

# Popular Annual Financial Report

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FISCAL YEAR ENDED JUNE 30, 2024

## About the Popular Annual Financial Report:

The North Carolina Education Lottery (NCEL) finance division is proud to present you its Popular Annual Financial Report (PAFR) for the Fiscal Year (FY) ended June 30, 2024. This report provides an overview of the NCEL's financial condition and a brief analysis of where the money comes from and where the dollars are spent.

Most of the information in this report is drawn from the financial information appearing on the NCEL's FY 2024 Annual Comprehensive Financial Report (ACFR). The ACFR is a more detailed and complete financial presentation prepared in conformance with Generally Accepted Accounting Principals (GAAP) and was audited by an independent accounting firm, receiving an unqualified (clean) opinion. The financial data in this report also conforms to the GAAP. The ACFR, PAFR and the NCEL's Annual Report are available for viewing on the NCEL's website at [www.nclottery.com/about.aspx](http://www.nclottery.com/about.aspx)



# N.C. Education Lottery

## For second year in a row, more than \$1 billion raised for education programs

The North Carolina Education Lottery set new records for sales and earnings for education in fiscal year 2023-24, raising again more than \$1 billion for education programs in the state.

Ticket sales exceeded \$5.38 billion, up 24 percent year-over-year. The Lottery continued its record of increasing sales every year of its operations.

From those sales, the Lottery raised \$1.09 billion for education, up 7.6%, or \$77 million.

Scratch-off tickets remain the Lottery's most popular product, generating \$2.92 billion in sales, or 54% of revenue. The Lottery launched 48 new scratch-off games during the year.

In November, the lottery significantly expanded its Online Play program by offering a fun, new way to play, digital instants. By the end of the fiscal year, lottery players had a choice of 24 digital instant games to play. The new type of lottery game generated 21 percent of revenue, or \$1.13 billion, in the first eight months. North Carolina was credited with conducting the most successful launch of digital instant games so far in the U.S. lottery industry.

During the year, the Lottery continued to enhance its games and products. In addition to offering new digital instant games, the lottery launched its first \$50 scratch-off game, \$10 Million Spectacular, with five top prizes of \$10 million. Both national draw games, Powerball and Mega Millions, featured jackpots of \$1 billion or more during the year.

The State Lottery Act directs the lottery to increase and maximize the available revenues for education purposes. To accomplish that, the lottery invested the largest share of its revenue, 70.6 percent, to prize expense to ensure players have fun and enjoy winning experiences. Retailers earned \$285.6 million, 7 percent, in commissions and incentives for tickets sold at their stores. At the end of the year, the lottery had 7,123 retail locations in the state. Administrative expenses for operating the lottery were 3.75% percent of revenue, the lowest level on record.

The earnings of \$1.09 billion exceeded the budgeted projections for FY 2023-24. The N.C. General Assembly allocates lottery revenues that exceed projections to the Needs-Based Public School Capital Fund. With that decision, \$157 million in additional monies raised went to that fund.

The General Assembly also directed transfers of \$2.1 million in profits to N.C. Alcohol Law Enforcement and \$1 million to the N.C. Problem Gambling Program.

Lottery players won 75 prizes of \$1 million or more. The biggest wins occurred with two \$10,000,000 Spectacular scratch-off tickets valued at \$10 million each. For the second year in a row, a North Carolina resident became the Powerball First Millionaire of the Year on New Year's Eve in a drawing held in Times Square.

In its annual financial audit, the Lottery received an "unqualified opinion" from independent auditors as it has in all prior annual financial audits. For the third year in a row, the lottery won a national award from the National Council on Problem Gambling for a responsible gaming newsletter.

At end of the fiscal year, sales since the inception of the Lottery in 2006 totaled \$44.7 billion and the amount of total money raised for education stood at \$11.2 billion.

