

LOTTERY DOLLARS ARE ALL AROUND YOU!

FY23 ANNUAL REPORT

HERE



OVER HERE



HERE TOO



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.

CONTENTS

Mission and Vision.....	4
Letter from the Director.....	5
Lottery Dollars Are Here.....	6
Retailer Spotlight.....	8
Scratch Game Spotlight.....	10
Partnerships.....	12
Responsible Gambling.....	14
Financial Overview.....	15
Contact Information.....	23



Fall 2023

Greetings,

It was another exciting and successful year for the Minnesota Lottery. With \$787.2 million in sales, fiscal year 2023 represents one of the highest sales years in the history of the state lottery, continuing a run of record sales that now stretches nearly a decade.

Each dollar spent on a lottery ticket in Minnesota not only fuels the dreams of potential winners, but also drives millions of dollars toward crucial state services and vital projects that protect our environment and natural resources. From the depths of Lake Superior to the prairies of southwestern Minnesota, you'll find wherever you go in the state, lottery dollars are all around you.

Additional figures for FY23 showcase various ways the Minnesota Lottery continues to give back:

- \$488.0 million in prizes won by players across the state
- \$196.1 million contributed toward important state initiatives, including:
 - o \$105.7 million for the General Fund
 - o \$88.9 million for Minnesota's environment and natural resources
 - o \$1.5 million for responsible gambling programs
- \$51.9 million in commissions and incentives for nearly 3,000 retailers around Minnesota

Numbers like these showcase the lottery's dedication to its mission, as well as the positive reaction players have to the vision of a state lottery that provides entertainment while generating income to benefit all Minnesotans.

I am lucky to work side by side with some of the hardest working people I've ever met. Day in and day out, they demonstrate ingenuity, competence, and a sincere dedication to their chosen profession. It is a privilege to work beside them, and the success of the Minnesota Lottery would not be possible without their contributions.

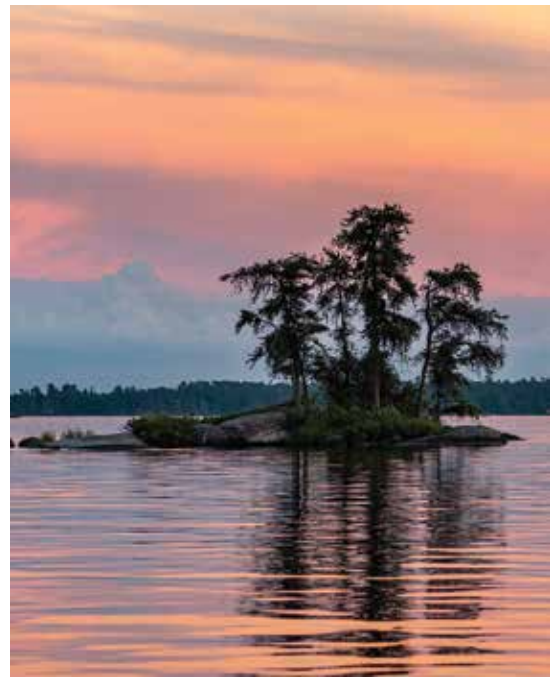
On behalf of the lottery family, I extend a sincere thank you to our stakeholders, retail partners, and players. Our success would not be possible without your support. When Minnesotans play the lottery, everyone in our state is a winner.

Sincerely

A handwritten signature in black ink that reads "Adam Prock". The signature is fluid and cursive, with a prominent "A" and "P".

Adam Prock
Executive Director, Minnesota Lottery

LOTTERY DOLLARS ARE HERE



No matter where you live in Minnesota or what you do, lottery dollars are all around you! Every time someone buys a ticket and says "I'MN," they are playing their part by returning money back to Minnesota from Ada to Zumbrota. Every year, millions of dollars go back to Minnesota to fund our state parks and trails, lakes, education, health care, and so much more. By preserving, restoring, and protecting our environment, we all play our part. So say "I'MN" and play your part here, there, and everywhere in between.



