



Arkansas

Scholarship Lottery

EXHIBIT C

**Lottery Oversight Subcommittee Meeting
October 18, 2018**

**Report from the Office of the Arkansas Lottery
By Director Bishop Woosley**

Comparative Income Statements

September 2018 vs. September 2017



GAAP Basis Income Statement	<u>September 2018</u>	<u>September 2017</u>	Favorable/ (Unfavorable)	Percentage Variance
Revenues				
Instant Games	\$ 28,381,785	\$ 30,305,676	\$ (1,923,891)	-6.3%
Draw Games	6,727,291	5,997,674	729,617	12.2%
Retailer Fees and Other	89,734	102,381	(12,647)	-12.4%
Total Revenues	35,198,810	36,405,731	(1,206,921)	-3.3%
Operating Expense				
Instant Game Prizes	20,799,999	22,146,090	1,346,091	6.1%
Draw Game Prizes	3,418,342	3,276,675	(141,667)	-4.3%
Retailer Commissions	1,965,229	2,054,886	89,657	4.4%
Gaming Contract Costs	1,626,020	1,552,549	(73,471)	-4.7%
Marketing and Advertising	670,148	494,349	(175,799)	-35.6%
General and Administrative	604,449	656,168	51,719	7.9%
Total Operating Expenses	29,084,187	30,180,717	1,096,530	3.6%
Operating Income	6,114,623	6,225,014	(110,391)	-1.8%
Interest Income and Other Income	189,003	106,061	82,942	78.2%
Income Before Transfers	\$ 6,303,626	\$ 6,331,075	\$ (27,449)	-0.4%
Net Proceeds	\$ 7,783,451	\$ 6,755,334	\$ 1,028,117	15.2%

Note – Net Proceeds does not include unclaimed prize amounts.

Comparative Income Statements September 2018 Actual vs. Budget

GAAP Basis Income Statement	September 2018 Actual	September 2018 Budget	Favorable/ (Unfavorable)	Percentage Variance
Revenues				
Instant Games	\$ 28,381,785	\$ 30,983,000	\$ (2,601,215)	-8.4%
Draw Games	6,727,291	6,777,000	(49,709)	-0.7%
Retailer Fees and Other	89,734	102,000	(12,266)	-12.0%
Total Revenues	35,198,810	37,862,000	(2,663,190)	-7.0%
Operating Expense				
Instant Game Prizes	20,799,999	22,174,000	1,374,001	6.2%
Draw Game Prizes	3,418,342	3,634,000	215,658	5.9%
Retailer Commissions	1,965,229	2,129,000	163,771	7.7%
Gaming Contract Costs	1,626,020	1,557,000	(69,020)	-4.4%
Marketing and Advertising	670,148	555,000	(115,148)	-20.7%
General and Administrative	604,449	884,500	280,051	31.7%
Total Operating Expenses	29,084,187	30,933,500	1,849,313	6.0%
Operating Income	6,114,623	6,928,500	(813,877)	-11.7%
Interest Income and Other Income	189,003	186,000	3,003	1.6%
Income Before Transfers	\$ 6,303,626	\$ 7,114,500	\$ (810,874)	-11.4%
Net Proceeds	\$ 7,783,451	\$ 6,614,500	\$ 1,168,951	17.7%

Note – Net Proceeds does not include unclaimed prize amounts.

Comparative Income Statements

Year to Date September 30, 2018 vs. September 30, 2017



GAAP Basis Income Statement	Actual YTD 09/30/18	Actual YTD 09/30/17	Favorable/ Unfavorable	Percentage Variance
Revenues				
Instant Games	\$ 96,413,735	\$ 95,483,021	\$ 930,714	1.0%
Draw Games	21,333,998	26,906,593	(5,572,595)	-20.7%
Retailer Fees and Other	207,709	221,973	(14,264)	-6.4%
Total Revenues	117,955,442	122,611,587	(4,656,145)	-3.8%
Operating Expense				
Instant Game Prizes	69,106,187	68,174,716	(931,471)	-1.4%
Draw Game Prizes	11,025,314	14,385,447	3,360,133	23.4%
Retailer Commissions	6,630,239	6,884,932	254,693	3.7%
Gaming Contract Costs	7,400,698	5,940,236	(1,460,462)	-24.6%
Marketing and Advertising	1,819,144	1,612,789	(206,355)	-12.8%
General and Administrative	2,177,174	2,648,563	471,389	17.8%
Total Operating Expenses	98,158,756	99,646,683	1,487,927	1.5%
Operating Income	19,796,686	22,964,904	(3,168,218)	-13.8%
Interest Income and Other Income	536,077	300,729	235,348	78.3%
Income Before Transfers	\$ 20,332,763	\$ 23,265,633	\$ (2,932,870)	-12.6%
Net Proceeds	\$ 19,026,078	\$ 22,329,838	\$ (3,303,760)	-14.8%

Note – Net Proceeds does not include unclaimed prize amounts.

