



**2024**  
ANNUAL  
REPORT



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The New Jersey Lottery is committed to providing revenue-generating entertainment products to help protect the retirement benefits of those who serve our communities, including New Jersey's teachers, police officers, firefighters, and other public employees. We accomplish this through the responsible sale of Lottery products and a dynamic public business enterprise built upon honesty, integrity, customer satisfaction, and private partnerships.

# EXECUTIVE OVERVIEW

The New Jersey Lottery, a foundational leader and innovator in the North American lottery community, is proud to present our annual report for fiscal year 2024.

With respect to sales, we have set a high standard. The New Jersey Lottery's sales have exceeded \$3 billion every financial year since 2015. Fiscal year 2024 saw the fourth highest results in the Lottery's 54-year history and were only slightly below 2023's record high.

Our success marks the continuation of another streak: the seventh consecutive year the Lottery's contribution to the State pension system exceeded \$1 billion. Lottery profits were a significant part of the State's \$7.7 billion payment to the pension system, helping to fulfill Governor Murphy's promise to fully fund state pensions.

For the year, sales were \$3.63 billion, down 2.5 percent from the record-setting \$3.73 billion in 2023. The proceeds allowed for a \$1.17 billion contribution to the State pension system. Powerball was a valuable driver of success as sales rose to \$369 million in 2024, up 19.8 percent from 2023. Mega Millions also continued to thrive and generated \$259 million.

Pick-6 Double Play, Jersey Cash 5, Cash4Life, Fast Play and Cash Pop all saw sales grow compared with 2023. Pick-3 and Pick-4 and Scratch-Offs all saw sales decline as the Lottery has been facing increased competition from new forms of online gaming.

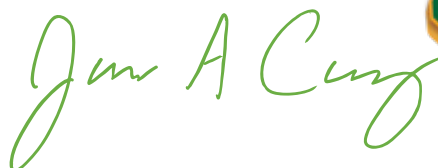
For players, it would be an understatement to say 2024 was exciting. Winning numbers resulted in \$2.1 billion in prizes awarded to players. The New Jersey Lottery had its biggest winner ever when a player in Neptune Township won a \$1.1 billion Mega Millions annuity jackpot in March. Other big prizes included a \$222 million Powerball winner; a \$30 million Pick-6 jackpot split by two players; and a \$25 million Pick-6 winner.

More than 6,000 Lottery retailers earned a total of \$214 million in commissions.

At the Lottery, we can't put a price on credibility and continuous improvement, without which our success would ring hollow. The Lottery prioritizes responsible gaming and will continue to amplify that message through all of our outreach channels. The New Jersey Lottery maintains its Level 4 status in the World Lottery Association's Responsible Gaming Framework.

Players are the drivers of our success, but we can't put them in the position to win without the help of our employees, retailers and vendors. It is on behalf of all that I am honored to submit this report.

James A. Carey, Jr.  
Executive Director



# LOTTERY COMMISSION



**Phil Murphy**  
Governor



**Tahesha Way**  
Lieutenant Governor



**Elizabeth Maher Muoio**  
State Treasurer  
Ex Officio



**Robert J. D'Anton**  
Chair



**Ian K. Leonard**  
Vice Chair



**Shoaib Kahn**  
Director,  
NJ Division of Investment  
Ex Officio



**Dr. Munr Kazmir**  
Commissioner

# THE NEW JERSEY...



# BILLIONAIRE



It was a nine-month wait, but in December 2024 the Garden State learned that the billion-dollar jackpot was finally claimed.

The ticket was drawn March 26 at the Saker ShopRite in Monmouth County's Neptune Township and matched the winning numbers of 07, 11, 22, 29 and 38 as well as the Gold Mega Ball number 04.

In New Jersey, Lottery winners have one year from the date of the drawing to file a claim before the ticket expires, and it is common for large jackpot winners to take their time.

At \$1.128 billion, the jackpot was the fifth highest in the game's nearly 30-year history at the time. The winner had elected to receive the cash value of the prize, which was \$536 million before state and federal taxes.

The New Jersey player values privacy and has chosen to remain anonymous. A 2020 New Jersey law allows lottery winners to remain anonymous indefinitely, and the identity of winners will not be included in materials available to public inspection under the State's Open Public Records Act. Players claiming Lottery prizes worth at least \$600 must still provide their identity to Lottery officials to claim a prize.



# IN IT TO WIN IT: PRIZES OF ALL SIZES

The New Jersey Lottery saw its biggest win in its 54-year history on March 26, 2024 when a Garden State player won the \$1.1 billion Mega Millions drawing. The ticket was sold at the Saker ShopRite in Neptune Township and had a cash value of \$536 million.

New Jersey's winning streak continued just a few months later, this time when a player won a \$222 million Powerball jackpot on June 10 in Lindenwold, Camden County.

Leaving those whopping prizes to the side, it is worth noting that the New Jersey Lottery saw nearly 150 players win prizes with values of above \$250,000.

## \$1,000,000 AND ABOVE WINNERS



# \$250,000 TO \$999,999 WINNERS

2017  
79 PLAYERS



2018  
81 PLAYERS



2016  
83 PLAYERS



2019  
67 PLAYERS



2024  
79 PLAYERS



2020  
73 PLAYERS



2021  
85 PLAYERS



2022  
82 PLAYERS



2023  
72 PLAYERS



# GAME SALES



# FINANCIAL RESULTS

## \$3.6 BILLION IN SALES

Fourth highest in the Lottery's 54-year History.

Game sales have topped \$3 billion every year since 2015.

Seventh time lottery's contribution to the state pension fund exceeded \$1 billion.

For first time in 25 years, state has fully funded pension for four consecutive years.

Scratch-Off sales topped \$2 billion for the fourth consecutive year.

About 6,500 retailers earned \$214 million in commissions and \$3 million in bonuses, which are tied to the selling of top tier winning tickets.

Operational expenses were \$151 million.

Powerball sales rose to \$369 million in 2024, up 19.8 percent from 2023.

Pick-6 Double Play saw the biggest percentage sales increase of 23 percent to \$80 million from \$65 million.

Fast Play Progressive rose 19.4 percent to \$63 million from \$53 million.



# AWARDS

The New Jersey Lottery was recognized for excellence in Responsible Gaming, advertising and marketing during the year. The awards underscore the commitment the Lottery has to championing for the state fiscal health while best serving the community.

## RESPONSIBLE GAMING

The National Council on Problem Gambling gave the Corporate Multicultural Communications Award to The New Jersey Lottery for its multicultural communication strategy with the Retailer Code of Conduct, connecting with English and Spanish-speaking audiences. The award recognizes both our commitment to broadcasting our responsible gaming message and highlights our commitment to continuous improvement in our responsible gaming programs.

## SALES GROWTH

The Lottery garnered the Association of National Advertisers' prestigious Reggie Award for its "Great Debate" Scratch-Off game campaign, which wrestled with the Garden State's breakfast food question.

Reggie Award winners must show how their work built brand image while driving specific consumer actions. More than 200 industry experts judged each entry based on criteria such as whether the campaign aligns with the organization's goals and values; originality; execution and message integration; and business results.

The New Jersey Lottery's goal for a ticket launch at the beginning of fiscal year 2024 was to connect with a New Jersey cultural identity while striving to offset the typical summer slump in Scratch-Off sales. The campaign was a resounding success as "The Jersey Debate" had the highest first-week sales ever for a \$5 Scratch-Off.

While the campaign did seek to resolve the Garden State's existential question, we may never truly know the final answer.

## STATE AND INDUSTRY AWARDS

The New Jersey Ad Club celebrates excellence in advertising, marketing, and design across the state. Success in the prize categories underscores an organization's dedication to serving the state's communities. The New Jersey Lottery claimed six first-place prizes and three second-place honors across multiple advertising platforms. In the North American Association of State and Provincial Lotteries awards, New Jersey earned two first-place recognitions.



# WHERE THE MONEY GOES

The New Jersey Lottery is the fifth largest source of revenue to the State--all as a nontax, voluntary, entertainment enterprise. The organization is self-supporting through its sale of fun gaming products. Lottery contributions to the state have totaled \$33.5 billion since 1970, securing funding for needed programs and services.

## PENSIONS

In 2017, a bipartisan 30-year agreement was signed into law to protect the retirement benefits of those who improve the lives of others by providing essential services, such as New Jersey State teachers, police officers, firefighters and other public employees. The Lottery is helping to ensure that their service today will result in a secure future for them tomorrow.

## RETAILERS

Beyond prizewinners and public benefits, the Lottery also plays a vital role in supporting businesses throughout the state. Lottery retailers earn commissions on each ticket sold and cashed in their store, and the draw of Lottery games helps bring in hungry and thirsty foot traffic looking for refreshment.



# ANONYMITY

Winners of New Jersey Lottery games can enjoy their prizes in privacy. While the Lottery loves to show off and brag about its numerous winners, players in New Jersey may remain anonymous to the general public if they choose.



# WINNER COMMENTS

From so many winners come a myriad of happy stories on how winning makes a difference in their lives.



Craig Reynolds, a long-time lottery player, prefers to check his tickets periodically. As he scans his tickets, he expects to see some prizes alongside some lottery contributions, as he jokingly calls them. Recently, he pulled out his phone and was working his way through a stack of tickets that had been sitting in his center console building up over the month.

"I scanned the Jersey Cash 5 tickets one by one. Not a winner, not a winner, \$2, not a winner, \$100,000 jackpot, not a winner... wait what?" With excitement and uncertainty, Craig repeatedly scanned the jackpot-winning ticket expecting the message to change. "I immediately called my wife to tell her that I think we won the jackpot. She couldn't believe it either and thought there might be a problem with the scanner." (Staff note: Our scanners work great!)

To triple-check the ticket, Craig took the unassuming slip of paper to the liquor store where his son works to scan it again. As his son scanned the handful of tickets, Craig made a tongue-in-cheek remark about what would happen if he had won the jackpot. When his son scanned the winning ticket, he was also shocked and couldn't believe the prize. Craig's wife shouted, "We won \$100,000?!" drawing the attention of the whole store. Fortunately, Craig was happy to show his smiling face and tell his story. Craig shared with us that 2024 has been a wonderful year and a significant improvement, especially compared to difficulties he faced in 2023. While things are great now, a battle with cancer and a mobility-restricting stroke really challenged him and his family. Craig is happy to announce that the cancer is in remission, he has regained full mobility, and he shares his story with other veterans as they help each other through life's challenges.

Now the only challenge for Craig and his wife is deciding whether to take a fishing trip in the mountains or sunbathe at the beach. The lucky ticket was purchased for the April 7, 2024, Jersey Cash 5 drawing at Quick Mart, 328 Whitehorse Pike, Clementon in Camden County. The winning numbers were 8, 13, 18, 27, and 42.

# WINNER COMMENTS (CONTINUED)



**\$1 MILLION**

"Never thought I would get a million dollars. It hasn't sunk in yet. I can pay off house, second mortgage and credit card debt."

**\$1 MILLION DIAMOND SPECTACULAR WINNER**



**\$1.7 MILLION**

"I was looking forward to retirement. This will speed the process up."

**JERSEY CASH 5 WINNER**



**\$693,032**

"I've been playing for 20 years. I was hoping to get lucky one day."

**JERSEY CASH 5 WINNER**



**\$500,000**

"I thought I won \$50,000. I was thrilled. I about died when I realized it was \$500,000."

**IT'S A JERSEY THING WINNER**



**\$15 MILLION**

"I'm not materialistic. I just want to help out family and friends."

**PICK-6 WINNER**



**\$861,944**

"Oh, it's going to happen again."

**JERSEY CASH 5 WINNER**



**\$400,000**

"My palms are sweating. This is thrilling. We are simple people and live a simple life."

**SCRATCH-OFF WINNER**



**\$1 MILLION**

"I always play a different one. When I first saw what I won, I thought 'Ok. Maybe \$10,000? That's great.' But then I realized it was \$1 million."

**\$1,000,000 PLATINUM PAYOUT WINNER**



**\$1 MILLION**

"I don't normally play this game. I went to get coffee and I was thinking what I should get my wife for an anniversary present."

**MEGA MILLIONS WINNER**



# TOP WINNERS 2024

Winning numbers resulted in **\$2.1 Billion** in eligible winnings, with 65 prizes being \$1 million or more.

Among the notable winning draws were:



A Mega Millions ticket worth **\$1.1 Billion**, the fifth largest in game history at that time.



A **\$222.6 Million** Powerball



Two Pick-6 tickets splitting a **\$30 Million** prize



A **\$25.8 Million** Pick-6 ticket



100 players won prizes of between **\$250,000 to \$999,000!**

# TOP WINNERS 2024 (CONTINUED)



<b>\$1,000,000</b>	Gloucester
<b>\$100,000</b>	Hudson
<b>\$100,000</b>	Hudson
<b>\$50,000</b>	Essex
<b>\$50,000</b>	Ocean
<b>\$50,000</b>	Hudson
<b>\$25,000</b>	Union
<b>\$25,000</b>	Somerset
<b>\$25,000</b>	Ocean
<b>\$25,000</b>	Essex
<b>\$10,000</b>	Morris
<b>\$10,000</b>	Salem
<b>\$10,000</b>	Middlesex
<b>\$10,000</b>	Ocean
<b>\$10,000</b>	Middlesex



A light green outline map of the state of New Jersey is centered on a dark green background. The map shows the state's irregular coastline and major landmasses.

