



**MINNESOTA  
LOTTERY**

# ANNUAL REPORT FISCAL YEAR 2021



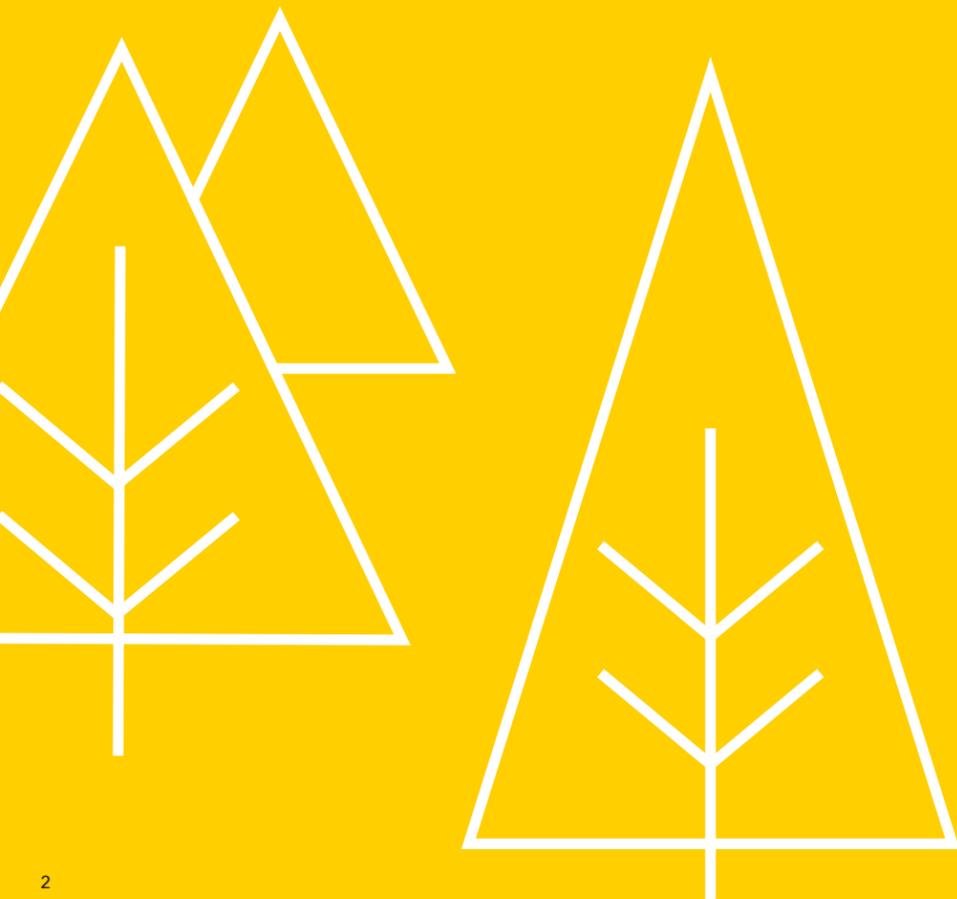
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## MISSION

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 2021

Greetings,

In 1988, Minnesotans from Ada to Zumbrota cast their ballots to create the state lottery. The following year, the legislature approved our charter and on April 17, 1990 we sold our first tickets.

After 31 years, one thing remains clear: Minnesotans are just as excited about our products today as they were back in 1990. That excitement has raised more than \$3.4 billion to support vital state services and environmental projects in every county of our great state.



As our communities have continued to respond to the challenges faced by a global pandemic, I could not be prouder of our team at the Minnesota Lottery. Together with our valued partners, we have remained adaptive, adjusting as needed to ensure the continued high quality of our products while emphasizing player and worker safety. This flexibility enabled continued success for the lottery.

On behalf of the 100+ members of the Minnesota Lottery team, I am proud to report that fiscal year 2021 was another record year, with \$803.6 million in sales. FY21 is the fourth year in a row of record sales and a record year for prizes paid out, returns to the state, and commissions and incentives earned by our retail partners. It's true that when you play the Minnesota Lottery, everyone wins:

- Minnesotans won \$518.9 million in prizes.
- The Minnesota Lottery returned \$188.8 million to the state in fiscal year 2021. Lottery dollars support Minnesota's General Fund, protect and preserve Minnesota's environment, and fund important work to help prevent and treat problem gambling.
- Approximately 3,000 lottery retailers from Austin to Warroad earned \$53.7 million in commissions and incentives.

The lottery's success would not be possible without the dedication and hard work of our staff. Whether they have been here a few months, a couple of years, or since the beginning, our team demonstrates commitment, integrity, and intelligence day in and day out. Their work has allowed the lottery to deliver record-breaking numbers year after year and it is an honor and privilege to work with everyone at the Minnesota Lottery.

The Minnesota Lottery team remains committed to our mission of generating proceeds to support critical projects that improve Minnesota and we can't wait to see what the future holds.

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

Sincerely,

A handwritten signature in black ink that reads "Adam Prock". The signature is written in a cursive, flowing style.

Adam Prock  
Executive Director

# WHY WE PLAY

Since 1991, the Environment and Natural Resources Trust Fund (ENRTF), which receives a portion of every dollar spent on lottery games, has supported approximately 2,000 projects around the state to protect, conserve and enhance Minnesota's natural resources. When Minnesotans buy a lottery ticket, they know they are playing their part in ensuring the state's water, land and air are maintained for future generations.

## WATER QUALITY

Minnesota's lakes, rivers, streams and wetlands are not only beautiful, they are critical for wildlife habitation, recreation, and public health. Through the ENRTF, lottery dollars have provided more than \$260 million to 450+ projects aimed at protecting and improving the state's waterways. These include initiatives to perform research on Lake Superior, rejuvenate trout streams in southeastern Minnesota, and restore native mussel populations that help keep waters clean and clear.

## RENEWABLE ENERGY

Identifying, developing and utilizing homegrown energy resources is vital to Minnesota's long-term success. Going back to the mid-90s, more than 50 projects totaling over \$31 million have been funded with lottery dollars via the ENRTF. These funds have helped bring renewable energy into state parks, have fostered the development of biofuels, and have helped fund solar gardens on tribal land.

## NATURAL RESOURCES

Nearly 600 projects have received \$340 million to help better understand Minnesota's natural resources. Efforts to protect at-risk bird species, assist local government in protecting bluffs along the Mississippi River, and county-by-county biological inventories are just some of the ways that lottery dollars and the ENRTF have helped recognize the natural beauty that makes Minnesota a great place to be.

## INVASIVE SPECIES

Over the past 30 years, invasive species impacting fish, game, and other wildlife have spread throughout Minnesota. Using lottery dollars, the ENRTF has allotted more than \$57 million in funding to over 80 projects aimed at researching and combating the spread of invasive species in the state. Whether it's curtailing the spread of Eurasian Milfoil in waterways, identifying how brain worms spread in the moose population, or developing methods to slow the spread of invasive carp, these projects have had a profound positive impact on the state's environment.

