THE LOTTERY Massachusetts State Lottery Commission

DEBORAH B. GOLDBERG
Treasurer and Receiver General

MICHAEL R. SWEENEY
Executive Director

May 24, 2016

His Excellency Charlie Baker
Governor, Commonwealth of Massachusetts
State House
Boston, MA 02133

Dear Governor Baker:

In compliance with the provisions of Chapter 10 Section 24 of the Massachusetts General Laws, attached please find the Statement of Operations for the Massachusetts State Lottery Commission for the month of April 2016.

Please note that we have changed the format of the Statement of Operations and included a summary report to provide a more representative description and comparison of the current fiscal year results over the prior fiscal year.

Sincerely,

Michael R. Sweeney
Executive Director

cc: Deborah B. Goldberg
Treasurer and Receiver General

Governor's Report
MSLC Statement of Operations

April, 2016

Comments / Observations

YTD amounts for April, 2016 (includes 7/1/15 – 4/30/16) have six (6) more days of activity * than the YTD amounts for April, 2015 (7/1/14 – 4/25/15).

	Statement of Operations	Adjusted (-6 days) **
• Instant Games sales	up 5.3% / $149.5M	up 3.2% / $90.6M
• Draw Games + KENO sales***	up 11.1% / $133.9M	up 8.9% / $107.5M
• Total Revenues	up 7.0% / $283.6M	up 4.9% / $198.2M
• Prize Payout %	73.3% *(compared to 72.4% at April, 2015)*	73.3%
• Prizes (Paid)	up 8.3% / $245.2M	up 6.2% / $182.6M
• Agent Commissions %	up 7.0% / $14.1M	up 4.9% / $9.8M
• Agent Bonuses	up 6.6% / $2.0M	up 4.5% / $1.4M
• Administrative Expenses	up 2.7% / $1.8M	up 0.7% / $0.4M
• Net Profit	up 2.5% / $20.6M	up 0.5% / $4.0M

Red – Reduces profit vs. prior year * **Black – Increases profit vs. prior year**

* The Lottery operates on a weekly (not monthly) close schedule. There are 12 accounting periods in a fiscal year; eight (8) periods have 4 weeks and four (4) periods have five (5) weeks. Because the calendar changes each year, the accounting period for one year does not align with the comparable accounting period for the previous year. The amount of "misalignment" changes from year to year. For the month of April 2016, Fiscal Year 2016, the misalignment is six (+6) days.

** See attached "Adjusted" MSLC Statement of Operations dated April, 2016

*** Draw Games + KENO sales was previously referred to as Online Game Sales. The change was made to provide a better description of what the games sales actually represent. Draw Games + KENO refers to games that have a drawing to select winning numbers. The Draw Games include The Numbers Game, Mega Millions, Powerball, Mass Cash, Lucky for Life and Megabucks. KENO also includes Jackpot Poker.

Massachusetts State Lottery Commission
Statement of Operations
Lottery and Arts Lottery Funds
April, 2016
($000's)

