



Massachusetts State Lottery Commission

DEBORAH B. GOLDBERG
Treasurer and Receiver General

MICHAEL R. SWEENEY
Executive Director

May 26, 2017

His Excellency Charlie Baker
Governor, Commonwealth of Massachusetts
State House
Boston, MA 02133

Dear Governor Baker:

In compliance with the provisions of Chapter 10 Section 24 of the Massachusetts General Laws, attached please find the Statement of Operations for the Massachusetts State Lottery Commission for the month of April 2017.

Please note that we have changed the format of the Statement of Operations and included a summary report to provide a more representative description and comparison of the current fiscal year results over the prior fiscal year.

Sincerely,

Michael R. Sweeney
Executive Director

cc: Deborah B. Goldberg
Treasurer and Receiver General



Supporting the 351 Cities and Towns of Massachusetts

Governor's Report MSLC Statement of Operations

April, 2017

Comments / Observations

YTD amounts for April, 2017 (includes 7/1/16 – 4/29/17) have two (2) less days of activity * than the YTD amounts for April, 2016 (7/1/15 – 4/30/16).

| | <u>Statement of Operations</u> | <u>Adjusted (+2 days) **</u> |
|------------------------------|--|------------------------------|
| • Instant Games sales | down 3.2% / \$96.9M | down 2.6% / \$77.8M |
| • Draw Games + KENO sales*** | down 3.4% / \$45.8M | down 2.8% / \$37.3M |
| • Total Revenues | down 3.3% / \$143.0M | down 2.7% / \$115.3M |
| • Prize Payout % | 72.0% <i>(compared to 73.3% at April, 2016)</i> | 72.0% |
| • Prizes (Paid) | down 5.0% / \$160.6M | down 4.4% / \$140.6M |
| • Agent Commissions % | down 3.3% / \$7.1M | down 2.6% / \$5.7M |
| • Agent Bonuses | down 2.0% / \$0.6M | down 1.3% / \$0.4M |
| • Administrative Expenses | down 6.0% / \$4.1M | down 5.4% / \$3.6M |
| • Net Profit | up 3.5% / \$29.4M | up 4.2% / \$35.1M |

Red – Reduces profit vs. prior year

*

Black – Increases profit vs. prior year

* The Lottery operates on a weekly (not monthly) close schedule. There are 12 accounting periods in a fiscal year; eight (8) periods have 4 weeks and four (4) periods have five (5) weeks. Because the calendar changes each year, the accounting period for one year does not align with the comparable accounting period for the previous year. The amount of “misalignment” changes from year to year. For the month of April 2017, Fiscal Year 2017, the misalignment is two (-2) days.

** See attached “Adjusted” MSLC Statement of Operations dated April, 2017

*** Draw Games + KENO sales was previously referred to as Online Game Sales. The change was made to provide a better description of what the games sales actually represent. Draw Games + KENO refers to games that have a drawing to select winning numbers. The Draw Games include The Numbers Game, Mega Millions, Powerball, Mass Cash, Lucky for Life and Megabucks. KENO also includes Jackpot Poker and All or Nothing.

Massachusetts State Lottery Commission
Statement of Operations
Lottery and Arts Lottery Funds
April, 2017
(\$000's)

