

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2021

New Hampshire Lottery Commission

*A Department of the State of New Hampshire*



Over \$2 Billion and Counting for our Schools



**NEW HAMPSHIRE LOTTERY COMMISSION**  
**A Department of the State of New Hampshire**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2021**

*Prepared by the Finance Department of the  
New Hampshire Lottery Commission*

Charles R. McIntyre, Executive Director  
James C. Duris, Chief Financial Officer



Over \$2 Billion and Counting for our Schools

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*Photos by Jeffrey Mucciarone,  
Montagne Powers Communications*

Governor Christopher T. Sununu and Executive Director Charles McIntyre join owner and NH Lottery retailer Arthur Klemm and staff for the grand opening of Klemm's Family Store.

Commission Chairman Debra Douglas, General Manager Alex Anagnost, and Governor Christopher T. Sununu at the grand opening of Filótimo Sports Book, Manchester, New Hampshire.



*Photo by Maura McCann,  
NH Lottery*

Chris Pollinger, Sales Representative and Executive Director Charles McIntyre presented owners Riz and Mini Bilimoriya (center) of Neighborhood Variety convenience store with a \$13,500 retailer incentive check after the store sold a \$2 million winning \$25 Granite State Platinum Millions ticket.

# ***Introductory Section (Unaudited)***

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Over \$2 Billion and Counting for our Schools

GOVERNOR Christopher T. Sununu  
CHAIRMAN Debra M. Douglas  
COMMISSIONER Paul J. Holloway  
COMMISSIONER H. Andy Crews  
EXECUTIVE DIRECTOR Charles R. McIntyre

December 16, 2021

To the Citizens of the State of New Hampshire,  
The Governor and Executive Council of the State of New Hampshire, and  
The New Hampshire Lottery Commission:

We are pleased to submit this Annual Comprehensive Financial Report of the New Hampshire Lottery Commission (Lottery) for the fiscal year ended June 30, 2021. The finance department of the Lottery has prepared this comprehensive report. Management assumes full responsibility for the completeness and reliability of all information presented in this report. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the Lottery. All disclosures necessary to enable the reader to gain an understanding of the Lottery's financial activities have been included.

### **Internal Control**

Management of the Lottery is responsible for establishing and maintaining internal controls designed to ensure that assets are protected from loss, theft, or abuse; and to ensure that the accounting systems allow compilation of accurate and timely financial information. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of cost and benefits requires estimates and judgments by management.

Access to the Lottery's office and instant ticket warehouse is limited through high-level security. The Lottery has segregated responsibilities to enhance controls over accounting procedures relative to personnel and payroll; purchasing and accounts payable; sales and accounts receivable; and general ledger. Management personnel maintain oversight and approval authority over all areas of operations. The Lottery's independent auditors review significant and relevant areas annually and issue a report to the Legislative Fiscal Committee on internal control and compliance in conjunction with their financial audit.

The Lottery manages ticket inventory and controls the payment of prizes. As such, various precautions (internal controls) are taken to ensure the integrity and security of lottery operations.

They are as follows:

- High-level security at the Lottery's headquarters restricts access to office and warehouse areas to authorized Lottery personnel.
- Security cameras are located in key locations throughout the inside and outside of the Lottery headquarters building; they record activity at all times and are monitored by security personnel.
- Criminal record checks are performed on all new lottery employees, Keno retailers, and other employees performing services at Lottery headquarters.
- All scratch tickets are produced utilizing special inks, dyes, coatings, and security codes, among other proprietary security measures.
- Prize checks are printed with special non-erasable ink.
- Drawings held at Lottery headquarters have a designated secure drawing room, which is monitored 24 hours a day. The actual drawings are executed according to detailed procedures, witnessed by certified public accounting firm personnel, and recorded by primary and backup security cameras.
- Credit checks are performed on all Lottery retailers and contractors.
- Various levels of access and other controls are provided within the computer system.

The Lottery's financial statements have been audited by the State of New Hampshire Office of Legislative Budget Assistant, Audit Division (LBA). The LBA has issued an unmodified ("clean") opinion on the Lottery's financial statements for the year ended June 30, 2021. The independent auditor's report is presented as the first component in the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements the financial statements and should be read in conjunction with this transmittal letter.

The Lottery, as a department of the State of New Hampshire, is included within the State's Comprehensive Annual Financial Report. This report presents all activities of the Lottery in a single enterprise fund and does not include data or information related to any other state agency or fund.

## ***Profile of the Lottery***

### ***Lottery Division***

The New Hampshire Lottery Commission (Lottery) was created in 1963 through the enactment of New Hampshire Revised Statutes Annotated (RSA) 284:21-a, for the sole purpose of raising revenues to help fund education in New Hampshire. The first tickets went on sale in March of 1964, making New Hampshire the first modern state-run lottery. A three-member Commission is appointed for a staggered term of two years by the Governor and Executive Council to oversee the Lottery. The lottery industry in the United States is comprised of 45 state lotteries, the District of Columbia, the U.S. Virgin Islands, and Puerto Rico.

The Lottery headquarters is located in the capital city of Concord, which is in the central part of the state. The Lottery operates enterprise activities as a department of the State of New Hampshire. These activities include the sale of lottery tickets to the public and all necessary support functions. All profits are used exclusively for state aid to education in New Hampshire.

The Lottery is required to submit a biennial operating budget to the Governor for approval. The budget is further submitted to the Legislature for its approval and is ultimately included in the State of New Hampshire's operating budget. Due to the nature of the Lottery's activities, the majority of its cost of sales expenses, such as prizes, vendor fees and retailer commissions, are not included in the budget. The Lottery budgets for approximately 3% of its total expenses that consist primarily of salaries and benefits, mortgage and maintenance expenses, advertising and instant ticket printing costs. Financial management staff consistently monitors adherence to budgeted appropriations.

The New Hampshire Lottery Commission provides customers the opportunity to participate in a variety of instant and on-line lottery games, and sports betting on mobile and retail platforms. The Commission is also responsible for licensing and regulatory activities of sports betting and charitable gaming operations. The Lottery is a member of three lottery joint ventures: the Tri-State Lotto Commission, comprised of New Hampshire, Maine, and Vermont Lotteries; the Multi-State Lottery Association (MUSL), currently comprised of 35 member state lotteries, plus the District of Columbia, Puerto Rico, and the United States Virgin Islands, and as such, operates a number of on-line games under those jurisdictions; and Lucky for Life, which as of December, 2021, is comprised of lotteries in twenty-two states plus the District of Columbia. The following sections describe the products offered by the Lottery.

## Instant Games

Instant Games were introduced in New Hampshire in 1975 with a ticket called Lucky X. Instant games are played by scratching the latex covering off the play area on the ticket. There are several ways to win on an instant, or scratch, ticket, including matching three like dollar amounts, symbols, or letters; or adding up numbers to a specified total. If the correct combination appears, the player becomes an instant winner without having to wait for the results of a drawing (although some tickets have a component that allows entry into a drawing). The instant games offer a wide variety of themes and ticket prices. Players can win from one dollar to \$2 million, with ticket prices ranging from \$1 to \$25. The Lottery offered 128 instant games during fiscal year 2021.



Using premium print features, this feature-packed ticket was FY2021's top selling \$5 game. **The Big Spin** included an innovative "SPIN" feature that generated additional player excitement with an animated reveal of prizes on the monitors at retail locations. Players also had the option to go online to "SPIN" to reveal their prize and enter a Second Chance Drawing for a chance to win up to \$250,000!



Though this game launched in FY20, it further demonstrates the success and popularity of the Lottery's Spotlight game. With a print run that is quintupled and a top prize that is more than double the normal \$10 game, for the second year in a row, **\$500,000 Fortune Series II** was the top \$10 game. Providing over \$36 million in prizes and five top prizes of \$500,000, this colorful purple ticket with gold sparkle highlights caught the attention and imagination of our players.



Following in the footsteps of the popular \$50 or \$100 at the \$10 price point, **\$100 or \$200** used the same playstyle at the \$20 price point. Every win in this game was either \$100 or \$200, providing players cash in their hand and a unique playstyle. Players loved this game and it quickly became the top \$20 game.

## Tri-State Lotto Commission Draw-Based Games

Pick 3/Pick 4 has been offered in New Hampshire since 1977, and by Tri-State since 1985. This is the only game that offers tickets for less than a dollar: players can wager from 50 cents to \$5 for twice-daily drawings that take place at mid-day and in the evening. Players select a three (Pick 3) or a four (Pick 4) digit number and select from several different play options. Numbers are drawn seven days a week for fixed prize amounts ranging from \$2.50 to \$25,000, depending on the amount bet. Although the Pick 3/Pick 4 game is considered a mature product, it continues to maintain strong sales through its loyal player base.



Tri-State Megabucks was the first multi-state product to be offered by any jurisdiction in the United States. It was also the Lottery's first lotto-style game, and year after year it maintains a faithful player base. Megabucks has undergone some significant enhancements since its introduction in September, 1985. The Megabucks game began with a six of 30 matrix and a weekly drawing each Saturday. The matrix changed to six of 36 in 1986 and to six of 40 in 1988. In 1990, the Tri-State Lotto Commission added a second weekly jackpot drawing. More changes came to the game in 1997 with the addition of a bonus number, a new matrix of six of 42, and a guaranteed jackpot of \$500,000. In July, 2009, Megabucks changed to Megabucks Plus, with guaranteed starting jackpots of \$1 million and lower tier prizes ranging from \$2 to \$30,000. The cost of a ticket went from \$1 to \$2. Players now choose five numbers from a matrix of 41 and one Megaball number from 1 to 6. A jackpot winner may choose to be paid in cash or as an annuity in 25 annual installments. Although this game is over 30 years old, it still remains a profitable product for the Lottery with a committed player base. This game is available as a subscription.



Fast Play is a Tri-State game that began in June, 2006. It is an online game that plays like an instant ticket and is generated by the lottery terminal at the time of purchase. There is no waiting for a drawing like the other online games: players know instantly if they have won. Each Fast Play game has a shelf life of approximately three months, and up to eighteen different Fast Play games are offered each year, which keeps the product fresh and exciting. In April, 2015, the Lottery introduced progressive jackpot Fast Play games for sale at \$1, \$2, and \$5 price points. Examples of the different games offered are Money Tree, Fabulous 5, and progressive game Granite State Jackpot. Tickets cost \$1, \$2, \$5, \$10, or \$20 each depending on the game. Top prizes range from \$300 to \$5,000 on fixed-prize games, and progressives have reached over \$300,000. This game has proven to be a successful companion offering on Keno self-service kiosks.





Tri-State Gimme 5 was launched in May of 2013 in conjunction with the Vermont and Maine State Lotteries. For this lotto game, tickets are sold for \$1 per play, and players can either let the computer generate an Easy Pick, or they can choose five numbers from a matrix of 1 – 39. Players are permitted to purchase up to 30 draws on one ticket and drawings are held each weekday at the New Hampshire Lottery headquarters. Prizes include \$2, \$7, \$250, and a jackpot of \$100,000.

### *Multi-State Lottery Draw-Based Games (MUSL)*



New Hampshire Powerball is an online game jointly operated by the member lotteries of MUSL. A total of 47 lotteries participate in the sale of Powerball tickets, including the 38 MUSL members (which consist of 35 state lotteries, the U.S. Virgin Islands, Puerto Rico, and the District of Columbia) and the Mega Millions group (which consists of ten state lotteries). This game was introduced in New Hampshire in November, 1995, although it has been operated by MUSL since April, 1992. Powerball holds the record for the largest national lottery jackpot of \$1,586,000,000. Players select one set of five numbers and one additional number designated as the Powerball for each draw. The matrix is five numbers of a field of 1 through 69 plus one Powerball number from a field of 1 of 26. The minimum jackpot is \$40 million, which rolls over in the event that no ticket matches all five numbers and the Powerball. Powerball offers eight secondary prizes of fixed amounts ranging from \$4 to \$1,000,000 for a \$2 bet. For an extra \$1, players can choose the Power Play multiplier option for the chance to increase their winnings (except for the jackpot prize) up to \$2,000,000. A jackpot winner may choose to be paid in cash or as a graduated annuity in 30 annual installments. Drawings are held at the Florida Lottery's studio on Wednesdays and Saturdays. This game also offers ticket sales through subscriptions.



New Hampshire Mega Millions sales began in January of 2010. Like Powerball, Mega Millions is a MUSL game; although prior to January 31, 2010 any state that sold Powerball could not sell Mega Millions and vice versa. There are a total of 45 states, the U.S. Virgin Islands, and the District of Columbia that currently participate. Originally a \$1 per play game, a multiplier option for an additional \$1 was added. In October, 2017, the game changed to \$2 per play, plus \$1 Megaplier option. Players select five numbers from a field of 1 to 70 and a Megaball from a field of 1 to 20. Jackpots start at \$40 million, and other prizes range from \$2 to \$5,000,000. Jackpot winners may choose to be paid in cash or as a graduated annuity in 30 annual installments. Drawings are held in Atlanta, Georgia on Tuesdays and Fridays. This game also offers ticket sales through subscriptions.

Lucky for Life sales began in March of 2012. It is a multi-jurisdictional game originally operated by the six New England state lotteries but expanded in January, 2015, and now includes 25 states and the District of Columbia. Players choose five numbers from a field of 1 to 48, and one Lucky Ball from a field of 1 to 18. Easy Pick remains a choice as well. For \$2 per chance, players have the opportunity to win from 10 different prize levels ranging from \$3 up to \$25,000 a year for life, or the top prize of \$1,000 a day for life. Drawings are held every Monday and Thursday evening in Hartford, Connecticut.



*New Hampshire Lottery  
Draw Games, Internet Lottery, and Sports Betting*

Keno was signed into law as an exclusive revenue source for kindergarten funding in New Hampshire in July, 2017. Branded KENO 603, it launched on December 15, 2017 and is unique in that each municipality must vote whether to allow it in its jurisdiction. Retail locations are limited to adult environments such as restaurant bars and taverns, so applicants must hold a valid liquor license. Players can use either a paper play slip or conduct their drawing at a self-service kiosk. They wager from \$1 to \$25 per draw, and can add the multiplier option Keno Plus, which gives winners the chance to multiply their prize by 3, 4, 5, or 10 times. The players choose between one and 12 numbers (“spots”) from a field of 1 to 80. Every five minutes, the computer randomly picks 20 numbers, and players win based on the number of spots they match. Up to 20 consecutive draws can be played, and the game runs from 11 a.m. to 1 a.m. seven days a week. In September, 2019, HB 4 repealed Keno as the exclusive kindergarten funding source, and its revenues now go into the general Education Trust Fund.



House Bill 517 was signed into law in June, 2017 allowing the Commission “to sell lottery tickets on the Internet and by mobile applications and create certain practices to address problem gaming in such sales.” Internet Lottery (“iLottery”) was developed and launched in the first quarter of fiscal year 2019 on the Lottery’s website. Electronic games called e-Instants resemble scratch tickets and are available in demo mode for free play or money mode to play for cash prizes. When a player sets up their account, their location and age are verified; and deposits are limited to daily, weekly, and monthly maximums to encourage responsible gaming. Access to money mode is strictly limited to within the physical borders of New Hampshire. Participants can set the value of their wager from \$0.02 to \$30 for e-Instants, and Powerball and Mega Millions draw-based games can be purchased through iLottery for up to 20 consecutive drawings. In spring of 2020, NH Lottery contracted with additional gaming vendors to expand the library of games; and integration of Tri-State draw games to online purchase options is under development.



In July, 2019, House Bill 480 was signed into law, authorizing the New Hampshire Lottery Commission to conduct and regulate sports wagering. The legislation allows three channels of sports wagering through contracted agents and vendors across internet and mobile platforms, at up to ten physical sports book retail locations, and through traditional lottery retailers. In November, 2019, two vendors were contracted for services: DraftKings supplies the mobile app and supports sports book retail operations; and Intralot will provide a retail solution. The mobile app launched on December 30, 2019 and the first two sports book licenses were granted in the spring and summer of 2020 in Seabrook and Manchester respectively, and both locations opened their doors in 2020. The retail solution, Sports603, is currently under development.



### ***Licensing and Enforcement (Racing and Charitable Gaming Division)***

The Racing and Charitable Gaming Division (RCGD) of the New Hampshire Lottery Commission was charged with the oversight and compliance of pari-mutuel wagering, Bingo, and Lucky 7 ticket sales. Its focus has evolved and shifted from track-based racing to the Licensing and Enforcement of activities related to all charitable gaming activities, sports betting, and retail locations.

The Division's authority was granted under four distinct statutes: in 1933, RSA 284 was enacted that allowed for public wagering on live horse racing. Subsequently in 1971 and 1980, RSA 284 was amended to include greyhound racing and simulcast wagering respectively. In 2009, live greyhound racing in New Hampshire was banned by the legislature. Live horse racing was discontinued in New Hampshire due to unfavorable economic conditions and has not been re-instated to date.

In 1949, RSA 287 was enacted to allow Bingo games and sale of Lucky 7 tickets for charitable purposes only. In 1977 RSA 287-D was enacted to allow for Games of Chance for charitable purposes. RSA 287 was repealed and re-enacted in 1983 with various amendments as RSA 287-E.

HB 480, later RSA 287-I established a system within the Lottery Commission for sports betting, whose operations are subject to compliance audits and investigations by the Division. Additionally, its duties include the adjudication of hearings, auditing charitable organizations, gaming operators, distributors, manufacturers, and facilities; and the collection of taxes and fees associated with Bingo, Lucky 7, games of chance, and pari-mutuel wagering. All revenues received by the RCGD net of administrative costs are required by statute to be transferred to the State's Education Trust Fund.

The Division is the seat of all Lottery and charitable gaming licensing, including Daily Fantasy Sports, Sports Betting retail locations, Keno, and Lottery retailers; and financial auditing of the gaming entities and Lottery retailers.

The Enforcement Unit reviews and inspects Games of Chance facilities, Sports Betting retail locations, commercial Bingo halls, and Bingo and Lucky 7 charitable organizations to ensure that licensing documentation, equipment, accounting, and game operations are in compliance.

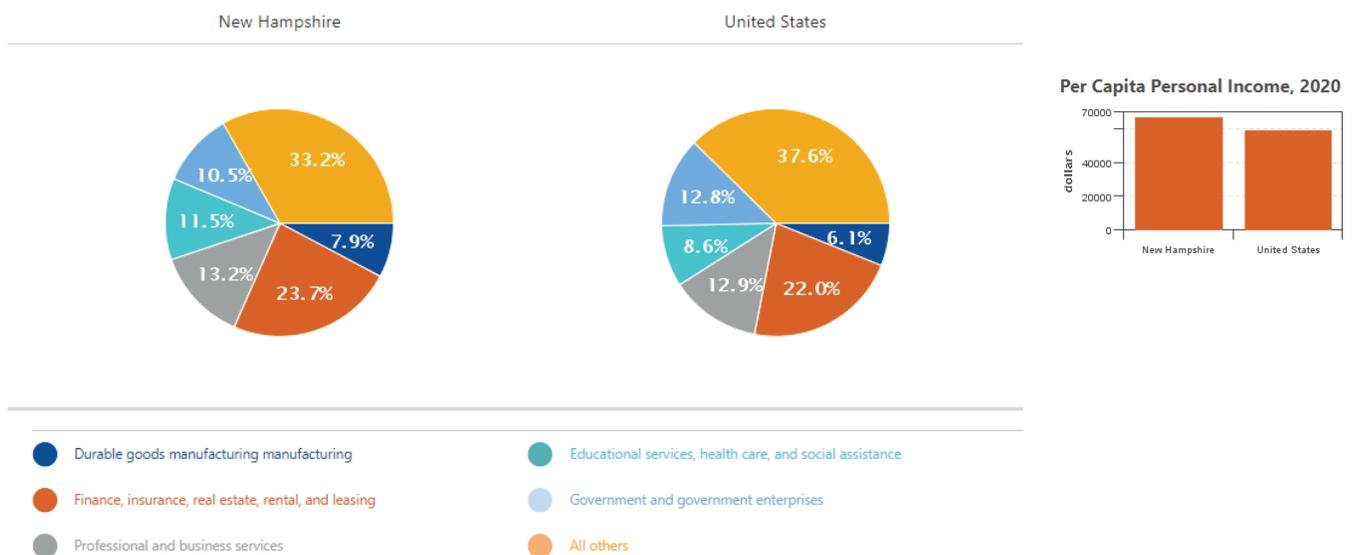
## New Hampshire's Economy

New Hampshire is a small state with a population of over 1.3 million. An independent study found that New Hampshire ranked seventh highest in the US for adults aged 25 and over with high school degrees or better in 2018; and ranked second overall in high school graduation rate. Various news outlets and business publications have conducted surveys and rankings, and New Hampshire consistently rates within the top five best states to live. Criteria include education, state economy, business friendliness and employment opportunities, crime rates, and natural environment.

