

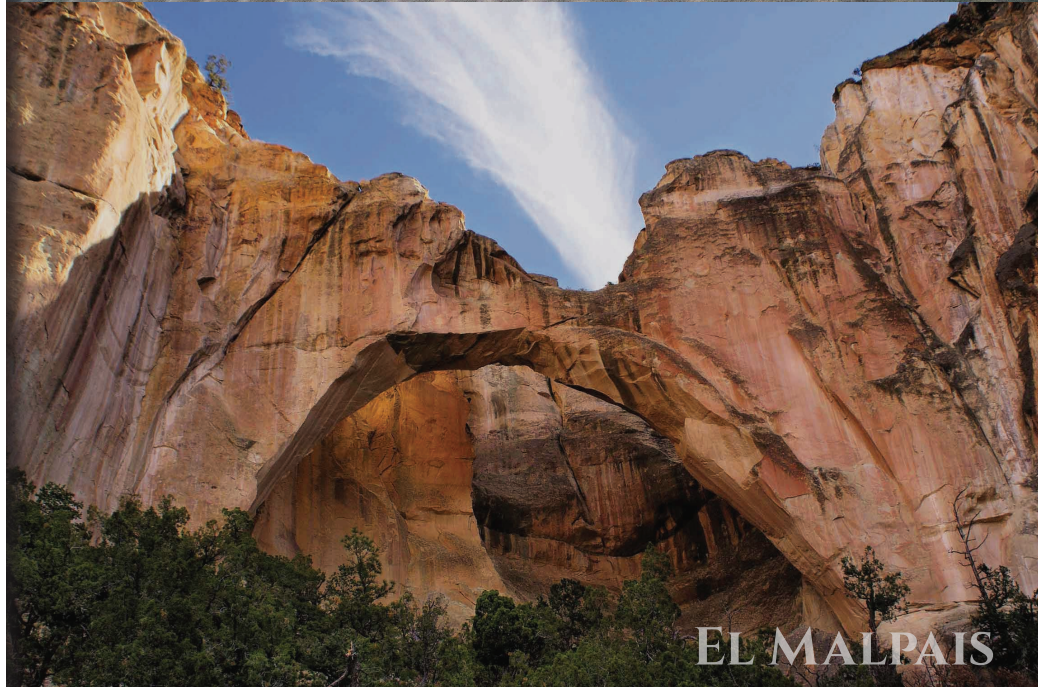
FISCAL YEAR
2014
ANNUAL REPORT



SHIPROCK



WHITE SANDS



EL MALPAIS



NEW MEXICO
LOTTERY

LETTER FROM THE BOARD

In Fiscal Year 2014, New Mexico Lottery players raised more than \$40.9 million for the state's Legislative Lottery Scholarship program, bringing the total raised for education since 1996 to \$613.4 million.

With assistance from Legislative Lottery Scholarships, more than 97,000 students have attended college in New Mexico and nearly 49,000 have earned their college degrees.

The history of this amazing program is told on pages 6 and 7. All those rows and rows of

numbers represent more knowledge, better job skills, greater employment opportunities, stronger earnings potential, and a higher quality of life for our children and their children.

On behalf of my fellow board members, I would like to thank players for choosing to spend their entertainment dollars with the New Mexico Lottery. Your support of higher education helps make our entire state richer.

Thank you,
Dan Salzwedel

BOARD OF DIRECTORS



DAN SALZWEDEL, PH.D.
Chair



MARK KOSON
Vice Chair



JOHN KUBIAK, CPA
Secretary/Treasurer



AMY BAILEY, ESQ.
Assistant Secretary/Treasurer

WELCOME TO THE NEW MEXICO LOTTERY

In Fiscal Year 2014, the New Mexico Lottery beat both its sales goal and its revenue goal.

Ticket sales were \$136 million, beating a target by \$4.6 million.

As a result, we beat our revenue goal for college students and Legislative Lottery Scholarships.

Revenue transfers in FY 2014 came to \$40.9 million, beating a projection by \$1.5 million. The revenue results represent a return of 30.1%.

In FY 2014, we took many new approaches to win our players' business.

We developed a strategy called "Super Tuesday."

On the first Tuesday of every month, we put three to five new Scratchers™ games out for sale. This makes the availability of new games more predictable to players to help promote better sales. It also increases the efficiency and effectiveness of game distribution and promotion.

We also launched a \$10 Scratchers called "\$500 Explosion." The game featured \$3 million in prizes ranging between \$10 and \$500. The game was designed to create lots of winning experiences that could all be paid in stores. When shoppers saw clerks giving lots of prizes to very excited lottery players, it started a big buzz at the vital point of purchase.

The frequency and placement of our advertising increased dramatically.

Ads for games and big jackpots now run on the music-streaming service Pandora®, transit busses and grocery "in-store" radio. Scratchers tickets now include "call outs," which advertise the total sum of

prizes available in a game.

To increase the exposure of games on network and cable television, we hired an animator who can quickly and inexpensively produce advertising content from a desktop computer. The ads do double duty on our website and on the player advertising displays in stores.

These initiatives helped improve Scratchers sales by \$850,000 in the fourth quarter.

In drawing games, players came out to play for a \$648 million Mega Millions® jackpot and a record \$890,000 Roadrunner Cash™ jackpot. Sales for these games were \$3.7 million greater than projections.

In Fiscal Year 2014, prizes totaled \$74.1 million, including an after-taxes Hot Lotto® jackpot of \$7.6 million won by Doug Barnard of Rio Rancho. Retailers earned \$8.8 million for selling tickets and cashing prizes.

On behalf of lottery employees, players, retailers, suppliers, vendors, Gov. Susana Martinez, and legislators past and present, the New Mexico Lottery thanks you for your continued support and encouragement.

Welcome to our Annual Report for Fiscal Year 2014.

