

FY20 ANNUAL REPORT



™
**MINNESOTA
LOTTERY**



**GOOD THINGS
HAPPEN
WHEN YOU
SAY I'MN.**

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MISSION

The Minnesota Lottery exists to raise money for programs that positively impact the lives of Minnesotans.

VISION

The Minnesota Lottery benefits all Minnesotans by offering fun, secure, innovative entertainment while generating income for the State that is used to preserve, restore, and protect Minnesota's environment.



Fall 2020

Greetings,

As our state, the nation and the world continue to face the challenges presented by a global pandemic, I could not be prouder of the Minnesota Lottery team and our many valued partners. Together we have made adjustments to ensure the continued high quality of our products.

In 1988, Minnesotans from Ada to Zumbrota went to the polls and voted to create the lottery. The following year, the legislature approved our charter and in 1990 the lottery began selling scratch tickets and lotto games.

One thing is clear: Minnesotans are just as excited about our products today as they were 30 years ago. In total, more than \$3 billion has been raised to support environmental projects and state services in every county of our great state.

On behalf of the lottery team, I am proud to report FY20 delivered yet another record year with sales of \$668.6 million.

When broken down, our FY20 numbers reveal many winners:

- \$423.6 million in cash prizes paid out to winners
- \$44.8 million in commissions to our roughly 3,000 retail partners across the state
- \$82.7 million to the Minnesota General Fund to support state initiatives and services
- \$40.0 million to the Environment and Natural Resources Trust Fund to protect, preserve, and restore Minnesota's environment and natural resources
- \$31.5 million to other programs supporting Minnesota's water resources, game, wildlife, and fish
- \$1.8 million toward responsible gambling initiatives

The success of the lottery would not be possible without the hard work and dedication of our team. The lottery staff serves with integrity and intelligence while delivering record-breaking numbers year after year. Whether they have worked here from day one, are new to the lottery, or fall somewhere in between, it is an honor and privilege to work with everyone on the Minnesota Lottery team.

To protect Minnesotans during the pandemic we partnered with retail trade associations to ensure we were able to sell our products in a safe and responsible way. Where that was not possible, we temporarily suspended sales to protect our retail partners and players.

The Minnesota Lottery team is excited about the future and collectively we are committed to delivering on our mission to generate proceeds to support critical projects that improve Minnesota.

Thank you, Minnesota Lottery players, retailers, and stakeholders. Your support is appreciated and makes a difference every day in the lives of Minnesotans.

Sincerely,

Adam Prock
Executive Director



30 YEARS ON, STILL GOING STRONG

The Match 3 scratch ticket went on sale April 17, 1990, and the Minnesota Lottery was open for business. Established via voter referendum two years earlier alongside the Environment and Natural Resources Trust Fund, the lottery has been an unqualified success for Minnesota over the past 30 years. It has improved the lives of Minnesotans from all corners of the state with billions of dollars in prizes and more than \$3 billion reinvested in our communities.



LOTTERY MILESTONES

- Lottery sales have generated approximately \$3.3 billion for Minnesotans since April 17, 1990:
 - \$1.4 billion in lottery dollars are helping to restore, enhance, and protect high-quality habitat for Minnesota wildlife, fight invasive species, protect native species, and improve air and water quality via the Environment and Natural Resources Trust Fund, the Natural Resources Fund, and the Game & Fish Fund.
 - \$1.8 billion has been raised for Minnesota's General Fund, which benefits everything from education to public safety and health and human services.
- Through the Environment and Natural Resources Trust Fund, lottery dollars have supported more than 1,700 projects that have collectively benefited each of Minnesota's 87 counties.
- More than \$8 billion in prizes have been claimed, including Minnesota's largest jackpot win: a \$228.9 million Powerball® winner in 2011.
- The Minnesota Lottery has launched more than 1,200 scratch games along with 16 lotto draw games.
- Of every dollar played, approximately 94 cents is returned to Minnesotans in the form of prize money, retailer commissions, and contributions to the state.



APRIL 17, 1990

Minnesota State Lottery starts selling scratch game tickets.

MAY 1990

The Legislature changes the distribution of lottery proceeds: 40 percent to the Environment & Natural Resources Trust Fund, 35 percent to the Infrastructure Development Fund and 25 percent to the Greater Minnesota Corporation.

AUG. 13, 1990

The lottery reaches \$100 million in sales, distributing about half in prizes.

1991

\$9 million of lottery proceeds originally allocated to the Greater Minnesota Corporation is reallocated to the General Fund. Dedications to the Greater Minnesota Corporation and the Infrastructure Funds are repealed as of July 1, 1991, thus sending 60 percent of lottery net proceeds to the General Fund.

MAY 22, 1991

The lottery begins selling Gopher 5[®].



APRIL 19, 1992

The multi-state Powerball[®] game replaces Lotto Minnesota.



JUNE 18, 1993

The lottery reaches \$1 billion in sales.

2000

In-lieu-of-sales tax rededicated, with 3 percent going to the General Fund and the remainder split evenly between the Game and Fish Fund and the Natural Resources Fund.

OCT. 7, 2003

Northstar Cash[®] sales begin.



JAN. 31, 2010

Mega Millions[®] sales begin.

OCT. 11, 2004

Governor Tim Pawlenty appoints Clint Harris as Executive Director.

FEB. 29, 2012

Governor Mark Dayton appoints Ed Van Petten as Lottery Executive Director.

FEB. 6, 2015

Lottery celebrates its 25th anniversary with Governor Mark Dayton, announcing \$2.4 billion raised for beneficiaries in the state of Minnesota.