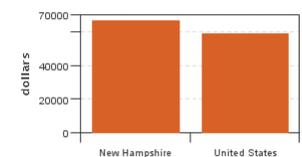
There is no sales tax, use tax, broad-base income tax, or capital gains tax in New Hampshire and the Tax Foundation ranked New Hampshire 6th best in America for overall tax in 2020. The Tax Foundation, a nonprofit fiscal policy research group, ranked New Hampshire's 2020 local and state tax burden as 44th in the United States (1 being the highest tax burden), at 7.9% of income; the U.S. average of state and local tax burden for 2012 is 9.9% of income (2012 was the latest data reported for local and state tax burden). A state's business tax climate measures how each state's tax laws affect economic performance. For October 2021, according to the State of New Hampshire Economic and Labor Market Information Bureau, the seasonally adjusted unemployment rate for New Hampshire was 2.9%, compared with the national average of 4.6%. The rate for New Hampshire was 4.7% in October, 2020, reflecting the impact of the COVID-19 pandemic.<sup>1</sup>

The most recent data from the Bureau of Economic Analysis (BEA) states New Hampshire's per capita personal income ranks 7th highest in the nation for calendar year 2020, at \$67,097, which is higher than the United States average of \$59,510 by 13%. New Hampshire's 2020 current dollar Gross Domestic Product (GDP), reported by BEA, ranked 38th in the United States (1 being the highest GDP) at \$87.6 billion. In 2020, real GDP for New Hampshire contracted 2.1% compared to 3.4% decrease for the nation; and the compound annual growth rate was 1.2% for New Hampshire, compared to the compound annual growth rate for the nation of 1.6%. BEA reported that in 2020, the largest industries in New Hampshire were finance, insurance, real estate, rental, and leasing, accounting for 23.7% of GDP (3.2% growth). Business services made up 13.2%, and did not change from the previous analysis. Arts, accommodation, recreation, food service, and entertainment declined and subtracted 1.65% from the growth of real GDP. Healthcare, educational services, and social assistance also detracted from real GDP 0.61%.

Top Five State Industries as a percent of Total GDP, 2020



Per Capita Personal Income, 2020



Source: Bureau of Economic Analysis BEARFACTS

1 New Hampshire Employment Security, News Release: November 16, 2021

According to the New Hampshire Business Resource Center, New Hampshire offers exceptional quality of life because of its overall low taxes, low crime, high quality health care, good schools, affordable housing, cultural opportunities, location, and environment. In New Hampshire, within reasonable driving distance, one can visit beautiful mountains, the ocean, or the city, attracting a wide range of active, talented, and creative people, who in turn attract diverse industries. All of these favorable qualities suggest continued growth for New Hampshire.

The New Hampshire Lottery does well in per capita sales and experienced significant growth in fiscal year 2021. According to LaFleur's Magazine, a research company that reports facts and statistics on lotteries, New Hampshire's per capita sales ranked 16th of the forty-five reporting state lotteries. LaFleur's also estimates U.S. lotteries paid over \$57 billion to prize winners and \$26 billion to their respective governments in fiscal year 2021. According to LaFleur's, instant ticket sales for U.S. lotteries were up \$9.1 billion to over \$63.5 billion, representing 66% of total traditional sales. National sales increased 18% overall for the draw games as Powerball and Mega Millions experienced jackpot runs during the fiscal year. Powerball sales grew to \$3.8 billion over the previous fiscal year, and Mega Millions increased to \$4.0 billion. New Hampshire's Powerball sales grew \$26.1 million and Mega Millions saw an increase of \$22.3 million over fiscal year 2020. New Hampshire's revenue grew over 39% in fiscal year 2021, the third largest percentage increase in the United States.<sup>2</sup>

### ***Long-term Financial Planning***

The Lottery, as a department of the State of New Hampshire, follows a two year budget process and is limited by State regulations in long term financial planning. The Lottery transfers all estimated net income, on a monthly basis, to the State Education Trust Fund.

New Hampshire does not have a sales tax or income tax, and sources of State revenues are limited. The Lottery plays a significant part in the State revenue process by producing revenue to fund education in the State. As such, the Lottery always explores additional gaming options for ways of producing higher revenues. The traditional lottery games, such as online lotto-style games are greatly affected by the amount of the jackpot as shown with the lackluster sales of the national games.

### ***Relevant Financial Policies***

All investments of the Lottery's excess cash are made by the New Hampshire State Treasury Department, which is responsible for the investment of all State funds. RSA 6:8 sets forth the policies the State Treasurer must adhere to when investing State funds. The types of investments authorized, with the approval of the Governor and Council, include obligations of the United States Government, legal investments for savings banks and trust companies, savings accounts, participation units in the public deposit investment pool, and various certificates of deposit.

All profits from Lottery operations are designated for education by the State Constitution. Once a month, Lottery net income is transferred to the Education Trust Fund from investments made from Lottery cash flows by the State Treasurer. Prize payments due winners for jackpot prizes awarded under Megabucks are fully funded by investments in US Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS) held by the Tri-State Lotto Commission (Tri-State). Treasury STRIPS are fixed-income securities sold at a significant discount to face value and offer no interest payments because they mature at par. STRIPS are backed by the U.S. government and offer minimal risk. La Fleur's Fiscal 2021 Report, *La Fleur's Magazine*, Vol. 29 No. 1, September/October 2021, pages 30 – 39.

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<sup>2</sup> La Fleur's Fiscal 2021 Report, *La Fleur's Magazine*, Vol. 29 No. 1, September/October 2021, pages 30 – 39.

The payments due winners for jackpot prizes awarded under Powerball and Mega Millions are satisfied through securities purchased by the Multi-State Lottery Association (MUSL). MUSL purchases U.S. government obligations to fund jackpot prizes, which are held in irrevocable trust or securities clearing accounts. The Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by Tri-State or MUSL. Jackpot/grand prizes for Lucky for Life winners are payable in installments and are satisfied through insurance annuities purchased by MUSL. MUSL purchases insurance annuities, on behalf of the member states, based on either \$365,000 or \$25,000 per year (depending on first or second prize level won) deferred annuity paid annually on the anniversary of the claim date, for the lifetime of the jackpot/grand prize winner. Accordingly, the Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by MUSL or the other party lotteries. The Lottery does accrue a current amount due for its proportionate share of prizes and expenses.

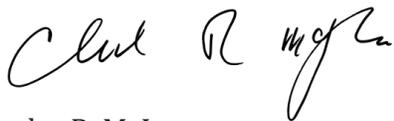
### ***Awards and Acknowledgements***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the New Hampshire Lottery Commission for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2019. This was the twentieth consecutive year that the Lottery has received this prestigious award. *[As of this publication date, there has been no formal acknowledgement of the ACFR submitted for the fiscal year ended June 30, 2020.]* In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current ACFR continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This ACFR reflects our commitment to improve and maintain the Lottery's financial statements and record keeping systems in conformity with the highest standards of accountability. This report also reflects the Lottery's commitment to maintaining the public's trust through high ethics and uncompromising integrity. The dedicated efforts of the entire Lottery team, including those in the finance, product development, distribution, licensing and enforcement, and sales and marketing departments are greatly appreciated. We would also like to recognize Commission Chair Debra Douglas, Commissioner Paul Holloway, Commissioner H. Andy Crews, and Governor Christopher T. Sununu and Executive Council of the State of New Hampshire, for their support, guidance, and dedication in operating the New Hampshire Lottery Commission.

Respectfully submitted,



Charles R. McIntyre  
Executive Director



James C. Duris  
Chief Financial Officer

## **New Hampshire Lottery Mission Statement**

*The mission of the New Hampshire Lottery Commission is to maximize revenues for aid to public education by providing secure and entertaining gaming products to its players. The commission's dedicated staff recognizes that New Hampshire was the first state to offer a lottery in modern times and that the lottery shall continue to be an industry leader by striving to exceed minimum industry standards and goals established for accounting, security, marketing, and game design.*

*The mission of the Licensing and Enforcement Division of New Hampshire Lottery is to protect the interest of the public, while fulfilling the objective of gaming as a source of revenue for education in the state. This is accomplished by ensuring the integrity of legalized gambling through the enforcement of applicable laws and regulations, licensing of qualified individuals and entities as well as encouraging economic opportunities.*

## **Our History**

State Representative Larry Pickett of Keene saw a sweepstakes as a viable and voluntary method of raising money for education. Between 1953 and 1963, Pickett proposed a Sweepstakes bill five times, finally succeeding in getting it passed in 1963. On April 30 of that year, Governor John King signed the bill. New Hampshire cities and towns voted by special ballot, with 198 of the state's 211 communities voting in favor of starting a lottery. On March 12, 1964, two days after the vote, Sweepstakes tickets went on sale – and the benefits to New Hampshire schools began.

The New Hampshire Lottery has seen a great deal of change over the years. We have gone from offering only one type of ticket that cost \$3 each to offering a variety of lotto-type games and numerous scratch games. Since the start of the Lottery, sales have gone from \$5.7 million in 1964 to almost \$332 million in 2018.

While players have come from both inside and outside New Hampshire, all of the revenue from the New Hampshire Lottery has stayed in the state, benefiting our local communities through our contributions to public education. To date, those contributions have amounted to over \$2 billion and have upheld the mission of the New Hampshire Lottery: to maximize revenues for aid to public education by providing secure and entertaining gaming products to its players.

Our Lottery was the first in the nation; now 45 states, plus the District of Columbia, Puerto Rico and the U.S. Virgin Islands have followed suit. We take pride in setting the example of dedicating our profits to public education. When you play the lottery, everyone wins.

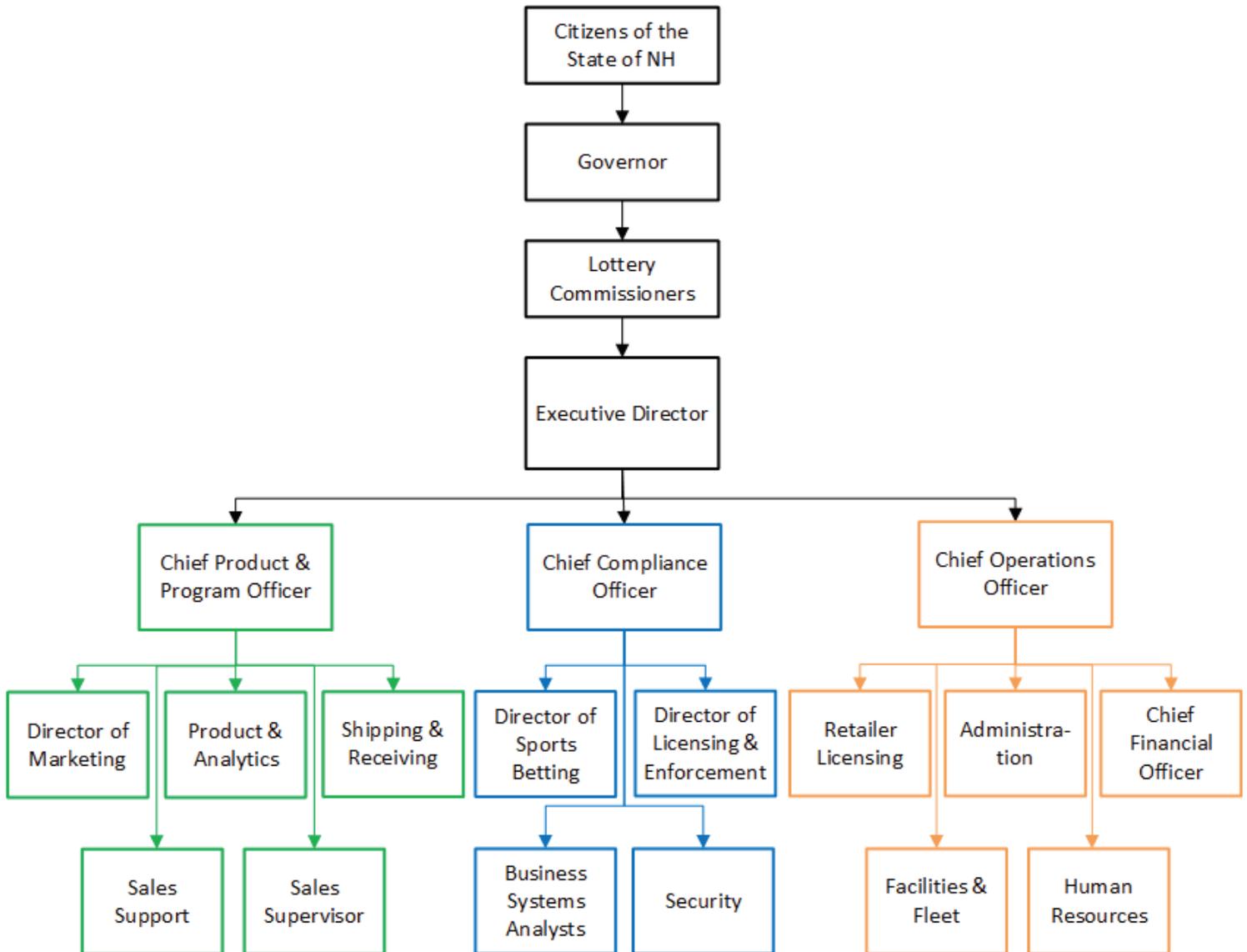
**NEW HAMPSHIRE LOTTERY COMMISSION**  
**Appointed Officials and Organizational Chart**

*Appointed Officials*

**Debra M. Douglas**  
 Commission Chairman  
 Term ends 6/29/2022

**Paul J. Holloway**  
 Commissioner  
 Term ends 6/29/2021

**H. Andy Crews**  
 Commissioner  
 Term ends 6/29/2023



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## ***Financial Section***

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**State of New Hampshire**  
OFFICE OF LEGISLATIVE BUDGET ASSISTANT  
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Concord, New Hampshire 03301

STEPHEN C. SMITH, CPA  
Director, Audit Division  
(603) 271-2785

## **Independent Auditor's Report**

*To The Fiscal Committee Of The General Court:*

### **Report On The Financial Statements**

We have audited the accompanying financial statements of the New Hampshire Lottery Commission which comprise the Statement of Net Position as of June 30, 2021, and the related Statements of Revenues, Expenses, and Changes in Net Position and Cash Flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the New Hampshire Lottery Commission's basic financial statements.

### ***Management's Responsibility For The Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 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 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 financial statements referred to above present fairly, in all material respects, the net position of the New Hampshire Lottery Commission as of June 30, 2021, and the changes in its net position, and its cash flows for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis Of Matter***

#### *Reporting Entity*

As discussed in Note 1, the financial statements present only the New Hampshire Lottery Commission and do not purport to, and do not, present fairly the financial position of the State of New Hampshire, as of June 30, 2021, the changes in its financial position, or its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 23 through 35 and the Schedules of the Lottery Commission's Proportionate Share of the Net Pension Liability on page 58, Lottery Commission's Contributions on page 58, and the Schedule of Lottery Commission's Proportionate Share of the Total Other Postemployment Benefits Liability on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary And Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the New Hampshire Lottery Commission's basic financial statements. The Introductory Section, Supplemental Schedule of Revenues, Expenses, and Distributions, and Statistical Section of this report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedule of Revenues, Expenses, and Distributions on page 60 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Revenues, Expenses, and Distributions is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2021 on our consideration of the New Hampshire Lottery Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Hampshire Lottery Commission's internal control over financial reporting and compliance.



Office Of Legislative Budget Assistant

December 16, 2021

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## Management's Discussion and Analysis (Unaudited)

As management of the New Hampshire Lottery Commission (Lottery), we offer readers of the Lottery's financial statements this narrative overview and analysis of the financial activities of the New Hampshire Lottery Commission for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements contained in this annual comprehensive financial report and our letter of transmittal, which begins on page 1.

### *Financial Highlights*

- Operating revenues for the Lottery program increased by \$126.8 million, or 32.3% for the current fiscal year. MUSL games revenue increased \$16.7 million or 40.3%, while revenue from instant scratch games increased \$48.1 million or 17.7%, exceeding \$300 million in sales for the first time. MUSL games contributed 11.2% to total revenue and instant scratch games contributed 61.7%. Tri- State games, which contributed 7.6% to total revenue, increased \$12.8 million while Lucky for Life sales increased \$94.6 thousand or 1.7% during fiscal year 2021.
- Revenues for the iLottery platform increased \$13.0 million or 121.0% for the year. This online service offers the ability to purchase both Powerball and Mega Millions remotely within the State. It also offers an array of e-Instant (scratch-style) games through the website.
- Keno revenues were \$47.9 million in fiscal year 2021. This was an increase of \$18.9 million over the previous year. Keno was offered in 217 locations during the year.
- Sports Betting completed its first full year of operations, contributing 3.2% of total revenues or \$16.7 million. This was an increase of \$14.6 million compared to the prior year. Retail operations began at two locations in the fall of 2020 contributing \$3.5 million or 21.0% of the total sports betting revenue
- Operating revenues for the Racing & Charitable Gaming Division (RCGD) were \$7.1 million. Primary sources of revenue for this division include simulcast racing tax, games of chance and Bingo/Lucky 7 tax, and license fees from racetracks, charitable organizations, game operators, facilities, manufacturers and distributors. RCGD revenues contributed 1.4% to total Lottery revenues.
- The Lottery's administrative costs for the current fiscal year increased approximately \$1.4 million, or 15.4% due to changes in the assumptions of future obligations of retirement benefits, increased payroll costs and additional advertising expense.
- Covid-19 continued to affect the State and Country causing disruptions across the economy. During the course of the year, public restaurants, serving establishments, and gaming rooms slowly reopened allowing dependent Lottery sectors to recover and resume mostly normal operations.
- Distributions to the Education Trust Fund increased \$44.4 million or 44.5% due to increases in revenues from all game platforms, especially traditional instant scratch tickets.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the New Hampshire Lottery's (Lottery) basic financial statements. The Lottery is accounted for as an enterprise fund, using the accrual basis of accounting. The Lottery's basic financial statements are comprised of four components: 1) the statement of net position, 2) the statement of revenues, expenses and changes in net position, 3) the statement of cash flows, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The statement of net position on page 36 presents information on all of the Lottery's assets, liabilities, deferred inflows and outflows of resources. The total liabilities and deferred inflows of resources of the Lottery exceeded total assets and deferred outflows of resources at fiscal year ending June 30, 2021 by \$19.7 million.

The statement of revenues, expenses and changes in net position on page 37 reports the Lottery's revenues and expenses and measures the success of the Lottery's operations over the past year. The Lottery is required by law to transfer all revenues, in excess of its operating costs, to the Education Trust Fund; therefore the change in net position reflects those transfers.

The statement of cash flows on page 38 provides information about the Lottery's cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The supplementary schedule of revenues, expenses, and distributions provides detailed information on the Lottery's operating revenues and expenses.

The Lottery is a self-supporting department of the State of New Hampshire. The financial statements of the Lottery represent all its functions, which are supported from the sale of Lottery tickets, sports betting and the regulation of the State's Racing and Charitable Gaming activities. The Lottery's financial statements are also included in the State of New Hampshire's Annual Comprehensive Financial Report as an enterprise fund of the State however with less detail in the notes to the financial statements than found in this report.

For fiscal year 2021, the Lottery produced \$519.0 million in total operating revenues, a 32.3% increase from fiscal year 2020's \$392.2 million. Instant scratch games sales were up from the previous fiscal year by approximately \$48.1 million or 17.7%. Multi-State (MUSL) games revenues increased \$16.7 million or 40.3% during fiscal year 2021 as compared to fiscal year 2020. Tri-State games revenues increased by \$12.8 million or 47.9% for fiscal year 2021 as compared to fiscal year 2020. Lucky for Life game revenue increased \$94.6 thousand in fiscal year 2021 as compared to fiscal year 2020. Keno revenue increased \$18.9 million in fiscal year 2021 as compared to fiscal year 2020. iLottery revenues increased \$13.0 million or 121.0% in fiscal year 2021 as compared to fiscal year 2020. The Lottery distributed \$144.2 million of operating income to the Education Trust Fund in fiscal year 2021, a \$44.4 million increase from fiscal year 2020; \$2.1 million being due to the trust fund as of June 30, 2021. Total revenues since the inception of the Lottery in 1963 are more than \$8.0 billion and the Lottery has distributed over \$2.3 billion to help fund education in New Hampshire.

### ***Net Position and Changes in Net Position***

Article 6-b of the Constitution of the State of New Hampshire declares "All moneys received from a state-run lottery and all the interest received on such moneys shall, after deducting the necessary costs of administration, be appropriated and used exclusively for the school districts of the state. Such moneys shall be used exclusively for the purpose of state aid to education and shall not be transferred or diverted to any other purpose." As a result, the net position of the Lottery consists only of prize funds held on deposit with the Multi-State Lottery Association (MUSL) and the Tri-State Lotto Commission (Tri-State), net investments in capital assets, as well as the Lottery's unrestricted net deficit for pension liability and other postemployment benefits liabilities.

The total liabilities and deferred inflows of resources of the Lottery exceeded total assets and deferred outflows of resources at fiscal year ending June 30, 2020, by \$19.7 million. An increase of \$151,002 was recorded in 2021.

Comparable figures for total assets at June 30, 2021 and 2020 were \$15.7 million and \$12.8 million, respectively. This represents an increase of \$2.9 million from fiscal year 2020 to 2021. Cash and cash equivalents were \$20.0 thousand at June 30, 2021 and \$162.5 thousand at June 30, 2020.

