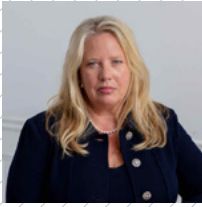




20 23 | Annual Report

For fiscal year ending June 30, 2023



MESSAGE FROM THE DIRECTOR

I'm pleased to present the fiscal year 2023 annual report. As the newly appointed Delaware Lottery Director, I will continue the history of transparency and accountability to our stakeholders, employees and customers with a transparent overview of the Lottery's financial performance, goals and strategies. This past fiscal year has shown our Lottery's vast capacity for innovation, adaptability and resilience in the face of great challenges. Our marketing strategic planning efforts aided in achieving the goals of our mission. These efforts serve as the backbone of our approach to ensuring our daily marketing decisions are as effective as possible. The Delaware Lottery has contributed more than \$6.3 billion to the state's General Fund along with \$42.8 million to the Department of Health and Social Services to help fund initiatives that address problem gambling in Delaware. In FY23, we remained the state's fifth largest revenue generator in support of state services.

We ended FY23 with a revenue of \$812.6 million compared to \$825.2 million in fiscal year 2022. Traditional Lottery revenue increased \$21.5 million (9.3%) due to the strong sales of LUCKY FOR LIFE® and POWERBALL®. LUCKY FOR LIFE® went from drawings twice per week to drawings seven days per week and POWERBALL® went from two drawings per week to three days per week and had one large jackpot in FY23; MEGA MILLIONS® had two jackpots. The Lottery responded to additional draw days added to POWERBALL® and LUCKY FOR LIFE®, and to be more in line with our regional states and at the same time respond to long-time requests from our players and Retailers, we made a change and increased our advanced draw feature from 10 to 15 advanced draws. This change affected all jackpot drawing games and aided in delivering additional revenue to the state.

Our players also won big in FY23, collecting more than \$144 million in prizes. In October 2022, six 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. The Lottery's KENO® celebrated its one millionth drawing with a promotion during the month of November.

iGaming continued to show strong sales throughout the year and FY23 ended with our highest net gross revenue to date: \$14.6 million, a 21.7% increase compared to FY22. The iGaming player jackpots paid out more than \$1.01 million.

The popularity of sports betting is growing, and the three racetrack casinos operating Video Lottery had to adapt to changing consumer preferences. The introduction of Sports Lottery with mobile app in bordering states has also introduced competition for our casinos. Competition provides another outlet for sports betting outside of traditional casino settings, thus reducing the revenue generated from other forms of gambling within the casinos. Despite the competition, Video Lottery net proceeds yielded more than \$420 million for FY23.

I'd like to take a personal moment to acknowledge that the Lottery has once again received the Certificate of Achievement for Excellence in Financial Reporting for our comprehensive annual financial report for FY23. 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.

I look forward to the coming year and to continuing to find ways to be as innovative and efficient as possible to maximize revenue transfers to the General Fund.

Helene M. Keeley
Director, Delaware Lottery

**\$242
million**

to state's General
Fund in 2023

**\$6.3
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**

LOTTERY MANAGEMENT TEAM ORG CHART



Helene Keeley
Lottery Director



Barbara Miller
Deputy Director, Marketing,
Traditional Lottery, KENO®,
Retail Sports and HR



Tina McQuaide
Assistant Director, Finance,
iGaming & Mobile Sports, IT
and Security



Jayne Gooden
Assistant Director, Video
Lottery and Table Games

2023 ANNUAL REPORT

Retailers

The Lottery's Retailers' network of approximately 600 Retailers, many of which are small family-owned businesses, received more than \$1.1 million in commissions and incentives in FY23. Players were big winners too in FY23 with prize payouts totaling more than \$144.2 million. We know that most of those winnings stay within the state and contribute greatly to our local communities.

Instant Games

In FY23, the Lottery introduced 48 Instant Games. Among those games, we introduced our first \$30 price point with the holographic instant ticket More 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. It indexed at 100% and completely sold out of inventory. Instant Game sales ended the fiscal year with \$116 million in sales, an increase of \$5.1 million (+4.66%) in sales from the previous year.