## EDUCATIONAL OUTREACH

More than 250 educational projects around Minnesota have received ENRTF funding. These outreach efforts highlight the importance of the state's environment and help increase knowledge and understanding of how to protect and preserve Minnesota's natural resources. Through the ENRTF, lottery dollars have funded educational programming at the Science Museum of Minnesota, brought environmental education into classrooms around the state, and funded a pilot program to transform lawns across the state into pollinator habitats with native vegetation.

## AGRICULTURE, FORESTRY AND MINING

Minnesota's agriculture, forestry, and mining communities have for generations been the engine powering the state's economic success – feeding families across the country, providing valuable lumber for construction, and yielding metals that helped build cities around the United States. As these industries continue to evolve and adapt, the ENRTF has funded more than 150 projects that help to sustain these vital communities and aid in their efforts to be more conscientious participants in natural resource stewardship. Lottery dollars have also helped develop methods to keep pests away from crops and promote sustainable farming practices.

## BIOLOGICAL DIVERSITY

Minnesota is home to a diverse range of natural resources, as well as more than 20,000 rare plants and animals. Using lottery dollars, the ENRTF has provided more than \$415 million to over 600 projects seeking to catalog, protect, and publicize the state's biological diversity. These funds have contributed to pollinator habitats, county-by-county biological surveys, and bird sanctuaries, including the Thomas Sadler Roberts Sanctuary in Minneapolis.

## NATURAL AREAS AND HABITATS

Since 1991, the ENRTF has funded more than 550 projects across Minnesota that have helped preserve, protect, and restore Minnesota's natural areas and habitats to better protect the state's native plants and animals.

## HISTORIC PRESERVATION

Minnesota has a long and diverse history that deserves to be shared. More than \$4.5 million has been distributed to initiatives aimed at preserving and protecting areas of historic significance around the state. These efforts have included grants to make historic sites more accessible to the public and to acquire land of historic and cultural relevance. In 2018, the Leech Lake Band of Ojibwe used a \$1.5 million ENRTF grant to acquire 45 acres, including the historic site of the first meeting between Henry Schoolcraft and the Anishinaabe people.

## RECREATION

People from all walks of life and from all over the world have long flocked to Minnesota to enjoy outdoor recreation. Since 1991, the ENRTF has provided more than \$300 million to fund the expansion of the state's parks and trails as well as increased public access to lakes and rivers. Running from Ely to Grand Rapids, the Mesabi Trail, one of the longest paved trails in the United States, has benefitted from lottery dollars.





Photo by Debbie Koenigs



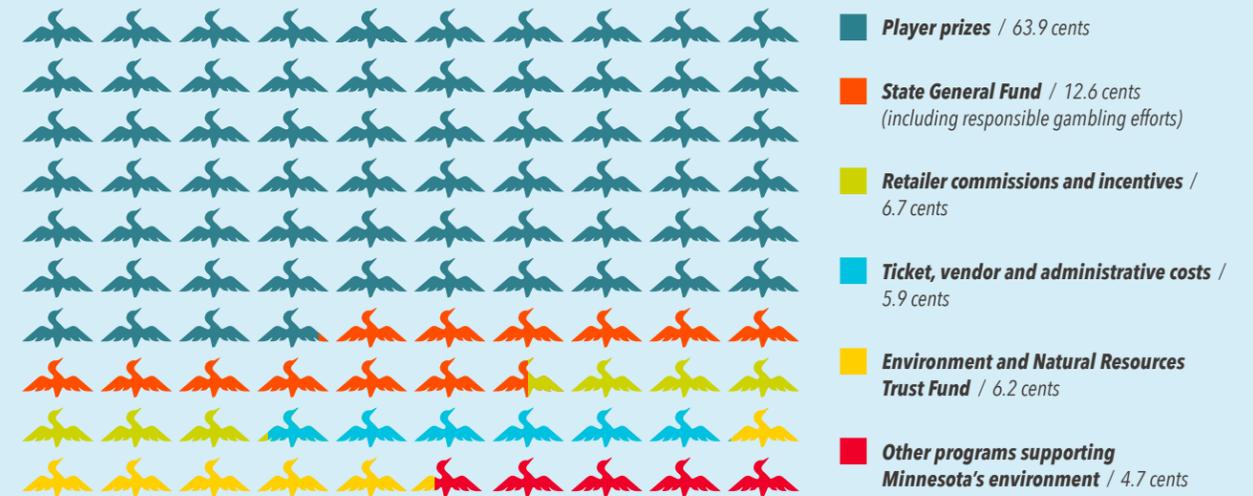
Photo by Debbie Koenigs

# PLAYING OUR PART

More Minnesotans are saying I'MN to the Minnesota Lottery each year as we build a player base that is broad but shallow versus narrow and deep. Embracing this strategy, fiscal year 2021 was another record-setting year for the lottery with \$803.6 million in scratch and lotto game sales.

We take playing our part in service to the state seriously. Record sales mean bigger returns to the state of Minnesota, supporting the General Fund, creating and invigorating environmental programs, and funding efforts to prevent and treat problem gambling.

## FOR EVERY DOLLAR SPENT ON LOTTERY TICKETS IN FISCAL YEAR 2021



### 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. The Minnesota Legislature recently approved approximately \$137 million to fund 165 projects around the state. Projects include improvements to the Mesabi Trail, the planning and construction of a new visitor

center and campground near Crane Lake, the reintroduction of bison at the Spring Lake Park Reserve, and efforts to detect contaminants, including coronaviruses, in drinking water to improve public health planning and responses.

### MINNESOTA STATE PARKS AND TRAILS

The Minnesota State Parks system includes 13 state trails and 75 state parks and recreation areas. More than half of these have benefited from lottery proceeds over the past 30 years through consistent funding from the Natural Resources Fund. Our state park system permanently protects Minnesota's most beautiful and unique features, including caves, river bluffs, wildlife habitats, waterfalls, and pristine wilderness.

# SCRATCH GAME HIGHLIGHTS

**SUMMER IN MINNESOTA IS SOMETHING SPECIAL. YOU MIGHT EVEN CALL IT A "WINNESOTA" SUMMER!**

Our Winnesota Summer tickets were designed by local artist Adam Turman, whose art can be found all around our great state. If you've spent any time in the Twin Cities, chances are you've seen Adam's work at a local brewery, on a restaurant wall or on screen prints or merchandise you've picked up in a neighborhood shop.

We are so grateful to have had the opportunity to partner with Adam to create our Winnesota Summer scratch game and celebrate what is special and unique about summer in Minnesota.



