

MONTANA LOTTERY

FINANCIAL STATEMENTS
(Unaudited)

June 30, 2026

MONTANA LOTTERY

FINANCIAL STATEMENTS
(Unaudited)

June 30, 2026

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APPOINTED OFFICIALS

Bob Brown, Lottery Director

Cory Bailey, Lottery Assistant Director for Security

LOTTERY COMMISSION

		Term Expires
Leo Prigge	Butte	January 1, 2027
Bryan Costigan	Helena	January 2, 2029
Steve Morris	Helena	January 2, 2029
Janna Taylor	Rollins	January 1, 2030
Kimberly Beatty	Helena	January 1, 2030

REPORT DISTRIBUTION – 2026

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 – Mark Blasdel
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, Gar	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	Morigeau, Jacinda	Webber, Susan
Trebas, Jeremy	Hunter, Gregg	Novak, Sara	Zolnikov, Daniel
Curdy, Willis	Loge, Denley	Phalen, Bob	

MONTANA LOTTERY
STATEMENT OF NET POSITION
June 30, 2026 and June 30, 2025
(Unaudited)

	Quarter Ended June 30, 2026	Quarter Ended June 30, 2025
ASSETS:		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,095,878	\$ 3,084,275
Investments	30,997	29,746
Receivables (Net)	4,706,997	12,952,516
Due from Primary Government	0	
Due from Component Units	0	
Inventories	566,593	755,141
Inventories - Work in Process	0	
Cash Collateral - Security Lending	109	1,504
Prepaid Expenses	26,456	25,496
TOTAL CURRENT ASSETS	<u>8,427,030</u>	<u>16,848,678</u>
NONCURRENT ASSETS		
Computer, Furniture & Equipment	703,988	631,220
Leasehold Improvements	112,322	112,322
Equipment - Work in Process	0	
Accumulated Depreciation	(613,255)	(575,625)
Intangible Assets	1,140,798	1,140,798
Accumulated Amortization	(1,037,089)	(829,671)
Multi-State Reserve fund	2,327,824	1,630,345
TOTAL NONCURRENT ASSETS	<u>2,634,588</u>	<u>2,109,389</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferred Outflows	288,555	359,080
OPEB Deferred Outflows	227,109	252,526
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>515,664</u>	<u>611,606</u>
COMBINED ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 11,577,282</u>	<u>\$ 19,569,673</u>
LIABILITIES:		
CURRENT LIABILITIES		
Accounts Payable	\$ 832,909	\$ 1,068,618
Estimated Prize Liability	2,090,744	4,104,802
Due to Primary Government	-	-
Transfer Obligations	6,360,647	11,915,600
Due to Component Units	-	
Due to Other Entities	-	
Building Lease Payable	107,888	213,126
Unearned Revenue	416,180	297,021
Accrued Compensated Absences	203,399	173,739
Current Portion Long-Term Obligations	-	
Other Current Liabilities	109	1,504
TOTAL CURRENT LIABILITIES	<u>10,011,876</u>	<u>17,774,410</u>
NONCURRENT LIABILITIES		
Building Lease Payable	0	107,888
Multi-State Prize Liability	930,531	992,218
Accrued Compensated Absences	119,211	175,310
Long Term Obligations		
Net Pension Liability	2,224,056	2,375,432
Other Post Employment Benefits	119,997	125,125
TOTAL NONCURRENT LIABILITIES	<u>3,393,796</u>	<u>3,775,973</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Deferred Inflows	60,398	52,823
OPEB Deferred Inflows	339,505	361,589
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>399,903</u>	<u>414,412</u>
COMBINED LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>13,805,574</u>	<u>21,964,795</u>
NET POSITION		
Net Investment in Capital Assets	198,875	158,029
Unrestricted	(2,427,168)	(2,553,151)
TOTAL NET POSITION	<u>\$ (2,228,292)</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 JUNE 30, 2026 AND 2025
(Unaudited)

