

ANNUAL QUAL

2014

REPORT



LETTER FROM THE EXECUTIVE DIRECTOR

The Hoosier Lottery continues to prove itself a worthwhile Hoosier institution that annually returns millions in value to Indiana communities. For 25 years, the Hoosier Lottery has been charged with maximizing revenues to the State of Indiana* through fun and light entertainment. Every year, we aim to build upon the success of the prior year by providing the best games available in the lottery industry that align with Hoosier preferences.

These efforts paid off significantly in fiscal year 2014.

During the past fiscal year, the Hoosier Lottery surpassed one billion in sales, a 9 percent increase over fiscal year 2013. Sales of the Hoosier Lottery's instant ticket products set a new record at \$703 million! To celebrate our 25th anniversary, we temporarily returned our very first Scratch-off ticket and popular companion game show, *Hoosier Millionaire*.

And we're just getting started.

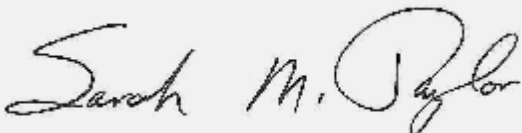
The Hoosier Lottery's net income increased approximately 16 percent year-over-year, and about \$251 million—a record amount—was transferred to the State of Indiana in fiscal year 2014. Our ability to maximize sales and control our operational costs is crucial to the Hoosier Lottery's success to return money to the State for good causes. The money flows to Hoosiers in all 92 counties via the Build Indiana Fund, local police and firefighters' pensions, and the Indiana Teachers' Retirement Fund.

The Hoosier Lottery's 25th year was also its first complete fiscal year under the integrated services agreement with GTECH Indiana, a wholly-owned subsidiary of GTECH Corporation, a global leader in lottery management. Specifically, GTECH Indiana works on behalf of the Hoosier Lottery for sales, marketing, and distribution business functions. My position as the Hoosier Lottery's Executive Director is appointed by the Governor, as are the five Commissioners. The State Lottery Commission of Indiana continues to have full oversight of all Hoosier Lottery operations, including the following divisions: lottery security, accounting and financial performance, prize payment, retailer licensing, and internal audit and compliance.

By working together as partners to re-energize the Hoosier Lottery brand, broaden the player base, optimize the lottery retailer network, introduce new games, institute operational efficiencies, and establish a comprehensive social responsibility program, the Hoosier Lottery is expected to generate significant revenues for the State in the coming years.

Here at the Hoosier Lottery, we call that a win-win and look forward to the future.

Sincerely,

A handwritten signature in black ink that reads "Sarah M. Taylor". The signature is written in a cursive style with a large, looped initial "S".

Sarah M. Taylor
Executive Director of the Hoosier Lottery

**THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2014 AND 2013**

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 18,936,820	\$ 26,476,145
Investments — current portion	11,360,702	11,446,826
Accounts receivable — net	98,563,513	68,732,655
Prepaid expenses	127,165	141,866
Accrued interest receivable	<u>319</u>	<u>223</u>
Total current assets	<u>128,988,519</u>	<u>106,797,715</u>
NONCURRENT ASSETS:		
Long-term investments — less current portion	126,307,655	129,933,934
Restricted assets	9,008,893	8,720,176
Capital assets — net	1,829,087	1,744,493
Other assets	<u>4,989,554</u>	<u>4,960,136</u>
Total noncurrent assets	<u>142,135,189</u>	<u>145,358,739</u>
TOTAL	<u>\$ 271,123,708</u>	<u>\$ 252,156,454</u>
LIABILITIES AND NET POSITIONS		
CURRENT LIABILITIES:		
Accounts payable:		
State	\$ 33,732,337	\$ 8,906,593
Trade	3,981,134	9,916,381
Current portion of prize liability	94,072,130	92,034,617
Unearned revenue	758,653	668,788
Other accrued expenses	<u>963,771</u>	<u>583,008</u>
Total current liabilities	133,508,025	112,109,387
LONG-TERM LIABILITIES — Prize liability less current portion	<u>116,685,719</u>	<u>118,597,333</u>
Total liabilities	<u>250,193,744</u>	<u>230,706,720</u>
NET POSITION:		
Unrestricted	19,100,877	19,705,241
Net investment in capital assets	<u>1,829,087</u>	<u>1,744,493</u>
Total net position	<u>20,929,964</u>	<u>21,449,734</u>
TOTAL	<u>\$ 271,123,708</u>	<u>\$ 252,156,454</u>

Note: The financial statements are excerpts from the Hoosier Lottery's audited financial statements for the years ended June 30, 2014 and 2013. Complete financial statements are available upon request to the Chief of Staff, Hoosier Lottery, 1302 N. Meridian St., Suite 100, Indianapolis, IN 46202.

**THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
OPERATING REVENUES:		
Instant ticket sales — net	\$ 702,635,256	\$ 616,359,272
On-line ticket sales	<u>316,092,204</u>	<u>317,668,814</u>
Total operating revenues	<u>1,018,727,460</u>	<u>934,028,086</u>
OPERATING EXPENSES:		
Direct game expenses:		
Instant game prizes	480,473,795	418,282,785
On-line games prizes	<u>156,126,084</u>	<u>163,062,740</u>
	<u>636,599,879</u>	<u>581,345,525</u>
Indirect game expenses:		
Retailer commissions	68,159,398	63,517,963
Lottery expenses:		
Ticket printing costs	8,921,826	9,684,953
Advertising and promotion	17,228,678	21,308,239
Central gaming sytem expenses (On-line professional services)	16,726,236	9,795,199
Miscellaneous lottery expenses	2,855,970	2,926,218
Management Fees	<u>13,913,333</u>	<u>-</u>
	<u>127,805,441</u>	<u>107,232,572</u>
Total game expenses	<u>764,405,320</u>	<u>688,578,097</u>
PROVIDER NET INCOME	<u>254,322,140</u>	<u>245,449,989</u>
OTHER OPERATING EXPENSES:		
Salaries, wages, and benefits	2,920,845	14,340,223
General and administrative	<u>2,822,154</u>	<u>5,164,886</u>
Total other operating expenses	<u>5,742,999</u>	<u>19,505,109</u>
OPERATING INCOME	<u>248,579,141</u>	<u>225,944,880</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	54,907	126,173
Net increase (decrease) in fair value of investments	(549,188)	(8,929,881)
Increase (decrease) in net pension obligation	29,418	133,615
Provider Shortfall (Incentive)	1,646,973	-
Other income (expenses) - net	<u>868,976</u>	<u>(966,346)</u>
Total non-operating revenues (expenses) -net	<u>2,051,086</u>	<u>(9,636,439)</u>
NET INCOME PRIOR TO DISTRIBUTIONS	<u>250,630,227</u>	<u>216,308,441</u>
DISTRIBUTIONS:		
Distributions to the State	(217,860,744)	(216,198,113)
Distributions to be paid to the State	<u>(33,289,253)</u>	<u>(8,906,593)</u>
Total distributions	<u>(251,149,997)</u>	<u>(225,104,706)</u>
CHANGES IN NET POSITION	(519,770)	(8,796,265)
NET POSITION — Beginning of year (as restated)	<u>21,449,734</u>	<u>30,245,999</u>
NET POSITION — Ending of year	<u>\$ 20,929,964</u>	<u>\$ 21,449,734</u>

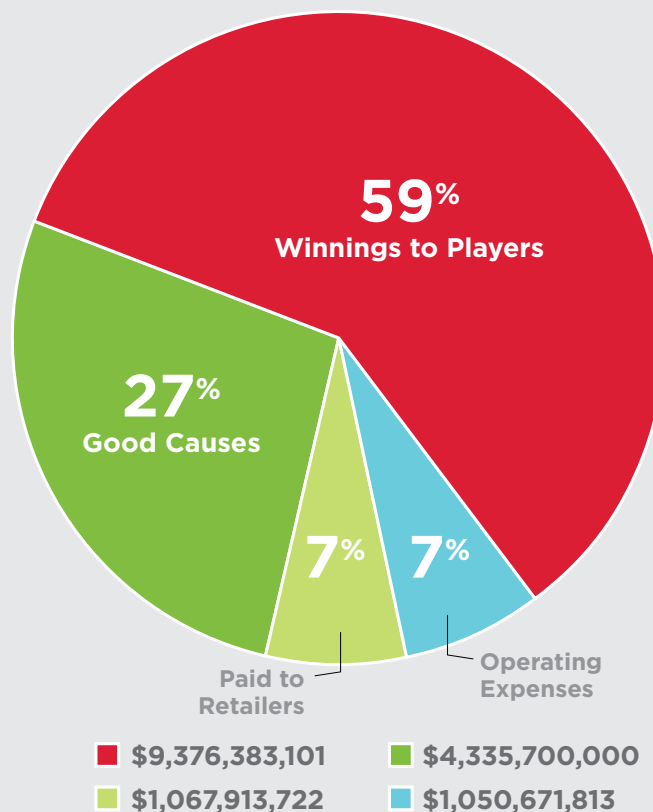
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WHERE THE MONEY GOES

Since its inception on October 13, 1989, the Hoosier Lottery has paid more than **\$9.3 billion** to winning players and has contributed more than **\$4.3 billion** to good causes across the state, including local police & firefighters' pensions, the Teachers' Retirement Fund, and the Build Indiana Fund. More than **\$1 billion** has been paid to Lottery retailers.

FINANCIAL DISTRIBUTIONS

STATEWIDE PAYMENTS SINCE INCEPTION



WHERE THE MONEY GOES



The Build Indiana Fund

is used to reduce the motor vehicle excise tax and help fund parks, roads and other local infrastructure projects that improve the lives of our fellow Hoosiers.



STRONGER. SAFER. SMARTER.

Lottery players help support local police and firefighters' pensions and the Teachers' Retirement Fund across Indiana.



Build Indiana Fund

\$164,500,000



Police & Firefighters' Pensions

\$30,000,003



Teachers' Retirement Fund

\$30,000,000



Go online to find out how we're giving back to Indiana counties. Visit hoosierlottery.com/givingback.



hoosierlottery.com

