



Fiscal Year
2015
Annual Report



NEW MEXICO
LOTTERY

**“If everyone is moving forward together, then success takes care of itself.”
— Henry Ford**



Fiscal Year 2015 Lottery Highlights...

- ▶ Raised \$41.1 million for the Legislative Lottery Scholarship
- ▶ Awarded four prizes of \$1 million or more to players
- ▶ Paid \$8,941,265 in sales commission to retailers
- ▶ Collected \$662,877.12 in state income taxes from prize winnings
- ▶ Overhauled the advertising media buys and portfolio
- ▶ Developed, built and tested a new, easy-to-manage website with a responsive design

Change takes flight...

Table of Contents

Board Letter
2

Lottery Highlights
3

Historical Review
4

Where the Money Goes
5

Organizational Chart
5

Legislative Lottery
Scholarship Stats
6

Financial Statements
10

- ▶ Launched the “Points and Rewards” promotion to increase sales and VIP Club membership
- ▶ Launched a new Back Office System
- ▶ Launched Lucky Numbers Bingo - a Bingo-style drawing game that is played at retailers that don’t usually sell lottery
- ▶ Increased corporate partnerships

Letter from the Board

Fiscal Year 2015 was a year of milestones – changing a record number of lives.

With assistance from Legislative Lottery Scholarships, more than 103,500 students have attended college in New Mexico and more than 53,500 have earned their college degrees.

In Fiscal Year 2015, New Mexico Lottery players raised \$41.1 million for the state's Legislative Lottery Scholarship program, bringing the total amount raised for education since 1996 to nearly \$654.6 million.

Every county in New Mexico has students who have received Legislative Lottery Scholarships.

And every county in New Mexico has students who received the scholarship, graduated and have moved forward with more opportunities, knowledge, job skills and stronger earnings potential.

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



Dan Salzwedel, Ph.D.
Chair



Mark Keson
Vice Chair



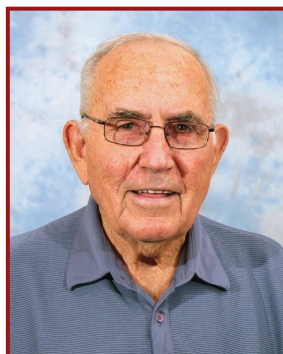
John Kubiak, CPA
Secretary/Treasurer



Amy Bailey, Esq.
Assistant Secretary/Treasurer



Salvatore Baragiola
Member



Claude Austin
Member



Paul Guerin, Ph.D.
Member

“The world hates change, yet it is the only thing that has brought progress.”

— Charles Kettering

Leading *Change...*

At the New Mexico Lottery, Fiscal Year (FY) 2015 embraced both change and growth. The changes initiated generated more than \$9 million in cost savings and added value to the Lottery. Additionally, the changes resulted in increased Scratchers™ sales, operational efficiencies, new products and long-term reductions in expenses. These initiatives included:

Advertising

In FY 2015, the Lottery overhauled its media buys and portfolio. Campaign buys – individual buys that run 2–3 weeks – were eliminated and all media was purchased annually. This allowed for greater flexibility of messaging and added value. More than \$900,000 in cost savings and added value (no charge) media was leveraged with a \$2.4 million budget. New media was added to the advertising portfolio, including digital outdoor billboards, in-store radio ads at Albertsons and Smith's grocery stores, Rail Runner advertising, bus wraps and digital media.

Website & VIP Club

The Lottery also initiated the planning, development and testing of an invigorated nm lottery.com website and a new VIP Club in FY 2015. The new site is built with a custom content management platform that allows quick, easy updates on pages that respond to user devices, such as mobile phones and tablets. At the same time, a new

VIP Club was created that allows players to subscribe to email and text message alerts. It also provides expandability and ease of message distribution. Cost savings for the new website and VIP Club are approximately \$70,000 per year.

Points and Rewards Promotion

In order to increase membership to the VIP Club and invigorate sales, the Lottery launched a year-long promotion in January 2015, named “Points and Rewards.” Players entered non-winning \$1, \$2 and \$3 Scratchers on the Lottery's website. Every month drawings were held for one winner of \$5,000 cash and 300 winners of “Prize Points,” which could be used to purchase items from an internet prize store. The promotion resulted in a sales increase of more than \$800,000 (4.24%) in the \$1, \$2 and \$3 Scratchers and VIP Club membership grew by more than 9,000 members between January 8 and June 30, 2015.

BOS

One of the largest initiatives of FY 2015 was a complete update to the Lottery's Back Office System. By converting an in-house, antiquated system to the Lottery's vendor system, the Lottery saved approximately \$4 million over the life of the contract (8 years), as well as an additional \$4.1 million in personnel costs for the same time period.

Super Tuesday Scratchers

The Super Tuesday Scratcher launches began in FY 2014 and continued into FY 2015. This

product-line strategy generated over ten million dollars in increased Scratcher sales, a 14.5% increase to net instant ticket sales. The strategy includes monthly game launches on the first Tuesday of each month, planned product placement at the point-of-purchase and themed advertising.

Corporate Partnerships

Many years had passed since the Lottery participated in athletic sponsorships. FY 2015 marked the addition of the UNM Lobos and Gildan New Mexico Bowl, as well as a second-year sponsorship with the Albuquerque Isotopes. The sponsorships provided sales opportunities, Lottery event venues, additional advertising and incentives for players and retailers via game tickets.

