



MARYLAND LOTTERY AND GAMING CONTROL AGENCY
an agency of the State of Maryland

AUDITED SPECIAL-PURPOSE FINANCIAL STATEMENTS
May 31, 2020

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Special-Purpose Financial Statements:	
Statements of Assets, Liabilities and Net Position as of May 31, 2020 and April 30, 2020.....	3
Statements of Allocation of Income for the Months Ended May 31, 2020 and May 31, 2019	4
Statements of Allocation of Income for the Eleven Month Periods Ended May 31, 2020 and May 31, 2019	5
Notes to the Special-Purpose Financial Statements	6
Supplementary Information:	
Special-Purpose Schedules of Gross Margin for the One and Eleven Month Periods Ended May 31, 2020 and May 31, 2019	22



INDEPENDENT AUDITORS' REPORT

To the Maryland Lottery and Gaming Control Agency:

We have audited the accompanying special-purpose statements of assets, liabilities and net position of the Maryland Lottery and Gaming Control Agency (an agency of the State of Maryland) (Agency) as of May 31, 2020 and April 30, 2020, the special-purpose statements of allocation of income for the one and eleven month periods ended May 31, 2020 and May 31, 2019, and the related notes to the special-purpose financial statements, which comprise the Agency's basic special-purpose financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the basis of accounting described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special-purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special-purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities and net position of the Maryland Lottery and Gaming Control Agency as of May 31, 2020 and April 30, 2020 and its allocation of income for the one and eleven month periods ended May 31, 2020 and May 31, 2019 on the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1 to the special-purpose financial statements, the Maryland Lottery and Gaming Control Agency prepares these financial statements on a prescribed basis of accounting that demonstrates compliance with the regulatory basis of accounting and budget laws of the State of Maryland (the State), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1. Our opinion is not modified with respect to that matter.

Restriction on Use

This report is intended solely for the information and use of the management of the Maryland Lottery and Gaming Control Agency and the State of Maryland, and is not intended to be and should not be used by anyone other than these specified parties.

SC & H Attest Services, P.C.

September 17, 2020

Maryland Lottery and Gaming Control Agency
Special-Purpose Statements of Assets, Liabilities and Net Position
As of May 31, 2020 and April 30, 2020

ASSETS

	<u>May 31, 2020</u>	<u>April 30, 2020</u>
Cash and Cash Equivalents	\$ 6,794,031	\$ 6,463,320
Cash and Cash Equivalents - Gaming Escrow	40,759	40,759
Cash and Cash Equivalents - Restricted - Gaming License Deposits	1,887,702	1,892,967
Cash and Cash Equivalents - Agent	236,425	241,425
Cash Held with State Treasury	260,954,693	205,327,025
Investments in Annuity Contracts and Treasury Bonds	31,612,138	33,654,053
Accounts Receivable - Lottery	64,869,993	52,872,795
Accounts Receivable - Casino Operators	166,594	166,594
Accounts Receivable - SGI	4,594,494	4,182,779
Accounts Receivable - Maryland Department of Health	95,651	95,651
Prepaid Commissions	82,740	66,242
Right-of-Use Asset, net	9,724,031	9,929,954
Total Assets	<u>\$ 381,059,251</u>	<u>\$ 314,933,564</u>

LIABILITIES AND NET POSITION

Liabilities

Due to State of Maryland - Lottery	\$ 240,357,776	\$ 183,240,613
Due to General Fund	267,871	1,661,970
Due to Veterans Trust	102,986	102,986
Obligations for Unpaid Prizes		
On-line games	36,140,156	30,408,746
Instant games	43,532,000	37,976,396
Installments under annuity contracts	31,612,138	33,654,053
Accrued Expenses	10,732,122	10,579,110
Gaming Licensing Deposits	1,884,587	1,884,774
Gaming Escrow - Restricted	40,759	40,759
Agent Escrow - Restricted	236,425	241,425
Taxes Payable and Other Liabilities	1,841,479	292,889
Deferred Revenue	2,246,287	1,966,250
Lease Liability, net	9,826,487	10,029,645
Total Liabilities	<u>378,821,073</u>	<u>312,079,616</u>

Commitments and Contingencies (Note 7)

Net Position

Reserve for Unclaimed Prizes	2,340,634	2,953,640
Invested in Capital and Right-of-Use Assets, net of related debt	<u>(102,456)</u>	<u>(99,692)</u>
Total Net Position	2,238,178	2,853,948
Total Liabilities and Net Position	<u>\$ 381,059,251</u>	<u>\$ 314,933,564</u>

The accompanying notes are an integral part of these
special-purpose financial statements.

Maryland Lottery and Gaming Control Agency
Special-Purpose Statements of Allocation of Income
For the Months Ended May 31, 2020 and May 31, 2019

	Month Ended May 31, 2020	Month Ended May 31, 2019
Revenue		
Gross Sales	\$ 201,214,343	\$ 196,610,018
Sales Discount	2,095	2,450,430
Net Sales	<u>201,212,248</u>	<u>194,159,588</u>
Gaming Revenue - Gross Terminal Revenue	-	100,651,226
Gaming Revenue - State Grant	197,828	(510,402)
Gaming Revenue - Table Games	-	51,624,572
Gaming Revenue - Facility Applicants	3,115	181,907
Total Gaming Revenue	<u>200,943</u>	<u>151,947,303</u>
ITLM Lease Revenue	-	374,407
Total Revenue	<u>201,413,191</u>	<u>346,481,298</u>
Cost of Sales		
Prize Expense	122,951,751	121,545,197
Retailer Commissions	14,386,556	14,788,767
Casino Commissions	-	88,620,423
Total Cost of Sales	<u>137,338,307</u>	<u>224,954,387</u>
Operating Expenses		
Administrative Expenses	8,351,820	8,710,045
Total Operating Expenses	<u>8,351,820</u>	<u>8,710,045</u>
Total Expenses	<u>145,690,127</u>	<u>233,664,432</u>
Income from Operations	<u>55,723,064</u>	<u>112,816,866</u>
Non-Operating Revenue		
Voluntary Exclusion Program	-	14,694
Total Non-Operating Revenue	<u>-</u>	<u>14,694</u>
Total Income	<u>\$ 55,723,064</u>	<u>\$ 112,831,560</u>
Allocation of Income		
State of Maryland - Lottery	\$ 57,117,163	\$ 51,225,248
Maryland Education Trust Fund	-	47,747,479
Purse Dedication	-	5,890,807
Local Impact Grants	-	5,464,144
Racetracks Facility Renewal Accounts	-	963,360
Local Jurisdictions	-	2,581,229
Small, Minority, Women-Owned Business	-	3,075
DHMH Problem Gambling Fund	-	14,694
Veterans Trust	-	9,082
Gaming Net Income (Loss)	(1,394,099)	(1,067,558)
Total Allocation	<u>\$ 55,723,064</u>	<u>\$ 112,831,560</u>

The accompanying notes are an integral part of these
special-purpose financial statements.

