1,112	\$ 1,108,578
New Mexico State University — Doña Ana	✦ 718	4,330	\$ 5,715,538
New Mexico State University — Grants	42	529	\$ 612,034
University of New Mexico — Gallup	85	1,146	\$ 1,302,339
University of New Mexico — Los Alamos	48	682	\$ 656,762
University of New Mexico — Taos	✦ 73	524	\$ 618,144
University of New Mexico — Valencia (Los Lunas)	223	1,947	\$ 2,319,897
Independent Community/Junior Colleges			
Central New Mexico Community College — Albuquerque	✦ 1,561	9,515	\$ 6,829,119
Clovis Community College	104	1,279	\$ 844,767
Luna Community College — Las Vegas ⁽¹⁾	61	404	\$ 284,918
Mesalands Community College — Tucumcari	29	306	\$ 424,821
New Mexico Junior College — Hobbs	108	1,419	\$ 721,434
New Mexico Military Institute — Roswell	11	178	\$ 206,383
San Juan College — Farmington	329	3,043	\$ 2,189,522
Santa Fe Community College	✦ 257	2,086	\$ 1,669,875
Total Campuses — 25⁽¹⁾			
Total Students Spring 2013 Semester⁽²⁾		17,818	
Total Since Inception Through Spring 2013⁽²⁾⁽³⁾			\$ 503,931,172

(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

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	Fall '03 (9,470 students)	\$ 10,840,562	Spring '09 (15,576 students)	\$ 23,723,559
Summer '97 (45 students)	\$ 11,641	Spring '04 (12,023 students)	\$ 13,142,538	Summer '09 (40 students)	\$ 86,960
Not Reported '98 (5,208 students)	\$ 4,327,019	Summer '04 (3 students)	\$ 4,083	Fall '09 (12,879 students)	\$ 21,404,865
Summer '98 (46 students)	\$ 11,683	Fall '04 (10,014 students)	\$ 12,775,860	Spring '10 (16,360 students)	\$ 25,655,114
Fall '99 (6,293 students)	\$ 5,088,456	Spring '05 (12,770 students)	\$ 15,531,521	Summer '10 (31 students)	\$ 133,462
Not Reported '99 (8,037 students)	\$ 8,029,942	Summer '05 (3 students)	\$ 3,129	Fall '10 (13,653 students)	\$ 24,433,638
Spring '00 (9,804 students)	\$ 7,639,693	Fall '05 (10,657 students)	\$ 14,802,211	Spring '11 (17,062 students)	\$ 28,714,616
Fall '00 (7,377 students)	\$ 6,712,523	Spring '06 (13,067 students)	\$ 17,345,946	Summer '11*	-
Spring '01 (10,249 students)	\$ 8,814,067	Summer '06 (16 students)	\$ 23,394	Fall '11 (13,941 students)	\$ 26,815,581
Summer '01 (1 student)	\$ 978	Fall '06 (11,032 students)	\$ 16,259,849	Spring '12 (17,138 students)	\$ 31,226,643
Fall '01 (8,133 students)	\$ 8,327,143	Spring '07 (13,788 students)	\$ 19,540,205	Summer '12 (32 students)	\$ 143,648
Spring '02 (10,602 students)	\$ 10,423,916	Summer '07 (43 students)	\$ 81,740	Fall '12 (14,279 students)	\$ 28,446,213
Summer '02 (1 student)	\$ 1,074	Fall '07 (11,513 students)	\$ 17,671,062	Spring '13 (17,758 students)	\$ 33,524,756
Fall '02 (8,753 students)	\$ 9,551,759	Spring '08 (14,395 students)	\$ 21,106,409	Summer '13 (51 students)	\$ 228,939
Spring '03 (11,273 students)	\$ 11,724,857	Summer '08 (41 students)	\$ 82,164	Total	\$ 503,931,172
Summer '03 (2 students)	\$ 2,328	Fall '08 (12,053 students)	\$ 19,450,166		

Data provided by New Mexico Higher Education Department for the Legislative Lottery Scholarship program through FY 2013.⁽²⁾⁽³⁾

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

New Mexico Wins Big with Powerball

In FY 2013, there were two record-breaking Powerball jackpots. During those jackpot run-ups, sales increased significantly and so did the number of players who won big. Five winning tickets created New Mexico millionaires, while 61 tickets awarded prizes ranging between \$10,000 and \$40,000!



