



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

**AUDITED SPECIAL-PURPOSE FINANCIAL STATEMENTS**  
**November 30, 2020**

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## **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 November 30, 2020 and October 31, 2020, the special-purpose statements of allocation of income for the one and five month periods ended November 30, 2020 and November 30, 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 November 30, 2020 and October 31, 2020 and its allocation of income for the one and five month periods ended November 30, 2020 and November 30, 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.

August 24, 2021

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

**ASSETS**

	<b><u>November 30, 2020</u></b>	<b><u>October 31, 2020</u></b>
Cash and Cash Equivalents	\$ 7,773,100	\$ 6,706,018
Cash and Cash Equivalents - Gaming Escrow	40,759	40,759
Cash and Cash Equivalents - Restricted - Gaming License Deposits	2,366,935	2,345,591
Cash and Cash Equivalents - Agent	238,637	264,637
Cash Held with State Treasury	323,297,428	271,862,778
Investments in Annuity Contracts and Treasury Bonds	37,797,884	39,127,168
Accounts Receivable - Lottery	44,541,607	58,217,111
Accounts Receivable - Casino Operators	1,951,485	5,557,968
Accounts Receivable - SGI	211,062	2,592,916
Accounts Receivable - Maryland Department of Health	95,651	95,651
Prepaid Commissions	81,772	57,132
Right-of-Use Assets, net	8,490,530	8,696,978
Total Assets	<u>\$ 426,886,850</u>	<u>\$ 395,564,707</u>

**LIABILITIES AND NET POSITION**

Liabilities

Due to State of Maryland - Lottery	\$ 242,138,940	\$ 194,391,652
Due to Maryland Stadium Authority	2,382,378	12,341,423
Due to Maryland Education Trust Fund	39,066,703	43,576,492
Due to Purse Dedication	4,892,946	5,567,080
Due to Small, Minority, Women-Owned Business	1,227,274	1,397,630
Due to Local Impact Grants	4,532,303	5,171,523
Due to Racetracks Facility Renewal Accounts	802,033	908,313
Due to Local Jurisdictions	2,347,214	2,357,038
DHMH Problem Gambling Fund	-	2,207
Due to General Fund	599,898	1,858,815
Due to Veterans Trust	79,551	65,483
Obligations for Unpaid Prizes		
On-line games	26,536,647	20,613,381
Instant games	39,466,641	39,405,250
Installments under annuity contracts	37,797,884	39,127,168
Accrued Expenses	6,866,912	9,880,023
Gaming Licensing Deposits	2,114,340	2,084,666
Gaming Escrow - Restricted	40,759	40,759
Agent Escrow - Restricted	238,637	264,637
Taxes Payable and Other Liabilities	3,049,863	2,341,641
Deferred Revenue	2,298,186	1,839,196
Lease Liability, net	8,588,601	8,798,944
Total Liabilities	<u>425,067,710</u>	<u>392,033,321</u>

Commitments and Contingencies (Note 7)

Net Position

Reserve for Unclaimed Prizes	1,917,211	3,633,352
Invested in Capital and Right-of-Use Assets, net of related debt	(98,071)	(101,966)
Total Net Position	<u>1,819,140</u>	<u>3,531,386</u>
Total Liabilities and Net Position	<u>\$ 426,886,850</u>	<u>\$ 395,564,707</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 November 30, 2020 and November 30, 2019**

