

# Popular Annual Financial Report

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FISCAL YEAR ENDED JUNE 30, 2021

## **About the Popular Annual Financial Report:**

The North Carolina Education Lottery (NCEL) finance division is proud to present you its Popular Annual Financial Report (PAFR) for the Fiscal Year (FY) ended June 30, 2021. This report provides an overview of the NCEL's financial condition and a brief analysis of where the money comes from and where the dollars are spent.

Most of the information in this report is drawn from the financial information appearing on the NCEL's FY 2021 Annual Comprehensive Financial Report (ACFR). The ACFR is a more detailed and complete financial presentation prepared in conformance with Generally Accepted Accounting Principals (GAAP) and was audited by an independent accounting firm, receiving an unqualified (clean) opinion. The financial data in this report also conforms to the GAAP. The ACFR, PAFR and the NCEL's Annual Report are available for viewing on the NCEL's website at [www.ncлотtery.com/about.aspx](http://www.ncлотtery.com/about.aspx)

# NC Education Lottery

The Lottery transferred its net profits monthly to the Office of State Budget and Management and into the North Carolina State Lottery Fund. Funds then were distributed as outlined in the state budget. The General Assembly reports the following allocation of money raised by the lottery in FY21:

- \$385.9 million to noninstructional support personnel;
- \$100 million for the Public School Building Capital Fund which provides monies to North Carolina counties to build and repair schools;
- \$75 million to the Needs-Based Public School Capital Fund, which provides financial assistance to low-wealth counties to build new schools;
- \$78.2 million, to the N.C. Pre-K program to fund seats in the prekindergarten program for at-risk four-year-olds;
- \$30.4 million, for N.C. Education Lottery Scholarships which are awarded based on financial need to students attending a state university or community college;
- \$10.7 million, to the UNC Need-Based Grant program, which provides financial aid based on need to students attending one of the 16 UNC system institutions.
- \$21.4 million to support school transportation for each of the state's school systems.

N.C. Education Lottery reports \$3.8 billion in sales and record earnings of \$936 million for education.

For the 15th year in a row, the N.C. Education Lottery set a new record for lottery ticket sales in fiscal year 2020-2021, and set a new record for money raised for education programs in North Carolina.

Ticket sales exceeded \$3.8 billion, up 26% year over year. The lottery continued its record of increasing sales every year of its operations.

From those sales, the Lottery also set a new record for the amount of money raised for the state, raising \$936 million, up 28.4%, or an additional \$207.4 million.

Scratch-off tickets consistently remain to be the Lottery's most popular product, generating \$2.56 billion in sales, or 67% of revenue. Scratch-off sales also set a record, exceeding \$2.5 billion for the first time ever. The Lottery launched 55 new scratch-off games during the year.

In September, the Education Lottery started its first new game in three years called Fast Play Progressive. Fast Play games were the first lottery games to offer a chance to win a rolling jackpot instantly while also giving players the chance to win cash prizes instantly too.

During the year, Lottery players received \$2.46 billion in prize money including 102 prizes of \$1 million or more. The biggest prizes won were four \$10 million prizes – the largest scratch-off prizes offered in the state – three in the \$10,000,000 Colossal Cash game and one in the \$300,000,000 Supreme Riches game.

The record ticket sales demonstrated again how much North Carolinians enjoy playing lottery games. Last year, the Lottery averaged \$10.4 million a day in ticket sales, \$6.7 million a day in prizes, and \$2.5 million a day raised for education. The Lottery ended the fiscal year with 7,160 retail locations across the state. Those retailers earned \$263 million in sales commissions and incentives.

Total sales since the inception of the Lottery in 2006 stood at \$30.5 billion, and the amount of money raised for education climbed to \$8.3 billion.

In its annual financial audit, the Lottery received an "unmodified opinion" from independent auditors as it has in all prior annual financial audits.

