

NC EDUCATION LOTTERY



Driving Growth by
DOING GOOD

2019 REPORT TO THE PUBLIC

We're on a path
of continued
success and remain
committed to
driving our growth
by doing good.



Over \$50,000 raised by the Lottery helped fund three new ADA access ramps at Alexander Wilson Elementary in Alamance County.

"For Colton, the new ramps just make a huge difference. It just keeps him independent and that's what we wish for him."

– Megan Lyon, mother of first-grader at Alexander Wilson Elementary, Colton Lyon



Driving growth by **DOING GOOD**

As the only U.S. lottery to increase sales every year since inception, we have seen unparalleled growth and success. The only way we – as a business – can achieve such success every year is because of sustainable and responsible business practices.

The reason North Carolina has a lottery is to raise money for a good cause while providing fun, fair and honest games to its citizens. What we do, however, goes far beyond providing over \$700 million every year to education.

The N.C. Education Lottery, since 2006, has become a part of North Carolina culture. Folks dress up like Mr. First Tuesday for Halloween and look forward to being gifted a lottery ticket during the holiday season. But we wouldn't be part of the every day if North Carolinians didn't believe in our mission and the way in which we run our business.

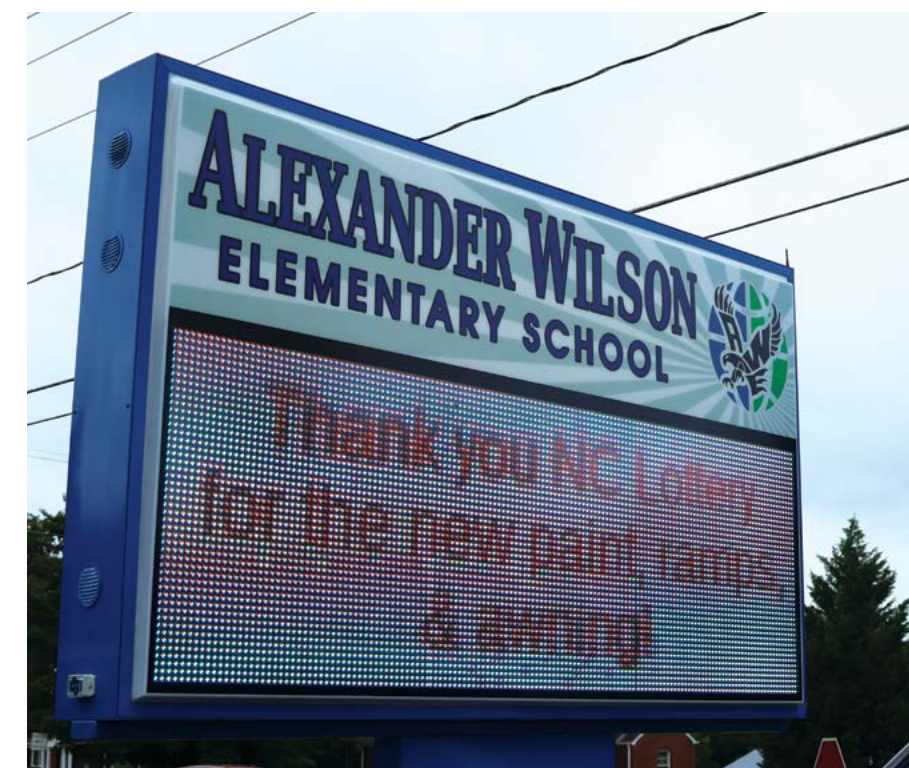
We offer folks a chance to dream a little and serve our community while doing it. That's why our commitment to maximizing the money we raise for education and doing good while doing it is so important to all of us.

We live up to that commitment every day by:

- Meeting our mission to maximize the money raised for our good cause while operating responsibly.
- Working openly and collaboratively with all those who have a stake in our lottery.
- Ensuring everyone has a better understanding of our lottery and how the money raised benefits the state.
- Encouraging lottery play in a sensible and responsible way.
- Striving to get better every year by understanding how we operate and the social impact of our games.

This way, playing and supporting the N.C. Education Lottery creates a world of winning possibilities for our state. We can help some of our biggest dreams come true.

We're on a path of continued success and remain committed to driving our growth by doing good.





Fourth
U.S. lottery
– and youngest –
to achieve
international
recognition
for operating
responsibly.