Comparative Income Statements

Year to Date September 30, 2018 Actual vs. Budget



GAAP Basis Income Statement	Actual YTD 09/30/18	Budget YTD 09/30/18	Favorable/ Unfavorable	Percentage Variance
Revenues				
Instant Games	\$ 96,413,735	\$ 94,865,000	\$ 1,548,735	1.6%
Draw Games	21,333,998	20,521,000	812,998	4.0%
Retailer Fees and Other	207,709	223,000	(15,291)	-6.9%
Total Revenues	117,955,442	115,609,000	2,346,442	2.0%
Operating Expense				
Instant Game Prizes	69,106,187	67,918,000	(1,188,187)	-1.7%
Draw Game Prizes	11,025,314	11,004,000	(21,314)	-0.2%
Retailer Commissions	6,630,239	6,513,000	(117,239)	-1.8%
Gaming Contract Costs	7,400,698	7,384,000	(16,698)	-0.2%
Marketing and Advertising	1,819,144	1,808,000	(11,144)	-0.6%
General and Administrative	2,177,174	2,701,500	524,326	19.4%
Total Operating Expenses	98,158,756	97,328,500	(830,256)	-0.9%
Operating Income	19,796,686	18,280,500	1,516,186	8.3%
Interest Income and Other Income	536,077	470,000	66,077	14.1%
Income Before Transfers	\$ 20,332,763	\$ 18,750,500	\$ 1,582,263	8.4%
Net Proceeds	\$ 19,026,078	\$ 17,250,500	\$ 1,775,578	10.3%

Note – Net Proceeds does not include unclaimed prize amounts

ADHE Transfer Analysis

Month	2019 Net Proceeds	2019 Unclaimed Prizes	Total Transfer	2019 Budget	Over/Under Budget	Cumulative Balance
July,2018	\$ 5,066,629	\$ 938,398	\$ 6,005,027	\$ 5,112,500	\$ 892,527	\$ 892,527
August	6,175,998	673,614	\$ 6,849,612	6,523,500	\$ 326,112	\$ 1,218,639
September	7,783,451	197,904	\$ 7,981,355	7,114,500	\$ 866,855	\$ 2,085,494
October						
November						
December						
January, 2019						
February						
March						
April						
May						
June						
Sub total	19,026,078	1,809,916	20,835,994	18,750,500		2,085,494
Reserve for GPW						
Total	\$ 19,026,078	\$ 1,809,916	\$ 20,835,994	\$ 18,750,500		\$ 2,085,494

Sales and Net Proceeds Fiscal Year Comparison

Fiscal Year	Lottery Ticket Sales	Net Proceeds - Transfer to Trust Account	Net Proceeds as % Total Sales
Total - Inception	3,983,536,319	781,327,839	19.61%
Total FY 2018	499,707,976	91,844,929	18.38%
Total FY 2017	449,141,028	85,157,060	18.96%
Total FY 2016	455,599,402	85,274,927	18.72%
Total FY 2015	408,663,380	72,619,370	17.77%
Total FY 2014	410,073,126	81,488,844	19.87%
Total FY 2013	439,547,994	90,257,161	20.53%
Total FY 2012	473,085,608	97,510,280	20.61%
Total FY 2011	464,019,351	94,229,348	20.31%
Total FY 2010	383,698,455	82,799,809	21.58%

Instant Ticket Expenses (Estimated) Fiscal Year 2018

FY 2018 INSTANT TICKET EXPENSES ESTIMATED								
PRICE POINT	FY18 SALES	# TICKETS SOLD	PRIZE EXPENSE*	RETAILER COMMISSIONS	GAMING COSTS	SALES & ADMIN	OTHER	ESTIMATED PROCEEDS
\$1	\$20,089,851	20,089,851	\$12,501,914	\$1,125,032	\$883,953	\$662,965	\$20,090	\$4,895,897
\$2	\$32,742,154	16,371,077	\$21,688,403	\$1,833,561	\$1,440,655	\$1,080,491	\$32,742	\$6,666,303
\$3	\$29,984,631	9,994,877	\$20,530,477	\$1,679,139	\$1,319,324	\$989,493	\$29,985	\$5,436,214
\$5	\$105,848,455	21,169,691	\$76,888,318	\$5,927,513	\$4,657,332	\$3,492,999	\$105,848	\$14,776,444
\$10	\$128,322,960	12,832,296	\$99,001,164	\$7,186,086	\$5,646,210	\$4,234,658	\$128,323	\$12,126,520
\$20	\$90,616,740	4,530,837	\$71,396,929	\$5,074,537	\$3,987,137	\$2,990,352	\$90,617	\$7,077,167
TOTAL	\$407,604,791	84,988,629	\$302,007,205	\$22,825,868	\$17,934,611	\$13,450,958	\$407,605	\$50,978,544