As we look ahead, we can only grow if we continue to embrace change. I look forward to many exciting opportunities not yet realized.

Thank you,
David Barden



David M. Barden
CEO

“Change is inevitable. Growth is optional.”

— John C. Maxwell

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 ↘
FY 2015	\$137.1 Million ↗	\$41.1 Million ↗
Totals	\$2.468 Billion	\$654.6 Million

Lottery Tuition Fund: \$588,002,448 (1996 to present)

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

Raised for public education through Fiscal Year 2014: \$654,556,298

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

** Rounded

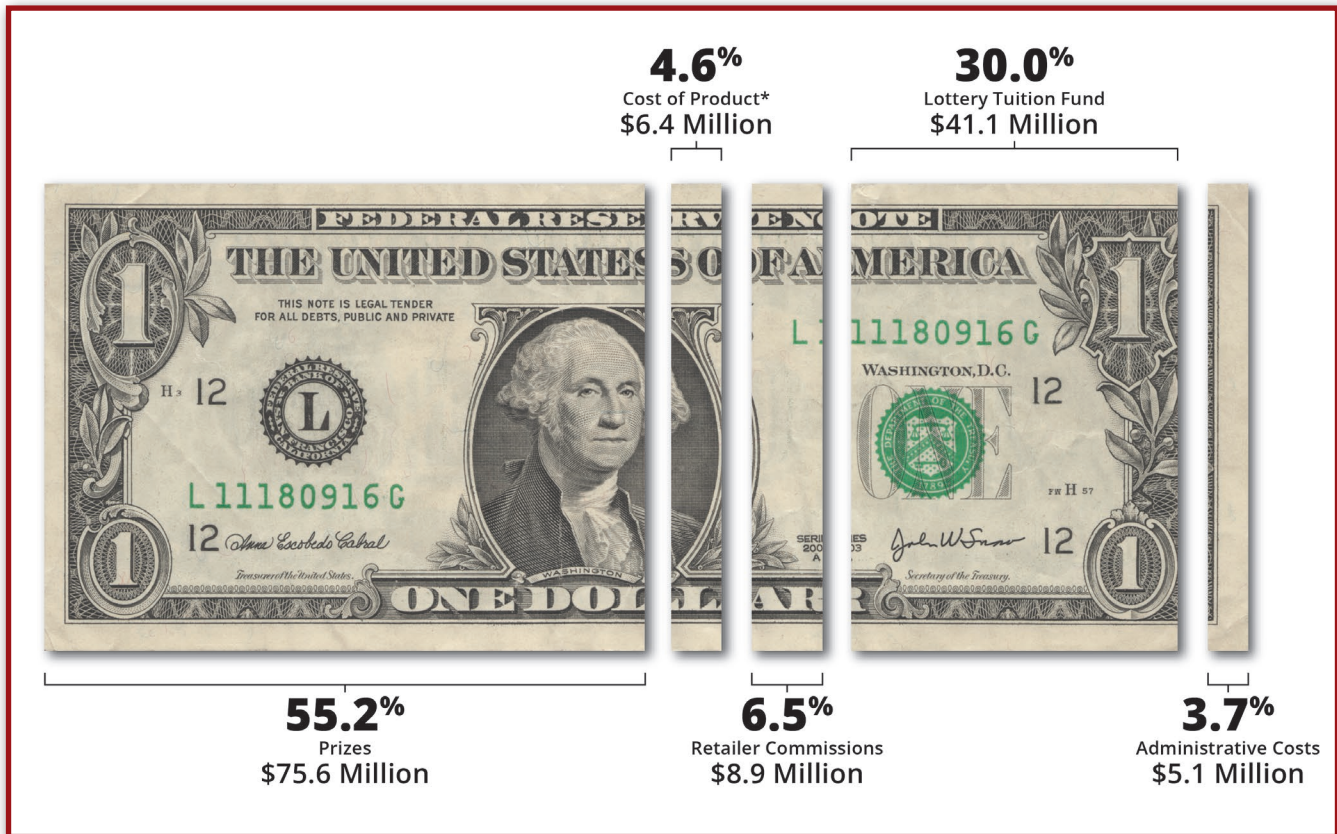
“We cannot solve our problems with the same thinking we used when we created them.”

— Albert Einstein

Where the Money Goes

\$137.1 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.

Organizational Chart



“Do not go where the path may lead, go instead where there is no path and leave a trail.”