Driving growth by doing good for North Carolinians

We are doing right by North Carolinians every day. We are operating responsibly to protect those who play our games. We are operating sustainably to maximize our return to education. Our commitment to doing good for North Carolinians is best reflected in our goal to be one of the most responsible lotteries in the world – a goal we are proud to say we achieved.

Putting North Carolinians First

From the way we design and advertise our games, to the tools we develop to help folks be in control of their play, our commitment to operating responsibly is at the heart of everything we do. That commitment to being a responsible organization that cares not



only about players, but also about our state, is our promise to all North Carolinians. And we live up to that promise every day by being one of the most responsible lottery organizations in the world.

Our commitment to build responsible gaming best practices into everything we do helped us achieve the highest level of responsible gaming certification recognized internationally—making us one of the most sustainable, ethical, and responsible lotteries in the world. We were the fourth - and youngest - U.S. lottery to reach the top level in the world program.

This achievement was given by the World Lottery Association, the global authority on lottery business. It means we have implemented responsible

gaming practices into our day-to-day operations, goals, and management processes and are committed to continuous improvement of them.

While this designation is a lottery achievement, it's a win for our state and our players.

What does this mean for North Carolina?

We are fully committed to operating responsibly, promoting responsible play, and being a strong corporate citizen of our state all while responsibly growing sales and increasing return to education.

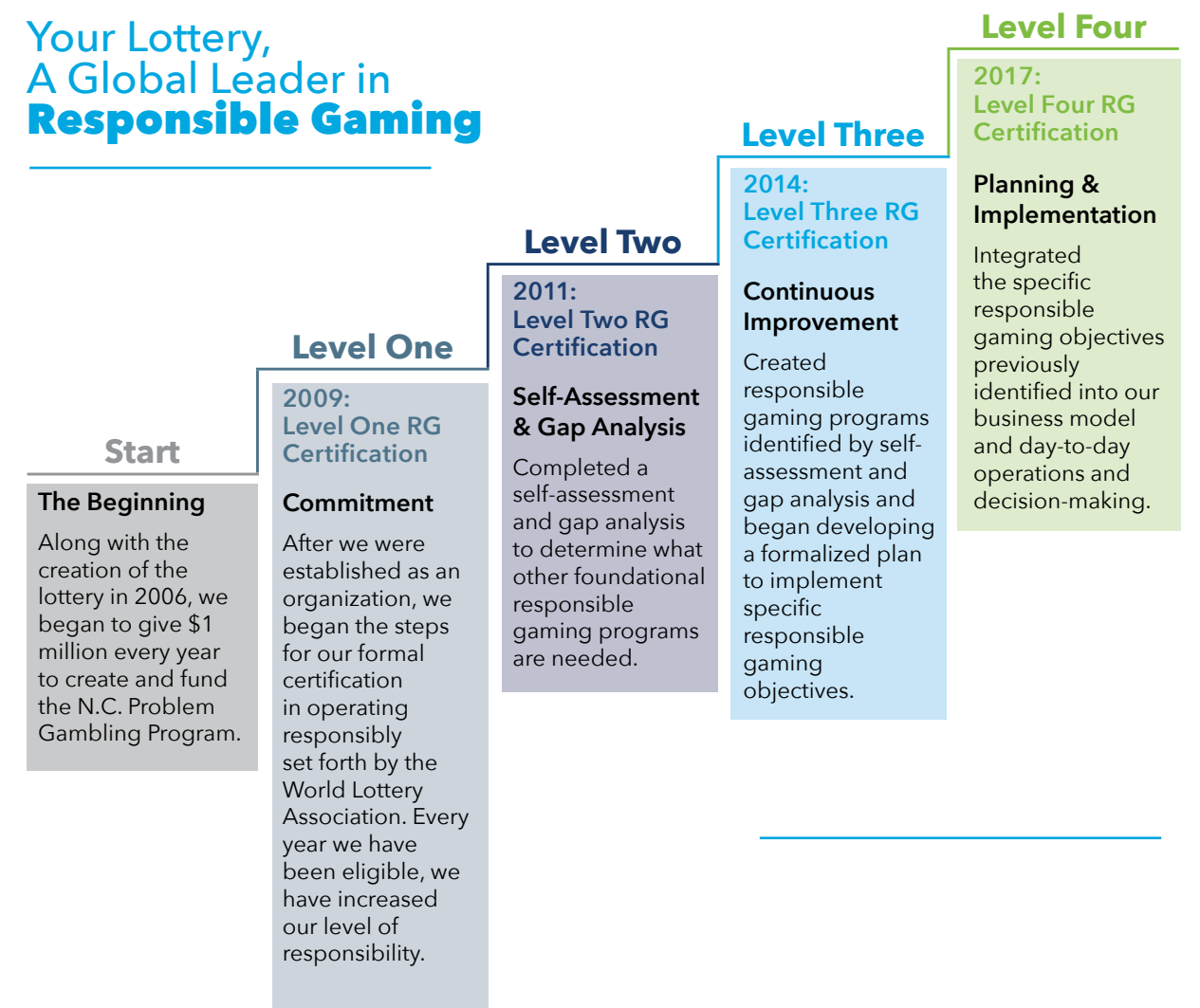
What does this mean for players?