	<b>Month Ended November 30, 2020</b>	<b>Month Ended November 30, 2019</b>
<b>Revenue</b>		
Gross Sales	\$ 190,660,327	\$ 179,134,939
Sales Discount	1,616,972	350,840
Net Sales	<u>189,043,355</u>	<u>178,784,099</u>
Gaming Revenue - Gross Terminal Revenue	83,433,206	93,775,521
Gaming Revenue - State Grant	(933,368)	(102,255)
Gaming Revenue - Table Games	46,944,272	47,060,059
Gaming Revenue - Facility Applicants	130,145	149,612
Total Gaming Revenue	<u>129,574,255</u>	<u>140,882,937</u>
ITLM Lease Revenue	<u>223,839</u>	<u>276,583</u>
<b>Total Revenue</b>	<u>318,841,449</u>	<u>319,943,619</u>
<b>Cost of Sales</b>		
Prize Expense	117,832,818	115,402,687
Retailer Commissions	14,268,837	13,677,273
Casino Commissions	76,674,672	81,738,513
Total Cost of Sales	<u>208,776,327</u>	<u>210,818,473</u>
<b>Operating Expenses</b>		
Administrative Expenses	8,311,832	8,374,640
Total Operating Expenses	<u>8,311,832</u>	<u>8,374,640</u>
Total Expenses	<u>217,088,159</u>	<u>219,193,113</u>
<b>Income from Operations</b>	<u>101,753,290</u>	<u>100,750,506</u>
<b>Non-Operating Revenue</b>		
Voluntary Exclusion Program	24,048	15,979
Total Non-Operating Revenue	<u>24,048</u>	<u>15,979</u>
<b>Total Income</b>	<u>\$ 101,777,338</u>	<u>\$ 100,766,485</u>
<b>Allocation of Income</b>		
State of Maryland - Lottery	\$ 47,747,288	\$ 39,292,975
Maryland Stadium Authority	2,382,375	3,611,182
Maryland Education Trust Fund	39,066,703	44,314,735
Purse Dedication	4,892,946	5,495,655
Local Impact Grants	4,532,303	5,094,554
Racetracks Facility Renewal Accounts	802,033	899,610
Local Jurisdictions	2,347,215	2,353,003
Small, Minority, Women-Owned Business	1,227,275	2,923
DHMH Problem Gambling Fund	24,048	15,979
Veterans Trust	14,069	17,496
Gaming Net Loss	(1,258,917)	(331,627)
<b>Total Allocation</b>	<u>\$ 101,777,338</u>	<u>\$ 100,766,485</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 Five Month Periods Ended November 30, 2020 and November 30, 2019**

	<b>Five Month Period Ended November 30, 2020</b>	<b>Five Month Period Ended November 30, 2019</b>
<b>Revenue</b>		
Gross Sales	\$ 1,011,275,511	\$ 879,556,076
Sales Discount	6,011,979	2,458,008
Net Sales	<u>1,005,263,532</u>	<u>877,098,068</u>
 Gaming Revenue - Gross Terminal Revenue	 459,404,888	 475,516,666
Gaming Revenue - State Grant	2,420,419	2,197,926
Gaming Revenue - Table Games	246,810,961	255,026,558
Gaming Revenue - Facility Applicants	646,960	907,433
Total Gaming Revenue	<u>709,283,228</u>	<u>733,648,583</u>
 ITLM Lease Revenue	 1,175,591	 1,325,984
Total Revenue	<u>1,715,722,351</u>	<u>1,612,072,635</u>
 <b>Cost of Sales</b>		
Prize Expense	631,782,371	549,654,038
Retailer Commissions	76,028,003	66,567,736
Casino Commissions	414,092,114	427,962,324
Total Cost of Sales	<u>1,121,902,488</u>	<u>1,044,184,098</u>
 <b>Operating Expenses</b>		
Administrative Expenses	41,132,166	41,179,337
Total Operating Expenses	<u>41,132,166</u>	<u>41,179,337</u>
 Total Expenses	<u>1,163,034,654</u>	<u>1,085,363,435</u>
 <b>Income from Operations</b>	 <u>552,687,697</u>	 <u>526,709,200</u>
 <b>Non-Operating Revenue</b>		
Voluntary Exclusion Program	47,768	93,492
Total Non-Operating Revenue	<u>47,768</u>	<u>93,492</u>
 <b>Total Income</b>	 <u><u>\$ 552,735,465</u></u>	 <u><u>\$ 526,802,692</u></u>
 <b>Allocation of Income</b>		
State of Maryland - Lottery	\$ 242,138,939	\$ 203,459,847
Maryland Stadium Authority	21,249,187	23,431,883
Maryland Education Trust Fund	212,462,779	226,907,799
Purse Dedication	26,769,131	27,809,043
Local Impact Grants	24,869,687	25,803,801
Racetracks Facility Renewal Accounts	4,366,860	4,545,241
Local Jurisdictions	12,340,548	12,751,328
Small, Minority, Women-Owned Business	6,720,681	14,203
DHMH Problem Gambling Fund	47,768	93,492
Veterans Trust	79,551	88,101
Gaming Net Income	1,690,334	1,897,954
<b>Total Allocation</b>	<u><u>\$ 552,735,465</u></u>	<u><u>\$ 526,802,692</u></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**  
**November 30, 2020**