↑ Justin Laugherty of Las Cruces won \$1 million. He purchased his winning ticket at Shorty's on Spruce.

"I've been telling people since I was eight years old that I was going to win the lottery," Laugherty said, "and I did."

← Joe & Lisa Woodruff of Hobbs won \$2 million. The Woodruffs doubled their prize by adding the Power Play option to their purchase. They purchased their ticket at Stripes No. 79.



→ Marjorie McDaniel of Farmington won \$1 million.

Marjorie bought her lucky ticket at the 7-2-11 Store No. 42, which sold a winning \$1 million ticket to Blanco residents in January 2012.



More Lucky Winners!



\$10,000

Raymond Pepin & Lamonda Keith of Clovis; ticket purchased at Allsup's Store #44

In Fiscal Year 2013, prizes were more than \$77.1 million.



\$10,000

Patricia Gallagher of Santa Fe; ticket purchased at Corner Store #1238 in Los Lunas



\$10,000

Mildred Maher of Rio Rancho; ticket purchased at Valero Corner Store #1220



\$10,000

James Matzke of Los Alamos; ticket purchased at Giant #370 in White Rock



\$10,000

Jaime Torres of Roswell; ticket purchased at Allsup's Store #335



\$125,000

Candy Tenboom of Alamogordo; ticket purchased at 70 West Chevron #57



\$255,000

Chris Henderson and daughter Jasmine of Albuquerque; ticket purchased at Corner Store #1246

Juanita Gillespie of Santa Fe; ticket purchased at Giant Station No. 6861



\$25,000

New Mexico Lottery Authority

STATEMENTS OF NET POSITION

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,340,237	\$ 6,885,806
Accounts receivable (net of allowance for doubtful accounts)	1,371,427	1,225,638
Reserves on deposit	3,405,568	3,396,831
Inventory	36,964	33,077
Prepaid expenses	<u>145,172</u>	<u>80,686</u>
Total current assets	14,299,368	11,622,038
CAPITAL ASSETS, NET	<u>629,345</u>	<u>305,550</u>
Total assets	<u>\$ 14,928,713</u>	<u>\$ 11,927,588</u>
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 1,977,904	\$ 1,955,328
Current portion of capital lease obligation	14,064	11,015
Prizes payable	9,355,989	6,860,315
Due to Lottery Tuition Fund	<u>3,503,374</u>	<u>3,039,205</u>
Total current liabilities	14,851,331	11,865,863
LONG-TERM LIABILITIES		
Noncurrent portion of capital lease obligation	<u>77,382</u>	<u>61,725</u>
Total liabilities	<u>\$ 14,928,713</u>	<u>\$ 11,927,588</u>
NET POSITION		
Net investment in capital assets	\$ 629,345	\$ 305,550
Unrestricted (deficit)	<u>(629,345)</u>	<u>(305,550)</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>