Players can feel confident that if they choose to play our games, they will have the resources and tools they need to make informed decisions and be in control of how much and when they play.

We've leveled up

Being one of the most responsible lotteries in the world didn't happen overnight. We have been working to continuously improve and strengthen our responsible gaming and social responsibility programs since selling the first ticket in 2006. We've done this by adhering to important principles, learning from other organizations, training employees, educating players, marketing responsibly, conducting research and collaborating with stakeholders.

Your Lottery, A Global Leader in Responsible Gaming



Continuous improvement

We will continue to strengthen our responsible gaming and corporate social responsibility programs and reapply for Level 4 every year we are eligible.



Doing business responsibly

While we know it might seem easy to say we have become one of the most responsible lotteries in the world, the steps it takes to reach that achievement are not, and we know that folks might not know what that looks like. Here are a few of our responsible gaming highlights that summarize just how committed we are to operating fairly, responsibly, and ethically. We:

- Are the sole source of funding for the N.C. Problem Gambling Program - www.morethanagamenc.com - providing \$1 million a year for treatment and counseling and a 24/7 helpline for anyone with a gambling problem.
- Utilize feedback from the stakeholder advisory panel and retailer advisory panel for improvement.
- Report to external stakeholders with an annual independent financial audit, biennial independent security audit, and biennial independent performance audit.
- Enhance partnerships with the N.C. Problem Gambling Program by opening communication channels and actively seeking their input.
- Developed a self-exclusion program, where players can self-exclude themselves from playing online.
- Review and benchmark lottery industry best practices in responsible gaming.
- Include responsible gaming messaging on all point of sale and most contacts.
- Employ detective and investigative strategies to identify potential fraudulent activity and to keep lottery tickets from ending up in the hands of minors.
- Collect data through surveys, focus groups, and brand tracking to monitor and evaluate responsible gaming awareness.
- Train 100 percent of employees, retailers and advertising agencies in responsible gaming and ethics.
- Develop specialized responsible gaming training for employees with direct contact with players.
- Participate in periods of national advocacy for responsible gaming, such as Problem Gambling Awareness month in March and Gift Responsibly Holiday campaign in December. This helps share relevant information about what problem gambling looks like and how to seek help as well as sharing information about how lottery tickets are not for children and should not be given as gifts to those under 18.
- Utilize marketing and advertising to share our commitment to promoting responsible play, sharing the number for the N.C. Problem Gambling Helpline.

Our commitment to providing fun and fair games is matched by our desire to make a positive difference in the community.



By increasing stakeholder engagement, developing partnerships, and supporting local communities, we will continue to provide value to all citizens across the state, whether they play our games or not.



Driving growth by doing good for **Communities**

*From serving on local boards to being active members of economic development groups, lottery employees care about our state and our communities. That drive to give back doesn't go away when we walk into work every morning. Instead, that drive to do good plays an integral part in our day-to-day work and has shaped who we are as an organization— **an organization committed to doing good for communities by listening to and acting upon stakeholder needs.***

Increasing dialogue, listening to you

That's why we listen to you— whether that be our players, our partners, our beneficiaries or our state.

- **Stakeholder Advisory Panel:** Members provide us an opportunity to reflect on stakeholder needs and expectations, contributing to our continuous learning and improvement in corporate social responsibility and responsible gaming.
- **Retail Advisory Panel:** Where we listen and learn from one of our primary stakeholder groups— our retailers—on how we can grow and improve.
- **Online Player's Club:** We know our players have questions that deserve answers and open conversation. We engage with our Player's Club of over 1 million members every day by writing blogs on topics our players care most about and answering hundreds of questions each month.
- **Social Media:** Players like to know that real folks win the lottery. That's why we share winner information on our social media platforms, while simultaneously creating an online environment where everyone, players and non-players, can ask questions and find answers.