The Lottery also attained again the World Lottery Association's Level 4 certification for its commitment to building the best practices in responsible gaming into all of its operations. Only a few lotteries worldwide have achieved Level 4 certification, the highest level possible under the association's strict responsible gaming standards. The lottery received national attention for its work in social responsibility, winning three awards from the National Council of Problem Gambling for its outstanding work in the area of responsible gaming.

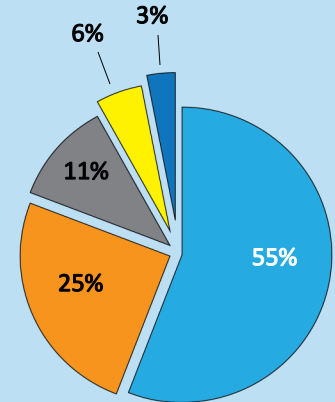
The State Lottery Act directs the lottery to increase and maximize the available revenues for education purposes. In the 2020-21 fiscal year, a breakdown of revenues showed 64.6% went to prizes, 24.6% for education programs, 6.9% in retailer commissions, and the remaining 3.9% to administrative expenses.

The N.C. General Assembly allocates lottery revenues that exceed projections to the Needs-Based Public School Capital Fund. With that decision, \$234 million in additional monies raised in fiscal year 2020-21 will go to the fund. The General Assembly also directed transfers of \$2.1 million in profits to the N.C. Alcohol Law Enforcement and \$1 million to the N.C. Problem Gambling Program.

# Education Programs Receiving Lottery Dollars

County	FY21	Cumulative	County	FY21	Cumulative
Alamance County	9,657,496	110,916,289	Johnston County	14,494,903	157,028,936
Alexander County	1,951,606	25,146,666	Jones County	509,488	22,764,267
Alleghany County	748,671	8,617,863	Lee County	4,520,017	53,935,863
Anson County	1,214,032	35,126,266	Lenoir County	3,635,564	47,305,139
Ashe County	1,238,324	33,621,208	Lincoln County	4,817,050	54,998,845
Avery County	863,645	12,365,928	Macon County	1,841,063	22,946,807
Beaufort County	2,762,446	34,902,373	Madison County	958,451	12,119,636
Bertie County	936,239	15,890,223	Martin County	1,003,861	23,189,936
Bladen County	16,809,012	43,862,375	McDowell County	2,171,373	45,457,624
Brunswick County	5,636,257	65,078,356	Mecklenburg County	62,673,535	701,287,853
Buncombe County	11,592,340	135,979,470	Mitchell County	605,877	24,143,425
Burke County	4,893,227	68,448,204	Montgomery County	1,899,172	24,510,546
Cabarrus County	15,551,966	167,342,387	Moore County	4,873,033	53,485,734
Caldwell County	4,069,115	69,097,217	Nash-Rocky Mount	4,775,523	83,849,534
Camden County	759,923	21,354,171	New Hanover County	11,191,046	135,229,435
Carteret County	13,099,842	51,534,584	Northampton County	777,209	28,702,959
Caswell County	844,721	28,624,318	Onslow County	12,109,711	135,938,113
Catawba County	17,630,987	121,755,618	Orange County	8,112,627	91,347,401
Chatham County	3,939,828	44,305,201	Pamlico County	578,724	7,656,053
Cherokee County	1,359,355	32,747,349	Pasquotank County	2,273,696	29,166,707
Chowan County	15,781,113	26,275,240	Pender County	4,285,611	43,953,099
Clay County	454,833	17,083,248	Perquimans County	676,861	8,862,788
Cleveland County	20,003,061	96,175,052	Person County	1,919,847	25,549,373
Columbus County	3,053,650	63,271,998	Pitt County	10,083,105	125,046,213
Craven County	5,681,946	69,418,468	Polk County	994,036	12,720,274
Cumberland County	22,675,233	285,371,920	Randolph County	8,287,802	103,087,959
Currituck County	1,666,752	17,770,975	Richmond County	3,053,794	40,467,841
Dare County	2,284,583	24,726,672	Robeson County	23,956,154	147,325,753
Davidson County	9,631,168	116,220,105	Rockingham County	4,826,047	64,306,331
Davie County	2,724,319	33,533,107	Rowan-Salisbury	7,442,218	96,214,982
Duplin County	4,195,746	49,364,470	Rutherford County	3,004,739	61,188,449
Durham County	13,948,310	161,877,590	Sampson County	4,776,484	60,746,975
Edgecombe County	2,936,958	41,982,646	Scotland County	2,596,404	36,235,292
Forsyth County	21,475,428	256,033,551	Stanly County	3,865,070	50,062,852
Franklin County	3,344,505	40,150,840	Stokes County	2,535,530	34,669,677
Gaston County	14,746,607	169,142,922	Surry County	4,046,884	56,272,194
Gates County	555,508	10,744,746	Swain County	733,495	15,653,616
Graham County	726,181	10,170,442	Transylvania County	1,728,399	17,442,765
Granville County	3,038,722	39,162,829	Tyrrell County	204,684	3,740,198
Greene County	1,248,452	16,873,137	Union County	16,462,406	185,403,399
Guilford County	33,282,413	396,823,973	Vance County	2,481,721	33,902,887
Halifax County	2,758,740	39,866,919	Wake County	65,119,551	693,903,847
Harnett County	17,136,195	103,745,570	Warren County	898,050	12,936,801
Haywood County	2,895,169	35,928,440	Washington County	542,965	10,258,257
Henderson County	5,493,372	63,678,060	Watauga County	2,159,696	24,323,100
Hertford County	1,106,566	33,474,405	Wayne County	21,657,143	118,140,731
Hoke County	13,570,252	58,504,495	Wilkes County	4,188,541	57,046,184
Hyde County	262,890	3,598,524	Wilson County	3,781,202	71,734,777
Iredell County	10,694,235	120,870,627	Yadkin County	2,171,429	29,076,033
Jackson County	1,451,634	18,000,259	Yancey County	897,416	11,066,310

