# STATE OF NEW JERSEY,
# DEPARTMENT OF TREASURY,
# DIVISION OF STATE LOTTERY

Financial Statements
and Supplementary Information

June 30, 2012 and 2011

**NEW JERSEY DIVISION OF STATE LOTTERY**

Table of Contents

June 30, 2012 and 2011


Page Number

**MANAGEMENT'S DISCUSSION AND ANALYSIS** ..... 1-5

**INDEPENDENT AUDITORS' REPORT** ..... 6-7

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* ..... 8 - 9

**FINANCIAL STATEMENTS**

STATEMENTS OF NET ASSETS ..... 10

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS ..... 11

STATEMENTS OF CASH FLOWS ..... 12

NOTES TO FINANCIAL STATEMENTS ..... 13-19

**SUPPLEMENTARY INFORMATION**

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BUDGET AND ACTUAL ..... 20

SCHEDULES OF INSTANT GAME REVENUES ..... 21-28

SCHEDULES OF ADMINISTRATIVE EXPENSES ..... 29

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

The following discussion and analysis provides an analytical overview of the financial position and activities of the State of New Jersey, Department of Treasury, Division of State Lottery, (the "Division of State Lottery") for the years June 30, 2012 and 2011. This statement was prepared by management and should be read in conjunction with the financial statements and notes hereto, which follow this section.

The Division of State Lottery was established in 1970 pursuant to the "State Lottery Law," N.J.S.A. 5:9-1 et seq. The Division of State Lottery operates within the Department of Treasury of the State of New Jersey. The New Jersey Lottery Commission is a seven-member board, appointed by the Governor, authorized and empowered to promulgate rules and regulations in the operation of the Lottery. The "State Lottery Law" also mandates that a minimum of 30% of gross revenues from ticket sales be allocated for contributions to state aid for education and state institutions (N.J.S.A. 5:9-7a (11)).

As of June 30, 2012, the Division of State Lottery licenses over 6,400 retailers throughout the State of New Jersey to act as retailers in the sale of New Jersey Lottery tickets. Lottery retailers receive compensation in the form of commissions on each ticket sold or validated. The Division of State Lottery also contracts with various vendors in the production, distribution and management of lottery products.

- GTECH Corporation is contracted to provide ticket sales through the online terminal network and the warehousing and distribution of instant tickets and promotional materials. GTECH is also responsible to provide communications between the sales terminals and the GTECH data centers.
- Pollard Bank Note, Scientific Games and GTECH Printing are contracted to print and support instant game products.

The Division of State Lottery offers various products for sale with prize awards ranging from $1.00 to annuity prizes well in excess of $100 million. The various products sold are:

- Instant Games
- Pick 3 (Including Pick 3 Instant Match)
- Pick 4 (Including Pick 4 Instant Match)
- Jersey Cash 5 (including Jersey Cash 5 Instant Match)
- Pick 6 Lotto
- Mega Millions
- Powerball

## FINANCIAL HIGHLIGHTS

The Division of State Lottery's financial position at June 30, 2012 and 2011, consisted of total assets of $603 million and $640 million, respectively, and total liabilities of $591 million and $629 million, respectively. A substantial portion of the asset and liability amounts is due to the Division of State Lottery's annuity investment in prize awards. The total amounts invested and due to Division of State Lottery winners as future installment payments at June 30, 2012 and 2011, were $400 million and $446 million, respectively. Net assets increased from $11 million in fiscal year 2011 to $12 million in fiscal year 2012.

## FINANCIAL STATEMENTS

The Division of State Lottery's financial statements include statements of net assets as of June 30, 2012 and 2011, statements of revenues, expenses and changes in net assets for the years ended June 30, 2012 and 2011, and statements of cash flows for the years ended June 30, 2012 and 2011. The financial statements are prepared in accordance with the accounting principles established by the Governmental Accounting Standards Board.

### Statements of Net Assets

The statements of net assets present the Division of State Lottery's financial position as of the last day of the fiscal year. The Division of State Lottery's assets, liabilities and net assets are summarized as follows (in millions):

| | June 30, | |
|---|---|---|
| | 2012 | 2011 |
| Current Assets | $ 297 | $ 304 |
| Deposit Fund Contracts | 306 | 336 |
| Total Assets | 603 | 640 |
| Current Liabilities | 284 | 293 |
| Non-Current Liabilities | 307 | 336 |
| Total Liabilities | 591 | 629 |
| Restricted Net Assets | 5 | 7 |
| Unrestricted Net Assets | 7 | 4 |
| Total Net Assets | $ 12 | $ 11 |

Current assets consist of cash and investment in the State of New Jersey Cash Management Fund (the "NJCMF"), accounts receivable, current year annuity investments and prepaid expenses. The investment in the NJCMF totaled $175 million and $152 million at June 30, 2012 and 2011, respectively. The Division of State Lottery also sold Prudential stock in fiscal year 2012 for $2.3 million, book value at June 30, 2011, was $3.2 million.

The Division of State Lottery funds long-term installment prizes with insurance company annuities and United States Treasury securities. The total value of these investments was $400 million and $446 million as of June 30, 2012 and 2011, respectively. The Division of State Lottery has annuity investments with ten (10) insurance companies. The total market value of the United States Treasury securities was $60 million and $40 million at June 30, 2012 and 2011, respectively. The annuites due beyond fiscal year 2013 total $306 million and represents the non-current assets reported on the Division of State Lottery's statements of net assets.

Current liabilities consist of unpaid prize awards, accounts payable and outstanding contributions due to the State of New Jersey General Fund. The total unpaid prizes due and payable totaled $66 million and $69 million as of June 30, 2012 and 2011, respectively. Also, $94 million was due to annuity winners as of June 30, 2012.

Non-current liabilities represent annuity prize awards due beyond 2013 and also include the total due for unused vacation and sick leave.

## FINANCIAL STATEMENTS (CONTINUED)

### Statements of Net Assets (Continued)

Net assets represent the excess of the Division of State Lottery's assets over its liabilities and are summarized as follows (in millions):

| | June 30, | |
|---|---|---|
| | 2012 | 2011 |
| Restricted (Unclaimed Prize Reserves) | $ 5 | $ 7 |
| Unrestricted | 7 | 4 |
| Total Net Assets | $ 12 | $ 11 |

Expired prizes, or unclaimed prize reserves, are restricted to fund either future prizes or state contributions.