24-May-17

| | April, 2017 | % | Year-to-Date FY2017 | % | Period Close Sales Adj (+2 days) | Year-to-Date FY2017 | Adjusted Year-to-Date FY2017 | % | Year-to-Date FY2016 | % | \$ Change | Adjusted \$ Change | % Change | Adjusted % Change |
|--|----------------|---------------|------------------------|---------------|-------------------------------------|------------------------|------------------------------------|---------------|------------------------|---------------|-----------------|-----------------------|--------------|----------------------|
| Revenues | | | | | | | | | | | | | | |
| Instant Games | 271,655 | 69.5% | 2,894,867 | 69.0% | 19,108 | 2,913,975 | 2,913,975 | 69.0% | 2,991,813 | 68.9% | -96,946 | -77,838 | -3.2% | -2.6% |
| MegaMillions | 3,148 | 0.8% | 51,861 | 1.2% | 342 | 52,203 | 52,203 | 1.2% | 49,568 | 1.1% | 2,293 | 2,635 | 4.6% | 5.3% |
| Powerball | 4,883 | 1.2% | 93,608 | 2.2% | 618 | 94,225 | 94,225 | 2.2% | 150,188 | 3.5% | -56,580 | -55,962 | -37.7% | -37.3% |
| Numbers Game | 25,464 | 6.5% | 269,135 | 6.4% | 1,776 | 270,911 | 270,911 | 6.4% | 274,292 | 6.3% | -5,157 | -3,381 | -1.9% | -1.2% |
| Mass Cash | 6,136 | 1.6% | 65,371 | 1.6% | 431 | 65,803 | 65,803 | 1.6% | 66,246 | 1.5% | -875 | -443 | -1.3% | -0.7% |
| Keno | 74,860 | 19.1% | 755,717 | 18.0% | 4,988 | 760,706 | 760,706 | 18.0% | 754,117 | 17.4% | 1,600 | 6,588 | 0.2% | 0.9% |
| Jackpot Poker | 0 | 0.0% | 2 | 0.0% | 0 | 2 | 2 | 0.0% | 1,863 | 0.0% | -1,861 | -1,861 | -99.9% | -99.9% |
| All or Nothing | 799 | 0.2% | 17,064 | 0.4% | 113 | 17,177 | 17,177 | 0.4% | 0 | 0.0% | 17,064 | 17,177 | 100.0% | 100.0% |
| Lucky for Life | 1,913 | 0.5% | 21,373 | 0.5% | 141 | 21,514 | 21,514 | 0.5% | 22,769 | 0.5% | -1,396 | -1,255 | -6.1% | -6.1% |
| Charity Game Tickets | 134 | 0.0% | 1,343 | 0.0% | 9 | 1,352 | 1,352 | 0.0% | 1,377 | 0.0% | -34 | -25 | -2.5% | -1.8% |
| Beano Tax (2/5) | 35 | 0.0% | 424 | 0.0% | 3 | 427 | 427 | 0.0% | 463 | 0.0% | -39 | -36 | -8.4% | -7.8% |
| Pull Tabs | 57 | 0.0% | 607 | 0.0% | 4 | 611 | 611 | 0.0% | 581 | 0.0% | 27 | 31 | 4.6% | 5.3% |
| License Fees | 22 | 0.0% | 98 | 0.0% | 1 | 98 | 98 | 0.0% | 109 | 0.0% | -12 | -11 | -10.7% | -10.1% |
| Bond Fees and Fines | 162 | 0.0% | 1,768 | 0.0% | 12 | 1,779 | 1,779 | 0.0% | 1,839 | 0.0% | -71 | -59 | -3.9% | -3.2% |
| Service Fees | 432 | 0.1% | 4,687 | 0.1% | 31 | 4,718 | 4,718 | 0.1% | 4,743 | 0.1% | -56 | -25 | -1.2% | -0.5% |
| MegaBucks | 1,280 | 0.3% | 19,875 | 0.5% | 131 | 20,006 | 20,006 | 0.5% | 20,800 | 0.5% | -925 | -794 | -4.4% | -3.8% |
| Miscellaneous Income | 0 | 0.0% | 24 | 0.0% | 0 | 24 | 24 | 0.0% | 27 | 0.0% | -3 | -2 | -9.7% | -9.1% |
| Interest | 0 | 0.0% | 0 | 0.0% | 0 | 0 | 0 | 0.0% | 1 | 0.0% | -1 | -1 | 100.0% | 100.0% |
| Subtotal Revenues | 390,982 | 100.0% | 4,197,825 | 100.0% | 27,708 | 4,225,534 | 4,225,534 | 100.0% | 4,340,795 | 100.0% | -142,970 | -115,262 | -3.3% | -2.7% |
| Subtotal Prizes | 312,941 | 80.0% | 3,022,945 | 72.0% | 19,953 | 3,042,898 | 3,042,898 | 72.0% | 3,183,522 | 73.3% | -160,576 | -140,623 | -5.0% | -4.4% |
| Operating Expenses | | | | | | | | | | | | | | |
| Commissions | 19,471 | 5.0% | 209,090 | 5.0% | 1,380 | 210,470 | 210,470 | 5.0% | 216,181 | 5.0% | -7,091 | -5,711 | -3.3% | -2.6% |
