

MONTANA LOTTERY

FINANCIAL STATEMENTS
(Unaudited)

September 30, 2025

MONTANA LOTTERY

FINANCIAL STATEMENTS
(Unaudited)

September 30, 2025

TABLE OF CONTENTS

	Page
Appointed Officials and Report Distribution	1
Statement of Net Position	2
Statement of Revenues, Expenses and Changes in Net Position	3
Statement of Revenues, Expenditures and Changes in Net Position and Reconciliation of Budget and Actual (Budgetary Basis) to GAAP Basis	4
Analysis of Revenues and Expenses by Product	5
Notes to the Financial Statements	6

APPOINTED OFFICIALS

Bob Brown, Lottery Director

Cory Bailey, Lottery Assistant Director for Security

LOTTERY COMMISSION

		Term Expires
Leo Prigge	Butte	January 1, 2027
Tony Harbaugh	Miles City	January 1, 2025
Steve Morris	Helena	January 1, 2025
Janna Taylor	Rollins	January 1, 2026
Jon Metropoulos	Helena	January 1, 2026

REPORT DISTRIBUTION – 2025

According to Section 23-7-202(9), MCA, copies of this report must be distributed to the following:

Governor – Greg Gianforte
Legislative Auditor – Angus Maciver
Speaker of the House – Brandon Ler

Director of Dept. of Administration – Misty Ann Giles
President of the Senate – Matt Regier

The law provides “the President of the Senate and the Speaker of the House will determine the report distribution to each member of the appropriate committee of each house of the legislature.” The President of the Senate and the Speaker of the House have requested that this report be distributed to the following committees:

HOUSE – STATE ADMINISTRATION COMMITTEE

Darling, Julie (Ch.)	Cochran, Curtis	Parry, Gary	Sooktis, Jade
Bertoglio, Marta	Edwards, Becky	Reksten, Linda	Strand, Peter
Kortum, Kelly	Fyant, Shelly	Running Wolf, Tyson	Tilleman, Eric
Bennett, Lyn	Lee, Marc	Schubert, Lukas	Wirth, Zack
Byrne, Ed	Love, Kathy	Smith, Frank	

HOUSE – BUSINESS AND LABOR COMMITTEE

Buttrey, Ed (Ch.)	Fitzpatrick, Chip	Ler, Brandon	Schomer, Curtis
Seekins-Crowe, Kerr	Fitzpatrick, Steve	Maness, Shannon	Seckinger, Joshua
Lynch, Jennifer	Gist, Steve	Marshall, Ron	Sprunger, Courtenay
Carter, Bob	Isaly, Jamie	Nicol, Nelly	Sullivan, Katie
DeMarois, Scott	Karlen, Jonathan	Oblander, Greg	Thiel, Morgan

SENATE – STATE ADMINISTRATION COMMITTEE

Manzella, Theresa (Ch.)	Ellis, Janet	Regier, Matt
McKamey, Wendy	Morigeau, Jacinda	Tezak, Tony
Hayman, Denise	Phalen, Bob	Vance, Shelley

SENATE – BUSINESS, LABOR, AND ECONOMIC AFFAIRS COMMITTEE

Noland, Mark (Ch.)	Gillespie, Bruce	Loge, Denley	Phalen, Bob
Trebas, Jeremy	Hunter, Gregg	Morigeau, Jacinda	Webber, Susan
Curdy, Willis		Novak, Sara	Zolnikov, Daniel

<p align="center">MONTANA LOTTERY STATEMENT OF NET POSITION Quarters Ending September 30, 2025 and September 30, 2024 (Unaudited)</p>
--

	Quarter Ended September 30, 2025	Quarter Ended September 30, 2024
ASSETS:		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 0	\$ 2,628,349
Investments	30,092	0
Receivables (Net)	6,294,224	7,848,891
Inventories	631,625	656,287
Prepaid Expenses	5,000	25,737
TOTAL CURRENT ASSETS	6,960,941	11,159,264
NONCURRENT ASSETS		
Computer, Furniture & Equipment	631,220	699,634
Leasehold Improvements	112,322	112,322
Accumulated Depreciation	(584,896)	(603,146)
Intangible Assets	1,140,798	1,140,798
Accumulated Amortization	(881,525)	(674,108)
Multi-State Reserve fund	1,630,362	1,314,271
TOTAL NONCURRENT ASSETS	2,048,280	1,989,771
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferred Outflows	359,080	275,881
OPEB Deferred Outflows	252,526	230,194
TOTAL DEFERRED OUTFLOWS OF RESOURCE	611,607	506,075
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,620,827	\$ 13,655,110
LIABILITIES:		
CURRENT LIABILITIES		
Accounts Payable	\$ 278	\$ 489,008
Estimated Prize Liability	727,702	3,373,556
Due to Primary Government	4,318,014	0
Transfer Obligations	1,620,315	4,265,490
Building Lease Payable	0	284,840
Unearned Revenue	742,100	592,171
Accrued Compensated Absences	173,739	158,630
Other Current Liabilities	83,227	0
TOTAL CURRENT LIABILITIES	7,665,374	9,163,695
NONCURRENT LIABILITIES		
Building Lease Payable	268,062	471,688
Multi-State Prize Liability	992,235	932,900
Accrued Compensated Absences	175,310	184,410
Net Pension Liability	2,375,432	2,356,640
Other Post Employment Benefits	125,125	82,780
TOTAL NONCURRENT LIABILITIES	3,936,163	4,028,418
DEFERRED INFLOWS OF RESOURCES		
Pension Deferred Inflows	52,823	92,227
OPEB Deferred Inflows	361,589	369,550
TOTAL DEFERRED INFLOWS OF RESOURCES	414,412	461,777
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	12,015,950	13,653,890
NET POSITION		
Net Investment in Capital Assets	149,856	208,810
Unrestricted	(2,544,978)	(2,603,932)
TOTAL NET POSITION	\$ (2,395,122)	\$ (2,395,122)