— Ralph Waldo Emerson

103,510

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

Student Count By County Fall 1997 — Spring 2015

County	LLS Students	Total Awards	Total Graduates So Far
Bernalillo	32,532	241,066,261	17,456
Catron	133	999,753	76
Chaves	3,506	15,335,448	1,820
Cibola	1,155	5,724,803	621
Colfax	553	3,634,357	275
Curry	2,493	10,363,057	1,283
De Baca	152	760,895	80
Doña Ana	12,036	79,471,171	6,311
Eddy	2,854	14,013,069	1,454
Grant	1,615	9,715,438	913
Guadalupe	243	1,305,850	126
Harding	83	469,280	61
Hidalgo	265	1,671,773	155
Lea	2,106	6,454,574	1,001
Lincoln	1,014	5,742,065	533
Los Alamos	1,585	12,569,754	915
Luna	1,060	6,586,997	493
McKinley	2,650	12,006,495	1,197
Mora	302	1,487,393	193
Otero	2,974	16,550,359	1,637
Quay	555	2,491,518	287
Rio Arriba	2,542	13,095,144	1,309
Roosevelt	1,354	6,110,233	686
San Juan	5,150	20,934,696	2,597
San Miguel	1,678	8,706,409	987
Sandoval	6,041	40,837,051	2,983
Santa Fe	6,579	39,220,441	3,216
Sierra	387	2,792,499	196
Socorro	686	4,706,189	378
Taos	1,600	8,946,812	754
Torrance	712	4,437,725	391
Union	212	1,311,316	124
Valencia	4,373	23,781,996	2,104
Other*	2,123	7,887,045	772
No Response**	207	831,326	127
Total	103,510	\$ 632,019,192	53,511

Changing
Students'
lives...

**“In your hands you
hold the seeds of failure
or the potential for
greatness.”**
— Zig Ziglar

* “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 2015

• 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

16,468

Legislative Lottery Scholarships Spring Semester 2015

	Spring 2015 LLS Students	Total Students (Fall '97 - Spring '15)	Total LLS Awards (Fall '97 - Spring '15)
Research Universities			
New Mexico Institute of Mining and Technology — Socorro	571	2,635	\$ 21,885,519
New Mexico State University — Las Cruces (Main Campus)	3,484	22,673	\$ 179,983,935
University of New Mexico — Albuquerque (Main Campus)	7,361	40,658	\$ 349,688,043
Comprehensive Universities			
Eastern New Mexico University — Portales (Main Campus)	922	6,188	\$ 26,765,244
New Mexico Highlands University — Las Vegas ⁽¹⁾	265	2,348	\$ 8,172,529
Northern New Mexico College — Española & El Rito	116	1,504	\$ 2,721,201
Western New Mexico University — Silver City	195	1,628	\$ 6,057,751
Two-Year Branch Colleges			
Eastern New Mexico University — Roswell	163	2,342	\$ 2,429,496
Eastern New Mexico University — Ruidoso	34	586	\$ 304,580
New Mexico State University — Alamogordo	61	1,469	\$ 1,977,271
New Mexico State University — Carlsbad	81	1,240	\$ 1,244,301
New Mexico State University — Doña Ana	632	5,257	\$ 7,330,710
New Mexico State University — Grants	27	568	\$ 697,067
University of New Mexico — Gallup	44	1,214	\$ 1,435,876
University of New Mexico — Los Alamos	49	751	\$ 772,457
University of New Mexico — Taos	61	617	\$ 758,434
University of New Mexico — Valencia (Los Lunas)	210	2,233	\$ 2,777,053
Independent Community/Junior Colleges			
Central New Mexico Community College — Albuquerque	1,442	11,811	\$ 9,273,122
Clovis Community College	63	1,392	\$ 958,533
Luna Community College — Las Vegas ⁽¹⁾	47	476	\$ 361,653
Mesalands Community College — Tucumcari	20	334	\$ 474,872
New Mexico Junior College — Hobbs	122	1,588	\$ 855,091
New Mexico Military Institute — Roswell	9	193	\$ 225,884
San Juan College — Farmington	284	3,461	\$ 2,726,792
Santa Fe Community College	205	2,423	\$ 2,141,778
Total Campuses — 25⁽¹⁾			
Total Students Spring 2015 Semester⁽²⁾	16,468		
Total Since Inception Through Spring 2015⁽²⁾⁽³⁾	\$ 632,019,192		

- (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 (None of the schools had a record enrollment in the 2015 Spring semester.)
- 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	Summer '03 (2 students)	\$ 2,328	Summer '08 (41 students)	\$ 82,164	Fall '13 (14,527 students)	\$ 30,828,123
Summer '97 (45 students)	\$ 11,641	Fall '03 (9,470 students)	\$ 10,840,562	Fall '08 (12,053 students)	\$ 19,450,166	Spring '14 (17,371 students)	\$ 35,194,296
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	Fall '14 (14,181 students)	\$ 29,708,613
Summer '98 (46 students)	\$ 11,683	Summer '04 (3 students)	\$ 4,083	Summer '09 (40 students)	\$ 86,960	Spring '15 (16,468 students)	\$ 31,936,768
Fall '99 (6,293 students)	\$ 5,088,456	Fall '04 (10,014 students)	\$ 12,775,860	Fall '09 (12,879 students)	\$ 21,404,865	Summer '15 (69 students)	\$ 158,470
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	Total	\$ 632,019,192
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	Fall '11 (13,941 students)	\$ 26,815,581		
Fall '01 (8,133 students)	\$ 8,327,143	Fall '06 (11,032 students)	\$ 16,259,849	Spring '12 (17,138 students)	\$ 31,226,643		
Spring '02 (10,602 students)	\$10,423,916	Spring '07 (13,788 students)	\$ 19,540,205	Summer '12 (32 students)	\$ 143,648		
Summer '02 (1 student)	\$ 1,074	Summer '07 (43 students)	\$ 81,740	Fall '12 (14,279 students)	\$ 28,446,213		
Fall '02 (8,753 students)	\$ 9,551,759	Fall '07 (11,513 students)	\$ 17,671,062	Spring '13 (17,758 students)	\$ 33,524,756		
Spring '03 (11,273 students)	\$11,724,857	Spring '08 (14,395 students)	\$ 21,106,409	Summer '13 (101 students)	\$ 490,689		

