

KENTUCKY LOTTERY CORPORATION

FINANCIAL STATEMENTS

AUGUST 2018

MONTH 2 OF FISCAL YEAR ENDING JUNE 30, 2019

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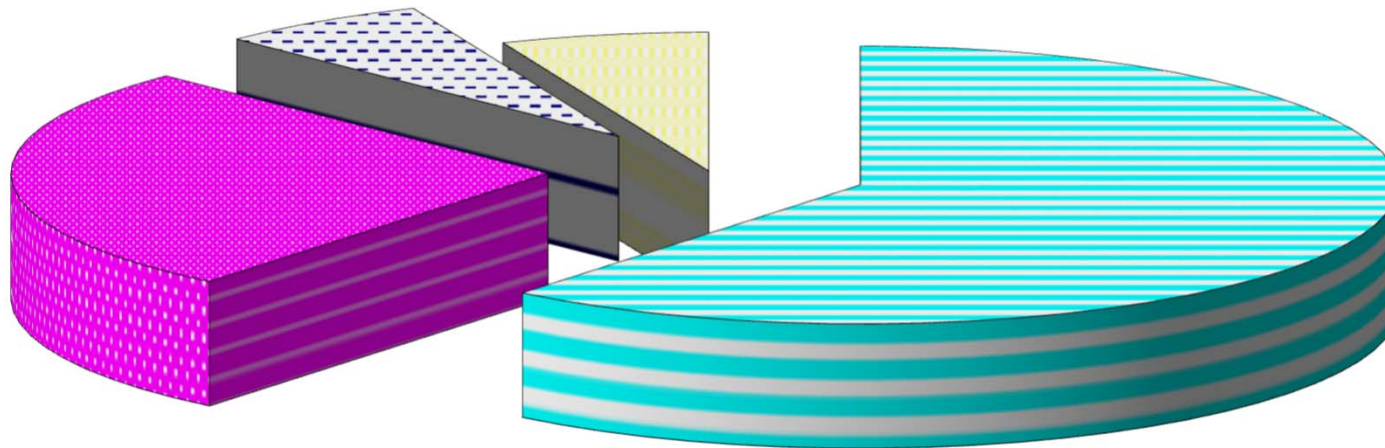
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**KENTUCKY LOTTERY CORPORATION  
"WHERE THE MONEY GOES"  
INCEPTION-TO-DATE SALES AS OF AUGUST 31, 2018  
\$19.597 BILLION**

**\$1.244  
BILLION PAID FOR  
MARKETING & OPERATING  
EXP - 6.3%**

**\$1.228 BILLION PAID TO RETAILERS - 6.3%**



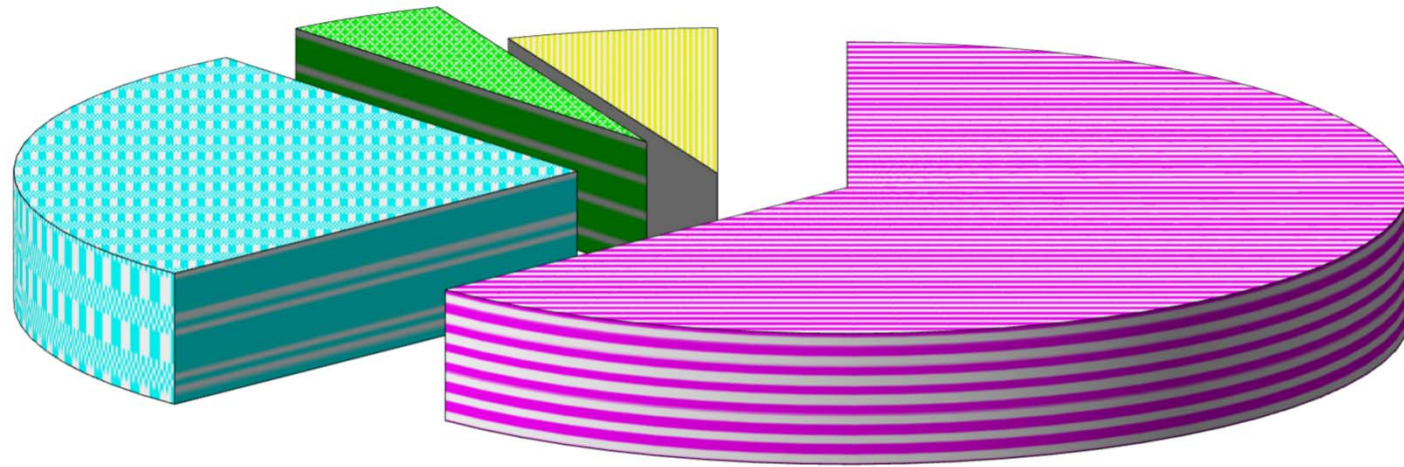
**\$5.205 BILLION  
EARNED FOR THE  
STATE OF KENTUCKY  
- 26.6%**