\$2.1B General Fund



\$1.0B Environment & Natural Resources Trust Fund



\$295M Game & Fish Fund



\$295M Natural Resources Fund



\$55M Responsible Gambling



\$37M Other State Programs

You play your part in giving back to the state each time you buy a ticket. A portion of every dollar spent goes back to our great state. See where approximately \$3.8 billion has gone since 1990.

RETAILER SPOTLIGHT

The Minnesota Lottery is proud to partner with approximately 3,000 retail partners around the state. From the bluffs of the mighty Mississippi to the shores of our famous northwoods lakes, the incredible customer service, product promotion, and education efforts of our retailers helps drive sales and the success of the Minnesota Lottery in our communities.



Granny's Liquor, Lanesboro ▲



Quik Stop, Cannon Falls ▲



Whitewater Travel Plaza, St. Charles ▲

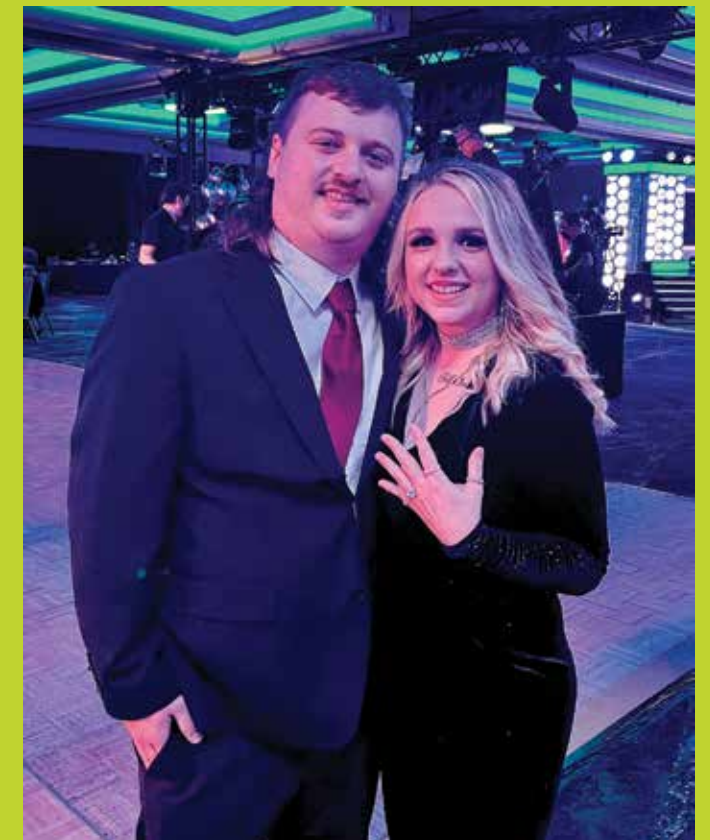
▼ Perham Oasis, Perham



A WINNING PROPOSAL

In partnership with Powerball® and Dick Clark's New Year's Rockin' Eve, Minnesota Lottery player Jared Jank went to New York City for New Year's Eve as one of five finalists in the Powerball's First Millionaire of the Year promotion.

While Jared didn't take home the million-dollar prize, he came home with something even better: a fiancée. Working with fellow attendees and Powerball officials, Jared was able to surprise his girlfriend Alicia by proposing during the festivities. All of us at the Minnesota Lottery congratulate the couple and wish them a lifetime of happiness.



SCRATCH GAME SPOTLIGHT

Our players consistently tell us that our unique, artistic, Minnesota-centric scratch tickets are one of their favorite parts of playing the Minnesota Lottery. Each year we partner with a variety of talented local artists and designers to produce fun scratch tickets that engage our players and reflect life in Minnesota.

In fiscal year 2023 we were fortunate to partner with two Minnesota-based artists on the popular Sascratch and Road Trip! tickets. For our fall ticket, local artist Morgan (Mo) Philippi designed the art for Sascratch as a play on Bigfoot (aka Sasquatch) with his own distinct Minnesota flair. For this summer's ticket, illustrator Brent Schoonover sought inspiration from a variety of uniquely Minnesota landmarks as well as the time-honored traditions of a family road trip.