FEBRUARY 2014

The subscription site expands to offer the sale of electronic instant tickets.

FEB. 3, 2016

Michael Vekich is reappointed as Lottery Acting Director.

2019

The Minnesota Lottery surpasses \$3 billion in money returned to the state.

MAY 1, 2017

Governor Mark Dayton appoints Robert Doty as Lottery Executive Director.

APRIL 10, 2019

Governor Tim Walz appoints Adam Prock as Lottery Executive Director.

MINNESOTA LOTTERY TIMELINE

MINNESOTA LOTTERY TIMELINE

The Minnesota Legislature passes legislation to start a lottery and splits the proceeds evenly between the Environment & Natural Resources Trust Fund (ENRTF) and the Greater Minnesota Corporation (GMC).

"In-lieu-of-sales tax" imposed on lottery tickets, with its proceeds assigned to the General Fund. Governor Perpich signs lottery-enabling legislation, creating the Minnesota State Lottery, and appoints George R. Andersen as the first Lottery Director.

1989



ENRTF contribution reduced from 50 percent to 40 percent. GMC contribution reduced from 50 percent to 25 percent. "Infrastructure development fund for capital improvement projects to develop or protect the state's environment and natural resources" established and given 6.7 percent of lottery net proceeds.

1990



The lottery launches its first two draw games simultaneously with the debut of Daily 3[®] and Lotto Minnesota.

AUG. 14, 1990

With 75 percent of the vote, Minnesotans dedicate 40 percent of lottery proceeds to the Environment & Natural Resources Trust Fund until 2001.

NOVEMBER 1990

The Legislature changes how lottery proceeds are distributed, to 40 percent to the Environment & Natural Resources Trust Fund and 60 percent to the General Fund.

JUNE 1991

In the legislative session, General Fund portion of in-lieu-of-sales tax increased from 3 percent to 13 percent.

2001

Minnesotans approve a constitutional amendment supporting the ENRTF. This amendment rededicates 40 percent of lottery proceeds to the Trust Fund through 2025.

NOV. 3, 1998

Michael Vekich is appointed as Lottery Acting Director.

FEB. 2, 2004

The lottery announces that total contributions to the state of Minnesota have reached \$1 billion.

JUNE 1, 2004

Website subscription sales begin. Players are able to purchase draw style games such as Powerball[®] and Mega Millions[®] through the lottery website.

NOVEMBER 2010

Play at the Pump launches, offering Powerball[®] and Mega Millions[®] tickets at select fuel pumps.

NOVEMBER 2012

Powerball[®] and Mega Millions[®] sales begin at select number of ATMs in the Twin Cities metro area.

OCTOBER 2012

Legislation to end eScratch, ATM and Play-at-the-Pump sales takes effect and subscription sales are suspended.

SEPT. 25, 2015



The Minnesota Lottery has its most successful State Fair on record, with more than \$865,000 in sales.

SUMMER 2019

The lottery celebrates its 30th anniversary.

APRIL 2020



1988

Fifty-seven percent of Minnesota voters approve a constitutional amendment to authorize a state lottery.

Gambling bossing you around? The Minnesota Lottery supports problem gambling prevention in a variety of ways, including digital and print ads.



STRENGTH THROUGH ADVERSITY

In the early months of 2020, the COVID-19 pandemic swept across the United States and the globe, upending daily life as many of us adjusted to working from home, social distancing, and daily updates on the unfortunate toll the disease was having on our friends and neighbors around the world.

It will likely be some time before life completely returns to normal, but the Minnesota Lottery is proud to continue providing fun, safe entertainment that benefits all Minnesotans. The continued success of the lottery during these turbulent times would not be possible without the hard work and dedication of our staff and our retail partners. Facing a once-in-a-generation challenge, Minnesota Lottery staff stepped up in a big way: adjusting to remote work where possible, embracing proper safety protocols, implementing new practices to work with retailers across the state while protecting their health and safety, and ensuring consistent, transparent communication. These efforts allowed us to celebrate another record year in returns to our players and beneficiaries.

The remarkable work of our staff and retail partners in 2020 is just the latest chapter in a long history of exceptional performance that dates back to the birth of the Minnesota Lottery 30 years ago. It is thanks to the consistent high-quality work of our staff, strong partnerships with retail associations, and the dedication of thousands of lottery retailers around Minnesota that we have been able to enjoy three decades of success.



RESPONSIBLE GAMBLING

The Minnesota Lottery is committed to actively supporting responsible gambling and the treatment of gambling disorders. Each year, a significant amount of lottery dollars returned to the state are set aside for problem gambling treatment and prevention that is administered by the Minnesota Department of Human Services in partnership with other agencies and nonprofits, including the Northstar Problem Gambling Alliance. Since 1990, millions of lottery dollars have been invested back into the community, helping to prevent problem gambling throughout the state. In addition, each of Minnesota's approximately 3,000 lottery retailers are provided with problem gambling treatment and awareness materials.

To help ensure that services available to Minnesota residents are visible, the lottery has partnered with the Northstar Alliance in recent years, particularly around the holidays when our organizations run "gift responsibly" ads reminding shoppers that lottery tickets are not an appropriate gift for anyone under age 18. In addition to ads placed prominently in the programs for sporting events, the Minnesota Lottery has produced new digital campaigns to remind players that help is available if they are concerned for themselves or others.

If you are concerned about your gambling, maybe it's time to start the conversation. Call 1-800-333-HOPE, text HOPE to 61222, or go to getgamblinghelp.com. It's free and confidential.