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**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**  
**November 30, 2020**

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**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. In March 2020, the State of Maryland's Governor issued an Executive Order which extended the unclaimed prize deadline from 182 days until 30 days after the State of Emergency due to COVID-19 was lifted. The grace period for tickets that reached their expiration dates during the COVID-19 pandemic expired on June 30, 2021. The unclaimed prize deadline has returned to 182 days.

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's 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**  
**November 30, 2020**

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**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 November 30, 2020 and October 31, 2020 and the allocation of income for the one and five month periods ended November 30, 2020 and November 30, 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.

**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.

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), 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.

**Maryland Lottery and Gaming Control Agency**  
**Notes to the Special-Purpose Financial Statements**  
**November 30, 2020**

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

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

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 30<sup>th</sup>. 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. The adjusting entries are made during the preparation of the year end financial statements prepared in accordance with generally accepted accounting principles. During interim months, this difference is included in accrued expenses in the accompanying special-purpose statements of assets, liabilities, and net position.

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

As of November 30, 2020, six casinos were in operation with a total of 6,620 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.

**Maryland Lottery and Gaming Control Agency**  
**Notes to the Special-Purpose Financial Statements**  
**November 30, 2020**

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

**Gaming Operations (VLTs and Table Games) - Revenue Recognition, Prize Obligations and Expenses – cont'd.**

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 November 30, 2020, there were 579 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 2021, 2020, and 2019 in the amount of \$6,583,354, \$6,956,016, and \$7,018,818, respectively. During the five month periods ended November 30, 2020 and November 30, 2019, the Agency had \$2,420,419 and \$2,197,926 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**  
**November 30, 2020**

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**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**  
**November 30, 2020**

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**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 November 30, 2020 and October 31, 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 November 30, 2020 and October 31, 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 SGI will reimburse the Agency for the losses incurred as a result of this error. The previously reported January 31, 2020 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. As of November 30, 2020, and October 31, 2020, accounts receivable – SGI totaled \$211,062 and \$2,592,916 respectively. The error in the application continued through September 2020, at which time all previously purchased tickets were closed and the application error was resolved.

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**  
**November 30, 2020**

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**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, *Leases*. 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. Prior to the State of Emergency due to COVID-19, prizes were required to be claimed within 182 days of drawing, or at the end of an instant game. Due to the State of Emergency related to COVID-19, the timeframe for claiming prizes was extended to 30 days after the State of Emergency due to COVID-19 was lifted, or at the end of an instant game. The grace period for tickets that reached their expiration dates during the COVID-19 pandemic expired on June 30, 2021. The unclaimed prize deadline has returned to 182 days. 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.

**Maryland Lottery and Gaming Control Agency**  
**Notes to the Special-Purpose Financial Statements**  
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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.**

**Payments to the State of Maryland – cont'd.**

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

- Beginning 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. After June 30, 2020, 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.
- 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.
- 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.
- Beginning July 1, 2020, transfers of 1.5% of the gross terminal revenue from five casinos and 0.75% of the gross terminal revenue from one casino are made to the Small, Minority, Women-Owned Business account. There were no transfers made to the Small, Minority, Women-Owned Business account during the year ended June 30, 2020.

Due to 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.



**Maryland Lottery and Gaming Control Agency**  
**Notes to the Special-Purpose Financial Statements**  
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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.**

**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 30<sup>th</sup> 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 October 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.

**2. CASH AND CASH EQUIVALENTS**

As of November 30, 2020 and October 31, 2020, the carrying amounts of deposits with financial institutions were \$10,419,431 and \$9,357,005, respectively. The corresponding bank balances were \$10,220,305 and \$9,389,847 as of November 30, 2020 and October 31, 2020, respectively.