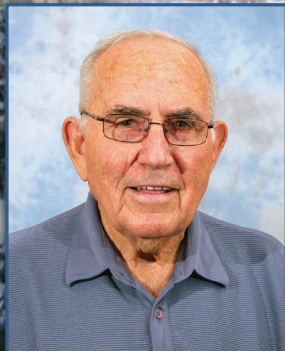
Sincerely,
David M. Barden



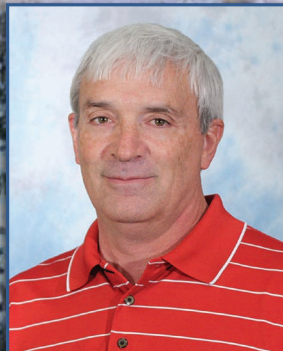
DAVID M. BARDEN
CEO



SALVATORE BARAGIOLA
Member



CLAUDE AUSTIN
Member



PAUL GUERIN, PH.D.
Member

*Photo by John Roper
of El Prado, a winner in
the "I ♥ New Mexico"
Photo Contest*

DIVISION HIGHLIGHTS



ADMINISTRATION

- ▶ For the 19th consecutive fiscal year, received an unmodified, clean opinion on the independent financial audit.
- ▶ Reorganized the Finance Division into the Administration Division, incorporating warehouse and administrative employees, the instant game packing and shipping process, facility and fleet maintenance, and various other functions.
- ▶ Designed and implemented a Section 457 pre-tax and Roth plan so that employees could make additional contributions to their retirement fund.
- ▶ Paid more than \$22 million in prizes from the claims center, including an advertised cash jackpot of \$7.6 million from the Hot Lotto® game, and one Powerball® prize of \$2 million and two Powerball prizes of \$1 million each.
- ▶ Collected \$80.7 million from retailers, \$272,000 in NSF's; only \$11,700 (.015%) in bad debt write-offs; collected nearly \$10,500 in NSF fee income.
- ▶ Issued more than 1,500 checks and processed more than 200 wires amounting to more than \$80 million in payments to vendors and top prize winners.
- ▶ Packed approximately 58,000 orders and processed approximately 267,000 packs of Scratcher tickets.
- ▶ Managed three Requests for Proposals resulting in contracts for second-chance prizes in the "Trucks & Bucks®" and "Harley Davidson®" promotions and replacement of an outdated telephone system.
- ▶ Identified 41 new vendors to solicit and purchase goods and services; issued more than 600 purchase orders.
- ▶ Revised financial policies for board approval.



HUMAN RESOURCES

- ▶ Negotiated lower rates for health insurance premiums and no increases to dental premiums.
- ▶ Provided all-staff training on anticipating and adapting to rapid change.
- ▶ Strengthened evaluation process.
- ▶ Updated personnel policies.



MIS DIVISION

- ▶ Replaced PBX phone system with Voice over Internet Protocol telephony system with Interactive Voice Response (IVR) system; developed hardware and software redundancy.
- ▶ Identified and catalogued the technology requirements within the entire gaming system in preparation to transfer management and maintenance

responsibilities to the vendor.

- ▶ Successfully tested Disaster Recovery Solution, including the ability of standby equipment to take over automatically in the event the primary system fails.
- ▶ Implemented software code for a mid-day drawing in the Pick 3® game.



MARKETING DIVISION

- ▶ Hired an animator and began creating TV advertisements in house.
- ▶ Introduced monthly "Super Tuesday" advertising campaigns to promote new games.
- ▶ Created an internship program.
- ▶ Launched "I Love New Mexico" photo contest, which received more than 9,300 entries; created a Scratcher game featuring winning photos.
- ▶ Secured new advertising platforms including digital outdoor billboards, Rail Runner Express, transit buses, Pandora® Internet radio and in-store radio.



PRODUCT DIVISION

- ▶ Developed and integrated a new monthly Scratcher launch strategy called "Super Tuesday."
 - Created new monthly product display models and best practices information for "Super Tuesday" game launches.
- ▶ Launched 49 Scratcher games, including five specialty games.
- ▶ Developed a Scratcher with a second-chance promotion that awarded two trucks to two lottery players at an Isotopes™ baseball game.
- ▶ Introduced the Red Hot Jackpot Bingo

Quicksters® game, which features a rolling jackpot.

- ▶ Introduced Pick 3 mid-day drawings.
- ▶ Reduced printing costs by eliminating individual Scratchers odds cards and replaced them with a monthly card that includes odds information for all Scratchers, Quicksters and draw games.