WHAT THE LOTTERY FUNDS

For every dollar spent on lottery tickets in fiscal year 2020:

- 63.4 cents went toward paying player prizes.
- 6.7 cents went toward paying ticket, lotto, vendor and administrative costs.
- 6.7 cents went toward paying retailers in the form of commissions and incentives.
- 12.4 cents went to the state General Fund, including problem gambling prevention and treatment.
- 6.0 cents went to the Environment and Natural Resources Trust Fund.
- 4.8 cents went to other programs supporting Minnesota's environment.

PLAYING OUR PART

The lottery takes playing our part in service to Minnesota seriously. More Minnesotans are saying I'MN to the Minnesota Lottery each year. Fiscal year 2020 was another record-setting year, with \$668.6 million in scratch and lotto game sales.

Record sales mean bigger returns to the state of Minnesota, supporting the General Fund, creating and invigorating environmental programs, and funding important work to prevent and treat problem gambling.

ENRTF PROJECTS

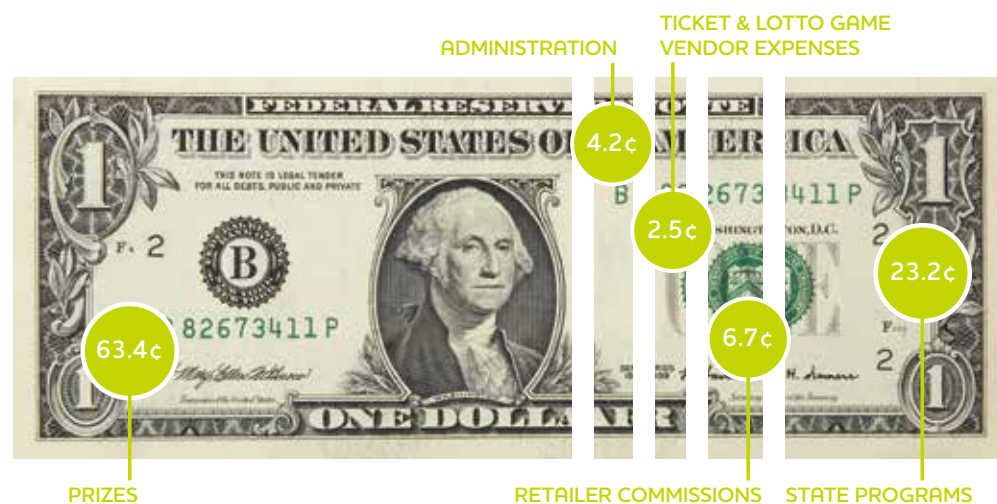
The Environment and Natural Resources Trust Fund (ENRTF) is a permanent fund in the state treasury that was established in the Minnesota Constitution (Art. XI, Sec. 14) through voter approval. It is funded by lottery dollars and holds assets that can be appropriated by law "for the public purpose of protection, conservation, preservation, and enhancement of the state's air, water, land, fish, wildlife, and other natural resources."

Funding provided by the ENRTF contributes to the well-being of Minnesota's natural resources in a variety of ways all over the state. Projects include grants to combat emerald ash borers that are impacting trees throughout the state, diagnostic testing for chronic wasting disease, a major cause for concern regarding Minnesota's deer population, and research into the containment and eradication of aquatic invasive species that harm Minnesota waterways.

MINNESOTA STATE PARKS

Our state park system permanently protects some of Minnesota's most unique and beautiful features, including waterfalls, caves, pristine wilderness, river bluffs, and wildlife habitats. The Minnesota State Parks system includes 75 state parks and recreation areas and 13 state trails. More than half have benefited from lottery proceeds over our 30-year history.

**SAY I'MN TO
MINNESOTA'S
PARKS & TRAILS**



LUCKY LOTTERY WINNERS

Thirty years of fun, games, and drawings has brought us plenty of memorable Minnesota Lottery winners. Over the past 30 years, thousands of winning tickets have been redeemed each day, with winners from every corner of the state and all walks of life – Minnesota farming communities, our metro areas, the small towns of the Iron Range, and everywhere in between. The continued success of the lottery would not be possible without our players – Thank You!



TOP 10 WINNERS OF FY20

WINNER	GAME	PRIZE
Jeffery Love	Lotto America®	\$21,600,000
Jeb & Paul Paczynski	Gopher 5°	\$1,606,134
Camhong Ly	Raffle	\$1,000,000
Charles Wylie	Raffle	\$1,000,000
Marcia & Stanley Juenemann	Powerball®	\$1,000,000
John Engstrom	Powerball®	\$1,000,000
Team APG	Powerball®	\$1,000,000
Dale Hammond	Powerball®	\$1,000,000
William Matthews	Mega Millions®	\$1,000,000
Robert Slater	Gopher 5°	\$749,981



TOP 10 WINNERS OF ALL TIME

WINNER	GAME	PRIZE	CLAIM DATE
Thomas and Kathleen Morris	Powerball®	\$228,900,000	8/25/11
Paul Rosenau	Powerball®	\$180,100,000	5/20/08
Paul White	Powerball®	\$149,400,000	8/19/13
Farrah Slad	Powerball®	\$78,882,065	7/15/99
David and Mary Wenell	Powerball®	\$53,118,609	8/31/04
Michael Hawes	Powerball®	\$47,000,000	12/14/06
Sheryelann Hanuman	Powerball®	\$41,450,831	9/7/01
John and Sandra Wynne	Powerball®	\$31,012,474	11/15/99
Ronald Cronkhite	Powerball®	\$28,426,499	10/9/98
Keith and Carol Goergen	Powerball®	\$25,940,197	3/20/00