Maryland Lottery and Gaming Control Agency
Special-Purpose Statements of Allocation of Income
For the Eleven Month Periods Ended May 31, 2020 and May 31, 2019

	Eleven Month Period Ended May 31, 2020	Eleven Month Period Ended May 31, 2019
Revenue	\$ 1,989,360,202	\$ 2,024,268,077
Gross Sales	2,999,293	4,612,631
Sales Discount	1,986,360,909	2,019,655,446
Net Sales		
Gaming Revenue - Gross Terminal Revenue	805,525,203	1,029,961,501
Gaming Revenue - State Grant	5,358,883	4,984,312
Gaming Revenue - Table Games	439,504,036	587,556,507
Gaming Revenue - Facility Applicants	1,417,121	1,869,458
Total Gaming Revenue	1,251,805,243	1,624,371,778
ITLM Lease Revenue	2,310,689	3,698,246
Maryland Department of Health Revenue	95,651	-
Total Revenue	3,240,572,492	3,647,725,470
Cost of Sales		
Prize Expense	1,231,816,951	1,253,447,873
Retailer Commissions	148,988,151	152,131,846
Casino Commissions	730,479,949	954,150,514
Total Cost of Sales	2,111,285,051	2,359,730,233
Operating Expenses		
Administrative Expenses	91,384,959	89,975,563
Total Operating Expenses	91,384,959	89,975,563
Total Expenses	2,202,670,010	2,449,705,796
Income from Operations	1,037,902,482	1,198,019,674
Non-Operating Revenue		
Voluntary Exclusion Program	119,158	102,403
Total Non-Operating Revenue	119,158	102,403
Total Income	<u>\$ 1,038,021,640</u>	<u>\$ 1,198,122,077</u>
Allocation of Income		
State of Maryland - Lottery	\$ 490,979,734	\$ 500,992,510
Maryland Stadium Authority	40,000,000	40,000,000
Maryland International Race	-	1,000,000
Maryland Education Trust Fund	385,895,410	497,615,792
Purse Dedication	47,156,302	60,284,343
Local Impact Grants	43,738,237	55,913,245
Racetracks Facility Renewal Accounts	7,712,420	9,860,147
Local Jurisdictions	21,975,202	29,377,825
Small, Minority, Women-Owned Business	27,445	27,545
DHMH Problem Gambling Fund	119,158	102,403
Veterans Trust	154,111	73,526
Gaming Net Income	263,621	2,874,741
Total Allocation	<u>\$ 1,038,021,640</u>	<u>\$ 1,198,122,077</u>

The accompanying notes are an integral part of these
special-purpose financial statements.

Maryland Lottery and Gaming Control Agency
Notes to the Special-Purpose Financial Statements
May 31, 2020

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Legislative Enactment

The Maryland Lottery and Gaming Control Agency (Agency) was established by the Maryland General Assembly enactment of Chapter 365 of Laws of Maryland of 1972, and the voters' approval that same year of a constitutional amendment to allow the lottery. The amendment was ratified on November 7, 1972, and the Agency commenced operations on January 2, 1973.

The mandate of the law was to establish a State-operated lottery, under the immediate supervision of a Director and the guidance of a Commission, for the purpose of producing revenue for the State. The Governor, with the advice and consent of the Senate of Maryland, appoints the Director and the Commission members.

During the 2007 special session of the Maryland General Assembly, Chapter 4 was enacted relating to the legalization of video lottery terminals (VLTs) in the State subject to the passage of a voters' constitutional referendum. In 2008, voters approved the installation of up to 15,000 VLTs at five privately owned casinos at specified locations throughout the State.

On August 14, 2012, Senate Bill 1 – Gaming Expansion – Video Lottery Terminals and Table Games passed the 2012 Second Special Session of the Maryland General Assembly. This bill contained many provisions concerning gaming operations and certain provisions that were subject to voter referendum. The provisions which were subject to voter referendum passed during the November 6, 2012 election, which allowed for a sixth casino at a site in Prince George's County, increased the maximum number of video lottery terminals allowed in the State from 15,000 to 16,500, established table games and allowed for 24-7 operations at the casinos. A gaming license to operate a casino at National Harbor in southern Prince George's County was awarded to MGM Resorts International on December 20, 2013. The casino opened in December 2016.

Effective October 1, 2012, the bill also authorized the Agency to issue certain veterans' organizations a license for up to five instant ticket lottery machines (ITLM). Veterans' organizations in counties on the Eastern Shore and in Montgomery County are not eligible. After deductions for commissions and prize payouts, 10% of the proceeds are distributed to the Maryland Veterans Trust Fund and the remainder goes to the general fund. An ITLM is an electronic device that dispenses pre-printed instant scratch tickets and utilizes a touchscreen monitor. The device scans and validates the barcode on the instant ticket as it is dispensed and displays the result of the ticket on the touchscreen monitor. The device accumulates winnings for the player and prints out a voucher at the conclusion of play that can be redeemed for cash or inserted into another ITLM for continued play.

Pursuant to § 9-1A-01 of the Maryland State Government Article, under certain circumstances, if a casino returns to successful players more than the amount of money bet through VLTs or table games on a given day, the casino may subtract that amount from the proceeds of the following 7 days for purposes of the calculation of the amount of revenue due to the Agency.

Maryland Lottery and Gaming Control Agency
Notes to the Special-Purpose Financial Statements
May 31, 2020

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Legislative Enactment – cont'd.

Pursuant to § 9-1A-26 of the Maryland State Government Article, the jackpot proceeds won at a video lottery terminal that are not claimed by the winner within 182 days after the jackpot shall become the property of the State. The proceeds shall be allocated as follows: 2.5% to the Small, Minority, and Women-Owned Business Account, 9.5% to Local Impact Grants, 10% to Purse Dedication, 1.5% to the Racetrack Facility Renewal Account and the remainder to the Education Trust Fund.

Pursuant to § 9-1A-27(d) of the Maryland State Government Article, the proceeds of table games include a 5% allocation to Local Jurisdictions, in which the casino is located. The casino share of the proceeds is 80%, and the Maryland Education Trust Fund is allocated the remaining amount.