**\$11.920 BILLION PAID  
TO WINNERS - 60.8%**

**KENTUCKY LOTTERY CORPORATION  
"WHERE THE MONEY GOES"  
YEAR-TO-DATE SALES AS OF AUGUST 31, 2018  
\$169.3 MILLION**

**\$7.9 MILLION PAID FOR  
MARKETING & OPERATING  
EXP - 4.7%**

**\$10.3 MILLION PAID TO RETAILERS - 6.1%**



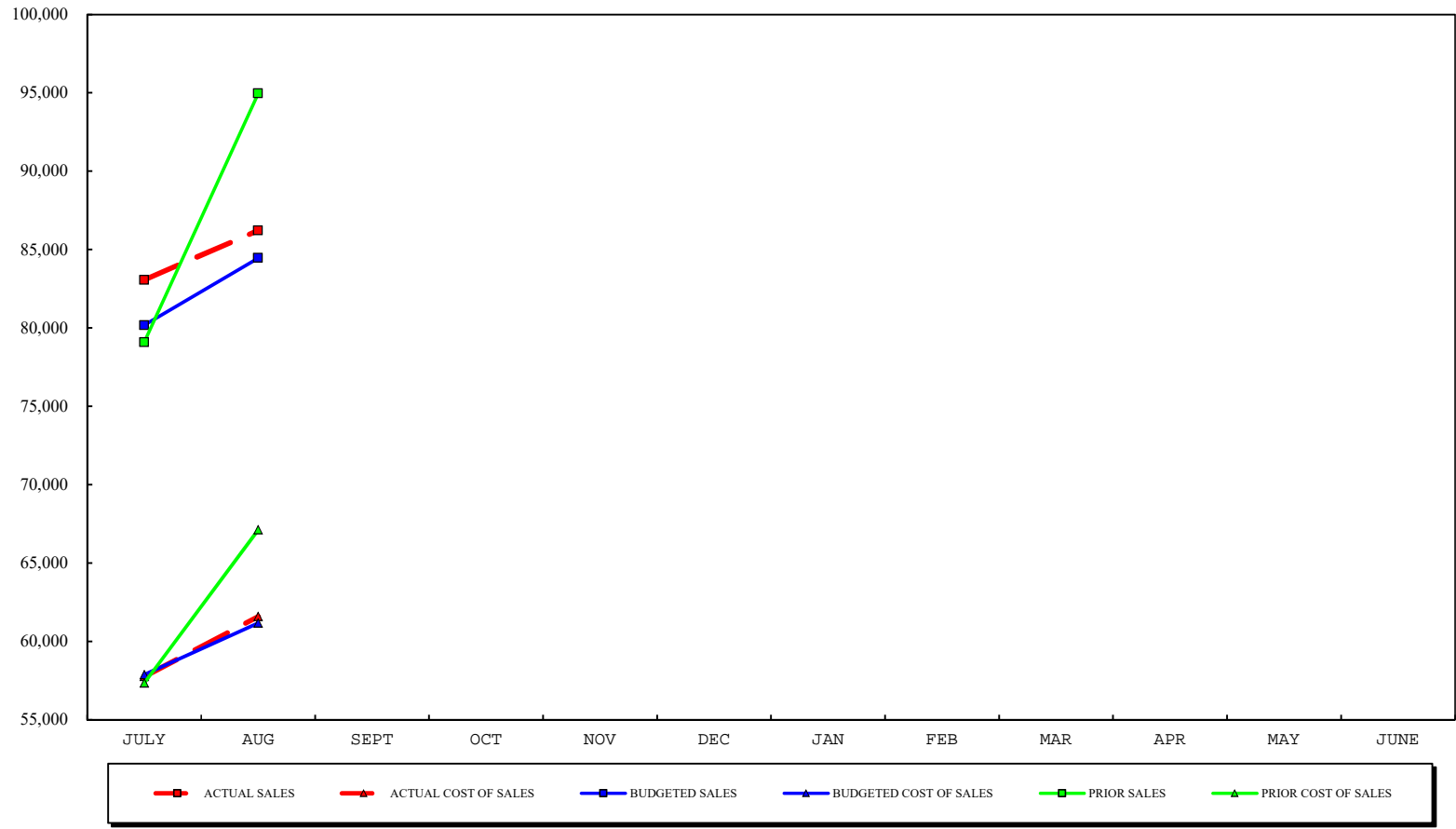
**\$45.1 MILLION  
EARNED FOR THE  
STATE OF  
KENTUCKY - 26.6%**

**\$106.0 MILLION PAID  
TO WINNERS - 62.6%**

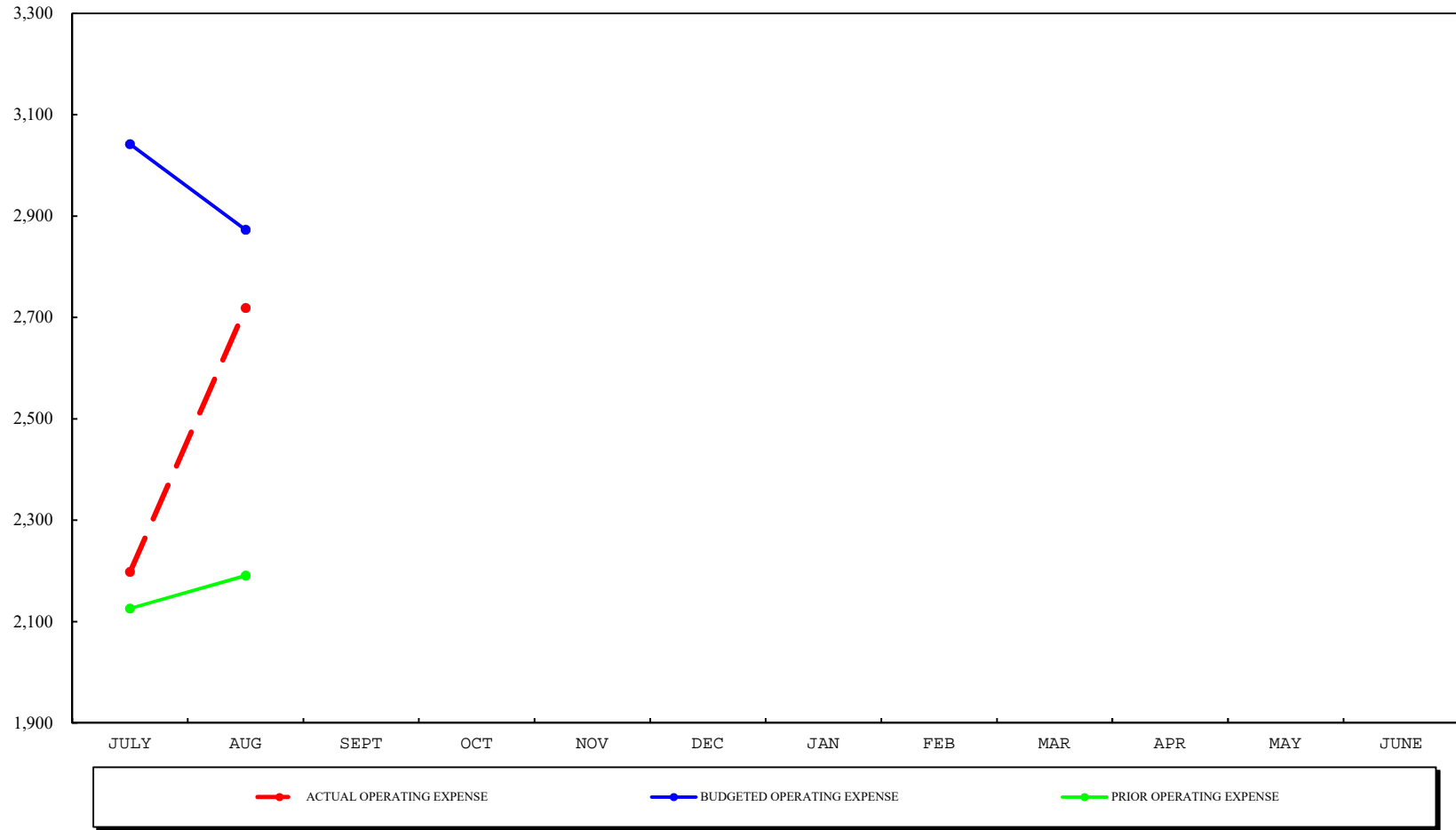
**AMOUNTS ARE SHOWN AS A PERCENTAGE OF SALES.**