Watching these artists bring their visions to life in partnership with the Minnesota Lottery was a highlight of the year for many of our staff and provided another fun option for players when buying tickets from their favorite retailers.



PARTNERSHIPS



Partnering for the benefit of the state, each year the Minnesota Lottery works with a variety of organizations and supports a wide range of sports, cultural, and recreational events throughout each year. Thanks to the tireless efforts of the Minnesota Lottery marketing and events teams, these partnerships provide opportunities to interact with existing customers, engage potential players, and demonstrate our commitment to Minnesota's community and cultural institutions.

Notable Events & Partners

- Beer Dabblr
- Canterbury Park
- Hockey Day Minnesota
- Mall of America
- Minnesota Gophers
- Minnesota Lynx
- Minnesota State Fair
- Minnesota Timberwolves
- Minnesota Twins
- Minnesota United FC
- Minnesota Vikings
- Minnesota Wild
- Minnesota Zoo
- Saint Paul Winter Carnival
- Stone Arch Bridge Festival
- Uptown Art Fair





RESPONSIBLE GAMBLING

The Minnesota Lottery strives to increase awareness of responsible gambling practices, problem gambling warning signs, and how to get help if you or a loved one needs it. Working with partners in the Minnesota Department of Human Services and the Minnesota Alliance on Problem Gambling (MNAPG), our state’s affiliate to the National Council on Problem Gambling (NCPG), the Minnesota Lottery has invested more than \$55 million in a statewide effort to prevent problem gambling and encourage responsible gambling habits.

If you are concerned about your gambling habits or those of someone close to you, there is always someone available to help. Call 1-800-333-HOPE, text HOPE to 53342, or go to getgamblinghelp.com for free and confidential assistance.

The Minnesota Alliance on Problem Gambling (MNAPG) continues to enjoy a meaningful relationship with the Minnesota Lottery. Over the 22 years MNAPG has been advocating on behalf of those harmed by gambling, the MN Lottery has provided leadership from within by serving on our board of directors. Having the gambling industry represented provides opportunities to hear first-hand of MNAPG’s efforts to meet its mission of reducing the numbers of Minnesotans negatively impacted by gambling. The Minnesota Lottery understands its role and the importance of promoting responsible gambling amongst its customers. One such effort is the annual advocacy program – Gift Responsibly – to ensure adults understand that purchasing a lottery ticket or scratch off ticket for a youth’s gift is a bad idea. Introducing gambling at an early age has shown a greater likelihood of developing an addiction to gambling as an adult. MNAPG values the Minnesota Lottery’s involvement in such programs. Our efforts are strengthened through our partnership.

Susan Sheridan Tucker
Executive Director
Minnesota Alliance on Problem Gambling



FINANCIAL OVERVIEW

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis include an overview of financial activities regarding the financial performance of the Minnesota State Lottery (the Lottery) for the fiscal year ended June 30, 2023 and comparison for the one previous fiscal year ended June 30, 2022. 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, 2023 and 2022.

FINANCIAL HIGHLIGHTS

The Minnesota State Lottery had operating revenues of \$787.3 million in fiscal year 2023 and contributed \$196.1 million to the State. Both revenues and contributions to the State were up compared to last year. Operating revenues for fiscal year 2023 resulted in the largest contribution to the State of Minnesota in the Lottery’s history.

