Igniting the Power to Dream.

We’re in the business of possibility. We deliver joy and thrill across the entire state of North Carolina. And we help give back millions to education every single day. We are among the lucky few who get to change lives.
Setting the stage for a new decade of dreams.

In the year of transformation, the lottery:
- Raised $622 million to support education programs in North Carolina.
- Surpassed $5.2 billion in earnings since inception.
- Awarded 59 times a prize of $1 million to lottery players, including one prize of $10 million and two prizes of $1,000 A Day for life.
- Averaged $6.6 million a day in sales, $4.2 million a day in prizes, and $1.7 million a day raised for education.
- Paid $169.4 million in sales commission to retailers.
- Collected $10.2 million in state income taxes from prize winnings.
- Collected $8.4 million in debts owed to state and local governments.
- Supported minority-owned businesses with $7.7 million in contracts either from the NCEL or its vendors.

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Setting the stage for a new decade of dreams.
Building a Better Lottery.

As chairman of the N.C. State Lottery Commission, I’m pleased to report to you that in our most recent business year we delivered to the state a brand new lottery. After 10 years, we built a new and better lottery to serve our state during its next term.

Better Lottery.

We are pleased to report to you that in our most recent business year terminals, vending machines and play centers to 6,800 retail locations across our state. This strategic investment provided to North Carolina the best lottery system currently available. With more effective and efficient lottery operations, we can give the best service to all of the North Carolinians who enjoy playing our games and can continue our success in raising money for the good cause we serve, public education in North Carolina.

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A New Brand, A New Era.

Playing and supporting the North Carolina Education Lottery creates a world of winning possibilities for the entire state. Through the fun of play and the billions we raise for education, we provide the fuel for our most important dreams.

A period of growth and renewed strength.

Fiscal year 2017 was the year of transformation, marking a period of growth and renewed strength for the Education Lottery.

To keep up with the pace of change and to ensure our contribution to public education in North Carolina continues, we modernized our services and modernized our brand. We expanded our product, implemented new technologies, and created stronger relationships with stakeholders. We are now better positioned to reach new heights in sales and earnings for education.

Our rebranding effort went much deeper than a visual facelift. We transformed our strategic and operational business models. We redefined our focus on operating responsibly and renewed our commitment to serving North Carolina. But this new brand was not an overnight revolution. It was an evolution that had been in the works since the first ticket was sold in 2006.

This new brand captures the essence of the lottery being in the business of possibilities, offering joy and thrill to winners of prizes and raising money for education that helps to fulfill the dreams of students and educators. It reflects an organization that is more focused, more efficient, more responsible, and better equipped for long-term growth.

The FY 17 Report to the Public complements our transformation and highlights our recommitment to North Carolina – setting the stage for a new decade of dreams.

Fun of play fuels the state.

The power of innovation and tremendous efforts to transform the lottery this fiscal year laid the groundwork for another record-breaking year in sales. For a second year in a row, ticket sales topped $2 billion, marking the lottery as one of the most successful sales organizations in the state.

It’s clear from those sales that North Carolinians enjoy playing the lottery. Did you know $0.93 of every dollar spent on a lottery ticket comes back to the state? Whether it’s a prize big or small, a lift to local businesses or support for education, every ticket makes a difference for our state’s future. Here is how that breaks down, from the largest expense to the smallest:

Prizes - 63% Games and prizes make for a lot of fun. Without the fun of prizes, North Carolinians wouldn’t enjoy playing the lottery. So it’s no surprise that prize money makes up the largest operating expense that the lottery has. About 63 percent of revenue from the sale of lottery tickets go back to players as prizes. Big winners tell us they plan to use the prize money to do things such as pay off their mortgage, make home improvements, or buy a new home.

Return to Education - 26% The fun of prizes fuels the sales. And the sales produce the profits that go to a good cause. One hundred percent of lottery profits go towards supporting education programs identified by the legislature. Last year, earnings for education were about 26 percent of lottery revenue. That’s an extra $622 million for education and almost twice as much than in FY 2007.

Commissions - 7% The lottery paid out $170.6 million in sales commissions and retailer incentives to 6,863 retailers — big and small — like Walmart, Sheetz, and Food Lion, some of the most well-known retail brands in the state. Those commissions can be used to pay or hire employees or make other improvements in the business.

Administrative Expenses - 3% Administrative expenses are a combination of employee salaries and benefits, gaming system services, and infrastructure. The lottery is an effective and efficient sales organization. Less than one percent of revenue was spent on employee salaries last year.

