

MONTANA LOTTERY

FINANCIAL STATEMENTS
(Unaudited)

March 31, 2026

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(Unaudited)

March 31, 2026

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MONTANA LOTTERY
STATEMENT OF NET POSITION
Quarters Ending March 31, 2026 and March 31, 2025
(Unaudited)

	Quarter Ended March 31, 2026	Quarter Ended March 31, 2025
ASSETS:		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,340,480	\$ 4,264,844
Investments	30,718	29,431
Receivables (Net)	10,376,359	4,038,720
Inventories	618,985	696,856
Prepaid Expenses	5,000	0
TOTAL CURRENT ASSETS	<u>13,371,542</u>	<u>9,029,851</u>
NONCURRENT ASSETS		
Computer, Furniture & Equipment	631,220	699,634
Leasehold Improvements	112,322	112,322
Accumulated Depreciation	(603,437)	(624,302)
Intangible Assets	1,140,798	1,140,798
Accumulated Amortization	(985,234)	(777,817)
Multi-State Reserve fund	1,673,279	1,315,567
TOTAL NONCURRENT ASSETS	<u>1,968,947</u>	<u>1,866,202</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferred Outflows	359,080	275,881
OPEB Deferred Outflows	252,526	230,194
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>611,607</u>	<u>506,075</u>
COMBINED ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 15,952,095</u>	<u>\$ 11,402,128</u>
LIABILITIES:		
CURRENT LIABILITIES		
Accounts Payable	\$ 414	\$ 6,170
Estimated Prize Liability	3,493,424	921,369
Due to Primary Government	-	-
Transfer Obligations	10,198,768	6,052,048
Building Lease Payable	-	-
Unearned Revenue	278,237	2,231,942
Accrued Compensated Absences	173,739	158,630
Other Current Liabilities	(69,653)	33,539
TOTAL CURRENT LIABILITIES	<u>14,074,928</u>	<u>9,403,699</u>
NONCURRENT LIABILITIES		
Building Lease Payable	161,500	373,749
Multi-State Prize Liability	1,020,511	934,196
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	<u>3,857,878</u>	<u>3,931,775</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Deferred Inflows	52,823	92,227
OPEB Deferred Inflows	361,589	369,550
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>414,412</u>	<u>461,777</u>
COMBINED LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>18,347,218</u>	<u>13,797,251</u>
NET POSITION		
Net Investment in Capital Assets	134,168	176,885
Unrestricted	(2,529,291)	(2,572,008)
TOTAL NET POSITION	<u>\$ (2,395,123)</u>	<u>\$ (2,395,122)</u>

The accompanying notes are an integral part of these financial statements.

MONTANA LOTTERY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE QUARTERS ENDED MARCH 31, 2026 AND 2025
(Unaudited)