The Agency, in conjunction with its Commission, serves as the regulator of the Gaming program and is responsible for regulating the casinos, licensing the casino operators and all other entities and individuals requiring a gaming license, and the collection and disbursement of VLT gross terminal revenue and table game revenue in accordance with the law.

The Agency is a part of the primary government of the State of Maryland and is reported as a proprietary fund and business-type activity within the State of Maryland's financial statements. The State of Maryland prepares a comprehensive annual financial report (CAFR). The Agency is an enterprise fund of the State of Maryland and is included in the basic financial statements of the CAFR of the State of Maryland.

Basis of Accounting and Presentation

The accompanying special-purpose financial statements are prepared on the modified accrual basis of accounting. The purpose of these special-purpose financial statements is to present the amount of lottery proceeds the Agency is required to transfer to the Maryland General Fund, Maryland Veterans Trust Fund, and Maryland Stadium Authority on a monthly basis and the amount of gaming proceeds that the Agency is required to transfer to the Maryland Education Trust Fund; Local Impact Grants; Local Jurisdictions; Purse Dedication Account; and Racetracks Facility Renewal Accounts as calculated according to the laws of the State of Maryland. Accordingly, these special-purpose financial statements differ from statements presented in accordance with accounting principles generally accepted in the United States of America in the following areas: (1) investments in annuity contracts and treasury bonds are presented at present value, not fair value; (2) Agency administrative expenses are recorded monthly based on 1/12 of budgeted expenses for the fiscal year; (3) depreciation and amortization are not recognized as an expense but rather recorded as a reduction in net position; (4) a liability for uncompensated employee absences has not been recorded; (5) Agency prizes that are unclaimed have no effect on prize expense, nor do prizes funded through the unclaimed prize fund, such as promotions; and (6) Agency deferred pension inflows and outflows as a result of GASB No. 68, *Accounting and Financial Reporting for Pensions*, are not recorded.

Maryland Lottery and Gaming Control Agency
Notes to the Special-Purpose Financial Statements
May 31, 2020

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Basis of Accounting and Presentation – cont'd.

The special-purpose financial statements represent the assets, liabilities and net position of the Agency as of May 31, 2020 and April 30, 2020 and the allocation of income for the one and eleven month periods ended May 31, 2020 and May 31, 2019. These statements do not contain statements of net position, statements of revenues, expenses, and changes in net position or statements of cash flows as would be required by accounting principles generally accepted in the United States of America.

Recently Adopted Accounting Pronouncement

In June 2017, the GASB issued Statement No. 87 (GASB 87), *Leases*, which is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows from resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be amortized, and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. The Agency implemented GASB 87 in November 2019 and retrospectively adjusted the presentation of leases within the accompanying special-purpose financial statements.

Use of Estimates

The preparation of special-purpose financial statements in conformity with the modified accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts in the special-purpose financial statements and accompanying notes. Actual results may differ from those estimates.

Lottery Games – Revenue Recognition, Prize Obligations and Administrative Expenses

Revenue Recognition

Revenue from lottery games originate from three product lines: draw games, instant games and ITLMs. The Agency develops multiple game themes and prize structures to comply with its enabling legislation and customer demand. Independent and corporate retailers comprised principally of grocery and convenience stores, package goods stores, and restaurants serve as the primary distribution channel for draw and instant lottery sales. Veterans' organizations are the only distribution channel for ITLMs. Lottery retailers receive a sales commission of 5.5% and a cashing commission of 3% of prizes redeemed. Veterans' organizations receive a sales commission of 5.5%, a cashing commission of 1.7679% and an additional ½% sales commission bonus on ITLM sales.

Maryland Lottery and Gaming Control Agency
Notes to the Special-Purpose Financial Statements
May 31, 2020

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d.

Lottery Games – Revenue Recognition, Prize Obligations and Administrative Expenses – cont’d.

Revenue Recognition – cont’d.

Licensed lottery retailers sell draw game lottery tickets to the public through the use of computerized terminals. Draw games are categorized as: Numbers (Pick 3 and Pick 4), Matrix (Multi-Match, Mega Millions/Megaplier, Powerball/Powerplay, Bonus Match 5, 5 Card Cash, and Cash4Life) and Monitors (Keno, Keno Bonus®, Keno Super Bonus, Racetrax®, and Racetrax® Bonus) and FAST PLAY. Draw revenue is recognized in the month in which the related drawings are held. Revenue from the sale of tickets and commissions paid for future drawings are deferred until the drawings are held. Revenue from instant games is recognized when the retailer activates the book of tickets. Revenue from the sale of FAST PLAY is recognized in the month in which the ticket is sold. Licensed veterans’ organizations offer ITLMs to their customers. The Agency recognizes ITLM revenue as “gross terminal revenue” equivalent to all wagers, net of related prizes.

Prize Obligations

Prize obligations for draw games are determined and recognized after each drawing is held. For all draw games, winners are paid a certain amount depending upon the number of winners and the order of the winning numbers drawn. The Multi-Match, Mega Millions, Powerball and Cash4Life jackpots are calculated as a percentage of total game revenue. If there is not a jackpot winner, the prize pool is carried forward until there is a winner. The remaining Multi-Match, Mega Millions, Powerball and Cash4Life prize levels are based on a predetermined set amount. Prize obligations are recognized monthly for instant games based on the books activated by retailers and the related prize expense based on the specific game’s prize structure. Prize expense for ITLM is recorded as amounts are won and is used in determining the “gross terminal revenue” for ITLM.

Administrative Expenses

Administrative expenses are provided by budget appropriations from the State of Maryland based on the State’s fiscal year ending June 30th. Lottery expenses are allocated to the games by the Agency. The allocation of expenses is based on the percentage of a game’s gross sales to total gross sales. One twelfth of estimated expenditures is recognized as administrative expenses each month. ITLM administrative expenses are recognized based on the actual amount of lease revenue received by the Agency during that month. Any differences between actual administrative expenditures incurred during the month and administrative expenses charged against the budget appropriation are adjusted during June of each fiscal year. During interim months, this difference is included in accrued expenses in the accompanying special-purpose statements of assets, liabilities and net position.

Maryland Lottery and Gaming Control Agency
Notes to the Special-Purpose Financial Statements
May 31, 2020

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Gaming Operations (VLTs and Table Games) - Revenue Recognition, Prize Obligations and Expenses

As of May 31, 2020, six casinos were in operation with a total of 11,423 VLTs. VLTs are a self-activated video version of casino games which allow for a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The prize structures of these video lottery games are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expenses are netted against total video credits played. The Agency recognizes VLT revenue as “gross terminal revenue” equivalent to all wagers, net of related prizes.