## Education Programs Receiving Lottery Dollars

County	FY24	Cumulative
Alamance County	9,752,673	140,464,670
Alexander County	2,234,936	37,338,392
Alleghany County	1,193,376	48,268,993
Anson County	1,859,630	54,089,516
Ashe County	13,760,062	73,968,130
Avery County	1,290,234	16,120,909
Beaufort County	45,074,152	86,089,957
Bertie County	16,305,759	34,680,621
Bladen County	2,275,184	73,880,562
Brunswick County	6,078,426	83,242,687
Buncombe County	10,965,347	169,962,529
Burke County	46,999,970	125,698,979
Cabarrus County	15,851,351	214,643,160
Caldwell County	5,027,798	84,353,434
Camden County	1,406,613	60,728,619
Carteret County	3,886,100	67,237,908
Caswell County	1,450,529	32,822,652
Catawba County	8,707,717	176,213,545
Chatham County	4,405,137	57,227,777
Cherokee County	1,874,493	38,091,067
Chowan County	1,321,333	62,776,556
Clay County	13,042,968	70,178,890
Cleveland County	6,050,749	126,277,696
Columbus County	55,791,653	126,656,907
Craven County	21,033,450	102,205,909
Cumberland County	22,381,153	352,722,554
Currituck County	2,211,097	24,159,232
Dare County	2,589,275	32,546,125
Davidson County	9,472,831	145,217,279
Davie County	3,099,689	42,782,072
Duplin County	4,595,760	62,938,829
Durham County	13,367,563	202,928,491
Edgecombe County	3,277,425	51,729,224
Forsyth County	20,804,154	320,215,447
Franklin County	3,720,679	51,329,126
Gaston County	13,929,568	212,709,496
Gates County	5,742,972	27,914,921
Graham County	1,000,370	12,999,508
Granville County	3,192,164	48,910,929
Greene County	13,661,508	72,321,500
Guilford County	31,676,971	494,181,134
Halifax County	14,233,767	135,903,085
Harnett County	8,437,137	128,717,091
Haywood County	3,083,000	45,468,190
Henderson County	5,421,844	80,283,898
Hertford County	1,649,363	38,403,432
Hoke County	4,374,203	100,147,655
Hyde County	702,262	11,975,688
Iredell County	10,763,778	154,063,919
Jackson County	1,807,438	23,456,514

County	FY24	Cumulative
Johnston County	14,595,498	201,018,883
Jones County	977,220	25,685,195
Lee County	4,566,544	68,064,602
Lenoir County	55,935,390	111,083,132
Lincoln County	5,236,373	70,463,694
Macon County	64,267,138	91,731,541
Madison County	1,324,496	17,908,966
Martin County	1,607,702	27,886,449
McDowell County	2,922,304	54,184,794
Mecklenburg County	58,059,390	880,445,160
Mitchell County	1,155,673	50,595,634
Montgomery County	2,287,158	33,930,356
Moore County	5,257,170	69,072,093
Nash-Rocky Mount	45,964,253	141,647,572
New Hanover County	11,122,100	169,379,360
Northampton County	1,185,034	79,792,838
Onslow County	12,528,285	172,623,741
Orange County	7,919,998	115,459,750
Pamlico County	1,025,383	49,176,730
Pasquotank County	2,534,563	36,913,545
Pender County	5,201,600	58,591,609
Perquimans County	1,175,297	40,631,875
Person County	2,356,337	32,475,101
Pitt County	10,300,299	156,009,688
Polk County	1,445,411	18,213,880
Randolph County	38,025,734	157,878,346
Richmond County	3,269,098	50,405,343
Robeson County	21,729,821	221,378,692
Rockingham County	5,096,715	79,409,729
Rowan-Salisbury	7,663,136	119,265,211
Rutherford County	3,833,350	72,756,515
Sampson County	5,052,015	76,868,968
Scotland County	2,975,832	46,699,310
Stanly County	4,387,016	62,819,798
Stokes County	2,863,464	47,137,733
Surry County	6,916,908	73,666,950
Swain County	1,333,624	19,526,455
Transylvania County	1,681,581	23,033,625
Tyrrell County	703,089	6,716,076
Union County	16,516,351	234,614,757
Vance County	2,836,221	42,180,574
Wake County	62,743,968	884,293,278
Warren County	1,318,797	45,351,386
Washington County	1,012,002	60,827,916
Watauga County	2,587,276	31,917,053
Wayne County	7,756,240	155,007,525
Wilkes County	4,274,355	70,179,289
Wilson County	4,854,420	86,210,088
Yadkin County	2,579,116	42,830,621
Yancey County	1,342,178	44,962,506

The Lottery transferred its net profits monthly to the Office of State Budget and Management and the funds go into the North Carolina State Lottery Fund. The funds then were distributed as outlined in the state budget. The General Assembly directed the following allocation of money raised by the lottery in FY24:



**\$385.9 million**  
to non-instructional support personnel;



**\$100 million**  
for the Public School Building Capital Fund, which provides monies to North Carolina counties to build and repair schools;