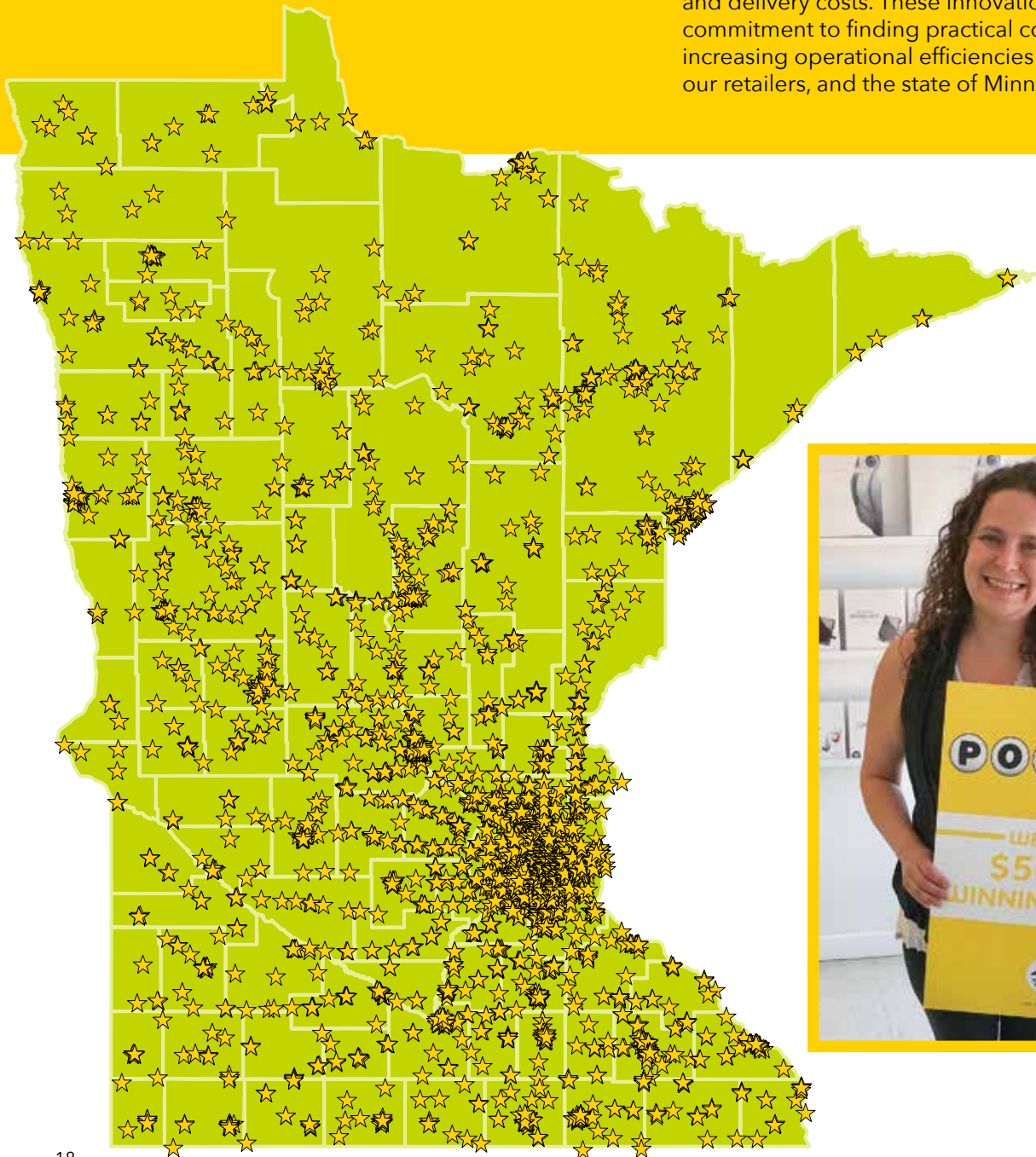
RETAILER PARTNER SPOTLIGHT

For 30 years, the Minnesota Lottery has been proud to work with retail partners around the state to build awareness, educate potential players, and provide great customer service that delivers results. With roughly 3,000 retailers in FY20, our retail partnerships are the backbone of our success from Worthington to Grand Marais.

ONGOING INNOVATION

The Minnesota Lottery is always on the lookout for innovation and increased efficiencies, particularly in the

areas of retailer distribution and accounting. In FY20, all of our retailers got access to an updated online system for retailer management, accounting, and claims. This shift from an aging system provides a better user experience for our retailers while increasing the effectiveness and efficiency of the services we provide. In partnership with our retail partners, an internal review led to changes in the distribution and delivery of scratch tickets. By cutting down on the number of deliveries, our retailers receive the same amount of tickets while the lottery saves tens of thousands in fuel consumption and delivery costs. These innovations highlight our commitment to finding practical cost savings and increasing operational efficiencies that benefit the lottery, our retailers, and the state of Minnesota.



Hard work, commitment, and effective communication are the cornerstones of any winning partnership. In FY20, the lottery hosted retailer town halls around the state with lottery staff, retail partners, and elected officials to discuss the state of the Minnesota Lottery, highlight areas of strength and concern, and brainstorm improvements to enhance lottery services for our retailers as well as our players. Over the past few years these events have been a big hit with participants, and we will continue to find ways to engage directly with the stakeholders responsible for our success.



MINNESOTA LOTTERY AROUND THE STATE

Due to the hard work of dedicated staff, the Minnesota Lottery has a presence at a wide variety of recreational, cultural, and sporting events all over Minnesota throughout the year.