Data provided by New Mexico Higher Education Department for the Legislative Lottery Scholarship program through FY 2015. ⁽²⁾⁽³⁾

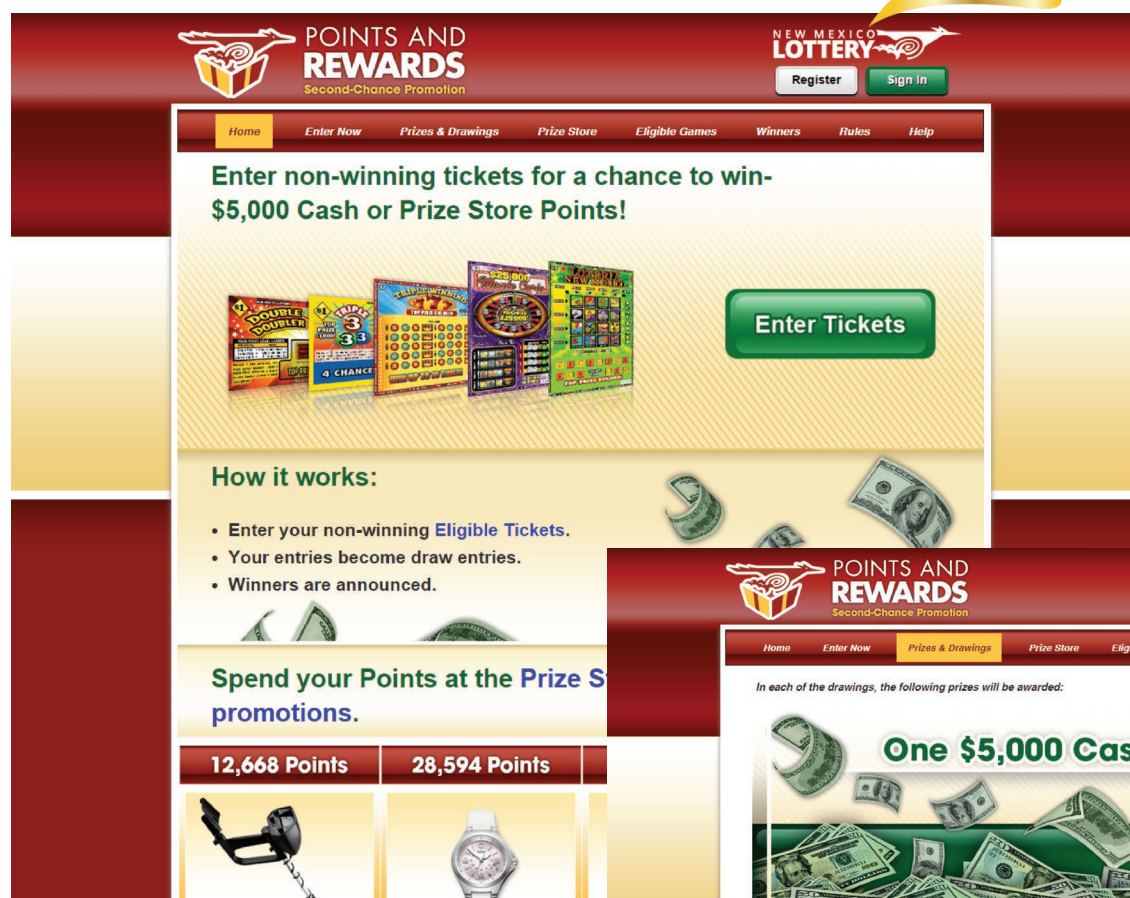
Changing *Player Rewards...*

In January 2015, the Lottery began a year-long promotion called “Points and Rewards.” Every month drawings were held for one winner of \$5,000 cash and 300 winners of “Prize Points,” which could be redeemed for electronics, small appliances and fashion accessories.

The promotion offered players more excitement and entertainment value with their low-tier Scratcher™ purchases while providing an opportunity for the Lottery to increase Scratcher sales and VIP Club membership.

Players entered their non-winning \$1, \$2 and \$3 Scratchers on the Lottery’s website. A mobile app that allowed players to scan their ticket entries was launched as well.

The promotion increased the VIP Club membership by more than 9,000 members in the first six months. Between January and June, the promotion received an astounding 356,172 entries.



Screenshots of the VIP Points and Rewards website.

Changing *Advertising...*

In an effort to more effectively and efficiently reach our players, new advertising media was incorporated.

Metro Buses: Eleven Albuquerque metro buses featured rotating custom Lottery ads. Two Santa Fe metro buses and one Farmington bus also displayed Lottery campaigns.

Digital Outdoor Boards: One of the largest changes in the outdoor industry involves the addition of new, gigantic digital outdoor billboards. These boards allow advertisers to change messages frequently and run multiple messages on the same board. The Lottery embraced this new opportunity and advertised on this media in the Albuquerque and Las Cruces metros. Jackpot alerts, promotional ads and Super Tuesday Scratchers™ ads blanketed the boards with bright, vibrant graphics. Additionally, the outdoor companies “bonused” unsold inventory at zero cost as added value to the annual buy (approximately \$100,000 in added value).