Accounts receivable of lottery games were \$6.2 million at June 30, 2021 and \$3.3 million at June 30, 2020. Due from other funds for fiscal year 2021 consisted of the amount due from the state Liquor Commission for tickets sold. Instant scratch games ticket inventories were \$1.5 million at June 30, 2021 and \$1.6 million at June 30, 2020. There is a balance due to the State's Education Trust Fund (ETF) of \$2.1 million; the Lottery estimates the profits for June and transfers the funds to the ETF based on that estimate, June's estimate was understated. Noncurrent, restricted deposits, which represent New Hampshire's share of prize reserve funds held by MUSL and Tri-State, increased during fiscal year 2021. Capital assets, net of depreciation, increased \$3.0 thousand during fiscal year. This was due to the purchase of new fleet vehicles offset by annual depreciation. Deferred outflows of resources, which represent a consumption of net assets that are applicable to a future period, are specifically related to pension and other postemployment benefit (OPEB) expenses for the Lottery.

The Lottery is required by law to transfer all revenues, in excess of its operating costs, to the Education Trust Fund, therefore the change in net position reflects the actual results of the Lottery's operations after distributions to the Education Trust Fund.

***The following table shows Condensed Net Position as of June 30, 2021, and June 30, 2020:***

	<b>2021</b>	<b>2020</b>
Current and other assets	\$12,723,041	\$9,781,788
Capital assets (net of accumulated depreciation)	2,986,969	2,983,781
Total assets	<u>15,710,010</u>	<u>12,765,569</u>
Deferred outflows of resources	3,776,874	964,000
Current liabilities	11,100,026	7,862,515
Noncurrent liabilities	22,875,919	19,505,447
Total liabilities	<u>33,975,945</u>	<u>27,367,962</u>
Deferred inflows of resources	5,203,240	6,205,000
Net position:		
Net investments in capital assets	283,173	168,689
Restricted assets	4,567,755	4,416,753
Unrestricted (deficit)	(24,543,319)	(24,428,835)
Total net position	<u>\$(19,692,391)</u>	<u>\$(19,843,393)</u>

## **Liabilities**

The Lottery's current liabilities consist primarily of accounts payable, unclaimed prizes, accrued payroll, benefits, due to the education trust fund and ticket sales for future draws (draws occurring after June 30). Noncurrent liabilities consist of compensated absences, a long-term mortgage loan payable (Note 8), and net pension liability (Note 6) and other postemployment benefits payable (Note 7). Total liabilities during the current fiscal year increased \$6.6 million. The year end balances for total liabilities for fiscal years 2021 and 2020 were \$34.0 million and \$27.4 million, respectively. Unclaimed prizes increased \$2.2 million and unearned revenue for future draws decreased \$228 thousand. Net pension liability and post-employment benefits increased by \$1.6 million and \$1.8 million respectively. Funds due to the education trust fund increased \$191.3 thousand. Accounts Payable increased in fiscal year 2021 by \$1.0 million, primarily due to the timing of expense accruals. Deferred inflows of resources, which represent an acquisition of net assets that are applicable to a future period, are specifically related to pension and OPEB expense for the Lottery.

## **Operating Revenues: Game Sales**

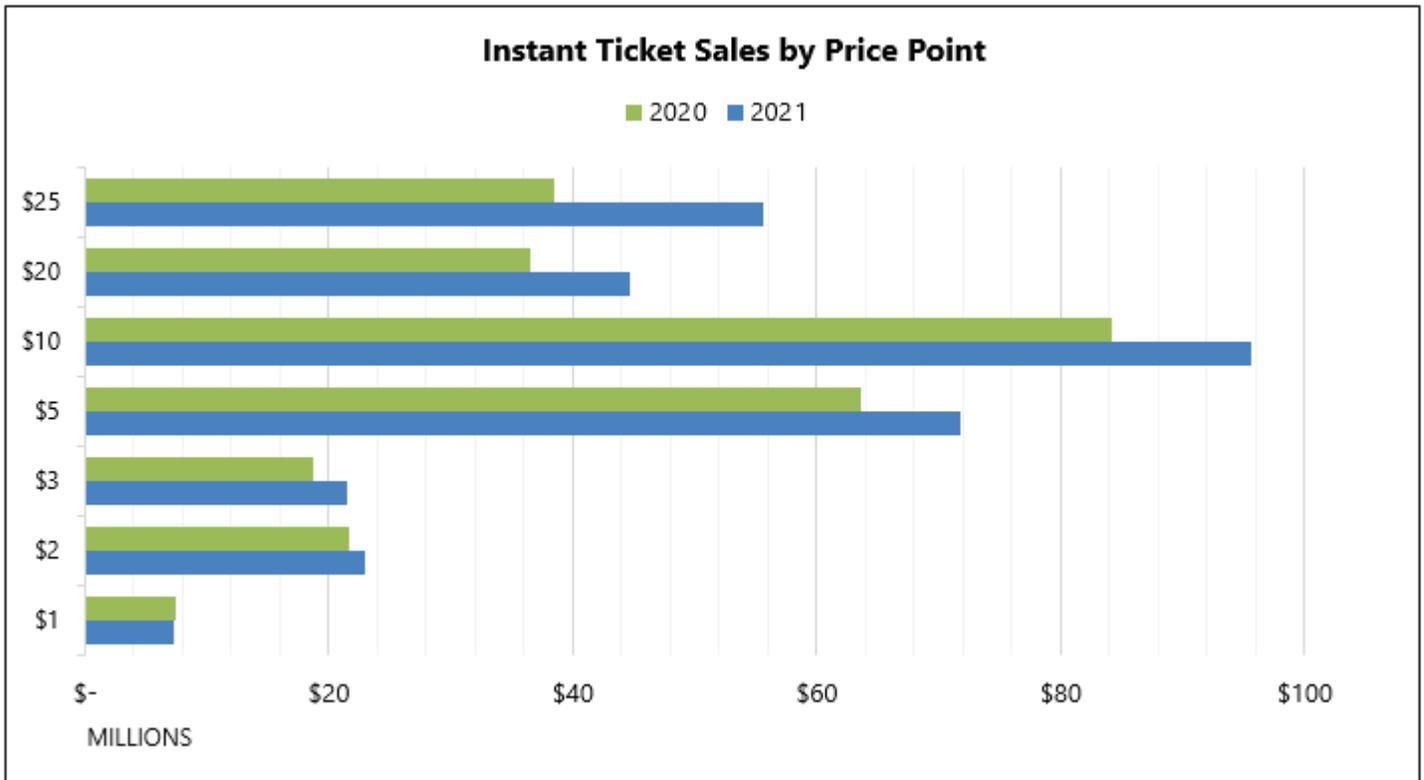
The New Hampshire Lottery's game revenues result from the sales of a variety of instant and online lottery products. The Lottery is an active member of three separate joint venture arrangements; the Tri-State Lotto Commission (Tri-State), the Multi-State Lottery Association (MUSL), and Lucky for Life, operating several online games under those jurisdictions. MUSL online games consist of Powerball and Mega Millions. Tri-State games consist of Megabucks, Pick 3, Pick 4, Fast Play, and Gimme 5. Lucky for Life is the name of the game and also the joint venture, of which the Lottery became a member in March, 2012. iLottery, which was introduced during 2019, completed its second full year of operations. Mobile sports betting began in December of 2019 and completed its first full year of operations. Retail sports betting began operations in the fall of 2020.

***The following table shows operating revenues by Lottery game for the years ended June 30, 2021 and 2020. Tri-State Other represents Fast Play and Gimme 5:***

<b>Game</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>% of Change</b>
Instant Scratch Games	\$320,336,405	\$272,265,012	\$48,071,393	17.7%
Keno	47,902,440	28,988,273	18,914,167	65.2%
MUSL Powerball	31,187,482	23,913,282	7,274,200	30.4%
MUSL Mega Millions	26,889,560	17,495,345	9,394,215	53.7%
Tri-State Megabucks	8,068,120	8,087,343	(19,223)	-0.2%
Tri-State Pick 3	5,878,926	5,611,131	267,795	4.8%
Tri-State Pick 4	5,271,222	4,887,800	383,422	7.8%
Lucky for Life	5,633,653	5,539,025	94,628	1.7%
Tri-State Other	20,260,070	8,114,500	12,145,570	149.7%
iLottery, Net Wins	23,720,031	10,733,431	12,986,600	121.0%
Sports Betting	16,723,887	2,157,893	14,565,994	675.0%
Racing & Charitable Gaming	7,106,698	4,425,971	2,680,727	60.6%
Other Income	55,362	14,909	40,453	271.3%
Total Operating Revenues	<u>\$519,033,856</u>	<u>\$392,233,915</u>	<u>\$126,799,941</u>	<u>32.3%</u>

The Lottery saw a 32.3% increase in total operating revenues for fiscal year 2021. Instant scratch games sales continue to be the Lottery’s most popular product contributing approximately 61.7% and 69.4%, to total revenue for fiscal years 2021 and 2020 respectively. Instant scratch games sales increased \$48.1 million or 17.7% in fiscal year 2021 over fiscal year 2020. The increase in instant scratch game sales is attributed to prize structure refinement, printing technique enhancements, and on-going sales and marketing efforts.

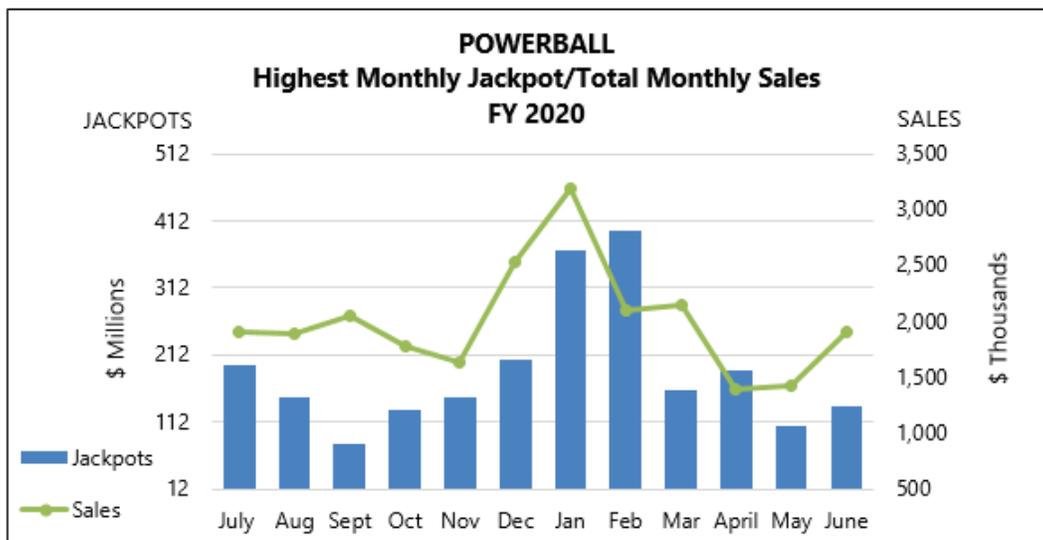
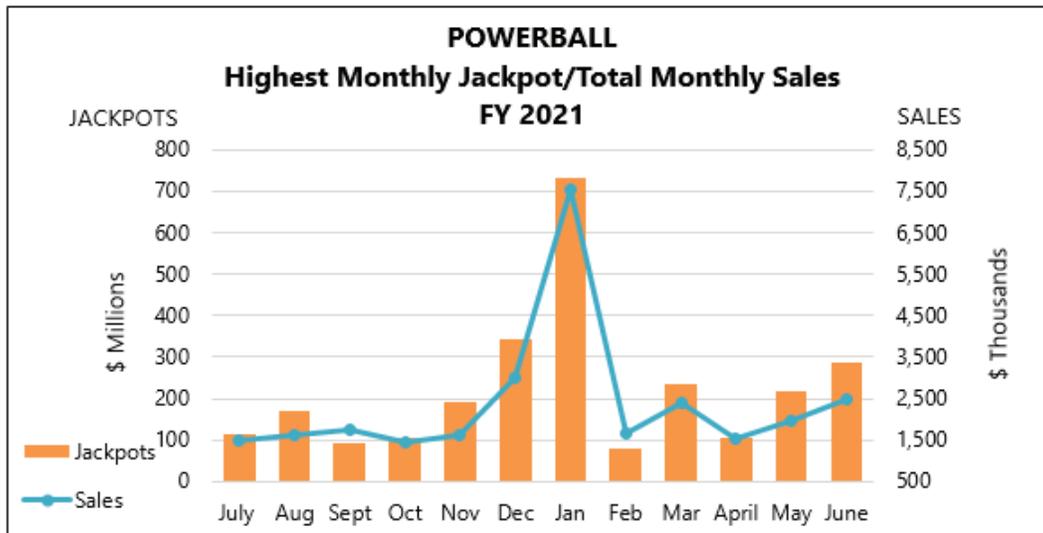
**The following graph shows Instant scratch games sales for fiscal year 2021 and 2020 by selling price of ticket:**



The sales in big jackpot games are directly related to the size of the jackpot, which causes a high level of uncertainty for revenues. The more frequently jackpots are won, the smaller the jackpot amount, which consequently lowers demand for tickets. When jackpots are won less frequently, they have more time to accrue. As jackpots rise in amount, so does the demand for tickets. This trend has shown that the public demands higher jackpot amounts every year before there is a noticeable increase in sales.

Powerball, a game in the MUSL jurisdiction, is the Lottery’s second most popular product contributing 6.0% and 6.1% to total fiscal year 2021 and 2020 sales. The graphs on the following page illustrate the correlation between jackpot amounts and game sales for the last two fiscal years.

The following two graphs show the relationship between jackpot amount and sales for fiscal years 2021 and 2020:



Mega Millions is another high jackpot MUSL game sold by the Lottery. Mega Millions sales for fiscal year 2021 were \$26.9 million, an increase of \$9.4 million above 2020.

Megabucks, another draw game offered by the Tri-State Lottery, had sales of \$8.1 million for fiscal year 2021, slightly below the prior fiscal year. Megabucks is the oldest jackpot style game the Lottery offers, holding strong at 35 years. Megabucks retains a committed player base and accounts for 1.6% of revenues.

Pick 3 and Pick 4 sales increased from fiscal year 2020 to fiscal year 2021 for both games. Pick 3 increased \$268 thousand and Pick 4 increased \$383 thousand from the previous year. Other Tri-State sales revenues increased \$12.1 million or 149.7% overall; with a large increase in Fast Play games sales. Tri-State games' combined sales increased \$12.8 million above 2020. Tri-State games in total amounted to 7.6% and 6.8% of total Lottery sales for fiscal years 2021 and 2020, respectively.

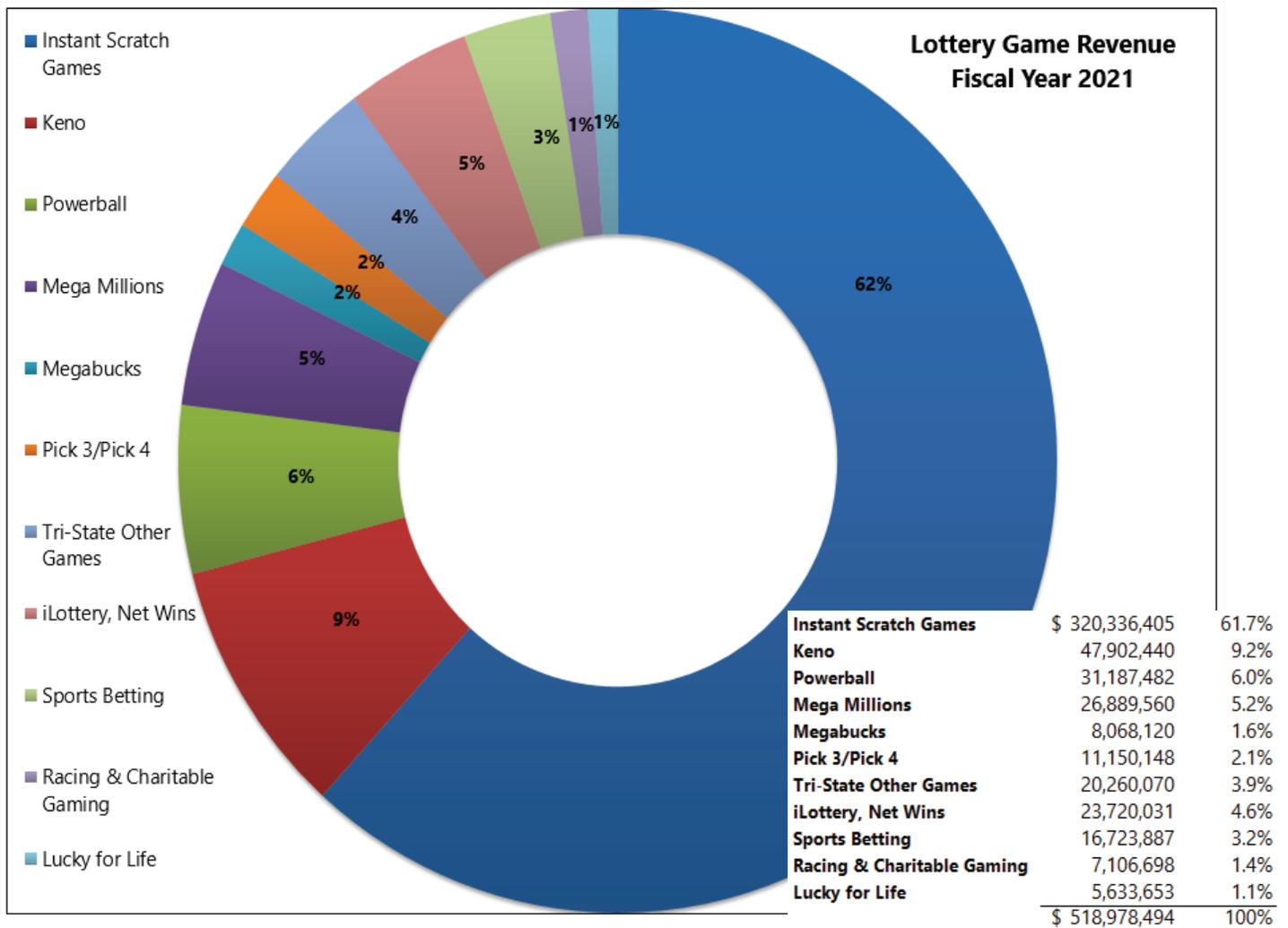
Keno sales continued to grow in fiscal year 2021. Sales for 2021 were \$47.9 million, an increase of \$18.9 million over 2020. Keno machines also offer other draw based games, Powerball, Mega Millions, Megabucks, Lucky for Life and Fast Play.

Lucky for Life sales revenues experienced a slight increase of \$94.0 thousand or 1.7% in fiscal year 2021 with sales of \$5.6 million as compared to \$5.5 million 2020.

The Lottery’s iLottery program completed its second full year of operations during fiscal year 2021. The iLottery program showed significant growth over the year. Players register and make a deposit to their iLottery account then can begin playing iLottery e-Instants of their choice. iLottery currently includes e-Instants scratch games, and draw-based games Powerball and Mega Millions. Prizes of \$599 or less are deposited directly to their account while prizes of \$600 or more have an electronic claim created to be processed. Claims of \$10.0 thousand or more must be presented at Lottery Headquarters. iLottery net wins in fiscal year 2021 were \$23.7 million, an increase of \$13.0 million or 121.0% over 2020 (refer to Note 12 in the accompanying financial notes).

In December of 2019, the Lottery and Draft Kings entered into an agreement to offer mobile and retail sports betting in New Hampshire. While players do not need to be New Hampshire residents, they do need to be within the boundaries of the State while betting on games. Players have the ability to bet on sporting events from across the world. All of the odds and betting is managed by Draft Kings while the Lottery retains oversight. Revenues are reported on a net income basis or sales less winnings and bonuses. Revenues generated from sports betting totaled \$16.7 million for 2021, an increase of \$14.6 million or 675.0% over the prior year.

**The following graph displays Lottery revenues by product/game for the fiscal year ended June 30, 2021. Tri-State Other Games include Gimme 5 and Fast Play:**



### **Operating Expenses – Cost of Sales: Prizes**

Prizes are the largest operating expense of the Lottery. Prize expense in general will increase or decrease from year to year in proportion to the increase or decrease in sales for that particular game. Fiscal year 2021 prize expense of \$310.9 million reflects a 25.9% increase from fiscal year 2020 prize expense of \$246.9 million. This increase in prizes reflects a corresponding increase in total operating revenues.

Games in which the player wins instantly pay out at a higher percentage than draw games. Therefore, net profit will grow more quickly with an increase in the sales of draw games as compared to instant win type games. Traditional instant win games on average have a 62% to 79% (of possible sales) prize payout built into each game, whereas draw games typically have a 50% to 60% (of sales) prize payout built into the design of the game. Keno has a prize payout of approximately 69%. More specifically, for instant scratch games, the higher the price point of the ticket, the higher the prize payout. For example, \$1 games provide a payout to the player of 62%, while a \$20 game provides players with a 74% payout. That means the hold for the Lottery is 38% for a \$1 game and 26% for a \$20 game.