STATE OF NEW JERSEY,  
DIVISION OF STATE LOTTERY

**NEW JERSEY LOTTERY  
RESPONSIBLE GAMING  
ANNUAL REPORT**

FISCAL YEAR 2024



# RESPONSIBLE GAMING ANNUAL REPORT

## ABOUT THE NEW JERSEY LOTTERY

The New Jersey Lottery is an executive agency of the government of the State of New Jersey. The Lottery is committed to providing revenue-generating entertainment products to help protect the retirement benefits of those who serve our communities, including New Jersey’s teachers, police officers, firefighters, and other public employees. The Lottery accomplishes this through the responsible sale of Lottery products and a dynamic public business enterprise built upon honesty, integrity, customer satisfaction, and private partnerships.

Bipartisan legislation passed in July 2017 created the Lottery Enterprise Contribution Act (“LECA”) (Chapter 98 of the Public Laws of 2017) to strengthen New Jersey’s pension system and provide ongoing financial stability and growth potential to the State’s retirement systems until 2047. Under the LECA, the Lottery’s entire net proceeds are contributed to the State pension system and used to help fund the pensions of retired public employees throughout the state, including police and firefighters, teachers, and state, county, and local employees.

Lottery contributions to the state have totaled \$33.5 billion since 1970, securing funding for needed programs and services.

## NEW JERSEY LOTTERY GAMES

The following Lottery games were offered during FY2024:



Draw Game, \$2 per play. Drawings Tuesday and Friday evenings. Jackpot starts at \$20 million.



Draw Game, \$0.50 per play. Daily midday and evening drawings. Players pick any 3-digit number from 000 to 999.



Draw Game, \$2 per play. Drawings Monday, Wednesday, and Saturday evenings. Jackpot starts at \$20 million.



A series of terminal-based games, offering various price points and play styles. Tickets are printed on-demand. Players do not need to select numbers or wait for a drawing to determine if they have a winning ticket.



Draw Game, \$2 per play. Drawings Every Night. Top Prize of \$1,000 a Day for Life, second prize \$1,000 a Week for Life.



Draw Game, \$1 - \$10 per play. Drawings every four minutes with a chance to win up to \$1,000,000 on a \$10 wager.



Draw Game, \$1 per play. Drawings Every Night. Jackpot starts at \$100,000.



Draw Game, \$1 - \$10 per play. Drawings every four minutes, with a chance to win up to \$250 on a base wager.



Draw Game, \$0.50 per play. Daily midday and evening drawings. Players pick any 4-digit number from 0000 to 9999.



A printed, paper-based ticket in which winners are determined instantly through a process of removing a coating covering the play area. Ticket prices range from \$1-\$30 per ticket. About 40 new Scratch-Offs are introduced each year.

## RESPONSIBLE GAMING

The Lottery is committed to the responsible sale of Lottery products. The Lottery's marketing, advertising, game design, sales, technology and promotions teams all support responsible gaming through the Lottery's advertising campaigns, product portfolio, interaction with retailers and players, and various promotions held throughout the State. The Lottery has demonstrated its significant accomplishments in responsible gaming by achieving Level 4 of the World Lottery Association's ("WLA") Responsible Gaming Framework. This certification is the most comprehensive measure of responsible play among lotteries in the industry. The Lottery was first granted this certification in 2016 and was recertified in 2019 and most recently in 2022. The Lottery fully intends to continue to uphold the most thorough, complete, and current responsible gaming initiatives in all aspects of the Lottery's operations.



**CERTIFIED  
WLA RESPONSIBLE GAMING  
FRAMEWORK  
LEVEL 4 / VALID UNTIL 2025**

As a Level 4 certified lottery, the Lottery has demonstrated its ongoing commitment to continuously improving its responsible gaming program across 10 program elements defined by the WLA. This report highlights the Lottery's fiscal year 2024 responsible gaming activities across each of these program elements.

## KEY RESPONSIBLE GAMING ACTIVITIES:

### RESEARCH:

The Lottery conducts responsible gaming research to identify the strengths and opportunities of its responsible gaming program. In fiscal year 2024, the Lottery conducted the following responsible gaming specific research:

#### Annual Responsible Gaming Awareness and Knowledge Surveys:

- VIP Club
- Retailers
- Employees

#### Responsible Gaming Surveys:

- Responsible Gaming Terminology
- Gift Responsibly Campaign Impact

Additionally, throughout the year the Lottery conducts Lottery-specific research that includes responsible gaming questions. The feedback received from this research provides information on the strength of the Lottery's responsible gaming program and public opinion about the same.

The results of the responsible gaming research are used by the Lottery to improve the reach, resonance, and messaging of its responsible gaming programming.



### EMPLOYEE PROGRAM:

The Lottery distributes a quarterly responsible gaming eNewsletter to all employees. The responsible gaming eNewsletter informs employees of the Lottery's current and/or planned responsible gaming activities, initiatives, and/or accomplishments.

## RETAILER PROGRAM:

As a condition of receiving and maintaining their retail licenses, all Lottery retailers are required to fulfill responsible gaming requirements, which include watching The New Jersey Lottery Retailer Responsible Gaming Training Video (Retailer Responsible Gaming Training Video) and acknowledging receipt and review of the Retailer Code of Conduct. These requirements must also be fulfilled in connection with all retail changes of ownership, whereby a current retail location is purchased, and the new owner seeks to continue selling Lottery products at that location, and all biennial license renewals.

In fiscal year 2024, the following numbers of retailers fulfilled the Lottery's responsible gaming requirements:

- 314 new retailers (July 1, 2023 – June 30, 2024);
- 345 change of ownership retailers (July 1, 2023 – June 30, 2024); and
- 3,366 retailer licensure renewals (July 2023 – Dec 2023)



### NEW JERSEY LOTTERY RETAILER CODE OF CONDUCT

To support the New Jersey Lottery's commitment to ensuring integrity, honesty and fairness, licensed Lottery Retailers and their employees must responsibly sell and redeem New Jersey Lottery tickets with integrity, respect and social responsibility in the following manner:

#### INTEGRITY

- Retailer will adhere to the Lottery's commitment to maintaining a positive brand image and positive playing experience for our customers.
- Retailer will comply with all laws and regulations that apply to the Lottery.
- Retailer will follow all Lottery operating procedures, including proper Lottery terminal security, establishing and maintaining inventory control, and reporting all lost or stolen Lottery tickets as soon as they are detected.
- Retailer will make game rules and game information, such as prize details and game results, readily available to customers.
- Retailer will adhere to the Lottery's policies pertaining to the proper payment of prizes.
- Retailer will cooperate with all investigative, security inspection and compliance activities conducted by Lottery personnel or any law enforcement or regulatory agency.

#### RESPECT

- Retailer will promote fair, honest and courteous treatment of all customers.
- Retailer will answer all reasonable customer questions or direct customers to contact the Lottery as necessary.

#### SOCIAL RESPONSIBILITY

- Retailer will sell Lottery tickets to, and redeem winning Lottery tickets for, only individuals who are 18 years of age or older.
- Retailer will never pay an incorrect, discounted prize amount or an amount that exceeds the Lottery's cashing limit, including the cashing of a winning ticket as a "service" to customers or friends.
- Retailer acknowledges that failure to conform to this New Jersey Lottery Retailer Code of Conduct will result in disciplinary action, up to and including revocation of the New Jersey Lottery Retailer License.



Must be 18 or older to buy a lottery ticket. Please play responsibly. If you or someone you know has a gambling problem, call 1-800-GAMBLER.

## GAME DESIGN:

All Lottery games that are released to The New Jersey market have gone through two analyses that help the Lottery determine that the risk of each Lottery game in the market is minimized with regard to vulnerable populations and for the potential appeal of such games to underage persons. These risk analyses are:

- 1) A third-party software that evaluates the structural and situational characteristics of each game using a rating scale for each game's key elements. The lower the rating of each game the lower the level of risk. To date, all Lottery games on the market have scored low risk.
- 2) A Responsible Gaming Social Responsibility Assessment ("Social Responsibility Assessment") that evaluates the visual appeal and messaging of all Lottery games to ensure each game is compliant with the Lottery's Game Design Code of Conduct. The Social Responsibility Assessment reviews each proposed game's aesthetics, sounds, imagery, and text to minimize the risk of appealing to vulnerable populations and/or underage persons. All games released to date, including during fiscal year 2024, have passed both analyses.

The number of Lottery games launched in fiscal year 2024 that passed both analyses were:

- 33 Scratch-Offs launched between July 1, 2023 – June 30, 2024
- 23 Fast Play Progressive games launched between July 1, 2023 – June 30, 2024



## ADVERTISING AND MARKETING COMMUNICATIONS:

The Lottery ensures responsible gaming messaging is included in all Lottery advertising and marketing communications, and that these communications are age-appropriate and socially responsible. Additionally, each quarter the Lottery publishes a responsible gaming advertisement.

### Not 18 Yet? No Bet

**Not quite yet.**  
Lottery is not for anyone under the age of 18.

The New Jersey Lottery offers many fun and entertaining games, but these games are not meant for minors. For more tips, information, and resources about playing the lottery responsibly, visit [NJLottery.com/Underageplay](http://NJLottery.com/Underageplay).

New Jersey Lottery

### Gift Responsibly

**Dream Big. Play Responsibly.**  
Life is about balance.

The New Jersey Lottery is a provider of fun and entertaining games that should be enjoyed responsibly. The lottery should not be considered or played as an alternative source of income. For more information about responsible gaming, visit [NJLottery.com/PlayResponsibly](http://NJLottery.com/PlayResponsibly).

New Jersey Lottery

### Dream Big

**'Tis the season to gift responsibly.**  
Lottery is not child's play.

The New Jersey Lottery is a provider of fun and entertaining games that are not intended for anyone under the age of 18. Parents are urged to think twice about gifting lottery tickets to children. For more information about responsible gaming, visit [NJLottery.com/Underageplay](http://NJLottery.com/Underageplay).

New Jersey Lottery

### Play Responsibly

**Lottery Pool Rules**  
Here are a few tips before jumping in!

1. Know who is in your pool and record who has contributed.
2. Establish and agree to ground rules. Know what happens if the group wins.
3. Be civil & good member as your leader. Choose wisely.
4. Keep all original tickets in a secure place.
5. Determine what game you want to play. Good luck and remember, anything can happen in Jersey!

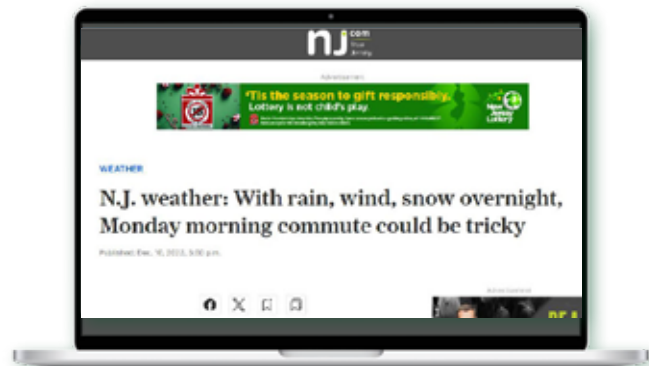
For more information about responsible gaming and pool play, visit [NJLottery.com/PoolRules](http://NJLottery.com/PoolRules).

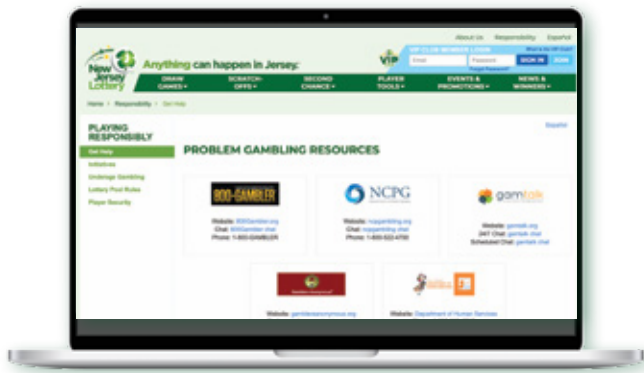
New Jersey Lottery

## PLAYER EDUCATION:

The Lottery is committed to protecting its players by educating players that Lottery products are offered as a form of entertainment. In doing so, the Lottery provides them with responsible gaming tips and information, and also provides contact information for treatment providers when needed. In fiscal year 2024, the Lottery communicated responsible gaming messages and information to players as follows:

- Publishing responsible gaming advertisements state-wide via newspapers and digital advertisements quarterly.
- Sharing responsible gaming messages through radio live reads three times throughout the year.
- Posting responsible gaming messages to the Lottery's social media platforms at least once a month and more frequently during March, September, the holiday season, and when jackpots are greater than \$500 million.
- Publishing responsible gaming messages on Draw Game tickets at least once a month and more frequently during March, September, the holiday season, and when jackpots are greater than \$500 million.
- Including responsible gaming messages in VIP Club emails informing VIP Club members of the Lottery's Problem Gambling Awareness Month, "Not 18 Yet? No Bet", and Gift Responsibly campaigns.
- Updating the Lottery's responsible gaming webpages to be more interactive and engaging for page viewers.





## TREATMENT REFERRAL:

The Lottery provides treatment referral resources to the public via its website (NJLottery.com/gethelp) and other public-facing platforms. The resources the Lottery provides contact information for are: the Council on Compulsive Gambling of New Jersey (“CCGNJ”), National Council on Problem Gambling (“NCPG”), gamtalk, Gamblers Anonymous®, and the New Jersey Department of Human Services. Retailers are also equipped with brochures and have the ability to print out the CCGNJ’s helpline number on a ticket when requested.

