



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

AUDITED SPECIAL-PURPOSE FINANCIAL STATEMENTS
October 31, 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 October 31, 2020 and September 30, 2020, the special-purpose statements of allocation of income for the one and four month periods ended October 31, 2020 and October 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 October 31, 2020 and September 30, 2020 and its allocation of income for the one and four month periods ended October 31, 2020 and October 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.

August 24, 2021

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

ASSETS

	<u>October 31, 2020</u>	<u>September 30, 2020</u>
Cash and Cash Equivalents	\$ 6,706,018	\$ 7,197,846
Cash and Cash Equivalents - Gaming Escrow	40,759	40,759
Cash and Cash Equivalents - Restricted - Gaming License Deposits	2,345,591	4,358,786
Cash and Cash Equivalents - Agent	264,637	277,637
Cash Held with State Treasury	271,862,778	217,989,374
Investments in Annuity Contracts and Treasury Bonds	39,127,168	39,022,836
Accounts Receivable - Lottery	58,217,111	50,346,281
Accounts Receivable - Casino Operators	5,557,968	2,079,963
Accounts Receivable - SGI	2,592,916	3,459,931
Accounts Receivable - Maryland Department of Health	95,651	95,651
Prepaid Commissions	57,132	55,457
Right-of-Use Asset, net	8,696,978	8,902,901
Total Assets	<u>\$ 395,564,707</u>	<u>\$ 333,827,422</u>

LIABILITIES AND NET POSITION

Liabilities

Due to State of Maryland - Lottery	\$ 194,391,652	\$ 149,030,519
Due to Maryland Stadium Authority	12,341,423	2,352,601
Due to Maryland Education Trust Fund	43,576,492	43,403,605
Due to Purse Dedication	5,567,080	5,496,267
Due to Small, Minority, Women-Owned Business	1,397,630	1,379,813
Due to Local Impact Grants	5,171,523	5,105,286
Due to Racetracks Facility Renewal Accounts	908,313	896,890
Due to Local Jurisdictions	2,357,038	2,471,158
DHMH Problem Gambling Fund	2,207	3,779,273
Due to General Fund	1,858,815	794,492
Due to Veterans Trust	65,483	48,252
Obligations for Unpaid Prizes		
On-line games	20,613,381	16,365,101
Instant games	39,405,250	37,126,342
Installments under annuity contracts	39,127,168	39,022,836
Accrued Expenses	9,880,023	6,936,881
Gaming Licensing Deposits	2,084,666	1,946,934
Gaming Escrow - Restricted	40,759	40,759
Agent Escrow - Restricted	264,637	277,637
Taxes Payable and Other Liabilities	2,341,641	2,768,553
Deferred Revenue	1,839,196	1,811,598
Lease Liability, net	8,798,944	9,123,719
Total Liabilities	<u>392,033,321</u>	<u>330,178,516</u>

Commitments and Contingencies (Note 7)

Net Position

Reserve for Unclaimed Prizes	3,633,352	3,869,731
Invested in Capital and Right-of-Use Assets, net of related debt	(101,966)	(220,825)
Total Net Position	<u>3,531,386</u>	<u>3,648,906</u>
Total Liabilities and Net Position	<u>\$ 395,564,707</u>	<u>\$ 333,827,422</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 October 31, 2020 and October 31, 2019

	Month Ended October 31, 2020	Month Ended October 31, 2019
Revenue		
Gross Sales	\$ 202,989,015	\$ 175,511,400
Sales Discount	1,260,109	2,558
Net Sales	<u>201,728,906</u>	<u>175,508,842</u>
Gaming Revenue - Gross Terminal Revenue	95,519,326	92,401,330
Gaming Revenue - State Grant	1,253,131	529,362
Gaming Revenue - Table Games	47,140,759	51,494,080
Gaming Revenue - Facility Applicants	122,697	209,635
Total Gaming Revenue	<u>144,035,913</u>	<u>144,634,407</u>
ITLM Lease Revenue	<u>260,903</u>	<u>272,905</u>
Total Revenue	<u>346,025,722</u>	<u>320,416,154</u>
Cost of Sales		
Prize Expense	122,018,717	105,802,996
Retailer Commissions	15,192,114	13,133,849
Casino Commissions	82,726,815	84,628,269
Total Cost of Sales	<u>219,937,646</u>	<u>203,565,114</u>
Operating Expenses		
Administrative Expenses	8,325,868	8,604,406
Total Operating Expenses	<u>8,325,868</u>	<u>8,604,406</u>
Total Expenses	<u>228,263,514</u>	<u>212,169,520</u>
Income from Operations	<u>117,762,208</u>	<u>108,246,634</u>
Non-Operating Revenue		
Voluntary Exclusion Program	2,308	46,362
Total Non-Operating Revenue	<u>2,308</u>	<u>46,362</u>
Total Income	<u>\$ 117,764,516</u>	<u>\$ 108,292,996</u>
Allocation of Income		
State of Maryland - Lottery	\$ 45,361,133	\$ 37,800,899
Maryland Stadium Authority	12,341,445	11,889,997
Maryland Education Trust Fund	43,576,491	44,456,366
Purse Dedication	5,567,080	5,407,195
Local Impact Grants	5,171,523	4,997,019
Racetracks Facility Renewal Accounts	908,313	883,480
Local Jurisdictions	2,357,038	2,595,744
Small, Minority, Women-Owned Business	1,397,630	5,538
DHMH Problem Gambling Fund	2,308	46,361
Veterans Trust	17,231	19,479
Gaming Net Income	1,064,324	190,918
Total Allocation	<u>\$ 117,764,516</u>	<u>\$ 108,292,996</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 Four Month Periods Ended October 31, 2020 and October 31, 2019