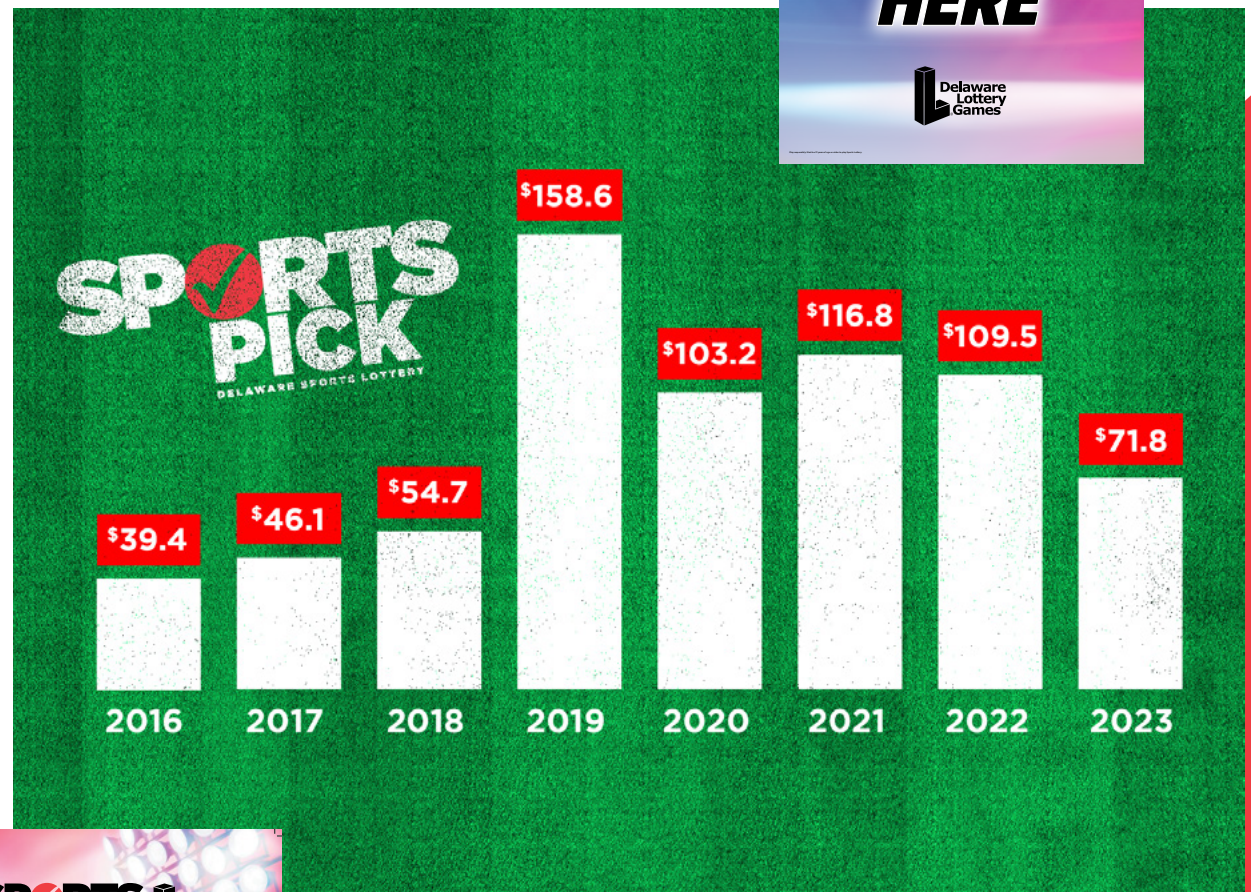
Nitin Amin Books & News



2023 ANNUAL REPORT

Sports Lottery

During FY23, expanded gaming in neighboring states continued to have a financial impact at the three Delaware casinos. Sports Lottery revenue continued to decline due to neighborhood states launching Sports Lottery with a mobile sports app. To compete with neighboring states and reverse our decline, we decided to expand our sports offerings at the retail level. In March 2023, we launched a pilot test that enabled six premium brick-and-mortar sports Retailers to offer 3+ selection off-the-board parlay bets for basketball, baseball, soccer, hockey, football and select futures events. Previously, Retailers were only offering parlay football wagering. The pilot was successful and at the conclusion of FY23, we expanded our pilot program to 23 retail locations.



Sports Lottery Sales \$ (millions)

2023 ANNUAL REPORT

Casino Gaming

Video Lottery net proceeds for FY23 totaled more than \$420 million.

Delaware's gaming floors continue to offer the best variety of Video Lottery Terminals (VLTs) anywhere around. Currently, we offer approximately 5,200 VLTs, including legacy games like IGT's Wheel of Fortune and customer favorites like Aristocrat's Buffalo Stampede. We have consistently returned 92% of the amount played back to the players, a statistic that continued in FY23.

There are approximately 100 Table Games throughout Delaware casinos (including 10 poker tables at Delaware Park). Delaware's variety of exciting Table Games brought in \$53.2 million in FY23.

In FY23, the Delaware Lottery issued 1,062 gaming licenses to casino employees and vendors.

There are approximately 480 Charitable VLTs located within 47 licensed Charitable Gaming Organizations throughout the state. In FY23, these Charitable VLTs earned \$5.3 million in net proceeds.