**\$254.3 million**  
to the Needs-Based Public School Capital Fund, which provides financial assistance to low-wealth counties to build new schools;



**\$50 million**  
to a new Public School Repair and Renovation Fund, which provided \$500,000 grants to each of the state's 100 counties to repair and renovate schools and expand classrooms;



**\$78.2 million**  
to the N.C. Pre-K program to fund seats in the prekindergarten program for at-risk four-year-olds;

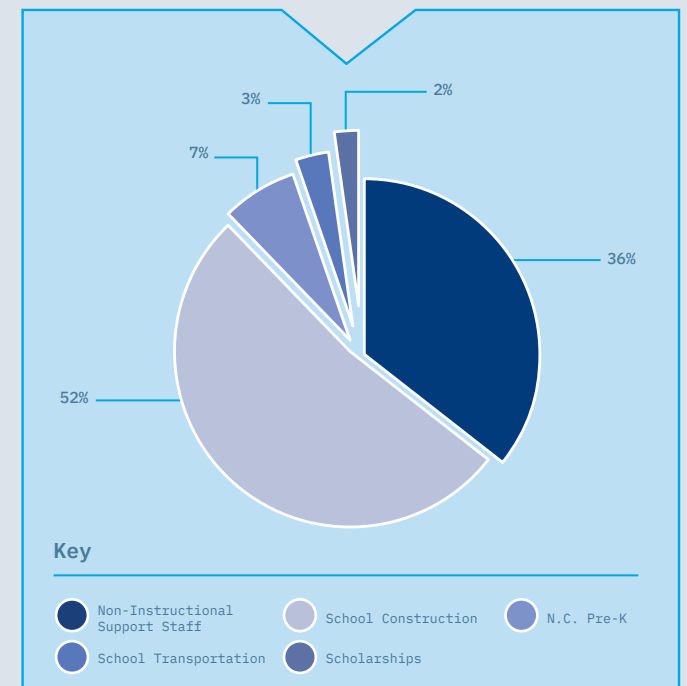


**\$41.2 million**  
to a Scholarship Reserve Fund for public colleges and universities.



**\$21.4 million**  
to support school transportation for each of the state's school systems.

### Program Allocation



## Sales

Gross lottery ticket sales for fiscal year 2024 totaled \$5.375 billion as compared to \$4.343 billion for fiscal year 2023 and \$3.887 billion for fiscal year 2022. This represents an increase of \$1.032 billion from 2023 and \$1.488 billion from 2022.

### Scratch Ticket Sales

Net instant ticket sales were \$2.92 billion for fiscal year 2024 compared with \$2.98 billion for fiscal year 2023, a 1.9% decrease of approximately \$58 million from fiscal year 2023. The decline in scratch ticket sales was industry wide with exception of 3 US Lotteries. The 2024 fiscal year saw player's shift towards higher price point tickets continue with the introduction of the new \$50 price point. The percentage of sales for \$20+ price points accounted for just over 57% of total sales. The new \$50 price point, which was launched in December 2023 contributed \$384 million in sales or 13% of overall scratch-off sales in just seven months in the market. The new \$50 game, \$10 Million Spectacular, became the bestselling scratch-off game ever by a wide margin, as well as one of the top performing \$50 games in the country. The \$30 price point continued to contribute the highest percentage of sales, generating over \$683 million in tickets sales last fiscal year. This was lower than fiscal year 2023 due to the cannibalization caused by the \$50 game launch. Lower price point games, including the \$5 price point continued the recent trend of year over year declines coming off of recent highs during the pandemic.

### Draw Game Sales

Draw game sales were \$1.319 billion for fiscal year 2024 compared to \$1.362 billion for fiscal year 2023, down \$43 million year over year. Only one draw game experienced year over year growth: Powerball sales were up by 11% driven by multiple \$1B+ jackpots throughout the year. The rest of the draw game portfolio experienced lower sales than fiscal year 2023 ranging from Fast Play (-25%) to Pick 4 (-1%). Multiple factors contributed to these declines including increased competitive pressure, general economic conditions and jackpot fatigue.

Pick 3 continues to be the largest contributor to draw game portfolio, accounting for 34% of sales for the category. The growth of Powerball last year led to it being the second largest contributor to sales at just under 20%. Pick 3 and Pick 4 combined still account for over 50% of draw games sales, which was a up slightly from fiscal year 2023.

