

It's Amazing!

\$507 MILLION
TO PLAYERS AND
INDIANA BUSINESSES

\$190 MILLION
TO THE STATE OF INDIANA



Rakesh Patel
Crown Point
Retailer



Kenneth Corey
Fishers
Winner

Cheryl Ellison
Pierceville
Winner



Ted Strong
Indianapolis
Retired Teacher



Robert McGrath
Indianapolis
Retired Firefighter



Annual Report 2010

hoosier lottery™

From the Executive Director and the State Lottery Commission Chairperson



Although this past year was filled with economic uncertainty and a reduction in consumer spending, we stayed committed to our mission of responsibly generating funds for the State of Indiana. With our retailers as our partners, we increased the amount of money generated for Hoosiers in fiscal year 2010. We realized total sales of \$740 million, an increase of \$7 million over the prior year. Our players were awarded \$456 million in prizes and our retail partners were paid \$51 million in commissions and bonuses. More importantly, a growth in net income allowed us to transfer \$190 million to the State of Indiana, \$11 million more than last year.

So, how did we do it?

Analysis and research drove informed decision-making and greater efficiencies

We continued our initiative to deepen our understanding of our business, our games and our players. Through research and improved use of business data, we improved the attributes of new games, gained insight on the optimum number of games to launch, and improved the timing, the strategy and the promotion of games.

Over the past 20 years the manner in which we do business and interact with our retailers and players has changed dramatically. With the assistance of technology, our sales force now has the ability to be considerably more mobile than they were ten years ago. This year, we revised routes, territories and responsibilities to ensure the most efficient operation possible. The decision was also made to close regional offices that were under-utilized due to changes in retailer support needs now covered through technological advances and increased mobility.

Technology upgrades improved retailer and player experiences



The hardware and software upgrades to our gaming system allowed us to leverage the best technologies available to us and to improve our player and retail partner experience within our nearly 4,000 retail locations. A new contract allowed us to bring new equipment into all of our retail locations, which included digital displays for improved and customized advertising, clerk touch screen interfacings, and scan technologies.

Transaction time and clerk training needs were radically reduced, and players are now able to check their own tickets for the first time.

Major overhaul of the website allowed customized web experience



Launching an updated website for the first time in many years was a major undertaking. If you have ever visited hoosierlottery.com, you can understand the magnitude of this project. The update included a new communications platform, **mylottery**, which offers players convenient ways, through email or texting, to get the information they want about their favorite lottery games. This customizable program also gives players opportunities to get coupons, participate in promotions and provide feedback to the Lottery.

Our mission

To responsibly provide innovative and entertaining lottery games for the benefit of the citizens of Indiana.

Net income to the State

FY'09	FY'10
\$179 Million	\$190 Million

Hoosier Lottery brand refresh

We made adjustments to our branding strategy to help our brand stay relevant to the next generation. We introduced an updated logo that connected to our strong heritage but kept our eyes firmly on the future. We also spent some time working on our “Where the Money Goes” message, as we know from our research how important this is to Hoosiers. We began airing three ads that featured real winners and real beneficiaries to tell the story of how we generate money for winners, retailers and Hoosier citizens throughout Indiana. It really is amazing!



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Offering licensed products along with our standard scratch-off games helps us to attract a variety of players. The highlights this year included the launch of our first Colts-themed Scratch-off, \$100,000 Colts Cash. This favorite awarded the typical cash prizes of our scratch-off games, but it also offered Indianapolis Colts Season Tickets as prizes. The introduction of the \$2 Indiana’s Lucky Dog garnered quite a bit of attention. This innovative game gave Hoosier dog lovers the opportunity to win big and enter photos of their dog into a contest for the chance to see their dog on the next Indiana’s Lucky Dog game.



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We are proud of these successes which are attributed to the passionate team of Hoosier Lottery associates and the support of our Commissioners. It takes a dedicated team to continuously and successfully deliver on our mission. This year, we saw one of those amazing team members pass the baton. In December 2009, Jean Northenor decided to retire as Chairperson of The State Lottery Commission of Indiana after having served six years and William A. Zielke was appointed as her replacement. Zielke brings a wealth of retail knowledge and commitment to the State of Indiana. His leadership, like Northenor’s, is a true asset to the Hoosier Lottery team.

FY10 net sales and prizes paid by game		
(millions of dollars)		
	Sales	Prizes paid
Scratch-offs	\$465	\$314
Pull-Tabs	9	6
Powerball	115	55
Hoosier Lotto	54	31
Mega Millions	12	6
Quick Draw	17	11
Mix & Match	6	4
Daily 3/Daily 4/ Lucky 5	62	29
Total	\$740	\$456

We thank you for the opportunity to do the work we do on behalf of the State of Indiana and its citizens. It is our pleasure to invite you to review the fiscal year 2010 accomplishments of the Hoosier Lottery.



William A. Zielke

William A. Zielke
Chairperson
Fort Wayne, IN

Kathryn A. Densborn

Kathryn A. Densborn
Executive Director
Hoosier Lottery



Where did the Hoosier Lottery money go?



\$51 MILLION
PAID TO OUR RETAIL
PARTNERS IN COMMISSIONS
AND BONUSES

\$456 MILLION
AWARDED TO OUR PLAYERS
ALL ACROSS THE STATE
OF INDIANA

GAS

DIESEL
FOOD

LOTTERY



Julie McIntosh
Indianapolis
2010 Colts
2nd Chance Drawing
Winner



Jeffrey Flowers
Daleville
\$100,000 Line 'Em Up
Winner



Donna Sutton
Indianapolis
\$200,000 Powerball®
Winner

\$30 MILLION
DIRECTED TO THE PENSION AND DISABILITY
FUNDS FOR HOOSIER POLICE OFFICERS AND
FIREFIGHTERS AND
\$30 MILLION
DIRECTED TO THE PENSION FUND FOR TEACHERS

\$130 MILLION
DIRECTED TO THE
BUILD INDIANA FUND AND WAS
USED TO SIGNIFICANTLY REDUCE
MOTOR VEHICLE EXCISE TAX



Steve Reckley
Indianapolis
Retired Firefighter



Steve Docherty
Indianapolis
Retired Police Officer



Ellen Strong
Indianapolis
Retired Teacher

[Click here to read more about where the money goes.](#)

Financials

THE STATE LOTTERY COMMISSION OF INDIANA STATEMENTS OF NET ASSETS AS OF JUNE 30, 2010 AND 2009

THE STATE LOTTERY COMMISSION OF INDIANA STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009		2010	2009
ASSETS					
CURRENT ASSETS:			OPERATING REVENUES:		
Cash and cash equivalents	\$ 78,349,103	\$ 61,393,152	Instant ticket sales — net	\$ 474,217,486	\$ 484,630,385
Investments — current portion	10,790,011	10,229,452	On-line ticket sales	<u>266,121,987</u>	<u>248,026,485</u>
Accounts receivable — net	21,686,165	24,472,828	Total operating revenues	<u>740,339,473</u>	<u>732,656,870</u>
Prepaid expenses	3,997,913	3,531,634	OPERATING EXPENSES:		
Accrued interest receivable	384	111,805	Direct game expenses:		
Ticket inventory	<u>450,197</u>	<u>402,312</u>	Instant game prizes	320,293,579	326,291,712
Total current assets	<u>115,273,773</u>	<u>100,141,183</u>	On-line games prizes	<u>136,002,921</u>	<u>126,933,453</u>
				<u>456,296,500</u>	<u>453,225,165</u>
NONCURRENT ASSETS:			Indirect game expenses:		
Long-term investments — less current portion	111,274,579	102,347,244	Retailer commissions	51,076,592	50,499,632
Restricted assets	7,978,058	8,052,769	Ticket printing costs	7,890,401	7,424,945
Capital assets — net	<u>1,431,761</u>	<u>2,209,034</u>	Advertising and promotion	11,074,138	11,252,281
Total noncurrent assets	<u>120,684,398</u>	<u>112,609,047</u>	On-line professional services	8,327,371	7,195,740
			ITVM lease and courier services	<u>2,923,645</u>	<u>3,740,932</u>
TOTAL	<u>\$235,958,171</u>	<u>\$212,750,230</u>		<u>81,292,147</u>	<u>80,113,530</u>
			Total game expenses	<u>537,588,647</u>	<u>533,338,695</u>
LIABILITIES AND NET ASSETS			OTHER OPERATING EXPENSES:		
CURRENT LIABILITIES:			Salaries, wages, and benefits	14,243,704	13,879,830
Accounts payable:			General and administrative	<u>5,041,522</u>	<u>7,409,111</u>
State	\$ 52,628,937	\$ 46,832,296	Total other operating expenses	<u>19,285,226</u>	<u>21,288,941</u>
Trade	8,016,070	5,531,900	Total operating expenses	<u>556,873,873</u>	<u>554,627,636</u>
Current portion of prize liability	64,196,564	52,175,090	OPERATING INCOME	<u>183,465,600</u>	<u>178,029,234</u>
Deferred revenue	441,556	920,488			
Other accrued expenses	<u>1,871,971</u>	<u>1,439,658</u>	NON-OPERATING REVENUES:		
Total current liabilities	127,155,098	106,899,432	Interest income	161,451	635,959
LONG-TERM LIABILITIES —			Net increase in fair value of investments	5,853,879	21,611
Prize liability less current portion	<u>103,803,073</u>	<u>100,850,798</u>	Other income - net	<u>176,574</u>	<u>247,517</u>
Total liabilities	<u>230,958,171</u>	<u>207,750,230</u>	Total non-operating revenues -net	<u>6,191,904</u>	<u>905,087</u>
NET ASSETS:			NET INCOME PRIOR TO DISTRIBUTIONS	<u>189,657,504</u>	<u>178,934,321</u>
Unrestricted	3,568,239	2,790,966	DISTRIBUTIONS:		
Invested in capital assets	<u>1,431,761</u>	<u>2,209,034</u>	Distributions to the State	(137,028,567)	(132,102,025)
Total net assets	<u>5,000,000</u>	<u>5,000,000</u>	Distributions to be paid to the State	<u>(52,628,937)</u>	<u>(46,832,296)</u>
TOTAL	<u>\$235,958,171</u>	<u>\$212,750,230</u>	Total distributions	<u>(189,657,504)</u>	<u>(178,934,321)</u>
			CHANGES IN NET ASSETS	-	-
			NET ASSETS — Beginning of year	<u>5,000,000</u>	<u>5,000,000</u>
			NET ASSETS — Ending of year	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from ticket sales	\$ 742,673,222	\$ 740,669,757
Payments to ticket winners	(441,322,751)	(443,413,975)
Payments to employees	(13,811,390)	(14,585,205)
Payments of suppliers	<u>(83,074,337)</u>	<u>(85,048,777)</u>
Net cash provided by operating activities	<u>204,464,744</u>	<u>197,621,800</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Distributions to the State	(183,860,863)	(183,442,628)
Other income	176,574	247,517
Net increase in restricted assets	<u>74,711</u>	<u>21,929</u>
Net cash used in noncapital and related financing activities	<u>(183,609,578)</u>	<u>(183,173,182)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(572,662)	(627,311)
Proceeds from the sale of capital assets	<u>34,590</u>	<u>80,962</u>
Net cash used in capital and related financing activities	<u>(538,072)</u>	<u>(546,349)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(9,153,007)	(25,943,583)
Investment maturities	5,518,992	4,121,012
Interest income	<u>272,872</u>	<u>1,239,195</u>
Net cash used in investing activities	<u>(3,361,143)</u>	<u>(20,583,376)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,955,951	(6,681,107)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>61,393,152</u>	<u>68,074,259</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 78,349,103</u>	<u>\$ 61,393,152</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 183,465,600	\$ 178,029,234
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,289,327	2,148,717
Change in provision for doubtful accounts	(57,300)	22,711
Change in provision for ticket returns	3,204,234	(161,447)
Loss (gain) on sale of fixed assets	26,018	(74,442)
Changes in certain assets and liabilities:		
Accounts receivable	(360,271)	8,089,191
Instant ticket inventory	(47,885)	(172,375)
Prepaid expenses	(466,279)	1,684,102
Accounts payable — trade	2,484,170	(1,186,579)
Deferred revenue	(478,932)	136,873
Other accrued expenses	432,313	(705,375)
Prize liability	<u>14,973,749</u>	<u>9,811,190</u>
Net cash provided by operating activities	<u>\$ 204,464,744</u>	<u>\$ 197,621,800</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES —		
Net increase in fair value of investments	<u>\$ 5,853,879</u>	<u>\$ 21,611</u>

To read annual reports from previous years, visit hoosierlottery.com.

State Lottery Commissioners



William A. Zielke
Chairperson
Fort Wayne, IN



Todd A. Etzler
Valparaiso, IN



Gregory M. Fitzloff
Georgetown, IN



Todd Stuart
Indianapolis, IN

Hoosier Lottery Lottery Executive Staff



Kathryn A. Densborn
Executive Director



W. Edward Benton
Deputy Director and Chief
Financial Officer



Susan Golightly
Director of Marketing



Jeff Goltz
Director of Information
Technology



Andrew Jones
Information Security Officer



Andrew J. Klinger
General Counsel



Tim Kuehr
Controller



Irene Lange
Director of Sales



Tracy McNutt
Director of Administration



Jim Nash
Director of Security



Carrie Stroud
Internal Auditor

Hoosier Lottery Office Locations

New address as of 2/25/2011

Headquarters
1302 N. Meridian
Indianapolis, IN 46202

Northern Region
1539 N. Ironwood Dr.
South Bend, IN 46635

Central Region
5252 Decatur Blvd.
Indianapolis, IN 46241

Southern Region
5625 E. Virginia St.
Evansville, IN 47715

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Hoosier Lottery



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	<u>\$235,958,171</u>	<u>\$212,750,230</u>	Total game expenses	<u>81,292,147</u>	<u>80,113,530</u>
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CURRENT LIABILITIES:			Salaries, wages, and benefits	14,243,704	13,879,830
Accounts payable:			General and administrative	<u>5,041,522</u>	<u>7,409,111</u>
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Current portion of prize liability	64,196,564	52,175,090	OPERATING INCOME		
Deferred revenue	441,556	920,488		<u>183,465,600</u>	<u>178,029,234</u>
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NET ASSETS:			NET INCOME PRIOR TO DISTRIBUTIONS		
Unrestricted	3,568,239	2,790,966		<u>189,657,504</u>	<u>178,934,321</u>
Invested in capital assets	<u>1,431,761</u>	<u>2,209,034</u>	DISTRIBUTIONS:		
Total net assets	<u>5,000,000</u>	<u>5,000,000</u>	Distributions to the State	(137,028,567)	(132,102,025)
TOTAL			Distributions to be paid to the State	<u>(52,628,937)</u>	<u>(46,832,296)</u>
	<u>\$235,958,171</u>	<u>\$212,750,230</u>	Total distributions	<u>(189,657,504)</u>	<u>(178,934,321)</u>
			CHANGES IN NET ASSETS		
			-		
			NET ASSETS — Beginning of year		
			<u>5,000,000</u>		
			NET ASSETS — Ending of year		
			<u>\$ 5,000,000</u>		

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Cash received from ticket sales	\$ 742,673,222	\$ 740,669,757
Payments to ticket winners	(441,322,751)	(443,413,975)
Payments to employees	(13,811,390)	(14,585,205)
Payments of suppliers	<u>(83,074,337)</u>	<u>(85,048,777)</u>
Net cash provided by operating activities	<u>204,464,744</u>	<u>197,621,800</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Distributions to the State	(183,860,863)	(183,442,628)
Other income	176,574	247,517
Net increase in restricted assets	<u>74,711</u>	<u>21,929</u>
Net cash used in noncapital and related financing activities	<u>(183,609,578)</u>	<u>(183,173,182)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(572,662)	(627,311)
Proceeds from the sale of capital assets	<u>34,590</u>	<u>80,962</u>
Net cash used in capital and related financing activities	<u>(538,072)</u>	<u>(546,349)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(9,153,007)	(25,943,583)
Investment maturities	5,518,992	4,121,012
Interest income	<u>272,872</u>	<u>1,239,195</u>
Net cash used in investing activities	<u>(3,361,143)</u>	<u>(20,583,376)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,955,951	(6,681,107)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>61,393,152</u>	<u>68,074,259</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 78,349,103</u>	<u>\$ 61,393,152</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 183,465,600	\$ 178,029,234
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,289,327	2,148,717
Change in provision for doubtful accounts	(57,300)	22,711
Change in provision for ticket returns	3,204,234	(161,447)
Loss (gain) on sale of fixed assets	26,018	(74,442)
Changes in certain assets and liabilities:		
Accounts receivable	(360,271)	8,089,191
Instant ticket inventory	(47,885)	(172,375)
Prepaid expenses	(466,279)	1,684,102
Accounts payable — trade	2,484,170	(1,186,579)
Deferred revenue	(478,932)	136,873
Other accrued expenses	432,313	(705,375)
Prize liability	<u>14,973,749</u>	<u>9,811,190</u>
Net cash provided by operating activities	<u>\$ 204,464,744</u>	<u>\$ 197,621,800</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES —		
Net increase in fair value of investments	<u>\$ 5,853,879</u>	<u>\$ 21,611</u>

To read annual reports from previous years, visit hoosierlottery.com.

State Lottery Commissioners



William A. Zielke
Chairperson
Fort Wayne, IN



Todd A. Etzler
Valparaiso, IN



Gregory M. Fitzloff
Georgetown, IN



Todd Stuart
Indianapolis, IN

Hoosier Lottery Executive Staff



Kathryn A. Densborn
Executive Director



W. Edward Benton
Deputy Director and Chief
Financial Officer



Susan Golightly
Director of Marketing



Jeff Goltz
Director of Information
Technology



Andrew Jones
Information Security Officer



Andrew J. Klinger
General Counsel



Tim Kuehr
Controller



Irene Lange
Director of Sales



Tracy McNutt
Director of Administration



Jim Nash
Director of Security



Carrie Stroud
Internal Auditor

Hoosier Lottery Office Locations

New address as of 2/25/2011

Headquarters

1302 N. Meridian
Indianapolis, IN 46202

Northern Region

1539 N. Ironwood Dr.
South Bend, IN 46635

Central Region

5252 Decatur Blvd.
Indianapolis, IN 46241

Southern Region

5625 E. Virginia St.
Evansville, IN 47715

For more information, please visit hoosierlottery.com or contact customer service at (317) 264-4800.



••• WORKING HARD FOR INDIANA •••





OUR MISSION

To responsibly provide innovative and entertaining lottery games for the benefit of the citizens of Indiana



CORE VALUES

In all we do, we will:

...

Be customer-centric and consumer-centric.

...

Have a passion for excellence.

...

Foster creativity, teamwork, and collaboration.

...

Operate with the highest level of integrity.

...

Commit to the growth and development of our team.

Since inception, the Hoosier Lottery

has consistently generated significant dollars for the State of Indiana. We began selling lottery games in October 1989, after a majority of Indiana citizens voted yes on a 1988 voter referendum. The \$6 million in start up funding the state provided was repaid in less than a year. Our 187 employees throughout the state labor each year to deliver fun and entertaining lottery games via our nearly 4,000 retail partners. The fruit of that labor, our net income, is transferred to the Office of the State Treasurer. In fiscal year 2009, that amounted to \$179 million. How much money has the Hoosier Lottery produced for the State of Indiana in its 20 years of operation? More than \$3.4 billion!

In addition to generating much needed revenue for the State of Indiana, this year we also awarded hundreds of millions of dollars in cash prizes to players and remitted millions of dollars in commissions to Indiana businesses who sell our product.

The Indiana General Assembly directs the allocation of all net income generated by the Hoosier Lottery. These monies have continuously been directed to the Build Indiana Fund, the Indiana State Teachers' Retirement Fund and the Police Officers' and Firefighters' Pension and Disability Fund. Most recently, the Build Indiana Fund has been allocating the Hoosier Lottery revenue to significantly reduce the motor vehicle excise taxes paid by Hoosier residents.

**State Lottery Commission
of Indiana**



Todd A. Etzler
Valparaiso, IN
...



Gregory M. Fitzloff
Georgetown, IN
...



Todd Stuart
Indianapolis, IN



Jean Northenor, Chairperson
Warsaw, IN

A message from the Chairperson

Delivering the most revenue to the citizens of the State of Indiana is the primary goal of the Hoosier Lottery. This past year, the Lottery staff accomplished just that while working through some of the most difficult economic challenges and circumstances in memory.

Under the capable leadership of Executive Director, Kathryn A. Densborn, the Hoosier Lottery executive team conducted the business of this quasi state agency with the utmost efficiency and integrity. The competence of this organization is evident in the results they produce as they confidently guide their talented and creative staff.

Keeping the player experience fresh and compelling by engaging them with innovative and entertaining games has ensured the future endurance of lottery revenues. The launch of a new draw product along with the introduction of novel ways to play scratch-off products helped to keep Lottery revenues robust in fiscal year 2009.

The commitment and dedication of the Hoosier Lottery team is without reproach as they unreservedly work to generate higher revenues to benefit the citizens of Indiana. I am secure in knowing that this success will continue well into the future.

I am proud to offer you the Hoosier Lottery's Annual Report for fiscal year 2009.

Jean Northenor



A note from the Executive Director While weathering one of the toughest economic declines in decades, this past year we were able to successfully launch a new draw game, introduce a new style of play for Scratch-offs, and achieve measurable sales growth from Powerball® during periods of smaller jackpots by consistently messaging a simple reminder to play. Most importantly, we were able to deliver \$179 million to the State of Indiana on sales of \$732 million.

A second quarter decline in sales made fiscal year 2009 a year of analysis and learning, of challenges and accomplishments and one of belt tightening and tough decisions. Spending time in the field with our regional management teams, visiting retailers, and riding along with our Lottery Sales Representatives has provided insight into daily responsibilities with the goal of more efficiently accommodating the needs of our staff, our retailers and our players. There is much regional diversity in our great state, and not surprisingly, that translates into different purchasing patterns. Utilizing the knowledge of this data to determine the optimum product mix for our retail partners is challenging, but the reward is increased sales growth and profit.

Appealing and innovative games helped to engage our players as we endeavored to keep our offerings current and compelling. Quick Draw, our newest draw game was launched a month ahead of schedule and with considerably superior results than were initially forecast. Double Play®, an innovative new product that contains a scratch-off game on one side with a pull-tab game on the other side, sold out in two weeks! And Indiana is still the state with the greatest number of Powerball® jackpot winners at 36, with the addition of an Indianapolis winner in November and a Lawrenceburg winner in January.

Exciting sponsorship events allowed us to engage and connect with our existing players and reach out to new players. A crowd of hearty spectators and a host of media braved the cold in the early morning hour to watch as I assisted in pouring green dye into the canal that turned all of Indianapolis Irish on St. Patrick's Day. While we were center stage in Indianapolis distributing promotional coupons for our new Quick Draw game during the St. Patrick's Day parade, our sales staff was "putting on the green" and also distributing coupons to players statewide as they called on their retail customers. The Hoosier Lottery set sales records at the Indiana State Fair, and one exceptional winner was awarded \$1,000,000 in a special, one-time return of the Hoosier Millionaire Show staged at the Hoosier Lottery Grandstand. Our sponsorship presence at multiple sporting events and philanthropic events throughout the state has not only proven effective and inspiring, but also F-U-N.

The support of our Commissioners and the commitment of our staff have allowed these achievements in spite of the current economic challenges. The Hoosier Lottery is privileged to have a talented and dedicated group of individuals who give their all to make sure we provide the best possible products and services to our retailers and our players. I continue to have pride in the work we do on behalf of the State of Indiana and the money we provide to its citizens.

I invite you to take a look at the accomplishments that are outlined on the pages that follow and know that the Hoosier Lottery is committed to operating with the highest integrity and security.



Kathryn A. Densborn

*Executive Director
Hoosier Lottery*



More games; lots of possibilities // ●●●

In fiscal year 2009, Hoosiers continued to play their favorite Hoosier Lottery draw games, Powerball® with Power Play® and Hoosier Lotto, as well as a wide variety of Scratch-offs. In fact, 59% of Hoosiers 18 and older played at least one Hoosier Lottery game¹. This was also a year for players trying new products, with the launch of a new draw game, Quick Draw, and a new Double Play® instant ticket that combined both a scratch-off and a pull-tab game on the same ticket. With total sales of over \$732 million, \$453 million in prizes awarded to players, commissions paid to Indiana businesses totaling \$50 million and a net income of \$179 million in fiscal year 2009, the Hoosier Lottery continues to make a meaningful contribution to the economic landscape of the State of Indiana.



The power of Powerball® with Power Play®



In its 17th year, Powerball continues to be played by more Hoosiers than any other Hoosier Lottery product. An amazing 44% of all Hoosiers

18 and older experienced the power of Powerball, clearly confirming the strength of this brand¹. Changes to the game matrix in January yielded a larger starting jackpot, better overall odds and an improved Power Play feature. This change, a promotional push for Power Play in September, and an ongoing messaging campaign helped to keep sales strong.

44% of Hoosiers 18 and older played Powerball¹

In addition to generating Lottery sales and traffic count for our retailers, this big jackpot game yielded more than 2.7 million winning tickets all across Indiana in 2009. We had seven \$1 million winners and 17 winners of \$200,000. We were also lucky enough to add two more jackpot wins to our count. Incredibly, the Hoosier Lottery continues to hold the record for the most Powerball jackpot wins of any participating state or jurisdiction.

Net Sales by Game
(Millions of Dollars) FY09

Scratch-offs	\$474
Pull-Tab	11
Powerball	114
Hoosier Lotto	55
Quick Draw	7
Mix & Match	8
Daily 3/Daily 4	57
Lucky 5	6
Total	<u>\$732</u>

Hoosier Lotto - a temperamental teen at 15 years of age but still the Hometown favorite



After an extraordinarily long run in 2008 when no jackpot prizes were won, we surprisingly experienced quite the opposite in 2009, and awarded 11 jackpot prizes. In addition to jackpots, this hometown favorite yielded a total of over 9.7 million winning tickets at all prize levels and \$55 million in sales. No wonder nearly 37% of all Hoosiers 18 and older have purchased our state jackpot game¹.

Quick Draw a quick success



The launch of Quick Draw in March proved to be one of our most successful draw game product launches. Players loved the easy-to-play aspects of this game.

**"I have been playing your new game. I love it!"
Rosaline Lee, Marion**

Double Play® - you're gonna flip!



Scratch-offs continue to be our biggest product category, with sales of \$474 million. In 2009, not only did we launch a variety of new games, we also introduced a new style of play. Double Play featured scratch-off play on the front and a pull-tab play on the back. Double Play, along with our other Scratch-offs, produced 38 million winning tickets across Indiana.



Lucky 5 awards 30 top prizes



This easy to play little lotto game, with a not-so-little top prize of \$50,000, has a small but loyal fan base among Hoosier Lottery players. In 2009, this game delivered big for our players with 30 top prize winning tickets and over 51,000 winning tickets in all.

Connecting with our players through our sponsorships



Sponsorships and events give us an opportunity to reach out and connect with our players. We kicked off the year at the Indiana State Fair. We achieved record sales and were thrilled to give away \$1,000,000 during a one time re-staging of the Hoosier Millionaire Show. We continued to strengthen our partnership with the Indianapolis Colts, one of the strongest NFL brands in the country. The opening of Lucas Oil Stadium brought heightened awareness and excitement for the Colts and their sponsors. Our first time working with Susan G. Komen Race for the Cure statewide proved to be an incredibly rewarding and productive experience on many levels. We once again made St. Patrick's Day a Hoosier Lottery day as we sponsored the greening of the canal and participated in the parade. Rounding out our sponsorship line-up, we reached thousands of players and fans through our participation with Circle City Classic, the Indiana Pacers, the Gary RailCats, the South Bend Silver Hawks, the Evansville Otters, the Fort Wayne Wizards and the Indianapolis Indians.

Security and integrity remain at the top of the list

As always, we sought to achieve profitable growth while maintaining the security and integrity of our data and our games. Our Security and Information Technology departments are integral to the execution of a game launch, a game change and our promotional drawings in addition to their daily responsibilities that keep our system running 24-7.



Hoosier Lottery celebrated luck at the St. Patrick's Day Parade



Lotto Town is a destination for Indiana State Fair attendees

¹Play Last Year. Customer Purchase Behavior, Marz and Company, June 2009
Powerball® and Power Play® are registered trademarks of The Multi-State Lottery Association
Double Play® is a Fusion™ product of Pollard Banknote, U.S. Patent No. 6,347,794

Nearly 4,000 Hoosier Lottery retailers can be found throughout the State of Indiana. We work to make our products accessible and convenient for our players. Most of our players can count on finding the products they love in the stores they regularly visit.

We support our retailers by providing merchandising solutions, promotional offerings, training and regular visits from Hoosier Lottery Sales Representatives.



Hoosier Lottery Sales Representative Sybil Kay and Suresh "Sonny" Kheradiva • Indianapolis



Charli Verba with Kathryn A. Densborn • Lawrenceburg

Hoosier Lottery retailers are vital to the effective selling of our games to Hoosier citizens and to those visiting our state. By helping to responsibly maximize Hoosier Lottery sales for the benefit of the citizens of Indiana, our retailers also benefit their bottom line.

Retailers are compensated by:

- Earning a base commission as a percentage of sales
- Redeeming winning tickets and awarding prizes to players
- Selling the jackpot or top prize for specific games:
 - Powerball®
 - Hoosier Lotto
 - Quick Draw
 - Mix & Match
- Maximizing the Retailer Rewards Program which provides incentives for reaching sales growth goals and implementing business practices designed to profitably increase sales.

Clearly, Hoosier Lottery retailers help us help Indiana. In return, the Hoosier Lottery paid more than \$50 million in commissions to our retailers this past year, not to mention generating foot traffic in their stores and the add-on sales resulting from that traffic¹. It truly is a winning partnership.

¹Hoosier Lottery - Shopper Marketing - C-store Intercept Study Winter 2007-2008



Don and Jim Rihm with Kathryn A. Densbom • Cambridge City



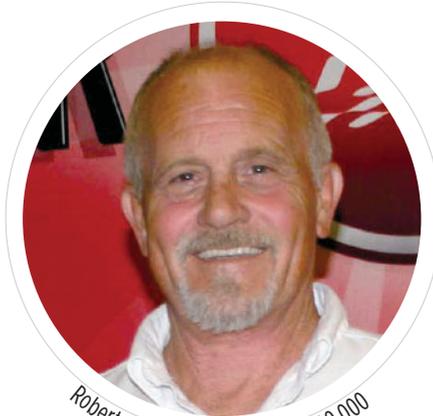
Jeff Gerbert, Matt Brumbagh and Joe Doust with Kathryn A. Densbom • New Haven

Winners everywhere, every day // ●●●●

The Hoosier Lottery awarded amazing amounts of money to winners from all across Indiana as well as the United States. Our products delivered more than 45 million winning tickets in fiscal year 2009.



Robert Doane • LaPorte • \$1,000,000



Robert Gladstein • Monrovia • \$100,000



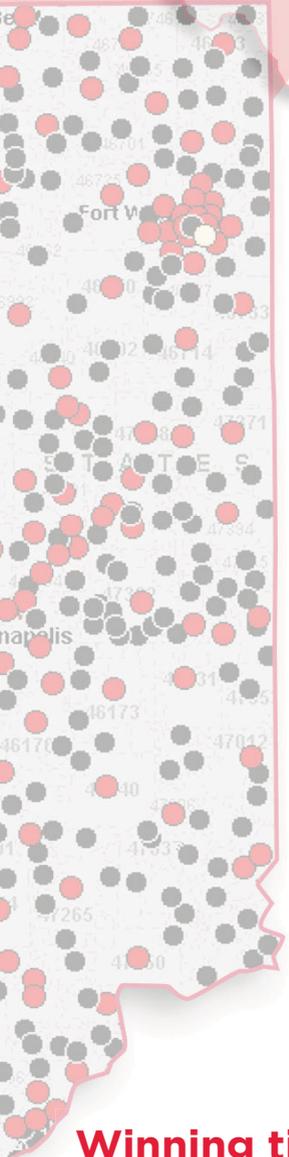
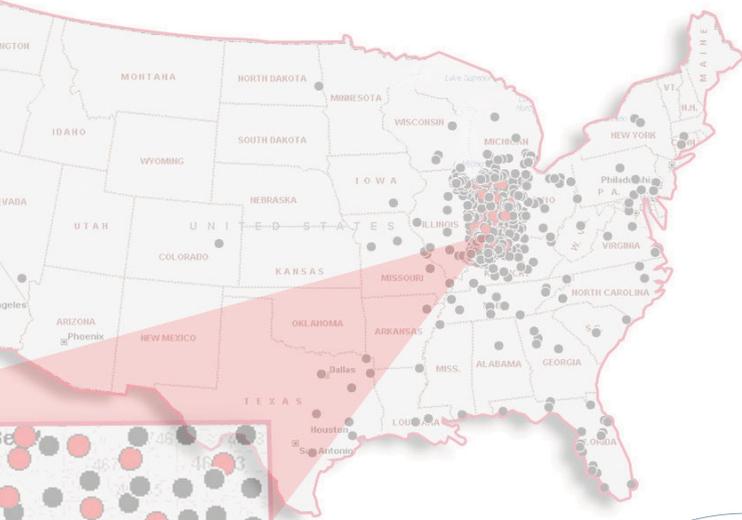
Caroline Clark • Lafayette • \$100,000



Gary and Belinda Rasche • Jasper • \$1,000,000



•••// Winners everywhere, every day



Shantay Britman • Elkhart • \$6,500,000



Pamela Smith • Summitville • \$2,500,000



Bobby Guffey • Roanoke • \$3,000,000



Kimberly Vanulzen • Greenwood • \$1,000,000

Winning tickets of \$600 or more by zip code in fiscal year 2009

- 100 - 999 winning tickets
- 10 - 99 winning tickets
- 1 - 9 winning ticket(s)

This year 24 players were awarded prizes of \$1 million or more.

**Allocation of
net income in
fiscal year 2009**

\$119M to the
Build Indiana Fund

\$30M to the Indiana State
Teachers' Retirement Fund

\$30M to the Police Officers'
and Firefighters' Pension
and Disability Fund

While awarding \$453 million in prize money throughout the year is rewarding, it is the money we turn over to the state that demonstrates how effectively we are executing our mission.

**\$179 million in
fiscal 2009,
\$3.4 billion since 1989**

A \$3.4 billion return on an initial \$6 million investment

It all started when the Indiana General Assembly passed the state budget with an appropriation of \$6 million to establish a state lottery. Once the Hoosier Lottery began selling tickets, this initial investment was quickly repaid. Including fiscal year 2009 net income of \$179 million, a total of \$3.4 billion has been transferred to the state.

Hoosier Lottery funds reduce motor vehicle excise tax

Approximately \$119 million of Hoosier Lottery funds were directed to the Build Indiana Fund which is utilized to significantly reduce motor vehicle excise taxes for Hoosier citizens.



Hoosier Lottery funds benefit Indiana's best

This year, as in years past, the Indiana General Assembly directed \$30 million of Hoosier Lottery net income to the Indiana State Teachers' Retirement Fund and \$30 million to the Police Officers' and Firefighters' Pension and Disability Fund. Since 1989, the Hoosier Lottery has contributed a total of over \$977 million to these two important funds.



THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 61,393,152	\$ 68,074,259
Investments — current portion	10,229,452	8,585,823
Accounts receivable — net	24,472,828	32,423,283
Prepaid expenses	3,531,634	5,215,736
Accrued interest receivable	111,805	715,041
Ticket inventory	402,312	229,937
	<u>100,141,183</u>	<u>115,244,079</u>
Total current assets		
NONCURRENT ASSETS:		
Long-term investments — less current portion	102,347,244	82,146,691
Restricted assets	8,052,769	8,074,698
Capital assets — net	2,209,034	3,736,960
	<u>112,609,047</u>	<u>93,958,349</u>
Total noncurrent assets		
TOTAL	<u>\$ 212,750,230</u>	<u>\$ 209,202,428</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable:		
State	\$ 46,832,296	\$ 51,340,603
Trade	5,531,900	6,718,479
Current portion of prize liability	52,175,090	62,584,910
Deferred revenue	920,488	783,615
Other accrued expenses	1,439,658	2,145,033
	<u>106,899,432</u>	<u>123,572,640</u>
Total current liabilities		
LONG-TERM LIABILITIES — Prize liability less current portion	<u>100,850,798</u>	<u>80,629,788</u>
	<u>207,750,230</u>	<u>204,202,428</u>
Total liabilities		
NET ASSETS:		
Unrestricted	2,790,966	1,263,040
Invested in capital assets	2,209,034	3,736,960
	<u>5,000,000</u>	<u>5,000,000</u>
Total net assets		
TOTAL	<u>\$ 212,750,230</u>	<u>\$ 209,202,428</u>

THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
OPERATING REVENUES:		
Instant ticket sales — net	\$ 484,630,385	\$ 539,321,205
On-line ticket sales	248,026,485	283,523,946
	<u>732,656,870</u>	<u>822,845,151</u>
Total operating revenues		
OPERATING EXPENSES:		
Direct game expenses:		
Instant game prizes	326,291,712	360,763,282
On-line games prizes	126,933,453	142,531,880
	<u>453,225,165</u>	<u>503,295,162</u>
Indirect game expenses:		
Retailer commissions	50,499,632	59,499,591
Ticket printing costs	7,424,945	8,620,546
Advertising and promotion	11,252,281	9,837,030
On-line professional services	7,195,740	8,358,404
ITVM lease and courier services	3,740,932	3,662,997
	<u>80,113,530</u>	<u>89,978,568</u>
Total game expenses		
	<u>533,338,695</u>	<u>593,273,730</u>
OTHER OPERATING EXPENSES:		
Salaries, wages, and benefits	13,879,830	14,589,704
General and administrative	7,409,111	5,000,032
	<u>21,288,941</u>	<u>19,589,736</u>
Total other operating expenses		
	<u>554,627,636</u>	<u>612,863,466</u>
Total operating expenses		
OPERATING INCOME	<u>178,029,234</u>	<u>209,981,685</u>
NON-OPERATING REVENUES:		
Interest income	635,959	3,910,889
Net increase in fair value of investments	21,611	2,944,523
Other income - net	247,517	230,062
	<u>905,087</u>	<u>7,085,474</u>
Total non-operating revenues -net		
	<u>178,934,321</u>	<u>217,067,159</u>
NET INCOME PRIOR TO DISTRIBUTIONS		
DISTRIBUTIONS:		
Distributions to the State	(132,102,025)	(165,726,556)
Distributions to be paid to the State	(46,832,296)	(51,340,603)
	<u>(178,934,321)</u>	<u>(217,067,159)</u>
Total distributions		
CHANGE IN NET ASSETS	-	-
NET ASSETS — Beginning of year	<u>5,000,000</u>	<u>5,000,000</u>
NET ASSETS — Ending of year	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>



THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from ticket sales	\$ 740,669,757	\$ 822,069,641
Payments to ticket winners	(443,413,975)	(507,992,032)
Payments to employees	(14,585,205)	(14,244,233)
Payments of suppliers	<u>(85,048,777)</u>	<u>(95,177,329)</u>
Net cash provided by operating activities	<u>197,621,800</u>	<u>204,656,047</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Distributions to the State	(183,442,628)	(224,030,122)
Other income	247,517	230,062
Net increase (decrease) in restricted assets	<u>21,929</u>	<u>(61,436)</u>
Net cash used in noncapital and related financing activities	<u>(183,173,182)</u>	<u>(223,861,496)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(627,311)	(3,713,319)
Proceeds from the sale of capital assets	<u>80,962</u>	<u>39,356</u>
Net cash used in capital and related financing activities	<u>(546,349)</u>	<u>(3,673,963)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(25,943,583)	(9,551,318)
Investment maturities	4,121,012	3,939,939
Interest income	<u>1,239,195</u>	<u>3,730,451</u>
Net cash used in investing activities	<u>(20,583,376)</u>	<u>(1,880,928)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,681,107)	(24,760,340)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>68,074,259</u>	<u>92,834,599</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 61,393,152</u>	<u>\$ 68,074,259</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 178,029,234	\$ 209,981,685
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,148,717	2,065,701
Change in provision for doubtful accounts	22,711	27,577
Change in provision for ticket returns	(161,447)	994,710
Loss (gain) on sale of fixed assets	(74,442)	30,565
Changes in certain assets and liabilities:		
Accounts receivable	8,089,191	(2,173,671)
Instant ticket inventory	(172,375)	(134,224)
Prepaid expenses	1,684,102	170,663
Accounts payable — trade	(1,186,579)	(2,300,869)
Deferred revenue	136,873	345,309
Other accrued expenses	(705,375)	345,471
Prize liability	<u>9,811,190</u>	<u>(4,696,870)</u>
Net cash provided by operating activities	<u>\$ 197,621,800</u>	<u>\$ 204,656,047</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES —		
Net increase in fair value of investments	<u>\$ 21,611</u>	<u>\$ 2,944,523</u>

STATE LOTTERY EXECUTIVE STAFF

KATHRYN A. DENSBORN

EXECUTIVE DIRECTOR

W. EDWARD BENTON

DEPUTY DIRECTOR AND CHIEF FINANCIAL OFFICER

SUSAN GOLIGHTLY

DIRECTOR OF MARKETING

JEFF GOLTZ

DIRECTOR OF INFORMATION TECHNOLOGY

ANDREW JONES

INFORMATION SECURITY OFFICER

ANDREW J. KLINGER

GENERAL COUNSEL

TIM KUEHR

CONTROLLER

IRENE LANGE

DIRECTOR OF ADMINISTRATION

JIM NASH

DIRECTOR OF SECURITY

ANDREW REED

DIRECTOR OF PUBLIC RELATIONS

CARRIE STROUD

INTERNAL AUDITOR

MARK THACKER

DIRECTOR OF SALES

HOOSIER LOTTERY OFFICE LOCATIONS

HEADQUARTERS

PAN AM PLAZA, SUITE 1100
201 S. CAPITOL AVE.
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