	Quarter Ended March 31, 2026	Quarter Ended March 31, 2025	Year to Date Fiscal Year 2026	Year to Date Fiscal Year 2025
OPERATING REVENUES:				
Scratch ticket revenue	\$ 7,487,339	\$ 4,512,906	\$ 19,266,142	\$ 20,752,087
Powerball revenue	6,910,811	1,868,441	17,910,361	8,098,026
Montana Cash revenue	915,350	926,030	5,055,932	3,039,656
MT Millionaire revenue	12,400,000	-	12,400,000	-
Mega Millions revenue	1,888,355	852,876	6,065,320	6,520,086
Treasure Play revenue	2,019,194	-	4,914,242	4,496,973
Lucky for Life revenue	911,426	660,626	2,571,324	2,793,072
Big Sky Bonus revenue	660,340	351,198	1,923,086	1,845,286
Lotto America revenue	697,170	592,478	1,509,702	2,596,226
Sports Bet revenue	19,873,656	10,098,882	50,773,667	49,032,927
Millionaire for Life revenue	130,895	-	130,895	-
License, permits, and misc	3,837	1,459	7,298	4,651
Total Operating Revenues	<u>53,898,373</u>	<u>19,864,896</u>	<u>122,527,969</u>	<u>99,178,990</u>
Less Direct Game Costs:				
Scratch ticket prize expense	5,105,777	3,138,410	13,355,375	14,371,344
On-line ticket prize expense	14,974,903	2,832,574	29,498,639	16,782,337
Sports Bet ticket prize expense	17,711,650	8,671,588	43,539,278	41,352,954
Retailer commission	1,945,191	1,193,474	5,647,935	4,694,207
Cost of tickets sold	272,270	279,848	1,028,339	863,753
Vendor fees	2,408,771	2,015,258	8,505,625	7,018,107
Total Direct Game Costs	<u>42,418,562</u>	<u>18,131,152</u>	<u>101,575,191</u>	<u>85,082,702</u>
Income Before Operating Expenses	<u>11,479,812</u>	<u>1,733,744</u>	<u>20,952,779</u>	<u>14,096,288</u>
OPERATING EXPENSES:				
Advertising	40,222	129,700	389,994	388,384
Advertising Production	36,349	30,504	145,976	156,756
Audit Fees	5,353	-	13,663	11,076
Bad Debts Expense	(0)	-	4,483	-
Communications	75,556	87,144	225,708	234,253
Contractual Services	41,475	28,672	98,188	98,893
Depreciation and Amortization	9,271	10,230	27,812	32,081
Interest	-	-	-	-
Administrative Service Fee	30,318	29,709	90,953	89,127
Multi-State Dues	-	-	-	-
Public Relations	(416)	14,000	11,176	23,590
Other	5,221	17,426	53,483	67,441
Personal Services	910,140	775,913	2,441,318	2,277,486
Repairs and Maintenance	12,983	3,731	33,392	11,916
Supplies and Materials	53,696	65,782	117,239	190,042
Travel	7,968	6,997	23,577	24,173
Utilities and Rent	60,672	61,038	200,249	200,068
Total Operating Expense	<u>1,288,807</u>	<u>1,260,846</u>	<u>3,877,210</u>	<u>3,805,286</u>
Operating Income	<u>10,191,004</u>	<u>472,898</u>	<u>17,075,568</u>	<u>10,291,002</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	7,763	327	15,505	949
Gain/Loss on sale of asset	25,588	25,588	0	25,588
Total Nonoperating Revenues(Expenses)	<u>33,351</u>	<u>25,915</u>	<u>15,505</u>	<u>26,537</u>
Income Before Operating Transfers	<u>10,198,768</u>	<u>498,813</u>	<u>17,091,074</u>	<u>10,317,539</u>
Operating Transfers Out - General Fund	(9,636,268)	(1,927,048)	(15,403,574)	(8,630,038)
Operating Transfers Out -OCHE	(562,500)	(562,500)	(1,687,500)	(1,687,500)
Total Operating Transfers	<u>(10,198,768)</u>	<u>(2,489,548)</u>	<u>(17,091,074)</u>	<u>(10,317,538)</u>
CHANGE IN NET POSITION	-	(1,990,733)	-	0
Total Net Position, Beginning of Period	(2,395,123)	(404,389)	(2,395,123)	(2,395,122)
Prior Period Adjustments	-	-	-	-
TOTAL NET POSITION, END OF PERIOD	<u>\$ (2,395,123)</u>	<u>\$ (2,395,122)</u>	<u>\$ (2,395,123)</u>	<u>\$ (2,395,122)</u>

The accompanying notes are an integral part of these financial statements.

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 MARCH 31, 2026
(Unaudited)

	<u>Budget</u> Fiscal Year July 1, 2025- June 30, 2026	<u>Actual</u> Through Quarter Ending March 31, 2026 (Unaudited)	Actual as a Percent of Final Budget (%)
REVENUES:			
Scratch ticket revenue	\$ 27,750,000	\$ 19,266,142.16	69.43
Powerball revenue	12,480,000	17,910,361.31	143.51
Montana Cash revenue	5,190,000	5,055,932.00	97.42
MT Millionaire revenue	12,400,000	12,400,000.00	100.00
Mega Millions revenue	7,000,000	6,065,320.00	86.65
Treasure Play revenue	8,370,000	4,914,242.00	58.71
Lucky for Life revenue	4,025,000	2,571,324.00	63.88
Big Sky Bonus revenue	2,500,000	1,923,086.00	76.92
Lotto America revenue	1,920,000	1,509,702.00	78.63
Sports Bet revenue	67,000,000	50,773,667.06	75.78
Millionaire for Life revenue	1,380,000	130,895.00	9.49
License, permits, and misc	12,000	7,297.93	60.82
Total Revenues	<u>150,027,000</u>	<u>122,527,969.46</u>	81.67
DIRECT GAME COSTS:			
Scratch ticket prize expense	17,546,812	13,355,374.85	76.11
On-line ticket prize expense	72,785,500	29,498,639.38	40.53
Sports Bet ticket prize expense	4,375,000	43,539,277.75	995.18
Retailer commission	9,357,250	5,647,934.84	60.36
Cost of tickets sold	1,160,000	1,028,339.37	88.65
Vendor fees	9,956,000	8,505,624.57	85.43
Total Direct Game Costs	<u>115,180,562</u>	<u>101,575,190.76</u>	88.19
OPERATING EXPENSES:			
Advertising	644,000	389,994.16	60.56
Advertising Production	335,000	145,976.00	43.57
Audit Fees	149,492	13,662.64	9.14
Communications	367,725	225,707.74	61.38
Contractual Services	213,285	98,188.03	46.04
Depreciation and Amortization	-	27,811.80	
Administrative Service Fee	119,152	90,952.50	76.33
Multi-State Dues	40,000	-	0.00
Public Relations	60,000	11,175.95	18.63
Other	(31,810)	53,483.47	-168.13
Personal Services	3,055,339	2,441,317.98	79.90
Repairs and Maintenance	32,000	33,392.36	104.35
Supplies and Materials	305,200	117,239.38	38.41
Travel	83,400	23,576.69	28.27
Utilities and Rent	225,016	200,249.10	88.99
Total Operating Expenses	<u>5,597,799</u>	<u>3,877,210.47</u>	69.26
Operating Income	<u>29,248,639</u>	<u>17,075,568.23</u>	58.38
OTHER REVENUES (EXPENSES):			
Interest earnings	3,000	15,505.48	516.85
Capitalized equipment purchases	50,000	-	0.00
NET INCOME BEFORE TRANSFERS	<u>\$ 29,301,639</u>	<u>\$ 17,091,073.71</u>	58.33
OPERATING TRANSFERS			
Operating Transfers Out - General Fund	(28,986,639)	(15,403,574)	53.14
Operating Transfers Out - OCHE	(2,250,000)	(1,687,500)	75.00
Total Transfers	<u>(31,236,639)</u>	<u>(17,091,074)</u>	
NET INCOME	<u>\$ (1,935,000)</u>	<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements.