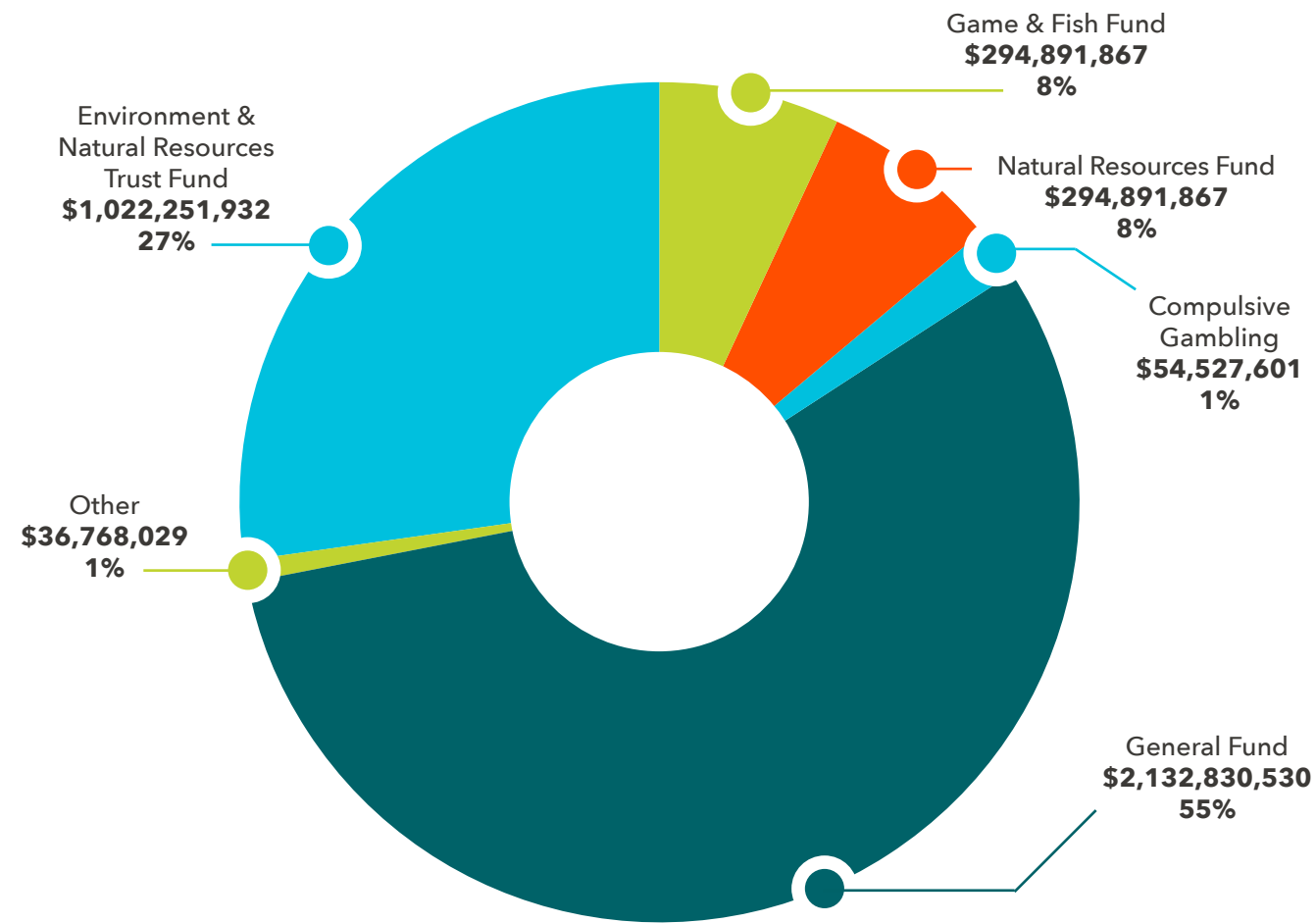
SUMMARY OF CONTRIBUTIONS TO THE STATE

The Lottery contributed \$196.1 million to the State in fiscal year 2023. This was a \$23.5 million or a 13.6% increase from 2022. 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	2023	2022
Net proceeds to the state	\$129,739,366	\$110,742,164
In-lieu-of-sales tax	51,165,544	48,110,394
Compulsive gambling contribution	1,459,580	1,519,142
Unclaimed prizes to the state	13,723,549	12,256,846
Total paid to state	<u>\$196,088,039</u>	<u>\$172,628,546</u>