**THE EARNINGS FOR THE STATE OF KENTUCKY HAVE BEEN DESIGNATED BY THE LEGISLATURE TO BE USED FOR LITERACY DEVELOPMENT, MERIT BASED SCHOLARSHIPS, AND NEED BASED GRANTS.**

**SALES AND DIRECT COSTS BY MONTH**  
AS OF AUGUST 31, 2018



**OPERATING EXPENSE BY MONTH**  
AS OF AUGUST 31, 2018



# **KENTUCKY LOTTERY CORPORATION**

## **FINANCIAL RESULTS**

### **AUGUST 2018**

#### **INCOME STATEMENT**

Ticket sales for August 2018 were \$86.2 million which is \$9.7 million or 10.1% less than the same month of the prior fiscal year. Sales for the year were \$169.4 million which is \$6.7 million or 3.8% less than in the prior fiscal year. Instant ticket sales were \$2.1 million or 4.1% more than the same month of the prior fiscal year, and \$3.1 million or 3.2% more than the prior fiscal year. Draw game sales were \$11.9 million or 26.7% less than the same month of the prior year, and \$10.2 million or 13.1% less than prior fiscal year. The draw sales decline from prior year can be attributed to abnormally high Powerball sales in August 2017 due to a large jackpot, more than \$700 million. iLottery instant play sales were \$128,000 or 15.8% more than the same month of the prior year, and \$413,000 or 28.2% more than prior fiscal year.

Ticket sales for the month of August were \$1.5 million or 1.7% more than budget. Ticket sales for the fiscal year were \$4.1 million or 2.5% more than budget. Instant ticket sales were \$4.0 million or 8.2% more than budget for the current month, and \$6.9 million or 7.4% more than budget for the fiscal year. Draw game sales were \$2.3 million or 6.6% less than budget for the month, and \$2.6 million or 3.6% less than budget for the fiscal year. iLottery instant play sales were \$210,000 or 18.3% less than budget for the month, and \$199,000 or 9.6% less than budget for the fiscal year.

Prize expenses for August 2018 were 63.5% of total sales, compared to 62.7% in the same month last year and 64.5% budgeted. Combined prize expense for the year was 62.6%, compared to 63.6% last fiscal year and 64.3% budgeted. Instant prize expense for the month was 70.0%, draw game prize expense was 52.8%, and iLottery instant play prize expense was 71.5%. Instant prize expense for the fiscal year was 69.4%, draw game prize expense was 52.4%, and iLottery instant play prize expense was 71.5%.

Operating costs were \$2.7 million for August, compared to \$2.9 million budgeted and \$2.2 million for the same month last year. These costs included advertising and promotions of \$971,000, salaries & benefits of \$1.2 million, contracted and professional services of \$216,000, depreciation expense of \$93,000, and other general and administrative costs of \$197,000. Operating costs for the year were \$4.9 million, compared to \$5.9 million budgeted and \$4.3 million prior fiscal year.

Income before transfer of dividends for the current month was \$22.0 million, compared to \$25.7 million for the same month in the prior year and \$20.5 million budgeted. Income before transfer of dividends for the fiscal year was \$45.1 million, compared to \$45.3 million in the prior year and \$39.7 million budgeted.

Dividends of \$19.0 million were transferred to the Commonwealth in August for a total of \$37.0 million for the fiscal year. Additional dividends of \$615,000 were accrued in August for transfer to the KEES Reserve for a total of \$1.4 million for the fiscal year. Transfers to the KEES Reserve will be made quarterly during the fiscal year. All dividends were 22.8% of sales for the month. All dividends were 22.7% of sales for the fiscal year compared to 21.3% of sales in the prior year and 23.4% budgeted.

#### **BALANCE SHEET**

Cash balance increased to \$28.0 million, which included \$2.4 million restricted for annuity prize payments. Total investments held to pay grand prizes increased to \$10.8 million. Accounts Receivable decreased to \$27.8 million. Total assets increased to \$78.3 million.

KENTUCKY LOTTERY CORPORATION  
BALANCE SHEETS  
AUGUST 31, 2018  
(\$000's)

	<u>CURRENT MONTH END</u>	<u>PRIOR MONTH END</u>	<u>PRIOR FISCAL YEAR END</u>
ASSETS:			
CURRENT ASSETS:			
CASH - UNRESTRICTED	\$25,573	\$19,583	\$17,682
CASH - RESTRICTED	2,444	2,444	2,600
INVESTMENTS, CURRENT PORTION	1,859	1,859	1,859
ACCOUNTS RECEIVABLE, NET	27,808	31,423	31,628
OTHER	1,017	867	1,060
TOTAL CURRENT ASSETS	<u>58,701</u>	<u>56,176</u>	<u>54,829</u>
INVESTMENTS, LESS CURRENT PORTION	8,955	8,954	8,903
PROPERTY AND EQUIPMENT, NET	5,298	5,374	5,441
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	5,315	5,268	5,182
TOTAL ASSETS	<u>\$78,269</u>	<u>\$75,772</u>	<u>\$74,355</u>
LIABILITIES AND EQUITY:			
CURRENT LIABILITIES:			
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$10,886	\$13,251	\$13,248
ESTIMATED PRIZE LIABILITY, CURRENT PORTION	30,859	28,342	30,986
TOTAL CURRENT LIABILITIES	<u>41,745</u>	<u>41,593</u>	<u>44,234</u>
ESTIMATED PRIZE LIABILITY - LESS CURRENT PORTION	11,603	11,591	11,866
UNFUNDED GRAND PRIZE LIABILITY	1,109	1,116	1,116
TOTAL LIABILITIES	<u>54,457</u>	<u>54,300</u>	<u>57,216</u>
CONTRIBUTED CAPITAL	100	100	100
RETAINED EARNINGS	23,712	21,372	17,039
TOTAL EQUITY	<u>23,812</u>	<u>21,472</u>	<u>17,139</u>
TOTAL LIABILITIES AND EQUITY	<u>\$78,269</u>	<u>\$75,772</u>	<u>\$74,355</u>

KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR  
AUGUST 31, 2018  
(\$000'S)

MONTH OF AUGUST:	VARIANCE			
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
<b>SALES:</b>				
INSTANT TICKETS	\$52,600	\$50,528	\$2,072	4.1%
DRAW GAMES	32,713	44,635	(\$11,922)	-26.7%
ILOTTERY INSTANT PLAY	936	808	128	15.8%
TICKET SALES	86,249	95,971	(9,722)	-10.1%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(28)	(1,013)	985	-97.2%
TOTAL TICKET SALES	86,221	94,958	(8,737)	-9.2%
<b>DIRECT COSTS:</b>				
<b>PRIZES:</b>				
INSTANT TICKETS	36,788	34,575	(2,213)	-6.4%
DRAW GAMES	17,284	24,323	7,039	28.9%
ILOTTERY INSTANT PLAY	669	650	(19)	-2.9%
TOTAL PRIZES	54,741	59,548	4,807	8.1%
PAYMENTS TO RETAILERS	5,236	5,743	507	8.8%
DRAW GAMES VENDOR EXPENSE	974	1,063	89	8.4%
INSTANT TICKET COSTS	632	771	139	18.0%
TOTAL DIRECT COSTS	61,583	67,125	5,542	8.3%
GROSS PROFIT	24,638	27,833	(3,195)	-11.5%
<b>OPERATING EXPENSES:</b>				
ADVERTISING AND PROMOTION	971	476	(495)	-104.0%
SALARIES, WAGES & BENEFITS	1,242	1,255	13	1.0%
CONTRACTED & PROFESSIONAL SERVICES	216	199	(17)	-8.5%
DEPRECIATION	93	100	7	7.0%
OTHER GENERAL & ADMINISTRATIVE	197	161	(36)	-22.4%
TOTAL OPERATING EXPENSES	2,719	2,191	(528)	-24.1%
OPERATING INCOME	21,919	25,642	(3,723)	-14.5%
NON-OPERATING INCOME	36	22	14	63.6%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$21,955	\$25,664	(\$3,709)	-14.5%



KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR  
YEAR-TO-DATE THROUGH AUGUST 31, 2018  
(\$000'S)

TWO MONTHS YEAR TO DATE:	VARIANCE			
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
<b>SALES:</b>				
INSTANT TICKETS	\$99,756	\$96,644	\$3,112	3.2%
DRAW GAMES	67,724	77,918	(\$10,194)	-13.1%
ILOTTERY INSTANT PLAY	1,876	1,463	413	28.2%
TICKET SALES	169,356	176,025	(6,669)	-3.8%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(68)	(1,982)	1,914	-96.6%
TOTAL TICKET SALES	169,288	174,043	(4,755)	-2.7%
<b>DIRECT COSTS:</b>				
<b>PRIZES:</b>				
INSTANT TICKETS	69,187	65,895	(3,292)	-5.0%
DRAW GAMES	35,508	43,424	7,916	18.2%
ILOTTERY INSTANT PLAY	1,341	1,300	(41)	-3.2%
TOTAL PRIZES	106,036	110,619	4,583	4.1%
PAYMENTS TO RETAILERS	10,273	10,504	231	2.2%
DRAW GAMES VENDOR EXPENSE	1,870	1,913	43	2.2%
INSTANT TICKET COSTS	1,158	1,429	271	19.0%
TOTAL DIRECT COSTS	119,337	124,465	5,128	4.1%
GROSS PROFIT	49,951	49,578	373	0.8%
<b>OPERATING EXPENSES:</b>				
ADVERTISING AND PROMOTION	1,556	881	(675)	-76.6%
SALARIES, WAGES & BENEFITS	2,436	2,474	38	1.5%
CONTRACTED & PROFESSIONAL SERVICES	383	397	14	3.5%
DEPRECIATION	190	202	12	5.9%
OTHER GENERAL & ADMINISTRATIVE	352	363	11	3.0%
TOTAL OPERATING EXPENSES	4,917	4,317	(600)	-13.9%
OPERATING INCOME	45,034	45,261	(227)	-0.5%
NON-OPERATING INCOME	59	44	15	34.1%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$45,093	\$45,305	(\$212)	-0.5%

KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - COMPARISON TO BUDGET  
AUGUST 31, 2018  
(\$000'S)

MONTH OF AUGUST:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
<b>SALES:</b>				
INSTANT TICKETS	\$52,600	\$48,600	\$4,000	8.2%
DRAW GAMES	32,713	35,027	(2,314)	-6.6%
ILOTTERY INSTANT PLAY	936	1,146	(210)	-18.3%
TICKET SALES	86,249	84,773	1,476	1.7%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(28)	(316)	288	-91.1%
TOTAL TICKET SALES	86,221	84,457	1,764	2.1%
<b>DIRECT COSTS:</b>				
<b>PRIZES:</b>				
INSTANT TICKETS	36,788	33,866	(2,922)	-8.6%
DRAW GAMES	17,284	19,698	2,414	12.3%
ILOTTERY INSTANT PLAY	669	905	236	26.1%
TOTAL PRIZES	54,741	54,469	(272)	-0.5%
PAYMENTS TO RETAILERS	5,236	5,182	(54)	-1.0%
DRAW GAMES VENDOR EXPENSE	974	1,005	31	3.1%
INSTANT TICKET COSTS	632	515	(117)	-22.7%
TOTAL DIRECT COSTS	61,583	61,171	(412)	-0.7%
GROSS PROFIT	24,638	23,286	1,352	5.8%
<b>OPERATING EXPENSES:</b>				
ADVERTISING AND PROMOTION	971	1,023	52	5.1%
SALARIES, WAGES & BENEFITS	1,242	1,297	55	4.2%
CONTRACTED & PROFESSIONAL SERVICES	216	236	20	8.5%
DEPRECIATION	93	103	10	9.7%
OTHER GENERAL & ADMINISTRATIVE	197	214	17	7.9%
TOTAL OPERATING EXPENSES	2,719	2,873	154	5.4%
OPERATING INCOME	21,919	20,413	1,506	7.4%
NON-OPERATING INCOME	36	39	(3)	-7.7%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$21,955	\$20,452	\$1,503	7.3%

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF INCOME - COMPARISON TO BUDGET  
 YEAR-TO-DATE THROUGH AUGUST 31, 2018  
 (\$000'S)