## STAKEHOLDER ENGAGEMENT:

The Lottery continually seeks opportunities to cultivate and strengthen its relationships with a variety of stakeholders. These stakeholders include New Jersey residents, Lottery retailers, Lottery players, the Lottery Commission, Lottery beneficiaries, Lottery employees, Lottery vendors, the Governor and State Legislature, problem gambling prevention and treatment providers, trade associations, charitable organizations, academic institutions, civic groups, and other organizations.

The Lottery is a key member of and/or participant in the following organizations relating to responsible gaming and problem gambling:

- The Council on Compulsive Gambling of New Jersey.
- The National Council on Problem Gambling.
- The International Center for Responsible Gaming.



The Lottery and CCGNJ teamed up in March for Problem Gambling Awareness Month to create a video series of “Crucial Conversations”, in which the CCGNJ educated the public on how to have difficult conversations regarding gambling. The Lottery released a new video each week during Problem Gambling Awareness Month. The video series can be found at the Lottery’s initiatives webpage and consist of:

- Preparing to have a crucial conversation
- How do I talk to my spouse about problem gambling
- How do I talk to my teen about problem gambling
- How to talk to myself about problem gambling

## REPORTING AND MEASUREMENT:

The Lottery develops its responsible gaming goals and initiatives based on the opportunities identified by the WLA through the Lottery’s WLA recertification process, from feedback received from its stakeholders through surveys, and from best practices learned in connection with its various stakeholder engagement activities. These identified opportunities help the Lottery to improve its responsible gaming programs and to report valuable responsible gaming goals and initiatives to relevant stakeholders in a meaningful manner.



A light green outline map of the state of New Jersey is centered on a dark green background. The map shows the state's irregular shape, including the Delaware and Maryland bays to the east and the Pennsylvania border to the north.

STATE OF NEW JERSEY,  
DIVISION OF STATE LOTTERY

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY  
INFORMATION**

JUNE 30, 2024

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**MANAGEMENT'S DISCUSSION AND  
ANALYSIS (UNAUDITED)**

# STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

## INTRODUCTION

The following discussion and analysis provides an analytical overview of the financial position and activities of the State of New Jersey, Division of State Lottery (the "Division of State Lottery") for the years ended June 30, 2024 and 2023. This statement was prepared by management and should be read in conjunction with the financial statements and notes hereto, which follow this section.

The Division of State Lottery was established in 1970 pursuant to the State Lottery Law, N.J.S.A. 5:9-1 through 25. The Division of State Lottery operates within the Department of the Treasury of the State of New Jersey. The New Jersey Lottery Commission is a seven-member board, appointed by the Governor, authorized and empowered to promulgate rules and regulations in the operation of the Division of State Lottery. The Division of State Lottery has control and oversight over the operations of the statewide lottery program ("the New Jersey Lottery") that sells various draw games using computer sales terminals and instant or scratch-offs games using pre-printed tickets.

The Division of State Lottery's sales totaled \$3.632 billion in fiscal year 2024, the fourth highest in New Jersey Lottery history. The net proceeds to the State were also the second highest in New Jersey Lottery history and totaled \$1.172 billion. Sales decreased by 2.5% and contribution decreased 0.1% from fiscal year 2023 to fiscal year 2024, respectively. Prizes awarded to New Jersey Lottery players, the Division of State Lottery's largest expense item, totaled \$2.158 billion in fiscal year 2024, down from \$2.230 billion in fiscal year 2023. Commissions paid to New Jersey Lottery retailers, the Division of State Lottery's second largest expense item, totaled \$214 million, compared to \$220 million in fiscal year 2023.

The Division of State Lottery's financial position at June 30, 2024 and 2023, consisted of total assets of \$1.093 billion and \$506 million, respectively, and total liabilities of \$1.092 billion and \$506 million, respectively. The significant increase in both the total assets and the total liabilities is directly attributable to the cash value of a \$536 million Mega Millions grand prize won in New Jersey on March 26, 2024 and that prize remaining unclaimed as of June 30, 2024.

Another substantial portion of the asset and liability amounts for the year ended June 30, 2024, relates to the Division of State Lottery's annuity investment in prize awards. The total amounts invested and due to Division of State Lottery winners as future installment payments at June 30, 2024 and 2023, were \$181 million and \$194 million, respectively.

Net position increased from \$195,758 in fiscal year 2023 to \$677,053 for fiscal year 2024.

The Division of State Lottery offers various products for sale with prize awards ranging from a free play or \$1.00 to annuity prizes well in excess of \$100 million. The various products sold are:

Scratch-off Tickets	Pick 3 w/Fireball
Pick 4 w/Fireball	Jersey Cash 5 w/Xtra
Pick 6 w/Double Play	Mega Millions w/Megaplier
Powerball w/Double Play and Power Play	Cash4Life w/Doubler
Fast Play Progressive	QuickDraw Progressive w/Bullseye
Cash Pop	

## STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

### INTRODUCTION (CONTINUED)

Pursuant to the Lottery Enterprise Contribution Act, L. 2017, c. 98 ("LECA"), the Lottery Enterprise must contribute all net proceeds to certain eligible pension plans for 30-years from enactment. The LECA furthers the viability of the State's Retirement System by authorizing the contribution from the Lottery Enterprise to the Teacher's Pension and Annuity Fund, the Public Employees' Retirement System, and the Police and Firemen's Retirement Systems. Under the LECA, the Division of State Lottery's net proceeds are contributed to the eligible Pension Plans each year until 2047. Prior to enactment of the LECA, the Division of State Lottery's net proceeds were contributed to the State's General Fund and utilized to support education and State institutions. The contribution of the Lottery Enterprise helps protect more than 760,000 State employees and retirees, and substantially reduces unfunded liabilities. The LECA, which improves solvency of the pension funds through the 30-year contribution of the Lottery Enterprise, does not impact Division of State Lottery operations or personnel.

Prior to implementation of the LECA (July 1, 2017), the Lottery underwent a valuation as an asset of the eligible pension plans. The purpose of the valuation was to ensure that the lottery revenues anticipated by the LECA for the duration of the act, were reasonable. The LECA requires that the Lottery be re-valued every 5 years. The first such re-valuation was conducted in fiscal year 2022. It confirmed the initial valuation to be reasonable and slightly adjusted anticipated revenues for the remaining years of the term of LECA. The next such re-valuation will take place in fiscal year 2027.

On June 20, 2013, a competitively bid 15-year contract was awarded to Northstar New Jersey, LLC ("Northstar") to provide sales and marketing services to the Division of State Lottery for the purpose of increasing lottery sales and net income. Northstar commenced providing these services to the Division of State Lottery on October 1, 2013. The Northstar Contract expires on June 30, 2029.

Northstar is reimbursed for operational and marketing costs it incurs on behalf of the Division of State Lottery. Under the Northstar Contract, if defined net income targets for a given fiscal year are met or exceeded, Northstar earns incentive compensation. If the net income targets for a given fiscal year are not met, the incentive compensation is reduced or may be eliminated entirely, and Northstar may owe a contribution payment to the Division of State Lottery. Northstar did exceed the net income targets under the contract for fiscal year 2024 and consequently is owed an incentive payment by the Division of State Lottery of \$21,840,889. In fiscal year 2023, Northstar also met the net income targets under the contract and was paid \$28,342,083 by the Division of State Lottery.

### FINANCIAL STATEMENTS

The Division of State Lottery's financial statements include statements of net position as of June 30, 2024 and 2023, statements of revenues, expenses and changes in net position for years ended June 30, 2024 and 2023, and statements of cash flows for years ended June 30, 2024 and 2023. The statements of net position, the statements of revenues, expenses, and changes in net position and statement of cash flows for the years ending June 30, 2024 and 2023 were modestly impacted by implementation of GASB Statement No. 101 in this year's statements as detailed in Notes E and I. The financial statements are prepared in accordance with the accounting principles established by the Governmental Accounting Standards Board. The basis of accounting is an accrual basis.

In fiscal year 2024, the assets and operations of the Division of State Lottery continue to be subject to provisions of LECA.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**FINANCIAL STATEMENTS (CONTINUED)**

**Statements of Net Position**

The statements of net position present the Division of State Lottery's financial position as of the last day of the fiscal year. The Division of State Lottery's assets, liabilities and net position are summarized (in millions) as follows:

	June 30,			\$ Change	% Change
	2024	2023	2022	2024-2023	2024-2023
Current Assets	\$ 930	\$ 333	\$ 310	\$ 598	179.7%
Non-Current Assets	163	173	186	(11)	(6.2%)
Total Assets	<u>1,093</u>	<u>506</u>	<u>496</u>	587	116.0%
Current Liabilities	928	331	309	597	180.2%
Non-Current Liabilities	164	174	186	(10)	(5.9%)
Total Liabilities	<u>1,092</u>	<u>506</u>	<u>495</u>	587	116.0%
Restricted Net Position	1.2	1.2	1.6	(0.1)	(6.1%)
Unrestricted Net Position	<u>(0.5)</u>	<u>(1.0)</u>	<u>(0.3)</u>	0.6	(54.0%)
Total Net Position	<u>\$ 0.7</u>	<u>\$ 0.2</u>	<u>\$ 1.3</u>	0.5	245.9%

Current assets consist of cash and investment in the State of New Jersey Cash Management Fund (the "NJCMF"), accounts receivable, current year annuity investments, and deferred expenses. The investment in the NJCMF totaled \$894 million and \$295 million at June 30, 2024 and 2023, respectively. The significant increase in the investment in the NJCMF is directly attributable to the aforementioned \$536 million Mega Millions grand prize won in New Jersey on March 26, 2024 and that prize remaining unclaimed as of June 30, 2024. The unclaimed status of this prize also impacted current liabilities, specifically the obligation for unpaid prize awards which totaled \$713 million at June 30, 2024 and \$116 million at June 30, 2023.

The Division of State Lottery funds long-term installment prizes with insurance company annuities and United States Treasury securities. The total value of these investments was \$181 million and \$194 million as of June 30, 2024 and 2023, respectively. The Division of State Lottery has annuity investments with eleven insurance companies. The total market value of the United States Treasury securities was \$25 million and \$29 million at June 30, 2024 and 2023, respectively. The annuities due beyond fiscal years 2024 and 2023 total \$163 million and \$173 million, respectively. These represent the majority of non-current assets reported on the Division of State Lottery's statements of net position. Although categorized as an asset, annuities represent an obligation that the Division of State Lottery has to pay the annuitants to fund the monies due to them over a fixed period of time based on the amount of the annuitized jackpot at the time of the "win". The duration of an annuity varies from twenty years to the life of a winner. Because of the true nature of these annuities, the Division of State Lottery has a fiduciary responsibility to continue to administer these instruments in a responsible and prudent manner. The current amounts to be paid to annuity winners totaled \$18 million and \$20 million as of June 30, 2024 and 2023, respectively.

For the last several years, the value of the portfolio of annuities managed by the Division of State Lottery has declined. This is due to the overwhelming number of new winners opting for the cash value of a prize advertised coupled with the expiration of several term and lifetime annuities each year.

Non-current liabilities represent annuity prize awards due beyond 2024 and also include the total due to Division of State Lottery employees for unused vacation and sick leave (compensated absences).

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**FINANCIAL STATEMENTS (CONTINUED)**

**Statements of Net Position (Continued)**

Net position represents the excess of the Division of State Lottery's assets over its liabilities and is summarized (in millions) as follows:

	June 30,			\$ Change 2024-2023	% Change 2024-2023
	2024	2023	2022		
Restricted (Unclaimed Prize Reserves)	\$ 1.2	\$ 1.2	\$ 1.6	\$ (0.1)	(6.1%)
Unrestricted	(0.5)	(1.0)	(0.3)	0.6	(54.0%)
Total Net Position	<u>\$ 0.7</u>	<u>\$ 0.2</u>	<u>\$ 1.3</u>	0.5	245.9%

Expired prizes, or unclaimed prize reserves, are restricted to fund either future prizes or state contributions. As such they are available, if necessary, to fund prize liability on special promotions managed by the Division of State Lottery or its sales and marketing service provider, Northstar NJ, LLC. Consistent with the LECA, any such reserve reflected in Net Position has been and will continue to be minimal. As such the Net Position was increased by \$0.5 million from fiscal year 2023 to 2024.

**Statements of Revenues, Expenses and Changes in Net Position**

The results of the Division of State Lottery's operations are presented in the statements of revenues, expenses and changes in net position, which are summarized (in millions) as follows:

	June 30,			\$ Change 2024-2023	% Change 2024-2023
	2024	2023	2022		
Operating revenues					
Ticket sales	\$ 3,632	\$ 3,727	\$ 3,634	\$ (95)	(2.5%)
Forfeited prizes	42	44	49	(3)	(5.9%)
Miscellaneous income	1	1	2	0	8.0%
Total operating revenue	<u>3,675</u>	<u>3,773</u>	<u>3,685</u>	(97)	(2.6%)
Operating expenses					
Prize expenses	2,158	2,230	2,209	(73)	(3.3%)
Retailer commissions	214	220	213	(6)	(2.8%)
Northstar NJ fees and expenses	48	49	49	(1)	(2.1%)
Vendor fees	66	68	67	(2)	(3.4%)
Administrative expense	16	14	15	2	11.0%
Bad debt expense	0.1	-	-	0	- %
Total operating expenses	<u>2,501</u>	<u>2,581</u>	<u>2,554</u>	(80)	(3.1%)
Operating income	<u>1,174</u>	<u>1,191</u>	<u>1,131</u>	(17)	(1.4%)
Non-Operating (expenses) revenue	(1.6)	(19)	(19)	18	(91.7%)
Income before transfers out	<u>1,172</u>	<u>1,172</u>	<u>1,112</u>	1	0.0%
Operating transfers – State contributions	<u>1,172</u>	<u>1,173</u>	<u>1,111</u>	(1)	(0.1%)
(Decrease) increase in net position	<u>\$ 0.5</u>	<u>\$ (1.1)</u>	<u>\$ 1.2</u>	2	143.9%

Total Lottery ticket sales for fiscal year 2024 were \$3.632 billion, a 2.5% decrease from fiscal year 2023, when sales were \$3.727 billion.

## STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

### FINANCIAL STATEMENTS (CONTINUED)

#### Statements of Revenues, Expenses and Changes in Net Position (Continued)

The Division of State Lottery is required by the State Lottery Law to contribute a minimum of 30% of net revenues from ticket sales to the State of New Jersey. The Division of State Lottery contributed to the State pension system \$1.172 billion (32.2% of net revenues) in fiscal year 2024 and \$1.173 billion (31.5% of net revenues) in fiscal year 2023. The amount contributed to public pensions in fiscal year 2024 was the second highest in New Jersey Lottery history. The Lottery's sustained profitability in fiscal year 2024 relied significantly on strong Powerball and Mega Millions Sales throughout the year, with both games benefitting from large jackpots, including five jackpots that exceeded \$1 billion. The Division of State Lottery has continued to focus on the performance of in-state games Pick 3 and Pick 4, which have evidenced a long term trend of declining sales, and scratch-offs games which also continued a trend of several years of declining sales.

The Division of State Lottery's product offerings are divided into two major categories, scratch-offs (or instant games) and draw games. Sales of scratch-offs totaled \$2.060 billion during fiscal year 2024, a decrease of 5.1% from \$2.170 billion in fiscal year 2023. Sales of scratch-offs totaled \$2.170 billion during fiscal year 2023, a decrease of 1.4% from \$2.201 billion in fiscal year 2022.

Draw games include a wide spectrum of games, including classic New Jersey only games such as Pick 3 Fireball, Pick 4 Fireball, Jersey Cash 5 Xtra, Pick 6 Double Play, Fast Play Progressive, Cash Pop and Quick Draw Progressive and the multi-state jackpot games Cash4Life Doubler, Powerball, and Mega Millions. In fiscal year 2024, draw game sales totaled \$1.758 billion compared to \$1.729 billion in fiscal year 2023, an increase of 1.7%.

The Division of State Lottery's largest expense consists of prizes awarded to players. The Division of State Lottery awarded approximately \$2.158 billion in prizes in fiscal year 2024 and approximately \$2.230 billion in fiscal year 2023.

The Division of State Lottery's second largest expense is retailer commissions. Retailers are paid a commission of 5% on all Lottery sales and a commission of 1.25% for cashing winnings. The Division of State Lottery returned \$214 million and \$220 million to our network of nearly 7,000 retailers in fiscal years 2024 and 2023, respectively. Both prize expense and retailer commissions are functions of total sales, and as sales increase or decrease, those expenses also increase or decrease.

The Division of State Lottery's expenses also include several different vendor expenses. Northstar has subcontracts with various vendors for the operation of the Division of State Lottery's gaming system and the production of scratch-offs. Northstar invoices the Division of State Lottery for the costs associated with those vendors and services on a pass-through basis.

Gaming system fees are calculated based on the Division of State Lottery's total sales for the fiscal year and totaled \$40.1 million and \$40.9 million in fiscal years 2024 and 2023, respectively. Gaming system costs relate to the costs of operating and maintaining the entire gaming system and include most hardware costs, such as servers, retailer terminals and self-service machines. Gaming system fees are proportional to sales and decreased slightly compared to fiscal year 2023, similar to prize and commission expenses.

## STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

### FINANCIAL STATEMENTS (CONTINUED)

#### Statements of Revenues, Expenses and Changes in Net Position (Continued)

Scratch-off printing costs are calculated primarily on the value of scratch-offs tickets sold. There may be additional costs for individual scratch-offs games, such as licensing fees or special features of an actual ticket. Scratch-offs printing fees totaled \$25.7 million in fiscal year 2024, a 5.4% decrease from the \$27.1 million in fiscal year 2023. The decrease is attributable to the decline in sales year over year.

Northstar is the sales and marketing vendor for the Division of State Lottery. Northstar is responsible for providing critical services to the Division of State Lottery, including operating the sales force, conducting promotions, game development, and implementing the marketing strategy. As noted above, Northstar is also responsible for managing certain key subcontracts. Northstar management fees and expenses in fiscal years 2024 and 2023, were \$21.5 million and \$21.1 million, respectively. The costs of operating the Division of State Lottery's sales and marketing function include items such as employee salaries, rent and vehicle costs. The Northstar fees and expenses do not include incentive compensation paid to Northstar, as explained below.

Marketing and advertising expenses for the Division of State Lottery were \$26.6 million in fiscal year 2024 and \$28 million fiscal year 2023 respectively. Fiscal year 2024 marketing expenses were down slightly from the prior year because of several factors, including discretionary marketing decisions and the cancellation of a sponsorship agreement. Marketing and advertising expenses are separate from the management fees described above and are paid by Northstar to other vendors on behalf of the Division of State Lottery. The advertising and marketing costs include, for example, purchasing advertising time on television and radio, and production costs for the advertisements, billboards, and point of sale materials, such as posters and counter displays.

The Division of State Lottery's administrative expenses for the fiscal years 2024 and 2023 were \$15.6 million and \$14.0 million, respectively, for each year. These administrative expenses include salaries, auditing services, rent, security, data processing services, office supplies and fees to the Attorney General. Administrative expenses increased in fiscal year 2024 because the Division of State Lottery contributed \$2 million towards its employee fringe benefit costs. In fiscal year 2023, the Division of State Lottery was granted a waiver by the State and was not responsible for paying the costs of employee fringe benefits, as it had in past years. The balance of the increase was primarily due to the State of New Jersey's compliance with GASB Statement No. 101 which increased its allocated costs for compensated absences. Additionally, the implementation of GASB Statement No. 101 directly impacted administrative expenses in fiscal year 2024 and compelled a restating of the administrative expenses in fiscal year 2023 as detailed in Note I and further highlighted in the table below. Specifically, \$667,107 in administrative expenses associated with compensated absences were restated from fiscal year 2024 to fiscal year 2023. This had a commensurate effect on net income for both years where it increased in fiscal year 2024 and decreased in fiscal year 2023. The impact on Northstar's incentive pay was a shift in incentive compensation of \$133,421 for fiscal year 2024 to fiscal year 2023.

The chart below shows the impact of the restatement to the fiscal year 2023 Statement of Revenues, Expenses and Changes in Net Position:

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**FINANCIAL STATEMENTS (CONTINUED)**

**Statements of Revenues, Expenses and Changes in Net Position (Continued)**

	June 30,	
	2023 Before Restatement	2023 After Restatement
Operating expenses		
Prize expenses	\$ 2,230,286,382	\$ 2,230,286,382
Retailer commissions	219,957,459	219,957,459
Northstar NJ fees and expenses	49,084,828	49,084,828
Vendor fees	68,048,925	68,048,925
Administration expenses	13,381,983	14,049,091
Bad debt expense	-	-
Total Operating Expenses	<u>2,580,759,577</u>	<u>2,581,426,685</u>
Operating Income	1,191,744,841	1,191,077,733
Northstar NJ Incentive Payment	(28,342,083)	(28,208,662)
Other Non-Operating (expenses) revenue	9,169,094	9,169,094
Income before transfers out	1,172,571,852	1,172,038,165
Operating transfers - State contributions	1,173,000,000	1,173,000,000
(Decrease) increase in net position	<u>\$ (428,148)</u>	<u>\$ (961,835)</u>

The Division of State Lottery has continued to perform several core functions of lottery operations following execution of the contract with Northstar. The Division of State Lottery remains responsible for the following operations: finance, payment of prizes, security and licensing of retailers, and conducting live drawings.

In fiscal year 2024, the Division of State Lottery had a total of \$21.8 million in non-operating expenses. This figure consists of the incentive payment to Northstar. The non-operating expense was offset by \$20.2 million in non-operating revenue which consisted entirely of interest earnings. Interest earnings were a function of high market interest rates and the large multistate jackpots, which resulted in the Division of State Lottery retaining prize funds for long periods as jackpots were not won and prize monies accumulated. In fiscal year 2023, the Division of State Lottery had a total of \$19.1 million in non-operating expenses. This figure includes an incentive payment to Northstar in the amount of \$28.3 million which was offset by \$0.3 million in GASB Statement No. 87 adjustments and by \$8.9 million in non-operating revenue consisting entirely of interest earnings.

Incentive compensation paid to Northstar is classified as a non-operating expense. If there is a shortfall payment owed by Northstar to the Division of State Lottery, it would be classified as non-operating income. Northstar is paid incentive compensation if the Division of State Lottery achieves certain net income targets during the fiscal year. Northstar's incentive compensation is reduced in the event the annual contractual net income target is not met or if the 30% minimum contribution threshold is not achieved.

## STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

### FINANCIAL STATEMENTS (CONTINUED)

#### Statements of Revenues, Expenses and Changes in Net Position (Continued)

In fiscal year 2019, the Division of State Lottery amended (“Amendment 4”) the service agreement with Northstar. Amendment 4 revised the formula for calculating the incentive payment owed to Northstar in that year, and increased the performance targets that are used to calculate any incentive payment to Northstar for the remainder of the Contract, thereby creating a higher performance bar to be reached before Northstar receives an incentive payment. Amendment 4 accounts for the increased sales generated by newer games. Since its inception and including fiscal year 2024, Amendment 4 has reduced the cumulative incentive payment to Northstar by more than \$48 million.

The calculation of the incentive compensation for fiscal year 2024 is set forth in the table below and is based on Schedule 10.2 of the Northstar Contract and Amendment 4. Schedule 10.2, Section 2 provides in general terms that Northstar earns an incentive payment if the Division of State Lottery’s Net Income exceeds targets identified as “Base Level Income” and “Middle Level Income” as specified for each remaining contract year in Amendment 4. Schedule 10.2, Section 3 of the Northstar Contract provides that a “Net Income Shortfall” shall be deemed to have occurred in any Contract Year in which Net Income does not meet or exceed the Net Income Target for such Contract Year. If a shortfall payment is owed, the amount of the shortfall payment must offset any incentive payment.

Amendment 4 set a net income target for fiscal year 2024 of \$1,124,767,787. Net income earned in fiscal year 2024 was \$1,194,322,186.

Because administrative expenses were restated, the calculation of Northstar’s incentive payment was modified in fiscal year 2024. For the purposes of calculating net income under the contract, the restated administrative expense was included in the fiscal year 2024 calculation, as shown in the chart below. The net income stated below to calculate the incentive payment accounts for an additional \$667,107 in Division administrative expenses that were shifted from fiscal year 2024 to fiscal year 2023. Thus, net income in the calculation below is stated as \$1,193,655,078, instead of \$1,194,322,186.

Under Amendment 4, there are two target income bands that are used to calculate incentive compensation, for each remaining year of the Northstar Contract. For fiscal year 2024, Amendment 4 set a Base Level Income target of \$925,004,850. Under the Base Level Income band, Northstar is entitled to receive 5% of that portion of net income that exceeds the Base Level Income for that year, but is equal to or less than the Middle Level Income. For fiscal year 2024, this amount was \$10,629,719. Amendment 4 set a Middle Level Income Target of \$1,137,599,230. Under the Middle Level Income and, Northstar is entitled to receive 20% of that portion of Net Income that exceeds the Middle Level Income for that year. For fiscal year 2024, this amount was \$11,211,170. Thus, the total incentive pay earned by Northstar was \$21,840,889. Increasing the administrative expenses for the fiscal year 2024 calculation caused the incentive pay to decrease by \$133,421 this year; recouping \$133,421 in additional compensation paid to Northstar last year. In fiscal year 2023, the total incentive pay earned by Northstar was \$28,342,083. Despite similar net income results, the incentive pay owed to Northstar decreased because the structure of Amendment 4, with its increased performance targets, anticipates a decreasing incentive payment over time.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**FINANCIAL STATEMENTS (CONTINUED)**

**Statements of Revenues, Expenses and Changes in Net Position (Continued)**

The Northstar Contract establishes top and bottom caps on Northstar's incentive compensation, and total incentive compensation to Northstar cannot exceed 3% of operating income for the entire contract year. Similarly, a shortfall payment to the Division of State Lottery cannot exceed 2% of operating income for the entire contract year. The 3% cap on incentive compensation was not utilized in fiscal year 2024.

The calculation is outlined in the table below.

<b>INCENTIVE PAYMENTS BANDS</b>	<b>FY 2024</b>
Above Base Level, Below Middle Level	5.0%
Above Middle Level, Below Upper Level	20.0%
<b>Operating Income Levels</b>	
<b>Base</b> Level Income (As is Scenario) (0.9%)	925,004,850
<b>Middle</b> Level Income (Performance Enhanced Scenario (2.9%))	1,137,599,230
<b>Lottery Management Agreement Net Income</b>	<b>1,193,655,078</b>
Above Base, Below Middle	10,629,719
Above Middle, Below Upper	11,211,170
<b>Subtotal Incentive Pay</b>	<b>21,840,889</b>
High Cap (Actual Net Income X 3%)	<b>35,809,652</b>
<b>Total Incentive Payment (Post Cap if Applicable)</b>	<b>21,840,889</b>

**Statements of Cash Flows**

The statements of cash flows are summarized (in millions) as follows:

	June 30,			\$ Change 2024-2023	% Change 2024-2023
	2024	2023	2022		
Cash flows from operating activities	\$ 1,776	\$ 1,228	\$ 1,127	\$ 548	44.7%
Cash flows from non-capital financing activities	(1,170)	(1,167)	(1,090)	(3)	0.3%
Cash flows from investing activities	(607)	(60)	(37)	(547)	908.6%
Net increase (decrease) in cash	\$ (1)	\$ 1	\$ -	(1)	- %

**CONTACTING THE DIVISION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens with a general overview of the Division of State Lottery's finances. If you have any questions about this report or need additional financial information, contact the Division of State Lottery's Deputy Director of Finance at One Lawrence Park Complex, 1333 Brunswick Avenue, PO Box 041, Lawrenceville, New Jersey 08625-0041.