Photo by Dogfish Media



Photo by Easton Green



Photo by Erik Fleishacker



**TURMAN**®

## MINNESOTA LANDMARKS

In FY21 the lottery was fortunate to partner with a Minneapolis-based illustrator and graphic designer to create the Minnesota Landmark scratch ticket game. The ticket art celebrates some of the unique landmarks found throughout Minnesota. The eight quintessentially beautiful spots highlighted in this series were Lake of the Woods and Lake Bemidji in northern Minnesota; Minnehaha Falls and Lake Harriet in the Twin Cities; Gooseberry and Canal Park on the North Shore; and Lake Pepin and Lake Shetek in the southern region of the state.



## TRUE NORTH

With all its natural beauty, Minnesota is magical in winter. Culinary delights, cultural treasures, and outdoor adventures – it's all here.

How do you embrace the north? Do you hit the slopes for the day or lace up your skates and glide across the ice? Do you bundle up and spend the day with family building snowmen and sledding? Minnesota has so much outdoor fun to offer during the winter months.

Winter in the north woods is also the perfect time to practice the art of being cozy by cuddling up with a blanket and a good book, or baking your favorite treats and sitting around the fire.

Whatever you do, your True North isn't found on a map. Your True North is a feeling – embrace it! Created in partnership with Explore Minnesota and their True North campaign.



# FY21 TOP 10 SCRATCH GAMES



## 500X

Net sales: \$40,307,850  
Number of tickets sold: 806,157



## DOUBLE DIAMOND

Net sales: \$21,147,630  
Number of tickets sold: 2,114,763



## \$500,000 PAYDAY

Net sales: \$18,167,340  
Number of tickets sold: 908,367



## \$500,000 RICHES

Net sales: \$27,032,100  
Number of tickets sold: 1,351,605



## \$100,000 LUCK

Net sales: \$19,185,000  
Number of tickets sold: 3,837,000



## 2021 CROSSWORD

Net sales: \$17,285,300  
Number of tickets sold: 864,265



## FULLY LOADED

Net sales: \$22,826,760  
Number of tickets sold: 1,141,338



## TRIPLE DIAMOND PAYOUT

Net sales: \$18,766,680  
Number of tickets sold: 938,334



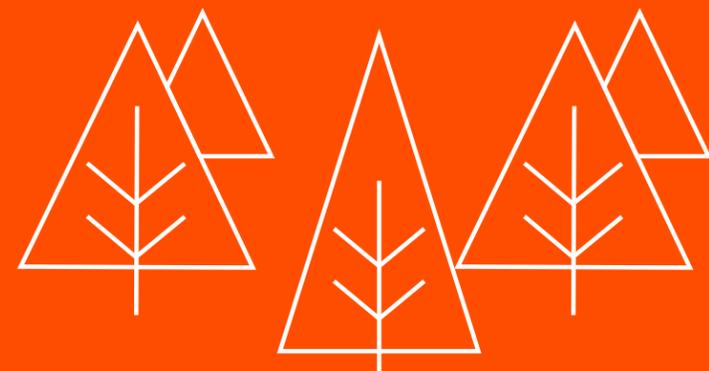
## 30TH ANNIVERSARY

Net sales: \$16,812,835  
Number of tickets sold: 3,362,567



## HAPPY GO LUCKY LINES

Net sales: \$16,676,130  
Number of tickets sold: 1,667,613



# RESPONSIBLE GAMBLING

Each year a significant amount of Minnesota Lottery dollars returned to the state are earmarked for problem gambling treatment and prevention administered by the Minnesota Department of Human Services in partnership with other agencies and nonprofits, including the Minnesota Alliance on Problem Gambling (formerly Northstar Problem Gambling Alliance). The Minnesota Lottery is committed to actively supporting responsible gambling habits and the treatment of gambling disorders. The lottery provides each of the state's nearly 3,000 lottery retailers with materials that raise awareness of responsible gambling resources available across the state, as well as problem gambling warning signs and how to get help. Since 1990 the Minnesota Lottery has invested more than \$50 million in efforts to prevent problem gambling and encourage responsible gambling habits in all corners of the state.

The Minnesota Lottery routinely partners with the Minnesota Alliance on Problem Gambling to ensure players are aware of the services available to them. Around the holiday season, our organizations produce "gift responsibly" ads reminding players that lottery tickets are not an appropriate stocking stuffer for those under the age of 18. In addition, digital and print campaigns each year remind players that help is just a click or phone call away if they are concerned for themselves or others.

If you are concerned about your gambling habits or those of a loved one, maybe it's time to start the conversation. Call 1-800-333-HOPE, text HOPE to 53342, or go to [getgamblinghelp.com](http://getgamblinghelp.com). It's free and confidential.



## PROBLEM GAMBLING HELP

If you are concerned that gambling is becoming more than a game for you or someone you know, please contact the free, confidential, 24/7 Minnesota Problem Gambling Helpline.

**1-800-333-HOPE (4673)**  
(If outside Minnesota, call 1-800-522-4700)

### EIGHT WARNING SIGNS OF A GAMBLING PROBLEM

- Increased frequency of gambling activity
- Increased amount of money gambled
- Gambling for longer periods of time than originally planned
- Bragging about wins, but not talking about losses
- Pressuring others for money as financial problems arise
- Lying about how money is spent
- Escaping to other excesses (alcohol, drugs, sleep, etc.)
- Denying there is a problem

Warning signs used with permission from Northstar Problem Gambling Alliance, [northstarproblemgambling.org](http://northstarproblemgambling.org)

### START THE CONVERSATION

Problem gambling resources from the Minnesota Department of Human Services:

**Minnesota's Problem Gambling Helpline / 1-800-333-HOPE (4673)** (If outside Minnesota, call 1-800-522-4700)

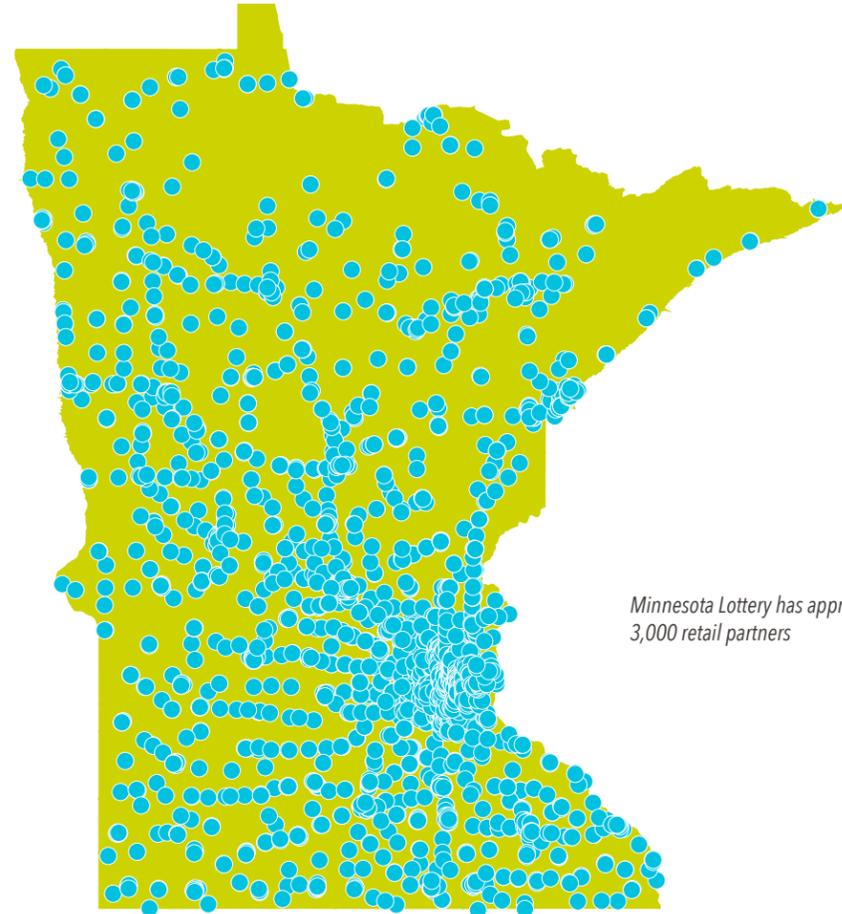
**Minnesota's Problem Gambling Program / [getgamblinghelp.com](http://getgamblinghelp.com)**

Treatment is available free of charge for qualifying individuals throughout Minnesota.

The Minnesota Lottery continues to be an advocate for responsible gambling by providing support for initiatives to address problem gambling.

# RETAILERS

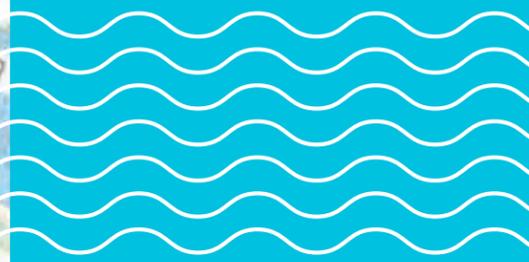
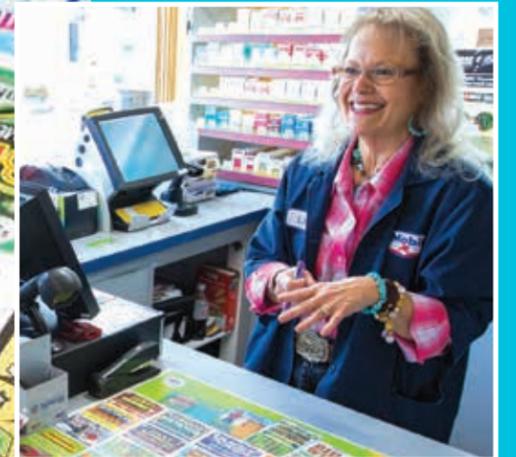
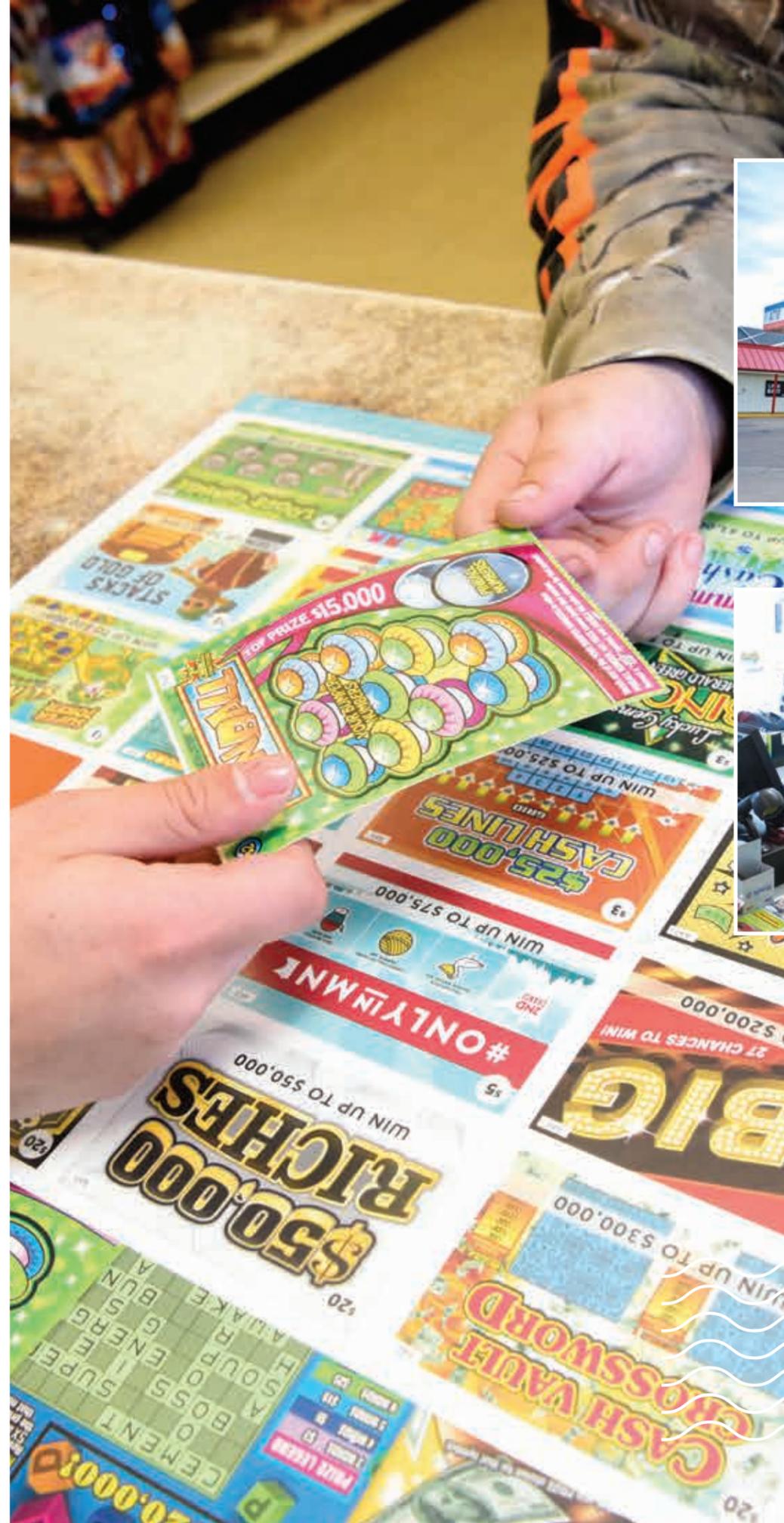
With nearly 3,000 Minnesota Lottery retailers across the state from Worthington to Grand Marais, our retail partnerships have been the key to more than 30 years of success. We are proud to work closely with our retail partners to build awareness, educate potential players and provide great customer service that delivers results.



