



Seeing the Big Picture

2019 Annual Report
For the fiscal year ending June 30, 2019



SEEING THE BIG PICTURE



As the following financial report shows, 2019 was a tremendous year for the Delaware Lottery. Over the past year, we contributed \$213.8 million to the State General Fund which helps to provide valuable services to everyone that lives, works and plays in Delaware.

These financial results were made possible by the hard work and dedication of the Delaware Lottery team. It takes a dedicated team to continuously and successfully deliver on our mission.

Traditional sales from the Instant Scratch and Draw products reached a record for the twelve months ending June 30, 2019. With net sales up 11 percent from fiscal year 2018, we were able to beat our revenue projections.

With the expansion of Sports Lottery to include all sports for the entire fiscal year, sales increased dramatically — \$103.9 million for fiscal year 2019 over fiscal year 2018.

Revenue from Video Lottery and Table Games increased 3.8% and 3.6%, respectively, for fiscal year 2019 over fiscal year 2018, following industry-wide trends.

From full-scale sports wagering and the largest jackpot in MEGA MILLIONS® history, to introducing Collect 'N Win and a Licensed Partner Instant Game that provided the chance for a Delaware Lottery player to win up to \$1 billion, 2019 continued a trend of positive growth among our offerings.

Our mission has always been to maximize revenue for the State General Fund, and all of us at the Delaware Lottery would like to thank our retailers, players and vendors for making this year so successful.

Since the start of operations in 1975, the Delaware Lottery has contributed over \$5.4 billion to the State General Fund. I look forward to continuing our winning tradition in 2020.

Vernon Kirk
Director, Delaware Lottery

Over
\$213
MILLION
to the State's General
Fund in 2019

\$5.4
BILLION
has been contributed
since 1975

Nearly
600
RETAILERS
licensed throughout
Delaware



SEEING THE BIG PICTURE



Draw Games

After 15 great years, HOT LOTTO® was officially retired after its final drawing on Saturday, Oct. 28, 2018. The Delaware Lottery is pleased to recognize 33 big Delaware winners in the game's lifetime. Of the big winners, 14 claimed a \$10,000 prize, 14 claimed a \$30,000 prize, four players were HOT LOTTO® Sizzler winners and one player won a \$16.69 million jackpot.

America's newest multi-state lottery multimillion-dollar draw game, LOTTO AMERICA® with All-Star Bonus, was introduced on Wednesday, November 15, 2018. LOTTO AMERICA® is \$1 to play and has a starting grand prize of \$2 million.



Instant Games

Offering licensed products along with our standard instant scratch games helps us to attract a variety of players. The highlight this year included a new Licensed Property Instant Ticket with Second Chance Promotion from Scientific Games – WILLY WONKA GOLDEN TICKET™. The game included a Second Chance Drawing, where one lucky Delaware player won a trip to Las Vegas and a chance at up to \$1 billion. The BILLION DOLLAR CHALLENGE™ was held on April 16, 2019, and the trip included a 4-day/3-night trip for two; round-trip airfare; hotel accommodations (double occupancy); ground transportation at destination; \$1,000 spending money; admission to the BILLION DOLLAR CHALLENGE™ theater/venue for the Prizewinner and a guest with a chance for the Prizewinner to participate in the BILLION DOLLAR CHALLENGE™ event along with a group of Lottery winners from across the United States.



Sponsorships

The Delaware Lottery continued their long-standing sponsorships with University of Delaware, Delaware State University and Wilmington Blue Rocks, participating in a variety of cooperative sports programs conducted during the spring, fall and winter sports seasons. In addition, the Lottery continued relationships with the Delaware State Fair as their Summer Concert Series sponsor, as well as with other local events like the Out and About Loop Series, Wyoming Peach Festival, Milford Bud & Bug Festival, Saint Anthony's Italian Festival, Dover Days and The Lady Bug Festival.

SEEING THE BIG PICTURE



MEGA MILLIONS®

In October of 2018, MEGA MILLIONS® reached its highest jackpot of all time at \$1.5 billion. This jackpot was the second-largest lottery jackpot of all time and contributed to a noticeable rise in sales both throughout Delaware and across the country.

