



**Delaware
Lottery**

2022 Annual Report

**For fiscal year ending
June 30, 2022**

Message from the Director

Significant changes were taking place in fiscal year 2022 and we all were trying to figure out how to adapt to a different way of conducting business; how we live and how we play will never be the same. As a mature lottery of 46 years, the Delaware Lottery has contributed over \$6.3 billion to the state's General Fund. I have had the pleasure of being a part of these 46 years and the last 10 years as Director. It is bittersweet that I will not be a part of the Lottery's success in the next fiscal year, as I will be retiring from the Delaware Lottery as Director and passing the torch to Deputy Director Helene Keeley. As I reflect on the past four decades, it fills me with immense pride and gratitude to have been a part of shaping history that has positively impacted the citizens and this great state of Delaware. Throughout my tenure, the Lottery has grown and evolved in ways I could have never imagined. Together, we have worked tirelessly and hit important milestones. I have the utmost confidence that Deputy Director Keeley will continue to work hard to meet the challenges that lie ahead, accomplishing the goals and mission of the Lottery while remembering to keep it fun and entertaining!

Fiscal year 2022 was a record year for revenue with an increase of \$54.5 million (7%) over fiscal year 2021. We remained the state's fifth largest revenue generator in support of state services despite the global pandemic. Traditional Lottery sales were down \$3.1 million (1.3%) with declines in most games except LUCKY FOR LIFE® and POWERBALL®. LUCKY FOR LIFE® went from drawings twice a week to drawings seven days a week. POWERBALL® went from two drawings per week to three days per week and had two large jackpots in fiscal year 2022. In October 2021, nine lucky Delaware players were entered as semi-finalists in the POWERBALL® FIRST MILLIONAIRE OF THE YEAR® drawing for a chance to become

one of the five national finalists on *Dick Clark's New Year's Rockin' Eve*. Although Delaware didn't end up with a national finalist, our winners walked away with a \$1,000 prize pack filled with great merchandise and gift certificates!

Expanded gaming in neighboring states continued to have a financial impact at the three Delaware casinos. The emergence of sports mobile apps in neighboring states began to impact our Retailers and casinos. Through all the challenges, iGaming sales saw another record year and sales were up \$2.7 million.

I'd like to take a moment to personally acknowledge that the Lottery has once again received the Certificate of Achievement for Excellence in Financial Reporting for our comprehensive annual financial report for FY22. This accomplishment is due in part to the direction and dedicated accounting staff committed to the agency's mission over the last couple of decades. I would also like to acknowledge all Lottery staff, Retailers and vendors for their commitment and dedication. Your hard work and resilience every day aids in providing significant contributions to our beneficiaries of the state of Delaware.

In closing, I hope that you will find the attached Annual Report to be informative and that, after your review, you will be as proud of the success of the Delaware Lottery as I have been over the last 46 years. The Lottery is a great asset to the state of Delaware and will continue to be so after my departure.