### Statements of Revenues, Expenses and Changes in Net Assets

The results of the Division of State Lottery's operations are presented in the statements of revenues, expenses and changes in net assets, which is summarized (in millions) as follows:

| | Year Ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| Operating revenues | | |
| Ticket sales | $ 2,759 | $ 2,637 |
| Forfeited prizes | 38 | 38 |
| Miscellaneous income | 1 | 2 |
| Total operating revenue | 2,798 | 2,677 |
| Operating expenses | | |
| Prize expenses | 1,618 | 1,544 |
| Bad debt expense | - | 1 |
| Administration expense | 36 | 22 |
| Retailer commissions | 154 | 147 |
| Vendor fees | 37 | 33 |
| Networking fees | 1 | (1) |
| Drawing broadcast fees | - | 1 |
| Total operating expenses | 1,846 | 1,747 |
| Operating income | 952 | 930 |
| Investment loss | (1) | - |
| Income before transfers out | 951 | 930 |
| Operating transfers - state contributions | 950 | 930 |
| Increase/(decrease) in net assets | $ 1 | $ - |

The Division of State Lottery awarded over $1.617 billion in prize awards in fiscal year 2012 and over $1.543 billion in fiscal year 2011. Almost 112 million winning tickets were validated and paid in fiscal year 2012 and over 110 million were validated and paid in fiscal year 2011.

The Division of State Lottery's vendors provided critical services to the Division of State Lottery, including the production, warehousing, distribution and accounting for all lottery tickets. The total compensation paid for the Division of State Lottery's vendors and network fees was $37 million in fiscal year 2012 and $32 million in fiscal year 2011. Drawing broadcast fees have been reduced over 97% due to live internet streaming of mid-day and evening drawings on Lottery website, Livestream website and Facebook.

## FINANCIAL STATEMENTS (CONTINUED)

### Statements of Revenues, Expenses and Changes in Net Assets (Continued)

The Division of State Lottery's administrative expenses for the fiscal years 2012 and 2011 totaled $37 million and $22 million, respectively. These administrative expenses include salaries, advertising, auditing services, rent, security, data processing services, office supplies and attorney general fees.

The Division of State Lottery is required by State of New Jersey law to contribute at least 30% of gross revenues from ticket sales to the State of New Jersey Treasury for state aid for education and state institutions. As a result of various sales initiatives, game enhancements and efficient operations, the Division of State Lottery contributed $950 million, 34% of gross sales, in fiscal year 2012 and $930 million, 35% of gross sales, in fiscal year 2011.

### Statements of Cash Flows

The statements of cash flows are summarized (in millions) as follows:

| | Year Ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| Cash flows provided by operating activities | $ 978 | $ 921 |
| Cash flows used in non-capital financing activities | (953) | (923) |
| Cash flows (used in) provided by investing activities | (23) | 2 |
| Net increase in cash | $ 2 | $ - |

## SUMMARY AND OUTLOOK

The Division of State Lottery continues its position as a major revenue source for the State of New Jersey. Lottery revenue funds various educational and institutional programs throughout the state.

The management of Division of State Lottery will continue to monitor its product mix to maintain player interest. To this end, the following programs and products have proven to be successful in maintaining this interest:

- Pick 3 "Green Ball" Double Draw
- Pick 4 "Red Ball" Double Up
- Various Instant Games, including new feature game $100 million Dollar Spectacular
- Various promotions of VIP Club to increase membership
- Started Million Dollar Replay second chance program for non-winning instant tickets, first drawing held June 2011
- Social media presence on Facebook, Twitter and YouTube
- First U.S. Lottery to live stream mid-day and evening drawings on lottery website, Livestream website and Facebook.

## SUMMARY AND OUTLOOK (CONTINUED)

Management will also monitor prize payout percentages and drawing odds in order to achieve an effective mix, which will be beneficial both to players and to the state contributions.

## CONTACTING THE DIVISION'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens with a general overview of the Division's finances. If you have any questions about this report or need additional financial information, contact the Division's Deputy Director of Finance at One Lawrence Park Complex, 1333 Brunswick Avenue, PO Box 041, Lawrenceville, New Jersey 08625-0041.

## INDEPENDENT AUDITORS' REPORT

State of New Jersey
Department of the Treasury
Division of State Lottery

We have audited the accompanying basic financial statements of the business-type activities of the New Jersey Division of State Lottery (the "Division of State Lottery") as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Division of State Lottery's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Division of State Lottery's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division of State Lottery's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the New Jersey Division of State Lottery at June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 19, 2012 and October 18, 2011, on our consideration of Division of State Lottery'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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## INDEPENDENT AUDITORS' REPORT (CONTINUED)

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information is presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audits 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of the State of New Jersey, the Commissioners, the audit committee, management and others within the Division of State Lottery and is not intended to be, and should not be, used by anyone other than these specified parties.

Mercadien, P.C.
Certified Public Accountants

October 19, 2012

# INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

State of New Jersey
Department of the Treasury
Division of State Lottery

We have audited the accompanying financial statements of the New Jersey Division of State Lottery (the "Division of State Lottery") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 19, 2012. 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.

## Internal Control over Financial Reporting

Management of the Division of State Lottery is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Division of State Lottery's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Division of State Lottery's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Division of State Lottery's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Division of State Lottery's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the New Jersey Department of the Treasury, and others within the Division of State Lottery and is not intended to be and should not be used by anyone other than these specified parties.

Mercadien, P.C.
Certified Public Accountants

October 19, 2012

## NEW JERSEY DIVISION OF STATE LOTTERY

### STATEMENTS OF NET ASSETS

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash | $ 2,650,488 | $ 601,305 |
| Accounts receivable, net of allowance for doubtful accounts of $2,527,000 and $2,516,000 in 2012 and 2011, respectively | 11,526,442 | 28,096,451 |
| Deferred expenses | 13,912,288 | 10,007,940 |
| Investments | | |
| Deposit fund contracts | 94,163,004 | 110,302,504 |
| Publicly traded stock | - | 3,203,283 |
| State of New Jersey Cash Management Fund | 175,019,302 | 152,215,577 |
| Total current assets | 297,271,524 | 304,427,060 |
| Non-Current Assets | | |
| Investments - deposit fund contracts | 305,775,771 | 335,430,609 |
| Total non-current assets | 305,775,771 | 335,430,609 |
| Total assets | $ 603,047,295 | $ 639,857,669 |
| **LIABILITIES** | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | $ 27,132,172 | $ 13,731,178 |
| Obligation for unpaid prize awards | 65,771,237 | 68,505,050 |
| Installment prize awards | 94,163,004 | 110,302,504 |
| Due to State of New Jersey - education and state institutions | 97,082,268 | 100,000,111 |
| Total current liabilities | 284,148,681 | 292,538,843 |
| Non-Current Liabilities | | |
| Compensated absences | 1,039,552 | 1,024,519 |
| Installment prize awards | 305,775,771 | 335,430,609 |
| Total non-current liabilities | 306,815,323 | 336,455,128 |
| Total liabilities | 590,964,004 | 628,993,971 |
| **NET ASSETS** | | |
| Restricted for prize awards or contributions for aid to education and state institutions | 5,209,429 | 6,706,490 |
| Unrestricted | 6,873,862 | 4,157,208 |
| Total net assets | $ 12,083,291 | $ 10,863,698 |

See accompanying notes to financial statements.