	Quarter Ended June 30, 2026	Quarter Ended June 30, 2025	Year to Date Fiscal Year 2026	Year to Date Fiscal Year 2025
OPERATING REVENUES:				
Scratch ticket revenue	\$ 8,731,123	\$ 7,212,906	\$ 27,997,265	\$ 27,964,993
Powerball revenue	3,305,676	2,774,251	21,216,037	10,872,278
Montana Cash revenue	1,259,431	3,821,526	6,315,363	6,861,182
MT Millionaire revenue	-	10,000,040	12,400,000	10,000,040
Mega Millions revenue	2,416,165	1,806,147	8,481,485	8,326,233
Treasure Play revenue	2,241,701	3,959,215	7,155,943	8,456,188
Lucky for Life revenue	-	1,044,460	2,571,324	3,837,532
Big Sky Bonus revenue	754,056	736,168	2,677,142	2,581,454
Lotto America revenue	1,102,361	395,793	2,612,063	2,992,019
Sports Bet revenue	21,081,938	17,151,343	71,855,605	66,184,270
Millionaire for Life revenue	2,019,565	-	2,150,460	-
License, permits, and misc	74,220	2,460	81,518	7,111
Total Operating Revenues	42,986,235	48,904,309	165,514,204	148,083,300
Less Direct Game Costs:				
Scratch ticket prize expense	5,213,639	3,756,869	18,569,014	18,128,213
On-line ticket prize expense	6,042,329	11,284,772	35,540,968	28,067,109
Sports Bet ticket prize expense	18,373,254	15,064,067	61,912,532	56,417,021
Retailer commission	1,975,750	2,448,351	7,623,685	7,142,558
Cost of tickets sold	385,504	177,593	1,413,843	1,041,346
Vendor fees	1,741,915	2,694,503	10,247,540	9,712,610
Total Direct Game Costs	33,732,392	35,426,155	135,307,583	120,508,857
Income Before Operating Expenses	9,253,844	13,478,154	30,206,622	27,574,443
OPERATING EXPENSES:				
Advertising	84,509	166,707	474,503	555,091
Advertising Production	128,211	170,386	274,187	327,142
Audit Fees	86,768	28,569	100,431	39,645
Bad Debts Expense	16,325	(1,120)	20,808	(1,120)
Communications	85,265	89,189	310,973	323,442
Contractual Services	67,063	37,471	165,251	136,364
Depreciation and Amortization	9,818	9,475	37,630	41,555
Interest	-	-	-	-
Administrative Service Fee	30,317	29,709	121,270	118,836
Multi-State Dues	-	38,314	-	38,314
Public Relations	(0)	17,100	11,176	40,690
Other	19,691	(18,172)	73,174	49,269
Personal Services	671,950	781,626	3,113,268	3,059,111
Repairs and Maintenance	4,447	5,062	37,839	16,978
Supplies and Materials	35,541	39,640	152,780	229,683
Travel	7,850	19,305	31,427	43,479
Utilities and Rent	41,599	42,850	241,848	242,918
Total Operating Expense	1,289,353	1,456,111	5,166,564	5,261,397
Operating Income	7,964,491	12,022,043	25,040,058	22,313,046
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	20,440	21,002	35,945	21,952
Security Lending Income	0	0	0	0
Security Lending Expense	0	0	0	0
Gain/Loss on sale of asset	0	(10,262)	0	15,326
Other	0	(40,418)	0	(40,418)
Pension Expense	(104,657)	(76,489)	(104,657)	(76,489)
OPEB Expenses	(3,297)	(277)	(3,297)	(277)
Total Nonoperating Revenues(Expenses)	(87,514)	(106,444)	(72,009)	(79,906)
Income Before Operating Transfers	7,876,977	11,915,599	24,968,049	22,233,140
Operating Transfers Out - General Fund	(5,798,147)	(11,353,100)	(21,201,721)	(19,983,138)
Operating Transfers Out -OCHE	(562,500)	(562,500)	(2,250,000)	(2,250,000)
Total Operating Transfers	(6,360,647)	(11,915,600)	(23,451,721)	(22,233,138)
CHANGE IN NET POSITION	1,516,327	0	1,516,328	0
Total Net Position, Beginning of Period	(2,395,123)	(2,395,122)	(2,395,123)	(2,395,122)
Prior Period Adjustments	(1,349,497)	0	(1,349,497)	0
TOTAL NET POSITION, END OF PERIOD	\$ (2,228,292)	\$ (2,395,122)	\$ (2,228,292)	\$ (2,395,122)

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 JUNE 30, 2026
(Unaudited)

