



Audit Summary

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Rhode Island Lottery

Fiscal Year Ended June 30, 2020

We completed an audit of the financial statements of the Rhode Island Lottery (Lottery) for the fiscal year ended June 30, 2020. The Lottery paid \$283.9 million to the State's General Fund for the fiscal year ended June 30, 2020. The amounts paid to the General Fund represent the Lottery's net income after payment of prize awards, commissions, and operating expenses.

The total amount transferred to the State decreased \$113.4 million over the previous fiscal year reflecting the impact of the global pandemic, temporary closing of the Twin River casinos, halting of most sporting events thereby reducing sportsbook revenue, and the impact of a new gaming venue in nearby Massachusetts. The Lottery's gross profit from gaming operations before operating expenses totaled \$295.4 million for the fiscal year ended June 30, 2020. Video lottery accounted for \$213.1 million or 72.1% of total gross profit.

Net video lottery revenue decreased by approximately 32.5% compared to the prior year. The Twin River casinos were closed for months and re-opened in June with reduced VLT capacity.

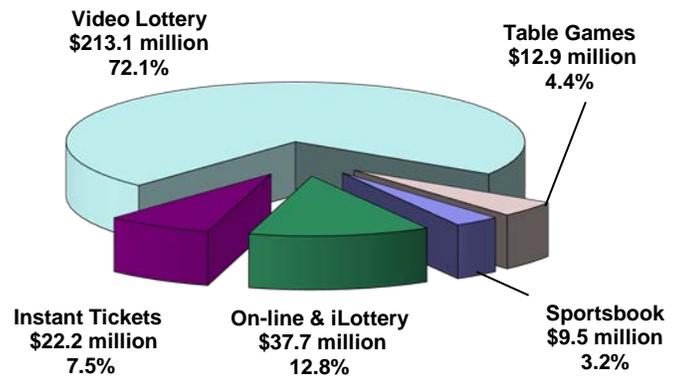
On-line games revenue decreased 17.4% while instant ticket revenue increased 9.5% over prior year amounts. The Lottery's operating expenses totaled approximately \$13.6 million for the year ended June 30, 2020.

Net revenue from table games totaled \$83.3 million for the year ended June 30, 2020. After commissions paid to the facilities and the towns, and related operating expenses, the State's share of net revenue from table games amounted to \$12.9 million.

Mobile Sportsbook gaming was offered for the first time in fiscal year 2020. Gross profit for Sportsbook totaled \$9.5 million, after commissions, payouts and marketing expenses. iLottery gaming (eInstants and iKeno) also began in fiscal year 2020, with gross profit approximating \$220,000 for the year.

We concluded that the Lottery's financial statements for the year ended June 30, 2020 were fairly presented in accordance with accounting principles generally accepted in the United States of America.

Lottery Gross Profit from Gaming Operations
By Game Type – Fiscal 2020



We also issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance. We reported an internal control deficiency related to the Lottery's need to enhance monitoring of the newly implemented Sportsbook and iLottery gaming options due to the unique operational aspects of those games and the involvement of multiple external parties in their operation. We also reported three management comments intended to enhance internal control or result in other operational efficiencies.

Audit Highlights

- The Lottery paid \$283.9 million to the State's General Fund for the year ended June 30, 2020 – a decrease of \$113.4 million compared to the prior fiscal year.
- Video lottery accounted for \$213.1 million (72.1%) of the fiscal 2020 gross profit from gaming operations.
- Table games accounted for \$12.9 million of Lottery gross profit.
- We expressed an unmodified opinion on the Lottery's financial statements.
- The Lottery implemented mobile Sportsbook and iLottery during fiscal 2020.
- The Lottery's financial statements disclose the effect of the COVID-19 pandemic on fiscal 2020 revenues with impacts expected to continue in fiscal 2021, as well as the impact of competing gaming operations in nearby states.