## Program Allocation



- School Workers
- School Construction
- NC Pre-K
- Financial Aid, Scholarships, Grants
- School Transportation



# Sales

The gross lottery ticket sales for fiscal year 2021 totaled \$3.805 billion as compared to \$3.016 billion for fiscal year 2020 and \$2.860 billion for fiscal year 2019. This represents an increase of \$789 million from 2020 and \$945 million from 2019.

## Instant Ticket Sales

Gross instant ticket sales were \$2.561 billion for fiscal year 2021 compared with \$2.089 billion for fiscal year 2020 and \$1.909 billion for fiscal year 2019, an increase of approximately \$472 million from fiscal year 2020 and approximately \$652 million from fiscal year 2019. The increase in instant ticket sales in 2021 was once again driven by growth at the \$5, \$10, and \$20 price points, which combined experienced a 25% increase over the previous year. The launch of the first \$30 game in almost 2 years, Millionaire Maker in March, was also a significant contributor the instant ticket growth. The game featured a unique value proposition at the \$30 price point and included the best odds to win the \$1 million top prize compared to other games. The best-selling game of the year was the \$30 game \$10,000,000 Colossal Cash, which accounted for \$214 million in total sales. The \$5 price point again was the top selling price point in FY21 accounting for \$612 million in sales with a growth rate of 17% year over year. \$500 Stacked led the way at the \$5 price point and became the best-selling \$5 game ever. FY21 marked the first year that there were three different price points, \$5, \$10, and \$20, that accounted for over \$500 million in sales.