***The following two tables show prizes to sales (operating revenues) profit margin for Lottery games by venture for the years ended June 30, 2021 and 2020:***

<b>2021</b>	<b>Gross Games Revenues</b>	<b>Prize Expense</b>	<b>Gross Profit After Prizes</b>	<b>Profit Margin After Prizes</b>
Instant Scratch Games	\$320,336,405	\$221,774,478	\$98,561,927	30.8%
Keno	47,902,440	33,292,049	14,610,391	30.5%
Tri State Games	39,478,338	23,855,511	15,622,827	39.6%
MUSL Games	58,077,042	28,268,335	29,808,707	51.3%
Lucky for Life	5,633,653	3,728,927	1,904,726	33.8%

Refer to Note 12 for iLottery information.

<b>2020</b>	<b>Gross Games Revenues</b>	<b>Prize Expense</b>	<b>Gross Profit After Prizes</b>	<b>Profit Margin After Prizes</b>
Instant Scratch Games	\$272,265,012	\$189,990,318	\$82,274,694	30.2%
Keno	28,988,273	20,011,985	8,976,288	31.0%
Tri State Games	26,700,774	14,605,855	12,094,919	45.3%
MUSL Games	41,408,627	19,369,617	22,039,010	53.2%
Lucky for Life	5,539,025	2,900,121	2,638,904	47.6%

As the tables above show, the profit margin after prizes paid is less for instant scratch games and Keno versus online games. High jackpots drive sales for online games, whereas the different types of games on the market and the number of winning tickets (prizes) in a game drives instant scratch games sales.

The actual prizes paid percentage can be slightly less than the designed prize percentage built into the game due to unclaimed prizes (prizes that winners never claim). Lottery prize winners have one year (365 days) to claim their prizes. Expired unclaimed prize money for instant scratch games, MUSL games, Lucky for Life, Keno, and iLottery goes to the Education Trust Fund. Unclaimed prize money for Tri-State games goes back to the players through promotions or increases to jackpots.

**The following table shows prize expense by game for the years ended June 30, 2021 and 2020. Tri-State Other represents Gimme 5 and Fast Play:**

<b>Game</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>% of Change</b>
Instant Scratch Games	\$221,774,478	\$189,990,318	\$31,784,160	16.7%
Keno	33,292,049	20,011,985	13,280,064	100.0%
MUSL Powerball	15,159,869	11,541,816	3,618,053	31.3%
MUSL Mega Millions	13,108,466	8,602,541	4,505,925	52.4%
MUSL Hot Lotto	-	(774,740)	774,740	-100.0%
Tri-State Megabucks	3,648,605	4,131,902	(483,297)	-11.7%
Tri-State Pick 3	2,977,888	2,805,628	172,260	6.1%
Tri-State Pick 4	2,635,752	2,443,949	191,803	7.8%
Tri-State Other	14,593,266	5,224,376	9,368,890	179.3%
Lucky for Life	3,728,927	2,900,121	828,806	28.6%
Total prize expense	<u>\$310,919,300</u>	<u>\$246,877,896</u>	<u>\$64,041,404</u>	<u>25.9%</u>

Refer to Note 12 for iLottery information.

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### **Other Cost of Sales**

In addition to prizes, there are other costs of sales that include retailer commissions, vendor fees, cost of printing instant scratch games, costs for delivering instant scratch games to retailers, Keno licensing expense and expense pool costs (administrative costs) for joint ventures. These other costs of sales totaled \$52.8 million for fiscal year 2021 and \$37.0 million for fiscal year 2020. The increase was primarily due to the increase in ticket sales. Retailer commissions were higher by \$9.1 million or 39.3% for fiscal year 2021 compared to fiscal year 2020. Retailer commissions are based on 5% of sales plus additional commissions for retailers who meet certain incentive criteria for increasing sales and selling higher tier winners; Keno retailers receive 8% of sales. Vendor fees for fiscal year 2021 increased \$6.8 million over fiscal year 2020 due to increased sales and the iLottery fees. Vendor fees are based on 1.435% of sales plus additional charges for equipment such as vending machines that sell tickets and digital signs that advertise the amount of the jackpot. iLottery vendor fees are 28.6% of net wins for instant games and 15% of sales for draw based games.

**The table below shows comparative costs of sales expenses for Lottery games for the years ended June 30, 2021 and 2020 (excluding RCGD and Sports Betting):**

	<b>2021</b>	<b>% of Sales</b>	<b>2020</b>	<b>% of Sales</b>
Retailer commissions	\$32,145,818	6.3%	\$23,083,280	6.0%
Vendor fees	17,741,945	3.5%	10,988,750	2.8%
Keno license expense	100	0.0%	1,725	0.0%
Cost of instant tickets	2,728,301	0.5%	2,709,544	0.7%
Expense pools	174,694	0.0%	186,638	0.0%
Other cost of sales	52,790,858	10.3%	36,969,937	9.5%
Prize expense	310,919,300	60.7%	246,877,896	63.7%
Total cost of sales	<u>\$363,710,158</u>	<u>71.1%</u>	<u>\$283,847,833</u>	<u>73.3%</u>

\*Cost of instant tickets as a percent of instant scratch ticket sales only, averages approximately 1%

**The table below shows cost of sales to gross revenues for Lottery games for the years ended June 30, 2021 and 2020 (excluding RCGD and Sports Betting):**

<b>Total Lottery Games</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>% of Change</b>
Gross Revenues	\$495,203,271	\$385,650,051	\$109,553,220	28.4%
Cost of Sales	<u>363,710,158</u>	<u>283,847,833</u>	<u>79,862,325</u>	<u>28.1%</u>
Gross profit	<u>\$131,493,113</u>	<u>\$101,802,218</u>	<u>\$29,690,895</u>	<u>29.2%</u>
Gross profit margin	26.6%	26.4%		

### **Other Operating Expense**

Administrative costs increased \$1.4 million in fiscal year 2021 from fiscal year 2020 due to increases in advertising expenses and a change in assumptions of future obligations for retirement benefits. The supplemental schedule of revenues, expenses, and distributions located after the notes to the financial statements, itemizes the components of other operating expenses.

### ***Non-operating Revenues (Expenses)***

Non-operating expenses totaling \$28.8 thousand consists of income earned on deposits held with the Tri- State Lotto joint venture and an adjustment for the over-estimation of interest from New Hampshire Treasury on Lottery cash balances.

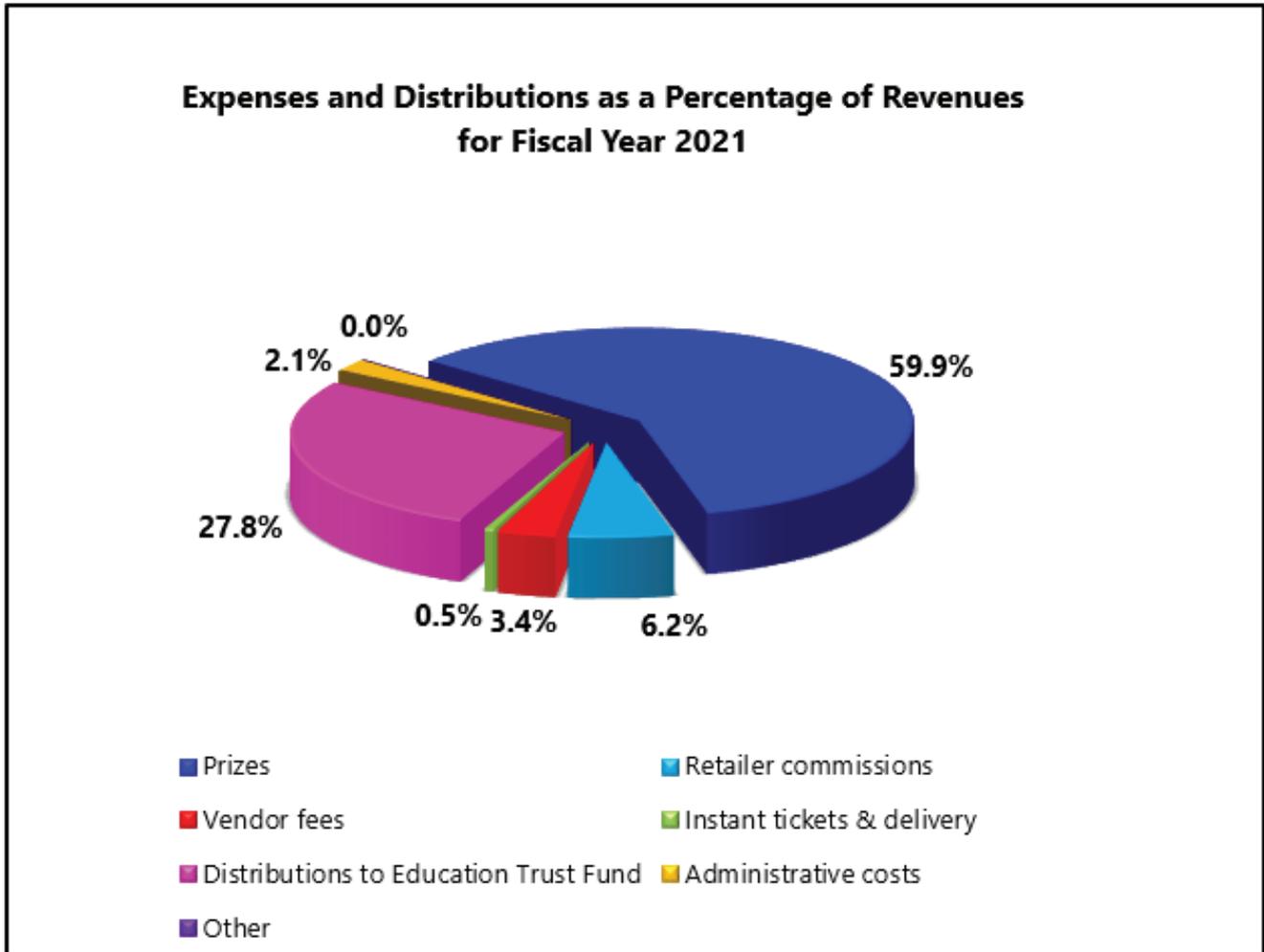
In December of 2018, the Lottery secured a commercial loan to purchase its headquarters in Concord, New Hampshire. This resulted in interest expense totaling \$93,899 for fiscal year 2021 (see Note 8).

Non-operating expenses are distributions to the Education Trust Fund. The Lottery is required by law to transfer all revenues in excess of its operating costs to the Education Trust Fund. Fiscal year 2021 distributions to education were \$144.2 million and fiscal year 2020 distributions were \$99.8. The fiscal year 2021 \$44.5 million increase above fiscal year 2020 was due to significant jumps in sales for almost all gaming platforms.

***The following table shows total revenues, expenses, and change in net position for the Lottery for the years ended June 30, 2021 and 2020:***

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>% of Change</u>
Operating revenues				
Instant and online ticket sales	\$495,147,909	\$385,635,142	\$109,512,767	28.4%
Sports Betting	16,723,887	2,157,893	14,565,994	675.0%
Revenues from RCGD	7,106,698	4,425,971	2,680,727	60.6%
Other Income	55,362	14,909	40,453	271.3%
Total operating revenues	<u>519,033,856</u>	<u>392,233,915</u>	<u>126,799,941</u>	<u>32.3%</u>
Operating expenses				
Cost of sales	363,710,158	283,847,833	79,862,325	28.1%
Administrative costs	10,711,876	9,285,050	1,426,826	15.4%
Depreciation expense	100,761	83,878	16,883	20.1%
Total operating expenses	<u>374,522,795</u>	<u>293,216,761</u>	<u>81,306,034</u>	<u>27.7%</u>
Operating Income	<u>144,511,061</u>	<u>99,017,154</u>	<u>45,493,907</u>	<u>45.9%</u>
Non-operating Revenues				
Interest	(28,773)	417,212	(445,985)	-106.9%
Net profit before transfers	<u>144,482,288</u>	<u>99,434,366</u>	<u>45,047,922</u>	<u>45.3%</u>
Nonoperating expenses				
Interest on mortgage loan payable	(93,900)	(97,869)	3,969	-4.1%
Distributions to Education Trust Fund	(144,237,386)	(99,789,643)	(44,447,743)	44.5%
Change in net position	151,002	(453,146)	604,148	-133.3%
Net position - July 1	(19,843,393)	(19,390,247)	(453,146)	2.3%
Net position - June 30	<u>\$(19,692,391)</u>	<u>\$(19,843,393)</u>	<u>\$151,002</u>	<u>-0.8%</u>
Distributions to Education Trust Fund (net profit) as a percentage of operating revenues	-27.8%	-25.4%	-2.4%	

*The graph below displays expenses and distributions to the Education Trust Fund as a percentage of operating revenues for the Lottery for the year ended June 30, 2021:*



### ***Other Potentially Significant Matters***

The State's economy is a factor that affects the Lottery. The Lottery is dependent on customers' discretionary income, so when there is less income available, customers spend less on lottery tickets.

The Lottery relies on high jackpots to increase sales of online games. The two highest jackpot selling games in the United States are Powerball and Mega Millions. High jackpot amounts trigger higher sales of tickets. The sales in these games are directly related to the size of the jackpot, which causes a high level of uncertainty for revenues. The more frequently jackpots are won, the smaller the jackpot amount, which consequently results in the sale of fewer tickets. The less frequently jackpots are won, the more time they have to build/roll in amount. The trend has shown that the public demands higher jackpot amounts every year before there is a noticeable increase in sales.

There is, as always, ongoing research and development to enhance current games or replace them with new games in order to increase sales. Consumers want and demand newer, technologically advanced forms of gambling. The Lottery is limited by statute in what it can offer.

***Contacting the Lottery's Financial Management***

This financial report is designed to provide New Hampshire citizens, the New Hampshire state legislature and the executive branch of government, and other interested parties, a general overview of the Lottery's financial activity for fiscal year 2021 and to demonstrate the Lottery's accountability for the money it received from the sale of lottery products. If you have any questions about this report or need additional information, contact the New Hampshire Lottery Commission, Finance Department, Chief Financial Officer, 14 Integra Drive, Concord, NH 03301.

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**New Hampshire Lottery Commission**  
**Statement of Net Position**  
**June 30, 2021**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$19,794
Accounts receivable	6,174,535
Due from other funds (Liquor)	400,203
Instant scratch games ticket inventories	1,501,948
Prepaid expenses and other	58,806
Total current assets	<u>8,155,286</u>
Noncurrent assets:	
Restricted deposits (Note 1)	4,567,755
Capital assets net of accumulated depreciation (Note 4)	2,986,969
Total noncurrent assets	<u>7,554,724</u>
Total assets	<u>15,710,010</u>
Deferred outflows of resources (Notes 6 & 7)	<u>3,776,784</u>

**LIABILITIES**

Current liabilities:	
Accounts payable	4,565,142
Accrued payroll and benefits	478,632
Ticket sales for future draws	765,329
Unclaimed prizes net of estimated expired prizes (Note 1)	2,987,353
Compensated absences	69,704
Workers Compensation Claims	2,000
Current portion of mortgage loan payable	115,135
Due to Education Trust Fund	2,116,731
Total current liabilities	<u>11,100,026</u>
Noncurrent liabilities:	
Compensated absences (Note 3)	627,338
Non-current portion of mortgage loan payable (Notes 3 & 8)	2,588,661
Net post-employment benefits liability (Note 7)	14,255,920
Net pension liability (Note 6)	5,404,000
Total noncurrent liabilities	<u>22,875,919</u>
Total liabilities	<u>33,975,945</u>
Deferred inflows of resources (Notes 6 & 7)	<u>5,203,240</u>

**NET POSITION**

Net investments in capital assets	283,173
Restricted for prize funds (Note 1)	4,567,755
Unrestricted (deficit)	(24,543,319)
Total net position	<u><u>\$(19,692,391)</u></u>

The notes to the financial statements are an integral part of this statement.

***New Hampshire Lottery Commission Statement of  
Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2021***

**Operating revenues:**

Instant scratch games	\$320,336,405
Keno	47,902,440
Multi-State online games	58,077,042
Tri-State online games	39,478,338
Lucky for Life game	5,633,653
iLottery, Net Wins (Note 12)	23,720,031
Bingo/Lucky 7/Racing & Charitable Gaming	7,106,698
Sports Betting	16,723,887
Other income	55,362
Total operating revenues	519,033,856

Operating expenses:

Cost of sales:	
Prizes	310,919,300
Retailers' commissions	32,145,818
Other	20,645,040
Total cost of sales	363,710,158
Administration	10,711,876
Depreciation	100,761
Total operating expenses	374,522,795
Operating income	144,511,061

Nonoperating revenues (expenses):

Interest expense and miscellaneous income	(28,773)
Interest on mortgage loan payable	(93,900)
Distributions to the State's Education Trust Fund	(144,237,386)
Total nonoperating revenues (expenses)	(144,360,059)
Change in net position	151,002
Net position, July 1	(19,843,393)
Net position, June 30	\$(19,692,391)

The notes to the financial statements are an integral part of this statement.

**New Hampshire Lottery Commission**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers, retailers and joint ventures (net of retailer commissions and prizes paid by retailers)	\$248,318,552
Payments to winners and joint ventures	(74,901,999)
Payments to suppliers (goods and services)	(23,250,887)
Payments to employees for salaries and benefits	(5,924,359)
Net cash provided by operating activities	144,241,307

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Distributions to Education Trust Fund	(144,046,046)
Net cash used for noncapital financing activities	(144,046,046)

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of capital assets	(103,949)
Principle paid on mortgage loan payable	(111,296)
Interest paid on mortgage loan payable	(93,900)
Net cash used by capital and related financing activities	(309,145)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest and other income received	(28,773)
Net cash provided by investing activities	(28,773)
Net decrease in cash and cash equivalents	(142,657)
Cash and cash equivalents, July 1	162,451
Cash and cash equivalents, June 30	\$19,794

**Reconciliation of operating income to net cash provided by operating activities:**

<b>Operating income</b>	<b>\$144,511,061</b>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	100,761
Change in net post employment benefits payable, net of deferred amounts	(753,770)
Change in net pension liability, net of deferred amounts	326,000
(Increase) decrease in accounts receivable/due from other funds	(2,952,040)
(Increase) decrease in instant scratch games ticket inventory	66,273
(Increase) decrease in prepaid expenses and other	(47,140)
(Increase) decrease in restricted deposits	(151,002)
Increase (decrease) in accounts payable and other liabilities	1,144,524
Increase (decrease) in unclaimed prizes	2,224,759
Increase (decrease) in ticket sales for future draws	(228,119)
Total adjustments	(269,754)
Net cash provided by operating activities	\$144,241,307

The notes to the financial statements are an integral part of this statement.

***New Hampshire Lottery Commission  
Notes to the Financial Statements  
Fiscal Year Ended June 30, 2021***

***Note 1 – Summary of Significant Accounting Policies***

***A. Reporting Entity***

The New Hampshire Lottery Commission, also known as the New Hampshire Lottery (Lottery), was established in 1964 in accordance with the provisions of Chapter 284:21-a of the New Hampshire Revised Statutes Annotated (RSA). The Lottery is comprised of the Lottery division and the Licensing and Enforcement division. The Lottery division is responsible for conducting traditional and internet lottery games authorized under RSA 284:21-h and keno games authorized under RSA 284:21. The Licensing and Enforcement Division is responsible for the administration of sports betting authorized under RSA 287-I, and the oversight of Games of Chance authorized under RSA 287-D, bingo and Lucky 7 games authorized under RSA 287-E, live and simulcast racing authorized under RSA 284 and fantasy sports contests authorized under RSA 287-H. The financial statements include the consolidated operations of the two divisions. The Lottery has three commissioners appointed by the Governor and Executive Council for a staggered term of three years. The administration of the Lottery is overseen by an executive director, appointed by the Commissioners for a term of four years. The Lottery is authorized to operate for the sole purpose of funding state aid to education pursuant to RSA 198:38-49 and RSA 284:21-j. In 1990, the New Hampshire Constitution was amended by Part 2, Article 6-b, which restricted all lottery revenue and interest, after the deduction of the necessary costs of administration, exclusively for state aid to education.

For financial reporting purposes, the New Hampshire Lottery Commission is considered a department of the State of New Hampshire. The Lottery's financial statements include all Lottery activity in a separate enterprise fund and do not include any activity related to any other state agency. The Lottery's financial activities are reported in the Lottery Commission enterprise fund in the State's annual comprehensive financial report (ACFR).

The State of New Hampshire issues a publicly available comprehensive annual financial report, which may be obtained by writing to the State of New Hampshire, Department of Administrative Services, 25 Capitol Street, Room 310, Concord, New Hampshire, 03301-6312 or accessed online at <http://das.nh.gov/accounting/reports.asp>.

***B. Measurement Focus, Basis of Accounting and Basis of Presentation***

The accompanying financial statements of the Lottery have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial reporting principles. The Lottery accounts for its operations as a single enterprise fund and accordingly uses the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when the related liability is incurred. The Lottery's financial statements are reported using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the Lottery are included on the Statement of Net Position. All revenues and expenses of the Lottery are reported on the Statement of Revenues, Expenses, and Changes in Net Position.