2023 ANNUAL REPORT

iGaming

At the start of FY23, iGaming was ahead of previous fiscal year sales revenue. In the last three years, players gained additional game content and the ability to use mobile betting, due to COVID-19. Players continued to enjoy our online Video Lottery throughout the year. A long-standing partnership with our iGaming vendor was contractually coming to an end. On January 12, 2023, we issued an Internet Wagering System RFP to invite interested vendors to submit a proposal for the implementation of its Internet Wagering System and Services Solution to include games from multiple vendors including casino Table Games, Video Lottery games, poker, bingo and KENO®. This RFP also included the option for the Lottery to add internet sports betting.

iGaming player jackpots paid out more than \$1.01 million. The highest jackpot to date was on March 23, 2023, for \$414,131 by a Bally's player. FY23 ended with our highest iGaming net gross revenue to date: \$14.6 million, a 21.7% increase compared to FY22.



2023 ANNUAL REPORT

Partnerships and Events

In FY23, we continued our commitment to expand and connect with our audience by engaging in partnerships and sponsorships with local businesses and organizations throughout our state. To show appreciation and celebrate the diversity of the Hispanic cultural heritage in Delaware, we participated as a sponsor of Festival Hispano, one of the biggest Hispanic festivals in our state. The event took place in September of 2022 in Georgetown, Delaware, and our Lottery staff engaged with more than 20,000 people who visited our booth. We also continued our partnership with our two local universities' athletic programs (UD and DSU), the Wilmington Blue Rocks minor league baseball, Delaware State Fair and many other local festivals.

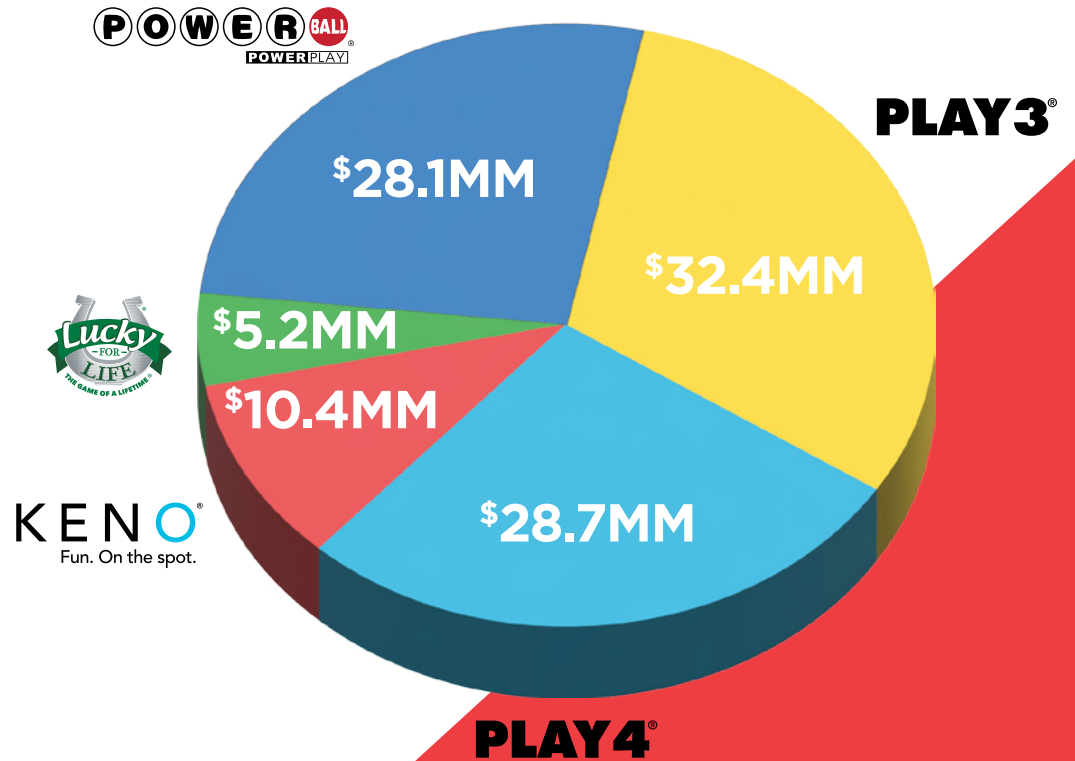


2023 ANNUAL REPORT

Drawing Games

- Sales for **PLAY 3®** in FY23 totaled **\$32.4 million**.
- Sales for **PLAY 4®** in FY23 totaled **\$28.7 million**.
- Sales for **POWERBALL®** in FY23 totaled **\$28.1 million**.
- Sales for **KENO®** in FY23 totaled **\$10.4 million**.
- Sales for **LUCKY FOR LIFE®** in FY23 totaled **\$5.2 million**.

Overall traditional sales were up \$21.5 million (9.3%) in FY23, 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 FY23. 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.