	Four Month Period Ended October 31, 2020	Four Month Period Ended October 31, 2019
Revenue		
Gross Sales	\$ 820,615,185	\$ 700,421,137
Sales Discount	4,395,007	2,107,168
Net Sales	<u>816,220,178</u>	<u>698,313,969</u>
Gaming Revenue - Gross Terminal Revenue	375,971,682	381,741,145
Gaming Revenue - State Grant	3,353,787	2,300,180
Gaming Revenue - Table Games	199,866,689	207,966,500
Gaming Revenue - Facility Applicants	516,815	757,821
Total Gaming Revenue	<u>579,708,973</u>	<u>592,765,646</u>
ITLM Lease Revenue	951,752	1,049,400
Total Revenue	<u>1,396,880,903</u>	<u>1,292,129,015</u>
Cost of Sales		
Prize Expense	513,949,553	434,251,351
Retailer Commissions	61,759,166	52,890,463
Casino Commissions	337,417,442	346,223,812
Total Cost of Sales	<u>913,126,161</u>	<u>833,365,626</u>
Operating Expenses		
Administrative Expenses	32,820,334	32,804,697
Total Operating Expenses	<u>32,820,334</u>	<u>32,804,697</u>
Total Expenses	<u>945,946,495</u>	<u>866,170,323</u>
Income from Operations	<u>450,934,408</u>	<u>425,958,692</u>
Non-Operating Revenue		
Voluntary Exclusion Program	23,719	77,514
Total Non-Operating Revenue	<u>23,719</u>	<u>77,514</u>
Total Income	<u><u>\$ 450,958,127</u></u>	<u><u>\$ 426,036,206</u></u>
Allocation of Income		
State of Maryland - Lottery	\$ 194,391,651	\$ 164,166,869
Maryland Stadium Authority	18,866,812	19,820,701
Maryland Education Trust Fund	173,396,077	182,593,063
Purse Dedication	21,876,184	22,313,388
Local Impact Grants	20,337,384	20,688,206
Racetracks Facility Renewal Accounts	3,564,826	3,645,631
Local Jurisdictions	9,993,334	10,419,365
Small, Minority, Women-Owned Business	5,493,407	11,282
DHMH Problem Gambling Fund	23,719	77,513
Veterans Trust	65,482	70,606
Gaming Net Income	2,949,251	2,229,582
Total Allocation	<u><u>\$ 450,958,127</u></u>	<u><u>\$ 426,036,206</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
October 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
October 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. 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
October 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 October 31, 2020 and September 30, 2020 and the allocation of income for the one and four month periods ended October 31, 2020 and October 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.

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
October 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.

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. 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 October 31, 2020, six casinos were in operation with a total of 6,644 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
October 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 – 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 October 31, 2020, there were 575 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 four month periods ended October 31, 2020 and October 31, 2019, the Agency had \$3,353,787 and \$2,300,180 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
October 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
October 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 October 31, 2020 and September 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 October 31, 2020 and September 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 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 October 31, 2020, and September 30, 2020, accounts receivable – SGI totaled \$2,592,916 and \$3,459,931 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
October 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, *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. 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
October 31, 2020

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 June 30, 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
October 31, 2020

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 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 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 October 31, 2020 and September 30, 2020, the carrying amounts of deposits with financial institutions were \$9,357,005 and \$11,875,028, respectively. The corresponding bank balances were \$9,389,847 and \$11,461,053 as of October 31, 2020 and September 30, 2020, respectively.

As of October 31, 2020 and September 30, 2020, the carrying amounts of cash on deposit with the Maryland State Treasury were \$271,862,778 and \$217,989,374, respectively. The corresponding Maryland State Treasury balances were \$272,881,787 and \$220,773,813, as of October 31, 2020 and September 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.