	<u>Budget</u> Fiscal Year July 1, 2025- June 30, 2026	<u>Actual</u> Through Quarter Ending June 30, 2026 (Unaudited)	Actual as a Percent of Final Budget (%)
REVENUES:			
Scratch ticket revenue	\$ 27,750,000	\$ 27,997,265.09	100.89
Powerball revenue	12,480,000	21,216,036.53	170.00
Montana Cash revenue	5,190,000	6,315,363.00	121.68
MT Millionaire revenue	12,400,000	12,400,000.00	100.00
Mega Millions revenue	7,000,000	8,481,485.00	121.16
Treasure Play revenue	8,370,000	7,155,943.00	85.50
Lucky for Life revenue	4,025,000	2,571,324.00	63.88
Big Sky Bonus revenue	2,500,000	2,677,142.00	107.09
Lotto America revenue	1,920,000	2,612,063.00	136.04
Sports Bet revenue	67,000,000	71,855,604.95	107.25
Millionaire for Life revenue	1,380,000	2,150,460.00	155.83
License, permits, and misc	12,000	81,517.88	679.32
Total Revenues	<u>150,027,000</u>	<u>165,514,204.45</u>	<u>110.32</u>
DIRECT GAME COSTS:			
Scratch ticket prize expense	17,546,812	18,569,013.91	105.83
On-line ticket prize expense	72,785,500	35,540,967.70	48.83
Sports Bet ticket prize expense	4,375,000	61,912,532.45	1415.14
Retailer commission	9,357,250	7,623,685.15	81.47
Cost of tickets sold	1,160,000	1,413,843.20	121.88
Vendor fees	9,956,000	10,247,540.24	102.93
Total Direct Game Costs	<u>115,180,562</u>	<u>135,307,582.65</u>	<u>117.47</u>
OPERATING EXPENSES:			
Advertising	644,000	474,502.67	73.68
Advertising Production	335,000	274,187.14	81.85
Audit Fees	149,492	100,430.60	67.18
Communications	367,725	310,973.22	84.57
Contractual Services	213,285	165,250.57	77.48
Depreciation and Amortization	-	37,630.00	
Administrative Service Fee	119,152	121,270.00	101.78
Multi-State Dues	40,000	-	0.00
Public Relations	60,000	11,175.95	18.63
Other	(31,810)	73,173.91	-230.03
Personal Services	3,055,339	3,113,268.03	101.90
Repairs and Maintenance	32,000	37,838.82	118.25
Supplies and Materials	305,200	152,779.62	50.06
Travel	83,400	31,426.97	37.68
Utilities and Rent	225,016	241,848.27	107.48
Total Operating Expenses	<u>5,597,799</u>	<u>5,166,564.24</u>	<u>92.30</u>
Operating Income	<u>29,248,639</u>	<u>25,040,057.56</u>	<u>85.61</u>
OTHER REVENUES (EXPENSES):			
Interest earnings	3,000	35,945.31	1198.18
Capitalized equipment purchases	50,000	-	0.00
NET INCOME BEFORE TRANSFERS	<u>\$ 29,301,639</u>	<u>\$ 24,968,048.57</u>	<u>85.21</u>
OPERATING TRANSFERS			
Operating Transfers Out - General Fund	(28,986,639)	(21,201,721)	73.14
Operating Transfers Out - OCHE	(2,250,000)	(2,250,000)	100.00
Total Transfers	<u>(31,236,639)</u>	<u>(23,451,721)</u>	
Prior Period Adjustments	<u>0</u>	<u>(1,349,497)</u>	
NET INCOME	<u>\$ (1,935,000)</u>	<u>\$ 166,830</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 JUNE 30, 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:	\$ 27,997,265	\$ 21,216,037	\$ 6,315,363	\$ 12,400,000	\$ 8,481,485	\$ 7,155,943	\$ 2,571,324	\$ 2,677,142	\$ 2,612,063	\$ 2,150,460	\$ 71,855,605	\$ 81,518