MONTANA LOTTERY
ANALYSIS OF REVENUES AND EXPENSES BY PRODUCT
FOR THE YEAR QUARTER ENDING MARCH 31, 2026
(Unaudited)

	SCRATCH	POWERBALL	MONTANA CASH	MT MILLIONAIRE	MEGA MILLIONS	TREASURE PLAY	LUCKY FOR LIFE	BIG SKY BONUS	LOTTO AMERICA	MILLIONAIRE FOR LIFE	SPORTS BET	ADMIN
REVENUES:	\$ 19,266,142	\$ 17,910,361	\$ 5,055,932	\$ 12,400,000	\$ 6,065,320	\$ 4,914,242	\$ 2,571,324	\$ 1,923,086	\$ 1,509,702	\$ 130,895	\$ 50,773,667	\$ 7,298
DIRECT GAME COSTS:												
Prize Expense	13,355,375	8,896,612	2,793,270	7,114,100	3,012,848	4,067,280	1,508,353	1,289,852	730,344	\$85,980.00	43,539,278	-
Retailer Commissions	1,449,526	894,163	252,826	620,000	303,304	297,469	128,579	96,170	75,499	\$6,546.00	1,523,853	-
Cost of Tickets Sold	1,028,339	-	-	-	-	-	-	-	-	-	-	-
Vendor Fees	1,675,985	1,480,627	424,562	992,000	524,457	427,640	250,472	165,981	135,212	\$0.00	2,428,689	-
NET OPERATING REVENUE	1,756,917	6,638,959	1,585,274	3,673,900	2,224,711	121,853	683,920	371,083	568,647	38,369	3,281,847	7,298
OPERATING EXPENSES:												
Advertising	45,952	28,709	17,470	-	37,182	18,655	18,055	17,422	185	-	205,570	795
Advertising Production	78,804	6,646	1,813	-	9,063	6,646	1,813	1,813	-	\$12,500.00	23,489	3,389
Audit Fees	-	-	-	-	-	-	-	-	-	-	-	13,663
Communications	161,407	-	-	-	-	-	-	-	-	-	-	64,301
Contractual Services	-	-	-	-	-	-	-	-	-	-	-	98,188
Depreciation and Amortization	7,245	1,502	1,318	1,246	1,121	1,816	292	976	809	592	4,703	6,191
Administrative Service Fee	23,693	4,911	4,311	4,075	3,665	5,939	955	3,192	2,647	1,937	15,380	20,246
Public Relations	-	-	-	-	-	-	-	-	-	-	-	11,176
Other	-	-	-	-	-	-	-	-	-	-	-	53,483
Personal Services	636,207	131,831	115,718	109,371	98,385	159,418	25,634	85,446	71,042	52,000	412,827	543,437
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-	-	33,392
Supplies and Materials	-	-	-	-	-	-	-	-	-	-	-	117,239
Travel	-	-	-	-	-	-	-	-	-	-	-	23,577
Utilities and Rent	20,874	4,325	3,797	3,588	3,228	5,231	2,547	2,803	2,331	-	13,545	137,980
TOTAL OPERATING EXPENSES	974,182	177,925	144,427	118,280	152,644	197,705	49,296	111,653	77,014	67,030	675,514	1,131,541
OPERATING INCOME	782,735	6,461,034	1,440,847	3,555,620	2,072,067	(75,852)	634,624	259,430	491,633	(28,661)	2,606,333	(1,124,243)
NONOPERATING REVENUES (EXPENSES)												
Interest Earnings	-	-	-	-	-	-	-	-	-	-	-	15,505
TOTAL NONOPERATING REVENUES (EXPENSE)	-	-	-	-	-	-	-	-	-	-	-	15,505
NET INCOME BY PRODUCT	\$ 782,735	\$ 6,461,034	\$ 1,440,847	\$ 3,555,620	\$ 2,072,067	\$ (75,852)	\$ 634,624	\$ 259,430	\$ 491,633	\$ (28,661)	\$ 2,606,333	\$ (1,108,738)
PROFIT AS A % OF REVENUE	4.06%	36.07%	28.50%	N/A	34.16%	-1.54%	24.68%	13.49%	32.56%	-21.90%	5.13%	N/A
PRIOR YEAR PROFIT AS A % OF REVENUE	9.98%	38.40%	13.89%	N/A	37.15%	2.56%	26.85%	14.03%	49.32%	8.16%	8.16%	N/A