MONTANA LOTTERY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE QUARTERS ENDED SEPTEMBER 30, 2025 AND 2024
(Unaudited)

	Quarter Ended September 30, 2025	Quarter Ended September 30, 2024	Year to Date Fiscal Year 2026	Year to Date Fiscal Year 2025
OPERATING REVENUES:				
Scratch ticket	\$ 4,906,487	\$ 7,691,286	\$ 4,906,487	\$ 7,691,286
Powerball	3,796,244	5,497,173	3,796,244	5,497,173
Montana Cash	838,376	835,399	838,376	835,399
MT Millionaire	0	0	0	0
Mega Millions	1,092,800	1,353,013	1,092,800	1,353,013
Treasure Play	1,315,365	2,086,328	1,315,365	2,086,328
Lucky for Life	661,586	974,476	661,586	974,476
Big Sky Bonus	544,382	730,454	544,382	730,454
Lotto America	306,416	1,078,681	306,416	1,078,681
Sports Bet	8,272,862	13,569,438	8,272,862	13,569,438
License, permits, and misc	1,134	1,942	1,134	1,942
Total Operating Revenues	21,735,652	33,818,190	21,735,652	33,818,190
Less Direct Game Costs:				
Scratch ticket prize expense	3,451,061	5,004,962	3,451,061	5,004,962
On-line ticket prize expense	4,901,243	5,579,696	4,901,243	5,579,696
Sports Bet ticket prize expense	6,814,162	11,170,300	6,814,162	11,170,300
Retailer commission	939,122	1,570,018	939,122	1,570,018
Cost of tickets sold	458,134	250,631	458,134	250,631
Vendor fees	2,287,557	1,912,214	2,287,557	1,912,214
Total Direct Game Costs	18,851,278	25,487,821	18,851,278	25,487,821
Income Before Operating Expenses	2,884,374	8,330,369	2,884,374	8,330,369
OPERATING EXPENSES:				
Advertising	134,695	110,650	134,695	110,650
Advertising Production	38,979	31,000	38,979	31,000
Audit Fees	0	0	0	0
Bad Debts Expense	4,483	0	4,483	0
Communications	81,103	83,966	81,103	83,966
Contractual Services	36,563	59,633	36,563	59,633
Depreciation and Amortization	9,271	10,925	9,271	10,925
Administrative Service Fee	30,318	29,709	30,318	29,709
Multi-State Dues	1,075	0	1,075	0
Public Relations	11,592	8,690	11,592	8,690
Other	12,829	22,782	12,828.77	22,782
Personal Services	761,992	695,593	761,992	695,593
Repairs and Maintenance	4,069	3,051	4,069	3,051
Supplies and Materials	46,652	67,959	46,652	67,959
Travel	9,962	10,224	9,962	10,224
Utilities and Rent	80,718	62,055	80,718	62,055
Total Operating Expense	1,264,299	1,196,237	1,264,299	1,196,237
Operating Income	1,620,075	7,134,132	1,620,075	7,134,132
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	239	267	239	267
Total Nonoperating Revenues(Expenses)	239	267	239	267
Income Before Operating Transfers	1,620,315	7,134,399	1,620,315	7,134,399
Operating Transfers Out - General Fund	(1,057,815)	(3,702,990)	(1,057,815)	(3,702,990)
Operating Transfers Out -OCHE	(562,500)	(562,500)	(562,500)	(562,500)
Total Operating Transfers	(1,620,315)	(4,265,490)	(1,620,315)	(4,265,490)
CHANGE IN NET POSITION	0	(20,592)	0	(20,592)
Total Net Position, Beginning of Period	(2,395,122)	(2,395,122)	(2,395,122)	(2,395,122)
Prior Period Adjustments	-	20,592	-	20,592
TOTAL NET POSITION, END OF PERIOD	\$ (2,395,122)	\$ (2,395,122)	\$ (2,395,122)	\$ (2,395,122)

MONTANA LOTTERY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
AND RECONCILIATION OF BUDGET AND ACTUAL (BUDGETARY BASIS) TO GAAP BASIS
FOR THE QUARTER ENDED SEPTEMBER 30, 2025
(Unaudited)