## Draw Game Sales

Draw game sales were \$1,245 million for fiscal year 2021 compared to \$927 million for fiscal year 2020 and \$951 million for fiscal year 2019, representing a \$318 million increase compared to fiscal year 2020 and a \$294 million increase over fiscal year 2019. This marked the first time that draw game sales eclipsed the \$1 billion mark. Growth was experienced across the entire draw game portfolio, led by Pick 3 and Mega Millions. Pick 3 added \$98 million and Mega Millions added \$43.5 million year over year in sales. Pick 4 wasn't too far behind with an additional \$42.6 million in sales when compared to FY20. The Numbers games have continued their recent strong performance with three years of consecutive growth. Our in-state rolling jackpot game, Cash 5 continued to grow at a healthy rate of 16% year over year due to a record jackpot for the game, as well as higher than average jackpots overall.

The NCEL added a new Draw game to the portfolio, Fast Play, in September that contributed over \$64 million in sales in the nine months that it was in the market in FY21. Fast Play is a game category that features multiple on demand games and play styles, instant wins, and a progressive jackpot that all of the games contribute towards. Over the course of the first nine months, 9 new Fast Play games were introduced with the \$10 Jackpot 777's game leading the way with \$22.5 million in sales. The \$10 price point collectively was the largest contributor to overall Fast Play sales, accounting for approximately 40% of the sales for the category.



Game	FY 2021	FY 2020	FY 2019
Instant Tickets	2,560,821,887	2,089,212,972	1,908,861,531
Powerball	138,361,797	101,326,600	158,736,625
Mega Millions	118,863,047	75,349,730	142,092,878
Pick 3	498,616,646	400,507,614	352,111,247
Pick 4	227,755,867	185,154,744	161,554,924
Cash 5*	90,513,576	78,014,721	73,282,850
Lucky for Life	24,916,530	20,362,570	20,493,314
KENO	80,641,758	66,276,603	42,491,370
Fast Play	64,861,261	-	-
<b>Total Sales</b>	<b>3,805,352,369</b>	<b>3,016,205,554</b>	<b>2,859,624,739</b>

\*The EZ Match game is an additional add on to the Carolina Cash 5 game; sales for EZ Match have been included with Cash 5 in the chart.



# Statement of Net Position

Condensed Statement of Net Position (in thousands)			
	FY 2021	FY 2020	FY 2019
<b>ASSETS</b>			
Total current assets	242,461	57,873	58,420
Non-current assets	85,976	79,825	77,017
Capital assets, Dep. (net)	2,470	2,541	3,000
<b>Total Assets</b>	<b>330,907</b>	<b>140,239</b>	<b>135,437</b>
Deferred Outflows	10,281	8,080	7,861
<b>LIABILITIES</b>			
Total current liabilities	249,129	64,189	62,234
Non-current liabilities	123,928	117,256	110,885
<b>Total Liabilities</b>	<b>373,057</b>	<b>181,446</b>	<b>173,119</b>
Deferred Inflows	12,829	11,571	14,877
<b>NET POSITIONS</b>			
Invested in capital assets	2,470	2,541	3,000
Restricted net positions	32	36	127
Unrestricted net positions	(47,200)	(47,275)	(47,825)
<b>Total Net Positions</b>	<b>(44,698)</b>	<b>(44,698)</b>	<b>(44,698)</b>

A current asset is an asset which can either be converted to cash or used to pay current liabilities within 12 months. The NCEL's total current assets mainly consist of total cash, accounts receivable, investments in annuity contracts, and inventory.

A non-current or capital asset is an asset or property which cannot easily be converted into cash. The NCEL's non-current assets are mainly made up on long-term investments in annuity contracts, prepaid items, furniture, and equipment.

Total current liabilities are what the NCEL currently owes to its suppliers, winners, and the State; all of which are short term debts to be paid within a year. The NCEL's total current liabilities are made up of accounts payable, accrued payroll, current annuity prizes, and due to other fund ("Due to Other Funds" represents the amount of net revenues for the fiscal year not yet transferred to the State as of June 30, 2021 but will be transferred during fiscal year 2022.

Non-current liabilities are the NCEL's long-term financial obligations that are not due in the present accounting year. The majority of the NCEL's non-current liabilities consist of long term annuity prizes and accrued time off.