SALES DIVISION

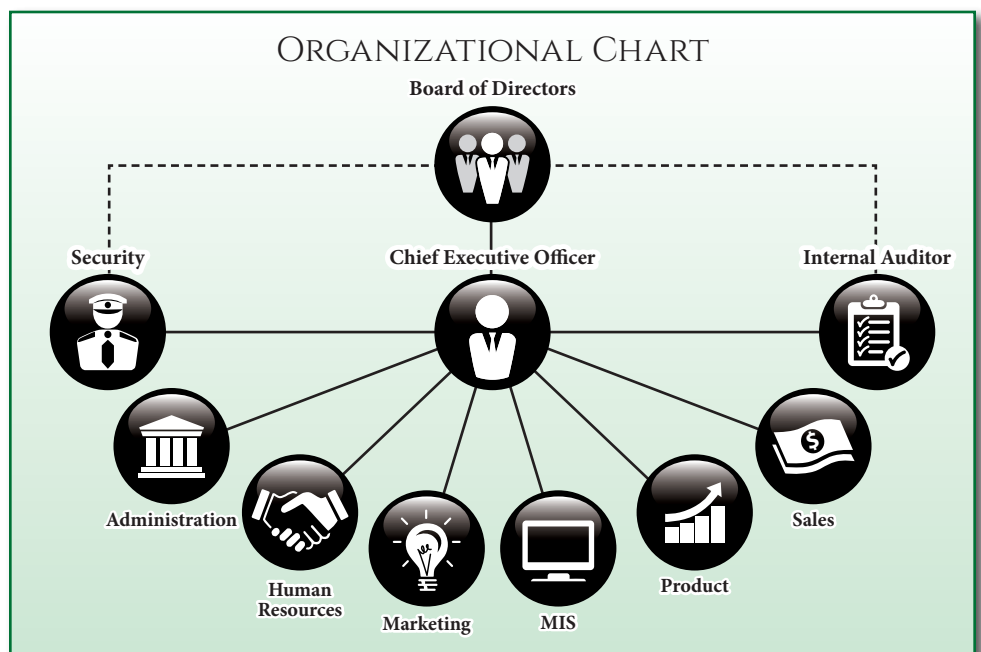
- ▶ Implemented the product display model that helps all retailers showcase Scratcher games in a way that maximizes sales.
- ▶ Educated retailers about monthly "Super Tuesday" Scratcher game launches and provided support.
- ▶ Coordinated monthly in-store radio advertising at 54 groceries.
- ▶ Made 23,574 visits to retailers.
- ▶ Handled more than 89,600 inbound and outbound calls with an average abandoned rate of 1.25%.



SECURITY DIVISION

- ▶ Assisted with 43 stolen/lost ticket cases.
- ▶ Performed 342 retailer inspections, which included monitoring stores for potential sales to minors.
- ▶ Conducted background checks for 78 retail applications and 43 lottery employment and vendor applications.
- ▶ Validated and authorized payment for 349 prizes of more than \$600, and 15 prizes of more than \$100,000.
- ▶ Handled approximately 450 calls from retailers and players with issues related to tickets and gaming system.

ORGANIZATIONAL CHART





*Photo by Rozanne Hakala
of Placitas, a winner in the
"I ♥ New Mexico" Photo Contest 3*

HISTORICAL REVIEW

Fiscal Year	Gross Revenues**	Net Revenues for Public Education**
FY 1996*	\$28.5 Million	\$6.3 Million
FY 1997	\$82.4 Million ↗	\$21.9 Million ↗
FY 1998	\$85.4 Million ↗	\$20.1 Million ↘
FY 1999	\$89.7 Million ↗	\$19.6 Million ↘
FY 2000	\$111.2 Million ↗	\$24.5 Million ↗
FY 2001	\$113.7 Million ↗	\$25.9 Million ↗
FY 2002	\$129.5 Million ↗	\$29.6 Million ↗
FY 2003	\$133.6 Million ↗	\$33.1 Million ↗
FY 2004	\$142.6 Million ↗	\$35.9 Million ↗
FY 2005	\$134.7 Million ↘	\$32.2 Million ↘
FY 2006	\$150.6 Million ↗	\$36.9 Million ↗
FY 2007	\$148.8 Million ↘	\$34.8 Million ↘
FY 2008	\$147.8 Million ↘	\$40.8 Million ↗
FY 2009	\$142.6 Million ↘	\$40.8 Million →
FY 2010	\$143.6 Million ↗	\$43.6 Million ↗
FY 2011	\$135.6 Million ↘	\$41.3 Million ↘
FY 2012	\$133.9 Million ↘	\$41.3 Million →
FY 2013	\$141.8 Million ↗	\$43.7 Million ↗
FY 2014	\$136.1 Million ↘	\$40.9 Million ↘
Totals	\$2.331 Billion	\$613.4 Million

Lottery Tuition Fund: \$546,881,227 (1996 to present)

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

Raised for public education through Fiscal Year 2014: \$613,435,077

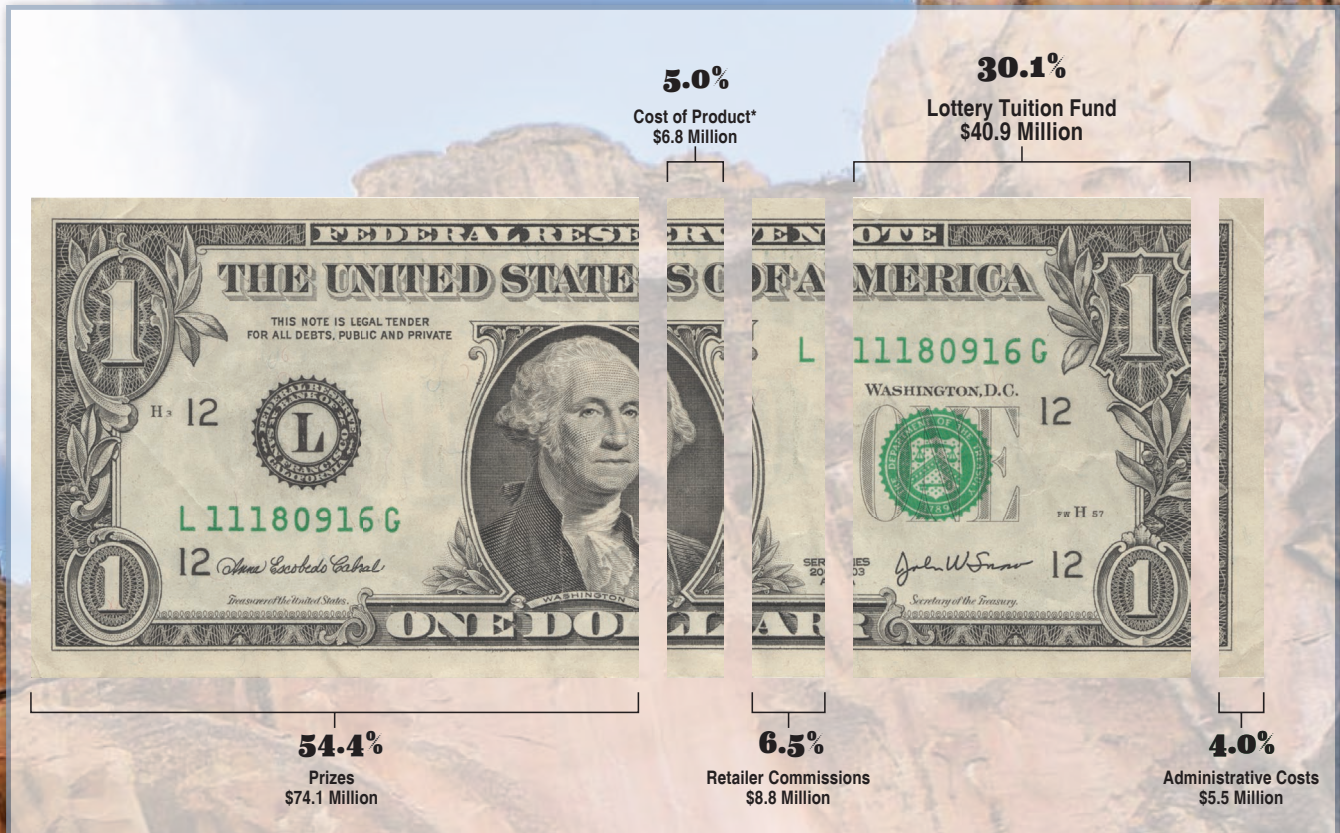
* Represents partial fiscal year of November 1995 - June 30, 1996