DIRECT GAME COSTS:												
Prize Expense	18,569,014	9,611,621	3,549,732	7,013,020	4,178,714	5,855,672	1,062,610	1,784,498	1,267,470	\$1,182,311.00	61,912,532	35,320
Retailer Commissions	2,063,279	1,059,090	315,809	620,000	424,141	483,908	128,579	133,883	130,627	\$107,559.00	2,156,811	-
Cost of Tickets Sold	1,413,843	-	-	-	-	-	-	-	-	-	-	-
Vendor Fees	1,966,876	1,619,008	476,673	992,000	621,793	522,144	207,214	197,356	182,429	\$126,963.00	3,335,084	-
NET OPERATING REVENUE	3,984,253	8,926,318	1,973,149	3,774,980	3,256,837	294,219	1,172,921	561,405	1,031,537	733,627	4,451,178	46,198
OPERATING EXPENSES:												
Advertising	81,212	29,929	18,083	-	37,795	32,561	18,137	18,035	-	2,223	235,733	\$795.00
Advertising Production	108,282	8,458	3,625	20,640	10,875	22,958	1,813	3,625	-	14,313	30,442	49,157
Audit Fees	-	-	-	-	-	-	-	-	-	-	-	100,431
Communications	209,142	-	-	-	-	-	-	-	-	-	-	101,831
Contractual Services	-	-	-	-	-	-	-	-	-	-	-	165,251
Depreciation and Amortization	9,803	2,032	1,784	1,686	1,516	2,457	395	1,321	1,095	802	6,363	8,376
Administrative Service Fee	31,591	6,549	5,748	5,433	4,887	7,919	1,273	4,257	3,529	2,583	20,507	26,995
State Cost Recovery	-	-	-	-	-	-	-	-	-	-	-	-
Multi-State Dues	-	-	-	-	-	-	-	-	-	-	-	-
Public Relations	-	-	-	-	-	-	-	-	-	-	-	11,176
Other	-	-	-	-	-	-	-	-	-	-	-	73,174
Personal Services	811,318	168,116	147,569	139,474	125,465	203,296	32,689	108,964	90,596	66,313	526,454	693,013
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-	-	37,839
Supplies and Materials	-	-	-	-	-	-	-	-	-	-	-	152,780
Travel	-	-	-	-	-	-	-	-	-	-	-	31,427
Utilities and Rent	25,210	5,224	4,585	4,334	3,899	6,317	3,076	3,386	2,815	-	16,359	166,643
TOTAL OPERATING EXPENSES	1,276,558	220,308	181,394	171,567	184,437	275,509	57,384	139,588	98,035	86,233	835,858	1,639,696
OPERATING INCOME	2,707,695	8,706,010	1,791,755	3,603,413	3,072,400	18,710	1,115,537	421,817	933,502	647,394	3,615,320	(1,593,498)
NONOPERATING REVENUES (EXPENSES)												
Interest Earnings	-	-	-	-	-	-	-	-	-	-	-	35,945
TOTAL NONOPERATING REVENUES (EXPENSE)	-	-	-	-	-	-	-	-	-	-	-	(72,009)
NET INCOME BY PRODUCT	\$ 2,707,695	\$ 8,706,010	\$ 1,791,755	\$ 3,603,413	\$ 3,072,400	\$ 18,710	\$ 1,115,537	\$ 421,817	\$ 933,502	\$ 647,394	\$ 3,615,320	\$ (1,665,507)
PROFIT AS A % OF REVENUE	9.67%	41.04%	28.37%	29.06%	36.22%	0.26%	43.38%	15.76%	35.74%	30.10%	5.03%	N/A
PRIOR YEAR PROFIT AS A % OF REVENUE	9.98%	38.40%	13.89%		37.15%	2.56%	26.85%	14.03%	49.32%		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)
June 30, 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 sales agents 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 online 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

