

Arkansas

Scholarship Lottery

"A Natural State of Fun!"

ARKANSAS LOTTERY
COMMISSION

Dianne Lamberth,
Chair

July 14, 2010

Derrick W. Smith,
Vice Chair

The Honorable David Johnson, Chair
Arkansas Lottery Commission Legislative Oversight Committee
433 State Capitol
Little Rock, AR 72201

Ben Pickard,
Secretary/Treasurer

John C. (Smokey)
Campbell III

RE: Monthly Disclosure Reports

George Hammons

Dear Senator Johnson:

Mike Malone

On behalf of our agency and the Commissioners of the Arkansas Scholarship Lottery, please find attached a revised version of the June 2010 Preliminary Financial Statement for the Arkansas Lottery Commission. The statement was revised to include a charge from ADHE in the amount of \$216,849.32 for administrative costs associated with lottery funded scholarships. This was accrued as a 2010 expense on July 13, 2010, after invoicing from ADHE and resulted in the June 2010 Preliminary Financial Statements being revised and reissued. Please accept this as an amendment to the June 2010 monthly report previously submitted.

Patty L. Shipp

Susan Ward-Jones

Joe White

Ernie Passailaigue,
Director

Please call me if you have any questions or need additional information.

Respectfully submitted,


Ernie Passailaigue
Director, Arkansas Lottery Commission

Enclosures

cc: Ms. Dianne Lamberth, Chairperson
Arkansas Lottery Commission

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Arkansas Lottery Commission

Arkansas Lottery Commission
Statement of Revenue, Expenses, and Changes in Net Assets
For the Twelve Months Ending June 30, 2010

Preliminary

	Current Month	%	Year to Date	%
Revenues				
Instant Games	\$ 29,934,440.00	83.78	\$ 335,487,154.31	87.24
OnLine Games	5,719,373.00	16.01	48,211,298.50	12.54
A/R write-offs	0.00	0.00	0.00	0.00
Retailer Service Reimbursement	74,280.00	0.21	848,191.33	0.22
Other Revenue	<u>540.85</u>	0.00	<u>5,649.54</u>	0.00
Total Revenues	<u>35,728,633.85</u>	100.00	<u>384,552,293.68</u>	100.00
Direct Costs				
Instant Game Prizes	21,150,129.06	59.20	227,592,081.05	59.18
On-Line Game Prizes	2,676,335.36	7.49	23,627,091.12	6.14
Unclaimed Online Prizes	(108,739.00)	(0.30)	(245,991.00)	(0.06)
Retailer Commissions	2,006,694.09	5.62	21,578,602.90	5.61
Instant Game Ticket Costs	505,993.55	1.42	5,670,476.99	1.47
Instant Game Validation Costs	52,037.24	0.15	511,205.57	0.13
Instant Game Services & Fees	117,839.46	0.33	1,140,388.35	0.30
OnLine Vendor Costs	870,840.88	2.44	9,408,393.22	2.45
OnLine Gaming Services	33,294.07	0.09	228,116.19	0.06
OnLine Gaming Audit Services	<u>8,100.00</u>	0.02	<u>54,300.00</u>	0.01
Total Direct Costs	<u>27,312,524.71</u>	76.44	<u>289,564,664.39</u>	75.30
Gross Profit	<u>8,416,109.14</u>	23.56	<u>94,987,629.29</u>	24.70
Operating Expenses				
Marketing, Advertising & Promo	1,258,902.39	3.52	4,563,872.90	1.19
Retailer Background Checks	783.75	0.00	54,505.25	0.01
Staff Compensation & Benefits	540,854.88	1.51	5,565,651.32	1.45
Legal and Professional Fees	(13.54)	(0.00)	115,861.48	0.03
Office Lease and Improvements	38,209.01	0.11	332,959.01	0.09
Depreciation & Equipment Costs	14,549.07	0.04	415,684.56	0.11
Office Administrative Expenses	53,276.23	0.15	737,810.03	0.19
MSR/Staff Travel & Mileage	28,339.00	0.08	247,760.35	0.06
Commission & Executive Travel	453.46	0.00	12,835.45	0.00
Dues/Memberships	700.00	0.00	45,811.90	0.01
Training/Education	4,500.00	0.01	14,836.81	0.00
Property & Liability Insurance	5,119.00	0.01	62,296.00	0.02
Prior Year Expenses	0.00	0.00	16,468.62	0.00
Winner travel reimbursements	0.00	0.00	12,491.10	0.00
Other Administrative Costs	<u>860.51</u>	0.00	<u>1,957.84</u>	0.00
Total Operating Expenses	<u>1,946,533.76</u>	5.45	<u>12,200,802.62</u>	3.17
Change in Net Assets from Operations	6,469,575.38	18.11	82,786,826.67	21.53
Non-Operating Income (Expense)				
Interest Income	37,231.18	0.10	181,807.17	0.05
ADHE Administration Costs	(216,849.32)	(0.61)	(216,849.32)	(0.06)
NET PROCEEDS DUE TO EDUCATION***	(6,289,957.24)	(17.60)	(82,551,784.52)	(21.47)
Gambling Education Funding	<u>0.00</u>	0.00	<u>(200,000.00)</u>	(0.05)
	<u>\$ 0.00</u>	(0.00)	<u>\$ 0.00</u>	0.00

*** The amount due to the Educational Trust Fund (ETF) is computed using accrual basis accounting, which includes Instant Game Revenues not currently due from retailers. The amount actually funded to the ETF is computed on cash basis Revenues due from retailers on Instant Game Settlements. This amount computes to \$82,799,808.61 thru June 2010.