In Fiscal Year 2020, the Minnesota Lottery forged new partnerships with the Minnesota Whitecaps women's hockey team and the T-Wolves Gaming NBA 2K eSports team. We expanded our footprint to include events like the All Pints North beer festival in Duluth and community cleanup efforts around the Twin Cities with the Minnesota United FC.

From the sunny summer days of the Great Minnesota Get Together, where we set a new record with nearly \$870,000 in sales, to the frozen tundra of the north woods, Minnesotans from all walks of life are engaging with our products and saying "I'MN" to supporting great causes. By partnering with organizations, institutions, and high-profile events, the lottery can support a variety of important initiatives, demonstrate commitment to Minnesota communities, and amplify brand visibility and customer outreach.

Individually, each of these partnerships and events are important to the lottery. Collectively, they make it possible for the Minnesota Lottery to celebrate record-breaking sales year after year.



NOTABLE EVENTS & PARTNERS

- Canterbury Park
- Governor's Pheasant Opener
- Minnesota Lottery Red Cross Blood Drive
- Minnesota Lynx
- Minnesota State Fair
- Minnesota Timberwolves
- Minnesota Twins
- Minnesota United FC
- Minnesota Vikings
- Minnesota Whitecaps
- Minnesota Wild
- T-Wolves Gaming



FY20 TOP 20 SCRATCH GAMES

TOP 20 SCRATCH GAMES OF ALL TIME



PRICE	GAME	FY20 SALES	FY20 TICKETS SOLD
\$20	100X	\$23,885,960	1,194,298
\$10	\$16,000,000 CASH BLOWOUT	\$23,231,340	2,323,134
\$50	HIGH ROLLER	\$22,719,800	454,396
\$20	MEGA CROSSWORD	\$18,846,500	942,325
\$10	LUCKY LINES GOLD	\$16,700,720	1,670,072
\$20	LOADED	\$16,490,200	824,510
\$10	MONEY MANIA	\$16,133,660	1,613,366
\$20	\$500,000 RICHES	\$14,920,880	746,044
\$5	FULL OF \$500s HOLIDAY EDITION	\$14,241,110	2,848,222
\$5	DIAMOND 7s	\$13,542,925	2,708,585
\$10	INSTANT PRIZE CROSSWORD	\$13,410,470	1,341,047
\$10	POWER 10s	\$13,190,500	1,319,050
\$5	\$5 MINNESOTA VIKINGS	\$13,158,380	2,631,676
\$10	SUPER 7-11	\$12,563,520	1,256,352
\$5	30TH ANNIVERSARY GAME	\$11,635,685	2,327,137
\$5	FIREBALL 7s	\$11,525,085	2,305,017
\$5	BIG MONEY CROSSWORD	\$11,519,330	2,303,866
\$10	Wild \$10	\$10,141,600	1,014,160
\$5	JOKER'S WILD CROSSWORD	\$10,025,705	2,005,141
\$5	FULL OF \$500s	\$9,843,825	1,968,765

PRICE	GAME	ALL-TIME SALES	GAME START DATE
\$50	HIGH ROLLER	\$57,880,700	2/6/18
\$50	BIG MONEY	\$57,212,300	12/1/15
\$1	MATCH 3	\$51,660,715	4/17/90
\$1	JOKER'S WILD	\$43,805,998	8/28/90
\$1	CELEBRATE	\$39,216,043	5/29/90
\$1	HIGH CARD	\$38,981,360	12/18/90
\$1	BLACKJACK	\$38,537,689	6/11/91
\$5	SUPER SLOTS	\$38,336,700	2/1/94
\$1	DOUBLE DOLLARS	\$33,579,039	10/23/90
\$50	MINNESOTA MILLIONAIRE CLUB	\$32,192,700	5/13/14
\$5	CASINO BUFFET	\$31,517,385	1/25/00
\$1	FISHIN' FEVER	\$31,392,419	4/30/91
\$5	VIVA LAS VEGAS	\$31,234,567	8/3/99
\$5	CASINO NIGHTS	\$30,826,225	8/22/00
\$5	HIGH STAKES II	\$30,313,680	4/16/96
\$5	HIGH STAKES	\$30,240,695	2/13/01
\$5	HIGH STAKES	\$30,223,221	8/29/95
\$5	HIGH STAKES	\$30,113,052	8/4/98
\$1	TIC TAC TOE	\$29,943,080	7/24/90
\$5	INSTANT MILLIONS	\$28,885,658	5/25/93

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis includes an overview of financial activities regarding the financial performance of the Minnesota State Lottery (the lottery) for the fiscal year ended June 30, 2020 and comparisons for the two previous fiscal years ended June 30, 2019 and June 30, 2018. The management discussion and analysis should be read in conjunction with the transmittal letter and supplementary information included in this report. This report consists of three parts: management's discussion and analysis, the basic financial statements and the notes to the financial statements. Included below and on the following pages are the financial highlights, summary of contributions to the state, summary results of operations and a condensed statement of net position for the years ended June 30, 2020, 2019 and 2018.