In-Store Radio: The Lottery purchased radio spots on the Albertsons and Smith's in-store radio network. Twice an hour during all open hours, Lottery radio ads are played in all the New Mexico Albertsons and Smith's grocery stores – 54 total. Spots were written and recorded to encourage shoppers to purchase their tickets ‘right HERE in this store.’

Annual Radio Buys: Radio is now purchased on an annual basis with statewide radio partners (English and Spanish) and includes 30-second spots as well as traffic liners. Traffic liners are 15-second ads, often live reads, which allow the Lottery to flight many different messages each week. To further expand Lottery ad messages and maximize spot use, new split spots were implemented. Two 15-second spots are combined and produced into a 30-second spot. Listeners hear two completely different Lottery ads, one right after the other for the cost of one spot!



New Mexico Lottery Authority
STATEMENTS OF NET POSITION

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,515,045	\$ 10,280,672
Accounts receivable (net of allowance for doubtful accounts)	1,586,110	1,326,831
Reserves on deposit	3,420,292	3,431,968
Inventory	162,024	122,891
Prepaid expenses	<u>156,355</u>	<u>108,078</u>
Total current assets	10,839,826	15,270,440
CAPITAL ASSETS, NET	<u>3,329,832</u>	<u>827,886</u>
Total assets	<u><u>\$ 14,169,658</u></u>	<u><u>\$ 16,098,326</u></u>
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 1,537,100	\$ 2,145,418
Current portion of note payable	223,123	-
Current portion of capital lease obligation	2,595	14,064
Prizes payable	8,110,042	10,552,075
Due to Lottery Tuition Fund	<u>3,052,921</u>	<u>3,056,450</u>
Total current liabilities	<u>12,925,781</u>	<u>15,768,007</u>
LONG-TERM LIABILITIES		
Noncurrent portion of note payable	976,877	-
Noncurrent portion of capital lease obligation	<u>-</u>	<u>63,319</u>
Total long-term liabilities	<u>976,877</u>	<u>63,319</u>
Total liabilities	<u><u>\$ 13,902,658</u></u>	<u><u>\$ 15,831,326</u></u>
NET POSITION		
Net investment in capital assets	\$ 2,129,832	\$ 827,886
Unrestricted (deficit)	<u>(1,862,832)</u>	<u>(560,886)</u>
Total net position	<u><u>\$ 267,000</u></u>	<u><u>\$ 267,000</u></u>

New Mexico Lottery Authority

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years ended June 30

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Instant ticket sales	\$ 79,956,236	\$ 69,804,813
Powerball sales	27,722,571	34,027,555
Mega Millions sales	11,161,262	13,410,732
Roadrunner Cash sales	6,240,297	8,592,684
Hot Lotto sales	5,997,386	5,700,311
Pick 3 sales	4,621,530	3,828,187
Quickster sales	742,509	638,322
Monopoly Millionaires' Club sales	421,020	-
Lucky Numbers Bingo sales	153,912	-
Net ticket sales	<u>137,016,723</u>	<u>136,002,604</u>
Retailer fees	19,980	22,453
Total operating revenues	<u>137,036,703</u>	<u>136,025,057</u>
GAME EXPENSES		
Prize expense	75,592,325	74,060,246
Retailer commissions	8,941,265	8,782,855
On-line vendor fees	2,193,183	2,177,205
Advertising	2,174,697	2,267,772
Ticket vendor fees	1,265,885	1,188,107
Shipping and postage	312,134	335,679
Promotions	134,190	221,036
Retailer equipment	96,816	345,786
Responsible gaming	69,998	83,050
Game membership	66,895	43,718
Drawing game	37,150	102,880
Total game expenses	<u>90,884,538</u>	<u>89,608,334</u>
OPERATING EXPENSES		
Salaries, wages, and benefits	3,485,280	3,726,941
Leases and insurance	435,550	423,932
Utilities and maintenance	410,518	448,166
Depreciation and amortization	298,547	188,505
Professional fees	232,028	186,035
Materials and supplies	77,233	135,260
Travel	66,160	61,980
Other	52,281	69,711
Total operating expenses	<u>5,057,597</u>	<u>5,240,530</u>
OPERATING INCOME	<u>41,094,568</u>	<u>41,176,193</u>
NON-OPERATING INCOME (EXPENSE)		
Interest income	16,373	18,753
Other income	10,516	13,604
Interest expense	(236)	-
Total non-operating income	<u>26,653</u>	<u>32,357</u>
Net income before transfers	41,121,221	41,208,550
Transfers to Lottery Tuition Fund	<u>41,121,221</u>	<u>40,941,550</u>
Change in net position	-	267,000
Net position at beginning of year	<u>267,000</u>	<u>-</u>
Net position at end of year	<u><u>\$ 267,000</u></u>	<u><u>\$ 267,000</u></u>