As of November 30, 2020 and October 31, 2020, the carrying amounts of cash on deposit with the Maryland State Treasury were \$323,297,428 and \$271,862,778, respectively. The corresponding Maryland State Treasury balances were \$311,373,003 and \$272,881,787, as of November 30, 2020 and October 31, 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.

**Maryland Lottery and Gaming Control Agency**  
**Notes to the Special-Purpose Financial Statements**  
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**2. CASH AND CASH EQUIVALENTS – cont’d.**

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, 2020, more than 5% of government fund investments were in the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation. As of June 30, 2020, these investments represent 15.63% and 5.65% of the State of Maryland’s internal investment pool, respectively.

**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 is 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 0.017% to 6.458%. As of November 30, 2020 and October 31, 2020, the Agency’s United States Government Treasury Bonds totaled \$37,753,852 and \$39,082,868, 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 November 30, 2020 and October 31, 2020, the annuity contracts totaled \$44,032 and \$44,300, 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**  
**November 30, 2020**

**4. CAPITAL ASSETS**

A summary of capital asset activity for the month ended November 30, 2020 is as follows:

	October 31, 2020	Increases	Decreases	November 30, 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 November 30, 2020 is as follows:

	October 31, 2020	Increases	Decreases	November 30, 2020
Right-of-Use Assets				
Machinery and Equipment	\$ 8,250,828	\$ -	\$ -	\$ 8,250,828
Office and Warehouse Space	6,471,988	-	-	6,471,988
Total Capital Assets	14,722,816	-	-	14,722,816
Less: Accumulated Amortization				
Machinery and Equipment	2,308,514	106,790	-	2,415,304
Office and Warehouse Space	3,717,324	99,658	-	3,816,982
Total Accumulated Amortization	6,025,838	206,448	-	6,232,286
Right-of-Use Assets, net	\$ 8,696,978	\$ (206,448)	\$ -	\$ 8,490,530

**Maryland Lottery and Gaming Control Agency**  
**Notes to the Special-Purpose Financial Statements**  
**November 30, 2020**

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**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:

<u>Fiscal Year</u>	<u>Total</u>
2021	\$ 1,971,031
2022	5,461,196
2023	4,185,196
2024	3,333,196
2025	3,466,196
2026-2030	12,700,980
2031-2035	7,830,433
2036-2040	5,509,000
2041	916,000
Total future payments	45,373,228
Less: amount representing interest	7,575,344
Present value of payments	\$ 37,797,884

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, 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**  
**November 30, 2020**

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**7. COMMITMENTS AND CONTINGENCIES – cont’d.**

**Leases – cont’d.**

Future minimum lease payments under these non-cancelable capital leases are as follows as of November 30, 2020:

2021	\$1,624,257
2022	2,822,801
2023	2,127,682
2024	1,418,340
2025	1,063,754
Total future minimum lease payments	9,056,834
Less: discount to present value	(468,233)
Lease liability, net	<u>\$8,588,601</u>

**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 a 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**  
**November 30, 2020**

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**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 EVENTS**

The COVID-19 outbreak in the United States has 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.

During June 2020, the State of Maryland allowed for limited openings of the casinos, bars and restaurants, and the veteran organizations. As of July 1, 2021, the State of Maryland lifted the remaining restrictions on the casinos, bars and restaurants and the veteran organizations.

Effective May 18, 2021, legislation was passed that establishes and implements sports wagering in the State and provides for regulation of sports wagering and fantasy gaming competitions. The Agency must generally regulate sports wagering and the conduct of sports wagering to the same extent that it regulates the operation of VLT’s and table games in the State. Certain revenues are to be distributed to the Blueprint for Maryland’s Future Fund (BMFF), the Problem Gambling Fund, and a new Small, Minority-Owned, and Women-Owned Business Sports Wagering Assistance (SMWOBSWA) Fund.

