



2021 Annual Report

For fiscal year ending June 30, 2021



Message from the Director

Fiscal Year 2021 was a year like no other, but one thing that remained constant was our commitment to supporting the state services that continue to help Delaware thrive. We'd like to thank our Retailers, players, vendors and staff for making this year a success despite the challenges we all faced during the Covid-19 pandemic.

On October 30, 2020, the Delaware Lottery celebrated the start of its 45th year in operation. We celebrated this milestone with a 45th anniversary kickoff event. We also remade our 1995 "Delaware Lottery and You" video to highlight the Delaware Lottery's winning tradition and its ability to keep pace with evolving games and technology since 1975. This was especially important for me, as I have been a part of the Delaware Lottery since its inception.

As a result of the pandemic, many consumers began adapting to working remotely. This change in the work environment created less frequency of Lottery players visiting retail establishments. Like all businesses during these times, this required our staff to think and act differently. At the conclusion of Fiscal Year 2020, we conducted our first Facebook LIVE event. It was so successful that we did it again in September 2020 and May 2021. Players tuned in at noon

on Fridays and for approximately 30 minutes our host, "Facebook Joe," guided the live audience through new and fun ways to create product awareness and for our players to connect and engage with the Lottery by awarding them with cash and prizes!

On behalf of the Delaware Lottery, I would like to thank everyone for their continued support. Our ongoing contribution to the state's General Fund - over \$5.8 million since 1975 - continues to support valuable programs and initiatives designed to benefit all of Delaware. Instant Game sales continued its growth trend over the last 10 years and had a record year of \$111.2 million, a 20% increase. Another record set in Fiscal Year 2021 was iGaming sales, which were up \$3.2 million for a 52% increase over the previous year.

We look forward to continuing our service to the State of Delaware and its residents in Fiscal Year 2022.



Vernon Kirk
Director, Delaware Lottery



\$215+
MILLION
to the state's
General Fund
in 2021

\$5.8
BILLION
contributed
since 1975

600+
RETAILERS
licensed
throughout
Delaware

Retailers

Our main priority throughout the Covid-19 pandemic was ensuring the safety of our players, Retailers and staff. We maintained operations during the pandemic and accepted all walk-in claims at our main office while adhering to all Covid-19 regulations.

Because some of our redemption centers closed or required an appointment during the pandemic, we implemented a Retailer Claim Center program on January 18, 2021, which expanded the number of Claim Centers cashing up to \$2,500, from three locations to 20 locations, making it easier and more convenient for players to claim their prizes.

As part of our 45th anniversary, our spring campaign paid tribute to the four Delaware Lottery Retailers that have been a part of the Lottery since 1975. Each Retailer was featured on a billboard campaign that was posted throughout the state. Our final 45th Anniversary celebration concluded in June 2021 with two Retailer Appreciation Events that recognized over 600+ Retailers.



Lums and Killen Pond State Parks Retailer events



45th Anniversary Retailer Spring Campaign outdoor billboards

Collect 'N Win

In April 2021, we launched a Trailer Ticket promotion to support our Collect 'N Win Loyalty Program. Throughout the month, PLAY 3®, PLAY 4® and MULTI-WIN LOTTO ticket purchases randomly generated a trailer ticket with a unique code, providing players an entry into our monthly Collect 'N Win drawing for cash prizes. The promotion was so successful that we ran a similar promotion during the month of June, which included giving away daily prizes of \$25 gift cards and bonus Collect 'N Win play symbols.

Sports Lottery

Sports continues to be a strong revenue source for the Delaware Lottery. Sales for Sports Lottery in Fiscal Year 2021 totaled \$116.8 million compared to \$103 million in Fiscal Year 2020, a 13% increase over the previous fiscal year. We continue to operate sports betting with three land-based Sportsbook Casinos and over 100 brick and mortar retail locations that offer parlay betting. With the mention of Sports Mobile launching in our surrounding states, we will have to look for ways to maintain our revenue stream with this product.