New Mexico Lottery Authority
STATEMENTS OF CASH FLOWS

Years ended June 30, 2015 and 2014

Increase (Decrease) in Cash and Cash Equivalents

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Cash received:		
From retailers — sales net of commissions, incentives, and prize, spoiled, and stolen ticket credits	\$ 127,841,627	\$ 127,279,025
From MUSL — Hot Lotto jackpots	—	10,992,481
Cash payments:		
To prize winners and related taxes	(67,726,913)	(68,225,640)
To MUSL	(10,307,445)	(15,631,001)
To suppliers of goods or services	(8,767,859)	(8,748,786)
To employees for services and related taxes	(2,844,830)	(3,027,629)
Net cash provided by operating activities	<u>38,194,580</u>	<u>42,638,450</u>
Cash flows from noncapital financing activities		
Transfers to the Lottery Tuition Fund	<u>(41,124,750)</u>	<u>(41,388,474)</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	(1,819,538)	(308,479)
Principal paid on capital debt	—	—
Interest paid on capital debt	—	—
Principal payments under capital lease	<u>(27,657)</u>	<u>(14,063)</u>
Net cash used by capital and related financing activities	<u>(1,847,195)</u>	<u>(322,542)</u>
Cash flows from investing activities		
Receipts of interest	11,464	12,319
Other	<u>274</u>	<u>682</u>
Net cash provided by investing activities	<u>11,738</u>	<u>13,001</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(4,765,627)	940,435
Cash and cash equivalents at beginning of year	<u>10,280,672</u>	<u>9,340,237</u>
Cash and cash equivalents at end of year	<u>\$ 5,515,045</u>	<u>\$ 10,280,672</u>

New Mexico Lottery Authority
STATEMENTS OF CASH FLOWS — CONTINUED

Years ended June 30, 2015 and 2014

Increase (Decrease) in Cash and Cash Equivalents

	<u>2015</u>	<u>2014</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 41,094,568	\$ 41,176,193
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	298,547	188,505
Vendor's non-cash transactions	163,353	(54,357)
Interest on MUSL unreserved account	2,353	2,919
Net changes in assets and liabilities:		
Accounts receivable	(253,811)	36,823
Reserves on deposit	27,331	(26,400)
Inventory	(39,133)	(85,927)
Prepaid expenses	(48,277)	37,094
Accounts payable and other liabilities	(608,318)	167,514
Prizes payable	(2,442,033)	1,196,086
Net cash provided by operating activities	<u>\$ 38,194,580</u>	<u>\$ 42,638,450</u>

New Mexico Lottery Authority
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON STATEMENTS
Years ended June 30, 2015 and 2014

	2015				2014			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Operating revenues								
Instant ticket sales	\$ 71,893,000	\$ 77,664,500	\$ 79,956,236	\$ 2,291,736	\$ 68,893,000	\$ 67,797,000	\$ 69,804,813	\$ 2,007,813
Powerball sales	37,859,200	29,939,000	27,722,571	(2,216,429)	37,851,500	37,850,000	34,027,555	(3,822,445)
Mega Millions sales	8,994,900	11,999,500	11,161,262	(838,238)	7,989,800	11,989,000	13,410,732	1,421,732
Roadrunner Cash sales	6,992,800	6,499,000	6,240,297	(258,703)	6,791,300	8,391,000	8,592,684	201,684
Hot Lotto sales	4,988,800	5,999,500	5,997,386	(2,114)	5,493,000	4,993,000	5,700,311	707,311
Pick 3 sales	4,195,700	4,599,500	4,621,530	22,030	3,395,700	3,694,000	3,828,187	134,187
Quickster sales	1,498,500	774,500	742,509	(31,991)	998,700	598,000	638,322	40,322
Monopoly Millionaires' Club sales	2,992,800	421,000	421,020	20	–	–	–	–
Lucky Numbers Bingo sales	3,396,300	149,500	153,912	4,412	–	–	–	–
Net ticket sales	142,812,000	138,046,000	137,016,723	(1,029,277)	131,413,000	135,312,000	136,002,604	690,604
Retailer fees	12,000	15,000	19,980	4,980	11,000	15,000	22,453	7,453
Bad debts	(24,000)	(24,000)	–	24,000	(24,000)	(24,000)	–	24,000
Total operating revenues	142,800,000	138,037,000	137,036,703	(1,000,297)	131,400,000	135,303,000	136,025,057	722,057
Total game expenses	94,130,000	91,244,000	90,884,538	(359,462)	86,280,000	89,031,000	89,608,334	577,334
Total operating expenses	5,846,000	5,399,000	5,057,597	(341,403)	5,716,000	5,698,000	5,240,530	(457,470)
Operating income	42,824,000	41,394,000	41,094,568	(299,432)	39,404,000	40,574,000	41,176,193	602,193
Total non-operating income (expense)	24,000	24,000	26,653	2,653	24,000	25,000	32,357	7,357
Net income before transfers to Lottery Tuition Fund	<u>\$ 42,848,000</u>	<u>\$ 41,418,000</u>	<u>\$ 41,121,221</u>	<u>\$ (296,779)</u>	<u>\$ 39,428,000</u>	<u>\$ 40,599,000</u>	<u>\$ 41,208,550</u>	<u>\$ 609,550</u>