	<u>Budget</u> Fiscal Year July 1, 2025- June 30, 2026	<u>Actual</u> Through Quarter Ending September 30, 2025 (Unaudited)	Actual as a Percent of Final Budget (%)
REVENUES:			
Scratch ticket	\$ 27,750,000	\$ 4,906,487	17.68
Powerball	12,480,000	3,796,244	30.42
Montana Cash	5,190,000	838,376	16.15
MT Millionaire	12,400,000	0	0.00
Mega Millions	7,000,000	1,092,800	15.61
Treasure Play	8,370,000	1,315,365	15.72
Lucky for Life	4,025,000	661,586	16.44
Big Sky Bonus	2,500,000	544,382	21.78
Lotto America	1,920,000	306,416	15.96
Sports Bet	67,000,000	8,272,862	12.35
License, permits, and misc	10,000	1,134	11.34
Total Revenues	148,645,000	21,735,652	14.62
DIRECT GAME COSTS:			
Scratch ticket prize expense	20,137,770	3,451,061	17.14
On-line ticket prize expense	28,599,940	4,901,243	17.14
Sports Bet ticket prize expense	39,762,290	6,814,162	17.14
Retailer commission	7,146,350	939,122	13.14
Cost of tickets sold	1,160,000	458,134	39.49
Vendor fees	8,000,000	2,287,557	28.59
Total Direct Game Costs	104,806,350	18,851,278	17.99
OPERATING EXPENSES:			
Advertising	515,000	134,695	26.15
Advertising Production	345,320	38,979	11.29
Audit Fees	155,430	0	0.00
Bad Debts Expense	0	4,483	
Communications	385,345	81,103	21.05
Contractual Services	170,735	36,563	21.42
Depreciation and Amortization	0	9,271	
Administrative Service Fee	118,836	30,318	25.51
Multi-State Dues	80,815	1,075	1.33
Public Relations	55,000	11,592	21.08
Other	69,100	12,829	18.57
Personal Services	3,324,861	761,992	22.92
Repairs and Maintenance	31,500	4,069	12.92
Supplies and Materials	341,900	46,652	13.64
Travel	85,200	9,962	11.69
Utilities and Rent	252,516	80,718	
Total Operating Expenses	5,931,558	1,264,299	21.31
Operating Income	37,907,092	1,620,075	4.27
OTHER REVENUES (EXPENSES):			
Interest earnings	2,000	239	11.97
Capitalized equipment purchases	50,000	0	0.00
NET INCOME BEFORE TRANSFERS	37,959,092	\$ 1,620,315	4.27
OPERATING TRANSFERS			
Operating Transfers Out - General F	(35,709,092)	(1,057,815)	N/A
Operating Transfers Out -OCHE	(2,250,000)	(562,500)	N/A
Total Transfers	(37,959,092)	(1,620,315)	
NET INCOME	\$ 0	\$ 0	N/A

MONTANA LOTTERY
ANALYSIS OF REVENUES AND EXPENSES BY PRODUCT
FOR THE QUARTER ENDED SEPTEMBER 30, 2025
(Unaudited)

	SCRATCH	POWERBALL	MONTANA CASH	MT MILLIONAIRE	MEGA MILLIONS	TREASURE PLAY	LUCKY FOR LIFE	BIG SKY BONUS	LOTTO AMERICA	SPORTS BET	ADMIN
REVENUES:	\$ 4,906,487	\$ 3,796,244	\$ 838,376	\$ 0	\$ 1,092,800	\$ 1,315,365	\$ 661,586	\$ 544,382	\$ 306,416	\$ 8,272,862	\$ 1,134
DIRECT GAME COSTS:											
Prize Expense	3,451,061	1,885,097	464,197	536,064	0	1,119,283	399,267	352,003	145,332	6,814,162	0
Retailer Commissions	263,558	189,354	41,923	0	54,640	65,768	33,079	27,219	15,321	248,260	0
Cost of Tickets Sold	458,134	0	0	0	0	0	0	0	0	0	0
Vendor Fees	536,037	673,343	103,552	0	139,933	136,186	74,942	54,037	34,942	534,584	0
NET OPERATING REVENUE	197,697	1,048,450	228,704	(536,064)	898,227	(5,872)	154,298	111,123	110,821	675,856	1,134
OPERATING EXPENSES:											
Advertising	19	10,054	48	0	0	0	0	0	0	124,575	0
Advertising Production	32,147	0	0	0	0	0	0	0	0	5,655	1,178
Audit Fees	0	0	0	0	0	0	0	0	0	0	0
Bad Debts	0	0	0	0	0	0	0	0	0	0	4,483
Communications	67,374	0	0	0	0	0	0	0	0	0	13,729
Contractual Services	0	0	0	0	0	0	0	0	0	0	36,563
Depreciation and Amortization	2,415	501	439	415	374	605	295	325	270	1,568	2,064
Administrative Service Fee	7,901	1,637	1,437	1,358	1,222	1,980	964	1,061	882	5,127	6,749
Multi-State Dues	0	713	0	0	233	0	66	0	63	0	0
Public Relations	0	0	0	0	0	0	0	0	0	0	11,592
Other	0	0	0	0	0	0	0	0	0	0	12,829
Personal Services	198,575	41,148	36,118	34,137	30,708	49,758	24,231	26,670	22,174	128,853	169,619
Repairs and Maintenance	0	0	0	0	0	0	0	0	0	0	4,069
Supplies and Materials	0	0	0	0	0	0	0	0	0	0	46,652
Travel	0	0	0	0	0	0	0	0	0	0	9,962
Utilities and Rent	8,414	1,744	1,530	1,446	1,301	2,108	1,027	1,130	940	5,460	55,618
TOTAL OPERATING EXPENSES	316,844	55,796	39,573	37,357	33,837	54,452	26,583	29,186	24,329	271,237	375,106
OPERATING INCOME	(119,147)	992,655	189,131	(573,421)	864,390	(60,324)	127,715	81,937	86,492	404,619	(373,972)
NONOPERATING REVENUES (EXPENSES)											
Interest Earnings	0	0	0	0	0	0	0	0	0	0	239
TOTAL NONOPERATING REVENUES (EXPENSES)	0	0	0	0	0	0	0	0	0	0	239
NET INCOME BY PRODUCT	\$ (119,147)	\$ 992,655	\$ 189,131	\$ (573,421)	\$ 864,390	\$ (60,324)	\$ 127,715	\$ 81,937	\$ 86,492	\$ 404,619	\$ (373,732)
PROFIT AS A % OF REVENUE	-2.43%	26.15%	22.56%	0.00%	79.10%	-4.59%	19.30%	15.05%	28.23%	4.89%	N/A
PRIOR YEAR PROFIT AS A % OF REVENUE	24.87%	24.99%	0.59%	0.00%	33.25%	6.85%	31.75%	17.98%	64.66%	18.04%	N/A