*Cash and cash equivalents* are investments with a maturity date of three months or less from the date of purchase. The majority of the Lottery's cash is held by the State Treasurer for pooled investment purposes in short-term, highly liquid investments, which are considered to be cash equivalents. Cash equivalents are recorded at cost.

*Accounts receivable* consists of amounts due from retailers for lottery ticket sales and amounts due from third party gaming vendors. Due from other funds consists of amounts due from the State Liquor Commission for lottery tickets sold at state liquor stores, which have not been transferred to Lottery as of June 30.

*Inventory* represents ticket inventories for instant scratch games, which are valued at the lower of cost or market using the specific identification method. The cost of consumable supplies is expensed when the supplies are received.

*Prepaid expenses and other* consist of payments to vendors that reflect costs applicable to future accounting period.

*Capital assets and depreciation*, capital assets consist of building, land, equipment and vehicles, recorded at cost. The Lottery's threshold for capitalization is \$10,000. Depreciation on capital assets is computed using the straight-line method over an estimated useful life of five to forty years. Salvage values are not recognized, as asset disposals are officially transferred to the New Hampshire Surplus Property program. Any income derived from surplus property sales is recorded as miscellaneous income when received. Losses on the disposal of surplus equipment are recorded at the time of disposal.

*Restricted deposits* represent noncurrent, restricted assets, deposited with the Multi-State Lottery Association (MUSL) and the Tri-State Lotto Commission (Tri-State), that are held as prize reserves to protect the Lottery against unforeseen prize liabilities. These prize reserves are a condition of participation in the joint ventures and are refundable after a one year waiting period if a member state leaves. The Tri-State portion of the reserves is committed to be returned to the players; however the MUSL reserves would be returned to the New Hampshire Education Trust Fund. At June 31, 2021, MUSL reserves were \$2,666,316 and Tri-State reserves were \$1,901,439.

*Compensated absences* represent accrued leave for the Lottery's 63 full-time, classified employees at June 30, 2021. Full-time classified employees of the Lottery accrue annual, bonus, compensatory, and vested sick leave at various rates within the limits prescribed by a collective bargaining agreement. In conformity with GASB Statement No. 16, the Lottery accrues all types of leave benefits as earned by its classified employees. The compensated absences liability represents the total liability for the cumulative balance of employees' annual, bonus, compensatory, and sick leave based on years of service rendered along with the state's share of social security and retirement contributions. The current portion of the leave liability is calculated based on the characteristics of the type of leave and on a LIFO (last in first out) basis, which assumes employees use their most recent earned leave first. The accrued liability for annual leave does not exceed the maximum cumulative balance allowed which ranges from 32 to 50 days based on years of service. The accrual for sick leave is made to the extent it's probable that the benefits will result in termination payments rather than be taken as absences due to illness.

*Deferred outflows of resources and deferred inflows of resources*; deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

*Net pension liability*; for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the fiduciary net position of the New Hampshire State Retirement System (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

*Postemployment benefits payable*; for purposes of measuring other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense have been determined on the same basis as reported by the State OPEB Plan. For this purpose, benefits payments are recognized when due and payable in accordance with the benefit terms.

*Ticket sales for future draws* consists of subscriptions for Megabucks, Powerball, Mega Millions, and Lucky For Life and online ticket sales prior to fiscal year end for game draws subsequent to June 30, 2021. Subscriptions are ticket purchases for periods of 26, 52, or 104 draws.

*Unclaimed prizes* represent prizes won, but not paid. The Lottery is required to hold unclaimed prize money for one year (365 days) after the prize is won for online prizes or one year after the official game end for instant scratch games prizes. Due to the nature of instant scratch games not being online or computerized, the Lottery records a liability for unclaimed and unpaid prizes on an estimated basis for instant scratch game prizes. For online games, the Lottery knows what its unclaimed and unpaid prize liability is at fiscal year-end. The one year prize liability is adjusted based on past history of expired prizes (prizes that are not claimed within the one year). The unclaimed prize liability for fiscal year 2021 of \$2,987,353 is the net amount after being reduced by an estimate of \$758,655 for Powerball and Mega Millions prizes expected to expire as unclaimed, and also includes unclaimed prize money from the gaming rooms for simulcast racing in the amount of \$173,898.

*Operating revenues* represents gross lottery game sales less any sales adjustments and promotional tickets, revenue from racing and charitable gaming, and other income. Other income includes contributed merchandise prizes, and other miscellaneous operating income.

*Cost of sales* represents expenses directly related to lottery operating revenue, including paid and accrued prizes, retailers' sales commissions, licensing expense and incentives, the Lottery's pro-rata share of joint venture expenses, vendor fees, the printing cost of instant scratch games, and the cost for shipping instant scratch games tickets to retailers.

*Administration expense* represents those expenses indirectly related to the operation of the Lottery programs. These expenses consist mainly of advertising costs and promotional materials, employee salaries and benefits, and other Lottery operating expenses.

*Non-operating revenue* represents revenues such as investment income received from the State Treasury Department, Tri-State Lotto, and Multi-State Lottery (MUSL).

*Non-operating expense* represents distributions to the Education Trust Fund, which are Lottery revenues to help fund education in New Hampshire. The Lottery, as a department of the State of New Hampshire, in accordance with RSA 284:21-j, transfers all Lottery revenue and interest, after the deduction of necessary administrative costs to the State's Education Trust Fund for distribution to local school districts. Mortgage interest from the purchase of the Lottery's headquarters located at 14 Integra Drive, Concord, NH is also classified as a non-operating expense.

*Restricted for prize funds* represents restricted deposits held in prize reserves with MUSL and Tri-State. These deposits are a condition of participation in the joint ventures. At June 30, 2021 MUSL reserves were \$2,666,316 and Tri-State reserves were \$1,901,439. The Tri-State reserves are committed to be returned to the players upon dissolution or termination of participation in the joint venture.

*Use of estimates;* the preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates

*Adoption of new accounting pronouncements;* during the fiscal year ended June 30, 2021, the Lottery Commission adopted the following new accounting standards issued by the Government Accounting Standards Board (GASB):

GASB No. 84: Fiduciary Activities. The objective of this standard is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard resulted in the reclassification of certain balances between governmental and fiduciary financial statements. The standard also resulted in the elimination of the previously presented Agency Fund: Combining Statement of Assets and Liabilities and Combining Statement of Changes in Assets and Liabilities, and the incorporation of a new component of the Fiduciary Fund Financial Statements reflecting activity in custodial accounts. Implementation of this standard had no effect on the Lottery Commission's financial statements.

GASB No. 89: Accounting for Interest Cost Incurred before the End of a Construction Period; The objectives of this standard are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of the construction period. Implementation of this standard had no effect on the Lottery Commission's financial statements.

GASB No. 90: Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61 was implemented during fiscal year 2021 and had no effect on the Lottery Commission's financial statements.

GASB No. 95: Postponement of the Effective Dates of Certain Authoritative Guidance, (GASB 95) addresses the temporary relief to governments and other stakeholders in the light of the COVID-19 pandemic by postponing the effective dates of certain GASB pronouncements that first became effective or are scheduled to become effective for periods beginning after June 25, 2018 and later. The effective dates for certain pronouncements are postponed by one year and GASB Statement 87 Leases is postponed by eighteen months. The primary government and component units have implemented GASB 95. As a result, the implementation of GASB No. 87 Leases will be implemented during fiscal year 2022

**Note 2 – Cash and Cash Equivalents**

The Lottery's cash and cash equivalents as reported on the Statement of Net Position as of June 30, 2021 consists of the following:

Cash in banks (carrying amount)	\$727,952
Cash and cash equivalents in State Treasury	(713,158)
Petty cash	5,000
Total cash and cash equivalents	<u>\$19,794</u>

The Lottery maintains two non-interest bearing commercial bank accounts, one being a revolving account, used to pay prizes and the other being a zero-balance account. The revolving account is replenished by the State Treasurer's office from Lottery income. The bank sweeps the net balance of the zero-balance account at the end of each business day into the New Hampshire State Treasury Department's bank account, in order to aggregate the State's assets and maximize the investment of available balances.

Statutory requirements and Treasury Department policies have been adopted to minimize risk associated with deposits. RSA 6:7 establishes the policy the State Treasurer must adhere to when depositing public monies. All banks, where the State has deposits and/or active accounts, are monitored as to their financial health through the services of Veribanc, Inc., a bank rating firm. In addition, ongoing reviews with officials of depository institutions are used to allow for frequent monitoring of custodial credit risk. All payments to the State are to be in U.S. dollars, therefore there is no foreign currency risk.

*Custodial credit risk:* In the case of deposits held with financial institutions, this is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2021 the Lottery's total deposits held with financial institutions were \$851,186 (bank balance), all of which were insured and collateralized.

### **Note 3 – Changes in Long Term Liabilities**

The following is a summary of the changes in long term liabilities for year ended June 30, 2021:

	<b>Beginning Balance</b>	Increases	Decreases	<b>Ending Balance</b>	Current	<u>Non-current</u>
	6/30/2020			6/30/2021		
Compensated Absences	\$587,228	\$540,650	\$430,836	\$697,042	\$69,704	\$627,338
Mortgage Loan Payable	2,815,092		111,296	2,703,796	115,135	2,588,661
Other Post-Employment Benefits	12,438,146	2,639,544	821,770	14,255,920	-	14,255,920
Net Pension Liability	3,835,000	1,944,356	375,356	5,404,000	-	5,404,000
Total	<u>\$19,675,466</u>	<u>\$5,124,550</u>	<u>\$1,739,258</u>	<u>\$23,060,758</u>	<u>\$184,839</u>	<u>\$22,875,919</u>

### **Note 4 – Capital Assets**

Capital assets activity for the year ended June 30, 2021 was as follows:

<b>Capital assets</b>	<b>Beginning Balance</b>	Increases	Decreases	<b>Ending Balance</b>
	6/30/2020			6/30/2021
Land & Buildings	\$2,999,339	\$ -	\$ -	\$2,999,339
Equipment & Vehicles	716,354	103,949	-	820,303
Total capital assets	<u>3,715,693</u>	<u>103,949</u>	<u>-</u>	<u>3,819,642</u>
<b>Accumulated depreciation</b>				
Land & Buildings	99,130	77,097	-	176,227
Equipment & Vehicles	632,782	23,664	-	656,446
Total accumulated depreciation	<u>731,912</u>	<u>100,761</u>	<u>-</u>	<u>832,673</u>
Total capital assets, net	<u>\$2,983,781</u>	<u>\$ 3,188</u>	<u>\$ -</u>	<u>\$2,986,969</u>

**Note 5 – General Budgetary Policies and Procedures**

As a department of the State of New Hampshire, the Lottery is required to submit a biennial budget to the Governor of the State of New Hampshire where it is approved and further submitted to the Legislature for its approval. Approved biennial appropriations are provided in annual amounts. The Lottery's official budget, as adopted by the Legislature, is prepared principally on a modified cash basis.

Due to the nature of the Lottery's activities, the majority of its expenses, such as prizes, retailer commissions, and vendor fees are not included in the State's biennial budget. The Lottery budgets for approximately 3% of its expenses, primarily salaries and benefits, and advertising.

**Note 6 – Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Plan Description: The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employee Retirement System ("NHRS") established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. NHRS is a contributory defined-benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. NHRS covers substantially all full-time State employees, public school teachers and administrators, permanent firefighters, and police officers within the State of New Hampshire. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation. NHRS is divided into two membership groups. Group I consists of State and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to its members and beneficiaries.

Group I members at age 60 (age 65 for members beginning service on or after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is 1/60 (1.667%) of average final compensation multiplied by years of creditable service (1/66 of AFC times creditable service for members beginning service on or after July 1, 2011). AFC is defined as the average of the three highest salary years for members vested as of January 1, 2012 and five years for members not vested as of January 1, 2012. At age 65, the yearly pension amount is recalculated at 1/66 (1.515%) of AFC multiplied by years of creditable service.

Members in service with 10 or more years creditable service who are between age 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

Group II members who are age 60, or members who are at least age 45 with a minimum of 20 years of creditable service (age 50 with a minimum of 25 years of creditable service or age 60 for members beginning service on or after July 1, 2011) can receive a retirement allowance at a rate of 2.5% of AFC for each year of service not to exceed 40 years (2% of AFC times creditable service up to 42.5 years for members beginning service on or after July 1, 2011). A member who began service on or after July 1, 2011 shall not receive a service retirement allowance until attaining age 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service. However, the allowance will be reduced by ¼ of one percent for each month prior to age 52.5 that the member receives the allowance.

Group II members hired prior to July 1, 2011 who have non-vested status as of January 1, 2012 are subject to graduated transition provisions for years of service required for regular service retirement, the minimum age for service retirement, and the multiplier used to calculate the retirement annuity, which shall be applicable on January 1, 2012.

All Lottery employees are members of Group I.

Members of both groups may qualify for vested deferred allowances, disability allowances, and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation, service, or both.

Pursuant to RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b, NHRS also provides a postretirement medical premium subsidy for Group I employees and teachers and Group II police officers and firefighters.

NHRS issues publicly available financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301-8507 or from their web site at <http://www.nhrs.org>.

Funding Policy: NHRS is financed by contributions from the members, the State and local employers, and investment earnings. By statute, Group I members contributed 7.0% of gross earnings. Group II firefighter members contributed 11.80% of gross earnings and group II police officers contributed 11.55% of gross earnings. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. Lottery required and actual contributions to NHRS for the fiscal year ending June 30, 2021 were \$460,437.

As of June 30, 2021, the Lottery Commission reported a liability of \$5,404,000 for its proportionate share of the net pension liability of the Plan. This net pension liability is measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll the total pension liability forward to June 30, 2020. The State's proportion of the net pension liability was based on the State's share of contributions to the Plan relative to the contributions of all participating employers, actuarially determined. The Lottery Commission's net pension liability and pension expense, along with related deferred outflows of resources and deferred inflows of resources was calculated using an allocated proportion among the State's governmental and business-type activities (0.4532%), based on percentage of pension plan contributions. For the year ended June 30, 2021, the Lottery Commission recognized pension expense of \$326,000.

As of June 30, 2021, the Lottery Commission reported deferred outflows and inflows of resources relating to pensions from the following sources:

(in thousands)	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 334	\$ -
Differences between expected and actual experience	146	(58)
Change in actuarial assumptions	535	-
Changes in employer proportion	60	(136)
Change in employer proportion (entity)	214	(142)
Contributions subsequent to the measurement date	411	-
<b>Total</b>	<b>\$ 1,700</b>	<b>\$ (336)</b>

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Amount (in thousands)
2022	\$105
2023	227
2024	326
2025	295
Total	\$953

*Actuarial Assumptions.* The Plan total pension liability, measured as of June 30, 2020, was determined by a roll forward of the actuarial valuation as of June 30, 2019, using the following actuarial assumptions:

Inflation	2.0%
Salary increases	5.6% average, including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality tables with credibility adjustments for each group and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 - June 30, 2019.

*Long-Term Rates of Return.* The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for each asset class.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Geometric Rate of Return
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	30.00%	
International Equities (unhedged)	13.00%	3.96%
Emerging International Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute return fixed income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total real estate investments	10.00%	
Total	100.00%	

*Discount Rate.* The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are determined based on the expected payroll of current members only. Employer contributions are determined based on the Plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

The following table illustrates the sensitivity of the Lottery Commission's proportionate share of the Plan's net pension liability to changes in the discount rate. In particular, the table presents the Lottery Commission's proportionate share of the Plan's net pension liability measured at June 30, 2020 assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate (in thousands):

1% Decrease to 5.75%	Current single rate as- sumption 6.75%	1% Increase to 7.75%
\$6,996	\$5,404	\$4,103

## **Note 7 – Other Postemployment Benefits**

### *Nontrusted Other Postemployment Benefits (OPEB)*

*Plan Description:* RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses through a single employer (primary government with component units) defined post employment benefit plan. These benefits include group hospitalization, hospital medical care, surgical care and other medical care. Substantially all of the State's employees who were hired on or before June 30, 2003 and have 10 years of service, may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires State Group I employees hired on or after July 1, 2003 to have 20 years of state service in order to qualify for health benefits. During fiscal year 2011, legislation was passed that requires Group II employees to have 20 years of State service to qualify for retiree health benefits. Additionally, during fiscal year 2012, legislation was passed requiring Group I employees hired after July 1, 2011 to have 25 years of state service and increased the normal retirement age for Group I and Group II employees hired after July 1, 2011. These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund (Fund), a single-employer group health fund, which is the state's self-insurance internal service fund implemented in October, 2003 for active state employees and retirees. The fund covers the cost of medical and prescription drug claims by charging actuarially developed working rates to State agencies for participating employees, retirees and eligible spouses. An additional major source of funding for retiree benefits is from the NHRS medical subsidy payment.

*Other Postemployment Benefits (OPEB) Liability:* The Lottery Commission's proportionate share of the State's Total OPEB liability of \$14,255,920 was measured as of June 30, 2020, and was determined by an actuarial valuation as of December 31, 2018, adjusted forward. The Lottery Commission's proportionate share of the State's Total OPEB liability is the ratio attributable to each fund/component unit based on each participant's calculated liability. As of the measurement date, the Lottery Commission's proportion was 0.640%, which was a decrease of fifty-two basis points from its proportion measured as of the previous measurement date. The OPEB expense for FY 2021 is a negative \$0.8 million.

*Actuarial Assumptions and other inputs:* The total OPEB liability as of December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

<b>Inflation:</b>	2.75%
<b>Salary Increases:</b>	Group I employees: 14.75% decreasing over 12 years to an ultimate level of 3.25% Group II employees: 27.75% decreasing over 8 years to an ultimate level of 4.25%
<b>Discount Rate:</b>	2.21% as of June 30, 2020
<b>Healthcare Cost Trend Rates:</b>	Medical - Non-Medicare: -17.05% for one year, 17.20% for one year and then 5.5% decreasing by 0.25% each year to an ultimate level of 4.5% per year - Medicare*: -12.2% for one year then 4.5% per year. First-year Medicare medical trend reflects known Medicare Advantage rate guarantees through 2020  Prescription Drug - Non-Medicare: -12.17% for one year, 3.30% for one year then 7.50% decreasing by 0.25% each year to an ultimate level of 4.5% per year - Medicare: 9.75% for one year, 6.20% for one year then 6.50% decreasing by 0.25% each year to an ultimate level of 4.5% per year  Contributions: Retiree contributions for 2020 were adjusted based on actual working rate changes and are expected to increase with a blended medical and prescription drug trend.

The discount rate was based on the yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher as shown in the Bond Buyer 20-Bond General Obligation Index (2.21% as of June 30, 2020 and 3.50% as of June 30, 2019). This determination is in accordance with GASB Statement No 75.

Mortality rates were based on the PubG-2010 Headcount-Weighted Employee/Healthy Retiree General Mortality tables with credibility adjustments for Group I and PubNS-2010 Headcount-Weighted Non-Safety Disabled Retiree Mortality for Group I.

Changes in assumptions reflect trend assumption revisions to reflect current experience and future expectations.

*Sensitivity of the Total OPEB liability to changes in the discount rate:* The following presents sensitivity of the Lottery Commission's proportionate share of the Total OPEB liability to changes in the discount rate. In particular, the table presents the Lottery Commission's proportionate share of the Total OPEB liability measured at June 30, 2020 if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (in thousands):

1% Decrease to 1.21%	Current Discount Rate 2.21%	1% Increase to 3.21%
\$17,086	\$14,256	\$12,042

*Sensitivity of the Total OPEB liability to changes in the healthcare cost trend rates:* The following presents sensitivity of the Lottery Commission's proportionate share of the total OPEB liability to changes in the healthcare cost trend rates. In particular, the table presents the Lottery Commission's proportionate share of the Total OPEB liability measured at June 30, 2020, if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare trend cost rates (in thousands):

1% Decrease	Current Trend Rate	1% Increase
\$11,704	\$14,256	\$17,621

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:* For the year ended June 30, 2021, the Lottery Commission recognized OPEB expense of (\$0.7) million. As of June 30, 2021, the Lottery Commission reported deferred outflows and inflows of resources on its financial statements related to OPEB of \$5.70 million (excluding \$309 thousand in contributions subsequent to the measurement date) from the following sources:

(in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (188)
Change in assumptions	1,836	(3,110)
Changes in employer proportion	-	(1,569)
Contributions subsequent to the measurement date	241	-
Total	\$ 2,077	\$ (4,867)

Amounts reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	Amount (in thousands)
2022	\$ (1,350)
2023	(1,350)
2024	(484)
2025	153
Total	<u>\$ (3,031)</u>

**Note 8 – Long Term Mortgage Payable**

In December 2018, the Lottery purchased its office and warehouse facility located on Integra Drive in Concord, New Hampshire. The mortgage, payable to Northway Bank, is secured by first priority mortgage and assignment of rents and leases on the property. The initial principle balance of \$2,975,000 is payable monthly (approximately \$17,000) with a fixed interest rate of 3.35%. The year ending balance as of June 30, 2021 was \$2,703,796.