## NEW JERSEY DIVISION OF STATE LOTTERY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

| | Year ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| Operating revenues | | |
| Ticket Sales | | |
| Pick 3 | $ 431,483,145 | $ 435,314,038 |
| Pick 4 | 261,758,786 | 258,279,303 |
| Jersey Cash 5 | 142,219,274 | 146,364,005 |
| Pick 6 Lotto | 84,161,564 | 68,530,737 |
| Mega Millions | 238,194,873 | 230,633,522 |
| Powerball | 183,892,771 | 132,782,891 |
| Instant games | 1,417,664,313 | 1,364,543,070 |
| Sales discounts | (474,941) | - |
| Total ticket sales | 2,758,899,785 | 2,636,447,566 |
| Other revenues | | |
| Forfeited prizes | 37,781,380 | 38,453,261 |
| Miscellaneous | 957,690 | 1,981,067 |
| Total operating revenues | 2,797,638,855 | 2,676,881,894 |
| Operating expenses | | |
| Prize expenses | 1,617,771,751 | 1,543,672,565 |
| Amortization expense | 59,577 | 51,660 |
| Bad debt expense | - | 650,000 |
| Administrative expenses | 36,595,216 | 22,322,459 |
| Retailer commissions | 153,657,527 | 146,973,605 |
| Online vendor fees | 20,273,146 | 17,901,509 |
| Instant vendor fees | 16,739,981 | 14,793,052 |
| Multi-state fees | 33,773 | 31,219 |
| Office of information technology fees | 494,254 | (855,684) |
| Drawing broadcast fees | 30,702 | 1,074,418 |
| Total operating expenses | 1,845,655,927 | 1,746,614,803 |
| Operating income | 951,982,928 | 930,267,091 |
| Non-operating revenue (expenses) | | |
| Interest | 204,726 | 365,309 |
| Loss on sale of publicly traded stock | (885,793) | - |
| Income before transfers out | 951,301,861 | 930,632,400 |
| Transfers out - contributions for state aid to education and state institutions | 950,082,268 | 930,000,111 |
| Change in net assets | 1,219,593 | 632,289 |
| Net assets, beginning of year | 10,863,698 | 10,231,409 |
| Net assets, end of year | $ 12,083,291 | $ 10,863,698 |

See accompanying notes to financial statements.

## NEW JERSEY DIVISION OF STATE LOTTERY

STATEMENTS OF CASH FLOWS

| | Year ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| Cash Flows from Operating Activities | | |
| Sales to customers | $ 1,385,166,786 | $ 1,296,367,920 |
| Payments for prize awards | (345,773,535) | (353,411,947) |
| Payments for vendor commissions and fees | (38,716,380) | (35,599,402) |
| Payments to suppliers | (30,471,541) | (18,934,459) |
| Other payments | (42,480) | (16,579) |
| Cash flows from annuity operations | | |
| Annuity receipts | 93,826,004 | 110,381,004 |
| Purchases of annuities | (19,141,639) | (2,463,693) |
| Payments of annuity prizes | (67,198,921) | (75,043,156) |
| Net cash provided by operating activities | 977,648,294 | 921,279,688 |
| Cash Flows used in Non-Capital Financing Activities | | |
| Contributions for aid to education and state institutions | (953,000,111) | (923,009,031) |
| Cash Flows from Investment Activities | | |
| Cash Management Fund proceeds | 1,215,541,000 | 1,118,113,000 |
| Cash Management Fund purchases | (1,238,140,000) | (1,116,400,000) |
| Net cash (used in) provided by investing activities | (22,599,000) | 1,713,000 |
| Net increase (decrease) in cash | 2,049,183 | (16,343) |
| Cash, beginning of year | 601,305 | 617,648 |
| Cash, end of year | $ 2,650,488 | $ 601,305 |
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating Income | $ 951,982,928 | $ 930,267,091 |
| Changes in assets and liabilities | | |
| Accounts receivable | 16,570,009 | (2,620,529) |
| Investments - deposit fund contracts and publicly traded stock | 48,111,827 | 77,906,831 |
| Other assets | (3,904,348) | 5,391,824 |
| Accounts payable and accrued expenses | 13,400,996 | (6,559,669) |
| Obligation for unpaid prize awards | (48,528,151) | (83,140,935) |
| Compensated absences | 15,033 | 35,075 |
| Net cash provided by operating activities | $ 977,648,294 | $ 921,279,688 |

See accompanying notes to financial statements.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

The New Jersey Division of State Lottery (the "Division of State Lottery") and the State Lottery Commission (the "Commission") were concurrently established in 1970, pursuant to the "State Lottery Law" (N.J.S.A. 5:9-1 et seq.). The Division of State Lottery operates within the Department of the Treasury of the State of New Jersey. The Commission consists of the State Treasurer and six public members and is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including the price or prices of tickets, the number and size of prizes on winning tickets, the licensing of retailers, and the apportionment of ticket revenues. The Division of State Lottery's financial statements are presented as those of an enterprise fund and include the operations for which the Division of State Lottery is financially accountable and exercises oversight responsibility.

### Basis of Accounting

The Division of State Lottery prepares its financial statements using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

In its accounting and financial reporting, the Division follows the pronouncements of the Governmental Accounting Standards Board ("GASB") and other entities that promulgate accounting principles. Per GASB Statement 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, priority is established as to which source of accounting principles to utilize in determining proper accounting treatment. The hierarchy is as follows: GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants ("AICPA") Industry Audit and Accounting Guides and AICPA Statements of Position, if applicable, and cleared by GASB; AICPA Practice Bulletins, if applicable, and cleared by GASB; Implementation Guides published by the GASB; AICPA pronouncements that are not specifically applicable to state and governmental entities; Financial Accounting Standards Board ("FASB") Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee of Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, provides proprietary activities with a choice of authoritative guidance issued after November 30, 1989. The Division of State Lottery has elected to follow GASB pronouncements exclusively after that date.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### State of New Jersey Cash Management Fund

Investments in the State of New Jersey Cash Management Fund are valued at cost, which approximates fair value.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Accounts Receivable

Accounts receivable is comprised primarily of amounts due from retailers. The allowance for uncollectible accounts is funded by a $100 per year license renewal fee paid by the Division's retailers. Operating expense is charged with an allowance for estimated uncollectible accounts based on past experience and an analysis of current accounts receivable collectibility. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible.