NOTE: THIS IS LESS THAN A FULL YEAR'S ACTIVITY AND THEREFORE SHOULD NOT BE INTERPRETED TO SHOW HOW OUR PRODUCTS HAVE PERFORMED IN PAST YEARS OR WILL PERFORM IN THE FUTURE.

MONTANA LOTTERY
Notes to the Financial Statements (Unaudited)
September 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity.

The Montana Lottery, established under the provisions of Section 23-7-101, Montana Code Annotated (MCA), was approved by the Montana electorate through Legislative Referendum No. 100 on November 4, 1986. Montana's first lottery tickets went on sale June 24, 1987.

The Montana Lottery is operated by a five-member commission consisting of Montana residents appointed by the Governor. The Commission, by law, has the power to operate a state lottery, determine the types and forms of lottery games, set lottery ticket prices, set number and size of prizes, conduct lottery drawings, enter into agreements to offer lottery games in conjunction with other lottery states and countries, and prepare financial reports. The Montana Lottery is attached to the Montana Department of Administration for administrative purposes.

The Montana Lottery is included as an enterprise fund in the State of Montana's Comprehensive Annual Financial Report. In accordance with governmental accounting and financial reporting standards. There are no component units to be included within the Montana Lottery's financial statements.

Basis of Presentation. The Montana Lottery prepares its quarterly financial statements from the transactions posted to the state's accounting system without adjustment. Transactions are posted in accordance with state laws and policies.

Basis of Accounting. The Montana Lottery's financial statements are prepared using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

Enterprise Fund. The Montana Lottery is classified as an enterprise fund of the proprietary fund type. Enterprise funds account for operations: a) financed and operated similar to private business enterprises, where the intent of the Legislature is that costs are to be financed or recovered primarily through user charges, or b) where the Legislature has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate.

Property and Equipment. Property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated fair market value at the date of donation. Ordinary maintenance and repairs are charged to operations as incurred; major renewals and betterments are capitalized. Upon disposition or retirement of property and equipment, the cost and related accumulated depreciation or amortization are removed from the accounts. Gain or loss on disposal is reflected in non-operating revenues and expenses. Depreciation and amortization are calculated on a straight-line basis over estimated useful lives of three to ten years. The Lottery conforms to the State of Montana capitalization threshold for capitalizing property and equipment as well as buildings and building/land improvements. The threshold for capitalizing property and equipment is \$5,000 and the threshold for capitalizing buildings/land improvements is \$25,000.

Revenue Recognition. Lottery scratch ticket sales are recorded as revenue based on the time the retailer activates the pack of tickets for sale. In accordance with an established policy, retailers may return unsold tickets to the Lottery for credit. Sales are decreased by an allowance for estimated ticket returns.

Ticket sales for online games Powerball, Montana Cash, Montana Millionaire, Mega Millions, Lucky for Life, Big Sky Bonus, and Lotto America are recorded as revenue based on drawings. Tickets sold in advance for future drawings are recorded as unearned revenue until such time as the tickets become valid for the most current drawing.

Ticket sales for Sports Bet Montana wagers are recorded as revenue when the specific event for the bet has occurred and become official. All other wagers for future events that are placed by players are recorded as unearned revenue until such time the specific event has happened and is official.