Draw game sales via the Online Play channel grew to \$179 million in fiscal year 2024. This was \$37 million higher (+26%) than the sales generated through that channel in fiscal year 2023. The year over year growth can be attributed to the first full year of sales of Pick 3 and Pick 4 online, which added \$34 million in incremental sales. The online channel now accounts for 6% and 9% of those games overall sales, up from 2% and 3% in FY23. The game with the highest penetration online continues to be Lucky for Life at 37% of overall sales.

### Digital Instant Sales

The addition of digital instant games to the Online Play offering in November 2023 had a big impact on overall sales in FY24. The category launched with 8 games and ended the fiscal year with a total of 23 games available on the website and mobile app. In seven and a half months the games generated \$1.13 billion in sales. The Lamp, one of the 8 games that was included in the initial launch of the category, has been the most successful game by a wide margin contributing \$283 million in sales or 25% of overall digital instant sales. The top 4 digital instant games accounted 55% of the overall sales for the category.

Game	FY 2024	FY 2023	FY 2022
Instant Tickets	\$ 2,922,346,435	\$ 2,979,938,810	\$ 2,649,696,702
Powerball	257,445,762	231,293,652	180,352,701
Mega Millions	150,901,122	176,477,109	83,459,044
Pick 3	449,207,288	457,543,583	487,398,367
Pick 4	218,382,398	219,698,355	221,997,153
Cash 5*	68,559,779	72,132,058	74,691,197
Lucky For Life	41,093,952	44,693,686	40,812,158
Keno	76,628,002	84,389,743	81,216,166
Fast Play	56,732,182	75,873,207	65,502,961
Bonus Cash Raffle	654,932	610,982	1,924,204
Digital Instants	1,133,568,175	-	-
<b>Total Sales</b>	<b>\$ 5,375,520,026</b>	<b>\$ 4,342,651,185</b>	<b>\$ 3,887,050,653</b>

\*The EZ Match game is an additional add on to the Carolina Cash 5 game; sales for EZ Match have been included with Cash 5 in the chart.



Gross lottery ticket sales for fiscal year 2024 totaled \$5.375 billion as compared to \$4.343 billion for fiscal year 2023 and \$3.887 billion for fiscal year 2022. This represents an increase of \$1.032 billion from 2023 and \$1.488 billion from 2022.

## Statement of Net Position

The Statement of Net Position presents the NCEL's financial position from a long-term perspective. It reports all of the NCEL's assets and liabilities. As required in the Lottery Act, net revenues of the NCEL are transferred four times a year to the NC Education Lottery Fund at the Office of State Budget and Management. At year end, Net Revenues Assets are zero for the NCEL. There are no changes in the Net Positions from year to year. Readers wanting more detailed financial information should refer to the NCEL's FY 2024 Annual Comprehensive Financial Report (ACFR) available on the North Carolina Education Lottery's website at: [https://www.nc lottery.com/ CorporateSocialResponsibility\\_Integrity](https://www.nc lottery.com/ CorporateSocialResponsibility_Integrity)

### Condensed Statement of Net Position (in thousands)

	2024	2023	2022
<b>ASSETS</b>			
Total Current Assets	\$ 231,461	\$ 162,428	\$ 158,860
Noncurrent Assets	68,347	69,278	77,335
Capital Assets, Depreciable (Net)	3,735	4,540	1,894
Total Assets	303,543	236,246	238,089
Deferred Outflows of Resources	21,234	20,224	14,637
<b>LIABILITIES</b>			
Total Current Liabilities	240,703	172,191	167,659
Noncurrent Liabilities	119,937	116,233	113,653
Total Liabilities	360,640	288,424	281,312
Deferred Inflows of Resources	8,835	12,744	16,112
<b>NET POSITIONS</b>			
Investment in Capital Assets	1,823	4,540	1,894
Restricted	-	-	4
Unrestricted	(46,521)	(49,238)	(46,596)
<b>TOTAL NET POSITIONS</b>	<b>\$ (44,698)</b>	<b>\$ (44,698)</b>	<b>\$ (44,698)</b>

A **current asset** is an asset which can either be converted to cash or used to pay current liabilities within 12 months. The NCEL's total current assets mainly consist of total cash, accounts receivable, investments in annuity contracts, and inventory.

A **non-current or capital asset** is an asset or property which cannot easily be converted into cash. The NCEL's non-current assets are mainly made up on long-term investments in annuity contracts, prepaid items, furniture, and equipment.