### Installment Prize Awards and Prize Expenses

Installment prize awards are recorded based upon the present value of an annuity at terms to yield a series of future payments needed to meet the obligations of the Division of State Lottery for prize disbursements. The Division of State Lottery purchases annuity contracts from insurance companies and U.S. government securities to fund its liability for installment prize awards. An annuity contract represents an obligation by an insurance company to provide a fixed series of payments over a specified period. Annuity contracts are subject to credit risk. The Division of State Lottery seeks to control its exposure to such credit risk by purchasing annuity contracts only from insurance companies that meet certain minimum standards. Such standards include having minimum acceptable ratings from at least two of three private rating companies. The rating companies and the minimal acceptable ratings are the following; Standard and Poor's financial strength rating of "AA," A.M. Best financial strength rating of "A," and Moody's financial strength rating of "Aa2." However, due to the long-term nature of these contracts, the credit quality of the issuer is subject to change. Amounts recorded as prize expense reflect the cost of annuity contracts and U.S. government securities necessary to satisfy stated prize awards plus any single payment awards. These annuities are presented on the statements of net assets as deposit fund contracts, carried at contract value which approximates fair value.

### Equipment

The Division follows the state's threshold for capitalizing equipment as follows: machinery and equipment over $20,000 and motor vehicles over $30,000. Purchases that do not meet the threshold for capitalization are recognized as expenses in the statements of revenues, expenses and changes in net assets in the period during which they are acquired and are included in administrative expenses. As of June 30, 2012 and 2011, leasehold improvements included in deferred expenses were $594,968 and $357,474, respectively. For the years ended June 30, 2012 and 2011, amortization expense was $59,577 and $51,660, respectively.

### Net Assets

#### Restricted

Amounts restricted for prize awards or contributions for aid to education and state institutions consist of prizes that are not claimed within one year from the date of the drawing for machine games and within one year from the date of game's closing for instant games.

#### Unrestricted

The unrestricted net assets represent resources available for current operating expenses in compliance with legal and budgetary restrictions.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue Recognition

Revenues from the sale of lottery tickets are recognized as follows:

- "Pick-3," "Pick-4," "Jersey Cash 5," "Pick-6 Lotto," "Mega Millions," "Powerball" and various raffle games on the drawing date.

- Instant games are recognized daily, based upon the settlement of instant game inventory packs by selling retailers. Sales adjustments are recorded based upon final reconciliations prepared after the termination of a lottery instant game.

- Sales discounts are recorded for the sales value of tickets provided to retailers at no cost to be used for promotional purposes.

### Forfeited Prizes

The State Lottery Law requires that prizes not claimed within one year from the date of the drawing for machine games and within one year from the date of the game's closing for instant games be forfeited. Effective November 21, 1991, the Commission authorized that 70% of forfeited prizes are to be maintained restricted for prize awards and are available to augment future prize awards or, at the discretion of the executive director, to augment the Division of State Lottery's contribution for state aid for education and state institutions. The remaining 30% goes directly to contributions to aid education and institutions to be consistent with the 30% minimum contribution requirement of the State Lottery Law. Forfeited prizes are recognized as "Other Revenues" during the period forfeited. For the years ended June 30, 2012 and 2011, forfeited prizes were $37,781,380 and $38,453,261, respectively.

### Contributions and Prize Awards

The State Lottery Law requires no less than 30% of total revenues accruing from ticket sales to be paid to the State Treasury for state aid for education and state institutions. Contributions for the years ended June 30, 2012 and 2011, aggregated $950,082,268 and $930,000,111, respectively, of which $97,082,268 and $100,000,111 was due to the State Treasury at June 30, 2012 and 2011, respectively.

For machine games, the Division of State Lottery has designated that a minimum of 45% of gross revenues be allocated for prize awards, including retailer bonuses. Prize expense is recorded when the winning ticket number is selected for the respective lottery game based on eligible winning tickets sold. For instant games, the percentage of gross revenues to be allocated for prize awards varies by game.

### Commissions and Fees

Retailers receive a commission of 5% based on the total tickets sold and a commission of 1.25% of terminal validations. The online game contractor receives a fee equal to a contractual percentage of the revenue generated through the respective network maintained by the contractor. All other gaming contractors are paid fees based on the units of service provided.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Vacation and Sick Leave

The Division records vacation and sick time incurred during the period in "administrative expenses" in the accompanying statements of revenues, expenses and changes in net assets. Payments for accumulated sick leave balances are made to retiring employees upon regular retirement from the State of New Jersey's General Fund. Such payment is based on 50% of the employee's sick leave accumulation at the pay rate in effect at the time of retirement, up to a maximum of $15,000. Employees separating from service prior to retirement are not entitled to payments for accumulated sick leave.

### Advertising

The Division of State Lottery uses advertising to promote the sale of lottery tickets. The costs of advertising are expensed as incurred. Advertising expense included in administrative expense amounted to $23,534,711 and $9,957,379 for the years ended June 30, 2012 and 2011, respectively.

## B. CASH AND INVESTMENTS

The Division of State Lottery adopted GASB Statement No. 40, "Deposits and Investment Risk Disclosures," which requires uncollateralized deposits exposed to custodial credit risk to be disclosed. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits that are in possession of an outside party. The following is a summary of the Division's cash deposits by financial institution and the amount exposed to custodial credit risk at June 30, 2012 and 2011. The Division's deposits with Wells Fargo are insured by the Federal Deposit Insurance Corporation up to $250,000.

| | June 30, | |
|---|---|---|
| | 2012 | 2011 |
| Wells Fargo | $ 2,650,488 | $ 601,305 |
| New Jersey Cash Management Fund | 175,019,302 | 152,215,577 |
| Total | $ 177,669,790 | $152,816,882 |

The New Jersey Cash Management Fund is a common trust fund administered by the Department of the Treasury, Division of Investments. Securities in the fund are insured, registered or held by the Division of Investment or its agents in the Division's name. Since the New Jersey Cash Management Fund is a pooled investment and the cash balance is guaranteed by the State of New Jersey, the Commission's investment in the New Jersey Cash Management Fund is not subject to custodial credit risk under GASB Statement No. 40.

*Fair Value Measurements*

The Division of State Lottery follows the Fair Value Measurements Topic of the FASB Accounting Standards Codification, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America.

## B. CASH AND INVESTMENTS (CONTINUED)

As defined in the Fair Value Measurements Topic of the FASB Accounting Standards Codification, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Division of State Lottery uses the stock market index approach. Based on this approach, the Division of State Lottery often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Division of State Lottery utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Division of State Lottery is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

*Investments*

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument. The Division of State Lottery sold Prudential Financial Common Stock during fiscal year 2012 and recognized a loss on sale of securities in the amount of $885,793 for the year ended June 30, 2012.