Classification of Revenues. The Lottery has classified its revenues as either operating or non-operating according to the following criteria:

Operating revenues include activities that have characteristics of exchange transactions, including (1) ticket sales, net of returns, and (2) retailer license fees and administrative fees in relation to selling lottery tickets.

Non-Operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and other revenue sources that are defined as non-operating revenues by GASB No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting," and GASB No. 34,

MONTANA LOTTERY
Notes to the Financial Statements (Unaudited)
September 30, 2025

"Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." Types of revenue sources that fall into this classification are investment income, and gain or loss on disposition of assets.

2. OTHER ACCOUNTING ISSUES

Free Tickets. Some Montana Lottery scratch games award free tickets as prizes. Net lottery ticket revenue does not include the value of free tickets given away and free plays won.

Promotional Credits. The Lottery issues promotional credits to retailers to be used to distribute free tickets to players. The tickets are distributed as part of a promotion run by the retailer, e.g., "Ask for the Sale" or second chance drawings. The Lottery also directly distributes scratch tickets for promotional purposes at trade shows, for media giveaways, and during new game introductions. The tickets distributed because of promotional credits are reflected as a reduction in revenue. The related prize expense and ticket cost for all promotions are reclassified as an advertising expense.

Prizes. Expenses for scratch and lotto game prizes are recorded based on predetermined prize structures for each game. Prizes for Sport Bet are recorded as they are paid out for each event. No prize expense is recorded for free tickets distributed.

Unclaimed Prizes. Prizes for the online games must be claimed within six months after the appropriate draw dates and prizes for scratch games must be claimed within six months of the announced end of each game. Unclaimed prizes reduce the Lottery Prize expenses and liabilities.

3. SUMMARY OF ACCOUNTS

Cash and Cash Equivalents. Cash and cash equivalents consist of interest-bearing deposits with the Montana Board of Investments short-term investment pool, cash deposited in revolving account with a non-state financial institution, cash on hand, and cash deposited with the Montana State Treasurer. The funds held by the State Treasurer are pooled with other funds of the state. These funds are highly liquid and may be drawn daily. The value of cash and cash equivalents approximates the fair market value. Cash and cash equivalents consist of the following:

	September 30, 2025	September 30, 2024
Short-term investment pool	\$ 30,092	\$ 28,749
Cash on deposit with State Treasurer**	(4,518,014)	2,399,400
Cash in revolving deposit account**	200,000	200,000
Total	\$ (4,287,922)	\$ 2,628,349

****For the quarter ended September 30, 2025, a total negative cash balance of \$4,318,014 was reclassified on the Statement of Net Position as a Due to Primary Government liability in accordance with Generally Accepted Accounting Principles.**

Receivables. For the quarter ended September 30, 2025, receivables of \$6,294,224 represent \$6,828,571 due the Lottery for tickets purchased by retailers, \$46,464 due for returned vendor fees, and an estimated allowance of (\$580,811) for ticket returns. For the quarter ended September 30, 2024, receivables of \$7,848,891 represent \$7,357,223 due the Lottery for tickets purchased by retailers, \$42,753 due for returned vendor fees, and an estimated allowance of (\$534,421) for ticket returns. The estimated allowances are based on historical unsold or and returned tickets.

Inventories. Inventories consist of merchandise and supplies inventories. Merchandise inventory for the quarters ended September 30, 2025, and 2024 include scratch tickets valued at \$631,625 and \$565,492, respectively, that are stored in the warehouse, at retailers prior to being activated by the retailer, and with the marketing representatives. These ticket inventories are recorded at cost using the specific identification method and maintained on a perpetual inventory system. Tickets are charged to cost of tickets sold upon activation or after game end.

Supplies inventories include ticket dispensers, premiums and point-of-sale materials. For the quarters ended September 30, 2025, and 2024, supplies inventories totaled \$121,263 and \$91,696, respectively. These inventories are also recorded at cost using the specific identification method.

MONTANA LOTTERY
Notes to the Financial Statements (Unaudited)
September 30, 2025

Property and Equipment. A summary of property and equipment for the Lottery is as follows:

	June 30, 2025	Additions	Deletions	September 30, 2025
Leasehold Improvements	\$ 112,322	\$ -	\$ -	\$ 112,322
Furniture & Equipment	631,220	-	-	631,220
Accumulated Depreciation	(575,625)	(9,271)	-	(584,896)
Property & Equipment, Net	\$ 167,917	\$ (9,271)	\$ -	\$ 158,646

Estimated Prize Liability. The estimated prize liability represents the Lottery's estimate of prizes payable related to games in process at quarter end based on the predetermined prize structure of each outstanding game.

Obligation to Transfer Funds. Under Montana Code Annotated § 23-7-402, the Montana Lottery must quarterly transfer \$562,500 to the Montana STEM scholarship program and any remaining net revenues to the state general fund. The transfer obligation outstanding on September 30, 2025, was \$1,620,315, which represents \$1,057,815 owed to the state general fund and \$562,500 to the Office of the Commissioner of Higher Education.