TWO MONTHS YEAR TO DATE:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
<b>SALES:</b>				
INSTANT TICKETS	\$99,756	\$92,877	\$6,879	7.4%
DRAW GAMES	67,724	70,279	(2,555)	-3.6%
ILOTTERY INSTANT PLAY	1,876	2,075	(199)	-9.6%
TICKET SALES	169,356	165,231	4,125	2.5%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(68)	(604)	536	-88.7%
TOTAL TICKET SALES	169,288	164,627	4,661	2.8%
<b>DIRECT COSTS:</b>				
<b>PRIZES:</b>				
INSTANT TICKETS	69,187	64,676	(4,511)	-7.0%
DRAW GAMES	35,508	39,527	4,019	10.2%
ILOTTERY INSTANT PLAY	1,341	1,639	298	18.2%
TOTAL PRIZES	106,036	105,842	(194)	-0.2%
PAYMENTS TO RETAILERS	10,273	10,131	(142)	-1.4%
DRAW GAMES VENDOR EXPENSE	1,870	1,976	106	5.4%
INSTANT TICKET COSTS	1,158	1,098	(60)	-5.5%
TOTAL DIRECT COSTS	119,337	119,047	(290)	-0.2%
GROSS PROFIT	49,951	45,580	4,371	9.6%
<b>OPERATING EXPENSES:</b>				
ADVERTISING AND PROMOTION	1,556	2,122	566	26.7%
SALARIES, WAGES & BENEFITS	2,436	2,570	134	5.2%
CONTRACTED & PROFESSIONAL SERVICES	383	513	130	25.3%
DEPRECIATION	190	206	16	7.8%
OTHER GENERAL & ADMINISTRATIVE	352	504	152	30.2%
TOTAL OPERATING EXPENSES	4,917	5,915	998	16.9%
OPERATING INCOME	45,034	39,665	5,369	13.5%
NON-OPERATING INCOME	59	78	(19)	-24.4%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$45,093	\$39,743	\$5,350	13.5%

KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES  
AUGUST 31, 2018  
(\$000'S)

MONTH OF AUGUST:	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
<b>SALES:</b>			
INSTANT TICKETS	61.0%	53.2%	57.5%
DRAW GAMES	37.9%	47.0%	41.5%
ILOTTERY INSTANT PLAY	1.1%	0.9%	1.4%
TICKET SALES	100.0%	101.1%	100.4%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	0.0%	-1.1%	-0.4%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
<b>DIRECT COSTS:</b>			
<b>PRIZES:</b>			
INSTANT TICKETS	42.7%	36.4%	40.1%
DRAW GAMES	20.0%	25.6%	23.3%
ILOTTERY INSTANT PLAY	0.8%	0.7%	1.1%
TOTAL PRIZES	63.5%	62.7%	64.5%
PAYMENTS TO RETAILERS	6.1%	6.1%	6.1%
DRAW GAME VENDOR EXPENSE	1.1%	1.1%	1.2%
INSTANT TICKET COSTS	0.7%	0.8%	0.6%
TOTAL DIRECT COSTS	71.4%	70.7%	72.4%
GROSS PROFIT	28.6%	29.3%	27.6%
<b>OPERATING EXPENSES:</b>			
ADVERTISING AND PROMOTION	1.1%	0.5%	1.2%
SALARIES, WAGES & BENEFITS	1.4%	1.3%	1.5%
CONTRACTED & PROFESSIONAL SERVICES	0.3%	0.2%	0.3%
DEPRECIATION	0.1%	0.1%	0.1%
OTHER GENERAL & ADMINISTRATIVE	0.2%	0.2%	0.3%
TOTAL OPERATING EXPENSES	3.1%	2.3%	3.4%
OPERATING INCOME	25.5%	27.0%	24.2%
NON-OPERATING INCOME	0.0%	0.0%	0.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	25.5%	27.0%	24.2%

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES  
 YEAR-TO-DATE THROUGH AUGUST 31, 2018  
 (\$000'S)

TWO MONTHS YEAR TO DATE:

	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
<b>SALES:</b>			
INSTANT TICKETS	58.9%	55.5%	56.4%
DRAW GAMES	40.0%	44.8%	42.7%
ILOTTERY INSTANT PLAY	1.1%	0.8%	1.3%
TICKET SALES	100.0%	101.1%	100.4%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	0.0%	-1.1%	-0.4%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
<b>DIRECT COSTS:</b>			
<b>PRIZES:</b>			
INSTANT TICKETS	40.8%	37.9%	39.3%
DRAW GAMES	21.0%	25.0%	24.0%
ILOTTERY INSTANT PLAY	0.8%	0.7%	1.0%
TOTAL PRIZES	62.6%	63.6%	64.3%
PAYMENTS TO RETAILERS	6.1%	6.0%	6.1%
DRAW GAME VENDOR EXPENSE	1.1%	1.1%	1.2%
INSTANT TICKET COSTS	0.7%	0.8%	0.7%
TOTAL DIRECT COSTS	70.5%	71.5%	72.3%
GROSS PROFIT	29.5%	28.5%	27.7%
<b>OPERATING EXPENSES:</b>			
ADVERTISING AND PROMOTION	0.9%	0.6%	1.3%
SALARIES, WAGES & BENEFITS	1.5%	1.4%	1.6%
CONTRACTED & PROFESSIONAL SERVICES	0.2%	0.2%	0.3%
DEPRECIATION	0.1%	0.1%	0.1%
OTHER GENERAL & ADMINISTRATIVE	0.2%	0.2%	0.3%
TOTAL OPERATING EXPENSES	2.9%	2.5%	3.6%
OPERATING INCOME	26.6%	26.0%	24.1%
NON-OPERATING INCOME	0.0%	0.0%	0.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	26.6%	26.0%	24.1%

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF RETAINED EARNINGS  
 AUGUST 31, 2018  
 (\$000'S)

	<u>CURRENT YEAR</u>		<u>PRIOR YEAR</u>	
	MONTH	YEAR-TO- DATE	MONTH	YEAR-TO- DATE
RETAINED EARNINGS- BEGINNING OF PERIOD	\$21,372	\$17,039	\$18,725	\$17,039
INCOME BEFORE TRANSFER	21,955	45,093	25,664	45,305
DIVIDENDS - GENERAL FUND & EDUCATION	(19,000)	(37,000)	(18,500)	(36,000)
DIVIDENDS - KEES RESERVE	(615)	(1,420)	(535)	(990)
RETAINED EARNINGS- END OF PERIOD	<u>\$23,712</u>	<u>\$23,712</u>	<u>\$25,354</u>	<u>\$25,354</u>