Collect 'N Win

On March 1, 2019, the Delaware Lottery launched Collect 'N Win, a loyalty-based rewards program where players age 18 years and older can earn entries to win monthly cash prizes by submitting eligible, non-winning Delaware Lottery Draw and Instant Game tickets. Players collect symbols for their Delaware Lottery Collect 'N Win play card based on the non-winning ticket submissions. Once all six symbols on a play card are collected, the player will automatically be entered to win monthly cash prizes. iPhone users can download the Collect 'N Win app directly from the Apple store and Android users can download the app directly from delottery.com. Since the launch, over 12,000 players have registered for Collect 'N Win.



Retail

Nearly 600 Delaware Lottery retailers can be found throughout the State of Delaware. We work to make our products accessible and convenient for our players. Most of our players can count on finding the products they love in the stores they regularly visit. We support our retailers by providing merchandising solutions, promotional offerings, training and regular visits from the Delaware Lottery Sales Representatives.

Clearly, Delaware Lottery retailers help us help Delaware. During FY 2019, we added 13 retailers to our network. In return, the Delaware Lottery paid more than \$12,178,982 in traditional Lottery commissions and \$220,505,633 in total commissions to our retailers this past year, not to mention generating foot traffic in their stores and the add-on sales resulting from that traffic. It truly is a winning partnership.



SEEING THE BIG PICTURE



Delaware Racetracks and Casinos

Delaware's racetracks and casinos offer more than 6,200 of the very best Video Lottery machines in the country; Live Table Games including Blackjack, Roulette, Craps and Poker; and Internet Gaming available through each casino website.

Video Lottery and Table Games

Video Lottery and Table Games revenue increased 3.8% and 3.6%, respectively, for fiscal year 2019 over fiscal year 2018, following industry-wide trends. Table Games net revenue totaled more than \$56 million and Video Lottery net proceeds totaled more than \$367 million.

The Delaware Lottery has extended its contract with Gaming Labs International (GLI) to provide video lottery testing, inspection and consulting services for one year. Existing contracts for vendors who provide Video Lottery Terminals (VLTs) were extended for two years.

There are 497 charitable VLTs operating in 48 approved charitable gaming organizations. In fiscal year 2019, there were ten winners of VLT jackpots over \$50,000; two of them were over \$100,000.

iGaming

On October 25, 2018, the Android app was launched to all iGaming players. However, it was a Dover Downs player utilizing the iOS mobile app that won the highest jackpot since launch. On Christmas Day, the player collected \$213,969.83 from Santa's Super Slot.

Fiscal year 2019 ended with a 45.20% increase in net revenue (\$3,171,842.80) compared to FY 2018 (\$2,184,534.74).



FUTURE AND ONGOING INITIATIVES/PROJECTS



- Continue the expansion of our retailer network through active recruitment.
- Expand retailer network to grow KENO® sales.
- Continue to effectively use “cooperative services” program by developing new and exciting games and promotional programs.



- Conduct player and customer satisfaction surveys as well as strive to continually improve service in accordance with the Lottery’s quality initiative.
- Leverage sponsorship assets in communication with players and non-players.
- Continue to develop social media and digital advertising initiatives.



- Contribute to the design and development of improved sales management, reporting, and communications solutions for Lottery support staff and retailers that capitalize on available Internet and wireless technologies.
- Continue to employ effective sales management techniques to stimulate positive selling activities among licensed retailers.