| Bonuses | 2,946 | 0.8% | 31,476 | 0.7% | 208 | 31,684 | 31,684 | 0.7% | 32,108 | 0.7% | -632 | -424 | -2.0% | -1.3% |
| Subtotal Operating Expenses | 22,417 | 5.7% | 240,566 | 5.7% | 1,588 | 242,154 | 242,154 | 5.7% | 248,289 | 5.7% | -7,723 | -6,135 | -3.1% | -2.5% |
| Operating Revenue | 55,624 | 14.2% | 934,314 | 22.3% | 6,167 | 940,481 | 940,481 | 22.3% | 908,984 | 20.9% | 25,329 | 31,496 | 2.8% | 3.5% |
| Administrative Expenses | | | | | | | | | | | | | | |
| Salaries | 3,747 | 1.0% | 26,761 | 0.6% | 177 | 26,938 | 26,938 | 0.6% | 26,708 | 0.6% | 53 | 230 | 0.2% | 0.9% |
| Advertising | 244 | 0.1% | 1,500 | 0.0% | 10 | 1,510 | 1,510 | 0.0% | 1,928 | 0.0% | -428 | -418 | -22.2% | -21.7% |
| Equip Rental | 4 | 0.0% | 126 | 0.0% | 1 | 127 | 127 | 0.0% | 178 | 0.0% | -52 | -51 | -29.1% | -28.6% |
| Admin/Facilities | 2,710 | 0.7% | 16,116 | 0.4% | 106 | 16,222 | 16,222 | 0.4% | 13,590 | 0.3% | 2,526 | 2,632 | 18.6% | 19.4% |
| Facilities Rental | 309 | 0.1% | 2,960 | 0.1% | 20 | 2,979 | 2,979 | 0.1% | 2,822 | 0.1% | 137 | 157 | 4.9% | 5.6% |
| Telephone | 532 | 0.1% | 4,926 | 0.1% | 33 | 4,959 | 4,959 | 0.1% | 5,530 | 0.1% | -604 | -571 | -10.9% | -10.3% |
| Travel | 5 | 0.0% | 25 | 0.0% | 0 | 25 | 25 | 0.0% | 21 | 0.0% | 4 | 4 | 20.4% | 21.2% |
| Employee Benefits | 135 | 0.0% | 994 | 0.0% | 7 | 1,000 | 1,000 | 0.0% | 1,010 | 0.0% | -17 | -10 | -1.6% | -1.0% |
| Off/Other Equipment | 43 | 0.0% | 598 | 0.0% | 4 | 602 | 602 | 0.0% | 5,884 | 0.1% | -5,286 | -5,282 | -89.8% | -89.8% |
| Postage & Freight | 211 | 0.1% | 2,128 | 0.1% | 14 | 2,142 | 2,142 | 0.1% | 2,582 | 0.1% | -454 | -439 | -17.6% | -17.0% |
| Maintenance | 119 | 0.0% | 1,458 | 0.0% | 10 | 1,467 | 1,467 | 0.0% | 1,123 | 0.0% | 335 | 344 | 29.8% | 30.6% |
| Professional Services | 492 | 0.1% | 5,024 | 0.1% | 33 | 5,057 | 5,057 | 0.1% | 5,640 | 0.1% | -616 | -583 | -10.9% | -10.3% |
| Other | 9 | 0.0% | 48 | 0.0% | 0 | 48 | 48 | 0.0% | 56 | 0.0% | -9 | -8 | -15.5% | -14.9% |
| Vehicles | 0 | 0.0% | 331 | 0.0% | 2 | 333 | 333 | 0.0% | 28 | 0.0% | 303 | 305 | 1089.9% | 1097.8% |
| Building Improvements | 46 | 0.0% | 417 | 0.0% | 3 | 420 | 420 | 0.0% | 391 | 0.0% | 26 | 28 | 6.5% | 7.2% |
| Prior Year Adjustment | 0 | 0.0% | 26 | 0.0% | 0 | 26 | 26 | 0.0% | 8 | 0.0% | 18 | 18 | 228.1% | 230.2% |
| Estimated Fringe Benefit Alloc. | 0 | 0.0% | 0 | 0.0% | 0 | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0 | 0.0% | 0.0% |
| Subtotal Admin. Expenses | 8,607 | 2.2% | 63,437 | 1.5% | 419 | 63,856 | 63,856 | 1.5% | 67,500 | 1.6% | -4,063 | -3,644 | -6.0% | -5.4% |
| Net Profit Before Distributions | 47,017 | 12.0% | 870,876 | 20.7% | 5,748 | 876,625 | 876,625 | 20.7% | 841,484 | 19.4% | 29,392 | 35,140 | 3.5% | 4.2% |

Notes to Financial Statement:

1 Year to date amounts have been adjusted for price accruals.

2 Year to date amounts for FY 2017 (7/1/16-4/29/17) include two (2) less days of activity over FY2016 (7/1/15-4/30/16). For comparative purposes, two (2) additional days of revenue in FY17 would total approximately \$37.7 million, increasing revenues to \$4,225 billion, resulting in a (\$115.3) million or -2.7% change over FY16. Two (2) additional days of revenue would increase net profit by approximately \$5.7 million to \$876.6 million, resulting in a \$35.1 million or 4.2% change over FY16.