*Fair Value on a Recurring Basis*

The table below presents the balances of investments measured at fair value on the statements of net assets as of June 30, 2011:

| | June 30, 2011 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Available for sale securities | $ 3,203,283 | $ 3,203,283 | $ - | $ - |
| Total | $ 3,203,283 | $ 3,203,283 | $ - | $ - |

## C. FUTURE INSTALLMENT PRIZE AWARDS

The Division of State Lottery purchases annuity, or deposit fund contracts, from insurance companies and U.S. government securities to fund its liability for future installment prize awards. Generally, annuity contracts fund Win for Life instant game annuity prizes, and U.S. government securities fund annuity prizes for Pick 6, Mega Millions and Powerball. An annuity contract represents an obligation by an insurance company to provide a fixed series of payments over a specified period.

U.S. government securities are carried at fair value. At June 30, 2012 and 2011, the Division of State Lottery held U.S. government securities totaling $58,848,974 and $40,246,366, respectively, which are included in investments - deposit fund contracts.

Annuity contracts are carried at their current contract values, which are based upon their original purchase prices adjusted for credited interest and amounts already received. Annuity contracts are subject to credit risk. The Division of State Lottery seeks to control its exposure to such credit risk by purchasing annuity contracts only from insurance companies that meet certain minimum standards. Such standards include having minimum acceptable ratings from at least two of three private rating companies. The rating companies and the minimal acceptable ratings are the following; Standard and Poor's financial strength rating of "AA," A.M. Best financial strength rating of "A," and Moody's financial strength rating of "Aa2." However, due to the long-term nature of these contracts, the credit quality of the issuer is subject to change. As of June 30, 2012, eight companies with annuity contracts totaling approximately $192,623,180 had ratings below those minimally acceptable for new purchases. At June 30, 2012 and 2011, the Division of State Lottery held insurance company annuity contracts totaling $341,089,801 and $405,486,747, respectively, issued through ten insurance companies, which are due in installments ranging from twenty-five years to the lifetime of the recipient. The estimated fair value of annuity contracts approximates the carrying value reflected in the accompanying statements of net assets at June 30, 2012 and 2011.

### Concentrations of Credit Risk

"Concentration of Credit Risk" is the risk that relates to the amount of investment at any one entity. The disclosure requirement of this risk factor is limited to investments in excess of 5% of the total. Guaranteed annuity contracts, as stated above, are the only category subject to concentration of credit risk disclosure.

A significant portion (in excess of 5% of total) of the Division of State Lottery's investment in annuity contracts at such date is invested with each of the following five companies:

- Ohio National Life
- New York Life Insurance Co.
- Protective Life
- Metropolitan Life
- Sun Life Assurance

## D. LITIGATION

The Division of State Lottery is a party to a number of lawsuits arising out of the conduct of its business. While the ultimate results of the lawsuits or other proceedings against the Division of State Lottery cannot be predicted with certainty, management of the Division of State Lottery does not expect that these matters will have a material adverse effect on the financial position or results of operations of the Division of State Lottery.

## E. COMMITMENTS

### Contractual Arrangements

The Division of State Lottery maintains a gaming network of over 6,400 retailer locations where all games are sold. GTECH Corporation is responsible for operating the network games and providing courier services under a contract which expires October 2, 2017.

### Operating Leases

The Division of State Lottery leases certain office facilities under non-cancelable operating lease agreements expiring through fiscal year 2023.

Future minimum lease payments are as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2013 | $ 771,934 |
| 2014 | 784,475 |
| 2015 | 793,434 |
| 2016 | 793,434 |
| 2017 | 767,619 |
| 2018 - 2022 | 3,254,383 |
| 2023 - 2024 | 928,979 |
| | $ 8,094,258 |

Rent expense for office facilities for the years ended June 30, 2012 and 2011, was $1,058,125 and $1,134,182, respectively.

## F. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred after the statements of net assets date but before October 19, 2012, the date the financial statements were available to be issued. No issues were noted that needed disclosure.

## G. ROUNDING

Some schedules in the financial statements may have dollar differences due to rounding adjustments.

# SUPPLEMENTARY INFORMATION

## NEW JERSEY DIVISION OF STATE LOTTERY

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
Year ended June 30, 2012

| | Budget (unaudited) | Actual | Variance (unfavorable) favorable |
|---|---|---|---|
| Operating revenues | | | |
| Ticket Sales | | | |
| Pick 3 | $ 446,763,650 | $ 431,483,145 | $ (15,280,505) |
| Pick 4 | 265,073,950 | 261,758,786 | (3,315,164) |
| Jersey Cash 5 | 156,643,400 | 142,219,274 | (14,424,126) |
| Pick 6 Lotto | 71,604,000 | 84,161,564 | 12,557,564 |
| Mega Millions | 252,673,050 | 238,194,873 | (14,478,177) |
| Powerball | 148,605,450 | 183,892,771 | 35,287,321 |
| Instant games | 1,441,523,940 | 1,417,664,313 | (23,859,627) |
| Sales discounts | - | (474,941) | (474,941) |
| Total ticket sales | 2,782,887,440 | 2,758,899,785 | (23,987,655) |
| Other income | | | |
| Forfeited prizes | 36,550,497 | 37,781,380 | 1,230,883 |
| Miscellaneous | 1,000,000 | 957,690 | (42,310) |
| Total operating revenues | 2,820,437,937 | 2,797,638,855 | (22,799,082) |
| Operating expenses | | | |
| Prize expenses | 1,628,559,577 | 1,617,771,751 | (10,787,826) |
| Amortization expense | 52,000 | 59,577 | 7,577 |
| Bad debt expense | 600,000 | - | (600,000) |
| Administration expenses | 39,762,000 | 36,595,216 | (3,166,784) |
| Retailer commissions | 154,617,226 | 153,657,527 | (959,699) |
| Online vendor fees | 16,416,253 | 20,273,146 | 3,856,893 |
| Instant vendor fees | 19,316,421 | 16,739,981 | (2,576,440) |
| Multi-state fees | 50,000 | 33,773 | (16,227) |
| Office of information technology fees | 500,000 | 494,254 | (5,746) |
| Drawing broadcast fees | - | 30,702 | 30,702 |
| Total operating expenses | 1,859,873,477 | 1,845,655,927 | (14,217,550) |
| Operating income | 960,564,460 | 951,982,928 | (8,581,532) |
| Non-operating revenue | | | |
| Interest | 375,000 | 204,726 | (170,274) |
| Loss on sale of publicly traded stock | - | (885,793) | (885,793) |
| Income before transfers out | 960,939,460 | 951,301,861 | (9,637,599) |
| Contributions for state aid to education and state institutions | 960,000,000 | 950,082,268 | (9,917,732) |
| Change in net assets | 939,460 | 1,219,593 | 280,133 |
| Net assets, beginning of year | 10,863,698 | 10,863,698 | - |
| Net assets, end of year | $ 11,803,158 | $ 12,083,291 | $ 280,133 |