Minnesota Lottery has approximately 3,000 retail partners

## CONTINUED GROWTH

In the spring of 2021 the Minnesota Lottery began selling its products at 68 Wal-Mart locations around the state. This collaboration marks a substantial growth of the lottery's retail reach in all areas of Minnesota. Wal-Mart maintains strict standards for partnerships and our team met their high expectations while managing protocols for oversight, communication, and game security. Due to the efforts of our staff, the Minnesota Lottery was recognized as one of the best state lotteries to work with. We look forward to this continued partnership and what it means for the future of the Minnesota Lottery.





# WINNERS

The success of the Minnesota Lottery would not be possible without the excitement, loyalty, and passion of our players – particularly our winners! In fiscal year 2021 lucky lottery winners in Minnesota took home more than half a billion dollars in prizes. From a few bucks here and there to bigger jackpots or material prizes, winners across the state were able to enjoy the fun of sitting down with a few scratch tickets or the thrill of checking for winning draw numbers. At the end of the day, everyone wins as every lottery purchase helps support great projects and services in Minnesota.



## MINNESOTA LOTTERY ANONYMITY LAW

*In the spring of 2021 a new law was passed making the names of Minnesota Lottery prize winners over \$10,000 private data (previously it had been considered public information). This new law also applies to any second chance prize winners with a cash component that totals more than \$10,000. Winners can still choose to make their name public and participate in lottery promotions if they provide written consent.*

*These changes were made to better protect winner privacy and safety. The Minnesota Lottery worked closely with the legislative authors to ensure the bill maintained safeguards to protect the integrity of lottery operations.*

# PARTNERS AND EVENTS

In an effort to engage potential players and interact with our current customers, the Minnesota Lottery has a presence at a wide variety of recreational, cultural, and sporting events all over the state.

## NOTABLE EVENTS AND PARTNERS

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

Due to the COVID-19 pandemic and the importance of maintaining player and staff safety, for much of fiscal year 2021 we did not engage in traditional in-person events. Utilizing modern technology and the broad reach of social media, our staff was able to work with local artists, musicians, athletes, and social media personalities and reach tens of thousands of Minnesota Lottery fans and potential players across the state. Live streams ranging from a springtime campfire serenade to the destruction of a 2020 pinata to close out the calendar year were watched by more than 70,000 people and more than 20,000 fans entered online sweepstakes to win lottery prizes.

While it does not compare to the joy of engaging with players in person, smart and innovative use of social media over the last year allowed the Minnesota Lottery to maintain a relationship with our existing players while building familiarity and interest with potential players.



# LOTTERY INNOVATIONS

After more than 30 years in operation, the Minnesota Lottery remains committed to aggressively pursuing commonsense innovations to increase operational efficiencies and find practical cost savings that benefit the lottery, our players, retail partners, and the people of Minnesota.

## RETAILER CONVERSION

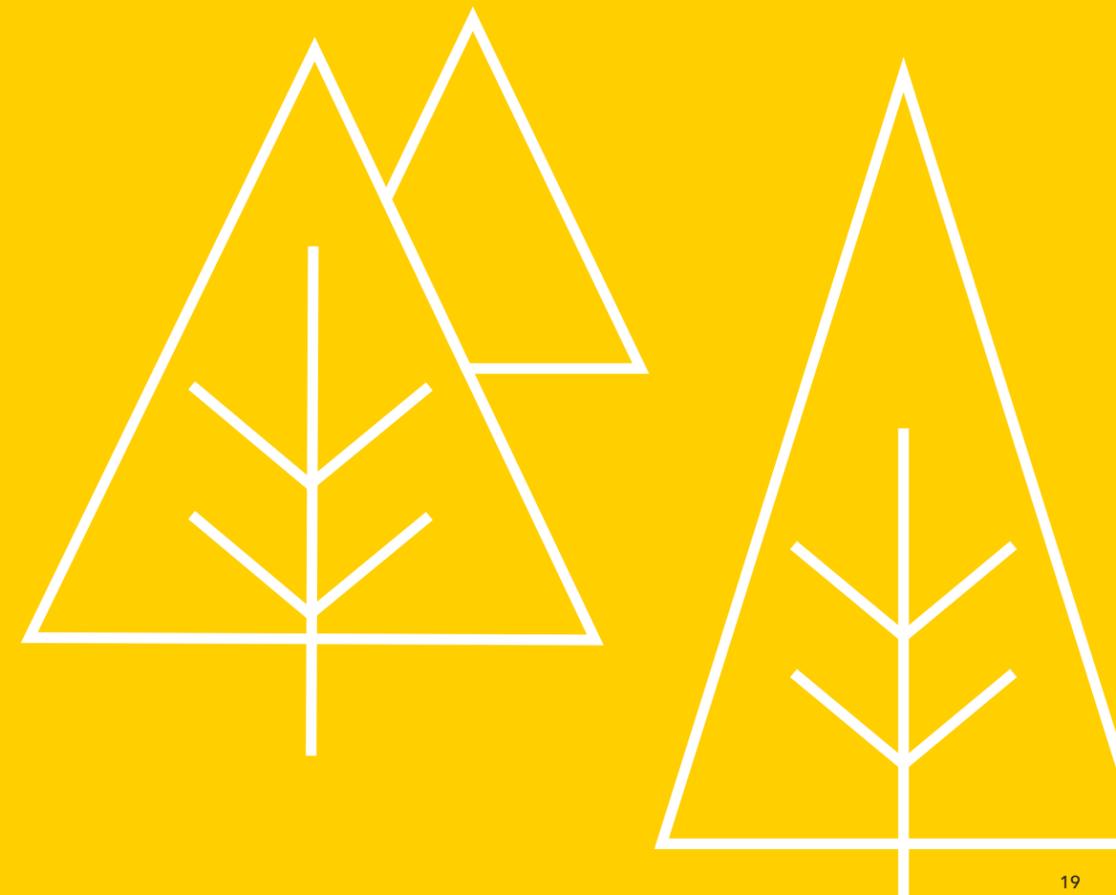
Over the past two years, all of our retailers were moved over to an updated online system for retailer management, accounting, and claims. This shift from an aging system provides a better user experience for our retailers while increasing the effectiveness and efficiency of the services we provide.

## TICKET LOGISTICS

An internal review with our retail partners led to changes in the distribution and delivery of scratch tickets. By reducing the number of deliveries, our retailers receive the same amount of tickets while the lottery saves tens of thousands of dollars in fuel and delivery costs.