# INDEPENDENT AUDITORS' REPORT

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**INDEPENDENT AUDITORS' REPORT**



**INDEPENDENT AUDITORS' REPORT**

State of New Jersey  
Department of the Treasury  
Division of State Lottery

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of the State of New Jersey, Division of State Lottery (the "Division of State Lottery") as of and for the years ended June 30, 2024 and 2023, and the related notes to financial statements, which comprise the Division of State Lottery's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Division of State Lottery as of June 30, 2024 and 2023, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Division of State Lottery and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Change in Accounting Principle***

As discussed in Note I to the financial statements, in 2024, the Division of State Lottery adopted new accounting guidance Governmental Accounting Standards Board ("GASB") Statement No. 101, "Compensated Absences". Our opinion is not modified with respect to this matter.

***Responsibility of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division of State Lottery's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY INDEPENDENT AUDITORS' REPORT (CONTINUED)

### INDEPENDENT AUDITORS' REPORT (CONTINUED)

#### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division of State Lottery's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division of State Lottery's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Division of State Lottery's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for budgeted amounts, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, except for budgeted amounts, the accompanying supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the financial statements. The other information comprises the schedule of Northstar NJ Net Income Targets, as listed in the table of contents but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2024, on our consideration of Division of State Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division of State Lottery's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division of State Lottery's internal control over financial reporting and compliance.

**Mercadien, P.C.**  
**Certified Public Accountants**

December 11, 2024

# BASIC FINANCIAL STATEMENTS

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**STATEMENTS OF NET POSITION**

	June 30,	
	2024	2023*
<b>ASSETS</b>		
<u>Current Assets:</u>		
Cash	\$ 89,414	\$ 797,024
Accounts receivable, net of allowance for doubtful accounts of \$2,436,873 and \$2,397,423 in 2024 and 2023, respectively	16,530,965	13,920,084
Deferred Expenses	1,001,606	1,861,934
Investments:		
Deposit Fund Contracts	18,448,852	20,544,204
State of New Jersey Cash Management Fund	894,196,104	295,468,593
Total current assets	<u>930,266,941</u>	<u>332,591,839</u>
<u>Non Current Assets:</u>		
Investments - deposit fund contracts	162,635,101	173,073,632
Right-of-use Asset	-	251,087
Total non-current assets	<u>162,635,101</u>	<u>173,324,719</u>
Total Assets	<u>\$ 1,092,902,042</u>	<u>\$ 505,916,558</u>
<b>LIABILITIES</b>		
<u>Current Liabilities:</u>		
Accounts payable and accrued expenses	\$ 62,261,432	\$ 62,780,059
Obligation for unpaid prize awards	713,317,500	115,668,749
Installment prize awards	18,448,852	20,544,204
Lease Payable	-	251,087
Due to State of New Jersey	134,000,000	132,000,000
Total current liabilities	<u>928,027,784</u>	<u>331,244,100</u>
<u>Non Current Liabilities:</u>		
Compensated absences	1,562,104	1,403,068
Lease Payable	-	-
Installment prize awards	162,635,101	173,073,632
Total non current liabilities	<u>164,197,205</u>	<u>174,476,700</u>
Total Liabilities	<u>1,092,224,989</u>	<u>505,720,800</u>
<b>NET POSITION</b>		
Restricted for prize awards or contributions	1,150,955	1,226,334
Unrestricted	(473,902)	(1,030,576)
Total Net Position	<u>\$ 677,053</u>	<u>\$ 195,758</u>

\*Certain account balances have been restated to conform with current year presentations. See Note I for details.

See notes to financial statements.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	Years Ended June 30,	
	2024	2023*
Operating revenues		
Ticket Sales		
Pick 3 Fireball	\$ 389,405,725	\$ 398,223,613
Pick 4 Fireball	236,274,666	250,833,332
Jersey Cash 5 Xtra	139,344,796	137,293,281
Pick 6 Double Play	80,121,041	65,138,369
CASH4LIFE Doubler	63,398,011	62,677,360
Mega Millions	259,147,204	293,645,609
Powerball	369,616,337	308,624,548
Quick Draw	96,330,930	101,117,331
Fast Play	63,299,202	52,998,150
Cash Pop	61,346,050	58,635,133
Scratch-offs (Instant Games)	2,059,683,950	2,169,846,419
Sales Discounts/Tickets Provided as Prizes	(185,858,822)	(172,084,577)
Total Ticket Sales	<u>3,632,109,090</u>	<u>3,726,948,568</u>
Other revenues		
Forfeited prizes	41,861,482	44,498,494
Miscellaneous	1,141,934	1,057,356
Total operating revenues	<u>3,675,112,506</u>	<u>3,772,504,417</u>
Operating expenses		
Prize expenses	2,157,643,437	2,230,286,382
Retailer commissions	213,898,477	219,957,459
Instant ticket vendor printing fees	25,650,789	27,109,005
Gaming system vendor fees	40,103,580	40,939,920
Northstar NJ management fee	5,847,000	5,728,500
Northstar NJ manager expenses	15,635,789	15,388,458
Northstar NJ advertising and marketing expenses	26,582,355	27,967,870
Administration expenses	14,341,975	12,778,863
Multi-state fees	102,908	123,724
Drawing broadcast fees	1,147,412	1,146,504
Bad debt expense	114,109	-
Total operating expenses	<u>2,501,067,831</u>	<u>2,581,426,685</u>
Operating Income	<u>1,174,044,675</u>	<u>1,191,077,732</u>
Non-operating revenues		
Interest income	20,277,511	8,952,069
Income Before Transfers	<u>1,194,322,186</u>	<u>1,200,029,801</u>
Northstar NJ incentive payment	(21,840,889)	(28,342,083)
Lease amortization	-	217,025
Income available for transfer	<u>1,172,481,297</u>	<u>1,171,904,743</u>
Transfers out -		
Contributions to Pensions	<u>1,172,000,000</u>	<u>1,173,000,000</u>
Changes in net position	<u>481,297</u>	<u>(1,095,257)</u>
Net position, beginning of year	<u>195,756</u>	<u>1,291,013</u>
Net position, end of year	<u>-</u>	<u>862,864</u>
Net position, end of year, restated	<u>\$ 677,053</u>	<u>\$ 195,756</u>

\*Certain account balances have been restated to conform with current year presentations. See Note I for details.

See notes to financial statements.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**STATEMENTS OF CASH FLOWS**

	Years Ended June 30,	
	2024	2023*
Cash Flows from Operating Activities		
Sales to customers	\$ 1,739,543,733	\$ 1,785,808,291
Payments for prize awards	153,781,281	(429,508,225)
Payments for vendor commissions and fees	(110,097,784)	(117,756,663)
Payments to suppliers	(12,028,833)	(14,536,200)
Other payments	(573,985)	(205,639)
Cash flows from annuity operations		
Annuity receipts	20,284,852	21,256,528
Payments of annuity prizes	(14,824,791)	(17,256,271)
Net cash from operating activities	<u>1,776,084,473</u>	<u>1,227,801,821</u>
Cash Flows from Non-Capital Financing Activities		
Contributions to State	<u>(1,170,000,000)</u>	<u>(1,167,000,000)</u>
Cash Flows from Investing Activities		
Cash Management Fund proceeds	1,629,350,000	1,638,550,000
Cash Management Fund purchases	(2,207,800,000)	(1,679,400,000)
Payments from/to Northstar NJ	(28,342,082)	(19,314,696)
Net cash from investing activities	<u>(606,792,082)</u>	<u>(60,164,696)</u>
Net change in cash	(707,609)	637,125
Cash, beginning of year	797,023	159,898
Cash, end of year	<u>\$ 89,414</u>	<u>\$ 797,023</u>
Reconciliation of operating income to net cash from		
Operating activities		
Operating Income	\$ 1,174,044,675	\$ 1,191,077,732
Changes in assets and liabilities		
Accounts receivable	(2,610,881)	27,395,196
Investments - deposit fund contracts	12,533,882	13,196,957
Other assets	1,328,440	330,019
Accounts payable and accrued expenses	5,982,566	(1,438,921)
Obligation for unpaid prize awards	585,114,868	(2,930,949)
Lease Payable	(468,112)	(490,500)
Compensating absences	159,035	662,286
Net cash from operating activities	<u>\$ 1,776,084,473</u>	<u>\$ 1,227,801,821</u>

\*Certain account balances have been restated to conform with current year presentations. See Note I for details.

See notes to financial statements.

# STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY

## NOTES TO FINANCIAL STATEMENTS

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The State of New Jersey, Division of State Lottery (the "Division of State Lottery") and the State Lottery Commission (the "Commission") were concurrently established in 1970, pursuant to the "State Lottery Law" (N.J.S.A. 5:9-1 et seq.). The Lottery Enterprise Contribution Act ("LECA") approved in 2017, directs the Lottery Enterprise for the benefit of the Teachers' Pension and Annuity Fund ("TPAF"), the Public Employees' Retirement System ("PERS"), and the Police and Firemen's Retirement System ("PFRS"). Under the LECA, the entirety of the Lottery Enterprise will be contributed to Pension Fund L, a common trust fund created and formed for the benefit of TPAF, PERS and PFRS for a period of 30 years. With the exception of a few retained assets and liabilities, all of the assets and liabilities of the Division of State Lottery were transferred to Pension Fund L on July 1, 2017. Under the LECA there is no material change in the Division of State Lottery's operation and management, which will continue in its existing form as a division within the Department of the Treasury. The Commission consists of the State Treasurer, the director of the Division of (State) Investment and five public members, and is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including the price or prices of tickets, the number and size of prizes on winning tickets, the licensing of retailers, and the apportionment of ticket revenues. The Division of State Lottery's financial statements are presented as those of a proprietary fund and include the operations for which the Division of State Lottery is financially accountable and exercises oversight responsibility.

Effective July 1, 2017, with the passage of Chapter 98 of the Public Law of 2017, the LECA and the subsequent Memorandum of Lottery Contribution ("MOLC") entered into between the State Treasurer and the Division of Investment, the Lottery and its resulting net revenues will be transferred to Pension Fund L for a period of thirty years. Both the legislation and the MOLC require that retained assets and liabilities of the Division of State Lottery existing prior to the transfer date (July 1, 2017), not be transferred to Pension Fund L. This requirement compelled the Division of State Lottery, specifically its Finance Department, to maintain two general ledgers. The pre-existing (or residual) Division of State Lottery fund ledger will now only account for all activity associated with those pre-existing assets and liabilities and a new general ledger will account for all the obligations and assets resulting from lottery sales and games emanating on and after the July 1, 2017, transfer date.

The MOLC outlined a six-month transition period for the Division of State Lottery to re-organize its accounting operation in a manner consistent with the spirit and intent of Chapter 98 of the Public Law of 2017. This was necessary to ensure that all the financial reporting, accounting operations, collections activity and accounts receivable functions of the Division of State Lottery are being properly recorded and posted.

#### Basis of Accounting

The Division of State Lottery prepares its financial statements using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

In its accounting and financial reporting, the Division of State Lottery follows the pronouncements of the GASB and other entities that promulgate accounting principles. GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, establishes the order of priority of pronouncements and other sources of

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting** (Continued)

accounting and financial reporting guidance that a governmental entity should apply. Per the Statement, the sources of authoritative generally accepted accounting principles (“GAAP”) are categorized in descending order of authority as follows: GASB Statements and Interpretations, GASB Technical Bulletins, GASB Implementation Guides, and literature of the American Institute of Certified Public Accountants (“AICPA”) cleared by the GASB. Authoritative GAAP is incorporated periodically into the *Codification of Governmental Accounting and Financial Reporting Standards* (“Codification”), and when presented in the Codification, it retains its authoritative status. If the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP described above, a governmental entity should first consider accounting principles for similar transactions or other events within a source of authoritative GAAP described above and then may consider nonauthoritative accounting literature from other sources. These include GASB Concepts Statements; pronouncements and other literature of the Financial Accounting Standards Board (“FASB”), Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, and International Accounting Standards Board, and AICPA literature not cleared by the GASB; practices that are widely recognized and prevalent in state and local government; literature of other professional associations or regulatory agencies; and accounting textbooks, handbooks and articles.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**State of New Jersey Cash Management Fund**

Investments in the State of New Jersey Cash Management Fund (“NJCMF”) are valued at cost, which approximates fair value.

**Accounts Receivable**

Accounts receivable is comprised primarily of amounts due from retailers. The allowance for uncollectible accounts is funded by a \$100 per year license renewal fee paid by the Division of State Lottery’s retailers. Operating expense is charged with an allowance for estimated uncollectible accounts based on past experience and an analysis of current accounts receivable collectability. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible.

