

KENTUCKY LOTTERY CORPORATION

FINANCIAL STATEMENTS

MAY 2018

MONTH 11 OF FISCAL YEAR ENDING JUNE 30, 2018

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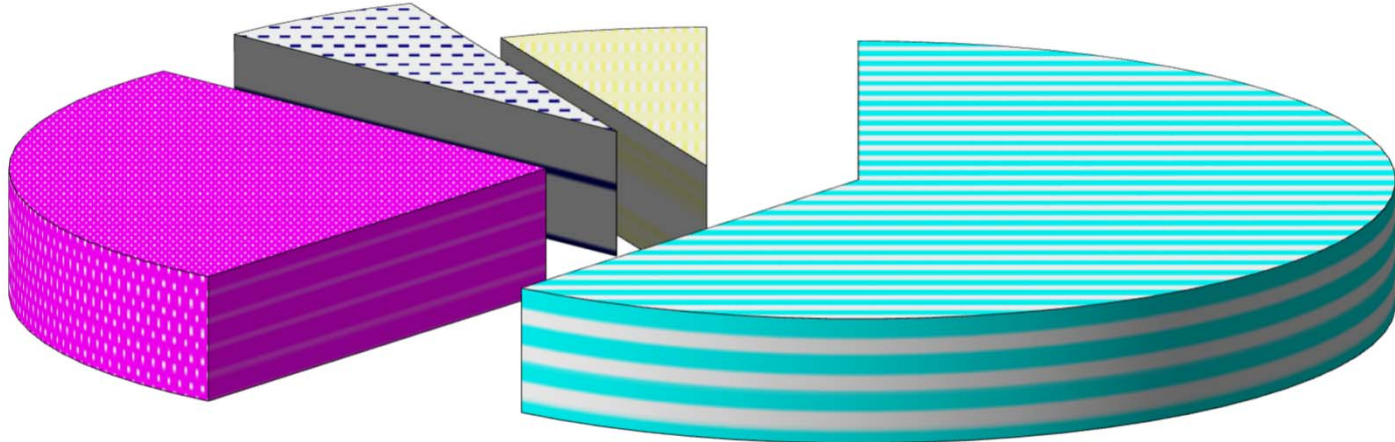
OPERATING EXPENSES

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**KENTUCKY LOTTERY CORPORATION
"WHERE THE MONEY GOES"
INCEPTION-TO-DATE SALES AS OF MAY 31, 2018
\$19.342 BILLION**

**\$1.231
BILLION PAID FOR
MARKETING & OPERATING
EXP - 6.4%**

\$1.213 BILLION PAID TO RETAILERS - 6.3%



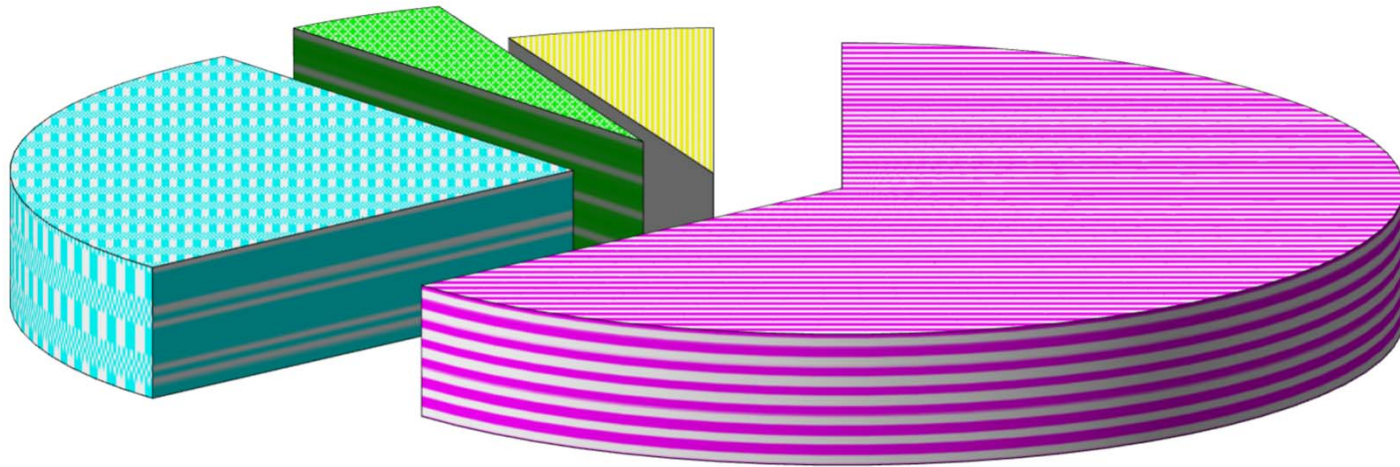
**\$5.140 BILLION
EARNED FOR THE
STATE OF KENTUCKY
- 26.6%**