In accordance with the law, the casino operators receive a specified percentage of gross terminal revenue to operate their casinos.

After July 30, 2017, one of the casino operators receives 39% of the gross terminal revenue, one casino operator receives 44% of the gross terminal revenue, one casino operator receives 46% of the gross terminal revenue, one casino operator receives 49% of the gross terminal revenue, one casino operator receives 53% of the gross terminal revenue, and one casino operator receives 60% of the gross terminal revenue. The Agency retains 1% of the gross terminal revenue from all of the casino operators to help fund the operations of the VLT program. The enabling legislation requires the Agency to disburse the remainder of the gross terminal revenue to other Government agencies, which in turn are responsible for making further distributions.

As of May 31, 2020, there were 608 table games in operation at all six of the casinos. Table games include blackjack, roulette, craps, baccarat, big six wheel, and various poker games. Table game revenue is equivalent to all wagers, net of related prizes. Casino operators receive 80% of the table game revenue to operate their casino. The remaining 20% is remitted to the Agency who in turn transfers it to the Maryland Education Trust Fund and Local Jurisdictions in accordance with the enabling legislation. The casino operators' share of the revenue from both VLTs and table games is recorded as a cost of sales.

To further help fund the operations of the Gaming program, the State provided grants by budget appropriation to the Agency during fiscal years 2020, 2019, and 2018 in the amount of \$6,956,016, \$7,018,818, and \$20,048,221, respectively. During the eleven month periods ended May 31, 2020 and May 31, 2019, the Agency had \$5,358,883 and \$4,984,312 in gaming revenue – state grant, respectively. Periodically, all expenses, including the State grant cumulative transactions, are reviewed to determine if the correct budget appropriation codes have been used. If the correct budget codes have not been used, an adjustment journal entry is processed to allocate transactions to the appropriate budget codes.

License related revenues (application, license, fingerprint, principal applicant background investigation, and vendor fees) are recorded as licensing deposits until the receipt is identified as being for a specific applicant and type of fee which usually occurs in the same month that the deposit is received. After the specific applicant and fee type is ascertained, the related deposit amount is recognized as revenue, except for principal applicant investigation fees which are recognized as revenue when the background investigation is completed and the applicant is either invoiced for any investigation costs in excess of the deposit received or the portion of the deposit in excess of investigation costs is returned to the applicant.

Administrative expenses for the Gaming program are recognized as they are incurred.

Maryland Lottery and Gaming Control Agency
Notes to the Special-Purpose Financial Statements
May 31, 2020

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds such as the Agency are revenues and expenses that result from providing services and producing and delivering goods. Operating revenues for the Agency are derived from providing various types of lottery games, VLT games and table games. Operating expenses for lottery games include the costs to operate the various games, pay prize winners, and administrative expenses. Operating expenses for gaming include the costs to operate the various games and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents include cash deposited with financial institutions, deposits with the Maryland State Treasury and overnight investment repurchase agreements.

Cash and Cash Equivalents – Gaming Escrow

Cash and cash equivalents – gaming escrow consists of funds deposited in escrow with a financial institution and the related interest earned. The monies deposited are primarily application fees received from gaming facility operator license applicants that are held in separate escrow sub accounts until the application review process is complete and the license is either awarded or denied. If the license is awarded, the monies are transferred to the Maryland Education Trust Fund. If the license is denied, the monies are returned to the applicant.

Cash and Cash Equivalents – Restricted – Gaming License Deposits

Cash and cash equivalents – restricted – gaming license deposits account is used to record the receipt of license related fees and investigation deposits that are received from applicants wanting to obtain a gaming license. For the majority of applicants, fees are recorded as revenue after the specific applicant and type of fee received is determined. At the end of each month, these fees are transferred to the Gaming Special Fund account.

For principal employee applicants, in addition to the aforementioned fees, the Agency also receives a background investigation deposit which is used to pay the investigation costs for the principal employee applicant. These deposit amounts remain in cash and cash equivalents – restricted – gaming license deposits and are recorded as a licensing deposit liability until the investigation is completed. To the extent that the investigation deposit is greater than the costs incurred for the investigation, the monies are refunded to the applicant. To the extent that the investigation deposit is less than the costs incurred for the investigation, the applicant is billed for the deficit. After the investigation is completed, the deposit is recorded as revenue and is transferred to the Gaming Special Fund account.

Cash and Cash Equivalents – Agent

Cash and cash equivalents – agent consists of funds deposited in escrow with a financial institution and the related interest earned. Monies deposited into the escrow accounts were received from select lottery agents who deposited monies with the Agency in lieu of obtaining a bond.

Maryland Lottery and Gaming Control Agency
Notes to the Special-Purpose Financial Statements
May 31, 2020

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Investments in Annuity Contracts and Treasury Bonds

Investments consist of United States Government Treasury Bonds and annuity contracts. The investments in United States Government Treasury Bonds and annuity contracts are purchased in the name of the Agency and stated at present value.

Accounts Receivable – Lottery

Accounts receivable – lottery represents the amounts due from Agency retailers from the sale of lottery tickets and ITLM amounts played. The Agency utilizes the allowance method to provide for doubtful accounts based on management's evaluation of the collectability of accounts receivable. The Agency determines accounts receivable to be delinquent when greater than 10 days past due. Receivables are written off when it is determined that amounts are uncollectible. As of May 31, 2020 and April 30, 2020, management believes all accounts receivable are collectible, and as such, no allowance for doubtful accounts has been recorded.

Accounts Receivable – Casino Operators

Accounts receivable – casino operators represents the amount of gross video lottery terminal revenue and table game revenue due from the casino operators. As of May 31, 2020 and April 30, 2020, management believes that all accounts receivable are collectible, and as such, no allowance for doubtful accounts has been recorded.

Accounts Receivable – Scientific Games

Accounts Receivable – Scientific Games (SGI) represents the amount due from Scientific Games for compensation of prize expense loss provisions.

Subsequent to the issuance of the January 2020 financial statements, the Agency identified an error in the application of one of its games by SGI. The Agency and SGI have agreed that the vendor will reimburse the Agency for the losses incurred as a result of this error. The previously reported January financial statements have been adjusted to record accounts receivable from SGI of \$2,947,636 and an offsetting increase in Due to State of Maryland-Lottery. The restatement did not have any impact on Net Position as of January 31, 2020.