**Total current liabilities** are what the NCEL currently owes to its suppliers, winners, and the State; all of which are short term debts to be paid within a year. The NCEL's total current liabilities are made up of accounts payable, accrued payroll, current annuity prizes, and due to other fund ("Due to Other Funds" represents the amount of net revenues for the fiscal year not yet transferred to the State as of June 30, 2024 but will be transferred during fiscal year 2025.

**Non-current liabilities** are the NCEL's long-term financial obligations that are not due in the present accounting year. The majority of the NCEL's non-current liabilities consist of long term annuity prizes and accrued time off.

### Activity for Capital Assets for Year Ended June 30, 2024 (in thousands)

Category	Balance June 30, 2023	Increase	Decrease	Balance June 30, 2024
<b>Capital assets, depreciable</b>				
Furniture	\$ 49	\$ 14	\$ -	\$ 63
Equipment	5,379	501	(519)	5,361
Motorized equipment	80	-	-	80
Computer software	1,010	-	-	1,010
Subscription (SBITA)	3,395	-	-	3,395
Total capital assets, depreciable	9,913	515	(519)	9,909
<b>Less accumulated depreciation for</b>				
Furniture	29	1	-	30
Equipment	3,574	244	(149)	3,669
Motorized equipment	80	-	-	80
Computer software	986	-	-	986
Subscription (SBITA)	704	704	-	1,409
Total accumulated depreciation	5,373	949	(149)	6,174
SBITA Liability	(2641)	729	-	(1,912)
Total capital asset, depreciable net	4,540	(434)	(370)	3,735
Capital assets, net	\$ 1,899	\$ 295	\$ (370)	\$ 1,823

The majority of capital asset investments were during our first full year of operation in 2007. The investment in capital assets includes game equipment, data processing equipment, telephone equipment, software, and fixtures. The capitalization of all items including equipment, computers, and furniture follows North Carolina's Office of State Controller's policies. Capital assets are reported at their cost and are depreciated over their estimated useful lives.

# Statement of Activities

This section reports the fiscal year's financial activities from a long-term perspective. It is designed to provide a summary of the financial health and stability of the North Carolina Education Lottery. Information in this section should provide the reader with a general understanding of how the NCEL's resources are used.

## Operating Revenues

Operating revenue is income derived from the lottery's everyday activities and mainly consists of ticket sales and communication fees collected from retailers. The majority of Fees and Licenses represent a weekly retailer communication fee charged to active retailers for satellite communications and an application fee for new retailers and changes in ownership.