Vernon Kirk
Director, Delaware Lottery



Vernon Kirk
Director



Helene Keeley
Deputy Director

\$236 million
to the state's
General Fund
in 2022

\$6 billion
contributed
since 1975

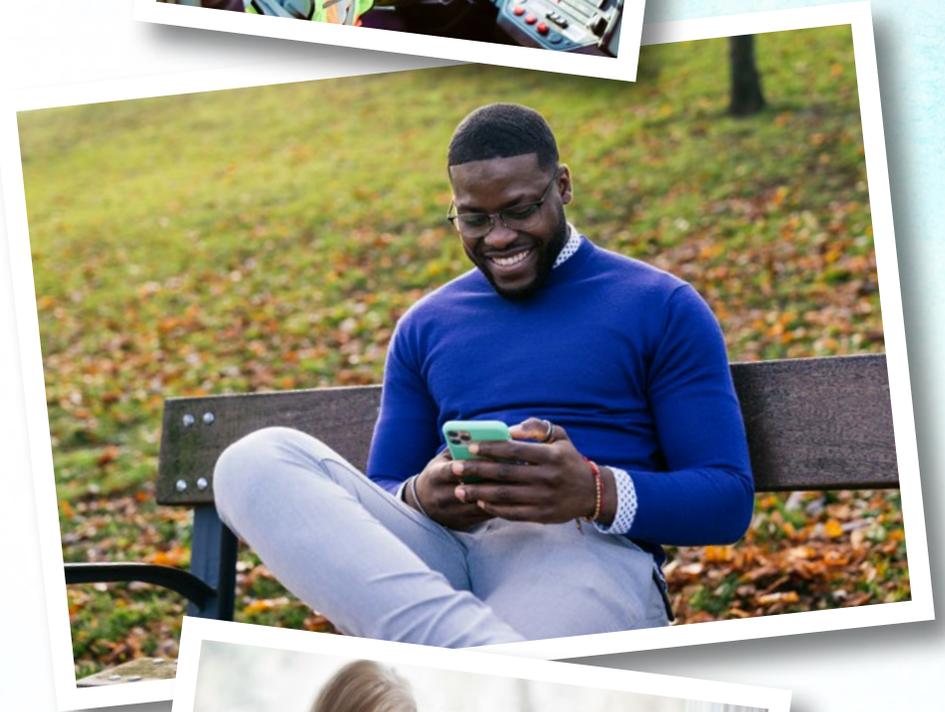
600+
Retailers
licensed throughout
Delaware

Delaware Lottery Mission Statement

To create a fun and exciting gaming environment while maximizing General Fund revenue that aids in the delivery of state services

Delaware Lottery Vision

Leadership in public gaming by exemplifying integrity, responsibility and innovation



Retailers

The Lottery's Retailers' network of approximately 600 Retailers, many of which are small, family-owned businesses, received more than \$700,000 in commissions and incentives. Our Retailers have been key to the Lottery's success for decades. We are proud to work closely with our retail partners to educate potential customers, build awareness and provide the utmost customer service to our players. We know that most of those winnings stay within the state and contribute greatly to our local communities.

Players won big in FY22, with prize payouts totaling over **\$134.9 million.**

Partnerships and Events

The Delaware Lottery is fortunate to partner with a wide variety of organizations and universities across the state. As a part of our ongoing efforts to maximize revenue contributions to the state of Delaware, the promotion of our products while supporting the local communities is vital and couldn't be accomplished without our ongoing partnerships and sponsorships. In fiscal year 2022, we continued our partnership with our two local universities' athletic programs (UD and DSU), the Blue Rocks minor league baseball, *Delaware State Fair* and many other local festivals. We even partnered for the first time with the Firefly Music Festival that took place on 105 acres of festival grounds and drew over 50,000 festival attendees. These events provide ample opportunity to engage players and potential players and to educate them on our Lottery products and the benefits that each Lottery purchase provides to all citizens of Delaware and tourists that visit our state.



Instant Games

In fiscal year 2022, the Lottery introduced 48 Instant Games. Among those games, we introduced our first \$30 price point with the holographic instant ticket, *Serious Money*. This game was our top-selling game in terms of average per capita sales during the first 12 weeks of the ticket's launch and indexed at 100% and completely sold out of inventory. Instant Game sales ended the fiscal year with \$110.8 million in sales, a slight decrease (-0.60%) in sales from previous year.

The marketing team participated in a *Keep 'Em Full* mystery Instant Game promotion to bring attention to Lottery Retailers keeping their Instant Game dispensers full. The promotion ran in October and ended November 4 - and 89.4% of the Retailers visited had their dispensers full.

Sales for Instant Games in fiscal year 2022 reached **\$110.8 million**.



Serious Money Instant Game



Keep 'Em Full mystery Instant Game promotion

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 \$103.2 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.

Sales for Sports Lottery in fiscal year 2022 totaled **\$109.5 million**.