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

The Lottery has contributed approximately \$3.8 billion to the state since inception



SUMMARY RESULTS OF OPERATIONS	2023	2022
Gross receipts	\$736,137,171	\$692,051,433
Prizes, commissions and ticket costs	562,611,237	538,427,884
Gross profit	173,525,934	153,623,549
Operating expenses	27,502,556	22,152,863
Operating income	146,023,378	131,470,686
Non-operating revenues (expenses):		
Interest earned on investments	1,851,121	181,462
Unused compulsive gambling contribution	776,420	716,859
Payments to state (not including in-lieu-of-sales tax)	(145,698,915)	(125,235,011)
Total non-operating expense	(143,071,374)	(124,336,690)
Change in net position	2,952,004	7,133,996
Net position at beginning of year	(6,018,003)	(13,151,999)
Net position at end of year	\$(3,065,999)	\$(6,018,003)

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

OPERATING INCOME

Operating Income has increased by \$14.6 million in 2023 from 2022. Gross receipts increased by \$44.1 million or 6.4% due to increased lotto sales by \$63.0 million. As a result of higher gross receipts operating income increased by \$14.6 million. Direct costs which include prizes, commissions and ticket costs as a percent of gross were 76.4% in 2023 compared to 77.8% in 2022.

OPERATING EXPENSES

Operating Expenses increased by \$5.3 million in 2023 from 2022. This was primarily due to recognizing the change in the pension valuation.

GROSS RECEIPTS BY GAME	2023	2022
Scratch ticket sales	\$545,670,840	\$561,636,704
Lotto ticket sales:		
Pick 3™ (formerly Daily 3)	20,829,926	22,406,621
Gopher 5®	18,612,995	17,002,602
Powerball®	89,002,098	68,928,118
Powerball® Power Play®	4,809,386	3,875,694
Mega Millions®	60,529,874	23,837,710
Mega Millions® Megaplier®	3,211,102	1,603,213
North 5™ (formerly Northstar Cash)	10,726,284	9,700,106
Minnesota Millionaire Raffle	6,999,050	6,999,460
Lotto America®	16,009,153	9,605,978
Lotto America® All Star Bonus®	2,278,671	1,345,669
Progressive Print-N-Play®	8,482,843	13,218,036
Total lotto ticket sales	241,491,382	178,523,207
Operating revenue	787,162,222	740,159,911
Other income	140,493	1,916
Total operating revenue	787,302,715	740,161,827
Less in-lieu-of-sales tax	51,165,544	48,110,394
Gross receipts	\$736,137,171	\$692,051,433

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

SCRATCH GAMES

Scratch game sales accounted for 69.3% of operating revenue in fiscal year 2023, down from 75.9% in 2022. Total scratch sales were down \$16.0 million compared to 2022. The decrease in scratch sales was all in the first six months of the fiscal year. The last six months exceeded fiscal year 2022 by \$8.8 million.

LOTTO GAMES

Lotto sales saw a large increase of \$63.0 million in 2023 from 2022. This was attributed to four large jackpot runs during the fiscal year between Powerball and Mega Millions.

CONDENSED STATEMENTS OF NET POSITION	2023	2022
Assets:		
Cash and cash equivalents	\$37,580,849	\$42,631,461
Receivables	8,676,284	4,492,659
Inventory and prepaid expenses	2,615,655	2,143,672
Capital assets	916,953	731,716
Right-to-use asset	3,105,784	1,500,735
Total assets	<u>52,895,525</u>	<u>51,500,243</u>
Deferred outflows	4,573,000	5,880,000
Liabilities:		
Due to state and state agencies	21,090,907	19,398,247
Accounts payable and current accrued expenses	9,405,472	9,430,620
Prize liability	18,400,681	20,043,939
Lease and subscription liability	3,105,784	1,654,217
Long-term accrued expenses	6,551,022	1,953,146
Total liabilities	<u>58,553,866</u>	<u>52,480,169</u>
Deferred inflows	1,980,658	10,918,077
Net position:		
Unrestricted net position	(3,982,952)	(6,749,719)
Net investment in capital assets	916,953	731,716
Net position	<u>(\$3,065,999)</u>	<u>(\$6,018,003)</u>

NET POSITION

Minnesota State Lottery's net position at the end of fiscal year 2023 was \$(3.1) million compared to \$(6.0) million in fiscal year 2022. The negative net position is attributable to the offset of the net pension liability and recognition of post-employment benefits liability.