Compensated Absences. State employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. With no limit on accumulation, sick leave is earned at 12 days per year. Upon retirement or termination, an employee is paid 100% for unused vacation and 25% for unused sick leave. As of September 30, 2025, the Lottery has recognized a compensated absences liability of \$349,049.

Commissions. Montana Code Annotated § 23-7-301(10) provides retailers a commission on scratch and lotto tickets or chances sold. The Lottery Commission established this commission at 5% of the face value of scratch tickets activated by the retailers and the face value of lotto tickets sold and 3% on all sports betting wages placed. In addition, retailers can earn bonus commissions on tickets sold based on incremental sales of scratch and Treasure Play tickets. For the quarter ended September 30, 2025 and 2024, retailers earned commissions of \$4,694,207 and \$5,682,746.

4. MINIMUM PAID PRIZES

Montana Code Annotated § 23-7-402 provides "A minimum of 45% of the money paid for tickets or chances must be paid as prize money". Prize expense is recorded based on the predetermined prize structure percentage for each game less unclaimed prizes. For the quarter ended September 30, 2025, the prize expense of \$15,166,466 is 69.8% of net Lottery ticket revenue of \$21,734,519. For the quarter ended September 30, 2024, the prize expense of \$21,754,958 was 64.3% of net Lottery ticket revenues of \$33,816,248.

5. MULTI-STATE LOTTERY

In November 1989 the Montana State Lottery joined the Multi-State Lottery Association (MUSL). MUSL was created in September 1987 to operate a multi-state lottery game for the benefit of party lotteries. Powerball, Mega Millions, and Lotto America are the games jointly operated by the members, in which Montana presently participates. Each lottery participating in MUSL is represented on the Board of Directors. The Multi-State Lottery Reserve Fund with balances of \$1,630,362 and \$1,314,271 as of September 30, 2025 and 2024, respectively, is comprised of several reserve accounts, which are maintained by the Multi-State Lottery Association (MUSL). The balance of these reserve accounts is as follows:

	September 30, 2025	September 30, 2024
Powerball Prize Reserve Account	\$ 247,320	\$ 253,972
Powerball Set Prize Reserve Account	117,074	110,423
Powerball Unreserved Account	638,128	381,370
Lotto America Prize Reserve Account	296,820	236,802
Mega Millions Prize Reserve Account	331,020	331,704
Total	\$ 1,630,362	\$ 1,314,271

The Powerball Prize Reserve Account is to be used only in the event of an unanticipated prize claim. It is an insurance fund intended to protect the member lotteries against the liability that could result from a system failure at one of the

MONTANA LOTTERY
Notes to the Financial Statements (Unaudited)
September 30, 2025

member lotteries. All money paid to this fund would be returned to the Lottery one year after the Lottery leaves the Powerball game, assuming that no unanticipated prize claims have been paid. Interest earned on the Lottery's share of the fund, represented by the Unreserved Account, would be returned to the Lottery upon leaving MUSL. The amounts in the Unreserved Account may be used at the MUSL Board's discretion.

The Powerball Set Prize Reserve Account is used to fund prize payments for current drawings. Since the Powerball game has fixed prizes, it is often necessary to draw from this reserve to fund payment of prizes at the fixed amount. This account would be returned to the Lottery upon withdrawal from the Powerball Game.

The Lottery contributes to these reserve funds through the 50% set aside for prizes. In addition, the Lottery was required to contribute for its portion of the reserve funds accumulated since the start of the Powerball game. Payments made to this fund are considered a portion of prize expense associated with the game.

The Powerball Unreserved Account is a separate account used by a participating Lottery to have MUSL hold funds due to the Lottery. Balances in this account are created when any MUSL jackpot expires and goes unclaimed. Each Lottery is then refunded its pro rata share of the jackpot based on sales during the accumulation of that specific jackpot. This money is then invested in U.S. Treasury securities until withdrawn. Interest earned on the Lottery's share of the fund is added to the Unreserved Account on a quarterly basis. The amount in the Unreserved Account has limited uses and are set and approved by the Board with the stipulation that requests to use the funds are accompanied by certification from the requesting Board Member that the payment is made in conformance with state or jurisdiction law and is related to a MUSL activity.

The Lotto America Set Prize Reserve Account is administered by MUSL and is to be used only in the event of unanticipated prize claims. Like other MUSL games the reserve amount would be returned to the Lottery one year after withdrawal from the Lotto America game. The Lottery contributes to the reserve through the 50% set aside for prizes. Payments made to the reserve are considered a portion of the prize expense related to the game.

The Mega Millions Prize Reserve Account is to be used only in the event of an unanticipated prize claim. It is an insurance fund intended to protect the member lotteries against the liability that could result from a system failure at one of the member lotteries. All money paid to this fund would be returned to the Lottery one year after the Lottery leaves the Mega Millions game, assuming that no unanticipated prize claims have been paid. The Lottery contributes to the reserve through the 50% set aside for prizes for Mega Millions plays and 50% for Megaplier plays. Payments made to the reserve are considered a portion of the prize expense related to the game. The Lottery had just started cross-selling Mega Millions during the fiscal year end 2010.