BASIC STATEMENTS

Net Position

Assets	2019	2018
Current		(restated)
Cash and investments	\$ 4,748,553	\$ 5,903,324
Accounts receivable, net allowance of \$833,018 and \$791,748, respectively	12,369,828	10,836,366
Investments — restricted for payment of prize liabilities	-	19,679
Due from the State of Delaware	12,607,234	12,657,006
Total current assets	29,725,615	29,396,696
Noncurrent		
Deposit Multi-State Lottery	2,845,122	2,467,039
Total noncurrent assets	2,845,122	2,467,039
Total assets	32,570,737	31,863,735
Deferred outflows	967,386	1,127,219
Liabilities and Net Position		
Current		
Prizes liability	8,545,304	6,662,632
Accounts payable and accrued liabilities	6,872,002	6,615,524
Due to the State of Delaware	701,075	2,461,534
Total current liabilities	16,118,381	15,739,690
Noncurrent		
Multi-State Lottery reserve	2,845,122	2,467,039
Pension and OPEB liability	11,410,101	12,095,841
Total noncurrent liabilities	14,255,223	14,562,880
Total liabilities	30,373,604	30,302,570
Deferred inflows	2,164,519	1,688,384
Net position		
Unrestricted	\$ 1,000,000	\$ 1,000,000

BASIC STATEMENTS

Revenue, Expenses and Changes in Net Position

Revenue	2019	2018
Video Lottery net	\$ 367,399,349	\$ 353,776,920
Video Lottery net expired jackpots and credit slips	381,685	379,558
Casino license fees	211,300	3,221,800
I-Gaming	3,166,045	2,178,023
Sports Lottery	158,630,194	54,747,779
Table games, net	56,611,092	54,629,995
Draw games	116,507,746	106,188,593
Instant games	79,809,999	70,599,375
Total revenue	782,717,410	645,722,043
Cost of games		
Video Lottery net commissions	156,338,344	149,150,781
Prize costs, net of reversions	244,362,133	136,506,526
Gaming vendor fees and costs	47,448,710	43,009,044
Instant and draw games commissions	12,178,982	10,764,400
Sports Lottery commissions	6,699,434	3,913,713
Table games commissions	45,288,873	36,110,427
Total cost of games	512,316,476	379,454,891
Gross margin	270,400,934	266,267,152
Operating expenses		
Advertising and promotions	3,251,410	3,147,412
Payroll and related benefits	5,754,456	5,506,623
Other general and administrative	1,703,148	1,791,987
Total operating expenses	10,709,014	10,446,022
Operating income	259,691,920	255,821,130
Non-operating expenses		
Delaware Standardbred Breeders' Program	3,000,000	3,000,000
Delaware Certified Thoroughbred Program	1,000,000	1,000,000
State of Delaware	255,691,920	255,821,130
Total non-operating expenses	259,691,920	255,821,130
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

	2019	2018
Cash flows from operating activities		
Receipts from customers	\$ 781,183,948	\$ 642,806,077
Payments to vendors for goods and services	(52,437,817)	(47,712,684)
Payments to employees for services	(5,750,054)	(5,524,150)
Payments for prizes	(242,479,461)	(134,890,079)
Payments for commissions	(220,219,008)	(198,263,195)
Net cash provided by operating activities	260,297,608	256,415,969
Cash flows 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	(257,452,379)	(250,304,247)
Net cash used in noncapital financing activities	(261,452,379)	(254,304,247)
Cash flows from investing activity		
Proceeds from maturity of investments	-	30,224
Net cash provided by investing activity	-	30,224
Net (decrease) increase cash and investments	(1,154,771)	2,111,722
Cash and investments at beginning of year	5,903,324	3,791,602
Cash and investments at end of year	4,748,553	5,903,324
Reconciliation of operating income to net cash provided by operating activities		
Operating income	259,691,920	255,821,130
Adjustments to reconcile operating income to net cash provided by operating activities		
Changes in operating assets and liabilities		
Accounts receivable, net	(1,533,462)	(2,915,966)
Prizes liability	1,882,672	1,616,447
Accounts payable and accrued liabilities	256,478	1,894,358
Net cash provided by operating activities	\$ 260,297,608	\$ 256,415,969

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.

It's the Law — You must be 18 years of age or older to purchase Delaware Lottery tickets. You must be 21 years of age or older to play Video Lottery, Sports Lottery, Table Games and Internet Games.

Play Responsibly — If you or someone you know has a gambling problem, call the Delaware Council on Gambling Problems Helpline: 1-888-850-8888 or visit deproblemgambling.org.