## NEW JERSEY DIVISION OF STATE LOTTERY

SCHEDULES OF INSTANT GAME REVENUES

| | Year Ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| $100,000,000 SPECTACULAR | $ 140,810,230 | $ - |
| CROSSWORD (BE) | 43,262,388 | - |
| CROSSWORD | 43,168,098 | - |
| CROSSWORD | 42,087,960 | - |
| BIG MONEY SPECTACULAR | 35,811,642 | - |
| CROSSWORD (BD) | 35,788,275 | 7,234,200 |
| BIG MONEY SPECTACULAR | 35,443,400 | - |
| BIG MONEY SPECTACULAR (AP) | 34,767,864 | - |
| BIG MONEY SPECTACULAR | 34,374,202 | - |
| BIG MONEY SPECTACULAR | 28,628,418 | 7,749,900 |
| $100,000,000 SPECTACULAR | 26,196,340 | - |
| $100,000,000 SPECTACULAR | 25,082,130 | 116,921,250 |
| SUPER CROSSWORD | 24,579,900 | - |
| 10X CASH | 23,937,390 | - |
| SUPER CROSSWORD | 23,646,640 | - |
| SUPER CROSSWORD | 23,478,160 | - |
| SUPER CROSSWORD | 22,966,035 | - |
| CROSSWORD | 21,178,563 | - |
| CLASSIC BINGO (D) | 20,481,790 | - |
| CHAMPIONSHIP POKER, NEW ED. | 20,220,010 | - |
| MONEY MANIA | 19,775,035 | - |
| SUPER CROSSWORD (AD) | 19,337,075 | 2,197,200 |
| POKER TOURNEY | 18,201,000 | 2,563,050 |
| HOLIDAY SPECTACULAR | 17,508,335 | - |
| WIN FOR LIFE | 17,390,844 | - |
| LUCKY BINGO TRIPLER | 16,088,490 | - |
| HOLD'EM POKER | 15,266,855 | - |
| GREAT BIG BINGO | 15,078,200 | - |
| SUPER 7 SLOTS | 14,847,475 | - |
| MASSIVE MONEY MATCH | 14,543,815 | - |
| SUPER CROSSWORD | 14,313,930 | - |
| BIG MONEY BINGO | 13,457,160 | 7,885,190 |
| WIN FOR LIFE (A14) | 12,721,674 | - |
| HOLIDAY LUCKY TIMES 10 | 11,630,878 | - |
| HOLIDAY COUNTDOWN | 11,327,385 | - |
| WHEEL OF FORTUNE | 11,183,585 | - |
| CLASSIC BINGO (C) | 10,922,912 | 10,740,582 |

## NEW JERSEY DIVISION OF STATE LOTTERY

SCHEDULES OF INSTANT GAME REVENUES

| | Year Ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| THE NEW ROYALS | $ 10,372,795 | $ 1,405,800 |
| BLUEBERRY 7s | 10,038,778 | 884,700 |
| LOTERIA | 10,013,967 | - |
| PLAY BALL | 9,919,355 | 4,313,845 |
| FREEZIN' $50S | 9,795,482 | - |
| DRAGON'S FORTUNE | 9,753,860 | - |
| LUCKY TWELVES | 9,426,152 | - |
| BIG MONEY SPECTACULAR | 9,374,446 | - |
| POKER EXPRESS | 9,331,970 | - |
| BLACKJACK DOUBLER | 9,308,128 | - |
| $500 FALL FRENZY | 9,277,064 | - |
| SHAMROCK 7S | 8,902,948 | - |
| LUCKY LINES | 8,664,462 | 7,564,938 |
| LUCKY 7S CASINO | 8,483,460 | 5,735,280 |
| HOLD'EM POKER | 8,468,245 | - |
| BIRTHDAY WISHES | 8,339,816 | 853,164 |
| DOUBLE DIAMONDS | 8,265,866 | - |
| FIREFLY $50s | 8,212,342 | 2,362,758 |
| DOUBLE YOUR LUCK | 7,620,781 | - |
| $1000 DOWNPOUR | 7,531,005 | 8,651,940 |
| GOLD MINE | 7,491,288 | - |
| CASH SOUNDS | 7,435,552 | - |
| BEJEWELED MONEY MULTIPLIER | 7,385,778 | - |
| BLACK CHERRY TRIPLER | 7,321,476 | 4,879,290 |
| CASH RECEIVER | 7,241,032 | - |
| BULLSEYE BINGO | 7,182,279 | - |
| $50 BLOSSOM | 7,095,456 | - |
| CLASSIC BLACK | 6,924,370 | 11,615,020 |
| BLACKJACK TRIPLER | 6,861,590 | - |
| ACES | 6,613,946 | - |
| HOLD'EM POKER | 6,464,765 | 15,079,235 |
| TRIPLE WIN | 6,293,290 | - |
| STAR SPANGLED DOUBLER | 6,193,924 | 2,737,536 |
| TETRIS TRIPLER | 5,994,450 | - |
| KISSES & CASH | 5,885,028 | - |
| DOUBLE IT (C) | 5,754,649 | 3,967,362 |
| RUBY RED SLINGO | 5,616,147 | 12,882,708 |

## NEW JERSEY DIVISION OF STATE LOTTERY

SCHEDULES OF INSTANT GAME REVENUES

| | Year Ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| CASH CAB | $ 5,613,354 | $ - |
| SUPER 6'S | 5,577,960 | 2,651,590 |
| BETTY BOOP | 5,447,662 | - |
| GOLD RUSH | 5,422,832 | 6,595,648 |
| HAPPY HOLIDAYS | 5,321,750 | - |
| SUPER TIC TAC TOE | 5,137,965 | 13,089,792 |
| COSMIC MATCH | 5,136,400 | - |
| SNAKE EYES | 5,076,154 | - |
| ZOMBIE TRIPLER | 5,070,238 | - |
| $300,000 DOUBLE DOWN | 4,804,430 | 6,524,410 |
| CASH FARMER | 4,770,969 | - |
| MONEY, MONEY, MONEY | 4,511,940 | 11,478,240 |
| LUCKY TIMES 10 | 4,310,864 | - |
| LUCKY TIMES 10 | 4,132,164 | 8,785,678 |
| CASINO 7s | 4,124,340 | 7,202,440 |
| MONOPOLY (2011) | 4,032,651 | 8,562,546 |
| WIN FOR LIFE (A14) | 3,893,397 | 12,734,598 |
| SUPER CASH BLAST | 3,668,780 | 11,486,140 |
| SKEE-BALL | 3,645,591 | - |
| Xs AND Os MOM | 3,463,017 | - |
| MULTI-PRIZE BINGO | 3,457,180 | 17,879,030 |
| $500 CELEBRATION | 3,367,638 | 7,520,762 |
| $100 HOMERS | 3,141,334 | - |
| RED LINE BINGO | 2,707,295 | - |
| WIN FOR LIFE | 2,564,799 | - |
| SUPER CROSSWORD (AC) | 2,513,400 | 19,095,270 |
| FATHER'S DAY | 2,508,439 | 1,512,771 |
| TRIPLE DOLLARS | 2,448,060 | 8,047,946 |
| WINNING STREAK | 2,407,400 | 6,758,885 |
| MINUTE TO WIN IT | 2,361,634 | 5,753,268 |
| CLOVERS & CASH DOUBLER | 2,330,068 | 6,264,712 |
| STARRY NIGHT | 2,311,594 | - |
| CASH IN A FLASH | 2,289,368 | 5,455,956 |
| CROSSWORD (BC) | 2,102,778 | 39,554,586 |
| DOUBLE DOLLARS | 2,066,968 | 9,321,822 |
| DICE | 2,023,948 | 7,397,656 |
| STRAWBERRY 7'S | 1,994,956 | - |