New Mexico Lottery Authority
SUPPLEMENTARY INFORMATION
SCHEDULES OF PERCENTAGE RETURN TO THE STATE OF NEW MEXICO
Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Instant ticket sales	\$ 79,956,236	\$ 69,804,813
Powerball sales	27,722,571	34,027,555
Mega Millions sales	11,161,262	13,410,732
Roadrunner Cash sales	6,240,297	8,592,684
Hot Lotto sales	5,997,386	5,700,311
Pick 3 sales	4,621,530	3,828,187
Quickster sales	742,509	638,322
Monopoly Millionaires' Club sales	421,020	-
Lucky Numbers Bingo sales	153,912	-
Net ticket sales	<u>137,016,723</u>	<u>136,002,604</u>
Retailer fees	19,980	22,453
Bad debts	-	-
Total operating revenues	<u>137,036,703</u>	<u>136,025,057</u>
NON-OPERATING INCOME		
Interest income	16,373	18,753
Other income	10,516	13,604
Total non-operating income	<u>26,889</u>	<u>32,357</u>
GROSS REVENUES	<u>137,063,592</u>	<u>136,057,414</u>
GAME EXPENSES		
Prize expense	75,592,325	74,060,246
Retailer commissions	8,941,265	8,782,855
On-line vendor fees	2,193,183	2,177,205
Advertising	2,174,697	2,267,772
Ticket vendor fees	1,265,885	1,188,107
Shipping and postage	312,134	335,679
Promotions	134,190	221,036
Retailer equipment	96,816	345,786
Responsible gaming	69,998	83,050
Game membership	66,895	43,718
Drawing game	37,150	102,880
Total game expenses	<u>90,884,538</u>	<u>89,608,334</u>
OPERATING EXPENSES		
Salaries, wages, and benefits	3,485,280	3,726,941
Leases and insurance	435,550	423,932
Utilities and maintenance	410,518	448,166
Depreciation and amortization	298,547	188,505
Professional fees	232,028	186,035
Materials and supplies	77,233	135,260
Travel	66,160	61,980
Other	52,281	69,711
Operational Reserve Fund expense	-	267,000
Total operating expenses	<u>5,057,597</u>	<u>5,507,530</u>
OPERATING INCOME	<u>41,094,568</u>	<u>40,909,193</u>
NON-OPERATING EXPENSE		
Interest expense	236	-
Total non-operating expense	<u>236</u>	<u>-</u>
NET INCOME	<u>\$ 41,121,221</u>	<u>\$ 40,941,550</u>
GROSS REVENUE PERCENTAGE RETURN	<u>30.00%</u>	<u>30.09%</u>