**Installment Prize Awards and Prize Expenses**

Installment prize awards are recorded based upon the present value of an annuity at terms to yield a series of future payments needed to meet the obligations of the Division of State Lottery for prize disbursements. For each lottery winner that chooses to receive their prize in installments, the Division of State Lottery purchases annuity contracts from insurance companies and U.S. government securities to fund its liability for installment prize awards. An annuity contract represents an obligation by an insurance company to provide a fixed series of payments over a specified period. Annuity contracts are subject to credit risk. The Division of State Lottery seeks to control its exposure to such credit risk by purchasing annuity contracts only from insurance companies that meet certain minimum standards.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Installment Prize Awards and Prize Expenses (Continued)**

Due to the long term nature of these contracts, the credit quality of the issuer is subject to change. Amounts recorded as prize expense reflect the cost of annuity contracts and U.S. government securities necessary to satisfy stated prize awards plus any single payment awards. These annuities are presented on the statements of net position as deposit fund contracts, carried at contract value which approximates fair value.

**Equipment**

The Division of State Lottery follows the State's threshold for capitalizing equipment as follows: machinery and equipment over \$20,000 and motor vehicles over \$30,000. Purchases that do not meet the threshold for capitalization are recognized as expenses in the statements of revenues, expenses and changes in net position in the period during which they are acquired and are included in administrative expenses.

**Net Position**

**Restricted**

Amounts restricted for prize awards or contribution to pensions consist of prizes that are not claimed within one year from the date of the drawing for machine games and within one year from the date of game's closing for scratch-offs (instant games).

**Unrestricted**

The unrestricted net position represents resources available for current operating expenses in compliance with legal and budgetary restrictions.

**Revenue Recognition**

Revenues from the sale of lottery tickets are recognized as follows:

- "Pick 3 Fireball", "Pick 4 Fireball", "Jersey Cash 5 Xtra", "Pick 6 Double Play", "Mega Millions", "Powerball", "CASH4LIFE Doubler", "Quick Draw" and "Cash Pop" games on the drawing date.
- Scratch-offs (instant games) are recognized daily, based upon the settlement of instant game inventory packs by selling retailers. Sales adjustments are recorded based upon final reconciliations prepared after the termination of a lottery instant game.
- Fast Play games upon the sale of each ticket.
- Sales discounts are recorded for the sales value of tickets provided to retailers at no cost, to be used for promotional purposes. Tickets provided as prizes are recorded as sales at the face value of each ticket, then backed out as discounts and are not included in prize expense.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Forfeited Prizes**

The State Lottery Law requires that prizes not claimed within one year from the date of the drawing for machine games and within one year from the date of the game's closing for scratch-offs (instant games) be forfeited. Effective November 21, 1991, the Commission authorized that 70% of forfeited prizes are to be maintained in a reserve for prize awards and are available to augment future prize awards or, at the discretion of the executive director, to augment the Division of State Lottery's contribution for state aid for education and state institutions.

The remaining 30% goes directly to contributions to state institutions in conformance with the LECA. This is consistent with the 30% minimum contribution requirement of the State Lottery Law. Forfeited prizes are recognized as "Other Revenues" during the period forfeited.

**Contributions and Prize Awards**

The State Lottery Law in conformance with the LECA, requires no less than 30% of total revenues accruing from ticket sales to be paid for pensions on an annual basis.

For machine games, the Division of State Lottery has designated that a minimum of 45% of gross revenues be allocated for prize awards, including retailer bonuses. Prize expense is recorded when the winning ticket number is selected for the respective lottery game based on eligible winning tickets sold. For scratch-offs (instant games), the percentage of gross revenues to be allocated for prize awards varies by game.

**Commissions and Fees**

Retailers receive a commission of 5% based on the total tickets sold, a commission of 1.25% of terminal validations, and top tier selling bonuses. The online game contractor receives a fee equal to a contractual percentage of the revenue generated through the respective network maintained by the contractor. All other gaming contractors are paid fees based on the units of service provided.

Northstar New Jersey Lottery Group, LLC ("Northstar NJ" or "NSNJ") has had numerous retailer incentive programs for the purpose of boosting sales, these include temporary commission increases and bonuses. Both of these incentives are recorded as prize expense.

**Administrative Expenses**

The Division of State Lottery records vacation and sick time incurred during the period in "administrative expenses" in the accompanying statements of revenues, expenses and changes in net position. Payments for accumulated sick leave balances are made to retiring employees upon regular retirement from the State of New Jersey's General Fund. Such payment is based on 50% of the employee's sick leave accumulation at the pay rate in effect at the time of retirement, up to a maximum of \$15,000. Employees separating from service prior to retirement are not entitled to payments for accumulated sick leave.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**B. CASH AND INVESTMENTS**

The Division of State Lottery adopted GASB Statement No. 40, "Deposit and Investment Risk Disclosures", which requires uncollateralized deposits exposed to custodial credit risk to be disclosed. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits that are in possession of an outside party. The following is a summary of the Division of State Lottery's cash deposits by financial institution that could be exposed at June 30, 2024 and 2023. The Division of State Lottery's deposits with Wells Fargo are insured by the Federal Deposit Insurance Corporation up to \$250,000.

	June 30,	
	2024	2023
Wells Fargo	\$ 88,914	\$ 796,524
Total	\$ 88,914	\$ 796,524

The NJCMF is a common trust fund administered by the Department of the Treasury, Division of Investment. NJCMF funds are not subject to custodial credit risk due to the fact that the funds are held by and in the name of the NJCMF in a segregated trust account with the third-party custodian rather than in the possession of the third-party custodian. Additionally, though the underlying assets and investments of the NJCMF pool are subject to credit risk, the risk is limited by the mix of the credit quality ratings of the assets in the portfolio maintained by NJCMF.

*Fair Value Measurements*

The Division of State Lottery follows the Fair Value Measurements Topic of the GASB Accounting Standards, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. The Division of State Lottery categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

*Fair Value on a Recurring Basis*

The table below presents the balances of investments deposit fund contracts measured at fair value on the statements of net position as of June 30, 2024 and 2023:

	June 30, 2024			
	Total	Level 1	Level 2	Level 3
Annuity Investment Deposit Fund Contracts	\$ 181,083,953	\$ 24,922,617	\$ -	\$ 156,161,336
New Jersey Cash Management Fund	894,196,104	-	894,196,104	-
Total	\$ 1,075,280,057	\$ 24,922,617	\$ 894,196,104	\$ 156,161,336

	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Annuity Investment Deposit Fund Contracts	\$ 193,617,836	\$ 28,687,577	\$ -	\$ 164,930,259
New Jersey Cash Management Fund	295,468,593	-	295,468,593	-
Total	\$ 489,086,429	\$ 28,687,577	\$ 295,468,593	\$ 164,930,259

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**C. FUTURE INSTALLMENT PRIZE AMOUNTS**

The Division of State Lottery purchases annuity, or deposit fund contracts, from insurance companies and U.S. government securities to fund its liability for future installment prize awards. Generally, insurance company annuity contracts fund life annuities for games such as the CASH4LIFE Doubler draw game and Win for Life scratch-offs (instant games). U.S. government securities fund term annuity prizes for games such as Pick 6 Double Play, Mega Millions, Powerball and scratch-offs (instant games). An annuity contract represents an obligation by an insurance company to provide a fixed series of payments over a specified period.

Annuity contracts are carried at their current contract values, which are based upon their original purchase prices adjusted for credited interest and reduced by amounts already received by the Division of State Lottery and disbursed to annuitants. Annuity contracts are subject to credit risk. The Division of State Lottery seeks to control its exposure to such credit risk by purchasing annuity contracts only from insurance companies that meet certain minimum standards. Such standards include the following requirements:

1. Combined capital and surplus of at least \$1 billion;
2. Admitted assets of at least \$10 billion;
3. Risk based capital ratio of at least 300%; and
4. Must have ratings equal to or better than at least two of the three private rating agencies:
  - Standard & Poor's long-term insurer financial strength rating of AA- or higher,
  - AM Best financial strength rating of "A" or higher, and
  - Moody's long-term insurance financial strength rating of "Aa3" or higher.

According to the Division of State Lottery's calculation, only one company does not meet the criteria, that of Delaware Life, formerly Sun Life Assurance; as of June 30, 2024 and 2023, Delaware Life had annuity contracts totaling approximately \$16,173,198 and \$16,722,258, respectively. However, due to the long term nature of these contracts, the credit quality of the issuer is subject to change.

At June 30, 2024 and 2023, the Division of State Lottery held insurance company annuity contracts issued through nine insurance companies, totaling \$156,161,336 and \$164,930,259, respectively.

U.S. government securities installments range from twenty five years to the lifetime of the recipient. The securities are recorded at estimated fair value. The estimated fair value of annuity contracts approximates the carrying value of the securities. At June 30, 2024 and 2023, the Division of State Lottery had \$24,922,617 and \$28,687,577, respectively, in U.S. treasuries included in guaranteed annuity contracts (see Note B).

**Concentration of Credit Risk**

Concentration of credit risk is the risk that relates to the amount of investment at any one financial institution. The disclosure requirement of this risk factor is limited to investments in excess of 5% of the total. Guaranteed annuity contracts, as stated above, are the only category subject to concentration of credit risk disclosure.

## STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### C. FUTURE INSTALLMENT PRIZE AMOUNTS (CONTINUED)

##### Concentration of Credit Risk (Continued)

A significant portion (in excess of 5% of total) of the Division of State Lottery's investment in annuity contracts at June 30, 2024 and 2023, is invested with each of the following six companies:

- Delaware Life
- New York Life Insurance Co.
- Protective Life
- AuguStar Financial
- Metropolitan Life
- State Street

#### D. LITIGATION

The Division of State Lottery is a party to a number of lawsuits arising out of the conduct of its business. While the ultimate results of the lawsuits or other proceedings against the Division of State Lottery cannot be predicted with certainty, management of the Division of State Lottery does not expect that these matters will have a material adverse effect on the financial position or results of operations of the Division of State Lottery.

#### E. COMMITMENTS

##### Contractual Arrangements

The Division of State Lottery maintains a gaming network of nearly 7,000 retailer locations where all games are sold. IGT Corporation, formerly GTECH Corporation, is responsible for operating the network games and procurement of scratch-offs (instant games) tickets under a contract that was assigned to Northstar NJ on October 1, 2013, and expires concurrent with Northstar NJ's contract.

On June 20, 2013, a competitively bid 15-year contract was awarded to NSNJ to provide sales and marketing services to the Division of State Lottery. NSNJ is owned directly by two members (1) Scientific Games New Jersey, LLC, and (2) Northstar New Jersey Holding Company, LLC, and indirectly by three companies: (1) IGT Corporation, and (2) OSI LTT NJ Holdings Inc., which are the members of Northstar New Jersey Holding Company, LLC, and (3) Scientific Games International, Inc., which is the owner of Scientific Games New Jersey, LLC. The base services commenced on October 1, 2013. The contract required NSNJ to bid net income targets for each fiscal year of the 15-year contract. An amendment signed on December 31, 2015, revised the income level and targets downward for contract years 3 through 15. The amended contract provided for an allowance of \$2.5 million from Northstar NJ to the Division of State Lottery as an additional consideration for the terms contained therein. On May 3, 2019, the Division of State Lottery amended the service agreement with Northstar. Amendment 4 revised the formula for calculating the incentive payment owed to Northstar in fiscal year 2019, and increased the performance targets that are used to calculate any incentive payment to Northstar for the remaining 10 years of the Northstar Contract, thereby creating a higher performance bar to be reached before Northstar receives an incentive payment. If NSNJ meets or exceeds the net income target for a given fiscal year, they can earn an incentive payment or alternatively, if they do not meet the net income target, they are assessed a penalty.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**E. COMMITMENTS (CONTINUED)**

**Contractual Arrangements (Continued)**

For fiscal year 2024, NSNJ met its amended contractual net income target resulting in an incentive payment of \$21,840,889 to NSNJ. For fiscal year 2023, NSNJ met its amended contractual net income target resulting in an incentive payment of \$28,342,083 to NSNJ. Due to the implementation of GASB Statement No. 101, as discussed in Note I, and restatement of certain account balances, the Northstar incentive payment for fiscal year 2023 is overstated by \$133,421 and correspondingly, the Northstar incentive payment for fiscal year 2024 is understated by \$133,421, with a net impact of \$0 between fiscal year 2023 and 2024.

Prior to the beginning of each fiscal year, the Division of State Lottery and Northstar NJ agree to an annual business plan that includes the projected operating expenses of Northstar NJ for the fiscal year. Each month NSNJ may invoice the Division of State Lottery one twelfth (1/12) of the total operating expenses for the fiscal year. Each monthly invoice is accompanied by detailed backup data and information supporting expenses incurred. At the end of the fiscal year, Northstar NJ operating expenses are aggregated and reconciled with any excess returned to the Division of State Lottery. The Northstar NJ expenses for services to the Division of State Lottery amounted to \$48,065,144 and \$49,084,828 for the years ended June 30, 2024 and 2023, respectively.

In addition to the budgeted monthly expenditures, NSNJ receives a system provider vendor fee based on 1.05% of ticket sales and an instant ticket printing fee based on 1.216% of ticket sales as part of its subcontractor agreements. All other gaming contractors are paid fees based on the units of service provided.

**F. GASB STATEMENT NUMBER 75 - ACCOUNTING AND FINANCIAL REPORTING FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

The Division of State Lottery is a member of the State of New Jersey's (the "State") cost sharing multiple employer plan for health and post retirement medical benefits. Thus, the Division of State Lottery's portion of this liability and cost is included in the State of New Jersey's Annual Comprehensive Financial Report. As such, the liability of the Division of State Lottery's employees is covered under the State plan on an annual basis. Please refer to State website [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml) for more information regarding the plan.

**G. PENSION PLAN**

The Division of State Lottery's employees, as part of the New Jersey Department of the Treasury, participate in the Public Employees' Retirement System of New Jersey ("PERS"), a cost sharing multiple employer defined benefit plan. The Division of State Lottery's contribution is determined by State statute and is based upon an actuarial computation performed by the PERS.