**\$11.758 BILLION PAID
TO WINNERS - 60.7%**

**KENTUCKY LOTTERY CORPORATION
"WHERE THE MONEY GOES"
YEAR-TO-DATE SALES AS OF MAY 31, 2018
\$949.6 MILLION**

**\$45.1 MILLION PAID FOR
MARKETING & OPERATING
EXP - 4.8%**

\$56.3 MILLION PAID TO RETAILERS - 5.9%



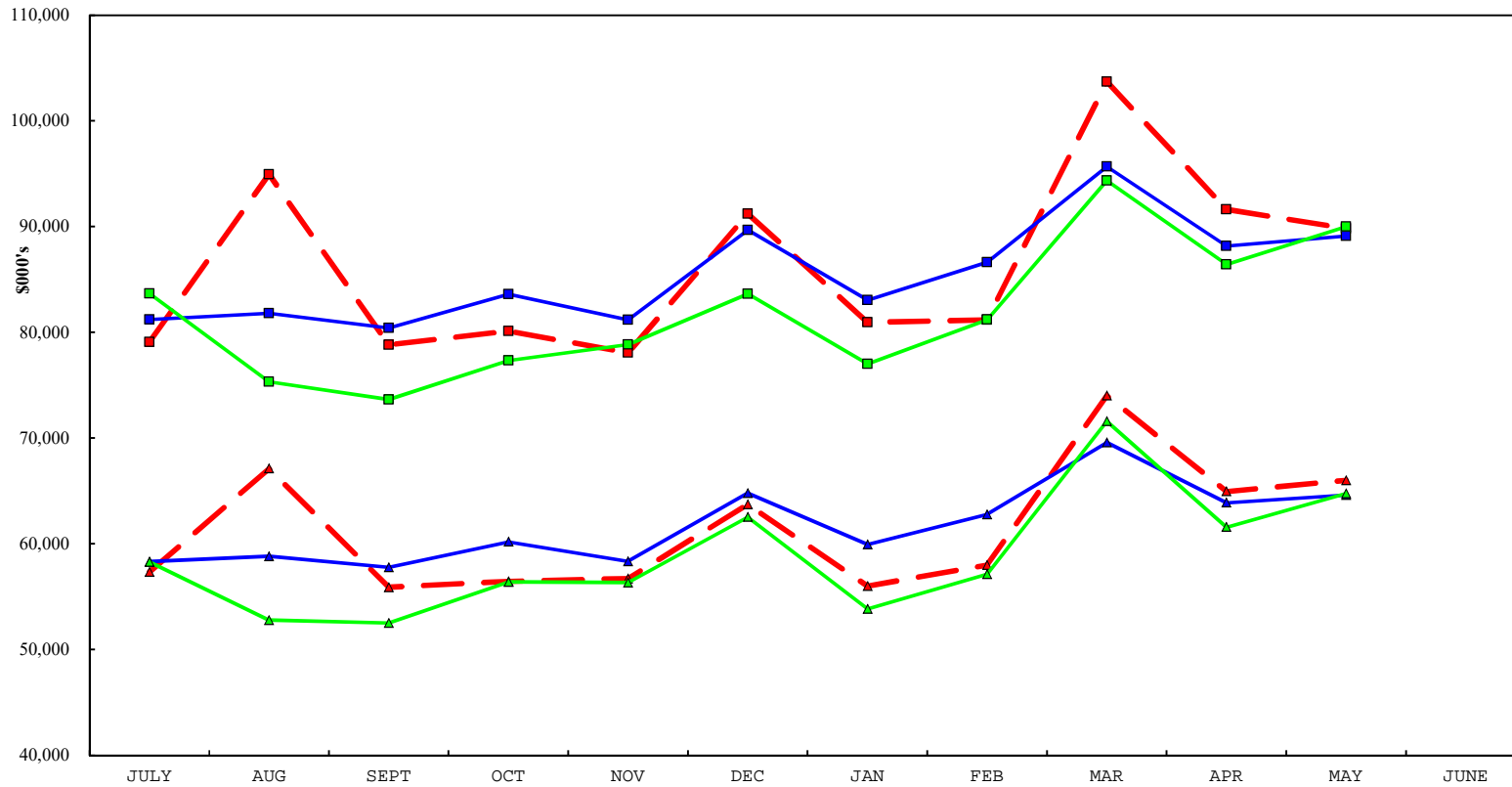
**\$246.2 MILLION
EARNED FOR THE
STATE OF
KENTUCKY - 25.9%**

**\$602.0 MILLION PAID
TO WINNERS - 63.4%**

AMOUNTS ARE SHOWN AS A PERCENTAGE OF SALES.

EARNINGS FOR THE STATE OF KENTUCKY HAVE BEEN DESIGNATED FOR COLLEGE AND TECHNICAL SCHOOL SCHOLARSHIPS AND GRANTS, HIGH SCHOOL DUAL CREDIT PROGRAMS AND LITERACY DEVELOPMENT.

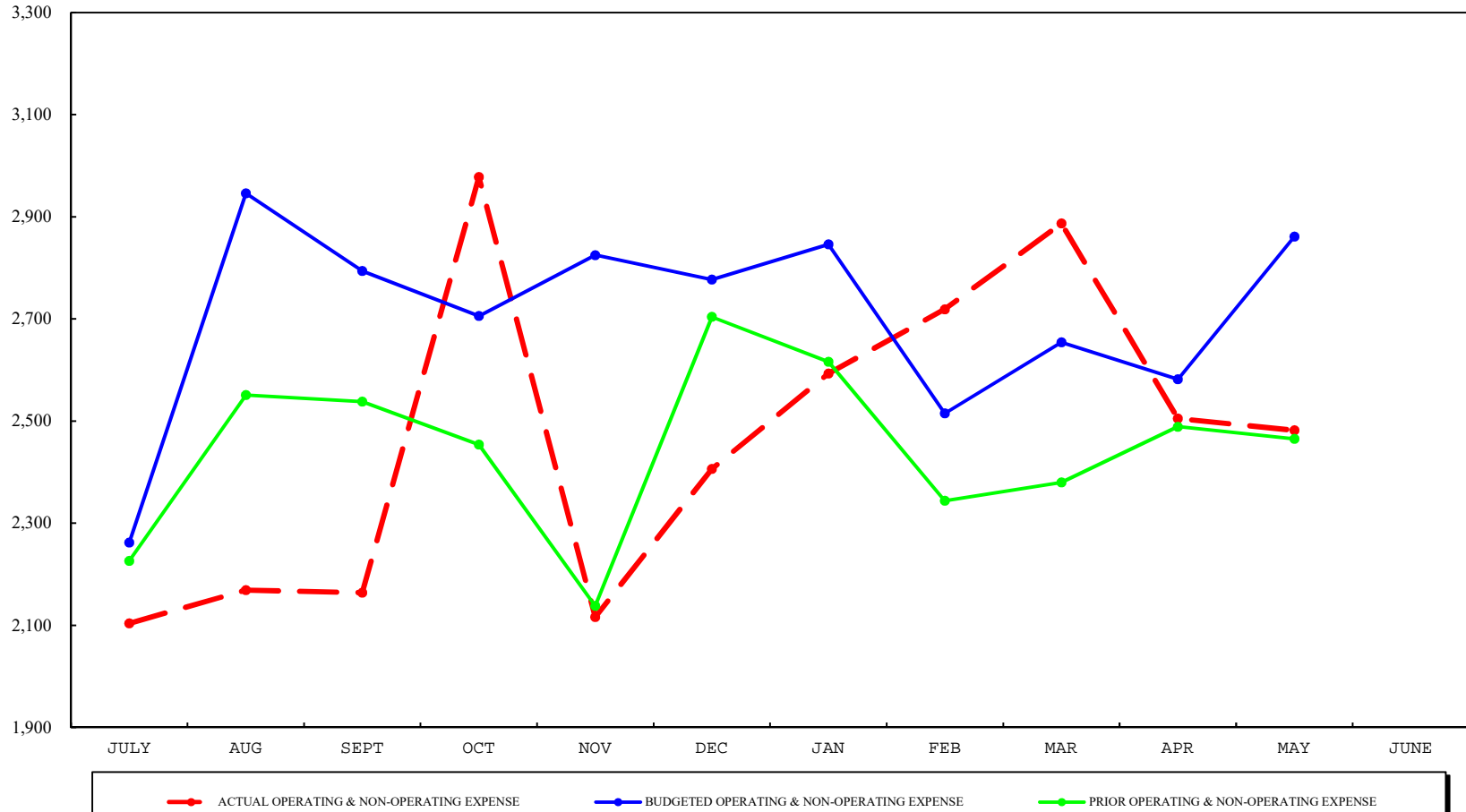
SALES AND DIRECT COSTS BY MONTH
AS OF MAY 31, 2018



—■— ACTUAL SALES
 —▲— ACTUAL COST OF SALES
 —■— BUDGETED SALES
 —▲— BUDGETED COST OF SALES
 —■— PRIOR SALES
 —▲— PRIOR COST OF SALES

OPERATING EXPENSE AND NON-OPERATING INCOME BY MONTH

AS OF MAY 31, 2018



KENTUCKY LOTTERY CORPORATION

FINANCIAL RESULTS

MAY 2018

INCOME STATEMENT

Ticket sales for May 2018 were \$89.9 million which is \$1.2 million or 1.3% less than the same month of the prior fiscal year. Sales for the year were \$956.8 million which is \$42.7 million or 4.7% more than in the prior fiscal year. Instant ticket sales were \$499,000 or 0.9% less than the same month of the prior fiscal year, and \$9.3 million or 1.7% more than the prior fiscal year. Draw game sales were \$333,000 or 1.2% less than the same month of the prior year, and \$21.8 million or 7.5% more than prior fiscal year. Keno sales were \$675,000 or 8.9% less than the same month of the prior fiscal year, and \$6.9 million or 10.0% more than prior fiscal year. iLottery instant play sales were \$314,000 or 53.2% more than the same month of the prior year, and \$4.8 million or 103.1% more than prior fiscal year.

Ticket sales for the month of May were \$543,000 or 0.6% more than budget. Ticket sales for the fiscal year were \$8.8 million or 0.9% more than budget. Instant ticket sales were \$851,000, or 1.6% more than budget for the current month, and \$8.8 million or 1.6% less than budget for the fiscal year. Draw game sales were \$446,000 or 1.6% less than budget for the month, and \$17.4 million or 5.9% more than budget for the fiscal year. Keno sales for the month were \$26,000 or 0.4% more than budget, and \$870,000 or 1.1% less than budget for the fiscal year. iLottery instant play sales were \$112,000 or 14.1% more than budget for the month, and \$1.1 million or 13.6% more than budget for the fiscal year.

Prize expenses for May 2018 were 65.6% of total sales, compared to 63.8% in the same month last year and 64.6% budgeted. Combined prize expense for the year was 63.4%, compared to 63.7% last fiscal year and 64.3% budgeted. Instant prize expense for the month was 69.2%, draw game prize expense was 58.7%, Keno prize expense was 63.1%, and iLottery instant play prize expense was 73.3%. Instant prize expense for the fiscal year was 69.1%, draw game prize expense was 52.4%, Keno prize expense was 64.9%, and iLottery instant play prize expense was 79.4%.

Operating costs were \$2.5 million for May, compared to \$2.9 million budgeted and \$2.5 million for the same month last year. These costs included advertising and promotions of \$773,000, salaries & benefits of \$1.3 million, contracted and professional services of \$176,000, depreciation expense of \$98,000, and other general and administrative costs of \$144,000. Operating costs for the year were \$27.6 million, compared to \$30.0 million budgeted and \$27.2 million prior fiscal year.

Income before transfer of dividends for the current month was \$21.3 million, compared to \$22.8 million for the same month in the prior year and \$21.7 million budgeted. Income before transfer of dividends for the fiscal year was \$246.2 million, compared to \$226.7 million in the prior year and \$231.8 million budgeted.

Dividends of \$21.0 million were transferred to the Commonwealth in May for a total of \$217.5 million for the fiscal year. Additional dividends of \$1.4 million were accrued in May for transfer to the KEES reserve for a total of \$9.7 million for the fiscal year. Transfer of the KEES funds will be made quarterly during the fiscal year. All dividends were 25.0% of sales for the month. All dividends were 23.9% of sales for the fiscal year compared to 24.7% of sales in the prior year and 24.0% budgeted.

BALANCE SHEET

Cash balance increased to \$31.1 million, which included \$2.7 million restricted for annuity prize payments. Total investments held to pay grand prizes decreased to \$10.7 million. Accounts Receivable increased to \$34.8 million. Total assets increased to \$88.0 million.

KENTUCKY LOTTERY CORPORATION
BALANCE SHEETS
MAY 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>
ASSETS:			
CURRENT ASSETS:			
CASH - UNRESTRICTED	\$28,491	\$28,258	\$20,149
CASH - RESTRICTED	2,650	2,650	2,600
INVESTMENTS, CURRENT PORTION	1,859	1,859	1,859
ACCOUNTS RECEIVABLE, NET	34,765	33,000	24,692
OTHER	917	907	1,067
TOTAL CURRENT ASSETS	<u>68,682</u>	<u>66,674</u>	<u>50,367</u>
INVESTMENTS, LESS CURRENT PORTION	8,852	9,012	10,111
PROPERTY AND EQUIPMENT, NET	5,231	5,244	5,314
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	5,242	5,269	4,848
TOTAL ASSETS	<u>\$88,007</u>	<u>\$86,199</u>	<u>\$70,640</u>
LIABILITIES AND EQUITY:			
CURRENT LIABILITIES:			
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$8,033	\$6,758	\$10,054
ESTIMATED PRIZE LIABILITY, CURRENT PORTION	31,102	29,321	29,981
TOTAL CURRENT LIABILITIES	<u>39,135</u>	<u>36,079</u>	<u>40,035</u>
ESTIMATED PRIZE LIABILITY - LESS CURRENT PORTION	11,697	11,841	13,061
UNFUNDED GRAND PRIZE LIABILITY	1,116	1,116	405
TOTAL LIABILITIES	<u>51,948</u>	<u>49,036</u>	<u>53,501</u>
CONTRIBUTED CAPITAL	100	100	100
RETAINED EARNINGS	35,959	37,063	17,039
TOTAL EQUITY	<u>36,059</u>	<u>37,163</u>	<u>17,139</u>
TOTAL LIABILITIES AND EQUITY	<u>\$88,007</u>	<u>\$86,199</u>	<u>\$70,640</u>

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

MONTH OF MAY:	VARIANCE			
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
SALES:				
INSTANT TICKETS	\$55,461	\$55,960	(\$499)	-0.9%
DRAW GAMES	26,656	26,989	(\$333)	-1.2%
KENO	6,928	7,603	(675)	-8.9%
ILOTTERY INSTANT PLAY	904	590	314	53.2%
TICKET SALES	89,949	91,142	(1,193)	-1.3%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(123)	(1,142)	1,019	-89.2%
TOTAL TICKET SALES	89,826	90,000	(174)	-0.2%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	38,284	37,694	(590)	-1.6%
DRAW GAMES	15,646	14,288	(1,358)	-9.5%
KENO	4,374	4,965	591	11.9%
ILOTTERY INSTANT PLAY	663	441	(222)	-50.3%
TOTAL PRIZES	58,967	57,388	(1,579)	-2.8%
PAYMENTS TO RETAILERS	5,339	5,676	337	5.9%
DRAW GAMES VENDOR EXPENSE	1,005	910	(95)	-10.4%
INSTANT TICKET COSTS	704	810	106	13.1%
TOTAL DIRECT COSTS	66,015	64,784	(1,231)	-1.9%
GROSS PROFIT	23,811	25,216	(1,405)	-5.6%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	773	846	73	8.6%
SALARIES, WAGES & BENEFITS	1,336	1,238	(98)	-7.9%
CONTRACTED & PROFESSIONAL SERVICES	176	193	17	8.8%
DEPRECIATION	98	108	10	9.3%
OTHER GENERAL & ADMINISTRATIVE	144	105	(39)	-37.1%
TOTAL OPERATING EXPENSES	2,527	2,490	(37)	-1.5%
OPERATING INCOME	21,284	22,726	(1,442)	-6.3%
NON-OPERATING INCOME	45	25	20	80.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$21,329	\$22,751	(\$1,422)	-6.3%

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

ELEVEN MONTHS YEAR TO DATE:	VARIANCE			
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
SALES:				
INSTANT TICKETS	\$560,796	\$551,491	\$9,305	1.7%
DRAW GAMES	310,436	288,676	\$21,760	7.5%
KENO	76,228	69,312	6,916	10.0%
ILOTTERY INSTANT PLAY	9,389	4,623	4,766	103.1%
TICKET SALES	956,849	914,102	42,747	4.7%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(7,242)	(12,577)	5,335	-42.4%
TOTAL TICKET SALES	949,607	901,525	48,082	5.3%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	382,405	370,618	(11,787)	-3.2%
DRAW GAMES	162,678	155,324	(7,354)	-4.7%
KENO	49,451	45,081	(4,370)	-9.7%
ILOTTERY INSTANT PLAY	7,451	3,355	(4,096)	-122.1%
TOTAL PRIZES	601,985	574,378	(27,607)	-4.8%
PAYMENTS TO RETAILERS	56,299	56,289	(10)	0.0%
DRAW GAMES VENDOR EXPENSE	10,175	9,202	(973)	-10.6%
INSTANT TICKET COSTS	7,857	8,016	159	2.0%
TOTAL DIRECT COSTS	676,316	647,885	(28,431)	-4.4%
GROSS PROFIT	273,291	253,640	19,651	7.7%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	9,094	9,145	51	0.6%
SALARIES, WAGES & BENEFITS	13,639	13,279	(360)	-2.7%
CONTRACTED & PROFESSIONAL SERVICES	2,112	2,015	(97)	-4.8%
DEPRECIATION	1,088	1,205	117	9.7%
OTHER GENERAL & ADMINISTRATIVE	1,623	1,604	(19)	-1.2%
TOTAL OPERATING EXPENSES	27,556	27,248	(308)	-1.1%
OPERATING INCOME	245,735	226,392	19,343	8.5%
NON-OPERATING INCOME	433	343	90	26.2%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$246,168	\$226,735	\$19,433	8.6%

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

MONTH OF MAY:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
SALES:				
INSTANT TICKETS	\$55,461	\$54,610	\$851	1.6%
DRAW GAMES	26,656	27,102	(446)	-1.6%
KENO	6,928	6,902	26	0.4%
ILOTTERY INSTANT PLAY	904	792	112	14.1%
TICKET SALES	89,949	89,406	543	0.6%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(123)	(273)	150	-54.9%
TOTAL TICKET SALES	89,826	89,133	693	0.8%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	38,284	37,771	(513)	-1.4%
DRAW GAMES	15,646	14,731	(915)	-6.2%
KENO	4,374	4,500	126	2.8%
ILOTTERY INSTANT PLAY	663	594	(69)	-11.6%
TOTAL PRIZES	58,967	57,596	(1,371)	-2.4%
PAYMENTS TO RETAILERS	5,339	5,320	(19)	-0.4%
DRAW GAMES VENDOR EXPENSE	1,005	967	(38)	-3.9%
INSTANT TICKET COSTS	704	734	30	4.1%
TOTAL DIRECT COSTS	66,015	64,617	(1,398)	-2.2%
GROSS PROFIT	23,811	24,516	(705)	-2.9%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	773	988	215	21.8%
SALARIES, WAGES & BENEFITS	1,336	1,349	13	1.0%
CONTRACTED & PROFESSIONAL SERVICES	176	303	127	41.9%
DEPRECIATION	98	116	18	15.5%
OTHER GENERAL & ADMINISTRATIVE	144	130	(14)	-10.8%
TOTAL OPERATING EXPENSES	2,527	2,886	359	12.4%
OPERATING INCOME	21,284	21,630	(346)	-1.6%
NON-OPERATING INCOME	45	25	20	80.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$21,329	\$21,655	(\$326)	-1.5%

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

ELEVEN MONTHS YEAR TO DATE:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
SALES:				
INSTANT TICKETS	\$560,796	\$569,639	(\$8,843)	-1.6%
DRAW GAMES	310,436	293,031	17,405	5.9%
KENO	76,228	77,098	(870)	-1.1%
ILOTTERY INSTANT PLAY	9,389	8,262	1,127	13.6%
TICKET SALES	956,849	948,030	8,819	0.9%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(7,242)	(7,370)	128	-1.7%
TOTAL TICKET SALES	949,607	940,660	8,947	1.0%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	382,405	389,182	6,777	1.7%
DRAW GAMES	162,678	159,086	(3,592)	-2.3%
KENO	49,451	50,272	821	1.6%
ILOTTERY INSTANT PLAY	7,451	6,197	(1,254)	-20.2%
TOTAL PRIZES	601,985	604,737	2,752	0.5%
PAYMENTS TO RETAILERS	56,299	56,363	64	0.1%
DRAW GAMES VENDOR EXPENSE	10,175	10,015	(160)	-1.6%
INSTANT TICKET COSTS	7,857	8,015	158	2.0%
TOTAL DIRECT COSTS	676,316	679,130	2,814	0.4%
GROSS PROFIT	273,291	261,530	11,761	4.5%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	9,094	9,852	758	7.7%
SALARIES, WAGES & BENEFITS	13,639	14,117	478	3.4%
CONTRACTED & PROFESSIONAL SERVICES	2,112	3,064	952	31.1%
DEPRECIATION	1,088	1,207	119	9.9%
OTHER GENERAL & ADMINISTRATIVE	1,623	1,803	180	10.0%
TOTAL OPERATING EXPENSES	27,556	30,043	2,487	8.3%
OPERATING INCOME	245,735	231,487	14,248	6.2%
NON-OPERATING INCOME	433	275	158	57.5%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$246,168	\$231,762	\$14,406	6.2%

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

MONTH OF MAY:

	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
SALES:			
INSTANT TICKETS	61.7%	62.2%	61.3%
DRAW GAMES	29.7%	30.0%	30.4%
KENO	7.7%	8.4%	7.7%
ILOTTERY INSTANT PLAY	1.0%	0.7%	0.9%
TICKET SALES	100.1%	101.3%	100.3%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	-0.1%	-1.3%	-0.3%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
DIRECT COSTS:			
PRIZES:			
INSTANT TICKETS	42.6%	41.9%	42.4%
DRAW GAMES	17.4%	15.9%	16.5%
KENO	4.9%	5.5%	5.0%
ILOTTERY INSTANT PLAY	0.7%	0.5%	0.7%
TOTAL PRIZES	65.6%	63.8%	64.6%
PAYMENTS TO RETAILERS	5.9%	6.3%	6.0%
DRAW GAME VENDOR EXPENSE	1.1%	1.0%	1.1%
INSTANT TICKET COSTS	0.9%	0.9%	0.8%
TOTAL DIRECT COSTS	73.5%	72.0%	72.5%
GROSS PROFIT	26.5%	28.0%	27.5%
OPERATING EXPENSES:			
ADVERTISING AND PROMOTION	0.8%	0.9%	1.1%
SALARIES, WAGES & BENEFITS	1.5%	1.4%	1.5%
CONTRACTED & PROFESSIONAL SERVICES	0.2%	0.2%	0.3%
DEPRECIATION	0.1%	0.1%	0.1%
OTHER GENERAL & ADMINISTRATIVE	0.2%	0.1%	0.2%
TOTAL OPERATING EXPENSES	2.8%	2.7%	3.2%
OPERATING INCOME	23.7%	25.3%	24.3%
NON-OPERATING INCOME	0.0%	0.0%	0.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	23.7%	25.3%	24.3%

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

ELEVEN MONTHS YEAR TO DATE:

	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
SALES:			
INSTANT TICKETS	59.1%	61.2%	60.6%
DRAW GAMES	32.7%	32.0%	31.2%
KENO	8.0%	7.7%	8.2%
ILOTTERY INSTANT PLAY	1.0%	0.5%	0.9%
TICKET SALES	100.8%	101.4%	100.9%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	-0.8%	-1.4%	-0.9%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
DIRECT COSTS:			
PRIZES:			
INSTANT TICKETS	40.3%	41.1%	41.4%
DRAW GAMES	17.1%	17.2%	16.9%
KENO	5.2%	5.0%	5.3%
ILOTTERY INSTANT PLAY	0.8%	0.4%	0.7%
TOTAL PRIZES	63.4%	63.7%	64.3%
PAYMENTS TO RETAILERS	5.9%	6.3%	6.0%
DRAW GAME VENDOR EXPENSE	1.1%	1.0%	1.0%
INSTANT TICKET COSTS	0.8%	0.9%	0.9%
TOTAL DIRECT COSTS	71.2%	71.9%	72.2%
GROSS PROFIT	28.8%	28.1%	27.8%
OPERATING EXPENSES:			
ADVERTISING AND PROMOTION	1.0%	1.0%	1.0%
SALARIES, WAGES & BENEFITS	1.4%	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%	0.2%
TOTAL OPERATING EXPENSES	2.9%	2.9%	3.2%
OPERATING INCOME	25.9%	25.2%	24.6%
NON-OPERATING INCOME	0.0%	0.0%	0.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	25.9%	25.2%	24.6%

KENTUCKY LOTTERY CORPORATION
 STATEMENTS OF RETAINED EARNINGS
 MAY 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	\$37,063	\$17,039	\$20,632	\$17,904
INCOME BEFORE TRANSFER	21,329	246,168	22,751	226,735
DIVIDENDS - GENERAL FUND & EDUCATION	(21,000)	(217,500)	(20,500)	(213,000)
DIVIDENDS - KEES RESERVE	(1,433)	(9,748)	(961)	(9,717)
RETAINED EARNINGS- END OF PERIOD	<u>\$35,959</u>	<u>\$35,959</u>	<u>\$21,922</u>	<u>\$21,922</u>

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

	MONTH	YEAR-TO-DATE
CASH FLOWS FROM OPERATING ACTIVITIES:		
OPERATING INCOME	\$21,284	\$245,735
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
DEPRECIATION	98	1,088
PROVISION FOR LOSSES ON ACCOUNTS RECEIVABLE	31	99
INCREASE (DECREASE) IN CASH DUE TO CHANGES IN:		
ACCOUNTS RECEIVABLE	(1,796)	(10,172)
OTHER ASSETS	(10)	150
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	1,275	(2,021)
ESTIMATED PRIZE LIABILITY	1,637	468
NET CASH PROVIDED BY OPERATING ACTIVITIES	22,519	235,347
CASH FLOWS FROM INVESTING ACTIVITIES:		
PROCEEDS FROM MATURITIES OR SALE OF INVESTMENTS	210	1,859
PURCHASE OF INVESTMENTS	0	0
CHANGE IN INVESTMENTS	(50)	(600)
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	27	(394)
INTEREST INCOME	27	223
SECURITY LENDING FEES	0	10
NET CASH PROVIDED BY INVESTING ACTIVITIES	214	1,098
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
DIVIDENDS TRANSFERRED/PAYABLE	(22,433)	(227,248)
RETAILER APPLICATION AND OTHER NON-OPERATING FEES	18	200
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(22,415)	(227,048)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
PURCHASES OF PROPERTY AND EQUIPMENT	(85)	(1,005)
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
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	(85)	(1,005)
NET INCREASE (DECREASE) IN CASH	233	8,392
CASH, BEGINNING OF PERIOD	30,908	22,749
CASH, END OF PERIOD	\$31,141	\$31,141

KENTUCKY LOTTERY CORPORATION
 PROFIT MARGIN REPORT
 MONTH ENDING MAY 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>
SALES:												
SALES AT RETAIL	55,338	5,359	924	3,754	12,757	2,465	520	6,639	622	0	0	88,378
ILOTTERY	<u>0</u>	<u>112</u>	<u>46</u>	<u>0</u>	<u>0</u>	<u>61</u>	<u>0</u>	<u>289</u>	<u>36</u>	<u>904</u>	<u>0</u>	<u>1,448</u>
TOTAL SALES	<u>55,338</u>	<u>5,471</u>	<u>970</u>	<u>3,754</u>	<u>12,757</u>	<u>2,526</u>	<u>520</u>	<u>6,928</u>	<u>658</u>	<u>904</u>	<u>0</u>	<u>89,826</u>
DIRECT COSTS:												
PRIZES WON:												
PRIZES AT RETAIL	39,187	2,725	811	3,820	6,585	1,357	393	4,230	325	0	0	59,433
ILOTTERY	<u>0</u>	<u>47</u>	<u>18</u>	<u>0</u>	<u>0</u>	<u>33</u>	<u>0</u>	<u>186</u>	<u>20</u>	<u>663</u>	<u>0</u>	<u>967</u>
TOTAL PRIZES WON	<u>39,187</u>	<u>2,772</u>	<u>829</u>	<u>3,820</u>	<u>6,585</u>	<u>1,390</u>	<u>393</u>	<u>4,416</u>	<u>345</u>	<u>663</u>	<u>0</u>	<u>60,400</u>
UNCLAIMED PRIZE CREDIT	(903)	(66)	(235)	(40)	(101)	(27)	(6)	(42)	(13)	0	0	(1,433)
PAYMENTS TO RETAILERS	3,471	274	53	223	704	125	36	386	33	0	34	5,339
ONLINE VENDOR EXPENSE	242	91	18	58	196	43	9	286	12	45	5	1,005
TICKET COSTS	<u>704</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>704</u>
TOTAL DIRECT COSTS	<u>42,701</u>	<u>3,071</u>	<u>665</u>	<u>4,061</u>	<u>7,384</u>	<u>1,531</u>	<u>432</u>	<u>5,046</u>	<u>377</u>	<u>708</u>	<u>39</u>	<u>66,015</u>
GROSS PROFIT	<u>12,637</u>	<u>2,400</u>	<u>305</u>	<u>(307)</u>	<u>5,373</u>	<u>995</u>	<u>88</u>	<u>1,882</u>	<u>281</u>	<u>196</u>	<u>(39)</u>	<u>23,811</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%
DIRECT COSTS:												
TOTAL PRIZES WON	70.8%	50.7%	85.5%	101.8%	51.6%	55.0%	75.6%	63.7%	52.4%	73.3%	0.0%	67.2%
UNCLAIMED PRIZE CREDIT	-1.6%	-1.2%	-24.2%	-1.1%	-0.8%	-1.1%	-1.2%	-0.6%	-2.0%	0.0%	0.0%	-1.6%
PAYMENTS TO RETAILERS	6.3%	5.0%	5.5%	5.9%	5.5%	4.9%	6.9%	5.6%	5.0%	0.0%	0.0%	5.9%
ONLINE VENDOR EXPENSE	0.4%	1.7%	1.9%	1.5%	1.5%	1.7%	1.7%	4.1%	1.8%	5.0%	0.0%	1.1%
TICKET COSTS	<u>1.3%</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>0.9%</u>
TOTAL DIRECT COSTS	<u>77.2%</u>	<u>56.2%</u>	<u>68.7%</u>	<u>108.1%</u>	<u>57.8%</u>	<u>60.5%</u>	<u>83.0%</u>	<u>72.8%</u>	<u>57.2%</u>	<u>78.3%</u>	<u>0.0%</u>	<u>73.5%</u>
GROSS PROFIT	<u>22.8%</u>	<u>43.8%</u>	<u>31.3%</u>	<u>-8.1%</u>	<u>42.2%</u>	<u>39.5%</u>	<u>17.0%</u>	<u>27.2%</u>	<u>42.8%</u>	<u>21.7%</u>	<u>0.0%</u>	<u>26.5%</u>

KENTUCKY LOTTERY CORPORATION
 PROFIT MARGIN REPORT
 YEAR TO DATE AS OF MAY 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	553,554	72,294	10,079	39,819	137,068	35,726	5,623	75,248	6,860	0	0	936,271
ILOTTERY	<u>0</u>	<u>1,309</u>	<u>494</u>	<u>0</u>	<u>0</u>	<u>784</u>	<u>0</u>	<u>980</u>	<u>380</u>	<u>9,389</u>	<u>0</u>	<u>13,336</u>
TOTAL SALES	<u>553,554</u>	<u>73,603</u>	<u>10,573</u>	<u>39,819</u>	<u>137,068</u>	<u>36,510</u>	<u>5,623</u>	<u>76,228</u>	<u>7,240</u>	<u>9,389</u>	<u>0</u>	<u>949,607</u>
DIRECT COSTS:												
PRIZES WON:												
PRIZES AT RETAIL	387,955	36,301	5,394	18,381	79,684	17,925	3,325	49,206	4,027	0	0	602,198
ILOTTERY	<u>0</u>	<u>657</u>	<u>162</u>	<u>0</u>	<u>0</u>	<u>393</u>	<u>0</u>	<u>648</u>	<u>224</u>	<u>7,451</u>	<u>0</u>	<u>9,535</u>
TOTAL PRIZES WON	<u>387,955</u>	<u>36,958</u>	<u>5,556</u>	<u>18,381</u>	<u>79,684</u>	<u>18,318</u>	<u>3,325</u>	<u>49,854</u>	<u>4,251</u>	<u>7,451</u>	<u>0</u>	<u>611,733</u>
UNCLAIMED PRIZE CREDIT	(5,550)	(1,378)	(340)	(422)	(878)	(441)	(64)	(403)	(272)	0	0	(9,748)
PAYMENTS TO RETAILERS	34,943	3,696	567	2,169	7,639	1,843	398	4,357	518	2	167	56,299
ONLINE VENDOR EXPENSE	2,457	1,224	198	614	2,110	617	107	1,383	132	463	870	10,175
TICKET COSTS	<u>7,857</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>7,857</u>
TOTAL DIRECT COSTS	<u>427,662</u>	<u>40,500</u>	<u>5,981</u>	<u>20,742</u>	<u>88,555</u>	<u>20,337</u>	<u>3,766</u>	<u>55,191</u>	<u>4,629</u>	<u>7,916</u>	<u>1,037</u>	<u>676,316</u>
GROSS PROFIT	<u>125,892</u>	<u>33,103</u>	<u>4,592</u>	<u>19,077</u>	<u>48,513</u>	<u>16,173</u>	<u>1,857</u>	<u>21,037</u>	<u>2,611</u>	<u>1,473</u>	<u>(1,037)</u>	<u>273,291</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%	50.2%	52.5%	46.2%	58.1%	50.2%	59.1%	65.4%	58.7%	79.4%	0.0%	64.4%
UNCLAIMED PRIZE CREDIT	-1.0%	-1.9%	-3.2%	-1.1%	-0.6%	-1.2%	-1.1%	-0.6%	-3.8%	0.0%	0.0%	-1.0%
PAYMENTS TO RETAILERS	6.3%	5.0%	5.4%	5.4%	5.6%	5.0%	7.1%	5.7%	7.2%	0.0%	0.0%	5.9%
ONLINE VENDOR EXPENSE	0.4%	1.7%	1.9%	1.5%	1.5%	1.7%	1.9%	1.8%	1.8%	4.9%	0.0%	1.1%
TICKET COSTS	<u>1.4%</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>0.8%</u>
TOTAL DIRECT COSTS	<u>77.2%</u>	<u>55.0%</u>	<u>56.6%</u>	<u>52.0%</u>	<u>64.6%</u>	<u>55.7%</u>	<u>67.0%</u>	<u>72.3%</u>	<u>63.9%</u>	<u>84.3%</u>	<u>0.0%</u>	<u>71.2%</u>
GROSS PROFIT	<u>22.8%</u>	<u>45.0%</u>	<u>43.4%</u>	<u>48.0%</u>	<u>35.4%</u>	<u>44.3%</u>	<u>33.0%</u>	<u>27.7%</u>	<u>36.1%</u>	<u>15.7%</u>	<u>0.0%</u>	<u>28.8%</u>

KENTUCKY LOTTERY CORPORATION
ADVERTISING AND PROMOTION EXPENSES

MONTH ENDING MAY 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	47	(2)	0	0	0	0	0	126	0	0	10	181
RADIO	34	2	0	0	0	0	0	(2)	0	0	5	39
PRINT	0	0	0	0	0	0	0	0	0	0	0	0
BILLBOARD	45	28	0	0	0	26	0	0	0	0	2	101
ONLINE	199	17	0	0	0	17	0	0	0	61	75	369
OTHER (TRANSIT, ETC.)	0	0	0	1	0	0	0	0	0	0	2	3
TOTAL MEDIA	325	45	0	1	0	43	0	124	0	61	94	693
PRODUCTION	4	0	0	0	0	0	0	(1)	0	1	16	20
COUPONS & PROMOTIONS	0	0	0	0	0	0	0	0	0	0	0	0
SPECIAL EVENT/GAME SHOW	0	0	0	0	0	0	0	0	0	0	5	5
PREMIUMS	0	0	0	0	0	0	0	19	0	0	12	31
AGENCY FEES	0	0	0	0	0	0	0	0	0	0	25	25
OTHER (SIGNAGE, ETC.)	0	0	0	0	0	0	0	0	0	(2)	1	(1)
TOTAL	<u>329</u>	<u>45</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>43</u>	<u>0</u>	<u>142</u>	<u>0</u>	<u>60</u>	<u>153</u>	<u>773</u>

YEAR-TO-DATE AS OF MAY 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	1,858	39	0	1	2	41	0	568	0	0	296	2,805
RADIO	677	3	0	0	0	2	0	303	0	0	68	1,053
PRINT	0	0	0	0	0	0	0	0	0	0	24	24
BILLBOARD	219	347	0	0	0	328	0	0	0	0	3	897
ONLINE	788	105	10	0	0	106	5	145	2	560	139	1,860
OTHER (TRANSIT, ETC.)	9	16	0	4	3	16	0	0	0	0	3	51
TOTAL MEDIA	3,551	510	10	5	5	493	5	1,016	2	560	533	6,690
PRODUCTION	365	31	0	0	0	43	4	94	0	26	375	938
COUPONS & PROMOTIONS	0	6	0	0	0	6	0	0	0	0	507	519
SPECIAL EVENT/GAME SHOW	0	0	0	0	0	0	0	0	0	0	96	96
PREMIUMS	0	0	0	0	0	0	0	19	0	0	129	148
AGENCY FEES	0	0	0	0	0	0	0	0	0	0	412	412
OTHER (SIGNAGE, ETC.)	0	0	0	0	0	0	0	0	0	69	222	291
TOTAL	<u>3,916</u>	<u>547</u>	<u>10</u>	<u>5</u>	<u>5</u>	<u>542</u>	<u>9</u>	<u>1,129</u>	<u>2</u>	<u>655</u>	<u>2,274</u>	<u>9,094</u>

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

	<u>MONTH</u>	<u>YEAR-TO-DATE</u>
ADVERTISING & PROMOTION	\$773	\$9,094
<u>SALARIES, WAGES & BENEFITS:</u>		
SALARIES AND WAGES	1,068	10,535
BENEFITS AND TAXES	268	3,104
	1,336	13,639
<u>CONTRACTED & PROFESSIONAL SERVICES:</u>		
ON-LINE DRAWING EXPENSES	0	44
CONSULTANT SERVICES	26	419
SECURITY SERVICES	18	159
REPAIRS AND MAINTENANCE	1	99
CUSTODIAL SERVICES	5	59
PUBLIC INFORMATION SERVICES	1	45
DIRECTOR EXPENSES	3	39
COMPUTER SOFTWARE COST/MAINT.	59	661
COMPUTER HARDWARE COST/MAINT.	3	54
LEGAL SERVICES	13	53
AUDIT EXPENSES	21	236
OTHER	26	244
	176	2,112
<u>DEPRECIATION:</u>		
DEPRECIATION EXPENSE	98	1,088
<u>OTHER GENERAL & ADMINISTRATIVE:</u>		
COMMUNICATIONS/TELEPHONE SERVICES	6	140
OFFICE SUPPLIES & SERVICES	11	118
TRAVEL AND RELATED EXPENSES	25	391
RENT, UTILITIES AND INSURANCE	69	856
A/R COLLECTIONS ALLOWANCE	31	99
OTHER	2	19
	144	1,623
TOTAL OPERATING EXPENSES	\$2,527	\$27,556
 <u>NON-OPERATING INCOME:</u>		
INTEREST EXPENSE	0	0
INTEREST INCOME	27	223
OTHER INCOME/(LOSS)	18	210
	\$45	\$433
TOTAL NON-OPERATING INCOME	\$45	\$433

KENTUCKY LOTTERY CORPORATION
PROPERTY AND EQUIPMENT
MAY 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	8,073	8,073	7,925
LAND	423	423	423
TRANSPORTATION	1,264	1,264	1,254
FURNITURE, FIXTURES & EQUIPMENT	1,253	1,241	1,982
DATA PROCESSING EQUIPMENT & SOFTWARE	4,070	4,063	16,845
INCOMPLETE FIXED ASSETS	464	398	0
TELEPHONE & COMMUNICATIONS EQUIPMENT	379	379	379
DRAWING EQUIPMENT	<u>560</u>	<u>560</u>	<u>560</u>
PROPERTY AND EQUIPMENT, GROSS	16,531	16,446	29,413
ACCUMULATED DEPRECIATION	<u>(11,300)</u>	<u>(11,202)</u>	<u>(24,099)</u>
PROPERTY AND EQUIPMENT, NET	<u>\$5,231</u>	<u>\$5,244</u>	<u>\$5,314</u>