## **SUPPLEMENTARY INFORMATION**

**Maryland Lottery and Gaming Control Agency**  
**Special-Purpose Schedules of Gross Margin**  
**For the Month Ended November 30, 2020**

	Net Sales	Gaming Revenue	Prize Expense	Commission Expense	Gross Margin	Gross Margin to Sales
Pick 3	\$ 21,466,297	\$ -	\$ 10,326,660	\$ 1,490,164	\$ 9,649,473	44.95%
Pick 4	30,702,386	-	15,063,900	2,114,063	13,524,423	44.05%
Keno	9,376,440	-	5,533,451	679,112	3,163,877	33.74%
Keno Bonus	1,732,982	-	1,059,535	126,853	546,594	31.54%
Keno Super Bonus	8,260,607	-	5,528,145	617,931	2,114,531	25.60%
Multi-Match	2,548,486	-	1,372,847	165,008	1,010,631	39.66%
Mega Millions	5,666,855	-	2,904,871	321,375	2,440,609	43.07%
Megaplier	408,511	-	196,259	25,051	187,201	45.83%
RacetraX	19,074,937	-	12,735,663	1,456,219	4,883,055	25.60%
RacetraX Bonus	3,239,307	-	2,360,960	243,394	634,953	19.60%
5 Card Cash	436,624	-	250,528	31,019	155,077	35.52%
Bonus Match 5	1,567,561	-	689,478	105,940	772,143	49.26%
Instant	71,629,455	-	53,160,537	5,424,317	13,044,601	18.21%
Powerball	5,674,040	-	2,356,777	323,216	2,994,047	52.77%
Powerplay	435,271	-	91,624	26,142	317,505	72.94%
ITLM	746,120	-	-	605,432	140,688	18.86%
ITLM Lease Revenue	-	-	-	-	223,839	0.00%
Cash4Life	1,589,276	-	888,771	99,378	601,127	37.82%
Fast Play	4,488,200	-	3,312,812	414,223	761,165	16.96%
Gaming	-	129,574,255	-	76,674,672	52,899,583	40.83%
Total	\$ 189,043,355	\$ 129,574,255	\$ 117,832,818	\$ 90,943,509	\$ 110,065,122	34.54%

**For the Month Ended November 30, 2019**

	Net Sales	Gaming Revenue	Prize Expense	Commission Expense	Gross Margin	Gross Margin to Sales
Pick 3	\$ 19,806,166	\$ -	\$ 9,300,732	\$ 1,380,762	\$ 9,124,672	46.07%
Pick 4	27,711,578	-	18,138,150	2,036,670	7,536,758	27.20%
Keno	11,066,991	-	6,508,900	811,225	3,746,866	33.86%
Keno Bonus	2,087,361	-	1,258,072	151,991	677,298	32.45%
Keno Super Bonus	9,119,341	-	6,044,252	679,410	2,395,679	26.27%
Multi-Match	2,450,363	-	1,643,268	173,352	633,743	25.86%
Mega Millions	7,476,644	-	3,429,125	421,683	3,625,836	48.50%
Megaplier	477,337	-	122,017	28,900	326,420	68.38%
RacetraX	17,131,310	-	11,519,049	1,308,097	4,304,164	25.12%
RacetraX Bonus	2,838,808	-	1,925,762	210,425	702,621	24.75%
5 Card Cash	516,548	-	303,575	36,761	176,212	34.11%
Bonus Match 5	1,520,780	-	1,009,094	104,629	407,057	26.77%
Instant	68,385,221	-	50,302,060	5,166,636	12,916,525	18.89%
Powerball	5,202,063	-	2,752,835	295,213	2,154,015	41.41%
Powerplay	385,935	-	208,286	23,238	154,411	40.01%
ITLM	917,007	-	-	742,068	174,939	19.08%
ITLM Lease Revenue	-	-	-	-	276,583	0.00%
Cash4Life	1,690,646	-	937,510	106,213	646,923	38.26%
Gaming	-	140,882,937	-	81,738,513	59,144,424	41.98%
Total	\$ 178,784,099	\$ 140,882,937	\$ 115,402,687	\$ 95,415,786	\$ 109,125,146	34.14%