- **Traveling Presentations:** Whether it is for civic clubs or school board meetings, we send a team to travel to you and present on topics that matter most to your group. Over the last two years, we have traveled all across the state to give over 30 presentations.
- **Conducting Research:** Just like brands use research to learn which products they should launch, we use research to help us learn more about what matters to our stakeholders. We use that information to make smarter business and responsible gaming decisions.



Creating lasting partnerships, helping communities thrive

We work hard to understand the needs and expectations of our stakeholders. It helps us improve as an organization. Just like we care about listening to our stakeholders, we also care about the communities where we do business. And just like we care about those communities where we do business, we care that those businesses are representative of the state of North Carolina. **We work every day to move dreams forward.**

Volunteer Time Off

Our employees started the volunteer committee back in 2015 with a shared goal to give back to the community. They used their own personal time to participate in mentorship programs, school beautification projects, and other lottery-organized events and drives. But we recognized that we could do better as an organization. That's why last year we launched our volunteer time off policy, where we give eight hours of paid leave to employees to use at lottery-sponsored volunteer events.

Community Partnerships

Over the past two years, we have worked diligently to expand our partnerships with groups across the state. Our goal is to build a robust community relations program that strengthens our relationship with groups across the state, including professional and collegiate sporting teams, business partners and education groups.

Minority Business Affairs

We strive to create a world of possibility not only for winners and students, but also for minority businesses. The goal is to build a robust minority business participation program to increase the lottery's spending with minority, women and historically underutilized businesses. Over the past two years, we have been very successful in meeting our goal. We have reached 10 percent minority business participation that is in line with the state's goal for good faith efforts.

We believe that when we dream together we grow together and create lasting partnerships that let our communities thrive.



Lottery Winners Pay It Forward

Starting a college fund. Paying off mortgages. Buying a fishing pole. When winners come in to claim their prizes, we get to hear their hopes and dreams and feel their excitement and joy. And sometimes, we have winners come in that make us pause and realize how much life-changing good is made possible because of the lottery. Their stories inspired us then and continue to inspire us today.



Feeding the hungry

Chef Roberto Mendoza of Charlotte has had a lot of winning moments in his life. He's cooked for former presidents, and even catered the Oscars. But for Mendoza, his biggest win came when he won a \$250,000 lottery prize. The money means his foundation can finish building a cafeteria in the Dominican Republic to feed the hungry.

"I know what it's like to be hungry. I'd do everything I can to make sure no one else has to go hungry."



Making education dreams come true

A good teacher can change the course of a child's life forever. That's exactly what Kelly Thomas of Clemmons hopes to do after her grandfather gave her his \$25,000 A Year For Life prize.

"I've always dreamed of being a school teacher and helping people. This money makes it possible for me."



"I want to do something good. I'm going to pay it forward and donate to St. Jude Hospital, the Wounded Warriors Project, and the Shriners. I always said I would if I ever won the lottery. So I'm going to make do on that promise."

- Charles Jackson Jr., winner of the largest Powerball jackpot in state history, \$344.6 million.



Your play helps build new schools

This year, with the help of \$15 million raised by the lottery, dreams of a new school for Jones County families came true. And it's just the beginning. Twenty other North Carolina counties have received grants for new buildings planned for their schools.

Driving growth by doing good for Education

In creating a state lottery, our state chose to use the money raised by the lottery as a new source of money to support a fundamental right for all North Carolinians – education. All the money we raise supports public education programs in all 100 counties of our state. By providing a sustainable and reliable source of money, the lottery becomes a means for doing good for education.

Helping dreams of education come true for millions of North Carolinians

When you buy a lottery ticket, you help raise money for public education in our state. One hundred percent of our profits go to education. Here's where that one hundred percent of lottery profits went last year:

Covering costs of school workers - 51%

It takes a team to make a school work. Last year, more than \$385 million supported the operations of public and charter schools, including the costs of support staff such as office assistants, custodians and substitute teachers.

Helping to build and repair schools - 32%

Students need space to learn. School systems use money raised by the lottery to help build and repair schools. Last year, local school districts received \$241 million in lottery funds for school construction and repair. This helps meet needs that otherwise would require other

funds, such as property taxes. Local officials decide the best use of the construction funds they receive.

Providing free Pre-K to four-year-olds - 10%

Being ready to learn helps kids get the most out of school. The N.C. Pre-K program serves four-year-old children who are at risk of falling behind their peers. Thanks to lottery funds, 13,427 children across the state last year received a free, academic pre-school experience just in time for kindergarten.