Advertising - 1% Advertising is important and essential to meet our mission in raising money for education. Just like brands need to advertise their products or services, the lottery needs to advertise to increase return to education. Less than one percent of lottery revenue is spent on advertising.

The new logo kept the familiar mountains to the sea scene, graced with a shooting star, but evolved into a dreamy look. The star is a nod to the state flag as well as to the hopes and dreams that come from playing the lottery. The mountains and ocean represent the diverse and beautiful landscape our state is known for.

The Dream Bubble represents the endless possibilities that are ignited when people play the lottery.

Distribution of Lottery Revenue

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
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<tbody>
<tr>
<td>63%</td>
<td>Prizes - 63%</td>
</tr>
<tr>
<td>26%</td>
<td>Return to Education - 26%</td>
</tr>
<tr>
<td>7%</td>
<td>Commissions - 7%</td>
</tr>
<tr>
<td>3%</td>
<td>Administrative Expenses - 3%</td>
</tr>
<tr>
<td>1%</td>
<td>Advertising - 1%</td>
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What does it mean when we say in the business of possibilities? When North Carolina’s are asked why they play the lottery, they say over and over again it’s the fun of thinking what they would do if they won a big prize. The possibilities are endless. That’s what lottery games and prizes, the products that the lottery makes, offer to its players. They offer a chance to dream a little. And last year, the lottery awarded the most prizes ever, totaling $1.54 billion. That’s an average of $4.2 million in prizes every day.

New technology, more fun.

All of the lottery games now operate on the newest technology available after the lottery completed a conversion to a brand new operating system. The new system provided the new technical infrastructure that support games and payment of prizes, new vending machines with touch screens, ticket checkers for lottery players in all locations, and new play centers.

The new system allows the lottery to provide more engaging and fun games for players.

Winning possibilities.

Some people prefer the thrill of a scratch-off, while others prefer the anticipation of a draw game. No matter your preference – we’ve got you covered. The lottery offers prizes in three multi-state games, three draw games played only in North Carolina, and at any one time a portfolio of 50 or more scratch-off games.

Delivering additional joy and thrills.

More chances to win, more fun. The fun doesn’t stop for players after they scratch their ticket. Each month we give members of our Player’s Club additional opportunities to win. Who doesn’t like that?

Players can enter tickets to get Luckie-Reward points and use those points to make entries into weekly and monthly drawings for a chance to win cash and prizes. Players can also enter tickets into second-chance drawings to win experiences that last a lifetime.

Generating more excitement.

How do we generate more excitement? More prizes and more chances to win. One way we do that is with our promotions. Last year we had seven draw game promotions. That’s at least one promotion every other month.

Pick 3 Prize Doubler
Double the prizes, double the fun. Pick 3 players had the chance to win double cash every night of the week. When the Green Ball was drawn, players with winning tickets for the draw won double the normal prize. The ball was drawn five times, and players won an additional $757,957.

Pick 4 More Money Mondays
Mondays mean more money for Pick 4 winners. Thanks to the Pick 4 More Money Mondays, in January players won an additional $91,025.

Pick 3 Double Draw
Red Ball means double draw. Pick 3 players had even more chances to win in March because of the Pick 3 Double Draw promotion. If the Red Ball was drawn, a second draw will take place. The best part? Players get paid on both set of numbers. The Red Ball was drawn six times in March and players won an additional $134,410.

Pick 4 $10,000 MONDAYS
Players had the chance to win big with Pick 4 $10,000 MONDAYS. If the Blue Ball was drawn, players with winning tickets for the draw won $10,000. The ball was drawn five times, and players won an additional $25,000.

Carolina Panthers
Second-Chance Drawing
Pamela Jamison, Dallas
Pamela Jamison of Dallas said she felt like she had scored a touchdown after winning a pair of Panthers season tickets for 20 years. This once-in-a-lifetime prize was part of the state’s first Carolina Panthers ticket.

Win more, have fun.

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Reaching new milestones ...

July 8
Mega Millions jackpot hits $536 million, third largest in game’s history.

August 2
First Carolina Panthers scratch-off ticket goes on sale, offering once-in-a-lifetime second-chance prize of 20 years of free season tickets.

November 6
First player in North Carolina wins the top prize of $5,000 A Year For Life in Mega Millions. The second $1,000 A Day for Life ticket was sold in the same drawing.

December 6
Carolina Pick 3 game hits a new monthly sales record. First Carolina Panthers scratch-off ticket goes on sale, offering once-in-a-lifetime second-chance prize of 20 years of free season tickets.