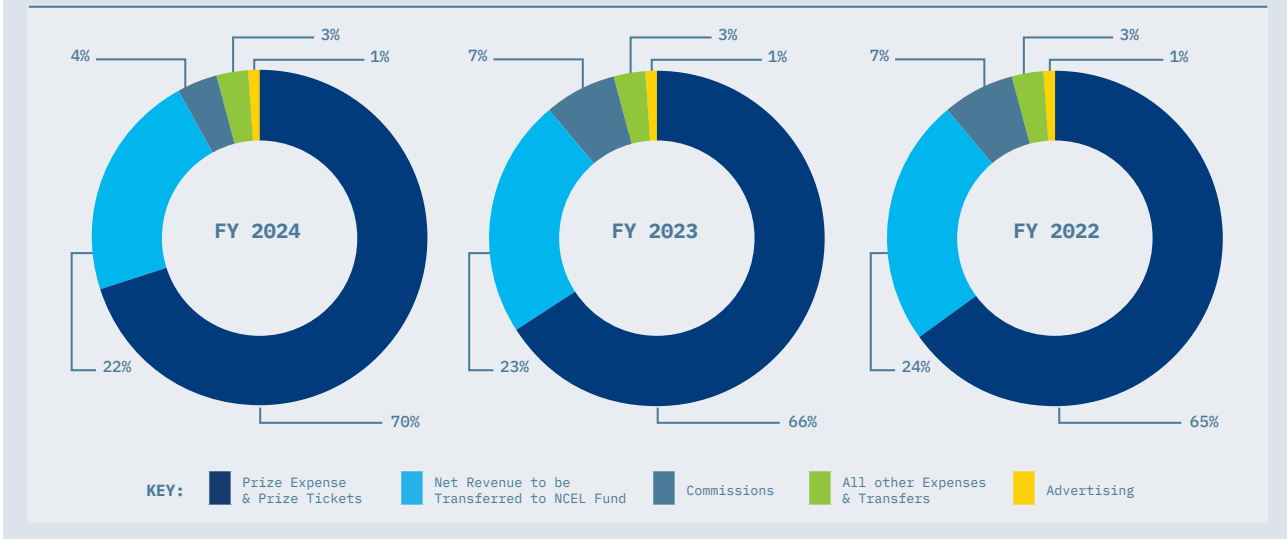
## Operating Expenses

An operating expense is an expense that an organization incurs as a result of its normal business operations. In the lottery's case these expenses are all directly related to the production and sale of lottery tickets. The following charts show the major components of the NCEL operating expense and transfers as a percentage of total revenues for the June 30, 2024, 2023, and 2022 fiscal years.

### Statement of Activities (in thousands)

	FY 2024	FY 2023	FY 2022
<b>Operating Revenues:</b>			
Gross Sales:	5,375,520	4,342,706	3,887,051
Less: Prize Tickets and Bad Debt	(156)	(170)	(47)
Fees and Licenses	5,554	5,582	5,417
<b>Total Operating Revenues</b>	<b>5,380,918</b>	<b>4,348,118</b>	<b>3,892,421</b>
<b>Operating Expenses:</b>			
Salaries, Wages, and Benefits	34,043	27,728	25,271
Lottery Prizes	3,802,659	2,863,660	2,543,961
Retailer Commissions	284,178	293,845	266,200
Retailer Incentive	1,436	1,391	1,708
Gaming Systems Services	100,375	89,880	72,872
Advertising	42,187	32,783	30,177
Marketing	4,259	4,487	3,780
Other Services	12,523	9,874	9,258
Furniture, Fixtures, and Equipment	1,112	1,291	2,046
Depreciation	949	1,173	461
Other General and Administrative Expenses	6,669	6,173	4,136
<b>Total Operating Expenses</b>	<b>4,290,390</b>	<b>3,332,285</b>	<b>2,959,870</b>
<b>Operating Income</b>	<b>1,090,528</b>	<b>1,015,833</b>	<b>932,551</b>
<b>Non-operating Revenues (Expenses):</b>			
Investment Earnings and Other Miscellaneous Revenue (Expense)	6,267	2,499	213
Compulsive Gambling Contribution	(1,000)	(1,000)	(1,000)
ALE Gaming Enforcement	(2,100)	(2,100)	(2,100)
Inter-Agency Transfer In	-	-	-
Nonoperating Expense	-	-	-
Unclaimed Prizes to NC Education Lottery Fund	(22,314)	(22,092)	(20,030)
Net Revenues to the State of NC	(1,070,000)	(993,157)	(909,803)
Miscellaneous Non-operating Expenses	3,154	(186)	(28)
Transfer for Sports Betting	(4,574)	-	-
Noncapital Contributions	39	203	197
<b>Total Non-operating Revenue (Expense)</b>	<b>(1,090,528)</b>	<b>(1,015,833)</b>	<b>(932,551)</b>
<b>Change in Net Position</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position, Beginning July 1</b>	<b>(44,698)</b>	<b>(44,698)</b>	<b>(44,698)</b>
<b>Net Position, Ending June 30</b>	<b>(44,698)</b>	<b>(44,698)</b>	<b>(44,698)</b>