7. GAMES

The Montana Lottery facilitates the following games.

Scratch ticket games provide players the opportunity to win instantly by scratching latex covered tickets to reveal prizes.

The Powerball game allows players the chance to win a minimum pari-mutuel jackpot of approximately \$20 million. A player must match all 6 numbers to win the jackpot. Players win prizes ranging from \$8 to \$2,000,000 for matching fewer than all 6 numbers. Drawings are held three times weekly on Monday, Wednesday and Saturday nights. For any drawing, if no ticket matches 6 out of 6 numbers, the jackpot rolls over to the next drawing to create a progressive jackpot. In March 2001, the Lottery added Power Play to the Powerball game. For an additional \$1 per play, the Power Play doubles the Match 5 prize from \$1 million to \$2 million and increases other prizes as well. Each Powerball prize (except for the jackpot and the Match 5 prize) increases by 2x, 3x, 4x, 5x, or 10x with Power Play. Power Play became part of the base game in July 2022. At the same time, the Lottery added Double Play®. This optional add-on uses the same numbers in a separate drawing with separate prize levels up to \$10 million.

The Montana Ca\$h game allows players the chance to win a minimum pari-mutuel jackpot of \$40,000. Players select 5 numbers from a field of 45 and must match at least 2 out of 5 to win a prize. Matching 2 of 5 wins \$1, 3 of 5 wins \$5, and 4 of 5 wins \$200. The Lottery also implemented an add-on jackpot where for an extra \$1 a player is entered into a second jackpot called Max Cash. This second jackpot, which is progressive, can only be won if the ticket wins the original jackpot first and the extra \$1 was paid. The drawing is conducted twice weekly on Wednesday and Saturday nights. If no ticket matches all 5 numbers, the jackpot rolls over to the next drawing to create a progressive jackpot.

MONTANA LOTTERY
Notes to the Financial Statements (Unaudited)
September 30, 2025

Lotto America allows players in the 13 participating lotteries a chance to win an all-cash pari-mutuel jackpot with a guaranteed minimum of \$2 million. Each time the jackpot is not won, it grows, thus creating a progressive jackpot. Players choose five numbers from 1 to 52, and one Bonus number from 1 to 10. To win the pari-mutuel jackpot, a player must match all six numbers. A multiplier called the All Star Bonus can be added to win 2X, 3X, 4X, or 5X to any prize except the jackpot for bigger prizes. Drawings are held every Monday, Wednesday and Saturday.

Mega Millions is a multi-state game that allows players to win a minimum pari-mutuel jackpot starting at \$20 million. Mega Millions went on sale March 1, 2010 in Montana. To win the jackpot, players must match all six numbers drawn; other prizes range from \$2 to \$1,000,000. Drawings are held each Tuesday and Friday. Mega Millions has a Megaplier option which multiplies non-jackpot prizes by two, three, or four. The Megaplier options costs \$1 extra per play.

Lucky for Life debuted January 2015. Lucky for Life is a multi-state game that allows players to win a top prize of \$1,000 a day for life. The second prize is \$25,000 a year for life. This pari-mutuel game has a set top prize and tickets cost \$2 each. Players select five numbers from a field of 48 and must match at least the Lucky Ball to win a prize. The drawings are conducted every night.

The Treasure Play games are offered on self-serve terminals in taverns and casinos that are licensed to sell Montana Lottery products. Introduced in November 2011, they are a suite of games with a pre-determined prize structure like a scratch game. Players can tell instantly if they have won a prize. The tickets sell for \$1, \$2, \$3, \$5, \$10, \$20, and \$30.

Big Sky Bonus is a Montana-only game that allows players to win a progressive jackpot. Players select 4 numbers from a field of 28 and must match at least 2 out of 4 to win a prize unless you hit the bonus number which is a 5th number picked out of a field of 17. Matching the bonus number at any time wins \$10. Matching 2 of 4 wins \$2, 3 of 4 wins \$20, and 4 of 4 wins the jackpot. The drawing is held every day at 7:30 pm. If no ticket matches all 4 numbers, the jackpot rolls over to the next day to create a progressive jackpot.

Montana Millionaire is a seasonal raffle-type game offering multiple \$1 million top prizes. The first offering went on sale October 1, 2007. The Lottery has sold the game every winter since. The game design is enhanced yearly. The 2025 game offered 620,000 tickets, which sold for \$20 each, and included 6,100 \$100 instant win prizes, 2,500 \$500 instant win prizes, one \$250,000 early drawing prize, and five \$1,000,000 prizes. Available tickets for the game sold out on November 1, 2025, with a final drawing occurring just after Christmas.

Sports Bet Montana is the newest of games implemented. In the 2019 legislature, HB725 was passed and set into law sports wagering in the State of Montana. The Lottery implemented the game in March 2020 with ability to bet at a kiosk installed in an authorized location, or wager on a phone application which also has to be done in an authorized location. Players can make plays either on the kiosks or with an account the player has set up. The minimum bet is \$2, the maximum bet is \$1,000, and the maximum prize of \$100,000. These bets can be for any sports event available through the Lottery and can vary in many types of wagers.