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

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 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 October 31, 2020 and September 30, 2020, the Agency’s United States Government Treasury Bonds totaled \$39,082,868 and \$38,978,269, 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 October 31, 2020 and September 30, 2020, the annuity contracts totaled \$44,300 and \$44,567, 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
October 31, 2020

4. CAPITAL ASSETS

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

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

	September 30, 2020	Increases	Decreases	October 31, 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	2,201,991	106,523	-	2,308,514
Office and Warehouse Space	3,617,924	99,400	-	3,717,324
Total Accumulated Amortization	5,819,915	205,923	-	6,025,838
Right-of-Use Assets, net	\$ 8,902,901	\$ (205,923)	\$ -	\$ 8,696,978

Maryland Lottery and Gaming Control Agency
Notes to the Special-Purpose Financial Statements
October 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
2021	\$ 3,405,464
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	46,807,661
Less: amount representing interest	7,680,493
Present value of payments	\$ 39,127,168

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
October 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 October 31, 2020:

2021	\$ 1,856,293
2022	2,822,801
2023	2,127,682
2024	1,418,340
2025	1,063,755
Total future minimum lease payments	9,288,871
Less: discount to present value	(489,927)
Lease liability, net	<u>\$ 8,798,944</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
October 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 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 by the Agency. 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 Sports Wagering Assistance (SMWOBSWA) Fund.

SUPPLEMENTARY INFORMATION

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

	Net Sales	Gaming Revenue	Prize Expense	Commission Expense	Gross Margin	Gross Margin to Sales
Pick 3	\$ 22,202,914	\$ -	\$ 11,136,380	\$ 1,549,675	\$ 9,516,859	42.86%
Pick 4	32,040,666	-	11,782,500	2,114,818	18,143,348	56.63%
Keno	10,561,408	-	6,142,594	763,651	3,655,163	34.61%
Keno Bonus	1,949,709	-	1,141,343	141,085	667,281	34.22%
Keno Super Bonus	9,440,374	-	6,161,055	700,504	2,578,815	27.32%
Multi-Match	2,281,739	-	1,231,299	160,041	890,399	39.02%
Mega Millions	5,071,672	-	2,420,108	285,067	2,366,497	46.66%
Megaplier	389,612	-	182,413	23,695	183,504	47.10%
Racetraz	21,331,314	-	13,786,413	1,662,869	5,882,032	27.57%
Racetraz Bonus	3,785,649	-	2,482,203	281,112	1,022,334	27.01%
5 Card Cash	467,314	-	306,717	33,999	126,598	27.09%
Bonus Match 5	1,669,342	-	752,396	114,501	802,445	48.07%
Instant	78,337,538	-	57,982,802	5,942,630	14,412,106	18.40%
Powerball	5,081,967	-	2,628,978	287,849	2,165,140	42.60%
Powerplay	421,616	-	306,648	25,284	89,684	21.27%
ITLM	869,664	-	-	697,357	172,307	19.81%
ITLM Lease Revenue	-	-	-	-	260,903	0.00%
Cash4Life	1,703,776	-	911,203	105,525	687,048	40.33%
Fast Play	4,122,632	-	2,663,665	302,452	1,156,515	28.05%
Gaming	-	144,035,913	-	82,726,815	61,309,098	42.57%
Total	\$ 201,728,906	\$ 144,035,913	\$ 122,018,717	\$ 97,918,929	\$ 126,088,076	36.47%

For the Month Ended October 31, 2019

	Net Sales	Gaming Revenue	Prize Expense	Commission Expense	Gross Margin	Gross Margin to Sales
Pick 3	\$ 19,410,934	\$ -	\$ 7,183,345	\$ 1,274,663	\$ 10,952,926	56.43%
Pick 4	27,240,341	-	11,588,950	1,829,393	13,821,998	50.74%
Keno	11,310,268	-	6,754,404	820,507	3,735,357	33.03%
Keno Bonus	2,110,773	-	1,296,721	153,542	660,510	31.29%
Keno Super Bonus	9,292,030	-	6,204,542	693,581	2,393,907	25.76%
Multi-Match	2,415,302	-	1,518,695	159,393	737,214	30.52%
Mega Millions	4,972,488	-	2,603,359	281,355	2,087,774	41.99%
Megaplier	346,575	-	288,100	21,441	37,034	10.69%
Racetraz	16,702,943	-	11,394,350	1,246,300	4,062,293	24.32%
Racetraz Bonus	2,566,548	-	1,845,706	189,401	531,441	20.71%
5 Card Cash	518,251	-	318,113	37,362	162,776	31.41%
Bonus Match 5	1,533,240	-	743,450	103,320	686,470	44.77%
Instant	68,506,864	-	50,284,563	5,161,211	13,061,090	19.07%
Powerball	5,451,057	-	2,645,131	309,685	2,496,241	45.79%
Powerplay	398,287	-	128,947	23,957	245,383	61.61%
ITLM	909,671	-	-	714,884	194,787	21.41%
ITLM Lease Revenue	-	-	-	-	272,905	0.00%
Cash4Life	1,823,270	-	1,004,620	113,854	704,796	38.66%
Gaming	-	144,634,407	-	84,628,269	60,006,138	41.49%
Total	\$ 175,508,842	\$ 144,634,407	\$ 105,802,996	\$ 97,762,118	\$ 116,851,040	36.50%