UNAUDITED PRELIMINARY DRAFT - Restricted for Internal Use Only

	Year to Date
Revenues	
Instant Games-SETTLES	\$ 324,641,494.00
OnLine Games	48,211,298.50
A/R write-offs	0.00
Retailer service reimbursement	848,191.33
Other Revenue	<u>5,649.54</u>
Total Revenues	<u>373,706,633.37</u>

Direct Costs	
Instant Game Prizes-SETTLES	215,036,269.49
On-Line Game Prizes	23,627,091.12
Unclaimed Prizes	(245,991.00)
Retailer Commissions	21,578,602.90
Instant Game Ticket Costs	5,670,476.99
Instant Game Validation Costs	511,205.57
Instant Game Services	1,140,388.35
OnLine Vendor costs	9,408,393.22
OnLine Gaming Services	228,116.19
OnLine Gaming Audit Services	<u>54,300.00</u>

Total Direct Costs 277,008,852.83

Gross Profit 96,697,780.54

Operating Expenses	
Marketing, Advertising & Promo	4,563,872.90
Retailer background checks	54,505.25
Staff Compensation & Benefits	5,565,651.32
Legal and Professional Fees	115,861.48
Office Lease and Improvements	332,959.01
Depreciation and Equipment Cos	415,684.56
Office Administrative Expenses	737,810.03
MSR/Staff Travel & Mileage	247,760.35
Commission & Executive Travel	12,835.45
Dues/Memberships	45,811.90
Training/Education	14,836.81
Property & Liability Insurance	62,296.00
Prior Year expenses	16,468.62
Winner travel reimbursements	12,491.10
Other Administrative Costs	<u>1,957.84</u>
Total Operating Expenses	<u>12,200,802.62</u>

Change in Net Assets from Operations 84,496,977.92

Non-Operating Income (Expense)

Interest Income	181,807.17	
ADHE Administration Costs	(216,849.32)	
EDUCATION TRUST FUNDING-Prior Months-YTD	(76,740,583.38)	
Gambling Education Funding	(200,000.00)	
Less Capital Assets	(867,607.19)	see 23-115-103(17) and (19)(E)
Less MUSL Reserves	(457,267.97)	see 23-115-103(17) and (19)(A)&(B)
Less Unclaimed Prizes-May	<u>(137,252.00)</u>	see 23-115-403(g)et seq. of original Lottery Act

NET PROCEEDS DUE TO EDUCATION-Current Month \$ 6,059,225.23

Totals	Transfer	Interest	Total
	\$ 82,659,437.09	\$ 140,371.52	\$ 82,799,808.61
October 2009 funding - 11/16/09	\$ 8,120,211.99		\$ 8,120,211.99
November 2009 funding - 12/15/09	\$ 9,038,495.35	\$ 1,835.39	\$ 9,040,330.74
December funding - 1/14/10	\$ 10,829,280.27	\$ 6,109.34	\$ 10,835,389.61
January funding - 2/15/10	\$ 9,125,874.01	\$ 10,956.20	\$ 9,136,830.21
February funding - 3/12/10	\$ 10,467,824.60	\$ 13,741.79	\$ 10,481,566.39
March funding - 4/14/10	\$ 11,014,624.69	\$ 20,506.68	\$ 11,035,131.37
April funding - 5/13/10	\$ 8,937,980.78	\$ 24,355.11	\$ 8,962,335.89
May funding 6/14/10	\$ 9,065,920.17	\$ 29,966.86	\$ 9,095,887.03
June funding	\$ 6,059,225.23	\$ 32,900.15	\$ 6,092,125.38
			\$ -
			\$ -
			\$ -
			\$ -

Preliminary

ASSETS

Current Assets:

Cash and Equivalents	\$ 6,758,242.11	
Educational Trust Fund	76,740,583.38	
Retailer Accts Receivable	<u>14,289,724.61</u>	
Total Current Assets		97,788,550.10

Noncurrent Assets:

Capital Assets:		
Furniture, Fixtures, & Equip	360,319.69	
Data Processing Equipment	74,706.25	
Vehicles	74,120.57	
Leasehold Improvements	481,103.18	
Accumulated Depreciation	<u>(122,642.50)</u>	
Total Capital Assets		867,607.19
Other Assets		
MUSL Reserves	457,267.97	
Retailer Fidelity Fund	<u>18,831.31</u>	
Total Other Assets		<u>476,099.28</u>
Total Assets		<u>\$ 99,132,256.57</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Prizes Payable	\$ 14,150,176.01	
Payable to ADHE- Admin Costs	216,849.32	
Due to Ed. Trust-Net Proceeds***	82,551,784.52	
Vendor Accounts Payable	746,237.29	
Accrued Liabilities	1,174,071.12	
Deferred On-Line Revenue	<u>274,307.00</u>	
Total Current Liabilities		99,113,425.26

NET ASSETS:

Invested in Capital Assets	867,607.19	
<u>Restricted for:</u>		
Retailer Fidelity Reserve Fund	18,831.31	
<u>Unrestricted Net Assets:</u>		
Unrestricted Net Proceeds	<u>(867,607.19)</u>	
Total Net Assets		<u>18,831.31</u>
Total Liabilities & Net Assets		<u>\$ 99,132,256.57</u>

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