Play Responsibly

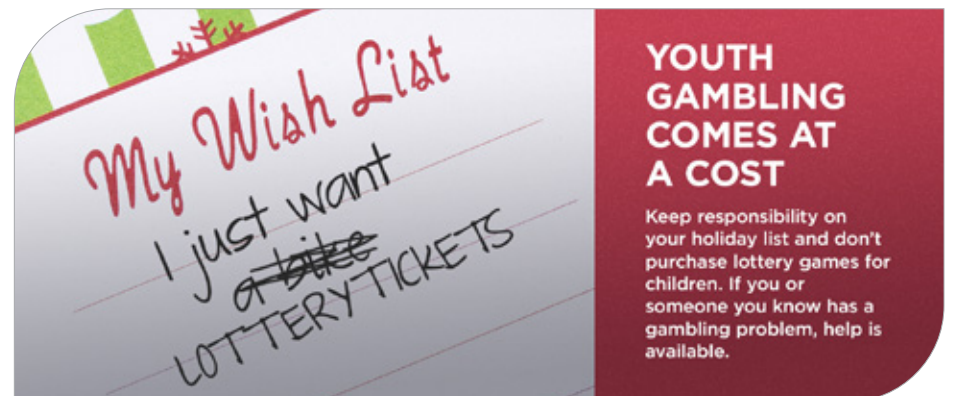
The holiday period is a good time to raise public awareness about the risk of underage lottery play during this gift-giving season. This year, the Delaware Lottery took part in the *Holiday Lottery Responsible Gambling Campaign*, an initiative brought by the *National Council on Problem Gambling*, the *International Centre for Youth Gambling Problems and High-Risk Behaviors* at McGill University, and the *North American Association of State and Provincial Lotteries (NASPL)*, to join partnerships with lotteries across the U.S. to create a holiday campaign designed to educate communities about the risk of buying lottery tickets for children during the holidays. Campaign participants were provided with materials and messaging (or created their own) to communicate responsible gambling during the holiday season. We will continue to promote responsible gambling throughout the year.



Trailer Ticket promotion



Sports Pick Football Wagering promotion



Play Responsibly Holiday Campaign

Video Lottery

Video Lottery net proceeds for Fiscal Year 2021 totaled more than \$359 million. Eleven lucky winners won jackpots of \$50K or more and the total for VLT jackpots awarded in Fiscal Year 2021 was almost \$2.5 million.

VLT jackpots awarded in Fiscal Year 2021 totaled almost \$2.5 million.

The Lottery extended its contract with Gaming Labs International (GLI) for Video Lottery testing, inspection and consulting services for one year.

The Video Lottery department has issued an RFP for VLT providers. This has been done early (without utilizing all available extensions on current contracts) to increase VLT variety in the state. We hope to continue our solid business relationship with our current vendors while inviting additional vendors to provide new VLTs to Delaware casinos. There are also 495 charitable VLTs operating in 48 approved charitable gaming organizations.

iGaming

iGaming Fiscal Year 2021 ended with our highest NGR to date of \$9.3 million, a 52% increase compared to the previous fiscal year. In January 2021, a NEW updated casino platform was launched with 100+ games available via iOS and Android. Additionally, PayPal was added as a new payment method to all three branded platforms in May 2021.

In Fiscal Year 2021, iGaming player jackpots paid out over \$1.7 million.



Instant Games

In honor of our 45th anniversary, the Delaware Lottery introduced a new family of Instant Games: *Celebrating 45 Years*.

These limited-edition Instant Games had four price points, offered top prizes ranging from \$1,000 to \$45,000 and were printed on Holographic Sand Glitter paper. The sales for these four 45th anniversary instant games, in the four price points of \$1, \$2, \$5 and \$10, indexed at 110% and above.

In February 2021, we conducted a statewide “Keep ‘Em Full” Mystery Instant Game promotion to bring attention to Lottery Retailers keeping their Instant Game dispensers full. The promotion ran for five weeks and 68.1% of the Retailers visited had their dispensers full.

Fiscal Year 2021 also saw Instant Game sales reach a record high of \$111.2 million.



45th Anniversary Family of Games

Shown above: Winners from the *Keep ‘Em Full* Mystery Instant Game promotion

Sponsorships

Although in-person events were challenging in Fiscal Year 2021, our marketing programs assisted with maintaining our long-standing relationships through sponsorships with University of Delaware and Delaware State University athletic programs, Wilmington Blue Rocks Minor League Baseball team, the Delaware State Fair, June Jam, Dover Motor Speedway and Delaware International Speedway.



2021 Dover Downs



2021 Firefly



2021 June Jam



2021 Apple Scapple

Future and Ongoing Projects

- Provide constant on-site regulatory oversight of all lottery gaming operations.
- New contracts for vendors who provide VLTs to our casinos. We hope to bring additional VLT vendors into Delaware to provide an even greater variety of games for our players.
- Enhance player loyalty and engagement through expansion of loyalty program and implementation of a mobile app.
- Continue to expand and develop effective mass media and alternative media advertising programs, including digital and social.
- Continue to effectively use “cooperative services” program by developing new and exciting games and promotional programs.
- Conduct player and resident satisfaction surveys as well as strive to continually improve service in accordance with the Lottery’s mission, objective and goals.
- Contribute to the design, development and implementation of improved Retailer relationship management, reporting and communications solutions for instant product growth; Lottery support staff and Retailers that capitalize on new technologies.
- Continue to employ effective sales management techniques to stimulate positive selling activities among licensed Retailers.
- Continue the expansion of our Retailer network by actively recruiting new and unique trade styles.