Making college more affordable - 4%

Money raised by the lottery helps make dreams of college a reality. It supported scholarships or grants based on financial need to students. Last year, 22,915 students attending a state university or community college received a lottery scholarship. And, 51,437 students at state universities received a grant partially funded by lottery funds.

Supporting safe trips to school - 3%

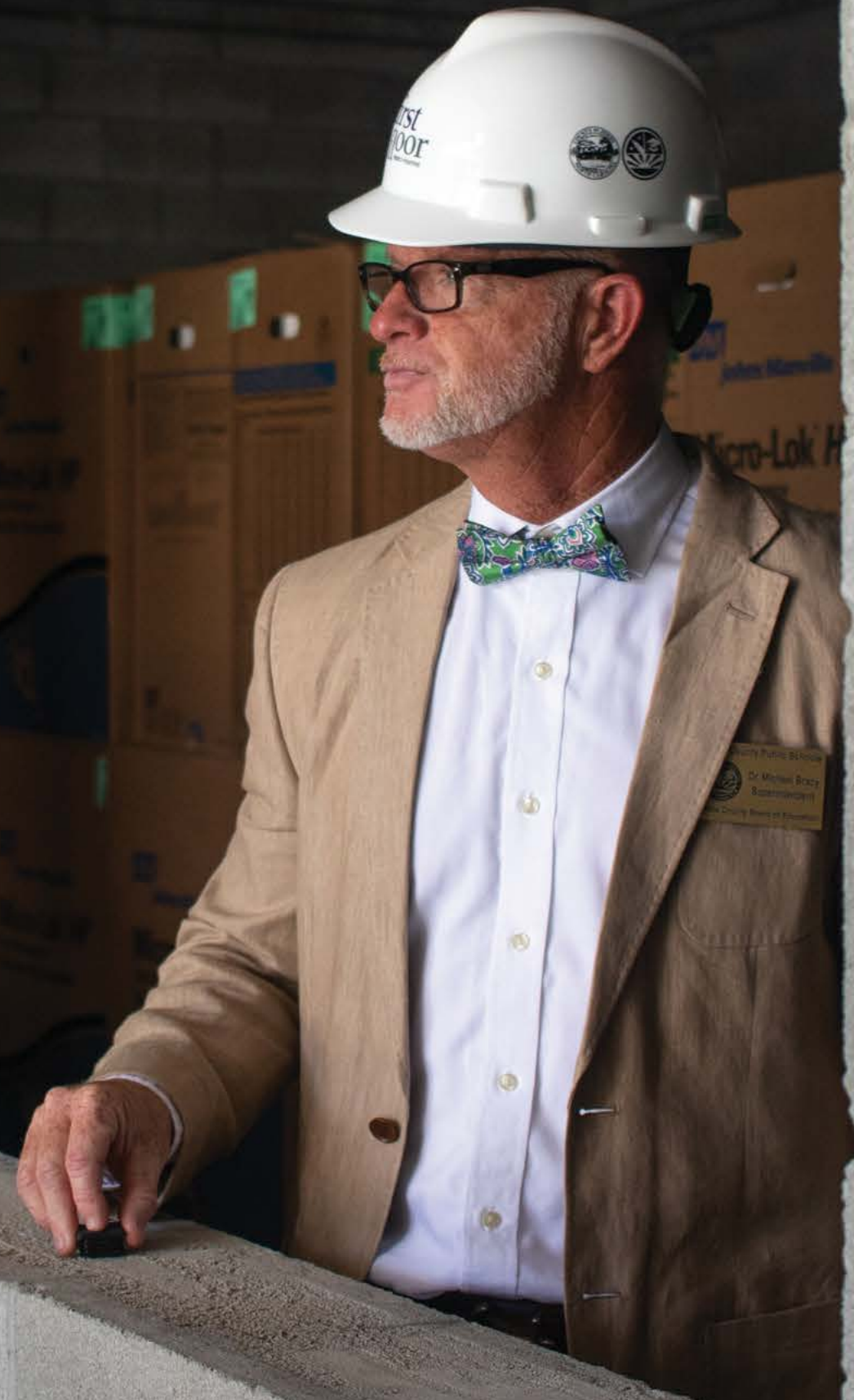
Just like students need a place to learn, they also need a safe way to get to school and back. Lottery funds help cover the costs of school transportation, such as bus drivers' salaries and fuel. Last year, school systems received over \$21 million.