NOTE: THIS IS TWELVE MONTHS' 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)
March 31, 2026

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 the ticket price, 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 as a reporting entity.

Basis of Presentation. The Montana Lottery reports its financial activity in accordance with generally accepted accounting principles (GAAP) as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB).

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.

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.

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 sales agent activates the pack of tickets for sale. In accordance with the policy established, sales agents may return unsold tickets to the Lottery for credit. Sales are decreased by an allowance for estimated ticket returns.

Ticket sales for Lotto games, Powerball, Montana Cash, Montana Millionaire, Mega Millions, Lucky for Life, Big Sky Bonus, Lotto America, and Millionaire for Life 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) sales agent 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

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March 31, 2026

and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,” and GASB No. 34, “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 sales agents to be used to distribute free tickets to players. The tickets are distributed as part of a promotion run by the sales agents, e.g., 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 as a result 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 prizes are recorded based on the predetermined prize structure for each game. Expenses for Lotto prizes are recorded based on the predetermined prize structure for each individual game. Prizes for Sport Bet Montana are recorded as they are paid out for each event. No prize expense is recorded for free tickets distributed.

Unclaimed Prizes. Prizes for the Lotto games must be claimed within six months after the appropriate draw dates, prizes for Sports Bet Montana wagers must be claimed within six months after the final event has settled. Prizes for Scratch games must be claimed within six months of the announced end of each game.

Prior Period Correction: The amount presented as Income Before Operating Transfers on the September 30, 2024 Statement of Revenues, Expenses, and Changes in Net Position was understated by \$2,868,909 due to a computational (footing) error. The reported amounts for balance sheet and income statement accounts were not affected by the error. The correction was reported as a Prior Period Adjustment on the Statement of Revenues, Expenses and Changes in Net Position.

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 on daily. The reported value of cash and cash equivalents approximates the fair market value.

Cash and cash equivalents consist of the following:

	March 31, 2026	March 31, 2025
Short-term investment pool	\$ 30,818.00	\$ 29,431
Cash on deposit with State Treasurer	2,140,480.00	4,064,844
Cash in revolving deposit account	200,000	200,000
Total	\$ 2,371,298	\$ 4,264,844

Receivables. For the quarter ended March 31, 2026, receivables of \$10,376,359 represent \$10,910,706 due the Lottery for tickets purchased by sales agents, \$46,464 due for returned vendor fees, and an estimated allowance of (\$580,811) for ticket returns. The estimated allowance is based on historical unsold or and returned tickets.

For the quarter ended March 31, 2025, receivables of \$4,038,720 represent \$4,530,388 due the Lottery for tickets purchased by sales agents, \$42,753 due for returned vendor fees, and an estimated allowance of (\$534,421) for ticket returns. The estimated allowance is based on historical unsold or and returned tickets.

Inventories. Inventories consist of merchandise and supplies inventories. Merchandise inventory for the quarters ended March 31, 2026, and 2025 include Scratch tickets valued at \$497,722 and \$605,160, respectively, that are stored in the warehouse, at sales agents prior to being activated by the sales agents, and with the marketing representatives.