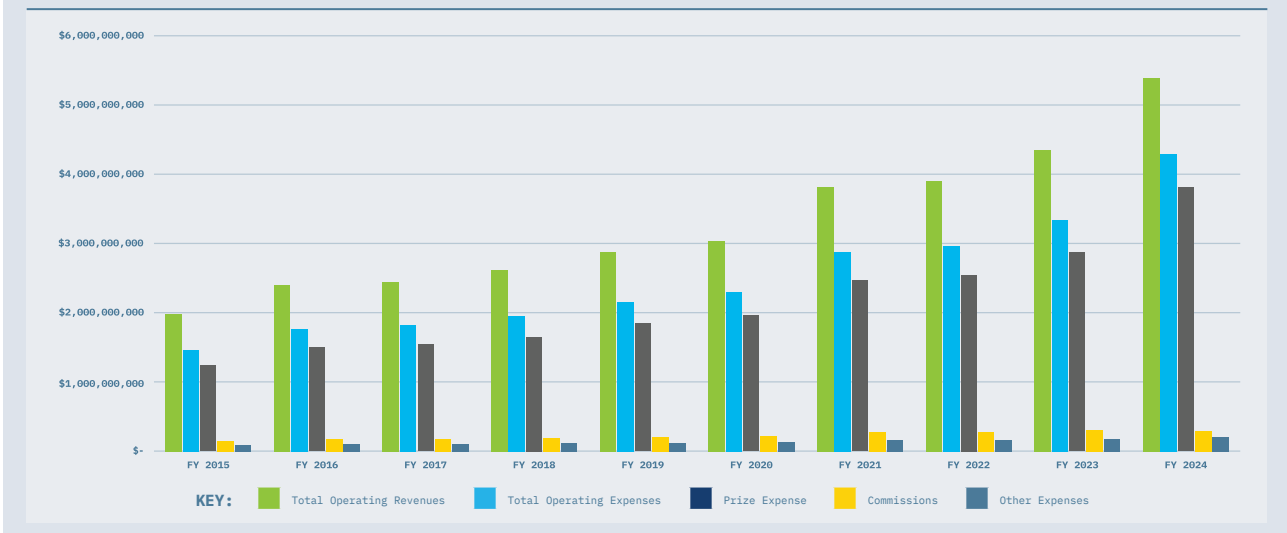
### Distribution of Revenues for Fiscal Years 2022 to 2024



Prizes, commissions, and gaming vendor charges all directly relate to sales. As expected, as sales have increased, so have these expenses. In fiscal year 2024, total gaming expenses, which consist of prizes, retailer commissions, and gaming vendor charges (gaming system services), totaled \$4,187 million as compared to \$3,247 million and \$2,883 million for fiscal years 2023 and 2022, respectively.

The commission paid to lottery retailers is set, statutorily, to 7% of sales. These commissions are not paid on digital instant sales which take place on-line and do not rely on a retailer. The commissions paid to retailers for fiscal year 2024 remained at 7% of retailer sales. Other operating expenses, which consist of advertising and marketing, salary and benefits, professional fees, rent, maintenance, depreciation, and general administrative expenses increased to \$103.2 million in fiscal year 2024, as compared with \$84.9 million and \$76.8 million for fiscal years 2023 and 2022, respectively. Other operating expenses represented 2.0%, 2.0%, and 2.0% of total operating revenues in fiscal years 2024, 2023, and 2022, respectively.

### Operating Revenues vs. Expenses FY 2014 to FY 2024



## Non-operating Revenues and Expenses

Non-operating revenues and expenses are defined as those that are incurred by activities not related to the core operations of an organization. In the lottery's case, non-operating items are any revenues or expenses incurred not directly associated with the sale of lottery tickets.

Non-operating revenues consist of investment earnings from the Short Term Investment Fund held at the State Treasurer's Office and Multi-State Lottery Association (MUSL) dividends received.

Non-operating expenses mainly consist of transfers from the NCEL to the State. These transfers consist of net revenues to the State, compulsive gambling treatment contributions, and unclaimed prizes transferred to the North Carolina Education Lottery Fund.

Readers wanting more detailed financial information on any of the lottery's financial activities and results should refer to the NCEL's FY2024 Annual Comprehensive Financial Report (ACFR) available on the NCEL's website at [https://www.nc lottery.com/CorporateSocialResponsibility\\_Integrity](https://www.nc lottery.com/CorporateSocialResponsibility_Integrity)

## Connect and Learn More



Information about the lottery's mission to raise money for education is available to you in many ways. You are invited to visit our website, contact our communications team, or connect with us through social media. We are here to provide available resources schedule interviews with lottery officials, or arrange for presentations to civic groups, classes, and associations.

### Van Denton, Director of Communications

919-301-3308  
Van.Denton@lotterync.net  
www.nclottery.com



2728 Capital Boulevard, Raleigh, NC

## Awards & Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the North Carolina Education Lottery for its Popular Annual Financial Report for the fiscal year ended June 30, 2023. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents confirm to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The North Carolina Education Lottery has received a Popular Award for the last sixteen consecutive years (fiscal years ended 2008–2023). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

*200 copies of this public document were printed at a cost of \$570.00 or \$2.85 per copy.*



Government Finance Officers Association

Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting

Presented to

**North Carolina Education Lottery**

For its Annual Financial Report  
For the Fiscal Year Ended

June 30, 2023

*Christopher P. Morill*  
Executive Director/CEO