** Rounded

WHERE THE MONEY GOES

\$136.1 MILLION IN GROSS REVENUES

(NUMBERS ARE ROUNDED)



**Cost of Product includes: On-line vendor fees, advertising, ticket vendor fees, retailer equipment, 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.

97,137

HIGH SCHOOL GRADUATES AND GED RECIPIENTS HAVE ATTENDED COLLEGE ON LEGISLATIVE LOTTERY SCHOLARSHIPS

Student Count By County Fall 1997 — Spring 2014

County	LLS Students	Total Awards	Total Graduates So Far
Bernalillo	29,526	\$ 215,287,391	15,340
Catron	116	\$ 891,968	66
Chaves	3,179	\$ 13,841,389	1,636
Cibola	1,057	\$ 5,204,032	548
Colfax	508	\$ 3,209,839	246
Curry	2,260	\$ 9,304,166	1,139
De Baca	135	\$ 702,022	76
Doña Ana	10,888	\$ 70,321,259	5,576
Eddy	2,590	\$ 12,639,348	1,305
Grant	1,465	\$ 8,819,307	818
Guadalupe	221	\$ 1,190,324	118
Harding	76	\$ 441,969	55
Hidalgo	241	\$ 1,534,908	135
Lea	1,822	\$ 5,762,933	865
Lincoln	918	\$ 5,259,160	476
Los Alamos	1,441	\$ 11,346,265	832
Luna	953	\$ 5,729,108	435
McKinley	2,434	\$ 10,998,299	1,043
Mora	274	\$ 1,367,421	171
Otero	2,730	\$ 15,087,618	1,497
Quay	498	\$ 2,246,005	252
Rio Arriba	2,300	\$ 11,831,355	1,163
Roosevelt	1,229	\$ 5,451,227	588
San Juan	4,657	\$ 18,885,164	2,276
San Miguel	1,484	\$ 7,907,332	867
Sandoval	5,468	\$ 35,846,365	2,574
Santa Fe	5,835	\$ 35,274,046	2,794
Sierra	344	\$ 2,514,686	170
Socorro	626	\$ 4,244,540	337
Taos	1,455	\$ 8,089,058	645
Torrance	668	\$ 4,035,599	353
Union	197	\$ 1,188,164	109
Valencia	3,955	\$ 21,418,271	1,869
Other*	5,397	\$ 11,548,596	2,208
No Response**	190	\$ 796,207	120
Total	97,137	\$ 570,215,341	48,702

* "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 2014

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

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

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

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

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

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

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

17,407

LEGISLATIVE LOTTERY SCHOLARSHIPS SPRING SEMESTER 2014

	Spring 2014 LLS Students	Total Students (Fall '97 - Spring '14)	Total LLS Awards (Fall '97 - Spring '14)
Research Universities			
New Mexico Institute of Mining and Technology — Socorro	✦ 583	2,439	\$ 19,125,818
New Mexico State University — Las Cruces (Main Campus)	3,736	21,533	\$ 163,204,380
University of New Mexico — Albuquerque (Main Campus)	✦ 7,575	38,134	\$ 315,038,297
Comprehensive Universities			
Eastern New Mexico University — Portales (Main Campus)	971	5,810	\$ 24,192,130
New Mexico Highlands University — Las Vegas ⁽¹⁾	273	2,234	\$ 7,420,257
Northern New Mexico College — Española & El Rito	167	1,442	\$ 2,409,520
Western New Mexico University — Silver City	✦ 250	1,553	\$ 5,473,799
Two-Year Branch Colleges			
Eastern New Mexico University — Roswell	206	2,225	\$ 2,253,386
Eastern New Mexico University — Ruidoso	62	551	\$ 271,332
New Mexico State University — Alamogordo	74	1,426	\$ 1,899,567
New Mexico State University — Carlsbad	84	1,180	\$ 1,178,000
New Mexico State University — Doña Ana	681	4,821	\$ 6,592,533
New Mexico State University — Grants	34	551	\$ 664,510
University of New Mexico — Gallup	58	1,181	\$ 1,385,107
University of New Mexico — Los Alamos	45	715	\$ 719,686
University of New Mexico — Taos	60	572	\$ 695,643
University of New Mexico — Valencia (Los Lunas)	192	2,081	\$ 2,558,698
Independent Community/Junior Colleges			
Central New Mexico Community College — Albuquerque	1,558	10,705	\$ 8,043,694
Clovis Community College	68	1,337	\$ 914,325
Luna Community College — Las Vegas ⁽¹⁾	51	439	\$ 324,085
Mesalands Community College — Tucumcari	22	318	\$ 454,293
New Mexico Junior College — Hobbs	97	1,494	\$ 782,936
New Mexico Military Institute — Roswell	10	185	\$ 218,168
San Juan College — Farmington	282	3,254	\$ 2,476,030
Santa Fe Community College	✦ 268	2,275	\$ 1,919,147
Total Campuses — 25⁽¹⁾			
Total Students Spring 2014 Semester⁽²⁾	17,407		
Total Since Inception Through Spring 2014⁽²⁾⁽³⁾	\$ 570,215,341		