Management believes that all accounts receivable are collectible, and as such, no allowance for doubtful accounts has been recorded.

Accounts Receivable – Maryland Department of Health

Accounts receivable – Maryland Department of Health represents the amounts due from COVID-19 premium pay that is reimbursable from the Maryland Department of Health. Management believes that all accounts receivable are collectible, and as such, no allowance for doubtful accounts has been recorded.

Maryland Lottery and Gaming Control Agency
Notes to the Special-Purpose Financial Statements
May 31, 2020

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Capital and Right-of-Use Assets

The Agency has adopted a policy of capitalizing assets with individual amounts exceeding \$25,000 and right-of-use assets held under lease liabilities as defined in GASB 87. These assets include leased facilities and purchased and leased equipment comprised principally of technological property and equipment necessary to administer lottery games and VLTs. The purchased assets are recorded at cost and depreciation is computed using the straight-line method over three to five-year useful lives. The leased assets are recorded at the present value of the leased liability and amortized using a systematic and rational manner over the shorter of the lease term or useful life of the underlying asset. Depreciation and amortization is not recognized as an expense but rather recorded as a reduction in net position.

Net Position

Net position is presented as invested in capital assets and right-of-use assets, net of related debt, and reserve for unclaimed prizes. Net position invested in capital assets and right-of-use assets, net of related debt, represents the net book value of capital assets and right-of-use assets owned, less any outstanding obligations related to capital and right-of-use assets. The reserve for unclaimed prizes reflects the value of prizes not claimed within 182 days of the drawing, or at the end of an instant game. This reserve is used to fund special prize pools, free plays on games, and to supplement the prize pools of existing games.

Payments to the State of Maryland

The State of Maryland law requires the Agency to transfer its lottery revenue in excess of funds allocated to prize awards, operating expenses, the Maryland Veterans Trust Fund and the Maryland Stadium Authority to the State of Maryland General Fund. The income from operations of the Mega Millions game is transferred to the Maryland Stadium Authority up to an annual cap set by the authorized appropriation.

The law also requires gaming revenue to be transferred to specified State Agencies. On a monthly basis, the Agency transfers these funds as follows:

- From July 31, 2017 to July 31, 2018, transfers of 46.0% of the gross terminal revenue from one casino, 41.0% of the gross terminal revenue from one casino, 39.0% of the gross terminal revenue from one casino, 36.0% of the gross terminal revenue from one casino and 32.0% of the gross terminal revenue from two casinos were made to the State's Department of Education into the Maryland Education Trust Fund. After July 31, 2018, transfers of 47.5% of the gross terminal revenue from one casino, 42.5% of the gross terminal revenue from one casino, 40.5% of the gross terminal revenue from one casino, 37.5% of the gross terminal revenue from one casino, 33.5% of the gross terminal revenue from one casino, and 32.5% of the gross terminal revenue from one casino are made to the State's Department of Education into the Maryland Education Trust Fund. After July 31, 2018, transfers of 1.5% of the gross terminal revenue from five casinos and 0.75% of the gross terminal revenue from one casino that had previously been transferred to the State's General Fund are now transferred to the State's Department of Education into the Maryland Education Trust Fund as noted above.
- Transfers of 15.0% of the gross table games revenue are made to the State's Department of Education into the Maryland Education Trust Fund and 5.0% of the gross table games revenue are made to Local Jurisdictions.

Maryland Lottery and Gaming Control Agency
Notes to the Special-Purpose Financial Statements
May 31, 2020

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Payments to the State of Maryland – cont'd.

- Transfers of 5.5% of the gross terminal revenue from five casinos and 3.75% of the gross terminal revenue from one casino are made to the State's Racing Commission into an account for Local Impact Grants.
- Transfers of 6.0% of the gross terminal revenue from five casinos and 2.5% of the gross terminal revenue from one casino, not to exceed a total of \$100 million annually, are made to the State's Racing Commission into the Purse Dedication Account.
- Transfers of 1.0% of the gross terminal revenue from five casinos, not to exceed a total of \$20 million annually, are made to the State's Racing Commission into the Racetracks Facility Renewal Accounts.

Due to/from general fund represents the amount of funds collected through license fees and from the 1% of the gross terminal revenue in excess of the gaming administrative expenses charged against these funds. Any excess monies at year end will be reverted to the General Fund to offset the State grant that is provided to help operate the Gaming program.

Payments to the Department of Health and Mental Hygiene Problem Gambling Fund

The State of Maryland law requires the Agency to assess the Casino Operators annually a \$425 per VLT fee and a \$500 per table fee which is transferred to the Department of Health and Mental Hygiene (DHMH) Problem Gambling Fund to provide treatment services to Maryland citizens who have been identified, either voluntarily or involuntarily, as having a gambling addiction or related illness. These assessments are made in June for the fiscal year (as reported on the June 30th end of fiscal year statements of allocation of income) and the monies collected are transferred to the DHMH Problem Gambling Fund. The Agency has recognized the amount due to the DHMH Problem Gambling Fund for the VLTs and Table Games that were in service during the fiscal year ended June 30, 2020. These funds were transferred to the DHMH during September 2020.

The Voluntary Exclusion Program (VEP) is a program that allows an individual to voluntarily agree to refrain from entering and gambling at all Maryland casinos. Individuals wishing to voluntarily exclude may do so at the Agency. If an individual enrolled in VEP, gambles and wins at a Maryland casino, the casino will remit the winning amount to the Agency. The Agency will then transfer these funds to the DHMH Problem Gambling Fund.

Maryland Lottery and Gaming Control Agency
Notes to the Special-Purpose Financial Statements
May 31, 2020

2. CASH AND CASH EQUIVALENTS

As of May 31, 2020 and April 30, 2020, the carrying amounts of deposits with financial institutions were \$8,958,917 and \$8,638,471, respectively. The corresponding bank balances were \$9,107,949 and \$8,797,879 as of May 31, 2020 and April 30, 2020, respectively.

As of May 31, 2020 and April 30, 2020, the carrying amounts of cash on deposit with the Maryland State Treasury were \$260,954,693 and \$205,327,025, respectively. The corresponding Maryland State Treasury balances were \$260,852,975 and \$205,141,256, as of May 31, 2020 and April 30, 2020, respectively. The State Treasury has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards, and commissions. The deposits with the State Treasury are part of the State's internal investment pool and are not separately identifiable as to specific types of securities. The Treasury maintains these and other State agency funds on a pooled basis in accordance with State statute. The Agency does not obtain interest on funds deposited with the State Treasury.