## NEW JERSEY DIVISION OF STATE LOTTERY

SCHEDULES OF INSTANT GAME REVENUES

| | Year Ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| BINGO CONNECT | $ 1,897,765 | $ 7,625,515 |
| FATHER'S DAY | 1,727,016 | - |
| HOLIDAY SPECTACULAR | 1,643,325 | 16,960,415 |
| BIG MONEY SPECTACULAR (AN) | 1,603,202 | 33,493,456 |
| GREAT GOLDEN 7s | 1,546,030 | 16,375,360 |
| $50 SMACKERS | 1,480,536 | 7,987,888 |
| DINER DOUBLER | 1,248,616 | - |
| MOTHER'S DAY | 1,242,279 | 2,661,416 |
| MARTI - MONEY | 1,229,982 | - |
| CLASSIC BINGO | 1,183,076 | - |
| MATRI-MONEY (B) | 1,163,686 | 3,696,256 |
| CHAMPIONSHIP POKER 6TH ED | 1,079,205 | 20,622,665 |
| $100 HARVEST | 1,076,992 | 9,672,144 |
| BLAZING 7s BINGO TRIPLER | 1,070,406 | 15,301,101 |
| LUCKY DUCK DOUBLER | 1,019,524 | 6,488,766 |
| CRUISE FOR CASH (ROYAL CARIBBEAN) | 691,095 | 6,034,375 |
| PACK MAN CASH | 658,404 | - |
| NY GIANTS | 657,205 | 5,879,225 |
| SURPRISE PACKAGE | 622,568 | 8,606,638 |
| NY JETS | 598,625 | 5,295,895 |
| CASH COW | 538,938 | - |
| EAGLES | 504,590 | 4,203,880 |
| BIRTHDAY WISHES | 428,938 | - |
| EXTREME RICHES | 355,060 | 4,823,620 |
| BIRTHDAY WISHES (G) | 311,298 | 9,456,890 |
| COLD HARD CASH | 250,540 | 17,629,330 |
| EMERALD 7'S | 234,472 | 11,830,506 |
| SUPER CROSSWORD (AB) | 199,470 | 21,519,135 |
| BIG LEAGUE BASEBALL | 186,645 | 5,665,440 |
| BLACKJACK DOUBLER | 182,894 | 11,921,586 |
| WILD DEUCES | 135,077 | 7,680,149 |
| WINTER $50'S | 129,906 | 10,217,316 |
| CROSSWORD (BB) | 85,611 | 42,186,369 |
| FATHER'S DAY | 80,221 | 2,698,609 |
| LUCKY TIMES 20 | 74,240 | 20,657,370 |
| BIG MONEY SPECTACULAR (AM) | 70,604 | 33,435,394 |
| MOTHER'S DAY | 64,791 | 1,842,122 |

## NEW JERSEY DIVISION OF STATE LOTTERY

SCHEDULES OF INSTANT GAME REVENUES

| | Year Ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| POKER SHOWDOWN | $ 64,545 | $ 21,640,730 |
| SUPER SUMMER DOUBLER | 36,670 | 7,308,646 |
| JINGLE BELL BONUS | 36,497 | 5,115,693 |
| CLASSIC BINGO (B) | 31,164 | 20,929,810 |
| $10,000 MONEY MATCH | 25,444 | 12,033,300 |
| DEUCES WILD | 21,885 | 4,514,010 |
| HOLIDAY LUCKY TIMES 10 | 20,748 | 11,570,168 |
| WIN FOR LIFE (A13) | 19,248 | 15,564,552 |
| SUPER CROSSWORD (AA) | 13,065 | 20,590,330 |
| CROSSWORD (BA) | 10,500 | 42,613,077 |
| TRIPLE PLAY | 8,220 | 13,410,213 |
| BIG MONEY SPECTACULAR (AL) | 8,100 | 33,359,328 |
| SUPER CROSSWORD (Z) | 6,550 | 21,901,830 |
| BLACKJACK BONUS | 600 | 7,056,710 |
| BIG MONEY SPECTACULAR (AJ) | 300 | 35,903,120 |
| BIG MONEY SPECTACULAR (AI) | 300 | 21,053,808 |
| BINGO TIMES 10 (C) | 300 | 8,092,510 |
| BIRTHDAY WISHES (E) | 300 | 2,525,672 |
| CROSSWORD (AZ) | - | 41,071,215 |
| BIG MONEY SPECTACULAR (AK) | - | 33,746,776 |
| CROSSWORD (AY) | - | 19,151,886 |
| CHAMPIONSHIP POKER 5TH ED. | - | 8,394,720 |
| GOLDEN WISHES | - | 3,000,260 |
| WIN FOR LIFE (A12) | - | 2,276,718 |
| BLACK CHERRY TRIPLER | - | 1,373,718 |
| CROSSWORD (AX) | - | 874,956 |
| X-TREME WINNINGS | - | 675,597 |
| SUPER SUM | - | 571,712 |
| IT'S A WONDERFUL LIFE. . . FOR LIF | - | 522,770 |
| LUCKY LINES | - | 412,512 |
| SHAMROCK TRIPLER | - | 339,384 |
| $1,000,000 EXTRAVAGANZA | - | 266,680 |
| SPRING $50S | - | 264,054 |
| JETS FOOTBALL FANTASY | - | 220,425 |
| TRIPLE TREAT | - | 218,758 |
| KISSES & CASH | - | 166,750 |
| MATRI-MONEY | - | 122,945 |