- (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

*Photo by
Mark Venner of
Albuquerque,
a winner in the
"I ♥ New Mexico"
Photo Contest*

Legislative Lottery Scholarship Recipients and Amounts Awarded by Semester

Not Reported '97 (88 students)	\$ 65,260	Summer '03 (2 students)	\$ 2,328	Summer '08 (41 students)	\$ 82,164	Summer '13 (101 students)	\$ 490,689
Summer '97 (45 students)	\$ 11,641	Fall '03 (9,470 students)	\$ 10,840,562	Fall '08 (12,053 students)	\$ 19,450,166	Fall '13 (14,527 students)	\$ 30,828,123
Not Reported '98 (5,208 students)	\$ 4,327,019	Spring '04 (12,023 students)	\$ 13,142,538	Spring '09 (15,576 students)	\$ 23,723,559	Spring '14 (17,407 students)	\$ 35,194,296
Summer '98 (46 students)	\$ 11,683	Summer '04 (3 students)	\$ 4,083	Summer '09 (40 students)	\$ 86,960	Total	\$ 570,215,341
Fall '99 (6,293 students)	\$ 5,088,456	Fall '04 (10,014 students)	\$ 12,775,860	Fall '09 (12,879 students)	\$ 21,404,865		
Not Reported '99 (8,037 students)	\$ 8,029,942	Spring '05 (12,770 students)	\$ 15,531,521	Spring '10 (16,360 students)	\$ 25,655,114		
Spring '00 (9,804 students)	\$ 7,639,693	Summer '05 (3 students)	\$ 3,129	Summer '10 (31 students)	\$ 133,462		
Fall '00 (7,377 students)	\$ 6,712,523	Fall '05 (10,657 students)	\$ 14,802,211	Fall '10 (13,653 students)	\$ 24,433,638		
Spring '01 (10,249 students)	\$ 8,814,067	Spring '06 (13,067 students)	\$ 17,345,946	Spring '11 (17,062 students)	\$ 28,714,616		
Summer '01 (1 student)	\$ 978	Summer '06 (16 students)	\$ 23,394	Summer '11*	-		
Fall '01 (8,133 students)	\$ 8,327,143	Fall '06 (11,032 students)	\$ 16,259,849	Fall '11 (13,941 students)	\$ 26,815,581		
Spring '02 (10,602 students)	\$ 10,423,916	Spring '07 (13,788 students)	\$ 19,540,205	Spring '12 (17,138 students)	\$ 31,226,643		
Summer '02 (1 student)	\$ 1,074	Summer '07 (43 students)	\$ 81,740	Summer '12 (32 students)	\$ 143,648		
Fall '02 (8,753 students)	\$ 9,551,759	Fall '07 (11,513 students)	\$ 17,671,062	Fall '12 (14,279 students)	\$ 28,446,213		
Spring '03 (11,273 students)	\$ 11,724,857	Spring '08 (14,395 students)	\$ 21,106,409	Spring '13 (17,758 students)	\$ 33,524,756		

Data provided by New Mexico Higher Education Department for the Legislative Lottery Scholarship program through FY 2014.⁽²⁾⁽³⁾

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

August
6

**DOUG & ROBERTA BARNARD WIN
NEW MEXICO'S 6TH HOT LOTTO® JACKPOT**
The Rio Rancho couple won \$7.6 million!

October
29

**RECORD ROADRUNNER CASH™
JACKPOT OF \$890,000**
The record jackpot was shared by Mary Virgili of Ohkay Owingeh and Carlos Solis of Albuquerque.

November
19

JEFF DUNHAM SCRATCHER™
Comedian Jeff Dunham's characters appeared on their first-ever Scratcher. In addition to a top prize of \$50,000, the game included a second-chance drawing to win tickets to see the entertainer perform.

December
17

**NEW MEXICO ENJOYED THE SECOND-LARGEST
MEGA MILLIONS® JACKPOT**
This \$648 million jackpot gained player attention and helped increase overall sales.

February
4

TRUCKS & BUCKS® SCRATCHER
The \$3 Scratcher offered instant top prizes of three Ford F-150 XLT SuperCabs. A second-chance drawing gave away two Ford F-150 XLT CrewCabs.

April
1

SUPER TUESDAY
New Scratchers began launching on the first Tuesday of the month.



May
6

FANTASY BLACKJACK
The \$3 Scratcher featured top prizes of \$25,000 and a second-chance drawing for a trip to Las Vegas, NV. Players could also enjoy a free app on a computer or mobile device.

June
3

I ♥ NEW MEXICO
The Lottery held the "I Love New Mexico" photo contest. From 9,300 entries, six photos were chosen for the "I Love New Mexico" Scratchers™. The game featured top prizes of \$10,000.