FINANCIAL HIGHLIGHTS

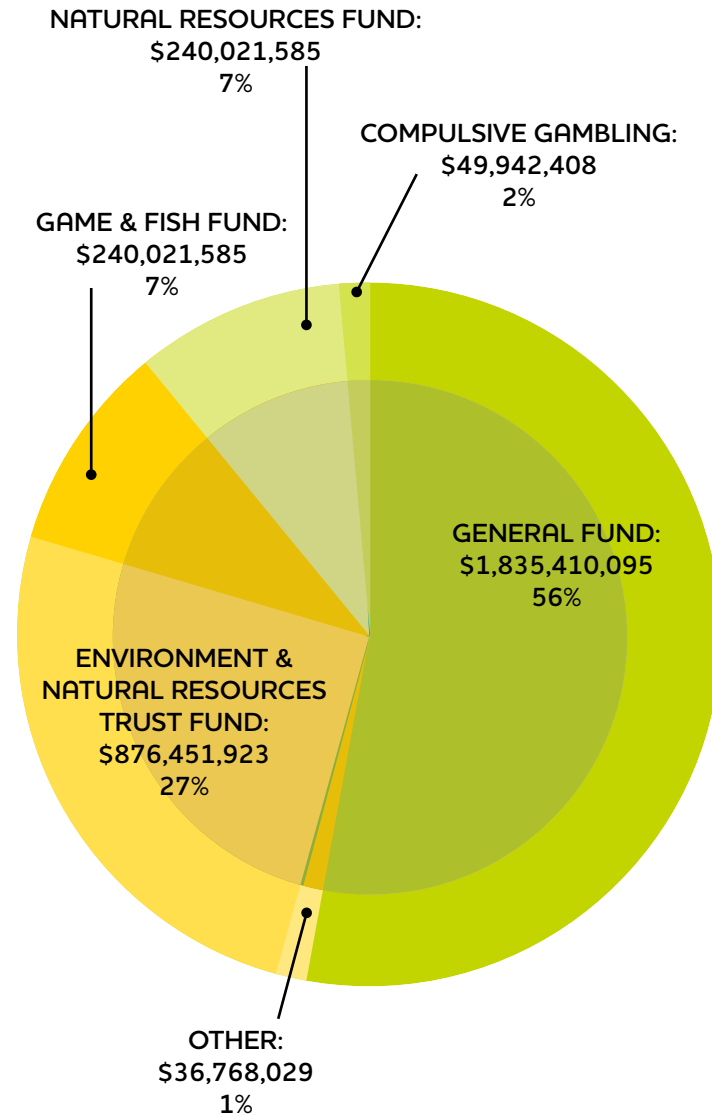
The Minnesota State Lottery had operating revenues of \$668.6 million in fiscal year 2020 and contributed \$156.0 million to the state. Both revenues and contributions to the state were records as the Minnesota State Lottery exceeded fiscal year 2019 levels, which was the previous record year. A record year in scratch sales was also recognized by recording \$519.3 million.

SUMMARY OF CONTRIBUTIONS TO THE STATE

The lottery contributed \$156.0 million to the state in fiscal year 2020. This was a \$2.8 million or a 1.8% increase from 2019. The following table provides detail on the total amounts transferred to the state as well as the source of the transfers provided to the state.

SUMMARY OF CONTRIBUTIONS TO THE STATE	2020	2019	2018
Net proceeds to the state	\$100,041,671	\$99,561,388	\$95,497,426
In-lieu-of-sales tax	43,456,934	41,392,666	38,771,042
Compulsive gambling contribution	1,752,021	1,774,544	1,803,623
Unclaimed prizes to the state	10,727,425	10,466,308	9,027,091
Total paid to state	<u>\$155,978,051</u>	<u>\$153,194,906</u>	<u>\$145,099,182</u>

THE LOTTERY HAS CONTRIBUTED APPROXIMATELY \$3.3 BILLION TO THE STATE SINCE INCEPTION.



SUMMARY RESULTS OF OPERATIONS	2020	2019	2018
Gross receipts	\$625,116,367	\$595,435,875	\$557,725,597
Prizes, commissions and ticket costs	485,071,942	455,049,114	422,962,491
Gross profit	140,044,425	140,386,761	134,763,106
Operating expenses	28,486,379	22,925,039	32,410,470
Operating income	111,558,046	117,461,722	102,352,636
Non-operating revenues (expenses):			
Interest earned on investments	670,071	709,518	439,504
Unused compulsive gambling contribution	483,979	461,455	426,377
Payments to state (not including in lieu of sales tax)	(113,005,096)	(112,263,695)	(106,754,517)
Total non-operating expense	(111,851,046)	(111,092,722)	(105,888,636)
Change in net position	<u>\$(293,000)</u>	<u>\$6,369,000</u>	<u>\$(3,536,000)</u>

OPERATING INCOME

Operating Income has decreased by \$5.9 million from fiscal year 2019. Gross receipts increased by \$29.7 million or 5.0% in fiscal year 2020 due to increased scratch sales by \$84 million. However, operating income was down by \$5.9 million due to higher scratch costs and product mix as compared to fiscal year 2019. Direct costs which include prizes, commissions and ticket costs as a percent of gross receipts were 77.6% in 2020 compared to 76.4% in 2019.

OPERATING EXPENSES

Operating expenses increased in fiscal year 2020 by \$5.6 million or 24.5%. This was due to the year-end pension expense and OPEB adjustments being more than last year due to changes in actuarial assumptions.