**Raising more than \$6.6 billion
for education in North Carolina.**

June 30, 2019

“We have such a small tax base, so we are not able to generate enough money to build and renovate schools. Lottery dollars help offset the shortfall for school construction needs. Without it, this new school wouldn’t be happening, and our students deserve it. They deserve the world.”

*– Dr. Michael Bracy,
superintendent,
Jones County Schools*



Where does the Money Go?

When you buy a lottery ticket, you aren't just getting a chance to win big, you're also supporting education in our state.

Here's how a dollar spent on the lottery is used. Most of the money spent, \$.96 of every dollar, comes back to the state in the form of prizes, retail commissions, and earnings for education.

We're in the business of prizes

Games and prizes make for a lot of fun, but without the chance to win prizes, North Carolinians wouldn't enjoy playing the lottery. Prizes are essential in meeting our mission of raising money for education. So it's no surprise that prize money makes up the lottery's largest expense.

Every ticket makes a difference

The fun of prizes fuels the sales, and the sales produce the profits that go to education. One hundred percent of lottery profits go towards supporting education programs identified by the legislature.

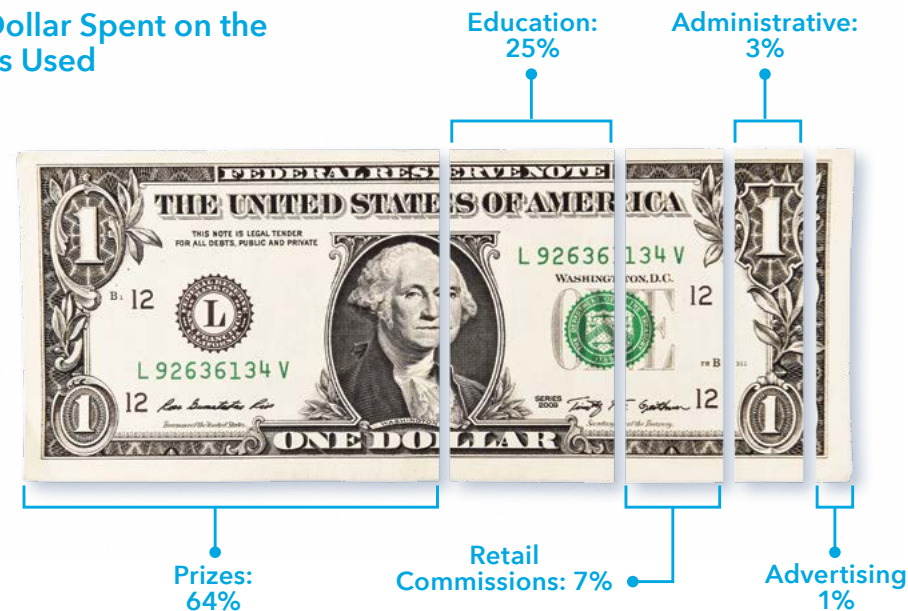
Efficiently earning money for education

Operating efficiently and effectively helps the lottery raise more money for education. Last year less than 1% of revenue was spent on salaries and benefits. We are an extremely lean sales and marketing organization because every dollar we save is another dollar that goes to education.

For more information on where the money goes, visit nclottery.com

Last year, we raised \$1.9 million a day for education.

How a Dollar Spent on the Lottery Is Used



"Many social workers go unnoticed, because people feel it's their job to offer care and support. GMS students benefit daily from her tireless advocacy and genuine support that exceeds any and all expectations for her profession."

– Laura Wooten, student life director at GMS



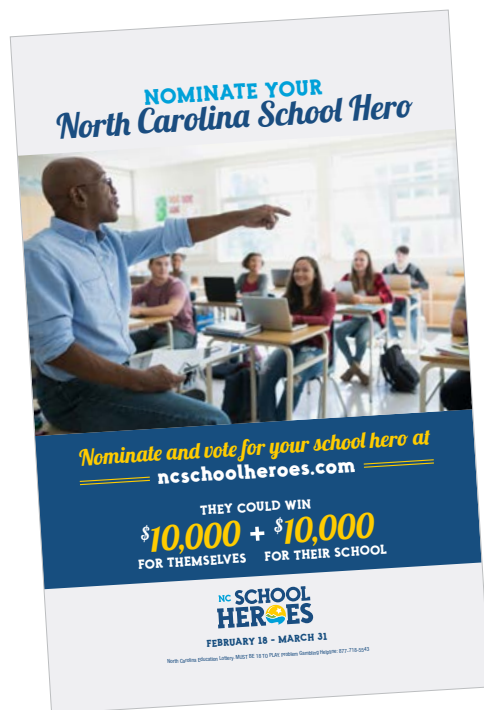
▲ Laura Wooten (left) and Shonny Williams (right)

Shonny Williams, a social worker with The Governor Morehead School in Raleigh was one of 10 winners of the Education Lottery's NC School Heroes program.