Custodial credit risk – Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits will not be returned. The Agency's deposit policy requires that it comply with the State law that governs the State Treasury deposits. Specifically, unexpended or surplus money may be deposited in a financial institution in the State, if the deposit is interest bearing; the financial institution provides collateral that has a market value that exceeds the amount by which a deposit exceeds the deposit insurance; and the custodian holds the collateral.

Interest rate risk – The State Treasury's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the State Treasury will not directly invest in securities maturing more than five years from the date of purchase.

Credit risk – State law requires that the State Treasury investments in repurchase agreements be collateralized by United States Treasury and Agency Obligations. In addition, investments may be made directly in United States Agency Obligations. State law also requires that money market mutual funds receive the highest possible rating from at least one nationally recognized statistical rating organization.

Concentration of credit risk – The State Treasury's investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. There is no limit on the amount that may be invested in any one issuer. As of the fiscal year ended June 30, 2019, more than 5% of government fund investments were in the FNMA and the Federal Home Loan Mortgage Corporation. As of June 30, 2019, these investments represent 18.18% and 37.29% of the State of Maryland's internal investment pool, respectively.

Maryland Lottery and Gaming Control Agency
Notes to the Special-Purpose Financial Statements
May 31, 2020

3. INVESTMENTS IN ANNUITY CONTRACTS AND TREASURY BONDS

It is the Agency's policy to fund jackpot and lifetime prize awards through the purchase of United States Government Treasury Bonds. Furthermore, it is the policy of the Agency to hold these investments to maturity. The investment maturities approximate the annuity prizes payable installment due dates. The Agency has 14 winners who won "Win for Life" prizes that are paid as annual annuities. The Agency is obligated to pay the annual annuity as long as the winners are still alive at the time the annual annuity payment is due. Additionally, the Agency has a "Cash4Life" winner that is paid as an annual annuity to either the winner or their beneficiary for a guarantee of 20 years. After which, the Agency is obligated to pay the annual annuity only if the winner still alive at the time the annual annuity payment is due. The liability for paying the annuities is captured on the special-purpose statements of assets, liabilities and net position under installments under annuity contracts.

The Agency has purchased long-term investments to fund jackpot prize awards. The majority of these investments are United States Government Treasury Bonds, which carry a yield to maturity of approximately 1.073% to 6.791%. As of May 31, 2020 and April 30, 2020, the Agency's United States Government Treasury Bonds totaled \$31,566,513 and \$33,608,166, respectively. The investments in United States Government Treasury Bonds are carried at present value on the accompanying special-purpose statements of assets, liabilities, and net position.

As of May 31, 2020 and April 30, 2020, the annuity contracts totaled \$45,625 and \$45,887, respectively. The annuity contracts were purchased in 1976 to satisfy the Agency's obligation for certain lifetime prizes. The investments in annuity contracts are carried at present value on the accompanying special-purpose statements of assets, liabilities, and net position.

Interest rate risk is the risk that an investment's fair value decreases as market interest rates increase. Typically, this risk is higher in debt securities with longer maturities. The Agency is not subject to interest rate risk because it is their policy to hold the investments until maturity, unless an annuitant, through a court order, forces the sale of an investment to settle the Agency's obligation to the annuitant at which time the annuitant would be paid the proceeds received from the sale of investments.

For an investment, custodial risk is the risk that in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency is not subject to custodial risk because the United States Government Treasury Bonds are held in the Agency's name by its custodian and annuity contracts are not evidenced by securities that exist in physical book entry form.

Maryland Lottery and Gaming Control Agency
Notes to the Special-Purpose Financial Statements
May 31, 2020

4. CAPITAL ASSETS

A summary of capital asset activity for the month ended May 31, 2020 is as follows:

	April 30, 2020	Increases	Decreases	May 31, 2020
Capital Assets				
Machinery and Equipment	\$ 1,611,341	\$ -	\$ -	1,611,341
Leasehold Improvements	613,240	-	-	613,240
Total Capital Assets	2,224,581	-	-	2,224,581
Less: Accumulated Depreciation And Amortization				
Machinery and Equipment	1,611,341	-	-	1,611,341
Leasehold Improvements	613,240	-	-	613,240
Total Accumulated Depreciation And Amortization	2,224,581	-	-	2,224,581
Capital Assets, net	\$ -	\$ -	\$ -	\$ -

5. RIGHT-OF-USE ASSETS

A summary of right-of-use asset activity for the month ended May 31, 2020 is as follows:

	April 30, 2020	Increases	Decreases	May 31, 2020
Right-of-Use Assets				
Machinery and Equipment	\$ 7,306,585	\$ -	\$ -	\$ 7,306,585
Leasehold Improvements	4,050,711	-	-	4,050,711
Total Capital Assets	11,357,296	-	-	11,357,296
Less: Accumulated Depreciation And Amortization				
Machinery and Equipment	729,101	105,202	-	834,303
Office and Warehouse Space	698,241	100,721	-	798,962
Total Accumulated Depreciation And Amortization	1,427,342	205,923	-	1,633,265
Capital Assets, net	\$ 9,929,954	\$ (205,923)	\$ -	\$ 9,724,031

Maryland Lottery and Gaming Control Agency
Notes to the Special-Purpose Financial Statements
May 31, 2020

6. LONG-TERM ANNUITY PRIZE OBLIGATIONS

The Agency carries long-term annuity prize obligations at present value. Presented below is a summary of long-term annuity prize payment requirements for annuities payable to maturity:

Fiscal Year	Total
2020	\$ 433
2021	3,921,196
2022	5,013,196
2023	3,737,196
2024	2,885,196
2025-2029	12,215,980
2030-2034	5,795,629
2035-2039	4,188,000
2040-2042	1,348,000
Total future payments	39,104,826
Less: amount representing interest	7,492,688
Present value of payments	\$ 31,612,138

This debt represents annual payments owed to jackpot and lifetime winners. Annuity prizes are paid over a period of time ranging from 20 to 25 years depending on the time period in which the prize was won. The Agency has purchased United States Government Treasury Bonds or annuity contracts that will fully fund these obligations.

7. COMMITMENTS AND CONTINGENCIES

Leases

The Agency leases office space, warehouse facilities, and draw and instant product equipment over periods extending through April 2025.

During the month ended November 30, 2019, the Agency implemented GASB 87, *Leases*, which requires both capital and operating leases to be reported on the balance sheet as a depreciable right-of-use asset and a liability to make lease payments. The lease liability, which is equal to the present value of future lease obligations, was determined using the incremental borrowing rate of 3.00% based on the information available at implementation date. The associated right-of-use asset is valued at an amount equal to the lease liability, less any adjustments as defined in GASB 87.