The Division of State Lottery's total covered payroll for the years ended June 30, 2024 and 2023, was \$6,535,437 and \$5,874,267, respectively. The State's contribution is based on the employer contribution rate developed by the system's actuary. The rate is then applied against the pension eligible salary for all State employees. The State does not keep track of contributions made to PERS for each separate state agency. For fiscal year ended June 30, 2024 and 2023, the contribution rate was 7.5%.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**G. PENSION PLAN (CONTINUED)**

The State of New Jersey, Division of Pensions and Benefits, issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625 0295 or by visiting their website at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**H. ROUNDING**

Some schedules in the financial statements may have dollar differences due to rounding adjustments.

**I. CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD RESTATEMENT**

Effective June 30, 2024, the Lottery implemented GASB Statement No. 101, “*Compensated Absences*”. The requirements of this Statement improve financial reporting by enhancing the transparency and consistency of the Lottery’s financial statements through the recognition of compensated absences liabilities and expenses in accordance with the new standards. This Statement requires governments to recognize a liability for compensated absences when the obligation is incurred and to measure the liability based on the pay or salary rates in effect at the financial statement date.

Under GASB Statement No. 101, the Lottery is required to recognize compensated absences liabilities for vacation leave, sick leave, and other forms of leave, as well as the corresponding expense. The initial implementation of this Statement resulted in the recognition of additional liabilities for compensated absences that were not previously recorded under the prior standards. Consequently, net position was restated by \$(667,107) to retrospectively record the compensated absences liability and to fully recognize the related prior period expenses as required by GASB Statement No. 101.

	Original Balance July 1, 2023	Restatement	Balance Restated July 1, 2023
Compensated absences payable	\$ 735,961	\$ 667,107	\$ 1,403,068
Administrative expenses	12,111,756	667,107	12,778,863
Net position	862,863	(667,107)	195,756

**J. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS**

The GASB has issued Statement No. 103, “*Financial Reporting Model Improvements*.” This statement is required to be adopted by the Division of State Lottery for the year ending June 15, 2025. The Division of State Lottery has not determined the effect of Statement No. 103 on the financial statements.

The GASB has issued Statement No. 104, “*Disclosure of Certain Capital Assets*.” This statement is required to be adopted by the Division of State Lottery for the year ending June 15, 2025. The Division of State Lottery has not determined the effect of Statement No. 104 on the financial statements.



# SUPPLEMENTARY INFORMATION

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
BUDGET AND ACTUAL**

Year Ended June 30, 2024

	Budget (Unaudited)	Actual	Variance (Unfavorable) Favorable
Operating revenues			
Ticket sales			
Pick 3 Fireball	\$ 397,600,000	\$ 389,405,725	\$ (8,194,275)
Pick 4 Fireball	254,000,000	236,274,666	(17,725,334)
Jersey Cash 5 Xtra	157,600,000	139,344,796	(18,255,204)
Pick 6 Double Play	68,000,000	80,121,041	12,121,041
CASH4LIFE Doubler	64,700,000	63,398,011	(1,301,989)
Mega Millions	209,600,000	259,147,204	49,547,204
Powerball	244,500,000	369,616,337	125,116,337
Quick Draw	100,200,000	96,330,930	(3,869,070)
Fast Play	55,800,000	63,299,202	7,499,202
Cash Pop	58,900,000	61,346,050	2,446,050
Scratch-offs (Instant Games)	2,245,000,000	2,059,683,950	(185,316,050)
Sales discounts/tickets provided as prizes	(200,300,000)	(185,858,822)	14,441,178
Total Ticket Sales	<u>3,655,600,000</u>	<u>3,632,109,090</u>	<u>(23,490,910)</u>
Other revenues			
Forfeited prizes	43,800,000	41,861,482	(1,938,518)
Miscellaneous	1,500,000	1,141,934	(358,066)
Total operating revenues	<u>3,700,900,000</u>	<u>3,675,112,506</u>	<u>(25,787,494)</u>
Operating expenses			
Prize expenses	2,227,838,400	2,157,643,437	70,194,963
Retailer commissions	214,773,630	213,898,477	875,153
Instant ticket vendor printing fees	28,399,200	25,650,789	2,748,411
Gaming system vendor fees	40,486,950	40,103,580	383,370
Northstar NJ management fee	5,847,000	5,847,000	-
Northstar NJ manager expenses	18,600,000	15,635,789	2,964,211
Northstar NJ advertising & marketing expenses	26,600,000	26,582,355	17,645
Administration expenses	16,641,099	14,341,975	2,299,124
Multi-state fees	125,000	102,908	22,092
Drawing broadcast fees	1,200,000	1,147,412	52,588
Bad debt expense	550,000	114,109	435,891
Total operating expenses	<u>2,581,061,279</u>	<u>2,501,067,831</u>	<u>79,993,448</u>
Operating income	<u>1,119,838,721</u>	<u>1,174,044,675</u>	<u>54,205,954</u>
Non-operating revenue	<u>3,200,000</u>	<u>20,277,511</u>	<u>17,077,511</u>
Income before transfer	<u>1,123,038,721</u>	<u>1,194,322,186</u>	<u>71,283,465</u>
Northstar NJ incentive payment	(9,037,161)	(21,840,889)	(12,803,728)
Lease Amortization	-	-	-
Income available for transfer	<u>1,114,001,560</u>	<u>1,172,481,297</u>	<u>58,479,737</u>
Transfers out - contributions for state aid to education and state institutions	<u>1,114,000,000</u>	<u>1,172,000,000</u>	<u>58,000,000</u>
Change in net position	1,560	481,297	479,737
Net position, beginning of year, as restated	195,756	195,756	-
Net position, end of year	<u>\$ 197,316</u>	<u>\$ 677,053</u>	<u>\$ 479,737</u>

See independent auditors' report.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**SCHEDULE OF NET POSITION**

		As of June 30, 2024		
ASSETS		Treasury	Pension Fund L	Total
<u>Current Assets:</u>				
Cash		\$ -	\$ 89,414	\$ 89,414
Accounts receivable, net of allowance for doubtful accounts of \$2,436,873 and \$2,397,423 in 2024 and 2023, respectively		-	16,530,965	16,530,965
Deferred Expenses		611,500	390,106	1,001,606
Investments:				
Deposit Fund Contracts		17,788,852	660,000	18,448,852
State of New Jersey Cash Management Fund		-	894,196,104	894,196,104
Total current assets		<u>18,400,352</u>	<u>911,866,589</u>	<u>930,266,941</u>
<u>Non Current Assets:</u>				
Investments - deposit fund contracts		154,346,278	8,288,823	162,635,101
Total non-current assets		<u>154,346,278</u>	<u>8,288,823</u>	<u>162,635,101</u>
Total Assets		<u>\$ 172,746,630</u>	<u>\$ 920,155,412</u>	<u>\$ 1,092,902,042</u>
LIABILITIES				
<u>Current Liabilities:</u>				
Accounts payable and accrued expenses		\$ 1,099,679	\$ 61,161,753	\$ 62,261,432
Obligation for unpaid prize awards		-	713,317,500	713,317,500
Installment prize awards		17,788,852	660,000	18,448,852
Due to State Of New Jersey - Treasury Out		-	134,000,000	134,000,000
Total current liabilities		<u>18,888,531</u>	<u>909,139,253</u>	<u>928,027,784</u>
<u>Non Current Liabilities:</u>				
Compensated absences		-	1,562,104	1,562,104
Installment prize awards		154,346,278	8,288,823	162,635,101
Total non current liabilities		<u>154,346,278</u>	<u>9,850,927</u>	<u>164,197,205</u>
Total Liabilities		<u>173,234,809</u>	<u>918,990,180</u>	<u>1,092,224,989</u>
NET POSITION				
Restricted for prize awards or contributions to State		500,000	650,955	1,150,955
Unrestricted		(988,179)	514,277	(473,902)
Total Net Position		<u>\$ (488,179)</u>	<u>\$ 1,165,232</u>	<u>\$ 677,053</u>

See independent auditors' report

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	Year Ended June 30, 2024		
	Treasury	Pension Fund L	Total
Operating revenues			
Ticket Sales			
Pick 3 Fireball	\$ -	\$ 389,405,725	\$ 389,405,725
Pick 4 Fireball	-	236,274,666	236,274,666
Jersey Cash 5 Xtra	-	139,344,796	139,344,796
Pick 6 Double Play	-	80,121,041	80,121,041
CASH4LIFE Doubler	-	63,398,011	63,398,011
Mega Millions	-	259,147,204	259,147,204
Powerball	-	369,616,337	369,616,337
Quick Draw	-	96,330,930	96,330,930
Fast Play	-	63,299,202	63,299,202
Cash Pop	-	61,346,050	61,346,050
Scratch-offs (instant games)	-	2,059,683,950	2,059,683,950
Sales discounts	-	(185,858,822)	(185,858,822)
Total ticket sales	-	3,632,109,090	3,632,109,090
Other revenues			
Forfeited prizes	-	41,861,482	41,861,482
Miscellaneous	-	1,141,934	1,141,934
Total operating revenues	-	3,675,112,506	3,675,112,506
Operating expenses			
Prize expenses	-	2,157,643,437	2,157,643,437
Retailer commissions	130,561	213,767,916	213,898,477
Instant ticket vendor printing fees	-	25,650,789	25,650,789
Gaming system vendor fees	-	40,103,580	40,103,580
Northstar NJ management fee	-	5,847,000	5,847,000
Northstar NJ manager expenses	-	15,635,789	15,635,789
Northstar NJ advertising and marketing expenses	-	26,582,355	26,582,355
Administration expenses	-	14,341,975	14,341,975
Multi-state fees	-	102,908	102,908
Drawing broadcast fees	-	1,147,412	1,147,412
Bad debt expense	-	114,109	114,109
Total operating expenses	130,561	2,500,937,270	2,501,067,831
Operating income	(130,561)	1,174,175,236	1,174,044,675
Non-operating revenue			
Interest	-	20,277,511	20,277,511
Income before transfers out	(130,561)	1,194,452,747	1,194,322,186
Northstar NJ incentive payment	-	(21,840,889)	(21,840,889)
Income available for transfer	(130,561)	1,172,611,858	1,172,481,297
Transfers out			
Contributions to pensions	-	1,172,000,000	1,172,000,000
Total transfers out	-	1,172,000,000	1,172,000,000
Changes in net position	(130,561)	611,858	481,297
Net position, beginning of year, as restated	(357,618)	553,374	195,756
Net position, end of year	\$ (488,179)	\$ 1,165,232	\$ 677,053

See independent auditors' report.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**SCHEDULES OF SCRATCH-OFFS (INSTANT GAMES) REVENUES**

	Years Ended June 30,	
	2024	2023
ULTIMATE \$1,000,000 SPECTACULAR	\$ 147,711,540	\$ 71,673,060
POWER 50X	96,875,250	124,297,770
\$50,000 LOADED	84,554,280	-
\$1,000,000 DIAMOND SPECTACULAR	80,854,960	-
\$1,000,000 SPECTACULAR	72,392,610	-
\$20,000 LOADED	58,620,820	-
POWER 20X	55,167,120	45,395,260
COLOSSAL CROSSWORD	50,638,320	-
\$1,000,000 PLATINUM PAYOUT	48,137,440	-
CROSSWORD BONANZA	46,982,880	-
CROSSWORD BONANZA	43,243,400	-
\$10,000 LOADED	39,553,890	-
CROSSWORD	35,788,518	4,560,345
\$50,000 LOADED	35,707,860	126,656,640
\$500,000 GOLD PAYOUT	33,646,790	-
\$250,000 CROSSWORD	33,563,330	-
LUCKY 7'S MULTIPLIER	32,672,300	67,433,240
WINTER WINNINGS	29,497,090	-
\$50,000,000 EXPLOSION	28,850,260	-
CROSSWORD	26,407,455	-
WIN EITHER \$100 OR \$200	26,059,540	28,932,360
WIN FOR LIFE	25,307,406	-
SUPER CROSSWORD	25,143,705	-
POWER 10X	25,076,820	32,621,700
CROSSWORD BONANZA	24,727,300	22,325,880
SUPER CROSSWORD	24,573,310	-
\$1,000,000 SPECTACULAR	24,121,150	57,649,110
\$500 FRENZY	23,607,885	-
BIG MONEY SPECTACULAR	23,288,228	-
BIG CASH	22,536,510	-
\$250,000 CROSSWORD	21,545,670	13,898,720
FULL OF \$500	21,490,335	-
COLOSSAL CROSSWORD	21,408,060	-
BIG MONEY SPECTACULAR	21,059,882	2,227,552
THE BIGGER \$PIN	20,078,370	17,620,130
10X BINGO MULTIPLIER	19,922,990	-
HIGH CARD POKER	19,887,505	-
\$5,000 LOADED	19,871,520	-
9'S IN A LINE	19,786,405	-
JUMBO BUCKS	19,497,825	-
CROSSWORD GOLD	19,340,427	-
SILVER PAYOUT	18,991,725	-
\$250,000 CROSSWORD	18,876,990	-

See independent auditors' report.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**