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF CASH FLOWS  
 YEAR-TO-DATE THROUGH AUGUST 31, 2018  
 (\$000'S)

	MONTH	YEAR-TO-DATE
CASH FLOWS FROM OPERATING ACTIVITIES:		
OPERATING INCOME	\$21,919	\$45,034
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
DEPRECIATION	93	190
PROVISION FOR LOSSES ON ACCOUNTS RECEIVABLE	10	11
INCREASE (DECREASE) IN CASH DUE TO CHANGES IN:		
ACCOUNTS RECEIVABLE	3,605	3,809
OTHER ASSETS	(150)	43
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	(2,365)	(2,362)
ESTIMATED PRIZE LIABILITY	2,522	(397)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>25,634</b>	<b>46,328</b>
CASH FLOWS FROM INVESTING ACTIVITIES:		
PROCEEDS FROM MATURITIES OR SALE OF INVESTMENTS	315	315
PURCHASE OF INVESTMENTS	0	0
CHANGE IN INVESTMENTS	(316)	(367)
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	(47)	(133)
INTEREST INCOME	21	33
SECURITY LENDING FEES	1	1
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>(26)</b>	<b>(151)</b>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
DIVIDENDS TRANSFERRED/PAYABLE	(19,615)	(38,420)
RETAILER APPLICATION AND OTHER NON-OPERATING FEES	14	25
<b>NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES</b>	<b>(19,601)</b>	<b>(38,395)</b>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
PURCHASES OF PROPERTY AND EQUIPMENT	(17)	(47)
PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT	0	0
PROCEEDS FROM ISSUANCE OF LONG-TERM DEBT	0	0
REPAYMENTS OF LONG-TERM DEBT	0	0
INTEREST EXPENSE	0	0
<b>NET CASH USED IN CAPITAL FINANCING ACTIVITIES</b>	<b>(17)</b>	<b>(47)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>5,990</b>	<b>7,735</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>22,027</b>	<b>20,282</b>
<b>CASH, END OF PERIOD</b>	<b>\$28,017</b>	<b>\$28,017</b>

KENTUCKY LOTTERY CORPORATION  
 PROFIT MARGIN REPORT  
 MONTH ENDING AUGUST 31, 2018  
 (\$000'S)

PROFIT CONTRIBUTION

	<u>INSTANT</u>	<u>POWERBALL</u>	<u>KY CASH BALL</u>	<u>PICK 4</u>	<u>PICK 3</u>	<u>MEGA MILLIONS</u>	<u>5 CARD CASH</u>	<u>KENO</u>	<u>LFL</u>	<u>ILOTTERY INSTANT PLAY</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
<b>SALES:</b>												
SALES AT RETAIL	52,572	4,580	875	3,783	12,485	2,762	670	6,403	602	0	0	84,732
ILOTTERY	<u>0</u>	<u>98</u>	<u>89</u>	<u>0</u>	<u>0</u>	<u>73</u>	<u>(45)</u>	<u>305</u>	<u>33</u>	<u>936</u>	<u>0</u>	<u>1,489</u>
TOTAL SALES	<u>52,572</u>	<u>4,678</u>	<u>964</u>	<u>3,783</u>	<u>12,485</u>	<u>2,835</u>	<u>625</u>	<u>6,708</u>	<u>635</u>	<u>936</u>	<u>0</u>	<u>86,221</u>
<b>DIRECT COSTS:</b>												
<b>PRIZES WON:</b>												
PRIZES AT RETAIL	37,095	2,330	324	1,486	6,846	1,387	706	3,902	296	0	0	54,372
ILOTTERY	<u>0</u>	<u>48</u>	<u>14</u>	<u>0</u>	<u>0</u>	<u>35</u>	<u>(238)</u>	<u>432</u>	<u>24</u>	<u>669</u>	<u>0</u>	<u>984</u>
TOTAL PRIZES WON	<u>37,095</u>	<u>2,378</u>	<u>338</u>	<u>1,486</u>	<u>6,846</u>	<u>1,422</u>	<u>468</u>	<u>4,334</u>	<u>320</u>	<u>669</u>	<u>0</u>	<u>55,356</u>
UNCLAIMED PRIZE CREDIT	(307)	(96)	(10)	(22)	(86)	(38)	(7)	(38)	(11)	0	0	(615)
PAYMENTS TO RETAILERS	1,715	455	98	380	1,294	445	76	696	63	0	14	5,236
ONLINE VENDOR EXPENSE	226	81	19	59	192	50	10	155	13	45	124	974
TICKET COSTS	<u>632</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>632</u>
TOTAL DIRECT COSTS	<u>39,361</u>	<u>2,818</u>	<u>445</u>	<u>1,903</u>	<u>8,246</u>	<u>1,879</u>	<u>547</u>	<u>5,147</u>	<u>385</u>	<u>714</u>	<u>138</u>	<u>61,583</u>
GROSS PROFIT	<u>13,211</u>	<u>1,860</u>	<u>519</u>	<u>1,880</u>	<u>4,239</u>	<u>956</u>	<u>78</u>	<u>1,561</u>	<u>250</u>	<u>222</u>	<u>(138)</u>	<u>24,638</u>

(% OF SALES)

PROFIT MARGIN

	<u>INSTANT</u>	<u>POWERBALL</u>	<u>KY CASH BALL</u>	<u>PICK 4</u>	<u>PICK 3</u>	<u>MEGA MILLIONS</u>	<u>5 CARD CASH</u>	<u>KENO</u>	<u>LFL</u>	<u>ILOTTERY INSTANT PLAY</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
TOTAL SALES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%
<b>DIRECT COSTS:</b>												
TOTAL PRIZES WON	70.6%	50.8%	35.1%	39.3%	54.8%	50.2%	74.9%	64.6%	50.4%	71.5%	0.0%	64.2%
UNCLAIMED PRIZE CREDIT	-0.6%	-2.1%	-1.0%	-0.6%	-0.7%	-1.3%	-1.1%	-0.6%	-1.7%	0.0%	0.0%	-0.7%
PAYMENTS TO RETAILERS	3.3%	9.7%	10.2%	10.0%	10.4%	15.7%	12.2%	10.4%	9.9%	0.0%	0.0%	6.1%
ONLINE VENDOR EXPENSE	0.4%	1.7%	2.0%	1.6%	1.5%	1.8%	1.6%	2.3%	2.0%	4.8%	0.0%	1.1%
TICKET COSTS	<u>1.2%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.7%</u>
TOTAL DIRECT COSTS	<u>74.9%</u>	<u>60.1%</u>	<u>46.3%</u>	<u>50.3%</u>	<u>66.0%</u>	<u>66.4%</u>	<u>87.6%</u>	<u>76.7%</u>	<u>60.6%</u>	<u>76.3%</u>	<u>0.0%</u>	<u>71.4%</u>
GROSS PROFIT	<u>25.1%</u>	<u>39.9%</u>	<u>53.7%</u>	<u>49.7%</u>	<u>34.0%</u>	<u>33.6%</u>	<u>12.4%</u>	<u>23.3%</u>	<u>39.4%</u>	<u>23.7%</u>	<u>0.0%</u>	<u>28.6%</u>