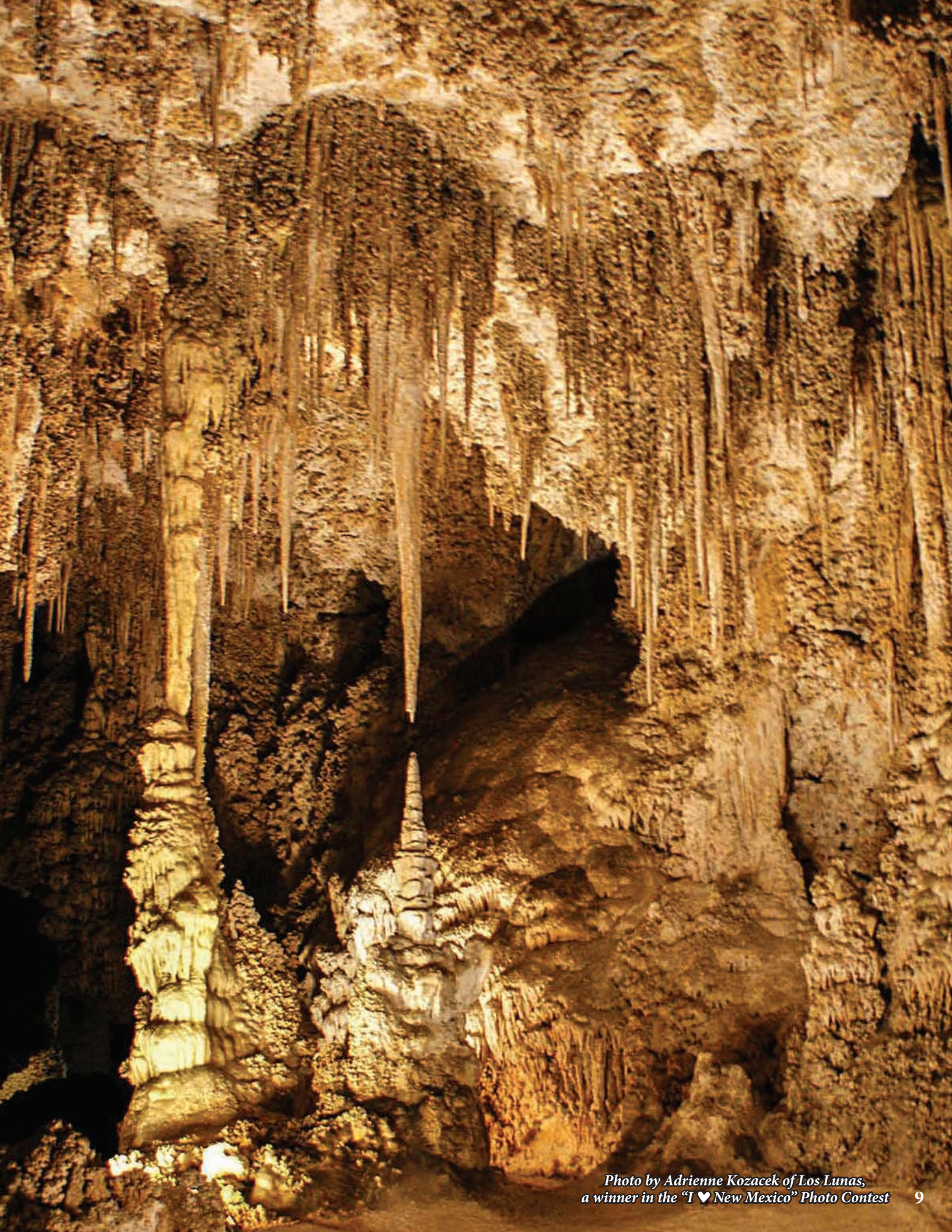
June
8

RED HOT JACKPOT BINGO QUICKSTERS
The \$5 game has a starting jackpot of \$1,000 that grows until hit.

June
8

PICK 3 MID-DAY DRAWS
Players can enjoy 1 pm drawings Mondays through Saturdays.





*Photo by Adrienne Kozacek of Los Lunas,
a winner in the "I ♥ New Mexico" Photo Contest*

New Mexico Lottery Authority
STATEMENTS OF NET POSITION

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,280,672	\$ 9,340,237
Accounts receivable (net of allowance for doubtful accounts)	1,326,831	1,371,427
Reserves on deposit	3,431,968	3,405,568
Inventory	122,891	36,964
Prepaid expenses	<u>108,078</u>	<u>145,172</u>
Total current assets	15,270,440	14,299,368
CAPITAL ASSETS, NET	<u>827,886</u>	<u>629,345</u>
Total assets	<u>\$ 16,098,326</u>	<u>\$ 14,928,713</u>
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 2,145,418	\$ 1,977,904
Current portion of capital lease obligation	14,064	14,064
Prizes payable	10,552,075	9,355,989
Due to Lottery Tuition Fund	<u>3,056,450</u>	<u>3,503,374</u>
Total current liabilities	15,768,007	14,851,331
LONG-TERM LIABILITIES		
Noncurrent portion of capital lease obligation	<u>63,319</u>	<u>77,382</u>
Total liabilities	<u>\$ 15,831,326</u>	<u>\$ 14,928,713</u>
NET POSITION		
Net investment in capital assets	\$ 827,886	\$ 629,345
Unrestricted (deficit)	<u>(560,886)</u>	<u>(629,345)</u>
Total net position	<u>\$ 267,000</u>	<u>\$ -</u>