8. COMMITMENTS - GAMING SUPPLIER CONTRACTS

Scratch Tickets. Effective July 30, 2022, the Montana Lottery Commission approved a five-year contract with Scientific Games (SG) for the provision of scratch tickets, which includes ticket design, printing, game ownership, inspection, and prize structure. The contract contains options to renew for two additional one-year periods and Lottery's option to terminate with proper notification. SG has obtained a \$5 million errors and omissions performance bond during the contract term.

Online Services. On February 13, 2015, the Lottery signed a seven-year contract with Intralot, Inc. of Duluth, GA to provide an online gaming system and the associated services beginning March 31, 2016. The contract has been amended and extended till March 31, 2026. The contract required Intralot to provide new terminals to all retailers with the associated software and communications. Payment under the contract is based on 8.00% of net weekly Lottery sales of lotto and scratch games. Intralot receives 40% of the gross gaming revenue for the Sports Bet Montana product.

9. POTENTIALLY SIGNIFICANT PRIZE PAYOUTS

Lottery game participants can from time to time win large prizes, a history of which can be found at <https://montanalottery.com/our-story/>. Jackpot prizes awarded in the Lotto*America, POWERBALL and TRI-WEST LOTTO games are secured through U.S. Treasury Bonds purchased by MUSL in the name of the Montana Lottery.

MONTANA LOTTERY
Notes to the Financial Statements (Unaudited)
September 30, 2025

10. LEASES/INSTALLMENT PURCHASES PAYABLE

Leases are agreements that grant use of an asset in exchange for amortized payments. The Montana Lottery leases its office, administrative, and warehouse facilities under an agreement effective January 1, 2017 through August 2027. The monthly lease payment is \$18,068.

11. INVESTMENTS

The Lottery participates in two investment pools: the Multi-State Lottery Association (MUSL) reserve accounts and the State of Montana's Short Term Investment Pool (STIP).

Multi-State Lottery Association. The MUSL investment policy for prize reserve and unreserved funds states that permitted investments "include direct obligations of the United States government, perfected repurchase agreements, and obligations issued or guaranteed as to payment of principal and interest by agencies or instrumentalities of the United States government, and mutual funds of approved investments".

Short-term Investment Pool (STIP). The STIP is an investment program within the State of Montana's Unified Investment Program administered by the Montana Board of Investments. The STIP is managed to preserve principal while providing daily liquidity for agencies, component units, and political subdivisions of the State of Montana. Funds may be invested for one or more days. While STIP participants own STIP shares, they do not own the underlying investments of the pool. Income is distributed monthly on a pro-rata basis. Cash and cash equivalents are reported at cost. STIP shares are purchased and sold in the same manner as individuals investing in mutual funds, where the unit price is computed based on market prices on securities in the pool plus or minus any additional assets or liabilities. STIP participants purchase and sell shares at \$1 per share. The fair value of the pool has been determined using the Net Asset Value (or its equivalent). As of September 30, 2025, the fund traded at \$0.999968 per share.

Credit risk is defined as the risk that an issuer or a counterparty of an investment will not fulfill its obligation.

The STIP pool is managed by the Montana Board of Investments and has credit risk as measured by major credit rating services; however, the pool is not rated. The MUSL prize reserves are invested in the Montana Winners Trust, which primarily invests in government sponsored securities. The Lottery does not have a policy regarding the investment portfolios of the STIP or the Montana Winners Trust.

Custodial credit risk is the risk that the Lottery would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party in the event of the failure of that party.

Pooled cash and investments maintained by the State Treasurer are not deemed to have custodial credit risk with regard to the Lottery. The Lottery does not have a policy concerning the investment portfolios of the STIP or the Montana Winners Trust.

Concentration of credit is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Because the MUSL prize reserve and STIP are pooled investments, the Lottery district does not concentrate a risk of loss in a single issuer.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Lottery does not have a policy regarding the investment portfolios of the STIP or the Montana Winners Trust.

The MUSL prize reserves are invested through the Montana Winners Trust with daily liquidity and have low-interest-rate risk. The MUSL board's investment policy limits the individual security and the portfolio's maturity.

According to STIP investment policy, the STIP portfolio minimizes interest rate risk by:

1. Structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations, thereby normally avoiding the need to sell securities on the open market prior to maturity;
2. Maintaining a dollar-weighted average portfolio maturity (WAM) for 120 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities); and
3. Maintaining a reserve account.

MONTANA LOTTERY
Notes to the Financial Statements (Unaudited)
September 30, 2025

Fair Value Measurement. The Lottery categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets.

Level 2 – Prices determined using inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly.

Level 3 – Prices are determined using unobservable inputs.

Investments Measured at Net Asset Value (NAV) – Certain investments that do not have a readily determinable fair value but can be valued by a per-share value outstanding at the close of the period.

	Short Term Investment Pool (STIP) using NAV	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
September 30, 2025	\$ 30,092			
September 30, 2024	28,749			