KENTUCKY LOTTERY CORPORATION  
 PROFIT MARGIN REPORT  
 YEAR TO DATE AS OF AUGUST 31, 2018  
 (\$000'S)

PROFIT CONTRIBUTION

	<u>INSTANT</u>	<u>POWERBALL</u>	<u>KY CASH BALL</u>	<u>PICK 4</u>	<u>PICK 3</u>	<u>MEGA MILLIONS</u>	<u>5 CARD CASH</u>	<u>KENO</u>	<u>LEL</u>	<u>ILOTTERY INSTANT PLAY</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
SALES:												
SALES AT RETAIL	99,688	8,968	1,839	7,320	24,518	8,849	1,140	12,679	1,203	0	0	166,204
ILOTTERY	<u>0</u>	<u>196</u>	<u>89</u>	<u>0</u>	<u>0</u>	<u>225</u>	<u>0</u>	<u>629</u>	<u>69</u>	<u>1,876</u>	<u>0</u>	<u>3,084</u>
TOTAL SALES	<u>99,688</u>	<u>9,164</u>	<u>1,928</u>	<u>7,320</u>	<u>24,518</u>	<u>9,074</u>	<u>1,140</u>	<u>13,308</u>	<u>1,272</u>	<u>1,876</u>	<u>0</u>	<u>169,288</u>
DIRECT COSTS:												
PRIZES WON:												
PRIZES AT RETAIL	69,893	4,429	877	2,742	13,304	4,462	764	8,294	644	0	0	105,409
ILOTTERY	<u>0</u>	<u>95</u>	<u>30</u>	<u>0</u>	<u>0</u>	<u>112</u>	<u>0</u>	<u>432</u>	<u>37</u>	<u>1,341</u>	<u>0</u>	<u>2,047</u>
TOTAL PRIZES WON	<u>69,893</u>	<u>4,524</u>	<u>907</u>	<u>2,742</u>	<u>13,304</u>	<u>4,574</u>	<u>764</u>	<u>8,726</u>	<u>681</u>	<u>1,341</u>	<u>0</u>	<u>107,456</u>
UNCLAIMED PRIZE CREDIT	(706)	(268)	(20)	(64)	(151)	(105)	(13)	(68)	(25)	0	0	(1,420)
PAYMENTS TO RETAILERS	6,586	460	103	393	1,358	450	79	750	65	0	29	10,273
ONLINE VENDOR EXPENSE	434	158	37	113	377	159	18	272	25	92	185	1,870
TICKET COSTS	<u>1,158</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,158</u>
TOTAL DIRECT COSTS	<u>77,365</u>	<u>4,874</u>	<u>1,027</u>	<u>3,184</u>	<u>14,888</u>	<u>5,078</u>	<u>848</u>	<u>9,680</u>	<u>746</u>	<u>1,433</u>	<u>214</u>	<u>119,337</u>
GROSS PROFIT	<u>22,323</u>	<u>4,290</u>	<u>901</u>	<u>4,136</u>	<u>9,630</u>	<u>3,996</u>	<u>292</u>	<u>3,628</u>	<u>526</u>	<u>443</u>	<u>(214)</u>	<u>49,951</u>

(% OF SALES)

PROFIT MARGIN

	<u>INSTANT</u>	<u>POWERBALL</u>	<u>KY CASH BALL</u>	<u>PICK 4</u>	<u>PICK 3</u>	<u>MEGA MILLIONS</u>	<u>5 CARD CASH</u>	<u>KENO</u>	<u>LEL</u>	<u>ILOTTERY INSTANT PLAY</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
TOTAL SALES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%
DIRECT COSTS:												
TOTAL PRIZES WON	70.1%	49.4%	47.0%	37.5%	54.3%	50.4%	67.0%	65.6%	53.5%	71.5%	0.0%	63.5%
UNCLAIMED PRIZE CREDIT	-0.7%	-2.9%	-1.0%	-0.9%	-0.6%	-1.2%	-1.1%	-0.5%	-2.0%	0.0%	0.0%	-0.9%
PAYMENTS TO RETAILERS	6.6%	5.0%	5.3%	5.4%	5.5%	5.0%	6.9%	5.6%	5.1%	0.0%	0.0%	6.1%
ONLINE VENDOR EXPENSE	0.4%	1.7%	1.9%	1.5%	1.5%	1.8%	1.6%	2.0%	2.0%	4.9%	0.0%	1.1%
TICKET COSTS	<u>1.2%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.7%</u>
TOTAL DIRECT COSTS	<u>77.6%</u>	<u>53.2%</u>	<u>53.2%</u>	<u>43.5%</u>	<u>60.7%</u>	<u>56.0%</u>	<u>74.4%</u>	<u>72.7%</u>	<u>58.6%</u>	<u>76.4%</u>	<u>0.0%</u>	<u>70.5%</u>
GROSS PROFIT	<u>22.4%</u>	<u>46.8%</u>	<u>46.8%</u>	<u>56.5%</u>	<u>39.3%</u>	<u>44.0%</u>	<u>25.6%</u>	<u>27.3%</u>	<u>41.4%</u>	<u>23.6%</u>	<u>0.0%</u>	<u>29.5%</u>

KENTUCKY LOTTERY CORPORATION  
ADVERTISING AND PROMOTION EXPENSES

MONTH ENDING AUGUST 31, 2018  
(\$000'S)

TYPE OF COST	INSTANT	POWERBALL	KY CASH BALL	PICK 4	PICK 3	MEGA MILLIONS	5 CARD CASH	KENO	LFL	iLottery Instant Play	NON-GAME SPECIFIC	TOTAL
MEDIA:												
TELEVISION	137	0	0	15	15	0	33	8	0	0	205	413
RADIO	158	0	0	0	0	1	0	0	0	0	14	173
PRINT	1	0	0	0	0	0	0	0	0	0	0	1
BILLBOARD	18	30	0	0	0	29	3	0	0	0	(4)	76
ONLINE	95	9	0	1	1	9	1	17	0	50	(12)	171
OTHER (TRANSIT, ETC.)	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL MEDIA	409	39	0	16	16	39	37	25	0	50	203	834
PRODUCTION	17	(1)	0	0	(3)	0	0	0	0	0	17	30
COUPONS & PROMOTIONS	0	0	0	0	0	0	0	0	0	0	44	44
SPECIAL EVENT/GAME SHOW	0	0	0	0	0	0	0	0	0	0	0	0
PREMIUMS	0	0	0	0	0	0	0	8	0	0	11	19
AGENCY FEES	0	0	0	0	0	0	0	0	0	0	43	43
OTHER (SIGNAGE, ETC.)	0	0	0	0	0	0	0	0	0	0	1	1
TOTAL	<u>426</u>	<u>38</u>	<u>0</u>	<u>16</u>	<u>13</u>	<u>39</u>	<u>37</u>	<u>33</u>	<u>0</u>	<u>50</u>	<u>319</u>	<u>971</u>

YEAR-TO-DATE AS OF AUGUST 31, 2018  
(\$000'S)

TYPE OF COST	INSTANT	POWERBALL	KY CASH BALL	PICK 4	PICK 3	MEGA MILLIONS	5 CARD CASH	KENO	LFL	iLottery Instant Play	NON-GAME SPECIFIC	TOTAL
MEDIA:												
TELEVISION	304	0	0	15	15	0	33	0	0	0	220	587
RADIO	274	1	0	0	0	1	0	0	0	0	14	290
PRINT	1	0	0	0	0	0	0	0	0	0	0	1
BILLBOARD	62	56	0	0	0	56	3	0	0	0	3	180
ONLINE	145	9	0	3	3	9	1	0	0	97	39	306
OTHER (TRANSIT, ETC.)	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL MEDIA	786	66	0	18	18	66	37	0	0	97	276	1,364
PRODUCTION	17	1	0	0	(3)	1	0	0	0	0	9	25
COUPONS & PROMOTIONS	0	0	0	0	0	0	0	0	0	0	67	67
SPECIAL EVENT/GAME SHOW	0	0	0	0	0	0	0	0	0	0	1	1
PREMIUMS	0	0	0	0	0	0	0	8	0	0	(2)	6
AGENCY FEES	0	0	0	0	0	0	0	0	0	0	86	86
OTHER (SIGNAGE, ETC.)	0	0	0	0	0	0	0	0	0	0	7	7
TOTAL	<u>803</u>	<u>67</u>	<u>0</u>	<u>18</u>	<u>15</u>	<u>67</u>	<u>37</u>	<u>8</u>	<u>0</u>	<u>97</u>	<u>444</u>	<u>1,556</u>

KENTUCKY LOTTERY CORPORATION  
 OPERATING EXPENSES  
 AUGUST 31, 2018  
 (\$000'S)

	<u>MONTH</u>	<u>YEAR-TO-DATE</u>
ADVERTISING & PROMOTION	\$971	\$1,556
 <u>SALARIES, WAGES &amp; BENEFITS:</u>		
SALARIES AND WAGES	982	1,913
BENEFITS AND TAXES	260	523
	1,242	2,436
 <u>CONTRACTED &amp; PROFESSIONAL SERVICES:</u>		
ON-LINE DRAWING EXPENSES	4	4
CONSULTANT SERVICES	67	92
SECURITY SERVICES	18	30
REPAIRS AND MAINTENANCE	11	20
CUSTODIAL SERVICES	5	6
PUBLIC INFORMATION SERVICES	2	5
DIRECTOR EXPENSES	3	6
COMPUTER SOFTWARE COST/MAINT.	43	108
COMPUTER HARDWARE COST/MAINT.	7	14
LEGAL SERVICES	15	6
AUDIT EXPENSES	25	60
OTHER	16	32
	216	383
 <u>DEPRECIATION:</u>		
DEPRECIATION EXPENSE	93	190
 <u>OTHER GENERAL &amp; ADMINISTRATIVE:</u>		
COMMUNICATIONS/TELEPHONE SERVICES	26	21
OFFICE SUPPLIES & SERVICES	21	36
TRAVEL AND RELATED EXPENSES	27	108
RENT, UTILITIES AND INSURANCE	83	145
A/R COLLECTIONS ALLOWANCE	10	11
OTHER	30	31
	197	352
 TOTAL OPERATING EXPENSES	 \$2,719	 \$4,917
 <u>NON-OPERATING INCOME:</u>		
INTEREST EXPENSE	0	0
INTEREST INCOME	21	33
OTHER INCOME/(LOSS)	15	26
	36	59
 TOTAL NON-OPERATING INCOME	 \$36	 \$59

KENTUCKY LOTTERY CORPORATION  
PROPERTY AND EQUIPMENT  
AUGUST 31, 2018  
(\$000'S)

	<u>CURRENT</u> <u>MONTH END</u>	<u>PRIOR</u> <u>MONTH END</u>	<u>PRIOR FISCAL</u> <u>YEAR END</u>
LEASEHOLD IMPROVEMENTS	\$45	\$45	\$45
BUILDINGS	8,094	8,085	8,079
LAND	423	423	423
TRANSPORTATION	1,264	1,264	1,264
FURNITURE, FIXTURES & EQUIPMENT	1,138	1,138	1,138
DATA PROCESSING EQUIPMENT & SOFTWARE	4,984	4,975	4,379
INCOMPLETE FIXED ASSETS	0	0	572
TELEPHONE & COMMUNICATIONS EQUIPMENT	6	6	6
DRAWING EQUIPMENT	<u>560</u>	<u>560</u>	<u>560</u>
PROPERTY AND EQUIPMENT, GROSS	16,514	16,496	16,466
ACCUMULATED DEPRECIATION	<u>(11,216)</u>	<u>(11,122)</u>	<u>(11,025)</u>
PROPERTY AND EQUIPMENT, NET	<u>\$5,298</u>	<u>\$5,374</u>	<u>\$5,441</u>