2023 ANNUAL REPORT

FUTURE AND ONGOING PROJECTS

- 50-year anniversary promotion planning and execution
- Game changes to KENO® from 4-minute to 3.5-minute draws
- Add a Sunday day drawing for PLAY 3® and PLAY 4®
- 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

	2023	2022
Current assets		
Cash and cash equivalents	\$ 7,057,897	\$ 6,772,780
Accounts receivable	9,214,494	7,485,463
Due from the State of Delaware	-	3,242,244
Total current assets	16,272,391	17,500,487
Noncurrent assets		
Deposits with Multi-State Lottery Association	2,522,812	2,477,527
Net Pension Assets	-	1,410,084
Due from the State of Delaware	11,862,312	12,342,936
Total noncurrent assets	14,385,124	16,230,547
Total assets	30,657,515	33,731,034
Deferred outflows of resources	2,930,823	3,353,157

Liabilities, Deferred Inflows and Net Position

Current liabilities

Prizes obligations	8,023,197	7,711,770
Accounts payable and accrued liabilities	7,216,176	8,788,717
Due to the State of Delaware	33,018	-
Total current liabilities	15,272,391	16,500,487

Noncurrent liabilities

Multi-State Lottery reserve	2,522,812	2,477,527
Net pension liability	1,486,084	-
Net OPEB liability	8,923,084	11,272,356
Total noncurrent liabilities	12,931,980	13,749,883
Total liabilities	28,204,371	30,250,370
Deferred inflows of resources	4,383,967	5,833,821

Net position

Restricted	-	1,410,084
Unrestricted	1,000,000	(410,084)
Total net position	1,000,000	1,000,000

BASIC STATEMENTS

Revenue, Expenses and Changes in Net Position

	2023	2022
Revenue		
Traditional lottery	\$ 252,118,979	\$ 230,734,389
Video lottery, net	420,101,133	416,502,968
Sports lottery	71,814,171	109,450,423
Table games, net	53,932,172	56,576,306
iGaming	14,634,065	11,954,091
Total revenue	812,600,520	825,218,177
Cost of games		
Traditional lottery commissions	15,260,174	13,845,882
Video lottery commissions	182,408,114	181,876,210
Sports lottery commissions	3,675,907	5,026,186
Table games commissions	42,992,329	45,095,541
iGaming commission	1,696,757	672,321
Gaming vendor fees and costs	61,054,946	58,407,336
Prize costs, net of reversions	198,232,584	223,549,704
Total cost of games	505,320,811	528,473,180
Gross margin	307,279,709	296,744,997
Operating expenses		
Advertising and promotions	3,457,570	3,374,139
Payroll and related benefits	6,117,793	5,870,942
Other general and administrative	1,978,089	1,372,994
Total operating expenses	11,553,452	10,618,075
Operating income	295,726,257	286,126,922

BASIC STATEMENTS

Revenue, Expenses and Changes in Net Position (Continued)

	2023	2022
Non-operating expenses		
Delaware Certified Thoroughbred Program	1,500,000	1,500,000
Total non-operating expenses	1,500,000	1,500,000
Income before transfers	294,226,257	284,626,922
Transfers Out		
Department of Agriculture	50,009,543	50,101,074
Department of Health & Social Services	1,836,397	1,512,759
State of Delaware	242,380,317	233,013,089
Total transfers	294,226,257	284,626,922
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

	2023	2022
Receipts from customers	\$ 810,871,489	\$ 824,188,351
Payments to vendors for goods and services	(67,751,114)	(63,326,020)
Payments to employees for services	(6,763,046)	(6,495,377)
Payments for prizes	(197,921,157)	(223,676,831)
Payments for commissions	(246,180,683)	(247,713,633)
Net cash provided by operating activities	292,255,489	282,976,490

Cash flow from non-capital financing activities

Contributions to the Delaware Certified Thoroughbred Program	(1,500,000)	(1,500,000)
Transfers to the Delaware Standardbred Breeders' Program	(4,000,000)	(4,000,000)
Transfers to the State of Delaware	(286,470,372)	(283,691,391)
Net cash used in non-capital financing activities	(291,970,372)	(289,191,391)
Net change cash and investments	285,117	(6,214,901)
Cash and investments at beginning of year	6,772,780	12,987,681
Cash and investments at end of year	\$ 7,057,897	\$ 6,772,780

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 295,726,257	\$ 286,126,922
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	(1,729,031)	(1,029,826)
Prizes liability	311,427	(127,127)
Net pension and OPEB liability	(1,572,540)	(1,363,919)
Accounts payable and accrued liabilities	546,896	(3,902,432)
Deferred inflows and deferred outflows, net	(1,027,520)	3,272,872
Net cash provided by operating activities	\$ 292,255,489	\$ 282,976,490