Activity for Capital Assets for Year Ended June 30, 2021 (in thousands)				
	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2020
Capital assets, depreciable				
Furniture	49	-	-	49
Equipment	5,475	546	87	5,016
Motorized equipment	80	-	-	80
Computer software	1010	-	-	1,010
<b>Total capital assets, depreciable</b>	<b>6,614</b>	<b>546</b>	<b>87</b>	<b>6,155</b>
Less accumulated depreciation for				
Furniture	29	-	-	29
Equipment	3,302	404	-	2,898
Motorized equipment	80	-	-	80
Computer software	733	126	-	607
<b>Total accumulated depreciation</b>	<b>4,144</b>	<b>530</b>	<b>-</b>	<b>3,614</b>
<b>Total capital asset, depreciable net</b>	<b>2,470</b>	<b>16</b>	<b>87</b>	<b>2,541</b>
Capital assets, net	2,470	16	87	2,541

The majority of capital asset investments were during our first full year of operation in 2007. The investment in capital assets includes game equipment, data processing equipment, telephone equipment, software, and fixtures. The capitalization of all items including equipment, computers, and furniture follows North Carolina's Office of State Controller's policies. Capital assets are reported at their cost and are depreciated over their estimated useful lives.

## Statement of Net Position

The Statement of Net Position presents the NCEL's financial position from a long-term perspective. It reports all of the NCEL's assets and liabilities.

As required in the Lottery Act, net revenues of the NCEL are transferred four times a year to the NC Education Lottery Fund at the Office of State Budget and Management. At year end, Net Revenues Assets are zero for the NCEL. There are no changes in the Net Positions from year to year.

Readers wanting more detailed financial information should refer to the NCEL's FY 2021 Annual Comprehensive Financial Report (ACFR) available on the North Carolina Education Lottery's website at : [https://www.ncлотtery.com/CorporateSocialResponsibility\\_Integrity](https://www.ncлотtery.com/CorporateSocialResponsibility_Integrity)

# Statement of Activities

This section reports the fiscal year's financial activities from a long-term perspective. It is designed to provide a summary of the financial health and stability of the North Carolina Education Lottery. Information in this section should provide the reader with a general understanding of how the NCEL's resources are used.

## Operating Revenues

Operating revenue is income derived from the lottery's everyday activities and mainly consists of ticket sales and communication fees collected from retailers.

The majority of Fees and Licenses represent a weekly retailer communication fee charged to active retailers for satellite communications and an application fee for new retailers and changes in ownership.

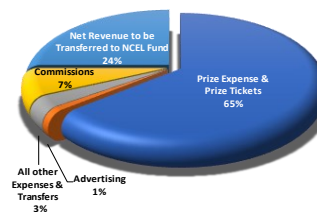
## Operating Expenses

An operating expense is an expense that an organization incurs as a result of its normal business operations. In the lottery's case these expenses are all directly related to the production and sale of lottery tickets.

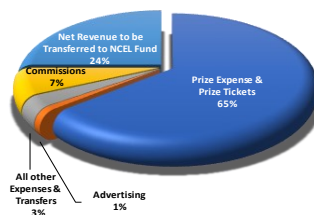
The following charts show the major components of the NCEL operating expense and transfers as a percentage of total revenues for the June 30, 2021, 2020, and 2019 fiscal years:

Statement of Activities (in thousands)			
	FY 2021	FY 2020	FY 2019
<b>Operating Revenues:</b>			
Gross Sales:	3,805,352	3,016,205	2,859,624
Less: Prize Tickets and Bad Debt	(26)	(2)	(14)
Fees and Licenses	5,298	5,399	5,335
<b>Total Operating Revenues</b>	<b>3,810,624</b>	<b>3,021,602</b>	<b>2,864,945</b>
<b>Operating Expenses:</b>			
Salaries, Wages, and Benefits	27,929	25,478	22,259
Lottery Prizes	2,462,425	1,957,588	1,845,287
Retailer Commissions	261,688	209,187	198,924
Retailer Incentive	1,432	1,256	1,120
Gaming Systems Services	70,789	53,883	45,586
Advertising	28,748	21,729	25,367
Marketing	2,837	4,535	4,448
Other Services	9,240	10,948	5,388
Furniture, Fixtures, and Equipment	1,409	1,469	944
Depreciation	529	527	564
Other General and Administrative Expenses	4,873	4,121	4,018
<b>Total Operating Expenses</b>	<b>2,871,899</b>	<b>2,290,721</b>	<b>2,153,905</b>
<b>Operating Income</b>	<b>938,725</b>	<b>730,881</b>	<b>711,040</b>
<b>Non-operating Revenues (Expenses):</b>			
Investment Earnings and Other Miscellaneous Revenue (Expense)	360	1,156	1,450
Compulsive Gambling Contribution	(1,000)	(1,000)	(1,000)
ALE Gaming Enforcement	(2,100)	(2,100)	(2,100)
Inter-Agency Transfer In	4,000		
Nonoperating Expense	(4,000)		
Unclaimed Prizes to NC Education Lottery Fund	(24,247)	(13,617)	(16,206)
Net Revenues to the State of NC	(912,572)	(715,782)	(692,989)
Miscellaneous Non-operating Expenses	370	462	(195)
Noncapital Contributions	464		
<b>Total Non-operating Revenue (Expense)</b>	<b>(938,725)</b>	<b>(730,881)</b>	<b>(711,040)</b>
<b>Change in Net Position</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position, Beginning July 1</b>	<b>(44,698)</b>	<b>(44,698)</b>	<b>(44,698)</b>
<b>Cumulative Effect from Change in Accounting Principle</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position, Beginning July 1 (Restated)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position, Ending June 30</b>	<b>(44,698)</b>	<b>(44,698)</b>	<b>(44,698)</b>

