

***SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
STATEMENTS OF NET ASSETS***

		JUNE 30,	
		2007	2006
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$	14,331,914	\$ 4,997,173
Cash - Restricted fidelity fund		410,933	495,230
Retailer accounts receivable, net of allowance for doubtful accounts of \$288,128 and \$229,058 for 2007 and 2006, respectively		29,679,489	29,019,114
Accrued interest receivable - Multi-State Lottery		493,509	-
Inventory		2,244,238	3,381,484
Prepaid expenses and other current assets		840,332	834,711
Total current assets		48,000,415	38,727,712
CAPITAL ASSETS, net		2,645,286	5,568,400
DEPOSIT WITH MULTI-STATE LOTTERY		6,162,310	7,425,000
Total assets	\$	56,808,011	\$ 51,721,112
LIABILITIES			
CURRENT LIABILITIES			
Due to Education Lottery Account		21,848,082	10,939,754
Prizes payable		23,707,759	28,506,282
Prizes payable - Multi-State Lottery		1,983,868	1,016,738
Accounts payable		3,863,070	2,369,867
Accrued liabilities		983,362	1,064,908
Current portion of accrued compensated absences		425,044	443,056
Current portion of long-term debt		-	882,359
Deferred revenue		431,185	884,928
Total current liabilities	\$	53,242,370	\$ 46,107,892
ACCRUED COMPENSATED ABSENCES		509,422	431,949
Total liabilities		53,751,792	46,539,841
NET ASSETS			
Invested in capital assets, net of related debt		2,645,286	4,686,041
Restricted - fidelity funds		410,933	495,230
Total net assets	\$	3,056,219	\$ 5,181,271

See notes to financial statements which are an integral part of these statements.

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	For the years ended June 30,	
	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Instant games	\$ 617,473,072	\$ 696,459,836
On-line games	236,372,864	226,336,340
Powerball games	134,312,216	221,810,074
Retailer permit fees	503,180	505,230
Retailer telephone fees	2,777,700	2,690,863
Other	<u>300,023</u>	<u>49,357</u>
Total revenue	<u>991,739,055</u>	<u>1,147,851,700</u>
DIRECT COSTS		
Commissions and incentives to retailers	<u>70,036,326</u>	<u>81,065,367</u>
Prize expense		
Instant games	428,661,025	481,989,311
On-line games	110,197,558	115,450,912
Powerball games	<u>61,227,842</u>	<u>104,901,331</u>
Total prize expense	<u>600,086,425</u>	<u>702,341,554</u>
Instant and on-line costs	<u>18,077,179</u>	<u>20,378,890</u>
Total direct costs	<u>688,199,930</u>	<u>803,785,811</u>
Gross profit	<u>303,539,125</u>	<u>344,065,889</u>
OPERATING EXPENSES		
Advertising and promotion	9,866,628	8,682,936
Security checks	219,180	216,860
Salaries, wages and benefits	9,847,490	9,119,334
Contracted and professional services	494,705	685,931
Depreciation	3,726,082	3,647,532
Rent expense	804,196	711,261
Office supplies	211,861	160,318
Bad debt expense	111,356	691,200
Other general and administrative	<u>2,366,594</u>	<u>2,404,460</u>
Total operating expenses	<u>27,648,092</u>	<u>26,319,832</u>
Operating Income	<u>275,891,033</u>	<u>317,746,057</u>
NON-OPERATING INCOME (EXPENSE)		
Interest income	1,230,566	1,233,565
Gains on disposal of capital assets	14,825	12,549
Interest expense	<u>(25,091)</u>	<u>(129,139)</u>
Total non-operating income	<u>1,220,300</u>	<u>1,116,975</u>
Change in net assets before transfers to and due to Education Lottery Account	277,111,333	318,863,032
TRANSFERS TO AND DUE TO EDUCATION LOTTERY ACCOUNT	<u>279,236,385</u>	<u>320,629,929</u>
Change in net assets	(2,125,052)	(1,766,897)
NET ASSETS,		
BEGINNING OF YEAR	<u>5,181,271</u>	<u>6,948,168</u>
END OF YEAR	<u><u>\$ 3,056,219</u></u>	<u><u>\$ 5,181,271</u></u>

See notes to financial statements which are an integral part of these statements

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
STATEMENTS OF CASH FLOWS

	For the years ended	
	June 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from retailers	\$ 990,639,762	\$ 1,147,639,131
Cash payments to prize winners	(603,917,819)	(700,450,398)
Cash payments to suppliers for goods and services	(99,791,168)	(119,221,465)
Cash payments to employees for services	(9,656,428)	(9,280,317)
Net cash provided by operating activities	<u>277,274,347</u>	<u>318,686,951</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Refunds of excess deposits with Multi-State Lottery	1,262,690	328,026
Payments to Education Lottery Account	(268,328,057)	(330,934,444)
Net cash used for noncapital financing activities	<u>(267,065,367)</u>	<u>(330,606,418)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from dispositions of capital assets	18,150	45,747
Interest paid	(25,091)	(129,139)
Purchase of capital assets	(806,293)	(539,072)
Net cash paid for short-term and long-term debt	(882,359)	(1,334,861)
Net cash used for capital and related financing activities	<u>(1,695,593)</u>	<u>(1,957,325)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	737,057	1,233,565
Net cash provided by investing activities	<u>737,057</u>	<u>1,233,565</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,250,444	(12,643,227)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	5,492,403	18,135,630
END OF YEAR	<u>\$ 14,742,847</u>	<u>\$ 5,492,403</u>
OPERATING ACTIVITIES		
Operating income	275,891,033	317,746,057
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	3,726,082	3,647,532
Changes in assets and liabilities		
Retailer accounts receivable	(660,375)	(1,608,765)
Accounts receivable - Multi-State Lottery	-	1,509,562
Inventory	1,137,246	(976,629)
Prepaid expenses and other assets	(5,621)	(572,055)
Accounts payable and accrued liabilities	1,471,118	(2,836,541)
Prizes payable	(3,831,393)	1,891,156
Deferred revenue	(453,743)	(113,366)
Net cash provided by operating activities	<u>\$ 277,274,347</u>	<u>\$ 318,686,951</u>

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