**For the Five Month Period Ended November 30, 2020**

	Net Sales	Gaming Revenue	Prize Expense	Commission Expense	Gross Margin	Gross Margin to Sales
Pick 3	\$ 115,352,631	\$ -	\$ 49,990,903	\$ 7,847,465	\$ 57,514,263	49.86%
Pick 4	160,033,340	-	86,789,050	11,347,290	61,897,000	38.68%
Keno	52,005,942	-	30,585,094	3,787,134	17,633,714	33.91%
Keno Bonus	9,583,423	-	5,662,202	698,967	3,222,254	33.62%
Keno Super Bonus	46,409,422	-	30,676,114	3,478,830	12,254,478	26.41%
Multi-Match	12,557,647	-	7,397,117	910,191	4,250,339	33.85%
Mega Millions	25,399,673	-	12,667,584	1,440,305	11,291,784	44.46%
Megaplier	1,925,243	-	829,972	118,949	976,322	50.71%
RacetraX	102,582,538	-	67,921,414	7,954,633	26,706,491	26.03%
RacetraX Bonus	17,631,334	-	11,903,243	1,305,339	4,422,752	25.08%
5 Card Cash	2,359,228	-	1,403,116	169,674	786,438	33.33%
Bonus Match 5	8,293,764	-	4,237,337	570,251	3,486,176	42.03%
Instant	385,853,988	-	285,751,073	29,229,382	70,873,533	18.37%
Powerball	25,726,861	-	12,703,594	1,459,668	11,563,599	44.95%
Powerplay	2,121,458	-	1,407,166	133,859	580,433	27.36%
ITLM	3,918,584	-	-	3,123,101	795,483	20.30%
ITLM Lease Revenue	-	-	-	-	1,175,591	0.00%
Cash4Life	8,666,947	-	4,821,345	541,497	3,304,105	38.12%
Fast Play	24,841,509	-	17,036,047	1,911,468	5,893,994	23.73%
Gaming	-	709,283,228	-	414,092,114	295,191,114	41.62%
Total	\$ 1,005,263,532	\$ 709,283,228	\$ 631,782,371	\$ 490,120,117	\$ 593,819,863	34.63%

**For the Five Month Period Ended November 30, 2019**

	Net Sales	Gaming Revenue	Prize Expense	Commission Expense	Gross Margin	Gross Margin to Sales
Pick 3	\$ 100,412,855	\$ -	\$ 45,960,688	\$ 6,900,619	\$ 47,551,548	47.36%
Pick 4	134,542,610	-	73,076,750	9,461,782	52,004,078	38.65%
Keno	57,904,358	-	34,303,445	4,234,735	19,366,178	33.45%
Keno Bonus	10,868,472	-	6,611,543	796,711	3,460,218	31.84%
Keno Super Bonus	47,862,808	-	31,718,849	3,594,567	12,549,392	26.22%
Multi-Match	11,097,761	-	6,936,516	743,234	3,418,011	30.80%
Mega Millions	29,635,737	-	14,178,664	1,678,224	13,778,849	46.49%
Megaplier	1,957,833	-	810,603	119,472	1,027,758	52.49%
RacetraX	82,503,990	-	55,237,016	6,320,313	20,946,661	25.39%
RacetraX Bonus	13,337,815	-	9,100,718	989,084	3,248,013	24.35%
5 Card Cash	2,577,537	-	1,528,563	185,072	863,902	33.52%
Bonus Match 5	7,739,965	-	4,004,443	527,842	3,207,680	41.44%
Instant	334,997,471	-	246,326,819	25,299,377	63,371,275	18.92%
Powerball	25,969,320	-	13,710,293	1,478,378	10,780,649	41.51%
Powerplay	1,904,398	-	933,927	119,061	851,410	44.71%
ITLM	4,412,973	-	-	3,532,035	880,938	19.96%
ITLM Lease Revenue	-	-	-	-	1,325,984	0.00%
Cash4Life	9,372,165	-	5,215,201	587,230	3,569,734	38.09%
Gaming	-	733,648,583	-	427,962,324	305,686,259	41.67%
Total	\$ 877,098,068	\$ 733,648,583	\$ 549,654,038	\$ 494,530,060	\$ 567,888,537	35.26%