New Mexico Lottery Authority

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Instant ticket sales	\$ 69,804,813	\$ 69,886,435
Powerball sales	34,027,555	46,734,439
Mega Millions sales	13,410,732	8,078,050
Roadrunner Cash sales	8,592,684	6,767,906
Hot Lotto sales	5,700,311	5,933,935
Pick 3 sales	3,828,187	3,492,915
Quickster sales	638,322	864,842
Net ticket sales	136,002,604	141,758,522
Retailer fees	22,453	20,575
Bad Debts	-	(12,000)
Total operating revenues	136,025,057	141,767,097
GAME EXPENSES		
Prize expense	74,060,246	77,068,558
Retailer commissions	8,782,855	9,153,204
Advertising	2,267,772	2,263,221
On-line vendor fees	2,177,205	2,269,623
Ticket vendor fees	1,188,107	1,158,028
Retailer equipment	345,786	201,436
Shipping and postage	335,679	428,532
Promotions	221,036	236,268
Drawing game	102,880	116,081
Responsible gaming	83,050	87,400
Game membership	43,718	67,034
Total game expenses	89,608,334	93,049,385
OPERATING EXPENSES		
Salaries, wages, and benefits	3,726,941	3,614,032
Utilities and maintenance	448,166	439,041
Leases and insurance	423,932	514,990
Depreciation	188,505	139,393
Professional fees	186,035	112,893
Materials and supplies	135,260	125,050
Other	69,711	71,640
Travel	61,980	63,008
Total operating expenses	5,240,530	5,080,047
OPERATING INCOME	41,176,193	43,637,665
NON-OPERATING INCOME		
Interest income	18,753	21,324
Other income	13,604	25,692
Total non-operating income	32,357	47,016
Net income before transfers	41,208,550	43,684,681
Transfers to Lottery Tuition Fund	40,941,550	43,684,681
Change in net position	267,000	-
Net position at beginning of year	-	-
Net position at end of year	\$ 267,000	\$ -

New Mexico Lottery Authority
STATEMENTS OF CASH FLOWS

Years ended June 30, 2014 and 2013

Increase (Decrease) in Cash and Cash Equivalents

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Cash received:		
From retailers — sales net of commissions, incentives, and prize, spoiled, and stolen ticket credits	\$ 127,279,025	\$ 132,472,895
From MUSL — Hot Lotto jackpots	10,992,481	—
Cash payments:		
To prize winners and related taxes	(68,225,640)	(58,375,753)
To MUSL	(15,631,001)	(16,197,131)
To suppliers of goods or services	(8,748,786)	(9,058,917)
To employees for services and related taxes	(3,027,629)	(2,880,565)
Net cash provided by operating activities	<u>42,638,450</u>	<u>45,960,529</u>
Cash flows from investing activities		
Receipts of interest	12,319	10,254
Other	<u>682</u>	<u>367</u>
Net cash provided by investing activities	<u>13,001</u>	<u>10,621</u>
Cash flows from noncapital financing activities		
Transfers to the Lottery Tuition Fund	<u>(41,388,474)</u>	<u>(43,220,512)</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	(308,479)	(284,938)
Principal payments under capital lease	<u>(14,063)</u>	<u>(11,269)</u>
Net cash used by capital and related financing activities	<u>(322,542)</u>	<u>(296,207)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	940,435	2,454,431
Cash and cash equivalents at beginning of year	<u>9,340,237</u>	<u>6,885,806</u>
Cash and cash equivalents at end of year	<u>\$ 10,280,672</u>	<u>\$ 9,340,237</u>

New Mexico Lottery Authority
STATEMENTS OF CASH FLOWS — CONTINUED

Years ended June 30, 2014 and 2013

Increase (Decrease) in Cash and Cash Equivalents

	<u>2014</u>	<u>2013</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 41,176,193	\$ 43,637,665
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	188,505	139,393
Vendor's non-cash transactions	(54,357)	(119,759)
Interest on MUSL unreserved account	2,919	3,088
Net changes in assets and liabilities:		
Accounts receivable	36,823	(140,998)
Reserves on deposit	(26,400)	(8,737)
Inventory	(85,927)	(3,887)
Prepaid expenses	37,094	(64,486)
Accounts payable and other liabilities	167,514	22,576
Prizes payable	<u>1,196,086</u>	<u>2,495,674</u>
Net cash provided by operating activities	<u>\$ 42,638,450</u>	<u>\$ 45,960,529</u>

New Mexico Lottery Authority
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON STATEMENTS

Years ended June 30, 2014 and 2013

	2014				2013			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Operating revenues								
Instant ticket sales	\$ 68,893,000	\$ 67,797,000	\$ 69,804,813	\$ 2,007,813	\$ 67,984,000	\$ 67,434,000	\$ 69,886,435	\$ 2,452,435
Powerball sales	37,851,500	37,850,000	34,027,555	(3,822,445)	35,859,200	40,901,000	46,734,439	5,833,439
Mega Millions sales	7,989,800	11,989,000	13,410,732	1,421,732	11,988,400	7,688,000	8,078,050	390,050
Roadrunner Cash sales	6,791,300	8,391,000	8,592,684	201,684	7,992,200	6,792,000	6,767,906	(24,094)
Hot Lotto sales	5,493,000	4,993,000	5,700,311	707,311	4,995,200	5,595,000	5,933,935	338,935
Pick 3 sales	3,395,700	3,694,000	3,828,187	134,187	3,696,400	3,396,000	3,492,915	96,915
Quickster sales	998,700	598,000	638,322	40,322	2,497,600	797,000	864,842	67,842
Net ticket sales	131,413,000	135,312,000	136,002,604	690,604	135,013,000	132,603,000	141,758,522	9,155,522
Retailer fees	11,000	15,000	22,453	7,453	11,000	21,000	20,575	(425)
Bad debts	(24,000)	(24,000)	–	24,000	(24,000)	(24,000)	(12,000)	12,000
Total operating revenues	131,400,000	135,303,000	136,025,057	722,057	135,000,000	132,600,000	141,767,097	9,167,097
Total game expenses	86,280,000	89,031,000	89,608,334	577,334	88,742,000	87,350,000	93,049,385	5,699,385
Total operating expenses	5,716,000	5,698,000	5,240,530	(457,470)	5,763,000	5,339,000	5,080,047	(258,953)
Operating income	39,404,000	40,574,000	41,176,193	602,193	40,495,000	39,911,000	43,637,665	3,726,665
Total non-operating income	24,000	25,000	32,357	7,357	18,000	24,000	47,016	23,016
Net income before transfers to Lottery Tuition Fund	<u>\$ 39,428,000</u>	<u>\$ 40,599,000</u>	<u>\$ 41,208,550</u>	<u>\$ 609,550</u>	<u>\$ 40,513,000</u>	<u>\$ 39,935,000</u>	<u>\$ 43,684,681</u>	<u>\$ 3,749,681</u>

