

2004

Annual Report

D.C. Lottery and Charitable Games Control Board



Frederick Douglass National Historic Site
Photo: National Park Service

For the second consecutive fiscal year, the D.C. Lottery and Charitable Games Control Board achieved record sales. We ended the year with \$241.3 million in revenue and transferred \$73.5 million to the District of Columbia's General Fund.



Our partners, D.C. Lottery agents, sold \$201.6 million in online game tickets and \$38.9 million in instant scratch tickets. By doing so, agents earned \$15 million in commissions.

Also, we listened to our players and added Hot Lotto® to our product line in April of 2004. Players wanted a game that offered a million dollar jackpot, and the response has been positive. In addition, fiscal year 2004 marked a milestone for D.C. Keno™, as it was in place for the full fiscal year. Sales were great and we exceeded our sales goal by 2.2 percent. We are looking forward to generating more Keno sales in fiscal year 2005.

And, our most popular games — DC Lucky Numbers™ and DC-4™ — also did well. Combined revenue for these games totaled \$141 million and they transferred \$50.4 million to the General Fund.

We also provided our players with a new website, www.dclottery.com, where they can obtain winning numbers, see our latest winners, and learn about D.C. Lottery promotions. A section of the website is dedicated to our existing lottery agents, as well as businessowners, who are considering becoming a D.C. Lottery agent.

In fiscal year 2004, we continued to support non-profit organizations by licensing them to hold charitable gaming fund-raising events. In doing so, the agency assisted charitable organizations that support area residents who lack basic necessities.

Looking ahead to fiscal year 2005, we are going to focus on strengthening the agency by implementing business processes and strategies to operate more effectively and efficiently. This includes realigning departments to better fit marketing objectives, adding financial analysis and research skills to the operation, and utilizing a project management operating model. These changes are designed to get new products on the market faster, which will allow us to maximize our growth potential.

Thank you to our agents, the Chief Financial Officer of the District of Columbia, our Advisory Council, D.C. Lottery players, and agency employees, whose support enabled us to have a successful year.

Jeanette A. Michael, Executive Director

Since 1982, the D.C. Lottery and Charitable Games Control Board has transferred \$1.1 billion to the District of Columbia's General Fund, which supports education, health care, and human services. These programs and other District functions benefit city residents, commuters, and tourists. So, congratulations to the D.C. Lottery for achieving record sales and transferring \$73.5 million to the General Fund.



I'm looking forward to your continued success in fiscal year 2005, as the revenue that the D.C. Lottery generates impacts many lives daily.

Again, congratulations to the D.C. Lottery for making fiscal year 2004 a success.

Natwar M. Gandhi, Chief Financial Officer of the District of Columbia

It's my pleasure on behalf of the citizens of our great city to thank the D.C. Lottery and Charitable Games Control Board for its contributions to improving the quality of life in the nation's capital. District residents deserve to live in the best city in America. The D.C. Lottery has continued to support my vision with a second year of record sales that transferred tens of millions of dollars to our General Fund for city services.



The D.C. Lottery has also responded to the needs of District residents through Charitable Gaming. A priority of my administration is to maximize the protection of our less fortunate citizens through a social safety net of programs. Non-profit organizations raised more than \$4 million in fiscal year 2004 via charitable gaming to support programs and services for those in need.

These accomplishments by the staff of the D.C. Lottery are greatly appreciated because they have provided my administration with a true *partner in success*.

Anthony A. Williams, Mayor

In Partnership with the Community

The mission of the D.C. Lottery and Charitable Games Control Board is to raise revenue for District of Columbia residents through the regulation and the operation of a lottery and the regulation of charitable gaming.

Hot Lotto®

On April 5, 2004, the D.C. Lottery launched Hot Lotto live! D.C. Lottery players were excited about the new game that offers a jackpot starting at \$1 million. WTTG-Fox 5 covered the kickoff event during the station's morning programming. Then, ABC 7 News joined the celebration later that afternoon.

Sales for Hot Lotto took off; four months after it was introduced, Freda E. Brown won the second tier prize of \$10,000.



Hot Lotto is sizzling during lunchtime at L'Enfant Plaza.

POWERBALL®

The D.C. Lottery joined the Multi-State Lottery Association and other state lotteries to participate in the POWERBALL Sunday promotion in which the grand prize was a weekend trip for two to Super Bowl XXXVIII. This promotion was one of many that attracted players and agents alike, as the D.C. Lottery offered agent incentives in conjunction with many of its game promotions. The end result for fiscal

year 2004 was \$40.8 million in POWERBALL sales.

For the drawing on October 8, 2003,

Jeffrey L. Rowe selected the Power Play option and multiplied his winnings by five to win a total of \$500,000!



POWERBALL Sunday winner Clinteria Ware (front) and guest, Sharon Wagner, inside Reliant Stadium in Houston, Texas, for Super Bowl XXXVIII.



A winning experience. Stephen Kim, left, manager of Tenley Town Mini Market, and guest, Gary Cha, outside of the Houston Convention Center, where the NFL Experience was held.

POWERBALL FACT:
16 D.C. Lottery players won the second tier prize of \$100,000, and one took advantage of the Power Play option.

D.C. Keno™

With a top prize of \$100,000, interest in this rapid-draw game picked up quickly, especially after the D.C. Lottery introduced "Keno Spin," a feature that offers players the chance to multiply their winnings up to 10 times and win up to \$1 million. Players took advantage of D.C. Keno being available for the full fiscal year, as it debuted in the third quarter of fiscal year 2003. Sales for FY '04 topped \$9.7 million.



D.C. Keno players check their tickets at Adams Mill Bar and Grill.

DC Lucky Numbers™ and DC-4™

After more than 20 years, DC Lucky Numbers and DC-4 remain the D.C. Lottery's most popular games. To keep them fresh and exciting, the Lottery brought back Lucky Red Ball for its three-digit game. With this promotion, players had the chance to win 20 percent more when the Red Ball was selected.

During fiscal year 2004, D.C. Lucky Numbers sales were \$69.5 million, and DC-4 sales were \$71.5 million.

Quick Ca\$h™ and HOT FIVE™

These two games continue to draw a steady number of players. During fiscal year 2004, seven players won the Quick Ca\$h grand prize of \$250,000, while nine players won the \$25,000 HOT FIVE grand prize. Quick Ca\$h and HOT FIVE sales reached \$4.1 million and \$4.3 million, respectively.

POWERBALL® Instant Millionaire TV Game Show

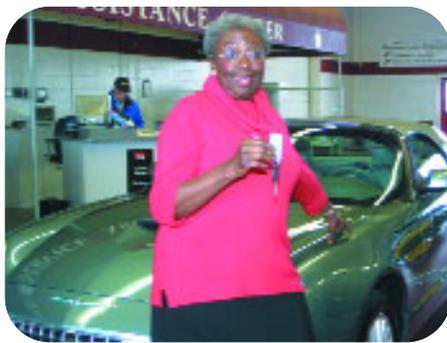


With the *Casino Nights* instant ticket, players scratched their way to a trip to Las Vegas, Nevada, for the chance to be a contestant on the POWERBALL Instant Millionaire TV Game Show.

District resident Marcus Archibald was one of the last D.C. Lottery players selected to be a contestant on the game show. A two-time contestant, his second trip to the final round of the TV game show during the June 29, 2004, taping turned out to be worth the grand prize of \$1 million. Archibald left Las Vegas as a POWERBALL Instant Millionaire.

Auto Show Winner

Every year, the D.C. Lottery is a sponsor of the Washington Auto Show, where D.C. Lottery staff encourages attendees to play lottery games. Ticket sales at the 2004 auto show topped \$73,000 with more than \$31,000 in sales generated from the auto show instant scratch ticket in which players entered their non-winning tickets in the second chance drawing. Mildred Isler, a retired federal government worker, bought three auto show instant scratch tickets. As it turned out, one ticket was worth \$50, and she used the other two tickets to enter the D.C. Lottery's auto show second chance drawing. Isler, who said she needed a car, was ecstatic when she learned that she had won the grand prize — a 2004 Ford Thunderbird.



Corporate Gift Program

Through its strategic partnership with the District of Columbia Chamber of Commerce, the D.C. Lottery continued its business-to-business initiative of encouraging companies to purchase instant scratch tickets for employee rewards, sales incentives, meeting awards, banquet prizes, or client presents. The *Instant Tickets Make Great Gifts* program was promoted at DC Chamber of Commerce business/networking events specifically designed to promote the initiative.



Instant Scratch Tickets

Instant ticket sales reached \$38.9 million, exceeding the goal by four percent. Available for \$1, \$2, \$5, or \$10, players enjoy the variety of instant scratch ticket games offered by the D.C. Lottery. Grand prize amounts vary, and lottery players are winning at all levels. Here is a short list of D.C. Lottery instant scratch ticket prizewinners:



Prizewinner	Scratch Ticket Game	Winnings
Yitbarek Syume	Fortune 10	\$125,000
Scott Fidler	\$100,000 Cash	\$100,000
Robert B. Ramsay II	Trump Card	\$ 80,000
Phillise P. Scott	Caesar's Palace	\$ 50,000
Sang Hyun Kim	Slots of Luck	\$ 35,000
Eliot M. Washington	Red Hot 5's	\$ 25,000
Charlene Faulkner	Money Machine	\$ 20,000
Jose M. Portillo	Emerald Green	\$ 18,000
Carolyn L. Parks	Ruby Red 7's	\$ 17,000
Melvin E. Lewis	Count Your Lucky Stars	\$ 15,000
Tanya M. Brice	Fun & Fortune	\$ 12,000
Elizabeth M. Clyburn	Strike It Witch	\$ 10,000
Tony Harris	Taste of D.C. Spicy 8's	\$ 8,000
Patricia M. Stewart	Royal 7's	\$ 7,000
Jing Lin	Super 6	\$ 6,000
James N. Thompson	Winner Green	\$ 5,000

Financial Statement

Statement of Net Assets

September 30, 2004 and September 30, 2003
(in Thousands)

Assets	2004	2003	Variance
Current Assets:			
Cash and Cash Equivalents	\$ 9,701	\$10,617	\$(916)
Accounts Receivable, Net	4,362	3,221	1,141
Inventory	485	647	(162)
Prepaid Expenses and Other	14	12	2
Restricted Investments	<u>8,631</u>	<u>8,631</u>	<u>-</u>
Total Current Assets	<u>23,193</u>	<u>23,128</u>	<u>\$ 65</u>
Noncurrent Assets:			
Property and Equipment, Net	1,030	1,354	\$(324)
Restricted Investments	<u>57,850</u>	<u>64,906</u>	<u>(7,056)</u>
Total Noncurrent Assets	<u>58,880</u>	<u>66,260</u>	<u>(7,380)</u>
Total Assets	<u>82,073</u>	<u>89,388</u>	<u>(7,315)</u>
Liabilities			
Current Liabilities:			
Accounts Payable	2,950	2,752	198
Compensation Liabilities	894	517	377
Deferred Revenues	306	271	35
Accrued Prizes and Commissions	7,858	8,314	(456)
Other Accrued Liabilities	8	435	(427)
Obligations for Unpaid Prizes, Current Portion	<u>8,631</u>	<u>8,631</u>	<u>-</u>
Total Current Liabilities	<u>20,647</u>	<u>20,920</u>	<u>(273)</u>
Obligations for Unpaid Prizes	<u>57,850</u>	<u>64,906</u>	<u>(7,056)</u>
Total Liabilities	<u>78,497</u>	<u>85,826</u>	<u>(7,329)</u>
Net Assets			
Invested in capital assets	1,030	1,354	(324)
Unrestricted	<u>2,546</u>	<u>2,208</u>	<u>338</u>
Total Net Assets	<u>3,576</u>	<u>3,562</u>	<u>14</u>

Statement of Revenues, Expenses, and Changes in Net Assets

Years Ended September 30, 2004 and September 30, 2003 (in Thousands)

	2004	2003	Variance
Operating Revenue			
Gaming Revenue	\$241,133	\$237,890	\$3,243
Operating Expenses			
Prizes	122,318	123,564	(1,246)
Agent Commissions	15,008	14,692	316
Contractor Fees	14,342	12,669	1,703
Advertising	5,583	4,878	705
Administration	10,281	10,040	241
Amortization and Depreciation	<u>406</u>	<u>372</u>	<u>34</u>
Total Operating Expenses	<u>167,938</u>	<u>166,185</u>	<u>1,753</u>
Operating Income	73,195	71,705	1,490
Nonoperating Revenues -			
Interest Income	<u>319</u>	<u>422</u>	<u>(103)</u>
Income Before Transfers	73,514	72,127	1,387
Operating Income Transfers Out, Net			
Change in Net Assets	<u>(73,500)</u>	<u>(72,050)</u>	<u>(1,450)</u>
	14	77	(63)
Net Assets, Beginning of the Year	<u>3,562</u>	<u>3,485</u>	<u>77</u>
Net Assets, End of the Year	<u>\$ 3,576</u>	<u>\$ 3,562</u>	<u>14</u>

Agents

As a self-supporting agency that operates without Federal or District tax dollars, the D.C. Lottery realizes that successful businessowners make the best business partners, and it relies on its partners — more than 470 agents — along with D.C. Lottery employees to make the agency a thriving business enterprise.

To foster stronger relationships with its agents, the D.C. Lottery held promotional contests encouraging agents to increase their sales and win cash and prizes. The D.C. Lottery also extended its game hours to 1 a.m. and installed quick checkers at agent locations, freeing agents to sell more tickets. In addition, the D.C. Lottery sponsored activities for “agents only” to show appreciation for their role in the Lottery’s success.



Gene Siegel, owner of Greenway Liquor, promotes the Harley Davidson instant scratch ticket game at his store.

Contact Information

Headquarters

2101 Martin Luther King, Jr. Avenue, S.E.
Washington, D.C. 20020
202/645-8000
www.dclottery.com

Claim Center

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Frank D. Reeves Municipal Center
Lobby Level
Washington, D.C. 20009
202/671-2605

Lot-line

202/678-3333



Cover photos: PhotoAssist, Inc.
Front cover: Washington Monument
Back cover: Thomas Jefferson Memorial



Executive Director Jeanette A. Michael interviews with NBC reporter Debbie Jarvis at Project Harvest. Every year, D.C. Lottery employees make cash and non-perishable goods donations, as well as volunteer to raise money for those in need during the holiday season from 6 a.m. to 6 p.m. the day of the event.

Gaming Revenues



Gaming Revenue	2004	2003
DC Lucky Numbers	\$69,512	\$70,268
DC-4	\$71,587	\$71,894
POWERBALL	\$40,871	\$44,360
Quick Ca\$h	\$ 4,161	\$ 4,217
HOT FIVE	\$ 4,345	\$ 4,841
Extra Games	\$ 143	\$ 360
D.C. Keno	\$ 9,711	\$ 3,791
Hot Lotto	\$ 1,356	-
Instant Games	\$38,940	\$36,904
Other	\$ 506	\$ 655

(in millions)

Financial Statement *(continued)*

Statement of Cash Flows

Years ended September 30, 2004 and September 30, 2003 (in Thousands)

Operating Activities:	2004	2003
Cash Receipts from Customers	\$239,520	\$238,731
Cash Receipts from Others	506	655
Cash Payments to Vendors	(23,070)	(21,355)
Cash Payments to Employees	(6,826)	(6,553)
Cash Payments for Prizes and Commissions	<u>(137,783)</u>	<u>(137,311)</u>
Net Cash Provided by Operating Activities	<u>72,347</u>	<u>74,167</u>
Capital and Related Financing Activities		
Acquisition of Fixed Assets	(82)	(231)
Noncapital Financing Activities:		
Transfers to District General Fund	(73,500)	(72,050)
Investing Activities:		
Interest Income Received	<u>319</u>	<u>422</u>
Net Increase (Decrease) in Cash	(916)	2,308
Cash and Cash Equivalents, Beginning of the Year	<u>10,617</u>	<u>8,309</u>
Cash and Cash Equivalents, End of the Year	<u>\$ 9,701</u>	<u>\$10,617</u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$73,195	\$71,705
Amortization and Depreciation	406	372
Decrease (Increase) in Assets:		
Receivables	(1,141)	1,356
Inventory	162	36
Prepaid Expenses	(2)	(7)
Increase (Decrease) in Liabilities:		
Accounts Payable	198	(183)
Compensation Liabilities	377	(209)
Deferred Revenue Accrued	35	140
Accrued Prizes	(456)	945
Other Current Liabilities	<u>(427)</u>	<u>12</u>
Net Cash Provided by Operating Activities	<u>72,347</u>	<u>74,167</u>

For accompanying notes to the financial statements, contact the D.C. Lottery and Charitable Games Control Board at (202) 645-7900.

Charitable Games

Many charitable organizations throughout the District conduct fund-raising events to support their programs. The D.C. Lottery is the agency that regulates charitable gaming in the District of Columbia, and in fiscal year 2004, the Lottery licensed 10 percent more non-profit organizations to hold charitable bingo, raffle, and Monte Carlo Night Party events than it did in fiscal year 2003.

Through charitable gaming, non-profit organizations raised more than \$4 million for worthy causes such as providing health care, feeding the hungry, housing the homeless, and sponsoring medical research. Without the assistance of the nearly 150 charitable organizations that are dedicated to strengthening the social safety net of the city, the needs of those who benefit from their services would be borne by the District government or go unmet.