The Lottery also considered any lease terms that included options to extend or terminate the lease when valuing the right-of-use asset, noting none. The lease agreements do not contain any residual value guarantees or restrictive covenants. There were no lease incentives received at the start of the lease. Reductions to the right-of-use asset were recorded at the implementation date to account for variable payment terms in the leases.

Maryland Lottery and Gaming Control Agency
Notes to the Special-Purpose Financial Statements
May 31, 2020

7. COMMITMENTS AND CONTINGENCIES – cont’d.

Leases – cont’d.

Future minimum lease payments under these non-cancelable capital leases are as follows as of May 31, 2020:

2020	\$ 227,929
2021	2,772,117
2022	2,822,801
2023	2,127,682
2024	1,418,340
Thereafter	1,063,755
Total future minimum lease payments	10,432,624
Less: discount to present value	(606,137)
Lease liability, net	\$ 9,826,487

Litigation

The Agency is involved in various litigation arising in the ordinary course of business. The Agency believes that the ultimate resolution of these matters will not have a material adverse effect on its net position.

8. PARTICIPATION IN MULTI-STATE GAMES

Mega Millions and Powerball

The Agency is member of the Mega Millions and Powerball consortiums. These consortiums are comprised of lottery directors from member party jurisdictions. The prize pools are shared on a percent of sales basis. Game accounting is conducted after each semi-weekly drawing. Settlements between members occur after each jackpot win and annually for all other prizes unless non-jackpot settlements exceed a specified amount. There are currently 47 and 46 lotteries that participate in Powerball and Mega Millions consortiums, respectively.

Cash4Life

The Agency is a member of the multi-jurisdictional Cash4Life. Cash4Life is a lottery game conducted as a cooperative venture by nine states: New York, New Jersey, Pennsylvania, Virginia, Tennessee, Indiana, Georgia, Florida and Maryland. The prize pools are shared on a percent of sales basis. Game accounting is conducted after each semi-weekly drawing. Settlements between members occur after each jackpot win.

9. RISK MANAGEMENT

Lottery Games

To minimize risks associated with lottery game liabilities, the Agency has established aggregate payout limits for each game type. This approach discontinues sales of the games once the potential liability limit is reached for a specific player selection. A maximum payout limit is established for those games with a first-tier prize, which requires multiple first tier winners to split the related prize.

Maryland Lottery and Gaming Control Agency
Notes to the Special-Purpose Financial Statements
May 31, 2020

9. RISK MANAGEMENT – cont’d.

VLTs

The risk to the Agency is limited by legislation as it pertains to gaming operations. A video lottery terminal shall have an average payout percentage which is 87% or more and does not exceed 100%. In no event may a video lottery terminal have a theoretical payout percentage of less than 87%. Furthermore, a facility may not make available for play a video lottery terminal with an average payout percentage which exceeds 95% without the written approval of the Agency. A facility’s gaming floor shall be configured to collectively achieve, at all times, an average payout percentage which exceeds 87%, and which does not exceed 95%. Any VLT loss for any given day are carried forward to offset gains in the next 7 days with any remaining losses absorbed by the casino.

Table Games

The Agency’s risk is limited to the 80% commission payable to casinos based on monthly Gross Revenue. Any economic variables that cause fluctuations in casino revenues on an ongoing basis would, therefore, cause a fluctuation in Agency revenues. Any table games loss for any given day are carried forward to offset gains in the next 7 days with any remaining losses absorbed by the casino.

Overall Risks

The Agency is exposed to various risks associated with the theft, damage, or destruction of assets, torts, and game liability. To manage the related risks, the Agency participates in the State’s insurance program, which provides general liability, personal & casualty and workers’ compensation insurance. The program requires all agencies to submit premiums based upon proportionate payroll costs and/or claims history. This insurance covers related losses up to a maximum of \$1,000,000 per event. Settlements have not exceeded coverage for any of the past three fiscal years.

10. SUBSEQUENT EVENT

During March 2020, the COVID-19 outbreak in the United States resulted in the state government mandated temporary closure of the casinos, bars and restaurants, and the veteran organizations in the State of Maryland. These closures negatively impact the revenues associated with the casinos, the ITLM program and the traditional lottery products.

In June 2020, the State of Maryland allowed for limited openings of the casinos, bars and restaurants, and the veteran organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the reopening. Therefore, while we expect this matter to negatively impact our operating results and such impact may be material, the related financial impact and duration cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

**Maryland Lottery and Gaming Control Agency
Special-Purpose Schedules of Gross Margin
For the Month Ended May 31, 2020**

	Net Sales	Gaming Revenue	Prize Expense	Commission Expense	Gross Margin	Gross Margin to Sales
Pick 3	\$ 24,590,510	\$ -	\$ 10,247,460	\$ 1,649,018	\$ 12,694,032	51.62%
Pick 4	31,789,662	-	14,870,850	2,187,327	14,731,485	46.34%
Keno	8,208,165	-	4,794,797	593,151	2,820,217	34.36%
Keno Bonus	1,421,229	-	839,863	103,263	478,103	33.64%
Keno Super Bonus	7,082,381	-	4,685,802	526,692	1,869,887	26.40%
Multi-Match	2,392,377	-	1,659,642	176,510	556,225	23.25%
Mega Millions	7,614,734	-	3,841,138	430,124	3,343,472	43.91%
Megaplier	545,842	-	239,588	33,745	272,509	49.92%
Racetraz	18,051,738	-	11,807,852	1,333,091	4,910,795	27.20%
Racetraz Bonus	2,798,543	-	1,830,194	206,555	761,794	27.22%
5 Card Cash	499,952	-	298,228	35,553	166,171	33.24%
Bonus Match 5	1,642,609	-	876,153	110,460	655,996	39.94%
Instant	83,139,224	-	60,255,485	6,260,037	16,623,702	20.00%
Powerball	4,597,600	-	2,113,609	260,554	2,223,437	48.36%
Powerplay	384,413	-	256,081	24,758	103,574	26.94%
ITLM	-	-	-	-	-	0.00%
ITLM Lease Revenue	-	-	-	-	-	0.00%
Cash4Life	1,598,428	-	894,915	99,879	603,634	37.76%
Fast Play	4,854,841	-	3,440,094	355,839	1,058,908	21.81%
Gaming	-	200,943	-	-	200,943	100.00%
Total	\$ 201,212,248	\$ 200,943	\$ 122,951,751	\$ 14,386,556	\$ 64,074,884	31.81%