## MOBILE CONVENIENCE APP

With an increasingly tech-savvy player base, the Minnesota Lottery has made the decision to invest in a mobile convenience application designed to help maintain the lottery's competitive edge in the market. This app will provide players with updates on jackpots and winning numbers, give GPS-assisted locations for brick-and-mortar lottery retailers, provide detailed game rules, allow players to scan their tickets to see if they are winners, and create a digital play slip that can be scanned at an in-store terminal to produce a saved favorite play. The lottery's mobile app will NOT allow players to buy tickets or play lottery games online. This tool will utilize cutting-edge technology to allow the Minnesota Lottery to better connect with modern players and drive them toward our nearly 3,000 brick-and-mortar retail partners around the state.



# FINANCIAL OVERVIEW

## OVERVIEW OF 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, 2021 and comparisons for the two previous fiscal years ended June 30, 2020 and June 30, 2019. 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, 2021, 2020 and 2019.

## FINANCIAL HIGHLIGHTS

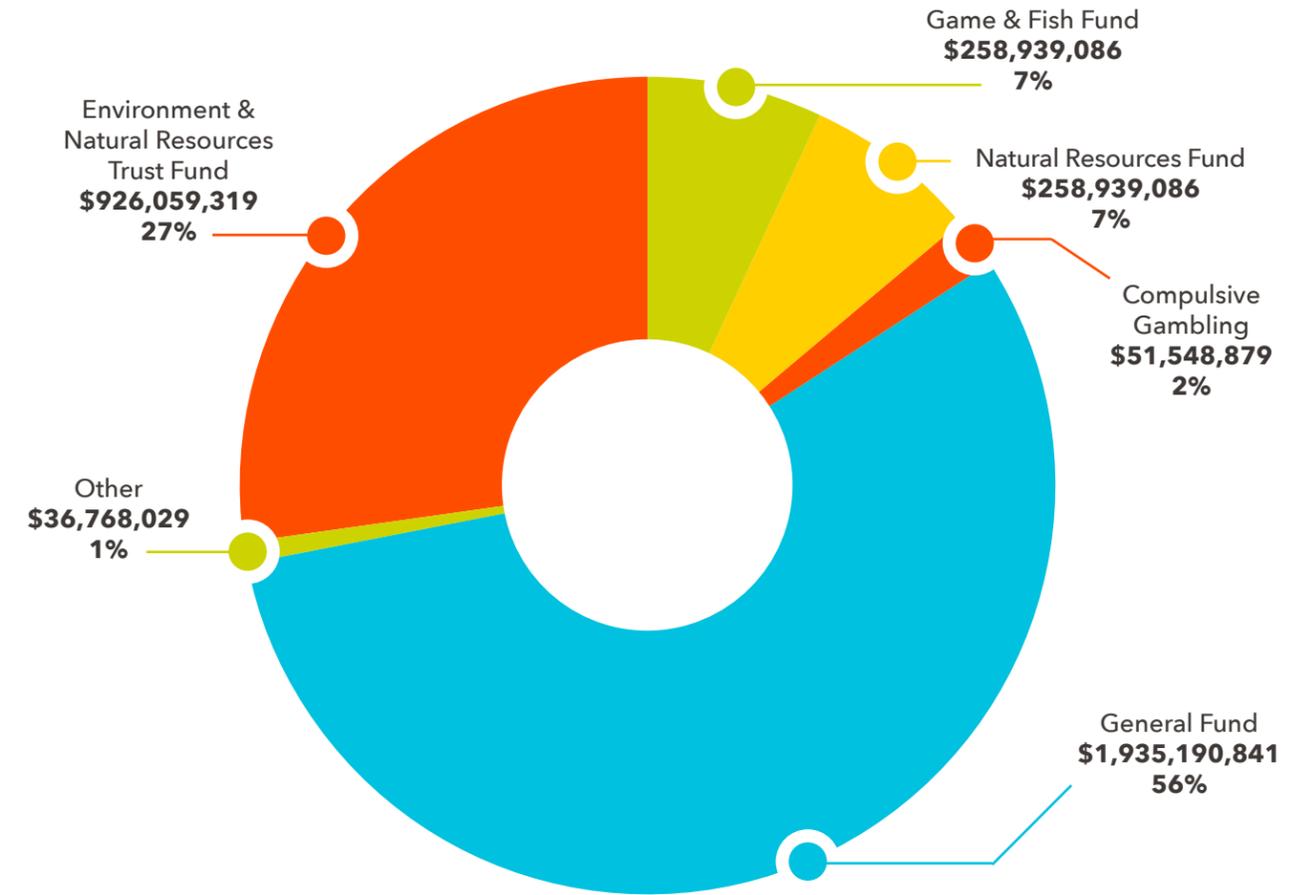
The Minnesota State Lottery had operating revenues of \$803.6 million in fiscal year 2021 and contributed \$188.8 million to the State. Both revenues and contributions to the State were again records as the Minnesota State Lottery exceeded fiscal year 2020 levels, which was the previous record year. A record year in scratch sales was also recognized by recording \$615.6 million.

## SUMMARY OF CONTRIBUTIONS TO THE STATE

The Lottery contributed \$188.8 million to the State in fiscal year 2021. This was a \$32.8 million or a 21.0% increase from 2020. 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	2021	2020	2019
Net proceeds to the state	\$124,018,491	\$100,041,671	\$99,561,388
In-lieu-of-sales tax	52,236,645	43,456,934	41,392,666
Compulsive gambling contribution	1,606,471	1,752,021	1,774,544
Unclaimed prizes to the state	10,968,007	10,727,425	10,466,308
Total paid to state	<u>\$188,829,614</u>	<u>\$155,978,051</u>	<u>\$153,194,906</u>

## THE LOTTERY HAS CONTRIBUTED APPROXIMATELY \$3.5 BILLION TO THE STATE SINCE INCEPTION



SUMMARY RESULTS OF OPERATIONS	2021	2020	2019
Gross receipts	\$751,405,158	\$625,116,367	\$595,435,875
Prizes, commissions and ticket costs	586,933,166	485,071,942	455,049,114
Gross profit	164,471,992	140,044,425	140,386,761
Operating expenses	28,185,410	28,486,379	22,925,039
Operating income	136,286,582	111,558,046	117,461,722
Non-operating revenues (expenses):			
Interest earned on investments	184,388	670,071	709,518
Unused compulsive gambling contribution	629,529	483,979	461,455
Payments to state (not including in-lieu-of-sales tax)	(137,222,498)	(113,005,096)	(112,263,695)
Total non-operating expense	(136,408,581)	(111,851,046)	(111,092,722)
Change in net position	<u>\$(121,999)</u>	<u>\$(293,000)</u>	<u>\$6,369,000</u>
Net position at beginning of year	<u>\$(13,030,000)</u>	<u>\$(12,737,000)</u>	<u>\$(19,106,000)</u>
Net position at end of year	<u>\$(13,151,999)</u>	<u>\$(13,030,000)</u>	<u>\$(12,737,000)</u>

For the complete Minnesota Lottery Annual Comprehensive Financial Report, including referenced Notes, please visit [mnlottery.com](http://mnlottery.com).