First player in North Carolina wins $1,000 A Day For Life in the $2 Lucky For Life game. Since tickets went on sale in North Carolina a little over two years ago, two players have won the game’s top prize and 16 players have won the second prize of $25,000 A Year For Life.

March 26
Executive Director, Alice Garland, becomes first gaming industry professional to receive top advocacy award from National Council on Problem Gambling.

June 6
Lottery opens new headquarters at 2728 Capital Blvd., Raleigh.

June 3
One ticket wins record $1.7 million Carolina Cash 5 jackpot. An extended family of 17 claims the prize.

IN SALES
$2.42 BILLION IN SALES

$2.42 BILLION

“I couldn’t believe it was me!”
- Pamela Jamison

March 31
New scratch-off games launch for Carolina Cash 5 and Mega Millions.

April 7
A truck-stop cook from Dallas, N.C., wins 20 years of season tickets for Carolina Panthers games in second-chance drawing.

May
New technology, enhanced experiences. Lottery completes installation of new gaming and instant ticket systems, helping to provide a brand new lottery to North Carolina players and retailers.

$622 million raises for education.

June 30
New sales record is set at $2.42 billion in sales, continuing a streak of 11 years of record sales. Since 2002, the lottery has raised more than $22 billion for education.

“I couldn’t believe it was me!”
- Pamela Jamison

April 7
A little over 11 years after the first ticket went on sale, earnings for education topped $5 billion mark.
A year of big wins and big dreams.

Every prize, whether big or small, ignites the power to dream. And this past year, lottery games were full of big prizes and surprises and winners full of big dreams and smiles.

What do a nurse, a mailman, and a hairdresser all have in common? They each won life-changing prizes playing the lottery last year. Fifty-nine people won prizes of $1 million or more. That averages to almost five $1 million wins every month. Check out some of last year’s biggest winners.

Record Cash 5 Jackpot
$1,701,811 Win

A tradition of playing the lottery together at family gatherings led to 17 people winning a record Cash 5 jackpot of $1,701,811.

The seventeen winners, whose families settled in North Carolina from parts of Laos and Vietnam, call themselves Hmong and include brothers, sisters, and cousins. One of the winners plans to use his share of the prize to help pay for school. He’s going to UNC Charlotte and plans to major in biology.

“Maybe the most important thing is to take all the stress off my family,” said one of the winners.

Gregory Errthum
Powerball
$150,000 Win

“Buying Powerball has taken the weight off my shoulders,” said Gregory Errthum of Denver upon being presented with his big check. The 22-year paper industry worker, who won $150,000 playing Powerball, said he is excited to have a break from worrying.

Lisa Williard
Won Cash 5 Jackpot twice
$355,141 Win

“2017 debt free is our new motto,” Lisa Williard of Harmony said after winning a second Cash 5 jackpot. Her first win came in 2008, when she won $363,041. Her second one scored her a third of a $1,065,423 jackpot.

Players win an average of $4.2 million every day in prizes.

Not every win can be in the millions. But when you play the lottery, every win is thrilling and full of excitement. Just check out these big smiles!

Justin Keitt
$1 MILLION

“I started shaking. I just can’t believe it!” Justin Keitt of Lexington said after winning a $1 million lottery prize. He bought his quick pick ticket at a business trip to Las Vegas.

Manalle Earnhardt
$1,000 A DAY FOR LIFE

“I don’t have to worry about retirement now,” said Manalle Earnhardt of Salisbury, an E.R. nurse for the VA Medical Center, who won $1,000 a day for life. “I don’t have to worry about college for my boys, or all of those other things.”

Dennis Powell • $4 MILLION

“Yee-haw! Great God Almighty,” Dennis Powell of Salisbury said after winning a $4 million lottery prize. The automotive dealership owner knew exactly how to celebrate a dream come true. He and his wife are going to the World Series of Poker Championship in Las Vegas.

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Won Cash 5 Jackpot twice
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Winners come from across the state and all walks of life, but they all have one thing in common—a dream.

We deliver joy and thrill across the entire state of North Carolina.

Dennis Powell • $4 MILLION

“The best! Great Golf Bag!”, Dennis Powell of Galivance said after winning a $4 million lottery prize.

The automotive dealership owner knew exactly how to celebrate a dream come true. He and his wife are going to the World Series of Poker Championship in Las Vegas.
When you play the lottery, you aren’t just getting a chance to win big, you’re helping students and schools across the state. That lottery ticket is helping Pre-K students get a strong start, building the foundations for the future, providing learning for a lifetime, and contributing to schools’ needs.