For the Month Ended May 31, 2019

	Net Sales	Gaming Revenue	Prize Expense	Commission Expense	Gross Margin	Gross Margin to Sales
Pick 3	\$ 21,352,981	\$ -	\$ 12,642,179	\$ 1,537,244	\$ 7,173,558	33.60%
Pick 4	27,201,237	-	12,146,450	1,835,940	13,218,847	48.60%
Keno	12,474,084	-	7,442,253	905,682	4,126,149	33.08%
Keno Bonus	2,368,263	-	1,408,710	171,772	787,781	33.26%
Keno Super Bonus	10,118,056	-	6,781,539	754,623	2,581,894	25.52%
Multi-Match	2,219,176	-	1,221,303	145,200	852,673	38.42%
Mega Millions	10,604,083	-	5,468,358	597,689	4,538,036	42.80%
Megaplier	605,674	-	320,609	37,207	247,858	40.92%
Racetraz	17,711,002	-	11,878,910	1,495,034	4,337,058	24.49%
Racetraz Bonus	3,335,163	-	2,448,476	249,657	637,030	19.10%
5 Card Cash	553,432	-	331,991	39,837	181,604	32.81%
Bonus Match 5	1,717,131	-	1,088,232	120,155	508,744	29.63%
Instant	73,198,047	-	53,942,282	5,524,883	13,730,882	18.76%
Powerball	8,199,969	-	3,622,773	467,539	4,109,657	50.12%
Powerplay	544,751	-	232,906	34,346	277,499	50.94%
ITLM	896,997	-	-	806,172	90,825	10.13%
ITLM Lease Revenue	-	-	-	-	374,407	0.00%
Cash4Life	1,059,542	-	568,226	65,787	425,529	40.16%
Fast Play	-	-	-	-	-	0.00%
Gaming	-	151,947,303	-	88,620,423	63,326,880	41.68%
Total	\$ 194,159,588	\$ 151,947,303	\$ 121,545,197	\$ 103,409,190	\$ 121,526,911	35.11%

For the Eleven Month Period Ended May 31, 2020

	Net Sales	Gaming Revenue	Prize Expense	Commission Expense	Gross Margin	Gross Margin to Sales
Pick 3	\$ 228,013,273	\$ -	\$ 109,447,226	\$ 15,819,706	\$ 102,746,341	45.06%
Pick 4	302,567,855	-	156,198,750	21,106,928	125,262,177	41.40%
Keno	118,975,218	-	70,302,750	8,700,420	39,972,048	33.60%
Keno Bonus	22,052,311	-	13,331,447	1,617,083	7,103,781	32.21%
Keno Super Bonus	99,270,686	-	65,872,661	7,465,220	25,932,805	26.12%
Multi-Match	25,642,562	-	12,942,621	1,761,047	10,938,894	42.66%
Mega Millions	66,748,942	-	32,162,542	3,775,337	30,811,063	46.16%
Megaplier	4,453,958	-	1,969,827	273,891	2,210,240	49.62%
Racetraz	178,854,152	-	119,504,820	13,476,397	45,872,935	25.65%
Racetraz Bonus	28,254,107	-	18,776,383	2,085,953	7,391,771	26.16%
5 Card Cash	5,529,143	-	3,370,797	396,309	1,762,037	31.87%
Bonus Match 5	16,898,132	-	8,381,580	1,143,720	7,372,832	43.63%
Instant	770,683,652	-	558,297,574	58,347,021	154,039,057	19.99%
Powerball	61,660,113	-	30,599,653	3,529,226	27,531,234	44.65%
Powerplay	4,453,053	-	2,050,876	278,276	2,123,901	47.70%
ITLM	7,695,279	-	-	6,154,308	1,540,971	20.02%
ITLM Lease Revenue	-	-	-	-	2,310,689	0.00%
Cash4Life	18,923,574	-	10,486,608	1,183,216	7,253,750	38.33%
Fast Play	25,684,899	-	18,120,836	1,874,093	5,689,970	22.15%
Gaming	-	1,251,805,243	-	730,479,949	521,325,294	41.65%
Total	\$ 1,986,360,909	\$ 1,251,805,243	\$ 1,231,816,951	\$ 879,468,100	\$ 1,129,191,790	34.87%

For the Eleven Month Period Ended May 31, 2019

	Net Sales	Gaming Revenue	Prize Expense	Commission Expense	Gross Margin	Gross Margin to Sales
Pick 3	\$ 225,231,045	\$ -	\$ 120,537,814	\$ 15,983,172	\$ 88,710,059	39.39%
Pick 4	286,252,846	-	143,170,300	19,819,634	123,262,912	43.06%
Keno	132,676,712	-	78,299,417	9,709,752	44,667,543	33.67%
Keno Bonus	25,350,015	-	15,231,688	1,860,773	8,257,554	32.57%
Keno Super Bonus	106,108,294	-	70,592,613	7,997,885	27,517,796	25.93%
Multi-Match	27,055,868	-	15,100,847	1,763,148	10,191,873	37.67%
Mega Millions	123,329,842	-	61,846,838	6,979,887	54,503,117	44.19%
Megaplier	6,170,913	-	2,795,568	381,970	2,993,375	48.51%
Racetraz	165,543,828	-	110,406,513	12,622,081	42,515,234	25.68%
Racetraz Bonus	26,138,764	-	17,810,168	1,935,465	6,393,131	24.46%
5 Card Cash	5,701,206	-	3,329,732	408,676	1,962,798	34.43%
Bonus Match 5	17,921,764	-	10,439,751	1,240,558	6,241,455	34.83%
Instant	744,870,424	-	547,180,455	56,451,170	141,238,799	18.96%
Powerball	101,087,941	-	47,845,743	5,766,812	47,475,386	46.96%
Powerplay	5,895,670	-	2,583,571	369,518	2,942,581	49.91%
ITLM	8,860,195	-	-	8,124,983	735,212	8.30%
ITLM Lease Revenue	-	-	-	-	3,698,246	0.00%
Cash4Life	11,460,119	-	6,276,855	716,362	4,466,902	38.98%
Fast Play	-	-	-	-	-	0.00%
Gaming	-	1,624,371,778	-	954,150,514	670,221,264	41.26%
Total	\$ 2,019,655,446	\$ 1,624,371,778	\$ 1,253,447,873	\$ 1,106,282,360	\$ 1,287,995,237	35.35%