Maturities required on long-term debt are as follows for fiscal years ending June 30:

<u>Fiscal Year</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 115,135	\$ 90,059	\$ 205,194
2023	119,107	86,087	205,194
2024	122,992	82,202	205,194
2025	127,460	77,735	205,195
2026	131,857	73,338	205,195
2027 - 2031	730,546	295,427	1,025,973
2032 - 2036	865,568	160,404	1,025,972
2037 - 2039	491,131	21,856	512,987
Total over life of mortgage	<u>\$2,703,796</u>	<u>\$887,108</u>	<u>\$3,590,904</u>

**Note 9 – Joint Ventures**

GASB Statement No.14, *The Financial Reporting Entity*, defines a joint venture as a legal entity which results from a contractual arrangement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Lottery Commission is an active participant in three separate joint venture arrangements: the Tri-State Lotto Commission (Tri-State), the Multi-State Lottery Association (MUSL), and Lucky for Life. Tri-State and MUSL joint ventures are audited by separate audit firms hired by the particular joint venture. For fiscal year 2021 Wipfli LLP, of South Portland, Maine audited Tri-State and LWBJ Financial of West Des Moines, Iowa audited MUSL. The Lucky for Life joint venture holds each member lottery responsible for providing all other member lotteries with an annual report outlining that certain “Agreed Upon Procedures” have been completed by an independent firm hired by the perspective member lottery.

### **A. Tri-State Lotto Commission**

In September 1985, RSA 287-F established the Tri-State Lotto Commission (Tri-State) whereby the New Hampshire Lottery Commission entered into a joint venture with the Maine and Vermont lotteries. Tri-State is composed of one commissioner from each of the three state lotteries and is authorized to promulgate rules and regulations regarding the conduct of lottery games and the licensing of retailers. In addition, each of the member states contributes services towards the management and advisory functions.

The payments due winners for prizes awarded under Megabucks are fully funded by deposit fund contracts and investments in U.S. Treasury strips, held by Tri-State. Accordingly, the New Hampshire Lottery Commission does not record a liability for jackpot awards which are payable in installments from funds provided by Tri-State. At June 30, 2021, Tri-State reported total installment prize obligations owed to jackpot winners of \$14.8 million, payable through the year 2045.

Each member state, and the Lottery, shares in all joint venture sales and expenses, including prize expenses, based on its pro-rata share of sales. Direct charges, such as advertising, vendor fees and the Lottery's per-diem payments are charged to participating states based on services received. Tri-State has established a Designated Prize Reserve, which acts as a contingency to protect Tri-State against unforeseen liabilities. The balance in the Tri-State reserve at June 30, 2021 was \$4,345,585. The allocation for this reserve is based on each state's pro-rata share of sales; it is estimated that New Hampshire's portion of the reserve amounts to \$1,901,439. Lottery prize reserves held by Tri-State are invested in U.S. Treasury notes. Tri-State policy dictates that if Tri-State dissolves or a state withdraws, these reserve amounts will be used as future prizes to the states' lottery players.

The New Hampshire Lottery Commission's portion of the Tri-State Lotto Commission games for fiscal year 2021 is summarized below:

<b><u>Tri-State</u></b>	
Operating revenues	\$39,478,338
Operating expenses	
Prizes	23,855,511
Retailer Commissions	2,455,476
Advertising and promotional	1,332,983
Vendor Fees	727,677
Other operating expenses	111,647
Total operating expenses	<u>28,483,294</u>
Net operating income	10,995,044
Interest income	68,929
Net income from Tri-state	<u><u>\$11,063,973</u></u>

The Tri-State Lotto Commission maintains its own financial statements, which have been audited by an independent CPA firm. The report dated November 1, 2021 issued an unqualified opinion on the Tri-State Lotto financial statements for the fiscal year ended June 30, 2021. The Tri-State Lotto Commission issues a publicly available annual financial report, which may be obtained by writing to the Tri-State Lotto Commission, 1311 US Route 302 Suite 100, Barre, Vermont 05671.

### ***B. Multi-State Lottery Association***

The New Hampshire Lottery Commission became a member of the Multi-State Lottery Association (MUSL) in November 1995. MUSL is currently comprised of 38 member state lotteries, including the District of Columbia, Puerto Rico, and the United States Virgin Islands. MUSL is managed by a Board of Directors, which is comprised of the lottery directors or their designee from each of the party states. The Board of Directors' responsibilities to administer the Multi-State Lottery Powerball, Lotto America, and Mega Millions games are performed by advisory committees or panels staffed by officers and independent contractors appointed by the board. These officers and consultants serve at the pleasure of the board and the board prescribes their powers, duties and qualifications. The Executive Committee carries out the budgeting and financing of MUSL, while the board contracts the annual independent audit.

The Lottery sells Powerball tickets, collects all revenues, and remits prize funds to MUSL net of lower tier prize awards. Jackpot prizes that are payable in installments are satisfied through investments purchased by MUSL. MUSL purchases U.S. government obligations, which are held in irrevocable trusts established by MUSL for the benefit of participating state lotteries. Accordingly, the Lottery does not record an obligation for jackpot awards which are payable in installments from funds provided by MUSL.

Each member state participates in the sale of Powerball tickets. Each member state including the Lottery shares in all joint venture sales and expenses, including prize expenses, based on its pro-rata share of sales. Each week MUSL allocates 50 percent of sales to the prize pool. Two percent of that prize pool is placed into two Powerball prize reserve funds. One of these funds, the Powerball prize reserve fund, acts as a contingency reserve to protect MUSL members against unforeseen liabilities and is to be used at the discretion of the MUSL Board of Directors. The prize reserve fund monies, which are maintained on MUSL's balance sheet, are refundable after a one-year waiting period if a member leaves the Association or if the Association disbands. New Hampshire's total share of prize reserves held by MUSL amounted to \$2,666,316 at June 30, 2021.

At June 30, 2021, the total MUSL Powerball prize reserve fund had a balance of \$76,390,209. New Hampshire's portion of the prize reserve fund balance amounted to \$1,001,526. The second Powerball prize reserve fund, Powerball set prize reserve, is used when low tier prizes won exceed statistically calculated low tier prize monies. At June 30, 2021, the total MUSL – Powerball set prize reserve fund had a balance of \$32,926,006. New Hampshire's portion of the prize reserve fund balance amounted to \$491,654. The interest earned on prize reserve fund monies is used to pay MUSL operating expenses and any amounts over and above that are credited to an unreserved fund. The Lottery records this as interest when earned. This fund had a balance of \$19,878,441 at June 30, 2021. New Hampshire's portion of this unreserved fund amounted to \$460,107. This balance also includes the released Hot Lotto restricted funds. MUSL's Powerball operating expenses are paid from interest earned on the prize reserves. Any needed additional funds are billed to the individual lotteries.

Forty-five states plus the District of Columbia and the US Virgin Islands have elected to participate in the sale of Mega Millions tickets. Mega Millions has been offered to MUSL members since January 2010. MUSL allocates 50 percent of the weekly sales to the prize pool and an extra 1% to a prize reserve fund. At June 30, 2021 the MUSL Mega Millions prize reserve fund was \$93,276,388 with New Hampshire's share being \$1,173,137. Each participating member pays for a share of Mega Millions operating expenses based upon the member's proportionate share of total Mega Millions game sales.

Lottery prize reserves held by the MUSL are invested according to a Trust agreement the Lottery has with MUSL outlining investment policies. The policies restrict investments to direct obligations of the United States Government, perfected repurchase agreements, obligations issued or guaranteed as to payment of principal and interest by agencies or instrumentalities of the United States Government, and mutual funds of approved investments. The average portfolio maturity is never more than one year, except that up to one third of the portfolio may have an average maturity of up to two years. The maximum maturity for any one security does not exceed five years.

The New Hampshire Lottery Commission's portion of the Multi-State Lottery's games for fiscal year 2021 is summarized below:

<b>MUSL</b>	
Operating revenues	\$58,077,042
Operating expenses	
Prizes	28,268,335
Retailer Commissions	2,947,218
Advertising and promotional	330,246
Vendor Fees	2,259,074
Other operating expenses	53,856
Total operating expenses	<u>33,858,729</u>
Net operating income	24,218,313
Interest income	<u>3,512</u>
Net income from MUSL	<u><u>\$24,221,826</u></u>

MUSL maintains its own financial statements, which have been audited by an independent CPA firm. The report dated November 10, 2021 issued an unqualified opinion on the MUSL financial statements for the fiscal year ended June 30, 2021. MUSL issues a publicly available annual financial report, which may be obtained by writing to the Multi-State Lottery Association, 4400 NW Urbandale Drive, Urbandale, Iowa 50322.

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### ***C. Lucky for Life***

The New Hampshire Lottery Commission became a member of the game known as Lucky for Life beginning sales on March 11, 2012, with the first drawing held on March 15, 2012. Lucky for Life is currently comprised of lotteries in 22 states and the District of Columbia. The member lotteries, each represented by a director or designee, jointly operate the Lucky for Life game.

The Lottery sells Lucky for Life tickets, collects all revenues, and remits prize funds and operating funds to MUSL. While Lucky for Life is not a MUSL game, the party lotteries pay a fee to MUSL to act as the game administrator (clearinghouse agent) for the Lucky for Life game. MUSL collects and re-distributes funds to the party lotteries when funds are due and purchases insurance annuities for the top two highest prize tiers when a winner does not choose a cash pay-out. The top two prize tiers are payable in installments and are satisfied through insurance annuities purchased by MUSL when a winner chooses the annuity option. MUSL purchases insurance annuities, on behalf of the member states, based on \$365,000 (top prize tier) or \$25,000 (second highest prize tier) per year deferred annuity paid annually on the anniversary of the claim date for the lifetime of the top prize winner. Accordingly, the Lottery does not record an obligation for jackpot awards which are payable in installments from funds provided by MUSL or the other party lotteries.

Each member state including the Lottery shares in all joint venture sales and expenses, including prize expenses, based on its pro-rata share of sales. The top two prize tiers' liability for each Lucky for Life drawing is shared by each member Lottery based on an amount equal to a percentage of that member Lottery's Lucky for Life sales, said percentage being the proportion of the total jackpot/grand prize liability to total Lucky for Life sales. The member Lotteries are responsible for the prize liability for low-tier/set prizes (prize levels two through ten) as follows: each member Lottery is responsible for an amount equal to a percentage of that member Lottery's Lucky for Life sales, said percentage being the proportion of total Lucky for Life prize liability to total Lucky for Life sales.

The Lucky for Life game was designed to have a total prize percentage payout of 60 percent of sales, providing approximately one jackpot/grand prize winner annually and 17 second prize tier winners annually. The prize percentage of 60 percent is broken down to include a jackpot/grand prize amount equal to 10% of total sales, second highest prize tier equal to 12% of sales, and low-tier prizes of 38% of sales. Online lottery games are designed to provide an average payout over an extended period of time.

The New Hampshire Lottery Commission's portion of the Lucky for Life game for fiscal year 2021 is summarized below:

<b><u>Lucky for Life</u></b>	
Operating revenues	\$5,633,653
Operating expenses	
Prizes	3,728,927
Retailer Commissions	342,783
Advertising and promotional	25,856
Vendor Fees	89,436
Other operating expenses	9,190
Total operating expenses	<u>4,196,192</u>
Net income from Lucky for Life	<u>\$1,437,461</u>

Each member lottery is responsible for providing all other member lotteries an annual report outlining that certain "minimum agreed upon procedures" have been completed by an independent audit firm hired by the respective lottery. The "minimum agreed upon procedures" were established and approved by all twenty-one jurisdictions' directors and finance members prior to the startup of Lucky for Life, and amendments to the procedures must be signed off by all current members.

### ***Note 10 – Risk Management***

The Lottery Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and natural disasters.

#### *Principle of Self-insurance*

As a general operating rule, the State self-insures against all damages, losses and expenses except to the extent that provisions of law require the purchase of commercial insurance or a risk assessment has indicated that commercial insurance is economical and beneficial for the State or the general public. In such instances, the State may elect to purchase commercial insurance. There are approximately 26 such commercial insurance programs in effect. These include, but are not exclusive to, state owned real property insurance, fleet automobile liability, watercraft insurance, foster parent liability, ski area liability for Cannon Mountain, data security and privacy cyber liability insurance, and a fidelity and faithful performance bond. In general, claims settled in the past three years under the insurance programs have not exceeded commercial insurance coverage. As of June 30, 2021, there are no outstanding fleet claims that are currently expected to exceed the policy coverage. The State's exposure per claimant is limited by law to a total of \$475 thousand under RSA 541-B:14 and the State's current fleet policy coverage is \$250 thousand per claimant.

#### *Employee and Retiree Health Benefits*

During fiscal year 2004, the State established an Employee Benefit Risk Management Fund (the Fund), an internal service fund, to account for its uninsured risks of loss related to employee and retiree health benefits. Currently, the Lottery Commission retains all of the risk associated with the self-funded benefits, and utilizes an actuarially-established IBNR (incurred but not reported) claims reserve. In addition, state law requires the Fund to maintain a reserve in the amount of at least 3% of estimated annual self-funded claims and administrative costs, for unexpected costs. Health and dental plan rates are established annually, by actuaries, based on an analysis of past claims, State and other medical trend, and annual projected plan claims and administrative expenses.

The process used in estimating claim liabilities may not result in an exact payout amount due to variables such as medical inflation, or changes in law, enrollment or plan design.

#### *Workers' Compensation*

Since February 2003, the State has been self-insured for its workers' compensation exposures, retaining all of the risk associated with workers' compensation claims. The State utilizes an actuarial study that provides an annual estimate of the outstanding liabilities for the prior years' claims. The study also contains assumptions about loss development patterns, trends, and other claim projections based upon the State's historical loss experience.

**Note 11 – Prize Annuity Due Winner**

On November 29, 2006, the Lottery purchased from American National Insurance Company a 19 year annuity, on behalf of a prize winner. The American National Insurance Company has a rating of A (strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances) from Standard & Poor’s. The annuity is in the name of the prize winner and the Lottery does not recognize a liability for this annuity. The annual payment paid to the winner by the insurance company is \$50,000. The likelihood of this becoming a liability to the Lottery is low.

**Note 12 – iLottery Net Wins**

iLottery e-instant game revenue is reported as ticket sales net of bonus and prize expense in the Statement of Revenues, Expenses, and Changes in Net Position and Supplementary Schedule of Revenue and Expenses, and Distributions. Bonuses are a part of the Lottery’s customer relationship management. iLottery e-Instant games range in payout from 83% to 87% with an average prize payout of 85% (of possible sales) for the full portfolio. The following schedule details the iLottery e-instant game sales, bonus and prize activity on a cash basis for the fiscal year ended June 30, 2021:

<b>iLottery E-Instant Games</b>	<b>2021</b>
Gross Sales	\$184,597,173
Prizes	(157,929,313)
Bonuses	<u>(2,952,716)</u>
Net Wins	<u>\$23,715,144<sup>3</sup></u>
Gross profit margin	12.8%

**Note 13 – Litigation**

*New Hampshire Lottery Commission v. William Barr*: In February of 2019, the New Hampshire Lottery Commission filed a lawsuit against the United States Department of Justice (“USDOJ”) seeking to invalidate the USDOJ’s re-interpretation of the Wire Act of 1961. The Wire Act prohibits the use of interstate wires to facilitate certain betting activities. Since 2011, USDOJ had taken the position that the Wire Act applied solely to sports betting. In November 2018, USDOJ changed their interpretation of the Wire Act to broaden the scope of wagering covered by the act to include lottery activities. On June 3, 2019 the United States District Court for New Hampshire ruled in favor of the Lottery Commission and determined that the USDOJ’s new position was not supported as a matter of law. On August 16, 2019, USDOJ appealed this decision to the 1st Circuit Court of Appeals. Arguments were held on the appeal on June 18, 2020. On January 20, 2021, the 1st Circuit Court of Appeals issued a decision upholding the District Court’s ruling in favor of the New Hampshire Lottery Commission. The USDOJ has decided against any filing any further appeals and this matter is now concluded.

**Note 14 – Sports Betting**

Legalization of Sports Betting (RSA 287-I): In July 2019, the Governor signed House Bill 480 into law authorizing the New Hampshire Lottery Commission to operate and regulate sports betting within the State. Pursuant to the statute, the Commission issued a Request for Proposals (RFP) for sports betting agents on August 7, 2019. Based on the results of the RFP, the Commission entered into contracts with two agents who were approved by the Governor and Executive Council on November 25, 2019: DraftKings of Boston, Massachusetts for the mobile and sports book retail channels; and Intralot, Inc. of Duluth, Georgia for the lottery retail channel.

Sports betting began operations on December 29, 2019 for mobile and internet based betting. Revenues are reported on a net income basis or gross bets (handle) less winnings and 15% of promotional expense. Promotional expense is capped at 15% of the Gross Gaming Revenue (GGR) and is reconciled at the end of the contract year. Lottery receives fifty-one percent of the of the GGR less promotional expenses.

Retail locations began opening on August 12, 2020. During the year, two retail locations were operating. Revenues are reported on a net income basis as defined above. Promotional expense is capped at 10% of the Gross Gaming Revenue (GGR) and is not reconciled at the end of the contract year. Lottery receives fifty percent of the GGR less promotional expenses.

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**New Hampshire Lottery Commission**  
**Required Supplementary Information (Unaudited)**  
**Fiscal Year Ended June 30, 2020**

**The tables below and on the following page display information about the New Hampshire Retirement System Plan and Postemployment Benefits:**

**Schedule of the Lottery's Proportionate Share of the Net Pension Liability**

(dollars in thousands)	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Lottery's Proportion of the Net Pension Liability	0.08%	0.08%	0.08%	0.09%	0.09%	0.09%	0.09%
Lottery's Proportionate Share of the Net Pension Liability	\$5,404	\$3,835	\$3,789	\$4,402	\$4,948	\$3,675	\$3,400
Lottery's Covered-Employee Payroll	2,892	2,634	2,569	2,652	2,688	2,622	2,465
Lottery's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	186.89%	147.59%	147.47%	166.01%	184.08%	140.16%	137.93%
NHRS Fiduciary Net Position as a Percentage of the Total Pension Liability	58.72%	65.59%	64.73%	62.66%	58.30%	65.47%	66.32%

Note: The amounts presented were determined as of and for the measurement periods ended June 30, 2021, 2020, 2019, 2018, 2017, 2016, and 2015.

*Schedule is intended to show 10 years. Additional years will be added as they become available.*

**New Hampshire Lottery Commission**  
**Required Supplementary Information (Unaudited)**  
**Fiscal Year Ended June 30, 2021**

**Schedule of Lottery Contributions**

(dollars in thousands)	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Required Lottery Contribution	\$411	\$378	\$350	\$330	\$330	\$330	\$300	\$294
Actual Lottery Contributions	411	378	350	330	330	330	300	294
Excess/(Deficiency) of Lottery Contributions	-	-	-	-	-	-	-	-
Lottery's Covered-Employee Payroll	2,942	2,706	2,654	2,714	2,808	2,617	2,648	2,465
Lottery Contribution as a Percentage of its Covered-Employee Payroll	13.97%	13.97%	13.19%	12.16%	11.75%	12.61%	11.33%	11.93%

*Schedule is intended to show 10 years. Additional years will be added as they become available.*

See accompanying independent auditor's report.

**Schedule of the Lottery's Proportionate Share of the Total OPEB Liability (Unaudited)**

(dollars in thousands)

	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Lottery's Proportion of the total OPEB Liability	0.64%	0.69%	0.71%	0.72%	0.73%
Lottery's Proportionate Share of the total OPEB Liability	\$14,256	\$12,438	\$13,560	\$16,144	\$20,943
Lottery's Covered Payroll	\$2,892	\$2,634	\$2,569	\$2,652	\$2,688
Lottery's Proportionate Share of the total OPEB Liability as a Percentage of its Covered Payroll	492.95%	472.21%	527.83%	608.75%	779.13%

Note: The amounts presented were determined as of and for the measurement periods ended June 30, 2021, 2020, 2019, 2018, and 2017.

The schedule is intended to show 10 years. Additional years will be added as they become available.

Changes in assumptions reflect trend assumption revisions to reflect current experience and future expectations. The discount rate decreased from 3.58% as of June 30, 2018 to 3.50% as of June 30, 2019.

Notes to the Required Supplementary Information:

There are no assets accumulated in a trust that meets the criteria in paragraph 4 to pay related benefits.

See accompanying independent auditor's report.