New Mexico Lottery Authority

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Instant ticket sales	\$ 72,397,663	\$ 71,632,710
Powerball sales	46,767,095	33,795,664
Mega Millions sales	8,088,972	14,330,230
Roadrunner Cash sales	6,784,566	7,520,021
Hot Lotto sales	5,996,195	5,438,475
Pick 3 sales	3,496,279	3,638,558
Quickster sales	867,111	453,448
Less tickets provided as prizes	(2,479,354)	(2,890,810)
Less spoiled, stolen, and promotional tickets	(160,005)	(130,944)
Net ticket sales	141,758,522	133,787,352
Retailer fees	20,575	16,250
Bad Debts	(12,000)	(12,000)
Total operating revenues	141,767,097	133,791,602
GAME EXPENSES		
Prize expense	77,068,558	72,027,308
Retailer commissions	9,153,204	8,696,851
On-line vendor fees	2,269,623	2,139,754
Advertising	2,263,221	2,277,892
Ticket vendor fees	1,158,028	1,177,708
Promotions	437,704	381,179
Shipping and postage	428,532	410,422
Drawing game	116,081	116,532
Responsible gaming	87,400	87,400
Game membership	67,034	65,502
Total game expenses	93,049,385	87,380,548
OPERATING EXPENSES		
Salaries, wages, and benefits	3,614,032	3,583,778
Leases and insurance	514,990	585,629
Utilities and maintenance	439,041	431,189
Depreciation and amortization	139,393	115,933
Materials and supplies	125,050	153,867
Professional fees	112,893	150,651
Other	71,640	55,727
Travel	63,008	69,470
Total operating expenses	5,080,047	5,146,244
OPERATING INCOME	43,637,665	41,264,810
NON-OPERATING INCOME		
Other income	25,692	45,464
Interest income	21,324	18,469
Total non-operating income	47,016	63,933
Net income before transfers	43,684,681	41,328,743
Transfers to Lottery Tuition Fund	43,684,681	41,328,743
Change in net position	-	-
Net position at beginning of year	-	-
Net position at end of year	\$ -	\$ -

New Mexico Lottery Authority

STATEMENTS OF CASH FLOWS

Years ended June 30, 2013 and 2012

Increase (Decrease) in Cash and Cash Equivalents

	2013	2012
Cash flows from operating activities		
Cash received:		
From retailers — sales net of commissions, incentives, and prize, spoiled, and stolen ticket credits	\$ 132,472,895	\$ 124,762,104
From MUSL — Hot Lotto jackpots	-	1,153,023
Cash payments:		
To prize winners and related taxes	(58,375,753)	(57,149,803)
To MUSL	(16,197,131)	(13,762,743)
To suppliers of goods or services	(9,058,917)	(9,200,911)
To employees for services and related taxes	(2,880,565)	(2,838,626)
Net cash provided by operating activities	45,960,529	42,963,044
Cash flows from investing activities		
Receipts of interest	10,254	7,861
Other	367	23,971
Net cash provided by investing activities	10,621	31,832
Cash flows from noncapital financing activities		
Transfers to the Lottery Tuition Fund	(43,220,512)	(41,505,020)
Cash flows from capital and related financing activities		
Purchases of capital assets	(284,938)	(159,248)
Principal payments under capital lease	(11,269)	(6,627)
Net cash used by capital and related financing activities	(296,207)	(165,875)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,454,431	1,323,981
Cash and cash equivalents at beginning of year	6,885,806	5,561,825
Cash and cash equivalents at end of year	\$ 9,340,237	\$ 6,885,806

New Mexico Lottery Authority
STATEMENTS OF CASH FLOWS – CONTINUED

Years ended June 30, 2013 and 2012

Increase (Decrease) in Cash and Cash Equivalents

	2013	2012
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 43,637,665	\$ 41,264,810
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	139,393	115,933
Vendor's non-cash transactions	(119,759)	(18,678)
Interest on MUSL unreserved account	3,088	1,167
Net changes in assets and liabilities:		
Accounts receivable	(140,998)	(332,647)
Reserves on deposit	(8,737)	(471,580)
Inventory	(3,887)	(21,743)
Prepaid expenses	(64,486)	32,319
Accounts payable and other liabilities	22,576	125,678
Prizes payable	2,495,674	2,267,785
	<u>\$ 45,960,529</u>	<u>\$ 42,963,044</u>

New Mexico Lottery Authority
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON STATEMENTS