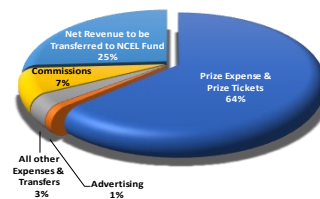
DISTRIBUTION OF REVENUES FY 2021



DISTRIBUTION OF REVENUES FY 2020



DISTRIBUTION OF REVENUES FY 2019

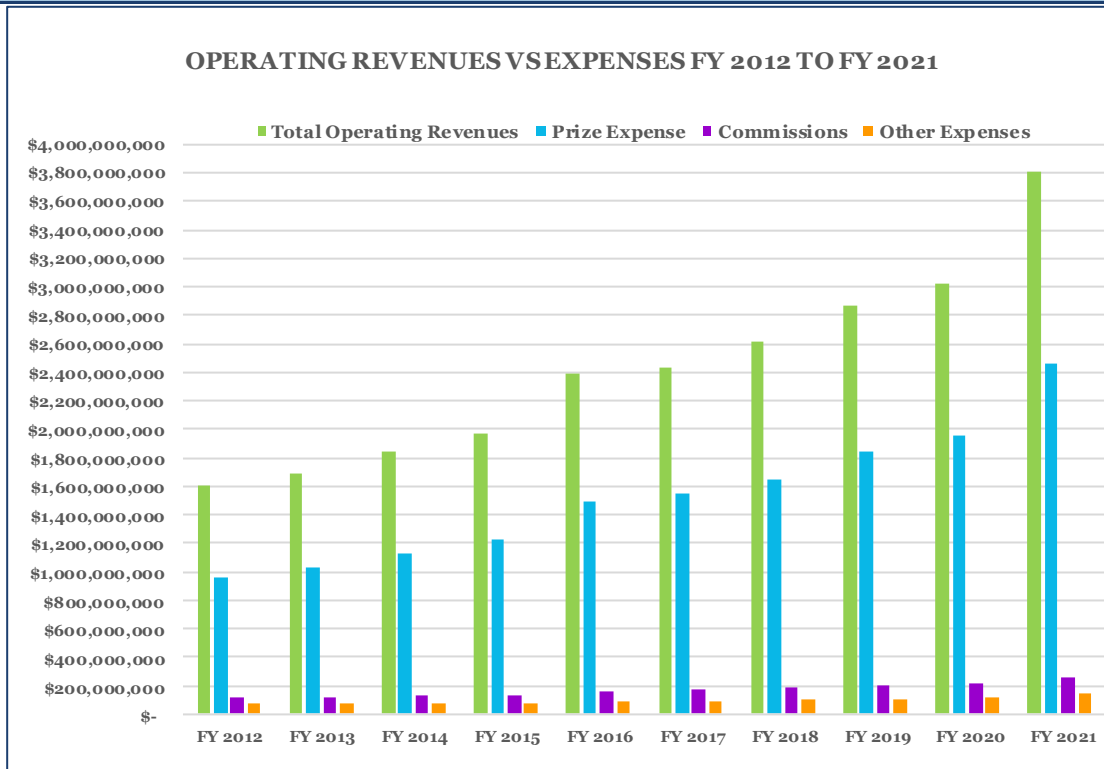


# Statement of Activities

Prizes, commissions, and gaming vendor charges all directly relate to sales. As expected, as sales have increased so have these expenses. In fiscal year 2021, total gaming expenses which consist of prizes, retailer commissions, and gaming vendor charges (gaming system services), totaled \$2,795 million as compared to \$2,221 million and \$2,090 million for fiscal years 2020 and 2019, respectively. Other operating expenses, which consist of advertising and marketing, salary and benefits, professional fees, rent, maintenance, depreciation, and general administrative expenses increased to \$77.0 million in fiscal year 2021, as compared with \$70.1 million and \$64.1 million for fiscal years 2020 and 2019, respectively.

Section 18C-162, NC General Statute stipulates no more than eight percent of the total annual revenues shall be allocated for payment of expenses of the lottery. Advertising expenses shall not exceed one percent of the total annual revenues.

## Operating Revenues vs. Expenses



## Non-operating Revenues and Expenses

Non-operating revenues and expenses are defined as those that are incurred by activities not related to the core operations of an organization. In the lottery's case, non-operating items are any revenues or expenses incurred not directly associated with the sale of lottery tickets.

Non-operating revenues consist of investment earnings from the Short Term Investment Fund held at the State Treasurer's Office and Multi-State Lottery Association (MUSL) dividends received.

Non-operating expenses mainly consist of transfers from the NCEL to the State. These transfers consist of net revenues to the State, compulsive gambling treatment contributions, and unclaimed prizes transferred to the North Carolina Education Lottery Fund.

Readers wanting more detailed financial information on any of the lottery's financial activities and results should refer to the NCEL's FY2021 Annual Comprehensive Financial Report (ACFR) available on the NCEL's website at [https://www.nc lottery.com/CorporateSocialResponsibility\\_Integrity](https://www.nc lottery.com/CorporateSocialResponsibility_Integrity)





2728 Capital Boulevard, Raleigh, NC

### Connect and Learn More

Information about the lottery's mission to raise money for education is available to you in many ways. You are invited to visit our website, contact our communications team, or connect with us through social media. We are here to provide available resources schedule interviews with lottery officials, or arrange for presentations to civic groups, classes, and associations.

**Van Denton, Director of Communications**

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[www.nclottery.com](http://www.nclottery.com)



## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the North Carolina Education Lottery for its Popular Annual Financial Report for the fiscal year ended June 30, 2020. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents confirm to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The North Carolina Education Lottery has received a Popular Award for the last thirteen consecutive years (fiscal years ended 2008–2020). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.



Government Finance Officers Association

### Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**North Carolina Education Lottery**

For its Annual Financial Report  
for the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO