

2003 Annual Report



A Message from the Chief Financial Officer of the District of Columbia



Natwar M. Gandhi

Congratulations to the D.C. Lottery and Charitable Games Control Board for achieving record sales in fiscal year 2003. Every dollar of the \$72 million transferred to the General Fund benefits the residents of our great city. Your contributions help the District of Columbia government operate a multitude of social service programs that feed the hungry, shelter the homeless, and provide health care to the less fortunate.

As you move forward in fiscal year 2004, I look forward to your continued success through the use of technological innovations that will help increase your revenues and continue to boost your transfer to the General Fund.

Again, congratulations to every member of the D.C. Lottery team for making FY 2003 an outstanding success.

A Message from the Executive Director



Jeanette A. Michael

Fiscal Year 2003, October 1, 2002 – September 30, 2003, was a record-breaking year for the D.C. Lottery and Charitable Games Control Board. We set a milestone as sales reached a new high of \$237.2 million. We also transferred \$72.0 million to the District of Columbia's General Fund, exceeding the budgeted transfer by \$3.4 million.

During fiscal year 2003, we implemented strong marketing strategies that focused on adding new games to our product line that would attract a new audience, while maintaining our existing player base. Accordingly, in May of 2003, we launched D.C. Keno™, a rapid-draw game.

Our success can also be attributed to maintaining and increasing sales in our core games — DC Lucky Numbers™ and DC-4™, the Lottery's three-and four-digit games, respectively. These games accounted for approximately 62 percent of overall budgeted sales and 70 percent of transfer amounts. We accomplished our goal of increasing sales for these two games by \$1.5 million. In addition, instant ticket sales increased by 12 percent.

We also continued our efforts to make our lottery products more easily available to our players by implementing programs to support our existing agents, while recruiting new ones located in social settings and underserved areas. We also developed an Agent Incentive Program to reward agents for outstanding sales performance.

In addition to generating revenue for the District, the Lottery's mission includes regulating charitable gaming, and we licensed 140 non-profit organizations to hold charitable gaming bingo, raffles, and Monte Carlo Night Party fundraising events.

The D.C. Lottery is proud of its fiscal year 2003 accomplishments. We set new standards for ourselves that are geared toward increasing the transfer to the General Fund, which, ultimately, is advantageous for those who benefit from residing, working, and visiting in the District.

Let's Play the D.C. Lottery

DC LUCKY NUMBERS™ Thousands of lottery players enjoy the D.C. Lottery's daily three-digit game with nine ways to win and payouts ranging from \$25 to a top prize of \$500. Drawings are held twice daily, seven days a week. D.C. Lottery players can always play DC Lucky Numbers™.

DC-4™ DC-4™ is the D.C. Lottery's four-digit game and a favorite among the players. This game offers seven ways to win with a top prize of \$5,000. DC-4 is played daily, Monday through Sunday, with drawings twice daily.

Quick CASH™ D.C.'s best-kept secret, Quick Ca\$h™, isn't a secret anymore. For \$1, this game offers the player three chances to win \$250,000. Play the same set of numbers on all three plays and if they match the numbers drawn, the player wins \$750,000 the very next day! To play, just select numbers ranging from one to 39. Quick Ca\$h is played seven days a week.

HOT FIVE™ It's hot, hot, hot, HOT FIVE™, and it's played seven days a week. This is a \$1 game, offering players a chance to win \$25,000 by selecting five numbers ranging from one to 33. HOT FIVE has drawings nightly, seven days a week.

EXTRA™ The EXTRA™ numbers are randomly chosen and printed at the bottom of the ticket. There are three EXTRA numbers for DC Lucky Numbers and four DC-4 EXTRA numbers. Prize amounts vary and are listed under each EXTRA number.

WHERE THE MONEY GOES ...



Winners Prizes 51.8%

Direct Costs 4.4%

Advertising/Contractors 7.4%

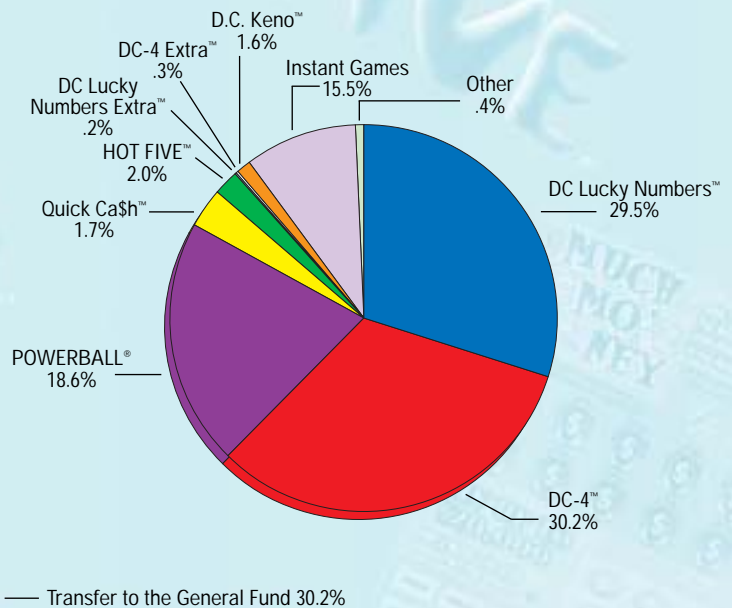
Commissions 6.2%

POWERBALL™ If you are one of those who only plays the lottery when the jackpots are big, POWERBALL® is your game! This exciting multi-state game reaches an audience in 24 states, the U. S. Virgin Islands, plus the District of Columbia. With nine ways to win for \$1, players select five numbers ranging from one to 53 and the POWERBALL number from one to 42. Players have the choice of selecting the annuity or cash option payout. POWERBALL is drawn twice a week on Wednesday and Saturday nights.



You have heard about it? Now you can play it — D.C. Keno™! This fast-paced lottery game can be played with friends or alone. Players select how many spots (numbers) they want to match and how much they want to wager: \$1, \$2, \$3, \$4, \$5, or \$10. Twenty numbers ranging from one to 80 are randomly selected. The more spots (numbers) you match, the more you win. Play as often as you wish. Games start every four minutes.

WHERE THE MONEY COMES FROM ...



MILLIONS based on FY 2003 sales and other income of \$238.3 million.

SURPASSING the Challenge | PRODUCING RECORD SALES

The challenge to the D.C. Lottery and Charitable Games Control Board (D.C. Lottery) in fiscal year 2003 was to generate \$233 million in revenue and transfer \$68.6 million to the District of Columbia's General Fund. With fiscal year 2003 sales totaling a record-breaking \$237.2 million — the highest in the history of the agency — the D.C. Lottery transferred \$72.0 million to the General Fund, exceeding its budgeted transfer by \$3.4 million and paying players \$123.5 million in cash and prizes.

INSTANT TICKETS

A contributing factor to the D.C. Lottery's success was that Instant ticket sales increased by 12 percent generating a record tally of \$36.9 million. The driving forces behind the increase were higher price point tickets, licensed property tickets, and implementation of a scratch ticket gift program.

The D.C. Lottery launched 36 instant ticket games, including eight \$5 games and three \$10 games.

Licensed property instant tickets were used to attract new players interested in the merchandise and trips associated with the games. A prime example was the Harley-

WARW FM's ArrowFest concert, which was also held at the MCI Center. The Harley-Davidson instant ticket was also center stage at a series of free, outdoor summer concerts in Farragut Park sponsored in part by the D.C. Lottery.

And, with the "Corporate Gift Program," businesses were encouraged to consider that "Instant tickets make great gifts" for employee rewards, sales incentives, meeting awards, banquet prizes, or client presents.

GAMES AND PROMOTIONS

D.C. Keno™, a new and rousing game, was launched in May 2003 *live* on Fox

5 Morning News with additional media coverage throughout its initial day of operation. D.C. Keno is a fast-paced game with drawings every four minutes. Players have an opportunity to win a range of prizes up to \$100,000 per draw by matching some, all, or none of the 20 spots (numbers) drawn for every game. "Play D.C. Keno, It's Time," was

the theme used to introduce D.C. Keno to the Washington, D.C. community.

To further spur sales, the D.C. Lottery created a variety of electrifying player and agent promotions. From March 3–31, 2003, the D.C. Lottery highlighted the DC Lucky Numbers™ game with the 10% bigger promotion. Players with winning tickets received 10% more on prize payouts. During the summer, HOT FIVE™ sizzled with excitement as players purchasing \$5 worth of HOT FIVE tickets received a free \$1 HOT FIVE game ticket from July 7–September 6, 2003.

Throughout the year, D.C. Lottery agents were encouraged to sell, sell, and sell through a steady stream of sales competitions offering tickets to major sporting events, trips, cash, and promotional items. In addition, D.C. Lottery trade development (sales) representatives were retained to ensure that



Top: Players line up to play D.C. Keno at the Taste of DC festival.

Bottom: D.C. Keno players at the Taste of DC.



Below: Players trying their hands at scratching the Harley-Davidson Instant ticket for a chance to win \$25,000 cash, or the Harley-Davidson 100th Anniversary Motorcycle.



D.C. Lottery employees from left to right: Fran Harris, Vivian Byrd and Carlene Reid pose for the Harley-Davidson Instant ticket promotion in conjunction with the Dixie Chicks concert at the MCI Center.

Davidson \$5 instant ticket in which the top prize was \$25,000 or a new 100th Anniversary Harley-Davidson motorcycle. To introduce the public to the ticket, the D.C. Lottery organized a comprehensive campaign, which included a partnership with radio station WMZQ FM that sponsored the Dixie Chicks concert at the MCI Center, and



agents had the tools they needed to sell more lottery products and recruit agents located in unique locations. As a result, in FY 2003 agents earned \$14.7 million in sales commissions.



A highlight of the *International Lottery Expo* was the recognition of the D.C. Lottery's best practices by *Public Gaming* with the lottery taking home six PGRI awards. From left to right are Bob Hainey, Communications Director, Billy Parson, Director of Trade Development, Jeanette Michael, Executive Director, Sylvia Kinard, Deputy Director of Development, and Kevin Johnson, Director of Marketing.

TOURISTS

Since Washington, D.C. is a major tourist destination, it is imperative for the D.C. Lottery to increase its visibility among visitors. To do so, the D.C. Lottery implemented a strategy that included advertising in the city's most widely used tourist magazines and maps. Additionally, at a time when Washington, D.C. was still recovering from September 11 and generating business within the tourist industry was difficult, the D.C. Lottery formed a partnership with the National Restaurant Association and *Washington Flyer Magazine*. Through the alliance, the Lottery created a 30-second public service announcement entitled, "Eat and Play," designed to encourage the public to think of D.C. as a safe and fun tourist destination. As a result, the D.C. Lottery garnered industry recognition when it was a finalist for the 2003 NASPL Batchy Award in the Corporate Beneficial Video category.

ENTERTAINMENT

"Money, money, flying everywhere!" That's one winner's description of her 30 heart-pounding seconds inside the D.C. Lottery *MONEY MACHINE*, a Plexiglas cube filled with swirling cash. This year, as the D.C. Lottery strengthened



During half-time at the D.C. United v. Los Angeles Galaxy soccer game at RFK stadium, Allen E. Jimerez swoops up \$3,070 cash in the D.C. Lottery's air driven *Money Machine*.

its efforts to become more widely known in the entertainment industry, it cranked out the *MONEY MACHINE* at the grand opening of the new Washington Convention Center, the African American Expo, and at Georgetown Hoya and D.C. United sporting events.

IN PARTNERSHIP WITH THE COMMUNITY

Continuing its tradition of partnering with the community, the D.C. Lottery participated in more than 90 events with a wide range of non-profit and community-based organizations. These diverse activities included D.C. Chamber of Commerce and Greater Washington Board of Trade events, Special Olympics' Night of Trees, Korean American Coalition Awards Gala, Georgetown Basketball, Caribbean Festival, Elderfest, DC Annual Reggae Music Awards, The National Cherry Blossom Festival, Eritrean Festival, Black Family Reunion, the National Capital Barbecue Battle, and the National Restaurant Association's Awards Gala.

For 21 years, the staff of the D.C. Lottery and Charitable Games Control Board has worked to generate revenue for the District of Columbia and its citizens. Since its inception in August of 1982, the D. C. Lottery has transferred nearly \$1.2 billion to the city's General Fund. In order to continue its role as a major contributor to the welfare of the Nation's Capitol, the D.C. Lottery has adopted a business model for future development. As a member of the D.C. Chamber of Commerce and Greater Washington Board of Trade, the D.C. Lottery looks forward to opportunities to partner with organizations that will help it to expand its operation, as it aims to set new records in fiscal year 2004.

The Heart of the Lottery | CHARITABLE GAMING

The D.C. Lottery's mission includes helping charitable and non-profit organizations raise money for worthy causes, such as education, housing the homeless, feeding the hungry, and providing health care.

In fiscal year 2003, the D.C. Lottery granted 130 charitable gaming licenses, a 10 percent increase over the previous year. Three types of gaming licenses are available: raffle, Monte Carlo Night Party, and bingo.



Alan Boyd, Charitable Games Manager and Carlotta Green, Program Assistant Charitable Games Department (foreground), with Tom Laughlin, Sales Manager Trade Development Department and Vivien Cunningham, Charitable Games Department Director (top-left), watch the chips fall where they may at the Blackjack table during the Charitable Games Puts the Fun Into Fundraising Workshop.

Monte Carlo Night Party. A Las Vegas type casino atmosphere is used to provide organizations with a fun filled creative way of fundraising through entertainment and networking. Players enjoy blackjack, roulette, craps, and other casino style games.

In FY 2003, first time applicants for charitable gaming licenses included:

First Time Monte Carlo Night Party:

Babe Ruth, Inc.
Blessed Sacrament
Citizens Association of Georgetown Fund
The Healthy Babies
Toys for Tots
The Hospital For Sick Children

First Time Raffles:

2100 Fund
Alpha Sigma Pi Fraternity of Gallaudet University
American Council of the Blind
Congressional Club
D.C. Nurses Association
D.C. Chamber of Commerce
Dunbar High School Class of 1962, Inc.
Human Rights Campaign Foundation
Philippine American Foundation for Charities, Inc.
Women in Film International

Through these fundraising activities, the licensed organizations raised over \$3.5 million. The D.C. Lottery accomplished this through aggressive outreach activities such as seminars, workshops, and game demonstrations.

To further expand the outreach efforts of non-profit organizations, an extremely unique method of using charitable gaming was conceived in FY 2003 with the D.C. Department of Health (DOH). According to the 2001 Census, nearly 17 percent of the 92,000 seniors (age 50 and older) in Washington, D.C. have substance abuse problems. DOH calls it the silent epidemic, impacting seniors abusing prescription drugs and alcohol.

In response to the problem, the Addiction Prevention & Recovery Administration of the DOH created an outreach program on substance abuse for seniors. To insure senior citizens attended the outreach sessions, public health officials partnered with the D.C. Lottery to offer Music Bingo. Seniors enjoyed playing bingo to the tune of oldies, but goodies and received lifesaving messages about the deadly dangers of abusing alcohol and prescription drugs.

Another exciting concept of charitable gaming is the

Looking to the future, a section of the D.C. Lottery's website, www.dclottery.com is dedicated to Charitable Gaming. Visit the website to obtain more charitable gaming information or download license applications.

Through its community outreach in fiscal year 2003, the D.C. Lottery once again strengthened the social service safety net of the District of Columbia. This contribution to the well-being of Washington, D.C. residents will continue in FY 2004 because the D.C. Lottery will continue to serve those who serve the community.

MISSION:

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.

Financial Statements

Statement of Net Assets

September 30, 2003 and September 30, 2002
(in Thousands)

Assets	2003	2002
Current Assets		
Cash and Cash Equivalents	\$10,617	\$8,309
Accounts Receivable, Net	3,221	4,577
Inventory	647	683
Prepaid Expenses and Other	12	5
Restricted Investments	<u>8,631</u>	<u>8,631</u>
Total Current Assets	<u>23,128</u>	<u>22,205</u>
Noncurrent Assets		
Capital Assets, Net	1,354	1,495
Restricted Investments	<u>64,906</u>	<u>70,158</u>
Total Noncurrent Assets	<u>66,260</u>	<u>71,653</u>
Total Assets	<u>89,388</u>	<u>93,858</u>
Liabilities		
Current Liabilities:		
Accounts Payable	2,752	2,935
Compensation Liabilities	517	726
Deferred Revenues	271	131
Accrued Prizes and Commissions	8,314	7,369
Other Accrued Liabilities	435	423
Obligations for Unpaid Prizes, Current Portion	<u>8,631</u>	<u>8,631</u>
Total Current Liabilities	<u>20,920</u>	<u>20,215</u>
Obligations for Unpaid Prizes, Noncurrent Portion	<u>64,906</u>	<u>70,158</u>
Total Liabilities	<u>85,826</u>	<u>90,373</u>
Net Assets		
Invested in capital assets, net of related debt	1,354	1,495
Unrestricted	<u>2,208</u>	<u>1,990</u>
Total Net Assets	<u>3,562</u>	<u>3,485</u>
Total Liabilities and Net Assets	<u>\$89,388</u>	<u>\$93,858</u>

Statement of Revenues, Expenses, and Changes in Net Assets

Years Ended September 30, 2003 and September 30, 2002
(in Thousands)

Operating Revenue		
Gaming Revenue	\$237,890	\$211,151
Operating Expenses		
Prizes	123,564	110,741
Agent Commissions	14,692	12,807
Contractor Fees	12,676	11,310
Advertising	4,878	4,592
Administration	10,003	9,030
Amortization and Depreciation	<u>372</u>	<u>191</u>
Total Operating Expenses	<u>166,185</u>	<u>148,671</u>
Operating Income	71,705	62,480
Nonoperating Revenues -		
Interest Income	<u>422</u>	<u>630</u>
Income Before Transfers	72,127	63,110
Transfers to District of Columbia General Fund	<u>(72,050)</u>	<u>(63,000)</u>
Change in Net Assets	77	110
Net Assets, Beginning of Year	<u>3,485</u>	<u>3,375</u>
Net Assets, End of the Year	<u>\$ 3,562</u>	<u>\$ 3,485</u>

Statement of Cash Flows

Years ended September 30, 2003 and September 30, 2002
(in Thousands)

	2003	2002
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$71,705	\$62,480
Amortization and Depreciation	372	191
Decrease (Increase) in Assets:		
Receivables	1,356	(647)
Inventory	36	(126)
Prepaid Expenses	(7)	0
Increase (Decrease) in Liabilities:		
Accounts Payable	(183)	119
Compensation Liabilities	(209)	86
Deferred Revenue Accrued	140	18
Accrued Prizes	945	(472)
Other Current Liabilities	<u>12</u>	<u>3</u>
Net Cash Provided by Operating Activities	<u>74,167</u>	<u>61,652</u>
Capital and Related Financing Activities		
Acquisition of Fixed Assets	(231)	(358)
Noncapital Financing Activities:		
Transfers to District General Fund	(72,050)	(63,000)
Investing Activities:		
Interest Income Received	<u>422</u>	<u>630</u>
Net Increase (Decrease) in Cash	2,308	(1,076)
Cash and Cash Equivalents, Beginning of the Year	<u>8,309</u>	<u>9,385</u>
Cash and Cash Equivalents, End of the Year	<u>\$10,617</u>	<u>\$ 8,309</u>

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

D.C. Lottery Headquarters

2101 Martin Luther King Jr. Avenue, S.E.
Washington, D.C. 20020
(202) 645-8000

D.C. Lottery Claim Center

2000 14th Street, N.W.
Washington, D.C. 20009
(202) 671-2607

D.C. Lot-Line

(202) 678-3333

www.dclottery.com



The Man Behind the Legacy — Carter G. Woodson



former slaves in December 1875, Carter Godwin Woodson was largely self-taught and mastered the fundamentals of general school subjects by the age of 17. Woodson went on to receive his BA and MA from the University of Chicago and his PhD in history in 1912 from Harvard University.

To promote, research, preserve, interpret, and disseminate information about Black life, history, and culture to the global community, Dr. Woodson founded The Association for the Study of Negro Life and History (now known as the Association for the Study of African American Life and History) on September 9, 1915, with only five people, in Chicago, Illinois. At ASALH's 2003 Black History Month kickoff luncheon held on the campus of Howard University, the D.C. Lottery presented the calendar to the association.

One of Dr. Woodson's most celebrated accomplishments is the establishment of Negro History Week in 1926. He selected February for Black History Week because it is the birth month of Frederick Douglass (February 14) and Abraham Lincoln (February 12), two people whom he held in high esteem. The purpose of Black History Week was to recognize the importance of Black history to America, educate Black people, and instill pride in their race. Dr. Woodson's work and achievements earned him the name "Father of Black History." In 1976, Black History Week was extended to include the entire month of February.



"If a race has no history, if it has no worthwhile tradition, it becomes a negligible factor in the thought of the world and it stands in danger of being exterminated."

A project that produces continuous accolades for the D.C. Lottery is the annual Black History Calendar/Poster. Since 1986, the Lottery has produced a Black History Month Calendar/Poster and distributed thousands of copies, free to D.C. Public Schools, government agencies, community centers, and the public. The posters are proudly displayed at numerous locations throughout the District of Columbia including schools and colleges, libraries, military bases, and federal and local government agencies.

The Man Behind the Legacy, Carter G. Woodson, was the theme of the 2003 D.C. Lottery Black History Calendar. Born to former

Play Responsibly, and we all win.

Washington, D.C. is a highly transient city and many of the residents, commuters from the surrounding states, and tourists have played D.C. Lottery games at one time or another, with the vast majority playing responsibly. Nevertheless, lottery games are still a form of gambling and can be abused. As a responsible member of the business and professional community, the D.C. Lottery recognizes that it has a social responsibility to the players and the residents of the District of Columbia.

Heightening awareness of problem gambling is important to the success of the lottery and the city's operations. To accomplish this, the D.C. Lottery created a structure for players with gambling problems to obtain help. The Delaware Council on Gambling Problems, Inc. was contracted to provide a 24-hour, seven day-a-week counseling and referral helpline service staffed with a well trained support system of specialists proficient in addressing problem gambling and related issues. Our "Play Responsibly" logo/message is printed

PLAY RESPONSIBLY

on all lottery tickets and promotional materials. Fiscal Year 2004 plans include increasing visibility through signage and awareness workshops for staff. We have found that implementing our 1-800 number has neither hindered our ability to sell lottery products nor has it affected our ability to raise money to support worthwhile programs such as education, public safety, and economic development.

We encourage our players to play lottery games responsibly, using only discretionary entertainment dollars to purchase lottery tickets. Lottery games are a "fun" investment, not a "financial" investment. Neither the lottery, our players, nor the residents who benefit from the D.C. Lottery revenue win when our games are abused. These games are designed solely for entertainment and the proceeds go toward a good cause — our city. When you play responsibly, we all win. Please play responsibly, and let's keep the good in a good cause.