Driving Growth by Celebrating Our School Heroes

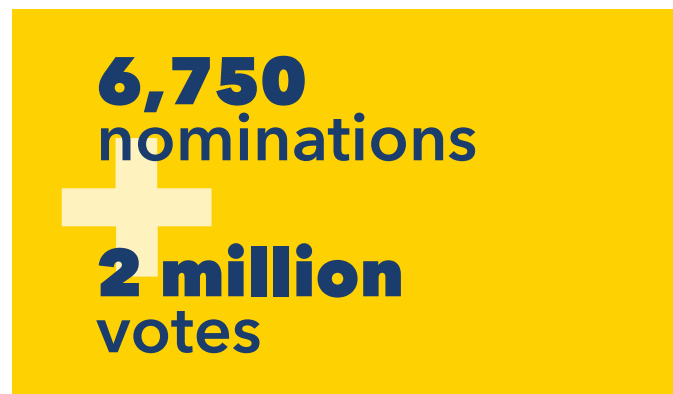
Every day, we raise \$1.9 million for those who stop at nothing to impact everything.



It's easy to see how money raised by the lottery benefits the state when there is a new or updated school. But for one program, school support staff that the lottery funds over 90 percent of, it's hard to see how it makes a difference.

That's why we created the NC School Heroes campaign. It helps North Carolinians understand how their lottery benefits the state and, along the way, puts a spotlight on the work of a lot of good people in our schools.

We asked North Carolinians across our state to nominate their school heroes, the individuals who inspire us, going above and beyond in what they do. The response was overwhelming, and the stories were too.



Judges reviewed the stories of those who got the most votes and picked 10 winners. Each received \$10,000 for themselves and \$10,000 for their schools.

Meet your heroes

The NC School Heroes program showed some of the great work of thousands of teachers, educators, and school workers across North Carolina. They are the people who bring enthusiasm, passion and creativity to what they do every day. They inspire growth in students and help them find their way.

Your NC School Heroes included teachers, a principal, a teacher assistant, a school custodian, a school cafeteria manager, a band director, a high school basketball coach, a school crossing guard, and a school social worker. They work in schools across our state from Brunswick and Pasquotank counties on the coast; Wake, Granville, Union, Davidson, Iredell, and Guilford counties in the Piedmont; and McDowell and Swain counties in the mountains.

You can see the 10 NC School Heroes, including a video showcasing their work, at ncschoolheroes.com



“ Jeff has boundless energy and it is obvious that he loves what he does. You can't help but get excited about engineering or science or whatever the topic is. He is who every parent wants teaching their child.”

— Kristen Sutek of Jeff Walker

▲ **Jeff Walker,**
a STEM teacher at Pine Lake Preparatory School in Mooresville.



▲ **Peggy Curnutte,**
a school cafeteria manager at Eastfield Global Magnet School in Marion.



▲ **Vic Bridges,**
a school custodian at Swain County Middle School in Bryson City.

When our players play our games responsibly, everyone wins.





Driving growth by doing good for Players

Player protection in action

We want our players to enjoy the fun and thrill our games provide. And we want to make sure that our players have the tools they need to keep it that way. Our responsible gaming program centers around the education, encouragement, and empowerment of our players. We are educating players on how our games work and how to play them, encouraging lottery play in a sensible and responsible way, and empowering players to know what to do when playing the lottery no longer feels like fun.



Helping players make smarter decisions

You wouldn't buy a new car or computer without first doing your homework. Just like folks choose to be in the know with some decisions in their life, our players also have the choice to be in the know when they choose to play our games.

- **Game odds:** We share odds of winning with our players on the back of all of our scratch-off tickets, on our advertisements, and on our website.
- **Prizes remaining:** Players can see prizes remaining for their favorite scratch-off games on our website.
- **How to play:** We provide detailed how to play brochures and flipbooks at play centers at our 7,000 retailers and on our website.