**SCHEDULES OF SCRATCH-OFFS (INSTANT GAMES) REVENUES (CONTINUED)**

	Years Ended June 30,	
	2024	2023
LOTERIA GRANDE	18,847,460	3,070,535
PEPPERMINT PAYOUT X20	17,021,140	-
YEAR OF THE DRAGON	16,049,850	-
SUPER CROSSWORD	15,966,060	-
MONEY BOX BINGO	15,556,150	-
RED 7'S DOUBLER	15,514,610	-
PLU\$ THE MONEY	14,737,745	-
TRIPLE GOLDEN CHERRIES	14,699,430	-
LUCKY 7'S TRIPLER	13,865,320	46,389,030
LOTERIA	13,334,328	-
EXTREME CASH	12,207,780	34,510,980
CASH BLAST	11,794,510	6,224,270
\$100,000 LUCKY BINGO	11,398,715	7,013,315
\$1,000,000 DIAMOND SPECTACULAR	11,338,580	88,384,240
MERRY MONEY MULTIPLIER	11,111,072	-
WIN FOR LIFE	10,959,810	26,188,704
IT'S A JERSEY THING	10,916,460	-
LOTERIA	10,681,407	5,015,319
THE JERSEY DEBATE	10,646,830	10,872,230
\$500 FRENZY	10,629,870	11,908,855
CROSSWORD BONANZA	10,517,760	-
\$2,000 LOADED	9,518,138	-
LOTERIA GRANDE	9,337,855	-
SUPER 8'S	8,875,650	36,572,710
MYSTERY MULTIPLIER	8,790,314	-
POWER 5X	8,754,935	18,049,930
POWER PLAY	8,632,660	-
WILD CASH	8,399,520	-
SUPER 50X	8,334,840	14,136,020
CROSSWORD BONANZA	8,239,320	35,191,520
LOOSE CHANGE	7,905,374	-
HIT \$50	7,825,376	-
\$10,000 BRONZE PAYOUT	7,738,192	-
LADY LUCK 7'S	7,412,590	12,577,675
SUPER CROSSWORD	6,743,065	19,648,035
BLACKJACK TRIPLER	6,720,792	1,857,100
LOOSE CHANGE	6,531,241	1,452,786
GNOME FOR THE HOLIDAYS	6,211,620	-
HIT \$200!	6,165,790	16,259,255
IT TAKES 2	5,476,500	-
WILD CASH MULTIPILER	4,994,570	14,497,075

See independent auditors' report.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**

**SCHEDULES OF SCRATCH-OFFS (INSTANT GAMES) REVENUES (CONTINUED)**

	Years Ended June 30,	
	2024	2023
CASH CLIMB	4,495,822	6,352,574
LOOSE CHANGE	4,376,818	-
POWER 2X	4,204,876	7,744,648
FAST \$50'S	2,821,048	8,942,932
BIG MONEY SPECTACULAR	2,799,100	-
TRIPLE DOUBLE DIAMOND	2,701,290	17,085,690
BIRTHDAY SURPRISE	2,634,448	3,860,976
HIGH CARD POKER	2,606,805	25,574,855
BIRTHDAY SURPRISE	1,995,796	-
LUCKY 7'S	1,949,388	11,548,148
RED BALL TRIPLER	1,840,744	-
SCORCHING HOT7S	1,727,550	8,749,860
BIG MONEY SPECTACULAR	1,390,120	23,609,030
CROSSWORD	1,384,059	39,743,052
WHEEL OF FORTUNE	837,535	2,961,440
\$3,000,000 PLATINUM CLUB	605,310	109,113,720
QUICK 7'S	559,902	7,409,595
BEAN BAG BUCKS	505,010	1,623,725
CASH LINE BINGO	379,815	20,535,665
LOTERIA GRANDE	375,195	22,022,420
\$250,000 CROSSWORD	273,720	35,301,010
WILD 10'S	266,435	20,644,385
LUCKY 7'S DOUBLER	250,690	26,517,490
CASH	199,015	1,537,825
\$10,000 BALLOONING BUCKS	189,818	7,404,428
LOTERIA	173,070	15,522,360
CROSSWORD MULTIPLIER	144,345	19,105,299
\$1,000,000 GOLD CLUB	112,400	60,429,660
SUPER CROSSWORD	79,490	25,995,840
\$500 FRENZY	73,960	25,197,320
7-11-21 10 X	71,726	12,734,848
CROSSWORD BONANZA	47,900	47,319,520
\$1,000,000 RICHES	47,360	22,980,300
WIN EITHER \$100 OR \$200	28,640	18,686,100
\$50 AND \$100 BLOWOUT	20,070	7,486,100
WINTER WISHES	20,000	29,763,380
LOTERIA	18,900	-
\$500,000 SILVER CLUB	11,350	25,707,730
\$1,000,000 SPECTACULAR	9,910	39,704,820
SUMMER FUN	7,108	1,263,802
RUBY/EMERALD/SAPPHIRE MINE 20X	6,620	1,146,850

See independent auditors' report.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**

**SCHEDULES OF SCRATCH-OFFS (INSTANT GAMES) REVENUES (CONTINUED)**

	Years Ended June 30,	
	2024	2023
NEON CASH PARTY	5,400	-
THE BIG SPIN	4,090	7,134,290
BIG MONEY SPECTACULAR	3,032	23,320,180
\$250,000 CROSSWORD	2,860	34,645,030
QUICK 7'S	2,504	7,265,913
SUPER CROSSWORD	2,385	25,998,295
PEPPERMINT PAYOUT	1,945	17,022,055
EASY AS 123	1,800	-
\$200,000 COPPER CLUB	1,505	6,446,920
\$NOW ME THE MONEY	1,208	9,969,134
\$100,000 LIGHTNING BINGO	1,200	-
SLEIGH BILL\$	1,140	6,056,371
BINGO BONUS SQUARE	605	18,726,310
DAZZLING DIAMOND SPECTACULAR	-	(580)
\$52,000,000 GOLD PAYOUT	-	(260)
\$90,000,000 PLATINUM PAYOUT	-	(1,000)
SUPER MONEY MULTIPLIER	-	358,200
FAST MONEY	-	(1,192)
LUCKY TIMES 20	-	419,465
POWER 5s	-	469,080
SUPER TRIPLE 777	-	(1,030)
HIT \$500!	-	60
HIT \$2,000!	-	203,120
BIRTHDAY SURPRISE	-	(188)
DIAMOND RICHES	-	384,415
MONEY MULTIPLIER	-	6,384
100X THE MONEY BONUS	-	(3,980)
\$500,000 FORTUNE	-	(2,680)
SUPER 50	-	(560)
LUCKY STARS	-	6,826
LOTERIA GRANDE	-	(70)
CROSSWORD	-	(300)
\$100,000 BINGO TRIPLER	-	(1,060)
CROSSWORD BONANZA	-	(40)
\$20,000 RICHES	-	(18)
\$200,000 RICHES	-	(300)
\$500,000 RICHES	-	(3,200)
BIG MONEY SPECTACULAR	-	(288)
MONEY BAG MULTIPLIER	-	(2,976)
CASH LINE BINGO	-	(2,439)

See independent auditors' report.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**

**SCHEDULES OF SCRATCH-OFFS (INSTANT GAMES) REVENUES (CONTINUED)**

	Years Ended June 30,	
	2024	2023
MONEY STASH	-	(7,086)
WIN FOR LIFE	-	(5,319)
SUPER TIC TAC TOE BONUS	-	14,355
SUPER CROSSWORD	-	(305)
POCKET CHANGE	-	(496)
ROSES & RICHES	-	(2,206)
HIGH CARD POKER	-	(4,960)
HOT 7S	-	19,462
FLAMING HOT 7S	-	28,255
BIG MONEY SPECTACULAR	-	(3,510)
CROSSWORD	-	(3,537)
LOTERIA	-	(1,524)
CROSSWORD BONANZA	-	(400)
CASH BLAST	-	(2,000)
\$500 FRENZY	-	(1,785)
CASH CLIMB	-	(5,062)
LOTERIA	-	19,392
WILD 10'S	-	(2,585)
LOTERIA GRANDE	-	8,075
\$500 FRENZY	-	9,340
SUPER CROSSWORD	-	(4,845)
\$250,000 CROSSWORD	-	(1,900)
MULTIPLIER MANIA	-	50,220
EMERALD 8'S	-	5,870
BINGO TIMES 10	-	3,815
QUICK \$50s	-	13,200
CASH BLAST	-	872,770
\$250,000 CROSSWORD	-	(1,250)
SUPER CROSSWORD	-	4,925
10X THE CASH	-	102,972
CROSSWORD BONANZA	-	(6,920)
\$250,000 CROSSWORD	-	(3,380)
FESTIVE \$50s	-	4,252
HOLIDAY LUCKY TIMES 10	-	14,624
HOLIDAY DELIGHT	-	4,930
\$100 DOUBLER	-	311,492
SUPER CROSSWORD	-	86,685
\$250,000 CROSSWORD	-	5,050
CROSSWORD BONANZA	-	99,060
\$250,000 CROSSWORD	-	12,960
\$250,000 CROSSWORD	-	2,651,960
BIG MONEY SPECTACULAR	(4)	2,426,028

See independent auditors' report.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**

**SCHEDULES OF SCRATCH-OFFS (INSTANT GAMES) REVENUES (CONTINUED)**

	Years Ended June 30,	
	2024	2023
BLAZING HOT 7S	(140)	5,421,860
LOOSE CHANGE	(200)	476,548
\$1,000,000 SPECTACULAR	(300)	2,574,230
24 KARAT GOLD	(300)	818,200
20X THE CASH	(300)	204,015
DIAMONDS AND GOLD DOUBLER	(420)	310,240
SUPER CROSSWORD	(465)	6,187,105
\$3,000,000 ULTIMATE RICHES	(600)	451,620
LADY LUCK MULTIPLIER	(630)	1,332,400
CROSSWORD BONANZA	(700)	40,447,800
RED 7'S DOUBLER	(705)	8,372,690
BIG MONEY SPECTACULAR	(716)	2,113,330
\$100,000 BANKROLL BINGO	(785)	4,423,170
LOTERIA GRANDE	(795)	6,821,705
100X THE CASH	(800)	2,899,760
BIRTHDAY SURPRISE	(814)	1,198,792
CROSSWORD	(897)	176,832
QUICK 7s	(995)	935,448
BLACKJACK TRIPLER	(1,128)	8,864,424
HIGH CARD POKER	(1,195)	2,925,915
MONEY VAULT	(1,330)	2,017,695
JUMBO BUCK	(1,355)	7,006,995
DIAMONDS AND DOLLARS	(1,500)	301,580
CROSSWORD BONANZA	(1,600)	3,897,820
\$3,000,000 MEGA BUCKS	(1,890)	11,973,360
\$500 FRENZY	(1,945)	7,661,875
CASH PLUS	(2,070)	2,309,245
WIN FOR LIFE	(2,124)	12,148,599
CROSSWORD	(2,127)	25,114,122
RAGING HOT 7s	(2,160)	12,956,700
\$10,000 TITANIUM CLUB	(2,280)	3,412,076
50X THE CASH	(2,610)	4,207,470
WILD CASH	(3,200)	2,805,688
CASH BLAST	(4,270)	18,488,040
LOTERIA	(4,467)	7,045,491
PRIOR YEAR GAME	(9,965)	(15,678)
	<u>\$ 2,059,683,950</u>	<u>\$ 2,169,846,419</u>

See independent auditors' report.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**SCHEDULES OF ADMINISTRATIVE EXPENSES**

	Years Ended June 30,	
	2024	2023 *
Salaries	\$ 7,377,311	\$ 7,333,023
Fringe benefits	2,000,000	-
Printing and office supplies	39,689	71,625
Vehicular supplies	1,071	1,017
Household and clothing	22,229	17,215
Travel	81,766	103,825
Telephone	146,715	129,483
Postage	47,073	43,708
Data processing	821,327	764,722
Household and security	262,072	267,602
Professional services	1,124,396	1,001,312
Other professional services	347,500	326,296
Data processing - OIT	303,022	140,553
Maintenance - building and grounds	9,523	18,671
Maintenance - office equipment	46,202	36,093
Rent - building and grounds	1,058,506	1,147,273
Central motor pool	98,362	86,489
Rent - Other	895	-
Vehicular equipment	-	10,054
Other equipment	456,822	1,115,087
Information processing equipment	9,752	77,069
Amortization	87,744	87,744
Total administrative expenses	<u>\$ 14,341,975</u>	<u>\$ 12,778,863</u>

\* Certain account balances have been restated to conform with current year presentation.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**SCHEDULE OF NORTHSTAR NJ NET INCOME TARGETS (UNAUDITED)**

Year	Fiscal Year	Net Income Target
Year 1 (Stub Year)	2014	\$ 760,897,061
Year 2	2015	1,047,000,000
Year 3	2016	963,478,103
Year 4	2017	990,513,343
Year 5	2018	1,009,871,643
Year 6	2019	1,023,544,636
Year 7	2020	1,082,203,750
Year 8	2021	1,094,774,507
Year 9	2022	1,104,531,442
Year 10	2023	1,114,374,966
Year 11	2024	1,124,767,787
Year 12	2025	1,135,239,702
Year 13	2026	1,145,794,655
Year 14	2027	1,156,420,946
Year 15	2028	1,167,131,650
Year 16	2029	1,177,921,943

See independent auditors' report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

State of New Jersey  
Department of the Treasury  
Division of State Lottery

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the State of New Jersey, Division of State Lottery (the "Division of State Lottery") as of and for the year ended June 30, 2024, and the related notes to financial statements, which comprise the Division of State Lottery's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 11, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the Division of State Lottery's internal control over financial reporting ("internal control") as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Division of State Lottery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Division of State Lottery's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Division of State Lottery's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Division of State Lottery's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division of State Lottery's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Division of State Lottery's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Mercadien, P.C.  
Certified Public Accountants**

December 11, 2024

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

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None reported.

**STATE OF NEW JERSEY, DIVISION OF STATE LOTTERY**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

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None reported.





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