23-May-16

	April, 2016	%	Year-to-Date FY2016	%	Period Close Sales Adj (-6 days)	Adjusted Year-to-Date FY2016	%	Year-to-Date FY2015	%	$ Change	Adjusted $ Change	% Change	Adjusted % Change
Revenues													
Instant Games	343,577	69.5%	2,991,813	68.9%	58,855	2,932,958	68.9%	2,842,352	70.1%	149,461	90,606	5.3%	3.2%
MegaMillions	4,539	0.9%	49,568	1.1%	975	48,593	1.1%	63,912	1.6%	-14,344	-15,319	-22.4%	-24.0%
Powerball	10,063	2.0%	150,188	3.5%	2,955	147,233	3.5%	82,890	2.0%	67,297	64,343	81.2%	77.6%
Numbers Game	32,092	6.5%	274,292	6.3%	5,396	268,896	6.3%	263,210	6.5%	11,082	5,686	4.2%	2.2%
Mass Cash	7,861	1.6%	66,246	1.5%	1,303	64,943	1.5%	61,085	1.5%	5,161	3,857	8.4%	6.3%
Keno	90,856	18.4%	754,117	17.4%	14,835	739,282	17.4%	692,918	17.1%	61,199	46,364	8.8%	6.7%
Jackpot Poker	202	0.0%	1,863	0.0%	37	1,827	0.0%	2,320	0.1%	-457	-494	-19.7%	-21.3%
Race Game	0	0.0%	0	0.0%	0	0	0.0%	1	0.0%	-1	-1	-88.7%	-88.9%
Lucky for Life	2,438	0.5%	22,769	0.5%	448	22,322	0.5%	22,413	0.6%	356	-92	1.6%	-0.4%
Charity Game Tickets	136	0.0%	1,377	0.0%	27	1,350	0.0%	1,346	0.0%	31	4	2.3%	0.3%
Beano Tax (2/5)	43	0.0%	463	0.0%	9	454	0.0%	463	0.0%	0	-9	0.0%	-2.0%
Pull Tabs	82	0.0%	581	0.0%	11	569	0.0%	565	0.0%	15	4	2.7%	0.7%
License Fees	20	0.0%	109	0.0%	2	107	0.0%	107	0.0%	3	1	2.6%	0.6%
Bond Fees and Fines	216	0.0%	1,839	0.0%	36	1,802	0.0%	1,744	0.0%	95	59	5.4%	3.4%
Service Fees	544	0.1%	4,743	0.1%	93	4,650	0.1%	4,622	0.1%	121	28	2.6%	0.6%
Megabucks	1,683	0.3%	20,800	0.5%	409	20,391	0.5%	17,207	0.4%	3,593	3,184	20.9%	18.5%
Miscellaneous Income	0	0.0%	27	0.0%	1	26	0.0%	20	0.0%	6	6	30.0%	27.5%
Interest	0	0.0%	1	0.0%	0	1	0.0%	0	0.0%	1	1	100.0%	100.0%
Subtotal Revenues	494,352	100.0%	4,340,795	100.0%	85,393	4,255,403	100.0%	4,057,175	100.0%	283,620	198,228	7.0%	4.9%
Subtotal Prizes	367,851	74.4%	3,183,522	73.3%	62,627	3,120,895	73.3%	2,938,324	72.4%	245,197	182,571	8.3%	6.2%
Operating Expenses													
Commissions	24,653	5.0%	216,181	5.0%	4,253	211,929	5.0%	202,109	5.0%	14,072	9,819	7.0%	4.9%
Bonuses	3,588	0.7%	32,108	0.7%	632	31,476	0.7%	30,109	0.7%	1,999	1,367	6.6%	4.5%
Subtotal Operating Expenses	28,241	5.7%	248,289	5.7%	4,884	243,405	5.7%	232,219	5.7%	16,071	11,187	6.9%	4.8%
Operating Revenue	98,259	19.9%	908,984	20.9%	17,882	891,103	20.9%	886,632	21.9%	22,352	4,470	2.5%	0.5%
Administrative Expenses													
Salaries	3,661	0.7%	26,708	0.6%	525	26,182	0.6%	24,720	0.6%	1,988	1,463	8.0%	5.9%
Advertising	300	0.1%	1,928	0.0%	38	1,890	0.0%	2,058	0.1%	-129	-167	-6.3%	-8.1%
Equip Rental	18	0.0%	178	0.0%	4	175	0.0%	176	0.0%	2	-1	1.4%	-0.6%
Admin/Facilities	2,064	0.4%	13,590	0.3%	267	13,322	0.3%	14,743	0.4%	-1,153	-1,421	-7.8%	-9.6%
Facilities Rental	297	0.1%	2,822	0.1%	56	2,767	0.1%	2,880	0.1%	-57	-113	-2.0%	-3.9%
Telephone	23	0.0%	5,530	0.1%	109	5,422	0.1%	8,887	0.2%	-3,357	-3,465	-37.8%	-39.0%
Travel	3	0.0%	21	0.0%	0	20	0.0%	23	0.0%	-2	-3	-10.5%	-12.3%
Employee Benefits	126	0.0%	1,010	0.0%	20	990	0.0%	993	0.0%	18	-2	1.8%	-0.2%
Off./Other Equipment	113	0.0%	5,884	0.1%	116	5,768	0.1%	248	0.0%	5,636	5,520	2276.4%	2229.7%
Postage & Freight	347	0.1%	2,582	0.1%	51	2,531	0.1%	2,516	0.1%	66	15	2.6%	0.6%
Maintenance	103	0.0%	1,123	0.0%	22	1,101	0.0%	1,457	0.0%	-334	-356	-22.9%	-24.4%
Professional Services	191	0.0%	5,640	0.1%	111	5,529	0.1%	6,415	0.2%	-775	-886	-12.1%	-13.8%
Other	11	0.0%	56	0.0%	1	55	0.0%	62	0.0%	-6	-7	-9.0%	-10.8%
Vehicles	25	0.0%	28	0.0%	1	27	0.0%	114	0.0%	-86	-87	-75.6%	-76.1%
Building Improvements	43	0.0%	391	0.0%	8	384	0.0%	450	0.0%	-58	-66	-13.0%	-14.7%
Prior Year Adjustment	0	0.0%	8	0.0%	0	8	0.0%	2	0.0%	6	6	388.2%	378.6%
Estimated Fringe Benefit Alloc.	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0.0%
Subtotal Admin. Expenses	7,324	1.5%	67,500	1.6%	1,328	66,172	1.6%	65,741	1.6%	1,759	431	2.7%	0.7%
Net Profit Before Distributions	90,935	18.4%	841,484	19.4%	16,554	824,931	19.4%	820,891	20.2%	20,593	4,039	2.5%	0.5%

Notes to Financial Statement:

1 *Year to date amounts have been adjusted for prize accruals.*

2 *Year to date amounts for FY 2016 (7/1/15-4/30/16) include an additional six (6) days of activity over FY2015 (7/1/14-4/25/14). For comparative purposes, six (6) fewer days of revenue in FY16 would total approximately $85.4 million, decreasing revenues to $4.255 billion, resulting in a $198.2 million or 4.9% change over FY15. Six (6) fewer days of revenue would decrease net profit by approximately $16.6 million to $824.9 million, resulting in a $4.0 million or 0.5% change over FY15.*