CASH AND CASH EQUIVALENTS AND RECEIVABLES

The total of cash and cash equivalents and receivables decreased by \$876 thousand from 2022 to 2023. This was primarily due to spending more on capital activities.

CAPITAL ASSETS AND OTHER ASSETS

Net Capital assets increased by \$185 thousand in 2023 versus 2022. Purchase of capital assets totaled \$594 thousand comprised of \$97 thousand in computer equipment, \$396 thousand in software costs and \$101 thousand in vehicles. For a more detailed explanation see Footnote 5.

During the fiscal year the Lottery adopted GASB No. 96 Accounting for Subscription Based Information Technology Arrangements which accounts for \$2.2 million of the \$3.1 million right-to-use assets. The other \$884 thousand of the right-to-use asset is for GASB No. 87 Accounting for Leases which was adopted during the previous fiscal year. For a more detailed explanation see Footnotes 2, 5, 9 and 16.

DUE TO STATE AND STATE AGENCIES

Payment due to state at the end of fiscal year 2023 was \$1.7 million higher than fiscal year 2022. This was due to a \$1.5 million increase in unclaimed prizes and a \$225 thousand increase in net proceeds due.

PRIZE LIABILITY

Prize Liability decreased by \$1.6 million from 2022 to 2023 due to mid and high tier scratch game prizes.

ACCOUNTS PAYABLE AND CURRENT ACCRUED EXPENSES

Accounts payable and current accrued expenses decreased slightly by \$25 thousand during the fiscal year twenty-three.

STATEMENT OF NET POSITION - JUNE 30, 2023	
ASSETS	
Current assets:	
Cash and cash equivalents (Note 3)	\$37,580,849
Accounts receivable, net (Note 4)	8,461,351
Interest receivable	214,933
Scratch ticket inventory	1,967,260
Prepaid expense	648,395
<i>Total current assets</i>	<u>48,872,788</u>
Capital assets, net (Note 5)	916,953
Right-to-use asset, net (Note 5)	3,105,784
<i>Total Assets</i>	<u>52,895,525</u>
DEFERRED OUTFLOWS (Notes 14 and 15)	<u>4,573,000</u>
LIABILITIES	
Current Liabilities:	
Net proceeds due to state (Note 8)	7,367,358
Unclaimed prizes due to state (Note 6)	13,723,549
Accounts payable	3,162,926
In-lieu-of-sales tax payable	3,809,260
Prize liability	18,400,681
Accrued salaries and benefits payable, current (Note 7)	1,637,944
Lease and subscription liability (Note 9)	1,428,568
Deferred Revenue	795,342
<i>Total Current Liabilities</i>	<u>50,325,628</u>
Accrued benefits payable, net of current portion (Note 7)	1,767,022
Lease and subscription liability, net of current portion (Note 9)	1,677,216
Net pension liability (Note 14)	4,784,000
<i>Total non-current liabilities</i>	<u>8,228,238</u>
<i>Total liabilities</i>	<u>58,553,866</u>
DEFERRED INFLOWS (Notes 14 and 15)	<u>1,980,658</u>
Net Position:	
Net investments in capital assets (Note 8)	916,953
Unrestricted	(3,982,952)
<i>Total net position</i>	<u>\$(3,065,999)</u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2023	
Operating revenues:	
Scratch ticket sales	\$545,670,840
Online ticket sales	241,491,382
Other income	140,493
<i>Total operating revenues</i>	<u>787,302,715</u>
<i>Less: in-lieu-of-sales tax</i>	<u>51,165,544</u>
<i>Gross receipts</i>	<u>736,137,171</u>
Direct Costs:	
Scratch ticket prizes	367,294,797
Online ticket prizes	120,703,500
Online vendor expense	13,955,934
Amortization of software (Notes 5 and 9)	1,380,816
Ticket costs	7,374,730
Retailer commissions and incentives (Note 11)	51,901,460
<i>Total direct costs</i>	<u>562,611,237</u>
<i>Gross profit</i>	<u>173,525,934</u>
Operating expenses (Note 12):	
Advertising (Note 13)	7,381,958
Salaries and benefits (Note 14)	11,783,552
Promotion	1,257,990
Purchased services	1,755,237
Communication	510,881
Occupancy costs (Note 10)	201,318
Supplies and materials	1,360,066
Computer and omnipoint maintenance	822,769
Amortization of buildings (Notes 5 and 9)	1,736,107
Depreciation	400,782
Other expense	291,896
<i>Total operating expenses</i>	<u>27,502,556</u>
Operating income	<u>146,023,378</u>
Nonoperating revenue (expense):	
Interest earned on investments	1,851,121
Compulsive gambling contribution from prize fund (Note 11)	(1,459,580)
Unclaimed prizes to state (Note 6)	(13,723,549)
Net proceeds to state (Note 8)	(129,739,366)
<i>Total nonoperating revenue (expense)</i>	<u>(143,071,374)</u>
Change in net position	<u>2,952,004</u>
Net position at beginning of year (Note 8)	<u>(6,018,003)</u>
Net position at end of year (Note 8)	<u>\$(3,065,999)</u>