Sports Lottery Sales \$ (millions)





iGaming

iGaming fiscal year 2022 ended with our highest net gross revenue to date: \$11.9 million, a 28% increase compared to fiscal year 2021. In May 2022, the state of Michigan joined the multi-state Internet Gaming Agreement as the fourth state to join. Current members are the states of Delaware, Nevada and New Jersey. Additionally, PayPal marked its first full year (May 2021 – May 2022) on the platforms, processing over \$2.6 million in deposits.

In fiscal year 2022, iGaming player jackpots paid out over \$1.2 million.



Video Lottery

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

Following a successful RFP process, the Lottery awarded Video Lottery Terminal (VLT) Provider contracts to eight VLT vendors in September of 2021: SG Gaming (now Light & Wonder), Aristocrat Technologies, Inc., IGT, Konami Gaming, Inc., Ainsworth Game Technology Limited, KGM Gaming and – two vendors new to Delaware – Incredible Technologies, Inc. and Everi Games, Inc.

VLT jackpots awarded in FY22 exceeded \$2.5 million; and 13 of these lucky winners won jackpots \$50K or higher.

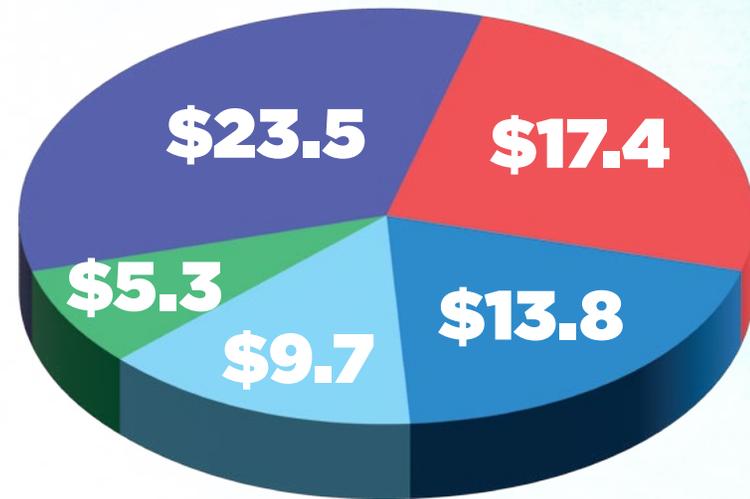
There are 488 charitable VLTs operating in 45 approved Charitable Gaming Organizations.

Video Lottery net proceeds for FY22 totaled more than \$414 million.

Draw Games

Sales for PLAY 3[®] in fiscal year 2022 totaled \$17.4 million. Sales for PLAY 4[®] in fiscal year 2022 totaled \$13.8 million. Sales for KENO[®] in fiscal year 2022 totaled \$9.7 million. Sales for LUCKY FOR LIFE[®] in fiscal year 2022 totaled \$5.3 million. Sales for POWERBALL[®] in fiscal year 2022 totaled \$23.5 million. Overall traditional sales were down \$3.1 million (1.3%) in fiscal year 2022 with declines in most games except LUCKY FOR LIFE[®] and POWERBALL[®]. LUCKY FOR LIFE[®] went from drawings twice a week to drawings seven days a week. POWERBALL[®] had two large jackpots in fiscal year 2022. PLAY 3[®], PLAY 4[®] and KENO[®] continue to be favorites among our core Lottery players, and we continue to find unique and innovative ways to attract new players to these games.

Draw Games Fiscal Year 2022 \$ (millions)



Future and Ongoing Projects

- 50-year anniversary promotion planning and execution.
- Enhance player loyalty and engagement through expansion of loyalty program and implementation of a mobile app.
- Leverage sponsorship assets in communication with players and non-players.
- 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.
- Continue to 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

	2022	2021
Current assets		
Cash and cash equivalents	\$ 6,772,780	\$ 12,987,681
Accounts receivable	7,485,463	6,455,637
Due from the State of Delaware	3,242,244	-
Total current assets	17,500,487	19,443,318

Non-current assets

Deposits with Multi-State Lottery Association	2,477,527	2,486,974
Net Pension Assets	1,410,084	-
Due from the State of Delaware	12,342,936	12,972,496
Total assets	33,731,034	34,902,788
Deferred outflows of resources	3,353,157	3,424,091