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## OPERATING INCOME

Operating income has decreased by \$5.9 million from 2019 to 2020. Gross receipts increased by \$29.7 million or 5.0% in 2020 due to increased scratch sales by \$84.1 million. However, operating income was down by \$5.9 million due to higher scratch costs and product mix as compared with 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% with 2019.

Operating income has increased by \$24.7 million in 2021 from 2020. Gross receipts increased by \$126.3 million or 20.2% in 2021 due to increased scratch sales by \$96.2 million. As a result of higher gross receipts operating income increased by \$24.7 million. Direct costs which

include prizes, commissions and ticket costs as a percent of gross were 78.1% in 2021 compared with 77.6% in 2020.

## OPERATING EXPENSES

Operating expenses increased in 2020 by \$5.6 million or 24.3% compared to 2019. This was due to the year-end pension expense and OPEB adjustments being more than last year due to changes in actuarial assumptions.

Operating expenses decreased slightly by \$300 thousand. Salaries and benefits increased by \$241 thousand, however, all other expense categories combined were down by \$542 thousand primarily due to spending being less during the pandemic.

GROSS RECEIPTS BY GAME	2021	2020	2019
Scratch ticket sales	\$615,569,031	\$ 519,348,731	\$435,268,778
Lotto ticket sales:			
Daily 3®	22,153,895	18,928,387	18,444,086
Gopher 5®	22,533,322	16,602,835	20,679,695
Powerball®	55,513,954	41,827,546	65,311,853
Powerball® Power Play®	2,839,036	2,157,398	2,646,918
Mega Millions®	39,029,262	23,608,472	47,123,174
Mega Millions® Megaplier®	2,047,185	1,401,071	1,783,335
Hot Lotto®	0	0	0
Hot Lotto® Sizzler	0	0	0
Northstar Cash®	10,480,827	9,705,109	8,857,293
Minnesota Millionaire Raffle®	6,999,390	6,999,330	6,998,880
Lucky for Life®	7,862,160	7,104,346	6,940,632
Lotto America®	7,670,045	7,849,114	10,633,684
Lotto America® All Star Bonus®	1,021,076	934,244	1,126,562
Progressive Print-N-Play®	9,921,507	12,101,625	10,995,363
Total lotto ticket sales	188,071,659	149,219,477	201,541,475
Operating revenue	803,640,690	668,568,208	636,810,253
Other income	1,113	5,093	18,288
Total operating revenue	803,641,803	668,573,301	636,828,541
Less in-lieu-of-sales tax	52,236,645	43,456,934	41,392,666
Gross receipts	\$751,405,158	\$625,116,367	\$595,435,875

For the complete Minnesota Lottery Annual Comprehensive Financial Report, including referenced Notes, please visit [mnlottery.com](http://mnlottery.com).

## 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 \$84.1 million to \$519.3 million compared with 2020.

Scratch game sales accounted for 76.6% of operating revenue in fiscal year 2021, down slightly from 77.7% in 2020. Total scratch sales were up \$96.2 million to \$615.6 million compared with 2020. The increase in scratch sales was due to continued marketing efforts for new players and the addition of new games.

## LOTTO GAMES

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

Lotto games sales for 2021 increased \$38.9 million to \$188.1 million from 2020. This was primarily due to the large Mega Millions and Powerball jackpots in January 2021.

CONDENSED STATEMENTS OF NET POSITION	2021	2020	2019
Assets:			
Cash and cash equivalents	\$31,535,212	\$31,055,022	\$25,413,178
Receivables	8,745,072	7,708,752	6,322,490
Inventory and prepaid expenses	2,771,045	2,426,744	1,734,297
Capital assets	1,122,333	1,168,419	1,256,310
Total Assets	\$44,173,662	\$42,358,937	\$34,726,275
Deferred Outflows	\$1,211,000	\$7,173,000	\$13,175,000
Liabilities:			
Due to State and State Agencies	\$ 17,248,325	\$ 20,631,924	\$16,296,433
Accounts payable & current accrued expenses	9,416,118	8,471,778	8,288,642
Prize liability	16,370,172	12,076,294	8,932,239
Long-term accrued expenses	6,040,046	6,376,941	6,340,961
Total Liabilities	\$49,074,661	\$47,556,937	\$39,858,275
Deferred Inflows	\$9,462,000	\$15,005,000	\$20,780,000
Net Position:			
Unrestricted net position	(\$14,274,332)	(\$14,198,419)	(\$13,993,310)
Net investment in capital assets	1,122,333	1,168,419	1,256,310
Net Position	(\$13,151,999)	(\$13,030,000)	(\$12,737,000)

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## 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.

Minnesota State Lottery's net position at the end of fiscal year 2021 was \$(13.2) million compared to \$(13.0) million in fiscal year 2020. The negative net position is attributable to the offset of the net pension liability in all five years and recognition of post-employment benefits over the last four years.

## CASH AND CASH EQUIVALENTS AND RECEIVABLES

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

Cash and cash equivalents and receivables increased by \$1.5 million from 2020 to 2021. This is primarily due to continued higher sales and generating cash from operating activities.

## CAPITAL ASSETS AND OTHER ASSETS

Net capital assets decreased by \$88 thousand in 2020 versus 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.

Net capital assets decreased by \$46 thousand in 2021 versus 2020. Purchases of capital assets totaled approximately \$492 thousand with the significant purchases of vehicles of \$432 thousand, office equipment of \$15 thousand, computer equipment of \$25 thousand and leasehold improvements of \$20 thousand offset by accumulated depreciation. For a more detailed explanation see Note 5.

## DUE TO STATE AND STATE AGENCIES

Payment due to the State at the end of fiscal year 2020 was \$4.3 million higher than fiscal year 2019. 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.

Payment due to the State at the end of fiscal year 2021 was \$3.4 million lower than fiscal year 2020. This was primarily due to a \$3.6 million decrease in Net Proceeds Due as we recognize less profit in June of 2021 compared to June of 2020.

## PRIZE LIABILITY

Prize Liability increased by \$3.2 million from 2019 to 2020 due to higher scratch sales volume.

Prize Liability increased by \$4.3 million from 2020 to 2021 due higher volume in sales from both scratch and lotto games and a reserve adjustment was made to Northstar Cash to match game reserve analysis.

## ACCOUNTS PAYABLE AND CURRENT ACCRUED EXPENSES

Accounts payable and current accrued expenses increased slightly by \$183 thousand from fiscal year 2020 to 2019 due to extra costs for COVID-19 planning.

Accounts payable and current accrued expenses increased by \$944 thousand during fiscal year 2021. This was primarily due to timing of expenses incurred at year end.