## NEW JERSEY DIVISION OF STATE LOTTERY

SCHEDULES OF INSTANT GAME REVENUES

| | Year Ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| SUPER CROSSWORD (V) | $ - | $ 118,095 |
| $500 FRENZY | - | 108,240 |
| HEARTS ARE WILDS | - | 91,046 |
| POKER TOURNEY | - | 83,715 |
| HOLIDAY CROSSWORD | - | 82,200 |
| BIG MONEY SPECTACULAR (AG) | - | 58,440 |
| CROSSWORD (AW) | - | 38,700 |
| TAIL GATOR | - | 37,255 |
| HOLIDAY CHEERS | - | 26,303 |
| PINK PANTHER | - | 25,222 |
| GIANTS FOOTBALL FANTASY | - | 22,930 |
| KICKOFF CASH | - | 22,595 |
| SUPER CASHOUT | - | 20,925 |
| SUMMER FUN | - | 17,172 |
| TRIPLING GREEN BINGO | - | 16,389 |
| BINGO TIMES 10 | - | 15,900 |
| PAC MAN CASH | - | 15,358 |
| WIN FOR LIFE (A11) | - | 14,310 |
| BINGO ZONE (E) | - | 11,240 |
| LUCKY GIFT | - | 10,570 |
| BIRTHDAY DAY WISHES (E) | - | 8,624 |
| SUPER CROSSWORD (U) | - | 6,605 |
| BIG MONEY SPECTACULAR (AF) | - | 6,600 |
| CHAMPIONSHIP POKER 4TH ED | - | 5,955 |
| HOLIDAY LUCKY TIMES 10 | - | 5,700 |
| BIG MONEY SPECTACULAR (AE) | - | 2,700 |
| SUPER CROSSWORD (T) | - | 2,100 |
| ZODIAC | - | 300 |
| CLOVERS AND CASH TRIPLER | - | (6) |
| I LOVE DOGS/ I LOVE CATS | - | (16) |
| FLOWERING 50'S | - | (82) |
| SUPER PAYDAY | - | (300) |
| CROSSWORD (AS) | - | (300) |
| CROSSWORD (AT) | - | (300) |
| POKER NIGHT | - | (300) |
| SUPER CROSSWORD (S) | - | (300) |
| DOUBLE IT | - | (303) |

## NEW JERSEY DIVISION OF STATE LOTTERY

SCHEDULES OF INSTANT GAME REVENUES

| | Year Ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| DOUBLE BLACKJACK | $ - | $ (535) |
| SILVER & GOLD | - | (555) |
| BINGO MONEY BALL | - | (597) |
| LUCKY TIMES 10 | - | (600) |
| RED HOT & BLUE 7'S | - | (838) |
| WIN FOR LIFE (A10) | - | (900) |
| KING OF CLUBS | - | (900) |
| BLAZIN' HOT BUCKS | - | (1,036) |
| BIG MONEY SPECTACULAR (AC) | - | (1,200) |
| CLUB CASINO | - | (1,460) |
| BEAT THE HEAT | - | (1,480) |
| MONEY BAG SLINGO | - | (1,500) |
| RUBY RED 7'S | - | (1,566) |
| MOTHER'S DAY | - | (1,781) |
| DEAL OR NO DEAL | - | (1,800) |
| YOGI BERRA CASH CATCHER | - | (1,874) |
| GOLD STRIKE | - | (1,916) |
| $50 FALL FEST | - | (2,060) |
| $100 WINDFALL | - | (2,074) |
| SUPER CROSSWORD (R) | - | (2,100) |
| HARLEY DAVIDSON | - | (2,764) |
| ACES HIGH | - | (2,940) |
| JOKER'S WILD | - | (3,699) |
| CROSSWORD (AV) | - | (3,900) |
| FATHER'S DAY | - | (4,284) |
| STAR SPANGLED 7S | (300) | 6,182,490 |
| CLASSIC BINGO (A) | (300) | 4,678,870 |
| BIG MONEY SPECTACULAR (AH) | (300) | 946,474 |
| ZODIAC MATCH | (304) | 5,465,208 |
| $500 CELEBRATION | (346) | 3,546,826 |
| BLACKOUT BINGO | (354) | 7,872,996 |
| SILVER BELL BINGO | (540) | 4,672,050 |
| SUPER CROSSWORD (Y) | (595) | 21,227,555 |
| $100 SNOWFALL | (600) | 1,820,508 |
| SUPER CROSSWORD (W) | (600) | 1,666,035 |
| SINATRA | (618) | 1,790,374 |
| CASINO ROYALE | (660) | 2,028,520 |

## NEW JERSEY DIVISION OF STATE LOTTERY

SCHEDULES OF INSTANT GAME REVENUES

| | Year Ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| BUNDLE OF GREEN | $ (680) | $ 2,477,160 |
| EXTRA SPIN SLINGO | (753) | 4,473,063 |
| THE WIZARD OF OZ | (900) | 1,196,994 |
| BUCKS DELUXE | (900) | 713,750 |
| SUPER CROSSWORD (X) | (1,200) | 15,500,445 |
| LUCKY 7'S DOUBLER | (1,200) | 1,017,773 |
| HOT STREAK | (1,205) | 4,070,570 |
| SUNNY $50S | (1,286) | 9,689,532 |
| MONEY MULTIPLIER | (1,360) | 3,373,460 |
| DOUBLE IT (B) | (2,024) | 3,190,208 |
| ELVIS | (2,372) | 2,930,952 |
| PRIOR YEAR GAME | (12,900) | (40,534) |
| | $ 1,417,664,313 | $ 1,364,543,070 |

## NEW JERSEY DIVISION OF STATE LOTTERY

SCHEDULES OF ADMINISTRATIVE EXPENSES

| | Year ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| Salaries | $ 9,000,095 | $ 8,707,572 |
| Printing and office supplies | 109,101 | 162,318 |
| Vehicular supplies | 1,149 | 1,764 |
| Household and clothing | 103 | 333 |
| Other supplies | 183 | - |
| Travel | 222,648 | 177,413 |
| Telephone | 290,253 | 194,403 |
| Postage | 68,950 | 90,000 |
| Data processing | 763,846 | 740,127 |
| Household and security | 263,269 | 220,693 |
| Professional services | 1,098,816 | 700,355 |
| Advertising | 23,534,711 | 9,957,379 |
| Maintenance - building and grounds | 10,400 | 8,752 |
| Maintenance - office equipment | 13,163 | 13,724 |
| Maintenance - vehicles | - | - |
| Rent - building and grounds | 1,058,125 | 1,134,182 |
| Rent - central motor pool | 97,774 | 102,737 |
| Rent - other | 3,740 | 3,623 |
| Information processing equipment | 244 | 45,226 |
| Other equipment | 58,646 | 61,858 |
| Total administrative expenses | $36,595,216 | $22,322,459 |