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

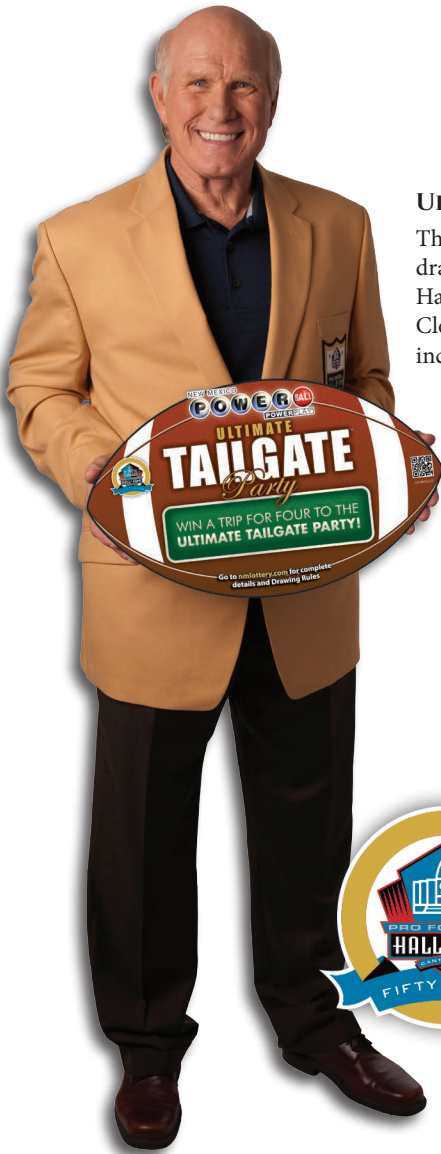
Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Instant ticket sales	\$ 69,804,813	\$ 69,886,435
Powerball sales	34,027,555	46,734,439
Mega Millions sales	13,410,732	8,078,050
Roadrunner Cash sales	8,592,684	6,767,906
Hot Lotto sales	5,700,311	5,933,935
Pick 3 sales	3,828,187	3,492,915
Quickster sales	638,322	864,842
Net ticket sales	<u>136,002,604</u>	<u>141,758,522</u>
Retailer fees	22,453	20,575
Bad debts	–	(12,000)
Total operating revenues	<u>136,025,057</u>	<u>141,767,097</u>
NON-OPERATING INCOME		
Interest income	18,753	21,324
Other income	13,604	25,692
Total non-operating income	<u>32,357</u>	<u>47,016</u>
GROSS REVENUES	<u>136,057,414</u>	<u>141,814,113</u>
GAME EXPENSES		
Prize expense	74,060,246	77,068,558
Retailer commissions	8,782,855	9,153,204
Advertising	2,267,772	2,263,221
On-line vendor fees	2,177,205	2,269,623
Ticket vendor fees	1,188,107	1,158,028
Retailer equipment	345,786	201,436
Shipping and postage	335,679	428,532
Promotions	221,036	236,268
Drawing game	102,880	116,081
Responsible gaming	83,050	87,400
Game membership	43,718	67,034
Total game expenses	<u>89,608,334</u>	<u>93,049,385</u>
OPERATING EXPENSES		
Salaries, wages, and benefits	3,726,941	3,614,032
Utilities and maintenance	448,166	439,041
Leases and insurance	423,932	514,990
Operational Reserve Fund expense	267,000	–
Depreciation and amortization	188,505	139,393
Professional fees	186,035	112,893
Materials and supplies	135,260	125,050
Other	69,711	71,640
Travel	61,980	63,008
Total operating expenses	<u>5,507,530</u>	<u>5,080,047</u>
OPERATING INCOME	<u>40,909,193</u>	<u>43,637,665</u>
NET INCOME	<u>\$ 40,941,550</u>	<u>\$ 43,684,681</u>
GROSS REVENUE PERCENTAGE RETURN	<u>30.09%</u>	<u>30.80%</u>



*Photo by Carol Turner of Santa Fe,
a winner in the "I ♥ New Mexico" Photo Contest*

A “LOTTO” FUN



ULTIMATE TAILGATE PARTY

Three Powerball® players were drawn to go to the Pro Football Hall of Fame Fan Festival in Cleveland to meet Hall of Famers, including Terry Bradshaw.



LOTTERY 'BALL GIRL' VISITS THE RAIL RUNNER

The Lottery "Ball Girl" greeted Rail Runner riders with "Trax," the Rail Runner Express mascot.

LEAD SINGER OF 'LONESTAR' WINS \$1,000

Richie McDonald of "Lonestar" surprised Lottery staff when he pulled up in his tour bus to claim a \$1,000 Scratcher prize. While we wrote his check, McDonald played an impromptu concert.



LAYOUT AND DESIGN

Jessica Quintana

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FINANCIAL STATEMENTS

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Complete financial information for Fiscal Year 2014 and previous New Mexico Lottery Authority financial statements and audit reports, and annual reports are available at nmilottery.com



TENT ROCKS



TAOS MOUNTAIN



CARLSBAD CAVERNS



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LOTTERY

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