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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 year ended March 31, 2026, and 2025, supplies inventories totaled \$121,263 and \$91,696, respectively. These inventories are also recorded at cost using the specific identification method.

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

	June 30, 2025	Additions	Deletions	March 31, 2026
Leasehold Improvements	\$ 112,322	\$ -	\$ -	\$ 112,322
Furniture & Equipment	631,220	-	-	631,220
Accumulated Depreciation	(575,625)	(27,812)	-	(603,437)
Property & Equipment, Net	\$ 167,917	\$ (27,812)	\$ -	\$ 140,105

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 March 31, 2026 was \$15,403,574, which represents \$9,636,268 owed to the state general fund and \$1,687,500 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 March 31, 2026, the Lottery has recognized a compensated absences liability of \$349,049.

Commissions. Montana Code Annotated § 23-7-301(10) provides sales agents 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 sales agents and the face value of Lotto tickets sold and 3% on all sports betting wages placed. In addition, sales agents can earn bonus commissions on tickets sold based on incremental sales of Scratch and Treasure Play tickets. For the six months ended March 31, 2026 and 2025, sales agents earned commissions of \$5,647,935 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 March 31, 2026, the prize expense of \$37,792,330 is 89.09% of net Lottery ticket revenue of \$42,418,562. For the quarter ended March 31, 2025, the prize expense of \$14,642,572 is 73.7% of net Lottery ticket revenue of \$19,864,896.

6. 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 \$1,673,279 and \$1,315,567 as of March 31, 2026 and 2025, 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:

	March 31, 2026	March 31, 2025
Powerball Prize Reserve Account	\$ 247,320	\$ 250,195
Powerball Set Prize Reserve Account	122,748	114,199

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Powerball Unreserved Account	652,768	340,435
Lotto America Prize Reserve Account	300,691	290,183
Mega Millions Prize Reserve Account	349,752	320,555
Total	\$ 1,673,279	\$ 1,315,567

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 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

Currently, the Montana Lottery games are Scratch ticket games, eight Lotto games referred to as Powerball, Montana Cash, Mega Millions, Treasure Play, Lucky for Life, Big Sky Bonus, Lotto America, Millionaire for Life, and Montana Millionaire, a limited-edition raffle game. Sports Bet Montana which is a Lottery regulated and operated sportsbook.

Scratch ticket games provide players the opportunity to win instantly by scratching latex covering to reveal a prize.

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

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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.

Montana Cash 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.

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 \$50 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 \$10 to \$10,000,000. Mega Millions has a built in Megaplier option which multiplies non-jackpot prizes by 2X, 3X, 4X, 5X and 10X. Drawings are held each Tuesday and Friday.

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. This game was retired in February 2026.

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.

Millionaire for Life debuted February 2026. Millionaire for Life is a multi-state game that allows players to win a top prize of \$1 million a year for life. The second prize is \$100,000 a year for life. This pari-mutuel game has a set top prize and tickets cost \$5 each. Players select five numbers from a field of 58 and one Millionaire Ball from 1-5. There are nine ways to win, and players can win by matching just one white ball plus the Millionaire Ball, or by matching two white balls. The drawings are conducted nightly.

Montana Millionaire is a seasonal raffle-type game offering varying \$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 and 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 final drawing occurring just after Christmas.

Sports Bet Montana 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 a licensed location, or wager on a phone application which also must be done in a licensed 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 August 1, 2022, the Lottery signed a five-year contract with Scientific Games (SG) of Alpharetta, GA for the provision of Scratch tickets, which include ticket design, printing, game ownership, inspection, and prize structure. The contract contains options to renew for two additional one-year periods. SG has obtained a \$5 million errors and omissions performance bond during the contract term.

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Lottery Operating System and Related Services. Effective August 27, 2025, the Lottery signed a seven-year contract with Intralot, Inc. of Duluth, GA (now known as Bally's Intralot) to provide a Lottery operating system and the associated services beginning March 31, 2026. Payment under the contract is based on 5.05% of net weekly Lottery sales of Lotto and Scratch games and 40% of the monthly gross gaming revenue for the Sports Bet Montana product. The contract contains options to renew for three additional one-year periods.

Advertising. Effective June 30, 2021, the Lottery signed a five-year contract with the Wendt Agency of Great Falls, MT to provide a Lottery with advertising and media services. As directed by the State Procurement Bureau for purposes of exercising the remaining two, one-year contract extensions, justification will be provided in the June 11, 2026, meeting.

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.

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 March 31, 2026, the fund traded at \$.999577 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.

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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.

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)
March 31, 2026	\$ 30,818			
March 31, 2025	29,431			