Because you played, last year we were able to contribute $622 million to education. That averages $1.7 million raised for education each day or over $19 raised for education every second. While these funds represent only a small portion of the state’s overall education budget, the positive impact is felt in communities from the Crystal Coast to the Blue Ridge Mountains.

Getting a Strong Start
Being ready to learn helps kids get the most out of school. The N.C. Pre-K program serves four-year-old children who are at risk of falling behind their peers as they prepare for kindergarten. Thanks to lottery funds, 14,509 children across the state were provided a free, academic pre-school experience last year.

Providing for Schools’ Needs
It takes a team to make a school work. Last year more than $370 million in lottery funds were made available to support the operations of public and charter schools, including the costs of support staff such as office assistants, custodians and substitute teachers.

Learning for a Lifetime
Lottery funds provide scholarships based on financial need to help students attend a state university or community college. Last year, 27,875 students in our state received scholarships. A second way that the lottery helps make college affordable is through the UNC Need-Based Grant Program. Last year, 49,941 students received grants.

Getting financial assistance from the lottery definitely helped me pursue my education. It opened up opportunities for me to get those interviews and prove myself in those interviews so I could get the job.”

Susan Parrish, Bachelor of Science in Management of Information Systems, University of Mount Olive

Here’s how the funds were used last year:

<table>
<thead>
<tr>
<th>Category</th>
<th>Funding (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-kindergarten</td>
<td>$17</td>
</tr>
<tr>
<td>School Construction</td>
<td>$25</td>
</tr>
<tr>
<td>Non-Instructional Support Staff</td>
<td>$62</td>
</tr>
<tr>
<td>Need-Based College Scholarships</td>
<td>$246</td>
</tr>
<tr>
<td>UNC Need-Based Financial Aid</td>
<td>$92</td>
</tr>
</tbody>
</table>

Over $5.2 billion raised for education.

FY 2007–FY 2017

Foundations for Success
Students need space to learn. One of the most highly visible programs the lottery supports is school construction and repair. And last year, local school districts received a total of $108 million in lottery funds to help meet needs that otherwise would have to be paid for by alternative means, such as property taxes. Local officials decide the best use of the construction funds they receive. Here’s a way to see how money flows into projects across the state.

Source: N.C. Department of Public Instruction

Updated as of May 20, 2018

And help give back millions to education each day.

Source: Fiscal Research Division of the N.C. General Assembly

16% Non-Instructional Support Staff
17% School Construction
13% Pre-kindergarten
5% Need-Based College Scholarships
2% UNC Need-Based Financial Aid

$451,487 Career Tech Center Debt service

From Cherokee to Currituck, and all across the state, lottery dollars help provide the foundations for success.
Engaging Stakeholders

Through our improved stakeholder engagement program, we are creating a positive, transparent environment where stakeholders are informed of day-to-day operations and feel comfortable with sharing concerns and asking questions. Last year, the lottery:

- Conducted the first stakeholder advisory panel, consisting of a representative from every primary stakeholder group.
- Conducted 13 community and civic talks across the state.
- Engaged with our online Player’s Club of over 830,000 members, writing over 215 blogs and answering thousands of player questions on our blog and social media platforms.

Maintaining Transparency

The only way we can continue to grow and uphold the mission of raising money for education is through public trust. Every year we publish our corporate financial reports. As a testament to our success in this area, independent auditors conducting the annual financial audit have issued a “clean opinion” – the highest review possible – every year for 10 years. The lottery has also received the Certificate of Achievement for Excellence in Financial Reporting bestowed by the Government Finance Officers Association seven times. Last year, the lottery:

- Conducted research and answered over 40 formal public information requests from state and national inquiries.
- Responded to 279 media requests.
- Shared news and information with the public through 265 media releases and advisories to media across the state.

Protecting Players

Our job is to provide fun and entertaining games, to ensure they are operated fairly, and to protect the interest of those who choose to play them. Our responsible gaming program centers around the education, encouragement, and empowerment of our players. Educating players on how our games work and how to play them, encouraging lottery play in a sensible and responsible way, and empowering players to stay informed and be in control of their play. Last year, the lottery:

- Established the first responsible gaming committee, consisting of a representative from every department.
- Developed a more robust responsible gaming action plan, identifying measurable goals and objectives.
- Prepared for the submission of the World Lottery Association’s Level 4 certification, the highest level of international achievement in responsible gaming.