Years ended June 30, 2013 and 2012

	2013				2012			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Operating revenues								
Instant ticket sales	\$ 71,100,000	\$ 70,000,000	\$ 72,397,663	\$ 2,397,663	\$ 80,000,000	\$ 72,000,000	\$ 71,632,710	\$ (367,290)
Powerball sales	36,000,000	41,000,000	46,767,095	5,767,095	27,000,000	34,000,000	33,795,664	(204,336)
Mega Millions sales	12,000,000	7,700,000	8,088,972	388,972	9,500,000	14,000,000	14,330,230	330,230
Roadrunner Cash sales	8,000,000	6,800,000	6,784,566	(15,434)	10,000,000	7,800,000	7,520,021	(279,979)
Hot Lotto sales	5,000,000	5,600,000	5,996,195	396,195	8,000,000	5,600,000	5,438,475	(161,525)
Pick 3 sales	3,700,000	3,400,000	3,496,279	96,279	3,600,000	3,700,000	3,638,558	(61,442)
Quickster sales	2,500,000	800,000	867,111	67,111	1,900,000	300,000	453,448	153,448
Less tickets provided as prizes	(3,000,000)	(2,500,000)	(2,479,354)	20,646	(3,400,000)	(3,100,000)	(2,890,810)	209,190
Less spoiled, stolen, and promotional tickets	(287,000)	(197,000)	(160,005)	36,995	(187,000)	(147,000)	(130,944)	16,056
Net ticket sales	135,013,000	132,603,000	141,758,522	9,155,522	136,413,000	134,153,000	133,787,352	(365,648)
Retailer fees	11,000	21,000	20,575	(425)	11,000	14,000	16,250	2,250
Bad debts	(24,000)	(24,000)	(12,000)	12,000	(24,000)	(24,000)	(12,000)	12,000
Total operating revenues	135,000,000	132,600,000	141,767,097	9,167,097	136,400,000	134,143,000	133,791,602	(351,398)
Total game expenses	88,742,000	87,350,000	93,049,385	5,699,385	89,964,000	88,173,000	87,380,548	(792,452)
Total operating expenses	5,763,000	5,339,000	5,080,047	(258,953)	5,456,000	5,368,000	5,146,244	(221,756)
Operating income	40,495,000	39,911,000	43,637,665	3,726,665	40,980,000	40,602,000	41,264,810	662,810
Total non-operating income	18,000	24,000	47,016	23,016	80,000	42,000	63,933	21,933
Net income before transfers to Lottery Tuition Fund	\$ 40,513,000	\$ 39,935,000	\$ 43,684,681	\$ 3,749,681	\$ 41,060,000	\$ 40,644,000	\$ 41,328,743	\$ 684,743

New Mexico Lottery Authority
SUPPLEMENTARY INFORMATION
SCHEDULES OF PERCENTAGE RETURN TO THE STATE OF NEW MEXICO

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Instant ticket sales	\$ 72,397,663	\$ 71,632,710
Powerball sales	46,767,095	33,795,664
Mega Millions sales	8,088,972	14,330,230
Roadrunner Cash sales	6,784,566	7,520,021
Hot Lotto sales	5,996,195	5,438,475
Pick 3 sales	3,496,279	3,638,558
Quickster sales	867,111	453,448
Less tickets provided as prizes	(2,479,354)	(2,890,810)
Less spoiled, stolen, and promotional tickets	(160,005)	(130,944)
Net ticket sales	<u>141,758,522</u>	<u>133,787,352</u>
Retailer fees	20,575	16,250
Bad debts	(12,000)	(12,000)
Total operating revenues	<u>141,767,097</u>	<u>133,791,602</u>
NON-OPERATING INCOME		
Other income	25,692	45,464
Interest income	21,324	18,469
Total non-operating income	<u>47,016</u>	<u>63,933</u>
GROSS REVENUES	<u>141,814,113</u>	<u>133,855,535</u>
GAME EXPENSES		
Prize expense	77,068,558	72,027,308
Retailer commissions	9,153,204	8,696,851
On-line vendor fees	2,269,623	2,139,754
Advertising	2,263,221	2,277,892
Ticket vendor fees	1,158,028	1,177,708
Promotions	437,704	381,179
Shipping and postage	428,532	410,422
Drawing game	116,081	116,532
Responsible gaming	87,400	87,400
Game membership	67,034	65,502
Total game expenses	<u>93,049,385</u>	<u>87,380,548</u>
OPERATING EXPENSES		
Salaries, wages, and benefits	3,614,032	3,583,778
Leases and insurance	514,990	585,629
Utilities and maintenance	439,041	431,189
Depreciation and amortization	139,393	115,933
Materials and supplies	125,050	153,867
Professional fees	112,893	150,651
Other	71,640	55,727
Travel	63,008	69,470
Total operating expenses	<u>5,080,047</u>	<u>5,146,244</u>
OPERATING INCOME	<u>43,637,665</u>	<u>41,264,810</u>
NET INCOME	<u>\$ 43,684,681</u>	<u>\$ 41,328,743</u>
GROSS REVENUE PERCENTAGE RETURN	<u>30.80%</u>	<u>30.88%</u>