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

STATEMENTS OF CASH FLOWS - YEAR ENDED JUNE 30, 2023

Cash flows from operating activities:	
Cash received from customers	\$783,155,691
Cash received from other income	140,493
Payments to State (in-lieu-of-sales tax)	(51,038,147)
Payments to employees	(15,164,093)
Payments to suppliers	(38,517,551)
Payments to retailers	(51,901,460)
Payments to prize winners	(489,641,555)
Net cash provided by operating activities	<u>137,033,378</u>
Cash flows from non-capital financing activities:	
Net proceeds paid to state	(129,513,409)
Compulsive gambling contribution transfer	(1,459,580)
Unclaimed prizes transfer	(12,256,846)
Net cash used by non-capital financing activities	<u>(143,229,835)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(600,124)
Proceeds on sale of capital assets	77,033
Net cash used by capital financing activities	<u>(523,091)</u>
Cash flows provided by investing activities, investment income	<u>1,668,936</u>
Net (decrease) in cash and cash equivalents	<u>(5,050,612)</u>
Beginning of year cash and cash equivalents	<u>42,631,461</u>
End of year cash and cash equivalents	<u>\$37,580,849</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$146,023,378
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	400,782
Gain on the disposal of capital assets	(62,928)
Change in retirement activity	(2,952,000)
Net change in assets and liabilities:	
Inventory	(395,516)
Accounts receivable	(4,001,440)
Prepaid expenses	(76,467)
Right of use asset	(1,605,049)
Right of use liability	1,451,567
Other current liabilities	(2,2772)
Change in deferred - lease	(103,420)
Prize awards payable	(1,643,257)
Net cash provided by operating activities	<u>\$137,033,378</u>

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

LOTTERY HEADQUARTERS

2645 Long Lake Road
Roseville, MN 55113
(651) 635-8273

REGIONAL OFFICES

DETROIT LAKES
1641 Highway 10 W.
Detroit Lakes, MN 56501
(218) 846-0700

OWATONNA
205 Cedardale Drive
Owatonna, MN 55060
(507) 444-2400

VIRGINIA
130 Chestnut Street
Virginia, MN 55792
(218) 748-2450

EMAIL

lottery@mnlottery.com

WEBSITE

mnlottery.com

PRODUCTION

Written by Dan Dodge
Designed by Kelly Barto



@mnlottery



mnlottery.com/blog