GROSS RECEIPTS BY GAME	2020	2019	2018
Scratch ticket sales	\$519,348,731	\$435,268,778	\$411,165,885
Lotto ticket sales:			
Daily 3®	18,928,387	18,444,086	17,686,855
Gopher 5®	16,602,835	20,679,695	18,033,176
Powerball®	41,827,546	65,311,853	72,736,847
Powerball® Power Play®	2,157,398	2,646,918	2,653,052
Mega Millions®	23,608,472	47,123,174	24,769,479
Mega Millions® Megaplier®	1,401,071	1,783,335	1,267,557
Hot Lotto®	0	0	5,678,088
Hot Lotto® Sizzler	0	0	523,087
Northstar Cash®	9,705,109	8,857,293	10,338,153
Minnesota Millionaire Raffle®	6,999,330	6,998,880	6,998,440
Lucky for Life®	7,104,346	6,940,632	6,629,815
Lotto America®	7,849,114	10,633,684	5,683,847
Lotto America® All Star Bonus®	934,244	1,126,562	616,120
Progressive Print-N-Play®	12,101,625	10,995,363	11,697,167
Total lotto ticket sales	149,219,477	201,541,475	185,311,683
Operating revenue	668,568,208	636,810,253	596,477,568
Other income	5,093	18,288	19,071
Total operating revenue	668,573,301	636,828,541	596,496,639
Less in-lieu-of-sales tax	43,456,934	41,392,666	38,771,042
Gross Receipts	\$625,116,367	\$595,435,875	\$557,725,597

SCRATCH GAMES

Scratch game sales accounted for 77.7% of operating revenue in 2020, up from 68.4% in 2019. Total scratch sales were up \$84.0 million to \$519.3 million.

LOTTO GAMES

Lotto games sales for fiscal year 2020 decreased \$52.3 million to \$149.2 million. This was primarily due to the lack of large jackpots for Powerball® and Mega Millions®.

CONDENSED STATEMENTS OF NET POSITION	2020	2019	2018
Assets:			
Cash and cash equivalents	\$31,055,022	\$25,413,178	\$25,545,377
Receivables	7,708,752	6,322,490	5,516,265
Inventory and prepaid expenses	2,426,744	1,734,297	2,216,790
Capital assets	1,168,419	1,256,310	1,393,029
Total Assets	\$42,358,937	\$34,726,275	\$34,671,461
Deferred Outflows	\$7,173,000	\$13,175,000	\$20,097,000
Liabilities:			
Due to State and State Agencies	\$20,631,924	\$16,296,433	\$15,614,269
Accounts payable & current accrued expenses	8,471,778	8,288,642	8,893,150
Prize liability	12,076,294	8,932,239	8,969,043
Long-term accrued expenses	6,376,941	6,340,961	25,983,999
Total Liabilities	\$47,556,937	\$39,858,275	\$59,460,461
Deferred Inflows	\$15,005,000	\$20,780,000	\$14,414,000
Net Position:			
Unrestricted net position	(\$14,198,419)	(\$13,993,310)	(\$20,499,029)
Net investment in capital assets	1,168,419	1,256,310	1,393,029
Net Position	(\$13,030,000)	(\$12,737,000)	(\$19,106,000)

NET POSITION

Minnesota State Lottery's net position at the end of fiscal year 2020 was \$(13.0) million compared to \$(12.7) million in fiscal year 2019. The negative net position is attributable to the offset of the net pension liability in all four years and recognition of post-employment benefits over the last three years.

CASH AND CASH EQUIVALENTS AND RECEIVABLES

Cash and cash equivalents and receivables increased by \$7.0 million from fiscal year 2019 to 2020. This is primarily due to higher sales and generating cash from operating activities.

CAPITAL ASSETS AND OTHER ASSETS

Net capital assets decreased by \$88 thousand in fiscal year 2020 versus fiscal year 2019. Purchases of capital assets totaled approximately \$486 thousand with the significant purchases of vehicles of \$190 thousand, office equipment of \$100 thousand and warehouse equipment of \$196 thousand offset by accumulated depreciation.

DUE TO STATE AND STATE AGENCIES

Payment due to the State at the end of fiscal year 2020 was \$4.3 million higher than the previous fiscal year. This was due to a \$.2 million increase in Unclaimed Prizes and an increase in Net Proceeds of \$4.1 million at the end of the fiscal year.

PRIZE LIABILITY

Prize Liability increased by \$3.2 million from the previous year due to higher scratch sales volume.

ACCOUNTS PAYABLE AND CURRENT ACCRUED EXPENSES

Accounts payable and current accrued expenses increased slightly by \$183 thousand during fiscal year 2020 due to extra costs for COVID-19 planning.

STATEMENTS OF NET POSITION - JUNE 30, 2020 AND 2019	2020	2019
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 3)	\$31,055,022	\$25,413,178
Accounts Receivable	7,679,866	6,257,024
Interest Receivable	28,886	65,466
Scratch Ticket Inventory	2,047,226	1,243,738
Prepaid Expense	379,518	490,560
<i>Total Current Assets</i>	<u>41,190,518</u>	<u>33,469,966</u>
Capital Assets, Net (Note 5)	1,168,419	1,256,310
<i>Total Assets</i>	<u>42,358,937</u>	<u>34,726,276</u>
Deferred Outflows (Notes 13 and 14)	7,173,000	13,175,000
LIABILITIES AND NET POSITION		
Current Liabilities:		
Net Proceeds Due to State (Note 8)	9,904,499	5,830,125
Unclaimed Prizes Due to State (Note 6)	10,727,425	10,466,308
Accounts Payable	1,492,625	2,879,939
In-Lieu-of-Sales Tax Payable	4,355,982	3,180,802
Prize Liability	12,076,294	8,932,239
Accrued Salaries and Benefits Payable, current (Note 7)	2,042,988	1,748,583
Deferred Revenue	580,183	479,318
<i>Total Current Liabilities</i>	<u>41,179,996</u>	<u>33,517,314</u>
Accrued Benefits Payable, net of current portion (Notes 7 and 14)	1,604,316	1,619,850
Commitments and Contingencies (Notes 9 and 10)	366,625	411,111
Net Pension Liability (Note 13)	4,406,000	4,310,000
<i>Total Non-Current Liabilities</i>	<u>6,376,941</u>	<u>6,340,961</u>
<i>Total Liabilities</i>	<u>47,556,937</u>	<u>39,858,275</u>
Deferred Inflows (Notes 13 and 14)	15,005,000	20,780,000
Net Position:		
Net Invested in Capital Assets (Note 8)	1,168,419	1,256,310
Unrestricted	(14,198,419)	(13,993,310)
<i>Total Net Position</i>	<u>\$(13,030,000)</u>	<u>\$(12,737,000)</u>