Scratcher Sales Increased

In FY 2013, Scratcher™ sales were lifted by a strategy that included increasing low-tier prizes in \$1 and \$2 games and television advertising and promotions that gave players a second chance to win cash and merchandise with non-winning tickets.

Licensed properties also helped stimulate sales. Licensed games included Bejeweled™, Betty Boop™, Pink Panther™ and Monopoly™.



Top-selling Scratchers of FY 2013

TV Campaigns



“Winners”

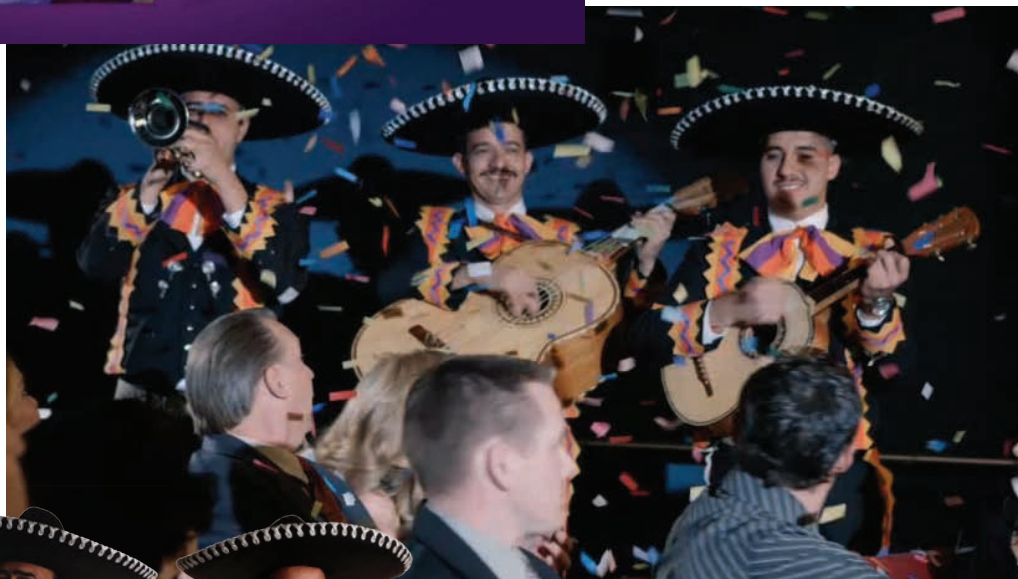
This campaign focused on real players telling their winning stories.

The main message:
“You can’t win, if you don’t play.”

“¡Viva la Fun!”

This campaign showed that Scratchers are “a fiesta of fun wherever you are!” The two TV spots begin with a person playing a Scratcher, when mariachis and flying confetti suddenly appear.

Watch the videos at nmlottery.com/tv-ads.aspx



VIVA LA FUN!

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Complete financial information for Fiscal Year 2013 and previous New Mexico Lottery Authority financial statements and audit reports, and annual reports are available at nmlottery.com



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