Basic Statements

Net Position

Assets and Deferred Outflows	2021	2020
Current assets		
Cash and investments	\$ 12,987,681	\$ 2,171,692
Accounts receivable	6,455,637	13,981,606
Due from the State of Delaware	12,972,496	13,269,850
Total current assets	32,415,814	29,423,148
Noncurrent assets		
Deposit Multi-State Lottery	2,486,974	2,662,056
Total assets	34,902,788	32,085,204
Deferred outflows of resources	3,424,091	1,585,049
Liabilities, Deferred Inflows and Net Position		
Current liabilities		
Prizes liability	7,838,897	6,693,950
Accounts payable and accrued liabilities	10,152,636	9,066,867
Due to the State of Delaware	451,785	—
Total current liabilities	18,443,318	15,760,817
Noncurrent liabilities		
Multi-State Lottery reserve	2,486,974	2,662,056
Pension and OPEB liability	13,764,704	11,562,992
Total noncurrent liabilities	16,251,678	14,225,048
Total liabilities	34,694,996	29,985,865
Deferred inflows of resources	2,631,883	2,684,388
Net position		
Unrestricted	\$ 1,000,000	\$ 1,000,000

Basic Statements

Revenue, Expenses and Changes in Net Position

	2021	2020
Revenue		
Video lottery, net	\$ 366,400,002	\$ 300,767,635
Video lottery expired jackpots and credit slips	392,554	363,417
Casino license fees	183,111	178,800
iGaming	9,261,017	6,073,212
Sports lottery	116,768,811	103,173,797
Table games, net	43,854,096	40,764,240
Draw games	122,266,364	97,812,653
Instant games	111,525,279	92,860,086
Total revenue	770,651,234	641,993,840
Cost of games		
Video lottery commissions	160,413,162	132,022,000
Prize costs, net of reversions	225,770,488	189,235,110
Gaming vendor fees and costs	53,671,349	43,390,787
Instant and draw games commissions	15,101,126	12,944,732
Sports lottery commissions	6,611,066	5,674,958
Table games commissions	35,083,277	32,611,392
Total cost of games	496,650,468	415,878,979
Gross margin	274,000,766	226,114,861
Operating expenses		
Advertising and promotions	3,111,789	3,228,194
Payroll and related benefits	5,752,891	5,734,709
Other general and administrative	1,896,567	1,813,515
Total operating expenses	10,761,247	10,776,418
Operating income	263,239,519	215,338,443
Nonoperating expenses		
Delaware Standardbred Breeder's Program	3,000,000	3,000,000
Delaware Certified Thoroughbred Program	1,000,000	1,000,000
State of Delaware	259,239,519	211,338,443
Total nonoperating expenses	263,239,519	215,338,443
Change in net positions	—	—
Net position at beginning of year	1,000,000	1,000,000
Net position at end of year	\$ 1,000,000	\$ 1,000,000

Basic Statements

Cash Flow

	2021	2020
Cash flow from operating activities		
Receipts from customers	\$ 778,177,203	\$ 640,382,062
Payments to vendors for goods and services	(57,419,750)	(47,876,603)
Payments to employees for services	(5,392,041)	(5,627,876)
Payments for prizes	(224,625,541)	(191,086,464)
Payments for commissions	(217,433,503)	(181,665,846)
Net cash provided by operating activities	273,306,368	214,125,273
Cash flow from noncapital financing activities		
Transfers to the Delaware Standardbred Breeders' Program	(3,000,000)	(3,000,000)
Transfers to the Delaware Certified Thoroughbred Program	(1,000,000)	(1,000,000)
Transfers to the State of Delaware	(258,490,379)	(212,702,134)
Net cash used in noncapital financing activities	(262,490,379)	(216,702,134)
Net change cash and investments	10,815,989	(2,576,861)
Cash and investments at beginning of year	2,171,692	4,748,553
Cash and investments at end of year	\$ 12,987,681	\$ 2,171,692
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 263,239,519	\$ 215,338,443
Adjustments to reconcile operating income to net cash provided by operating activities		
Effect of changes in operating assets, liabilities and deferred inflow and deferred outflows		
Accounts receivable, net	7,525,969	(1,611,778)
Prizes liability	1,144,947	(1,851,354)
Pension and OPEB	2,201,712	152,891
Accounts payable and accrued liabilities	1,085,768	2,194,865
Deferred inflow and deferred outflows, net	1,891,547	97,794
Net cash provided by operating activities	\$ 273,306,368	\$ 214,125,273



Player information line

For winning numbers and other
Delaware Lottery information:

Delaware Lottery Office
McKee Business Park
1575 McKee Road, Suite 102
Dover, DE 19904
302-739-5291
Call 1-800-338-6200 or visit delottery.com.