Supporting Communities

While we work to strengthen our relationship with individual stakeholders, we also work to support the communities where we do business. The lottery is always looking for new ways to engage with stakeholders, share news on the good cause the lottery serves, and listen to feedback. To help meet this goal, last year the lottery:

- Participated in 14 community events across the state.
- Sponsored 16 professional sporting teams across the state.
- Sponsored 14 collegiate sport programs in North Carolina.

Our Four Pillars of Corporate Responsibility

Volunteer Initiatives

Lottery employees give back. Last year, lottery employees volunteered their time, collected donations, and gave back to the communities in 10 lottery-sponsored events. From blood drives and book drives to volunteering as classroom buddies for pre-school students, we’re helping to build a stronger North Carolina.

Lottery employees took time out of their schedules to donate blood to help save a life. Over the course of the year, the lottery hosted four on-site blood drives and collected over 86 units of blood.

The lottery got to taste some of the best barbeque in the world while supporting local communities at the NC Barbecue Festival in Lexington last year.
For the fourth year in a row, earnings for education topped half a billion dollars. And while that’s certainly something to celebrate, we realize it’s not just about what we do, but how we do it.

Every day we celebrate education. We celebrate education by meeting our mission of raising money for education and the dreams it makes possible for students in our state.

Creating “Proud Moments” in Education
Each year the lottery helps create countless proud moments in education across the state. To celebrate these moments, we asked parents, teachers, and students to tell us what their proud educational moment was. We chose ten winners and awarded them each $20,000. Here’s a look at some of their inspiring stories:

Skyler spearheaded a campaign to raise money to repair broken equipment on his school’s playground. He donated half of the prize money to help the school reach its fund-raising goal.

Heather underwent brain surgery and overcame severe health challenges to graduate high school on time. She’s now attending community college to fulfill her dream of becoming a teacher.

“I look up to my teachers and how hard they work. I want to inspire people to learn as well.”

Heather Watkins, Durham

When Jeffrey turned nine, instead of asking for birthday presents, he asked for books to give to his school’s library. He collected 31 new books for the school.

“This proud moment furthers our school’s love for reading and education as well as creates inspiration for others.”

Paulette Winters, Stem

Students at Weeksville Elementary School in Elizabeth City have a new place to play thanks to Stephanie Ambrose and her son, Skyler:

“I am so proud he took the proper steps to make changes for his school.”

Stephanie Ambrose, Elizabeth City

Saying thanks to teachers.
The lottery celebrates education by celebrating some of our state’s best—public school teachers.

As part of our partnership, each week our four draw stations across the state share a feature on an inspiring teacher in their region. The stories put a spotlight on some of the great teachers in our state and the work they do to help our children succeed in school. But the program is also a way to show appreciation to teachers all during the school year for their work and dedication.

“Saying thanks to teachers.”

The lottery’s renewed commitment to North Carolina inspired the volunteer committee to pursue partnerships with organizations and causes that align with the lottery’s mission—public education.

This year, the volunteer committee established a true mission statement of supporting education programs statewide, seeking not only to be a leader in funding education, but in enriching education programs in local communities.

Supporting education through acts of service.
The lottery collected books for children for WAKE Up and Read to help increase access to literacy resources and opportunities for all children.

“I’m proud to work for an organization that has heart and encourages employees to give back to the community.”

-Raquel Rivera, Volunteer Committee

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The Report to the Public is a new way to share information with our stakeholders – that’s you! We hope you found this report to be helpful. We know the only way we can continue to uphold our mission of raising money for education and to grow responsibly is with public trust. As part of our commitment to North Carolina, we publish and share our corporate reports. To view the lottery’s financial statements detailed in the Comprehensive Financial Annual Report and the overview of the lottery’s financial condition detailed in the Popular Financial Report, please visit nclottery.com/CorporateSocialResponsibility/Integrity. To see a breakdown of where the money goes in your county, please visit: nclottery.com/Education.

Every year an independent auditor examines the lottery and financial matters under the supervision of the Office of the State Auditor. The lottery has received the highest opinion available every year of operation. Audit reports issued by the Office of the State Auditor can be obtained from the web site at www.ncauditor.net. Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

Office of the State Auditor State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: 919.807.7500 | Facsimile: 919.807.7647

Because of the lottery scholarship, Trent Haire, an N.C. State student from Benson, is able to pursue his dream of owning his own fashion company.

“I want to put my touch on the fashion world one day. I can do that now.”