For the Four Month Period Ended October 31, 2020

	Net Sales	Gaming Revenue	Prize Expense	Commission Expense	Gross Margin	Gross Margin to Sales
Pick 3	\$ 93,886,334	\$ -	\$ 39,664,243	\$ 6,357,300	\$ 47,864,791	50.98%
Pick 4	129,330,955	-	71,725,150	9,233,227	48,372,578	37.40%
Keno	42,629,503	-	25,051,642	3,108,023	14,469,838	33.94%
Keno Bonus	7,850,441	-	4,602,667	572,115	2,675,659	34.08%
Keno Super Bonus	38,148,815	-	25,147,970	2,860,899	10,139,946	26.58%
Multi-Match	10,009,162	-	6,024,270	745,184	3,239,708	32.37%
Mega Millions	19,732,818	-	9,762,715	1,118,929	8,851,174	44.86%
Megaplier	1,516,732	-	633,713	93,897	789,122	52.03%
Racetraz	83,507,601	-	55,185,751	6,498,414	21,823,436	26.13%
Racetraz Bonus	14,392,028	-	9,542,283	1,061,945	3,787,800	26.32%
5 Card Cash	1,922,604	-	1,152,588	138,655	631,361	32.84%
Bonus Match 5	6,726,203	-	3,547,859	464,311	2,714,033	40.35%
Instant	314,224,533	-	232,590,535	23,805,065	57,828,933	18.40%
Powerball	20,052,821	-	10,346,817	1,136,452	8,569,552	42.73%
Powerplay	1,686,187	-	1,315,542	107,717	262,928	15.59%
ITLM	3,172,461	-	-	2,517,668	654,793	20.64%
ITLM Lease Revenue	-	-	-	-	951,752	0.00%
Cash4Life	7,077,671	-	3,932,573	442,120	2,702,978	38.19%
Fast Play	20,353,309	-	13,723,235	1,497,245	5,132,829	25.22%
Gaming	-	579,708,973	-	337,417,442	242,291,531	41.80%
Total	\$ 816,220,178	\$ 579,708,973	\$ 513,949,553	\$ 399,176,608	\$ 483,754,742	34.65%

For the Four Month Period Ended October 31, 2019

	Net Sales	Gaming Revenue	Prize Expense	Commission Expense	Gross Margin	Gross Margin to Sales
Pick 3	\$ 80,606,689	\$ -	\$ 36,659,956	\$ 5,519,857	\$ 38,426,876	47.67%
Pick 4	106,831,032	-	54,938,600	7,425,112	44,467,320	41.62%
Keno	46,837,367	-	27,794,545	3,423,509	15,619,313	33.35%
Keno Bonus	8,781,111	-	5,353,473	644,720	2,782,918	31.69%
Keno Super Bonus	38,743,467	-	25,674,596	2,915,158	10,153,713	26.21%
Multi-Match	8,647,399	-	5,293,248	569,882	2,784,269	32.20%
Mega Millions	22,159,091	-	10,749,539	1,256,540	10,153,012	45.82%
Megaplier	1,480,496	-	688,586	90,572	701,338	47.37%
Racetraz	65,372,680	-	43,717,967	5,012,219	16,642,494	25.46%
Racetraz Bonus	10,499,007	-	7,174,955	778,658	2,545,394	24.24%
5 Card Cash	2,060,989	-	1,224,988	148,311	687,690	33.37%
Bonus Match 5	6,219,185	-	2,995,349	423,213	2,800,623	45.03%
Instant	266,612,250	-	196,024,759	20,132,741	50,454,750	18.92%
Powerball	20,767,257	-	10,957,458	1,183,164	8,626,635	41.54%
Powerplay	1,518,463	-	725,641	95,823	696,999	45.90%
ITLM	3,495,967	-	-	2,789,966	706,001	20.19%
ITLM Lease Revenue	-	-	-	-	1,049,400	0.00%
Cash4Life	7,681,519	-	4,277,691	481,018	2,922,810	38.05%
Fast Play	-	-	-	-	-	0.00%
Gaming	-	592,765,646	-	346,223,811	246,541,835	41.59%
Total	\$ 698,313,969	\$ 592,765,646	\$ 434,251,351	\$ 399,114,274	\$ 458,763,390	35.53%