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**New Hampshire Lottery Commission**  
**Other Supplemental Information Supplemental Schedule of**  
**Revenues, Expenses, and Distributions For the Year Ended June 30, 2021**

<b>Operating Revenues</b>	
Instant tickets	\$320,336,405
Keno	47,902,440
MUSL Powerball	31,187,482
MUSL Mega Millions	26,889,560
Tri-State Megabucks	8,068,120
Tri-State Pick 3	5,878,926
Tri-State Pick 4	5,271,222
Tri-State Gimme 5	3,755,772
Tri-State Fast Play	16,504,298
Lucky for Life	5,633,653
iLottery, Net Wins	23,720,031
Racing & Charitable Gaming	7,106,698
Sports Betting	16,723,887
Other income	55,362
<b>Total operating revenues</b>	<u>519,033,856</u>
<b>Operating Expenses</b>	
Cost of sales	
Prize awards	
Instant tickets	221,774,478
Keno	33,292,049
MUSL Powerball	15,159,869
MUSL Mega Millions	13,108,466
Tri-State Megabucks	3,648,605
Tri-State Pick 3	2,977,888
Tri-State Pick 4	2,635,752
Lucky for Life	3,728,927
Tri-State Gimme 5	1,976,695
Tri-State Fast Play	12,616,571
Total prize awards	<u>310,919,300</u>
Retailers' commissions	32,145,818
Vendor fees	17,741,945
Keno License Fees	100
Cost of instant scratch games (printing and delivery)	2,728,301
Expense pools	174,694
Total cost of sales	<u>363,710,158</u>
<b>Administration:</b>	
Salaries and benefits	5,635,559
Advertising and promotional	3,792,766
Information technology	362,535
Other expenses	921,016
Total administration	<u>10,711,876</u>
Depreciation expense	100,761
<b>Total operating expenses</b>	<u>374,522,795</u>
Operating income	144,511,061
Nonoperating revenues (expenses)	
Interest and miscellaneous income	(28,773)
Interest on mortgage loan payable	(93,900)
<b>Net income</b>	<u>144,388,388</u>
Distributions to Education Trust Fund	(144,237,386)
	<u>-</u>
Change in net position	<u>\$151,002</u>

See accompanying independent auditor's report.

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***Statistical Section (Unaudited)***

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## Description of Statistical Section Contents

This part of the New Hampshire Lottery Commission's comprehensive annual financial report presents detailed information as a context for understanding the content of the financial statements, note disclosures, and supplementary information. It is intended to illustrate the Lottery's overall financial health.

*Financial Trends:* These schedules and graphs contain information to help the reader understand how the Lottery's financial performance has changed over time. Please keep in mind the increase or decrease in net position does not reflect the condition of the Lottery's financial position because, by law, the Lottery is required to distribute all net profits to the Education Trust Fund on a monthly basis. These trends are illustrated in the tables and graphs that reflect the last ten fiscal years and include:

- Revenues, Expenses, and Changes in Net Position
- Sales by Game
- Distributions to Education (Net Profit)
- Expenses
- Powerball and Instant Sales
- Online Game Sales Excluding Powerball
- Instant versus Online Sales

*Operating Information:* These schedules illustrate miscellaneous statistics by comparing certain information contained in the Lottery's financial report as it relates to the programs it offers and the activities it performs:

- Game Statistics
- Prizes by Game

*Demographic and Economic Information:* These schedules and graphs offer demographic and economic indicators to help the reader understand the environment within which the Lottery's operations take place and where it derives its revenues. The data includes nine to ten fiscal years of the following areas:

- Top Ten Revenue Producers
- Lottery Commission Employee Statistics
- New Hampshire Demographic Economic Statistics

*Industry Comparisons:* This data is sourced from the leading industry almanac and offers an understanding of New Hampshire Lottery's performance in comparison to other state lotteries in Fiscal Year 2021:

- Unaudited Lottery Sales, Prizes, Gross Gaming Revenue and Government Transfers by GDP
- Sales by Game
- Fiscal Year 2021 versus 2020 Instant Sales by Price Point
- US Lotteries Total Sales for Fiscal Year 2021 – Ranked (Unaudited\*)
- US Lotteries Total Transfers to Beneficiaries for Fiscal Year 2021 – Ranked (Unaudited\*)

**Revenues, Expenses, and Changes in Net Position for Last Ten Fiscal Years**

<b>Revenues (in thousands)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Instant Scratch Games	\$ 176,912	\$ 192,475	\$ 195,293	\$ 208,938	\$ 218,037	\$ 223,368	\$ 238,867	\$ 250,477	\$ 272,265	\$ 320,336
Keno	-	-	-	-	-	-	8,357	26,959	28,988	47,902
MUSL Powerball	33,022	46,160	35,034	28,669	42,546	32,446	36,780	37,618	23,913	31,187
MUSL Mega Millions	14,986	8,765	13,499	12,533	11,265	11,287	16,948	31,611	17,495	26,890
MUSL Hot Lotto	3,183	3,168	3,160	3,697	2,699	2,749	1,322	-	-	-
Tri-State Megabucks	9,459	9,177	8,105	7,432	7,838	7,645	8,740	9,359	8,087	8,068
Tri-State Daily Pick 3/Pick 4	10,310	9,933	9,855	9,968	10,333	10,809	10,384	10,254	10,499	11,150
Tri-State Other Games	3,499	1,833	4,304	4,623	5,329	5,531	5,909	7,969	8,115	20,260
Lucky for Life	3,289	7,826	6,361	5,272	5,295	5,319	5,445	5,607	5,539	5,634
iLottery	-	-	-	-	-	-	-	4,513	10,733	23,720
Racing & Charitable Gaming	-	-	-	-	5,038	4,892	5,010	5,996	4,426	7,107
Sports Betting	-	-	-	-	-	-	-	-	2,158	16,724
Income Other than Ticket Sales	1,200	1,132	375	1,850	188	275	134	675	432	27
Total Sales and Other Revenue <sup>2</sup>	\$ 255,860	\$ 280,469	\$ 275,986	\$ 282,982	\$ 308,568	\$ 304,321	\$ 337,895	\$ 391,038	\$ 392,651	\$ 519,005
<b>Operating Expenses</b>										
Prizes	158,887	173,357	171,846	176,415	192,963	191,778	211,534	240,812	246,878	310,919
Retailer Commissions & Incentives	14,832	16,626	15,823	16,256	18,057	17,204	19,909	23,468	23,083	32,146
Other Costs of Sales	7,071	7,618	7,217	7,800	8,262	8,444	8,569	11,278	13,887	20,645
Administration & Depreciation Expenses	8,147	8,533	8,624	8,264	10,205	10,742	10,499	8,896	9,369	10,813
Total Expenses	188,937	206,134	203,510	208,735	229,487	228,168	250,510	284,454	293,217	374,523
<b>Nonoperating Expenses</b>										
Transfer in of RCGC operations	-	-	-	-	(1,089)	-	-	-	-	-
Interest on mortgage payable	-	-	-	-	-	-	-	50	98	94
Distributions to Education/DHHS	66,768	74,335	72,380	74,325	79,185	76,120	87,279	105,853	99,791	144,237
<b>Change in Net Position</b>										
Change in Net Position <sup>1</sup>	155	-	96	(78)	(1,193)	34	107	681	(453)	151
<b>Net Position</b>										
Invested in capital assets	13	133	246	187	211	145	72	73	169	283
Restricted for prize funds	4,134	4,134	4,230	4,152	4,048	4,083	4,189	4,869	4,417	4,568
Unrestricted Deficit <sup>3,4</sup>	(13)	(133)	(246)	(2,777)	(3,890)	(3,824)	(24,332)	(24,333)	(24,429)	(24,543)
Ending Net Position <sup>5</sup>	\$ 4,134	\$ 4,134	\$ 4,230	\$ 1,562	\$ 369	\$ 404	\$ (20,071)	\$ (19,390)	\$ (19,842)	\$ (19,692)

<sup>1</sup> The change in net position does not reflect the condition of the Lottery's financial position, because by law the Lottery is required to transfer all net profits to the Education Trust Fund on a monthly basis.

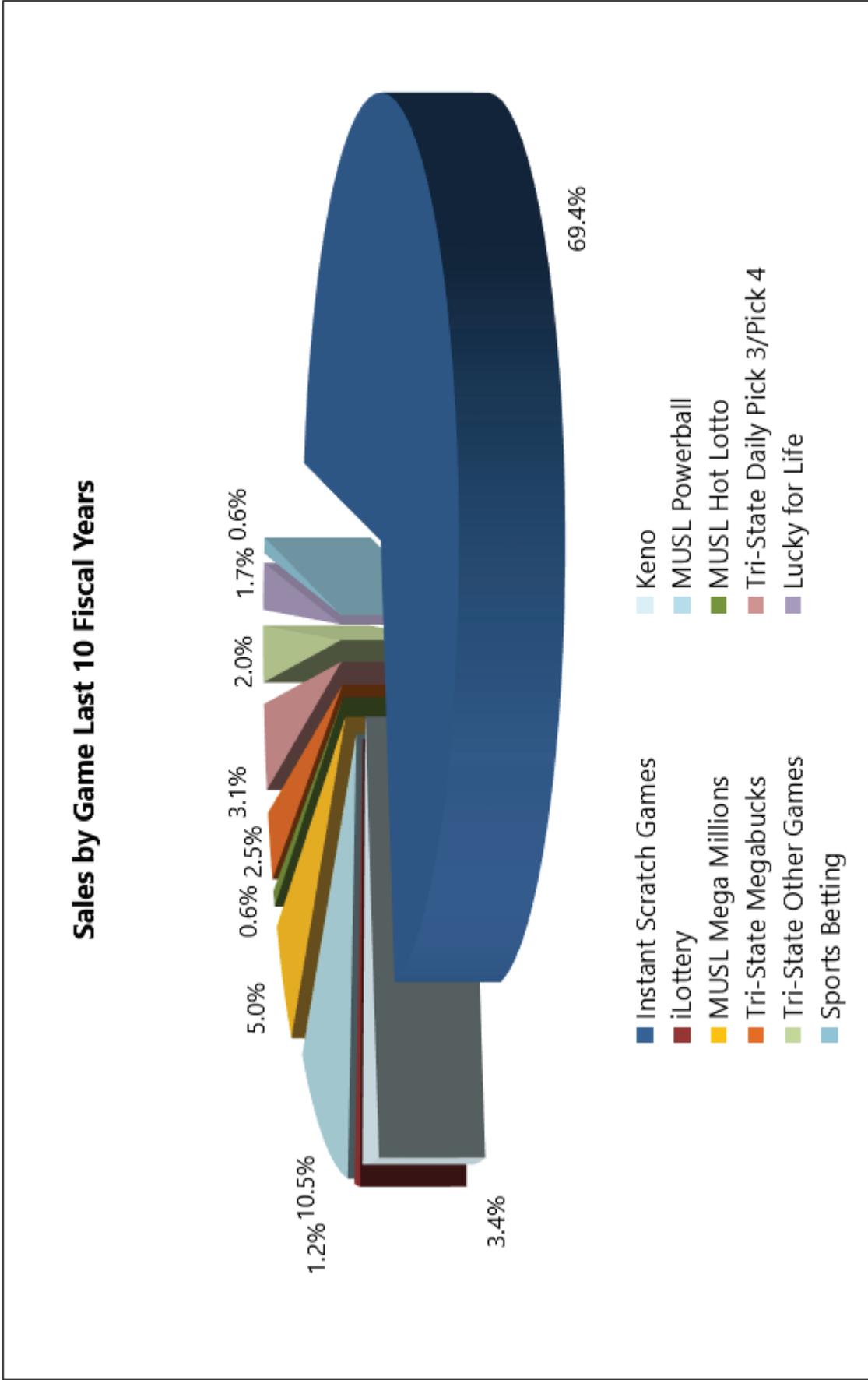
<sup>2</sup> State law restricts the maximum sales amount of a ticket to \$30.

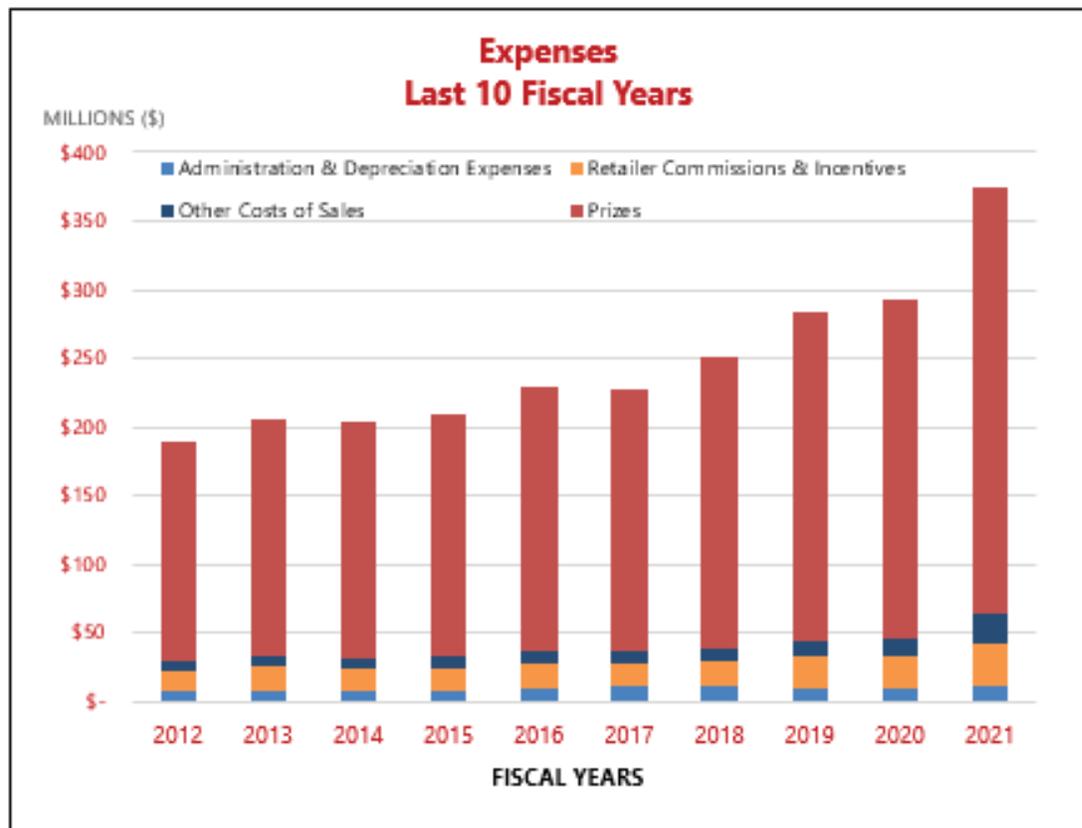
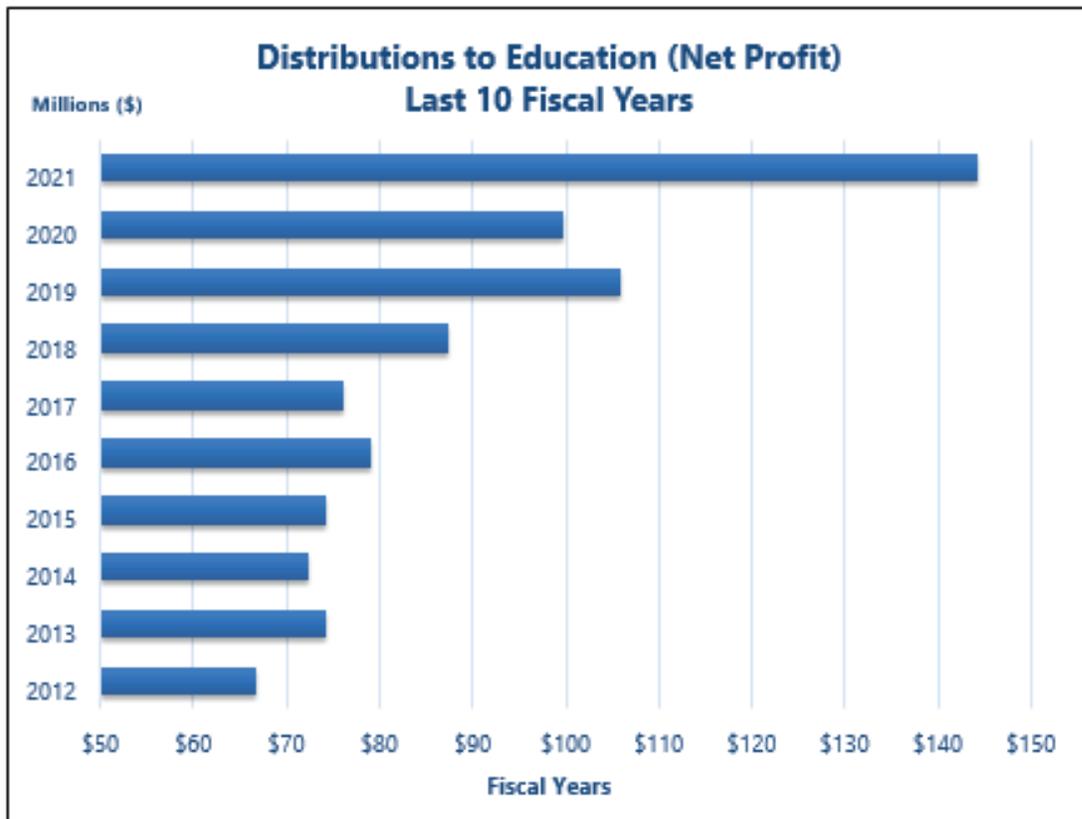
<sup>3</sup> The increase in Unrestricted Deficit was due to an accounting change for fiscal year 2015 in accordance with GASB Statement No. 68

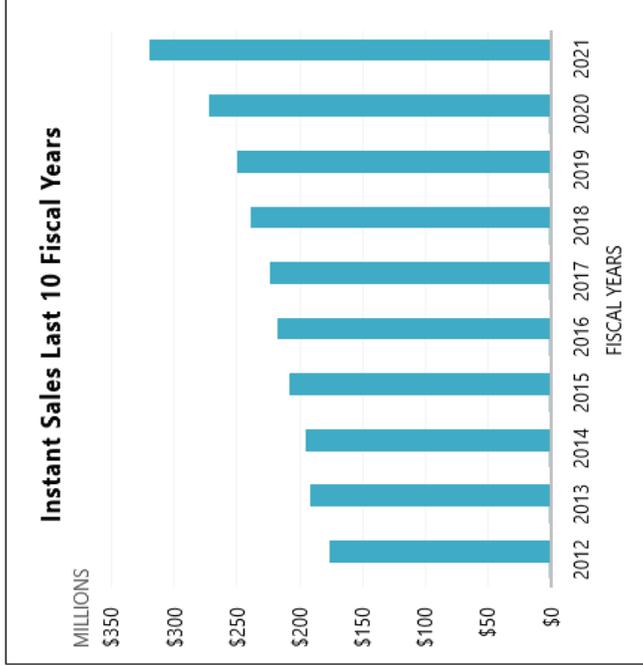
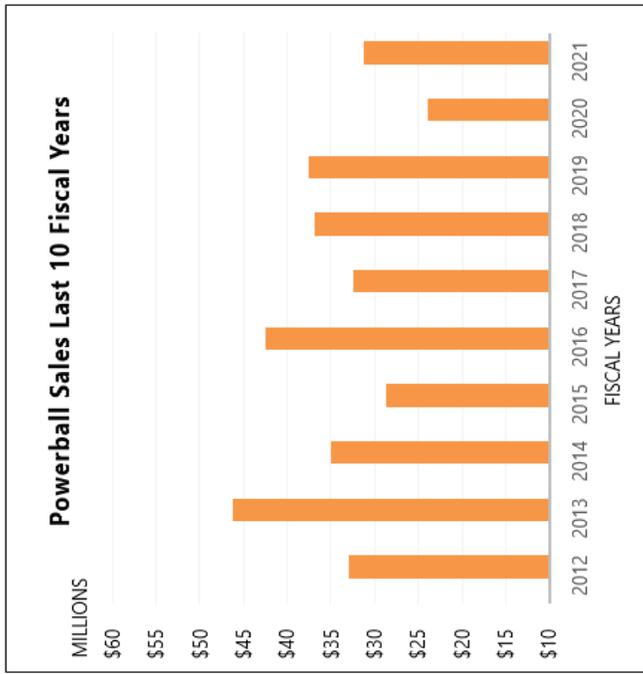
<sup>4</sup> The increase in Unrestricted Deficit in 2016 was due to the merger with Racing and Charitable Gaming (RCGC). See Note 12

<sup>5</sup> FY 2018 restated for the effects of implementing new accounting standard GASB Statement No. 75.