*Prize expense is based on prize structure payout average

Estimated Ticket Expenses by Price Point Fiscal Year Comparison

FY 2016								
PRICE POINT	SALES	AVERAGE PAYOUT	PRIZE EXPENSE*	RETAILER COMMISSIONS	GAMING COSTS	SALES & ADMIN	OTHER	ESTIMATED PROCEEDS
\$1	\$24,376,361	61.85%	\$0.62	\$0.06	\$0.04	\$0.03	\$0.01	\$0.24
\$2	\$34,720,162	66.49%	\$1.33	\$0.11	\$0.09	\$0.06	\$0.01	\$0.40
\$3	\$26,514,750	68.96%	\$2.07	\$0.17	\$0.13	\$0.09	\$0.02	\$0.52
\$5	\$99,144,340	72.95%	\$3.65	\$0.28	\$0.22	\$0.15	\$0.04	\$0.66
\$10	\$95,510,230	77.04%	\$7.70	\$0.56	\$0.43	\$0.29	\$0.07	\$0.95
\$20	\$79,741,900	79.15%	\$15.83	\$1.12	\$0.86	\$0.58	\$0.14	\$1.47

FY 2017								
PRICE POINT	SALES	AVERAGE PAYOUT	PRIZE EXPENSE*	RETAILER COMMISSIONS	GAMING COSTS	SALES & ADMIN	OTHER	ESTIMATED PROCEEDS
\$1	\$21,038,937	61.98%	\$0.62	\$0.06	\$0.04	\$0.03	\$0.00	\$0.25
\$2	\$32,557,818	66.08%	\$1.32	\$0.11	\$0.08	\$0.06	\$0.00	\$0.43
\$3	\$29,888,046	68.52%	\$2.06	\$0.17	\$0.13	\$0.10	\$0.00	\$0.54
\$5	\$104,479,310	72.54%	\$3.63	\$0.28	\$0.21	\$0.16	\$0.01	\$0.71
\$10	\$100,988,170	76.86%	\$7.69	\$0.56	\$0.42	\$0.32	\$0.01	\$1.00
\$20	\$79,502,280	78.66%	\$15.73	\$1.12	\$0.84	\$0.64	\$0.02	\$1.65

FY 2018								
PRICE POINT	SALES	AVERAGE PAYOUT	PRIZE EXPENSE*	RETAILER COMMISSIONS	GAMING COSTS	SALES & ADMIN	OTHER	ESTIMATED PROCEEDS
\$1	\$20,089,851	62.23%	\$0.62	\$0.06	\$0.04	\$0.03	\$0.00	\$0.25
\$2	\$32,742,154	66.24%	\$1.32	\$0.11	\$0.09	\$0.07	\$0.00	\$0.41
\$3	\$29,984,631	68.47%	\$2.05	\$0.17	\$0.13	\$0.10	\$0.00	\$0.55
\$5	\$105,848,455	72.64%	\$3.63	\$0.28	\$0.22	\$0.17	\$0.01	\$0.69
\$10	\$128,322,960	77.15%	\$7.72	\$0.56	\$0.44	\$0.33	\$0.01	\$0.94
\$20	\$90,616,740	78.79%	\$15.76	\$1.12	\$0.88	\$0.66	\$0.02	\$1.56

*Prize expense is based on prize structure payout average

Instant Ticket Net Proceeds by Price Point (Estimated) Fiscal Year Comparison

FY 2016				
PRICE POINT	ALL EXPENSES*	ESTIMATED PROCEEDS	UNCLAIMED PRIZES	ESTIMATED NET PROCEEDS
\$1	\$0.76	\$0.24	\$0.02	\$0.26
\$2	\$1.60	\$0.40	\$0.04	\$0.44
\$3	\$2.48	\$0.52	\$0.08	\$0.60
\$5	\$4.34	\$0.66	\$0.05	\$0.71
\$10	\$9.05	\$0.95	\$0.07	\$1.02
\$20	\$18.53	\$1.47	\$0.12	\$1.59

FY 2017				
PRICE POINT	ALL EXPENSES*	ESTIMATED PROCEEDS	UNCLAIMED PRIZES	ESTIMATED NET PROCEEDS
\$1	\$0.75	\$0.25	\$0.03	\$0.28
\$2	\$1.57	\$0.43	\$0.03	\$0.46
\$3	\$2.46	\$0.54	\$0.08	\$0.62
\$5	\$4.29	\$0.71	\$0.06	\$0.77
\$10	\$9.00	\$1.00	\$0.11	\$1.11
\$20	\$18.35	\$1.65	\$0.03	\$1.68

FY 2018				
PRICE POINT	ALL EXPENSES*	ESTIMATED PROCEEDS	UNCLAIMED PRIZES	ESTIMATED NET PROCEEDS
\$1	\$0.75	\$0.25	\$0.03	\$0.28
\$2	\$1.59	\$0.41	\$0.05	\$0.46
\$3	\$2.45	\$0.55	\$0.06	\$0.61
\$5	\$4.31	\$0.69	\$0.06	\$0.75
\$10	\$9.06	\$0.94	\$0.10	\$1.04
\$20	\$18.44	\$1.56	\$0.07	\$1.63

*Expenses are estimated based on prize structure payout average