STATEMENTS OF NET POSITION - JUNE 30, 2020 AND 2019	2021	2020
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents (Note 3)	\$31,535,212	\$31,055,022
Accounts Receivable	8,734,404	7,679,866
Interest Receivable	10,668	28,886
Scratch Ticket Inventory	2,264,099	2,047,226
Prepaid Expense	506,946	379,518
<i>Total Current Assets</i>	<u>43,051,329</u>	<u>41,190,518</u>
Capital Assets, Net (Note 5)	1,122,333	1,168,419
<i>Total Assets</i>	<u>44,173,662</u>	<u>42,358,937</u>
Deferred Outflows (Notes 13 and 14)	1,211,000	7,173,000
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities:</b>		
Net Proceeds Due to State (Note 8)	6,280,318	9,904,499
Unclaimed Prizes Due to State (Note 6)	10,968,007	10,727,425
Accounts Payable	2,725,940	1,492,625
In-Lieu-of-Sales Tax Payable	4,057,754	4,355,982
Prize Liability	16,370,172	12,076,294
Accrued Salaries and Benefits Payable, current (Note 7)	2,293,005	2,042,988
Unearned Revenue	339,419	580,183
<i>Total Current Liabilities</i>	<u>43,034,615</u>	<u>41,179,996</u>
Accrued Benefits Payable, net of current portion (Notes 7 and 14)	1,658,000	1,604,316
Commitments and Contingencies (Notes 9 and 10)	281,046	366,625
Net Pension Liability (Note 13)	4,101,000	4,406,000
<i>Total Non-Current Liabilities</i>	<u>6,040,046</u>	<u>6,376,941</u>
<i>Total Liabilities</i>	<u>49,074,661</u>	<u>47,556,937</u>
Deferred Inflows (Notes 13 and 14)	9,462,000	15,005,000
<b>Net Position:</b>		
Net Invested in Capital Assets (Note 8)	1,122,333	1,168,419
Unrestricted	(14,274,332)	(14,198,419)
<i>Total Net Position</i>	<u>\$(13,151,999)</u>	<u>\$(13,030,000)</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED JUNE 30, 2021 AND 2020		
	2021	2020
<b>Operating Revenues:</b>		
Scratch Ticket Sales	\$615,569,031	\$519,348,731
Online Ticket Sales	188,071,659	149,219,477
Other Income	1,113	5,093
Total Operating Revenues	803,641,803	668,573,301
Less: In-Lieu-of-Sales Tax	52,236,645	43,456,934
Gross Receipts	751,405,158	625,116,367
<b>Direct Costs:</b>		
Scratch Ticket Prizes	416,551,644	349,480,448
Online Ticket Prizes	97,121,545	74,158,058
Online Vendor Expense	12,035,372	10,056,216
Ticket Costs	7,484,384	6,535,965
Retailer Commissions and Incentives (Note 11)	53,740,221	44,841,255
Total Direct Costs	586,933,166	485,071,942
Gross Profit	164,471,992	140,044,425
<b>Operating Expenses:</b>		
Advertising (Note 12)	6,015,444	5,754,530
Salaries and Benefits (Note 13)	15,205,296	14,964,361
Promotion	650,501	998,382
Purchased Services	1,864,474	2,132,042
Communication	460,492	474,126
Occupancy Costs (Note 9)	1,733,186	1,712,843
Supplies and Materials	895,277	1,008,013
Computer and Omnipoint Maintenance	648,417	527,849
Depreciation	539,037	573,842
Other Expense	173,286	340,391
Total Operating Expenses	28,185,410	28,486,379
<b>Operating Income</b>	<b>136,286,582</b>	<b>111,558,046</b>
<b>Nonoperating Revenue (Expenses):</b>		
Interest Earned on Investments	184,388	670,071
Compulsive Gambling Contribution from Prize Fund (Note 10)	(1,606,471)	(1,752,021)
Unclaimed Prizes to State (Note 6)	(10,968,007)	(10,727,425)
Net Proceeds to State (Note 8)	(124,018,491)	(100,041,671)
Total Nonoperating Revenue (Expense)	(136,408,581)	(111,851,046)
<b>Change in Net Position</b>	<b>(121,999)</b>	<b>(293,000)</b>
<b>Net Position at Beginning of Year (Note 8)</b>	<b>(13,030,000)</b>	<b>(12,737,000)</b>
<b>Net Position at End of Year (Note 8)</b>	<b>\$(13,151,999)</b>	<b>\$(13,030,000)</b>

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STATEMENTS OF CASH FLOWS — YEARS ENDED JUNE 30, 2021 AND 2020		
	2021	2020
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$802,345,388	\$667,246,231
Cash Received from Other Income	1,113	5,093
Payments to State (In-Lieu-of-Sales Tax)	(52,534,873)	(42,281,754)
Payments to Employees	(14,787,595)	(14,362,490)
Payments to Suppliers	(31,157,398)	(31,690,916)
Payments to Retailers	(53,740,221)	(44,841,255)
Payments to Prizewinners	(509,379,310)	(420,494,451)
Net Cash Provided by Operating Activities	140,747,104	113,580,458
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Net Proceeds Paid to State	(127,642,672)	(95,967,297)
Compulsive Gambling Contribution Transfer	(1,606,471)	(1,752,021)
Unclaimed Prizes Transfer	(10,727,426)	(10,466,308)
Net Cash Used by Non-Capital Financing Activities	(139,976,569)	(108,185,626)
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchases of Capital Assets	(492,951)	(485,951)
Proceeds on sale of Capital Assets	0	26,312
Net Cash Used by Capital and Related Financing Activities	(492,951)	(459,639)
<b>Cash Flows from Investing Activities:</b>		
Investment Income	202,606	706,651
Net Cash Provided by Investing Activities	202,606	706,651
<b>Net Increase (decrease) in Cash and Cash Equivalents</b>	<b>480,190</b>	<b>5,641,844</b>
<b>Beginning of Year Cash and Cash Equivalents</b>	<b>31,055,022</b>	<b>25,413,178</b>
<b>End of Year Cash and Cash Equivalents</b>	<b>\$31,535,212</b>	<b>\$31,055,022</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income	\$136,286,582	\$111,558,046
Adjustments to Reconcile Operating Income to Net Cash provided by Operating Activities:		
Depreciation	539,037	573,842
Gain on the disposal of capital assets	0	(26,312)
Change in retirement activity	122,001	293,000
Net Change in Assets and Liabilities:		
Inventory	(216,873)	(803,488)
Accounts Receivable	(1,054,538)	(1,422,842)
Prepaid Expenses	(127,428)	111,042
Other Current Liabilities	904,444	153,116
Prize Liability	4,293,879	3,144,055
Net Cash Provided by Operating Activities	\$140,747,104	\$113,580,459

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