For the complete Minnesota State Lottery Comprehensive Annual Financial Report, including referenced Notes, please visit mnlottery.com.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED JUNE 30, 2020 AND 2019	2020	2019
Operating Revenues:		
Scratch Ticket Sales	\$519,348,731	\$435,268,778
Online Ticket Sales	149,219,477	201,541,475
Other Income	5,093	18,288
<i>Total Operating Revenues</i>	<u>668,573,301</u>	<u>636,828,541</u>
Less: In-Lieu-of-Sales Tax	43,456,934	41,392,666
<i>Gross Receipts</i>	<u>625,116,367</u>	<u>595,435,875</u>
Direct Costs:		
Scratch Ticket Prizes	349,480,448	292,093,287
Online Ticket Prizes	74,158,058	103,498,719
Online Vendor Expense	10,056,216	11,584,111
Ticket Costs	6,535,965	6,024,340
Retailer Commissions and Incentives (Note 11)	44,841,255	41,848,657
<i>Total Direct Costs</i>	<u>485,071,942</u>	<u>455,049,114</u>
<i>Gross Profit</i>	<u>140,044,425</u>	<u>140,386,761</u>
Operating Expenses:		
Advertising (Note 12)	5,754,530	7,409,067
Salaries and Benefits (Note 13)	14,964,361	7,671,487
Promotion	998,382	988,217
Purchased Services	2,132,042	1,783,566
Communication	474,126	416,557
Occupancy Costs (Note 9)	1,712,843	1,743,389
Supplies and Materials	1,008,013	1,307,196
Computer and Omnipoint Maintenance	527,849	671,223
Depreciation	573,842	576,392
Other Expense	340,391	357,945
<i>Total Operating Expenses</i>	<u>28,486,379</u>	<u>22,925,039</u>
<i>Operating Income</i>	<u>111,558,046</u>	<u>117,461,722</u>
Nonoperating Revenue (Expenses):		
Interest Earned on Investments	670,071	709,518
Compulsive Gambling Contribution from Prize Fund (Note 10)	(1,752,021)	(1,774,544)
Unclaimed Prizes to State (Note 6)	(10,727,425)	(10,466,308)
Net Proceeds to State (Note 8)	(100,041,671)	(99,561,388)
<i>Total Nonoperating Revenue (Expense)</i>	<u>(111,851,046)</u>	<u>(111,092,722)</u>
<i>Change in Net Position</i>	<u>(293,000)</u>	<u>6,369,000</u>
<i>Net Position at Beginning of Year (Note 8)</i>	<u>(12,737,000)</u>	<u>(19,106,000)</u>
<i>Net Position at End of Year (Note 8)</i>	<u>\$(13,030,000)</u>	<u>\$(12,737,000)</u>

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STATEMENTS OF CASH FLOWS - YEARS ENDED JUNE 30, 2020 AND 2019	2020	2019
Cash Flows from Operating Activities:		
Cash Received from Customers	\$667,246,231	\$636,146,783
Cash Received from Other Income	5,093	18,288
Payments to State (In-Lieu-of-Sales Tax)	(42,281,754)	(41,309,422)
Payments to Employees	(14,362,490)	(13,947,376)
Payments to Suppliers	(31,690,916)	(32,716,701)
Payments to Retailers	(44,841,255)	(41,848,657)
Payments to Prizewinners	(420,494,451)	(395,628,810)
Net Cash Provided by Operating Activities	113,580,458	110,714,105
Cash Flows from Non-Capital Financing Activities:		
Net Proceeds Paid to State	(95,967,297)	(100,318,440)
Compulsive Gambling Contribution Transfer	(1,752,021)	(1,774,544)
Unclaimed Prizes Transfer	(10,466,308)	(9,027,091)
Net Cash Used by Non-Capital Financing Activities	(108,185,626)	(111,120,075)
Cash Flows from Capital and Related Financing Activities:		
Purchases of Capital Assets	(485,951)	(439,673)
Proceeds on sale of Capital Assets	26,312	21,850
Net Cash Used by Capital and Related Financing Activities	(459,639)	(417,823)
Cash Flows from Investing Activities:		
Investment Income	706,651	691,594
Net Cash Provided by Investing Activities	706,651	691,594
Net Increase (decrease) in Cash and Cash Equivalents	5,641,844	(132,199)
Beginning of Year Cash and Cash Equivalents	25,413,178	25,545,377
End of Year Cash and Cash Equivalents	\$31,055,022	\$25,413,178
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$111,558,046	\$117,461,722
Adjustments to Reconcile Operating Income to Net Cash provided by Operating Activities:		
Depreciation	573,842	576,392
Gain on the disposal of capital assets	(26,312)	(21,850)
Change in retirement activity	293,000	(6,369,000)
Net Change in Assets and Liabilities:		
Inventory	(803,488)	393,257
Accounts Receivable	(1,422,842)	(788,301)
Prepaid Expenses	111,042	89,235
Other Current Liabilities	153,116	(590,546)
Prize Liability	3,144,055	(36,804)
Net Cash Provided by Operating Activities	\$113,580,459	\$110,714,105

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