Allowing players to be in control

We know the possibility and thrill of winning the lottery is exciting. We also understand that sometimes players want to be in control of how much thrill and excitement they seek. That's why we provide tools and resources to help them manage how and when they play.



- Credit cards are not accepted. Players can only buy lottery tickets with cash, debit cards, or a bank account.
- Players can set deposit limits. Folks who buy our games online have the option to set deposit limits. If a player sets them, we enforce them.
- Players can stop themselves from playing. Folks who buy our games online have the option to exclude themselves from purchasing lottery tickets from one month, six months, one year, five years or permanently.

Sharing resources, helping those who need it

The majority of folks who play our games will never develop a problem. Playing the lottery should be fun, and we don't want players to jeopardize their finances, put their responsibilities on hold, or put their livelihood at risk when they play.

- Every year, we provide \$1 million to fund educational and awareness initiatives on playing responsibly and resources for players who may have a gambling problem.
- We train our retailers and customer-facing employees to recognize the signs of a potential gambling problem so they feel empowered to share problem gambling resources with players.
- We fund a 24-hour player hotline. Players who think they have a problem, or family members of players can talk, text, or chat to someone who will direct them to the right resource, which is then also paid for by us.
- We share the problem gambling helpline on advertisements, social media, play centers, and other forms of communication.

Whether our players prefer the thrill of scratch-off or the anticipation of a draw game, they should have all the tools they need to make smart, informed decisions.

We believe that the more our players know, the more fun they will have playing our games responsibly.

Our drive to be one of the most **successful lotteries** in the world is equally matched by our desire to be one of the most **responsible gaming organizations** in the world.

We're committed to getting **Better Every Year**

Goals of increasing sales every year and being a socially responsible organization at first seem to be at odds. They're not. By achieving both at the same time, we can keep the lottery successful and sustainable for years to come.



Increasing how much we raise for education

Being the only lottery in the U.S. to increase sales every year since inception isn't just a win for us, it's a win for education. Thanks to a record-breaking year in sales, \$2.86 million to be exact, we had a record-breaking year for earnings for education.

Every dollar spent on the lottery, \$.25 of that supports public education in our state. And last year, your lottery set a new record for money raised for education, \$709.2 million, up 4.9 percent. That's \$33.7 million more for education than the year before.

Doing business responsibly

Two years after obtaining the highest certification in the world for operating responsibly, and we aren't even close to being done yet. We've been:

Keeping up with technology to provide the best experience possible for players. A mobile-first website and a mobile app with a ticket checker makes it easier for players to get the information they need to stay up-to-date on how to play games and the odds of winning - some of the information they need to play smart.

Understanding the risk of new games. When we launched a new North Carolina draw game, Carolina Keno, we utilized a tool called GamGard that assesses a potential game's risk level. If the risk is too high, we will not launch the game. We will continue to use GamGard to assess potential risks for all our new games.

Studying the role the lottery plays in the life of North Carolinians. We partnered with Ipsos, a research and polling firm, to conduct a demographic profile of lottery players. The study shows that demographically lottery players look similar to the overall population of the state and come from all walks of life.

We are on a path of continued success and remain committed to finding more ways to drive our growth by doing good.

Our Commitment Starts at the Top



“As the lottery has grown, it has demonstrated its commitment to best practices in sales and marketing of lottery games. Those efforts help to ensure that it minimizes any harm that could come from games created to serve the public good.”

–Tony Rand
of Fayetteville, Chairman,
N.C. Education Lottery Commission

“No business will be successful for long if it doesn’t care about its customers. Our players are our customers. So our duty is not only to increase the money we raise for a good cause, but to work at the same time to protect the interest of our players. Success requires achieving both goals together.”

– Mark Michalko,
who became the lottery’s third
Executive Director in April 2018.



Morgan Beam of Raleigh



Buddy Bengel of New Bern



Courtney Crowder of Raleigh



Randy Jones of Pine Level



Nick Picerno of West End



Jason Roth of Cary



Chris Shew of Wilkesboro



Jody Tyson of Snow Hill

Photo Credit: Christer Berg Photography

"When I saw the award amount, I was speechless. It helped out tremendously and took a big burden off of us."

– Kimberly Crowder, an Education Lottery Scholarship recipient.

We are committed to driving growth by doing good – for everyone.



To view the lottery's financial statements detailed in the Comprehensive Annual Financial Report and the overview of the lottery's financial condition detailed in the Popular Annual Financial Report, please visit our website, nclottery.com.

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

Office of the State Auditor

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