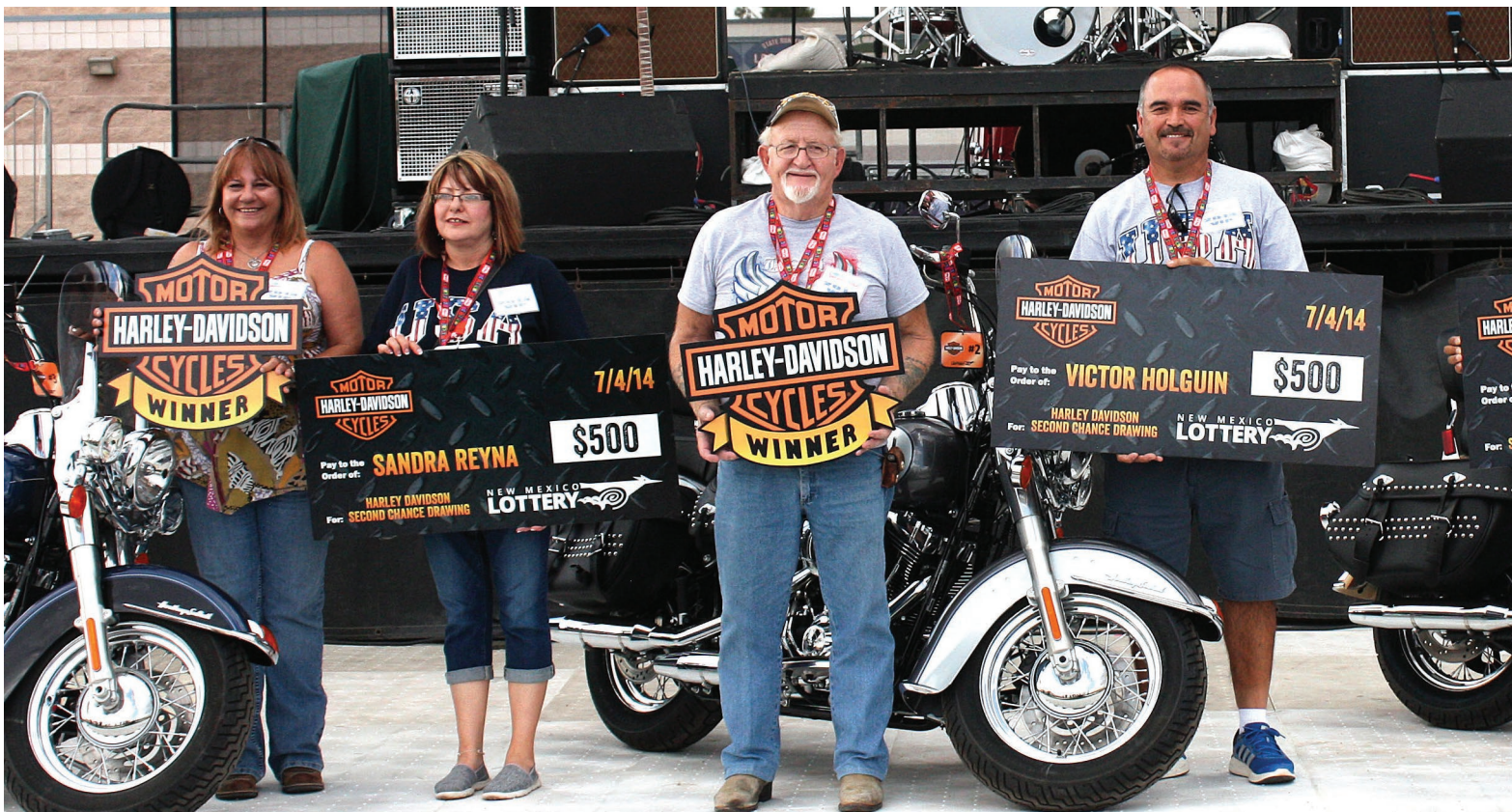
Left: Gilman New Mexico Bowl

Below: Lottery staff sells tickets at the Taos Mother's Day Celebration.

Opposite page: Albuquerque International Balloon Fiesta



Below: Harley-Davidson Motorcycle Second-Chance Event at the Las Cruces Fourth of July Celebration finalists and winners (left to right): Deborah Waldrop of Roswell, Sandra Reyna of Clovis, Leonard McKay of Las Cruces, Victor Holguin of Deming, Herman Martinez of Santa Fe and Phoenix LeDoux of Tijeras.



Changing *Venues...*

Every year, the Lottery participates in events all around New Mexico. From small two-hour “Wheel Spins” at our retail locations to large local events, we travel all around the state. Here are some of the events we participated in during FY 2015.

Gildan New Mexico Bowl: This was the first year the Lottery participated. Two sales locations maximized sales both inside and outside the stadium. Other partnership benefits included banners in the stadium, PA announcements, a program ad and game tickets.

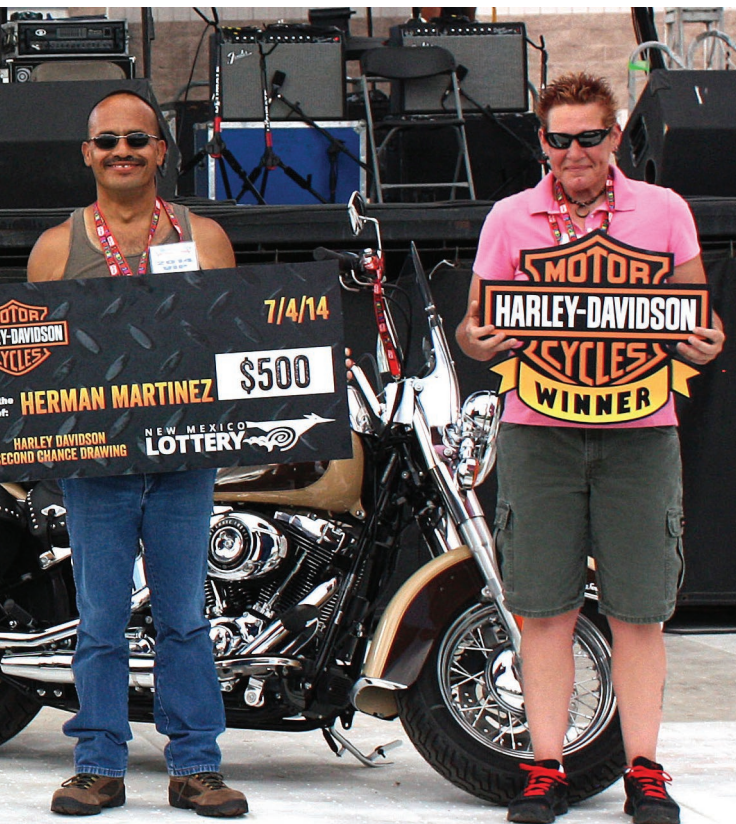
Las Cruces Fourth of July Celebration: On July 4, Lottery staff set up the ticket trolley and sold Lottery tickets at this well-attended event in Las Cruces. Before dark, six lucky finalists stood on the field for a final giveaway event. Three lucky finalists won Harley-Davidson® Motorcycles as part of the Lottery’s Harley-Davidson Second-Chance Drawing.

Albuquerque International Balloon Fiesta: For the first time ever, the Lottery displayed a massive 33’x15’ banner on a hot air balloon! One million visitors and the Albuquerque community watched it take off and float above Albuquerque during the ten-day event.

Expo New Mexico: As part of our benefits messaging, the Lottery sets up a tent annually at the New Mexico State Fair on Pathways to Colleges and Careers

Day. Lottery staff attends and distributes brochures and flyers to educate parents, kids and educators about the Legislative Lottery Scholarship.

Taos Mother’s Day Celebration: It seems most of the residents of Taos attend this two-day music festival. This was the first time the Lottery participated and our first-ever Taos event. It was a smashing success with fantastic sales and many comments from residents about how happy they were that the Lottery attended.



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Complete financial information for
Fiscal Year 2015 and previous New Mexico
Lottery Authority financial statements
and audit reports, and annual reports are
available at nmlottery.com



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LOTTERY

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