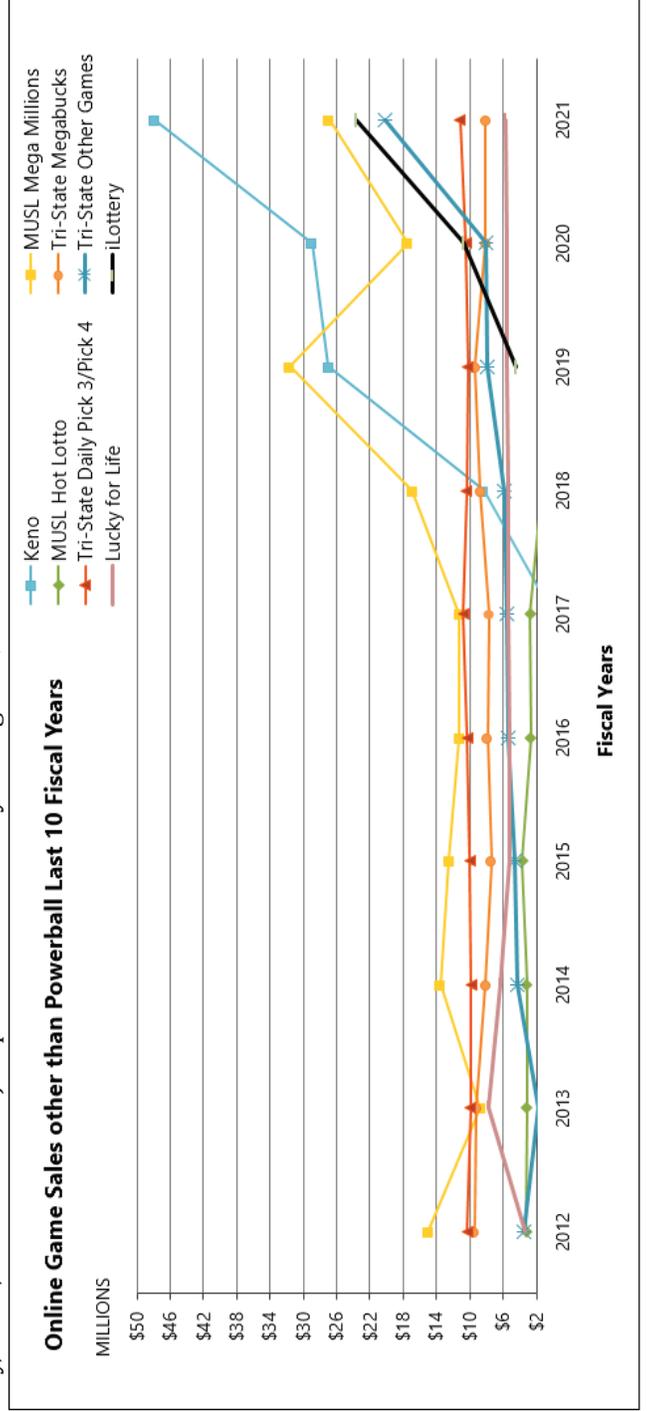
*Sales by Game for Last Ten Fiscal Years*

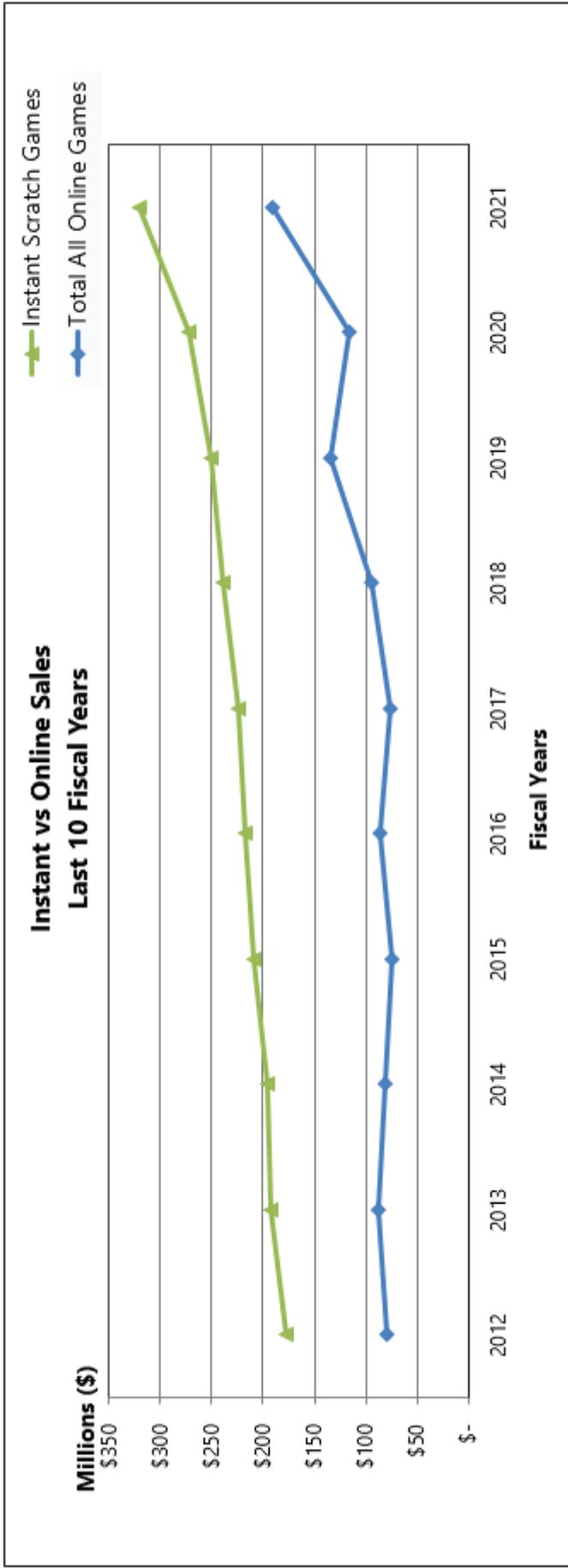






Over the last ten years, instant scratch games sales were the strongest of all lottery products. Instant Games are, for the most part, an impulse purchase depending on discretionary spending. Consumers' demand for more technologically advanced types of gambling also has affected sales. Powerball sales fluctuated widely over the last ten years due to the number and size of jackpots. A \$300 million jackpot can sell three times as many tickets as a \$40 million jackpot, however, large jackpots cannot be predicted and are subject to the "luck of the draw." In 2016, Powerball had a record-breaking jackpot of \$1.6 billion. In May, 2021, the Powerball jackpot reached a two-year high of \$731.1 million.





The table below shows Prizes as a Percentage of Sales for Instant and Online Games (in thousands):

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Instant Games</b>										
Sales	\$176,912	\$192,475	\$195,293	\$208,938	\$218,037	\$223,368	\$238,867	\$250,477	\$272,265	\$320,336
Prizes	118,288	129,046	132,361	141,186	149,753	153,260	162,587	170,732	189,990	221,774
Prizes % of sales	66.86%	67.05%	67.78%	67.57%	68.68%	68.61%	68.07%	68.16%	69.78%	69.23%
<b>Online Games</b>										
Sales	\$77,748	\$86,862	\$80,318	\$72,193	\$85,305	\$75,787	\$93,885	\$133,890	\$113,370	\$174,812
Prizes	40,599	44,311	39,485	35,229	43,210	38,519	48,947	70,081	56,889	89,146
Prizes as a % of sales	52.22%	51.01%	49.16%	48.80%	50.65%	50.83%	52.13%	52.34%	50.18%	51.00%

## Game Statistics for the Last Ten Fiscal Years

Fiscal Year	Number of Lottery Retailers	Number of Online Games Offered <sup>4</sup>	Number of Instant Games On the Market	Highest Priced Instant Ticket	Number of Subscriptions <sup>6</sup>	Number of Replay Members	Jackpot Runs that Exceeded \$100 Million	Highest Powerball Jackpot Amount <sup>2</sup>	Expired Unclaimed Powerball Prizes <sup>3</sup>
2021	1365	10	128	\$25	7,787	0	4	\$731,100,000	\$440,891 <sup>5</sup>
2020	1350	10	105	\$25	7,741	0	6	\$396,900,000	\$330,194
2019	1363	10	107	\$25	7,868	0	6	\$768,400,000	\$672,952
2018	1348	10 <sup>8</sup>	106	\$25	8,188	313,536	7	\$758,700,000	\$756,293
2017	1228	9	101	\$25	8,808	285,465	8	\$487,000,000	\$564,363
2016	1239	9	107	\$25	8,857	300,822	7	\$1,586,400,000	\$790,051
2015	1236	10 <sup>1</sup>	95	\$25	8,059	194,553	6	\$564,100,000	\$330,239
2014	1239	9	86	\$25	7,681	283,212	8	\$448,400,000	\$452,677
2013	1254	9	80	\$20	9,474	200,000	7	\$590,500,000	\$1,613,229
2012	1282	8	84	\$20	9,960	187,029	7	\$336,400,000	\$452,652

<sup>1</sup> Monopoly offered from 10/24/14 - 12/26/14. <sup>2</sup> The higher the jackpot amount, the more ticket sales increase. <sup>3</sup> Expired unclaimed Powerball prize money goes to the Education Trust Fund. <sup>4</sup> Pick 3 & Pick 4 counted as two games. <sup>5</sup> This is an estimate. <sup>6</sup> The Lottery lost subscription purchases due to Master Card and Visa changing the Lottery coding to a gambling establishment rather than a government agency; thereby charging customers higher fees. Another factor that played into the number of subscriptions purchased was that the cost to customers for Megabucks doubled.<sup>7</sup> The Lottery lost subscription purchases due to the cost of Powerball doubling from \$1 to \$2 per bet. <sup>8</sup> Hot Lotto ended in FY18. Last drawing held on 10/28/17. <sup>9</sup> Replay began 12/15/17. <sup>9</sup> Replay ended 12/6/17.

## Prizes by Game for the Last Ten Fiscal Years

Fiscal Year	Instant Games	Keno <sup>b</sup>	MUSL Powerball	MUSL Other Lotto	Tri-State Megabucks	Tri-State Pick 3 & Pick 4	Tri-State Other	Lucky for Life <sup>a</sup>	Other/Replay <sup>c</sup>	Fiscal Year Total Prizes
2021	\$221,774,478	\$33,292,049	\$15,159,869	\$13,108,466	\$3,648,605	\$5,613,640	\$14,593,266	\$3,728,927	\$0	\$310,919,300
2020	\$189,990,318	\$20,011,985	\$11,541,816	\$7,827,801	\$4,131,902	\$5,249,577	\$5,224,376	\$2,900,121	\$0	\$246,877,896
2019	\$170,732,028	\$18,491,109	\$18,055,504	\$15,436,958	\$4,552,843	\$5,127,254	\$5,103,637	\$3,312,359	\$0	\$240,811,692
2018	\$162,587,401	\$5,727,033	\$17,623,212	\$8,871,460	\$4,558,213	\$5,191,942	\$3,679,525	\$3,293,573	\$1,146	\$211,533,505
2017	\$153,259,505	-	\$15,596,479	\$6,979,459	\$3,771,251	\$5,401,945	\$3,429,185	\$3,223,925	\$116,654	\$191,778,403
2016	\$149,752,984	-	\$20,582,304	\$6,843,711	\$4,197,978	\$5,166,995	\$3,398,390	\$2,913,422	\$107,604	\$192,963,388
2015	\$141,186,490	-	\$13,974,195	\$7,928,740	\$3,800,663	\$4,970,674	\$2,707,801	\$1,735,469	\$111,321	\$176,415,353
2014	\$132,361,282	-	\$16,134,004	\$8,132,813	\$3,959,434	\$4,941,370	\$2,483,648	\$3,674,431	\$159,322	\$171,846,304
2013	\$129,046,481	-	\$22,695,941	\$5,746,256	\$4,568,195	\$4,966,593	\$1,107,022	\$5,027,418	\$199,562	\$173,357,468
2012	\$118,288,247	-	\$16,107,399	\$8,680,799	\$4,723,399	\$5,152,165	\$1,888,384	\$3,782,610	\$264,337	\$158,887,340

<sup>a</sup> Lucky for Life began March, 2012. <sup>b</sup> Keno began December 15, 2017. <sup>c</sup> Replay ended December 6, 2017



## New Hampshire Lottery Commission Employee Statistics for Ten Fiscal Years

Fiscal Year	Number of Employees <sup>1</sup>	Salaries Paid to Employees	Benefits Paid to Employees	Number of Retirees and Spouses	Other Post-Employment Benefits Paid <sup>2</sup>
2021	71	\$3,790,356	\$1,754,553	98	\$518,418
2020	69	3,620,630	1,813,413	106	591,986
2019	67	3,216,759	1,668,826	107	611,332
2018	66	3,096,478	1,572,514	107	607,903
2017	64	3,181,302	1,462,336	113	614,028
2016	68	3,319,789	1,518,548	105	547,599
2015	52	2,296,906	1,109,007	65	373,195
2014	58	2,227,878	1,154,200	66	320,596
2013	56	2,192,082	1,111,644	62	323,491
2012	63	2,042,681	956,953	61	371,537
2011	61	2,102,128	983,785	58	286,507

<sup>1</sup> Includes part-time employees <sup>2</sup> The Lottery is required to pay retiree benefits due to being a self-funded agency.

## New Hampshire Demographics and Economic Statistics

Calendar Year	Population	Personal Income <sup>1</sup>	Per Capita Personal Income <sup>1</sup>	Unemployment Rate <sup>2</sup>
2020	1,378	91,673	67,097	4.70%
2019	1,359	86,345	63,502	2.60%
2018	1,356	83,293	61,405	2.60%
2017	1,343	77,309	57,574	2.70%
2016	1,331	74,687	55,945	2.90%
2015	1,330	72,549	54,543	3.40%
2014	1,327	69,624	52,400	4.30%
2013	1,323	68,262	61,611	5.10%
2012	1,321	68,482	51,844	5.50%
2011	1,318	65,340	49,562	5.40%
2010	1,316	62,088	47,154	5.80%

Source: US Dept. of Commerce, Bureau of Census

<sup>1</sup> NH Dept. of Employment Security, Economic and Labor Market Information Bureau, NH Vital Signs

<sup>2</sup> NH Dept. of Employment Security, Economic and Labor Market Information Bureau, Economic Conditions Seasonally Adjusted June Estimated - October Issue

## US Lotteries Total Sales for Fiscal Year 2021 – Ranked (Unaudited\*)

Ranked by Total Sales		
	FY21 Total Sales (\$ Millions)	FY20 Total Sales (\$ Millions)
1	Florida	9,076
2	New York	8,595
3	California	8,418
4	Texas	8,107
5	Georgia	5,877
6	Massachusetts	5,821
7	Ohio	5,516
8	Pennsylvania	5,426
9	Michigan	5,046
10	Maryland	4,357
11	North Carolina	3,805
12	New Jersey	3,684
13	Illinois	3,450
14	Virginia	2,641
15	South Carolina	2,416
16	Tennessee	2,211
17	Missouri	1,811
18	Indiana	1,738
19	Kentucky	1,486
20	Connecticut	1,444
21	Arizona	1,439
22	Oregon	1,298
23	West Virginia	1,269
24	Washington	951
25	Wisconsin	895
26	Minnesota	804
27	Colorado	795
28	Rhode Island	752
29	Delaware	683
30	Arkansas	632
31	Louisiana	625
32	New Hampshire	534
33	Mississippi	511
34	Iowa	453
35	Maine	391
36	South Dakota	374
37	Idaho	372
38	Oklahoma	347
39	Kansas	326
40	D.C.	223
41	Nebraska	205
42	Vermont	162
43	New Mexico	155
44	Montana	78
45	Wyoming	32
46	North Dakota	30
<b>Total US Sales</b>	<b>105,259</b>	<b>89,585</b>

Ranked by % Change in Total Sales			
	FY21 Total Sales (\$ Millions)	FY20 Total Sales (\$ Millions)	% Change
1	Mississippi	511	50.27%
2	New Hampshire	391	36.67%
3	Idaho	278	34.01%
4	Wyoming	24	31.66%
5	Arizona	1,098	31.10%
6	Montana	60	30.01%
7	Oklahoma	268	29.50%
8	Ohio	4,292	28.51%
9	South Dakota	293	27.65%
10	California	6,622	27.12%
11	Kentucky	1,178	26.24%
12	North Carolina	3,016	26.16%
13	Maryland	3,470	25.56%
14	Indiana	1,384	25.55%
15	North Dakota	24	24.56%
16	Maine	314	24.39%
17	West Virginia	1,026	23.66%
18	Wisconsin	725	23.31%
19	Virginia	2,149	22.94%
20	Louisiana	509	22.75%
21	New Mexico	127	21.91%
22	Iowa	372	21.68%
23	Delaware	562	21.40%
24	Illinois	2,845	21.28%
25	Florida	7,505	20.93%
26	Texas	6,704	20.93%
27	Colorado	659	20.66%
28	Minnesota	669	20.20%
29	Tennessee	1,841	20.13%
30	Missouri	1,513	19.75%
31	Georgia	4,916	19.55%
32	Pennsylvania	4,557	19.07%
33	Arkansas	531	18.91%
34	Michigan	4,247	18.80%
35	Kansas	275	18.55%
36	Vermont	137	17.57%
37	Washington	817	16.33%
38	South Carolina	2,106	14.69%
39	New Jersey	3,215	14.56%
40	Oregon	1,143	13.57%
41	Nebraska	183	12.13%
42	Massachusetts	5,245	10.98%
43	Connecticut	1,305	10.63%
44	Rhode Island	700	7.36%
45	D.C.	209	6.61%
46	New York	9,741	-11.76%

\* Unaudited data provided by the North American Association of State and Provincial Lotteries (NASPL) with the following notes:

- Several lotteries are reporting audited numbers for FY21, but many are still unaudited and subject to change.
- Most FY20 results are audited.
- Revenue from instant games is now standardized as net after prizes in all jurisdictions; some lotteries may also deduct bonuses.
- Betting on live sports is reported net of prizes, and not included under "traditional" lottery sales.
- Transfers to beneficiaries may reflect either actual fiscal year transfers or net income available for distribution; includes revenue from gaming operations where applicable and dedicated amounts to state problem gambling funds.

## US Lotteries Total Transfers to Beneficiaries for Fiscal Year 2021 – Ranked (Unaudited\*)

Ranked by Transfers to Beneficiaries			
		FY21 Total Transfers (\$ Millions)	FY20 Total Transfers (\$ Millions)
1	New York	3,591	3,377
2	Florida	2,226	1,914
3	Texas	1,998	1,684
4	California	1,868	1,513
5	Georgia	1,545	1,238
6	Michigan	1,401	1,181
7	Ohio	1,362	1,130
8	Maryland	1,312	1,057
9	Pennsylvania	1,303	1,142
10	Massachusetts	1,113	987
11	New Jersey	1,105	1,015
12	North Carolina	938	730
13	Illinois	776	696
14	Virginia	775	595
15	Oregon	654	586
16	South Carolina	609	478
17	West Virginia	562	402
18	Tennessee	524	438
19	Connecticut	418	350
20	Indiana	376	305
21	Kentucky	355	272
22	Missouri	345	322
23	Rhode Island	302	284
24	Arizona	288	226
25	Wisconsin	237	271
26	Washington	229	181
27	Delaware	218	177
28	Louisiana	207	179
29	Minnesota	189	156
30	Colorado	169	142
31	South Dakota	162	128
32	New Hampshire	144	100
33	Mississippi	139	71
34	Arkansas	106	89
35	Iowa	102	82
36	Oklahoma	81	65
37	Kansas	73	65
38	Idaho	73	56
39	Maine	71	65
40	Nebraska	48	42
41	New Mexico	46	38
42	D.C.	40	38
43	Vermont	32	28
44	Montana	13	9
45	North Dakota	7	5
46	Wyoming	4	3
<b>Total to Beneficiaries</b>		<b>28,138</b>	<b>23,911</b>

Ranked by % Change in Transfers to Beneficiaries				
		FY21 Total Transfers (\$ Millions)	FY20 Total Transfers (\$ Millions)	% Change
1	Mississippi	139	71	96.33%
2	Montana	13	9	51.40%
3	New Hampshire	144	100	44.69%
4	North Dakota	7	5	42.15%
5	West Virginia	562	402	39.69%
6	Idaho	73	56	30.63%
7	Kentucky	355	272	30.32%
8	Wyoming	4	3	30.14%
9	Virginia	775	595	30.10%
10	North Carolina	938	730	28.40%
11	South Carolina	609	478	27.44%
12	Arizona	288	226	27.28%
13	Washington	229	181	26.58%
14	South Dakota	162	128	26.04%
15	Georgia	1,545	1,238	24.85%
16	Iowa	102	82	24.78%
17	Oklahoma	81	65	24.31%
18	Maryland	1,312	1,057	24.16%
19	California	1,868	1,513	23.52%
20	Indiana	376	305	23.29%
21	Delaware	218	177	23.02%
22	New Mexico	46	38	21.85%
23	Minnesota	189	156	21.06%
24	Ohio	1,362	1,130	20.57%
25	Tennessee	524	438	19.66%
26	Connecticut	418	350	19.43%
27	Arkansas	106	89	19.21%
28	Colorado	169	142	18.91%
29	Texas	1,998	1,684	18.68%
30	Michigan	1,401	1,181	18.64%
31	Florida	2,226	1,914	16.31%
32	Vermont	32	28	15.86%
33	Louisiana	207	179	15.82%
34	Pennsylvania	1,303	1,142	14.08%
35	Nebraska	48	42	13.61%
36	Massachusetts	1,113	987	12.74%
37	Kansas	73	65	12.52%
38	Oregon	654	586	11.73%
39	Illinois	776	696	11.54%
40	Maine	71	65	9.02%
41	New Jersey	1,105	1,015	8.88%
42	Missouri	345	322	7.19%
43	New York	3,591	3,377	6.33%
44	Rhode Island	302	284	6.32%
45	D.C.	40	38	6.02%
46	Wisconsin	237	271	-12.59%

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