Liabilities, Deferred Inflows and Net Position

Current liabilities

Prizes obligations	7,711,770	7,838,897
Accounts payable and accrued liabilities	8,788,717	10,152,636
Due to the State of Delaware	-	451,785
Total current liabilities	16,500,487	18,443,318

Non-current liabilities

Multi-State Lottery reserve	2,477,527	2,486,974
Net pension liability	-	1,672,518
OPEB liability	11,272,356	12,092,186
Total non-current liabilities	13,749,883	16,251,678
Total liabilities	30,250,370	34,694,996
Deferred inflows of resources	5,833,821	2,631,883

Net position

Unrestricted	\$ 1,000,000	\$ 1,000,000
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Basic Statements

Revenue, Expenses and Changes in Net Position

	2022	2021
Revenue		
Video lottery, net	\$ 416,138,136	\$ 366,400,002
Video lottery expired jackpots and credit slips	364,832	392,554
Casino license fees	206,879	183,111
iGaming	11,954,091	9,261,017
Sports lottery	109,450,423	116,768,811
Table games, net	56,369,427	43,854,096
Draw games	119,874,142	122,266,364
Instant games	110,860,247	111,525,279
Total revenue	825,218,177	770,651,234
Cost of games		
Instant and draw games commissions	13,845,882	15,101,126
Sports lottery commissions	5,026,186	6,611,066
Video lottery commissions	181,876,210	160,413,162
iGaming commission	672,321	-
Table games commissions	45,095,541	35,083,277
Gaming vendor fees and costs	58,407,336	53,671,349
Prize costs, net of reversions	223,549,704	225,770,488
Total cost of games	528,473,180	496,650,468
Gross margin	296,744,997	274,000,766
Operating expenses		
Advertising and promotions	3,374,139	3,111,789
Payroll and related benefits	5,870,942	5,752,891
Other general and administrative	1,372,994	1,896,567
Total operating expenses	10,618,075	10,761,247
Operating income	286,126,922	263,239,519

Basic Statements

Revenue, Expenses and Changes in Net Position Continued

	2022	2021
Non-operating expenses		
Delaware Certified Thoroughbred Program	1,500,000	1,000,000
Total non-operating expenses	1,500,000	1,000,000
Income before transfers	284,626,922	262,239,519
Transfers Out		
Department of Agriculture	50,101,074	44,166,530
Department of Health & Social Services	1,512,759	1,157,873
State of Delaware	233,013,089	216,915,116
Total transfers	284,626,922	262,239,519
Change in net position	-	-
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

Cash flow from operating activities

	2022	2021
Receipts from customers	\$ 824,188,351	\$ 778,177,203
Payments to vendors for goods and services	(63,326,020)	(57,419,750)
Payments to employees for services	(6,495,377)	(5,392,041)
Payments for prizes	(223,676,831)	(224,625,541)
Payments for commissions	(247,713,633)	(217,433,503)
Net cash provided by operating activities	282,976,490	273,306,368

Cash flow from non-capital financing activities

Transfers to the Delaware Certified Thoroughbred Program	(1,500,000)	(1,000,000)
Transfers to the Delaware Standardbred Breeders' Program	(4,000,000)	(3,000,000)
Transfers to the State of Delaware	(283,691,391)	(258,490,379)
Net cash used in non-capital financing activities	(289,191,391)	(262,490,379)
Net change cash and investments	(6,214,901)	10,815,989
Cash and investments at beginning of year	12,987,681	2,171,692
Cash and investments at end of year	\$ 6,772,780	\$ 12,987,681

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 286,126,922	\$ 263,239,519
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	(1,029,826)	7,525,969
Prizes liability	(127,127)	1,144,947
Net Pension and OPEB Liability	(1,363,919)	2,201,712
Accounts payable and accrued liabilities	(3,902,432)	1,085,768
Deferred inflows and deferred outflows, net	3,272,872	(1,891,547)
Net cash provided by operating activities	\$ 282,976,490	\$ 273,306,368



Player information

**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.