MONTANA LOTTERY
Notes to the Financial Statements (Unaudited)
June 30, 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., “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 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 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.

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.

Prior-Period Correction of Errors: During fiscal year 2026, the Lottery identified and corrected prior-period errors related to prize expense and sports betting vendor-fee accounting. The corrections affected expenses, accounts receivable, and transfers to the State General Fund. The cumulative effect of the corrections is reflected as a prior-period adjustment of \$(1,349,497) 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:

	June 30, 2026	June 30, 2025
Short-term investment pool	\$ 30,997	\$ 29,746
Cash on deposit with State Treasurer	2,895,878	2,884,275
Cash in revolving deposit account	200,000	200,000
Total	\$ 3,126,875	\$ 3,114,021

Receivables. For the quarter ended June 30, 2026, receivables of \$4,706,997 represent \$4,793,395 due the Lottery for tickets purchased by sales agents, \$108,522 due for returned vendor fees, and an estimated allowance of (\$194,920) for ticket returns. The estimated allowance is based on historical unsold or and returned tickets.

For the quarter ended June 30, 2025, receivables of \$12,952,516 represent \$13,486,863 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.

Inventories. Inventories consist of merchandise and supplies inventories. Merchandise inventory for the quarters ended June 30, 2026, and 2025 include scratch tickets valued at \$479,994 and \$633,878, 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 June 30, 2026, and 2025, supplies inventories totaled \$86,599 and \$121,263, 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	June 30, 2026
Leasehold Improvements	\$ 112,322	\$ -	\$ -	\$ 112,322
Furniture & Equipment	631,220	-	-	703,988
Accumulated Depreciation	(575,625)	(27,812)	-	(613,255)
Property & Equipment, Net	\$ 167,917	\$ (27,812)	\$ -	\$ 203,055

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 transfer net revenue quarterly, first in equal quarterly payments of \$562,500 to the Montana STEM scholarship program and then to the State General Fund. Transfers for the first three quarters of fiscal year 2026 were recorded and posted during the fiscal year. At June 30, 2026, the Lottery recorded an accrued transfer obligation of \$6,360,647 for the fourth quarter of fiscal year 2026, consisting of \$5,798,147 related to the State General Fund and \$562,500 related to the Office of the Commissioner of Higher Education. The fourth-quarter transfer accrual is subject to approval by the Lottery Commission.

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 June 30, 2026, the Lottery has recognized a compensated absences liability of \$322,610.

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 wagers placed. In addition, sales agents can earn bonus commissions on tickets sold based on incremental sales of scratch and Treasure Play tickets. For the fiscal years ended June 30, 2026 and 2025, sales agents earned commissions of \$7,623,685 and \$7,142,558.

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 fiscal years ended June 30, 2026, the prize expense of \$116,022,514 is 70.10% of net Lottery ticket revenue of \$165,514,204. For the fiscal year ended June 30, 2025, the prize expense of \$106,612,343 is 71.99% of net Lottery ticket revenue of \$148,083,300.

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 multi-state lottery games for the benefit of participating lotteries. Powerball, Mega Millions, and Lotto America are games jointly operated by member lotteries in which Montana currently participates. Each lottery participating in MUSL is represented on the Board of Directors.

The Multi-State Lottery Reserve Fund had balances of \$2,327,824 and \$1,630,345 as of June 30, 2026 and 2025, respectively. The reserve fund is comprised of several accounts maintained by MUSL. The balance of these reserve accounts is as follows:

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	June 30, 2026	June 30, 2025
Powerball Prize Reserve Account	\$ 247,934	\$ 247,320
Powerball Set Prize Reserve Account	29,645	117,074
Powerball Unreserved Account	1,420,658	638,127
Lotto America Prize Reserve Account	300,691	297,281
Mega Millions Prize Reserve Account	328,896	330,542
Total	\$ 2,327,824	\$ 1,630,345

The Powerball Prize Reserve Account is used only in the event of an unanticipated prize claim. It serves as an insurance fund designed to protect member lotteries against liabilities that could result from a system failure at a participating lottery. All amounts contributed to this account are returned to the Lottery one year after it leaves the Powerball game, provided no unanticipated prize claims have been paid. Interest earned on the Lottery's share of this fund, represented within the Unreserved Account, is returned when the Lottery leaves MUSL. Amounts in the Unreserved Account may be used at the discretion of the MUSL Board.

The Powerball Set Prize Reserve Account is used to fund prize payments for current drawings. Because the Powerball game has fixed prizes, it is often necessary to draw from this reserve to ensure payment of fixed prize amounts. Funds in this account are returned to the Lottery when it withdraws from the Powerball game.

The Lottery contributes to these reserve funds through the portion of sales set aside for prizes. The Lottery is also required to contribute its share of reserve balances accumulated since the inception of the Powerball game. Payments to these reserve accounts are recorded as Powerball prize expense.

During fiscal year 2026, the Lottery elected to have its \$760,689 share of the remaining Lucky for Life prize pool deposited into its Powerball Unreserved Account. Lucky for Life concluded during the fiscal year, and the Lottery subsequently introduced the Millionaire for Life game.

The Powerball Unreserved Account is a separate account used to hold funds due to the Lottery. Balances in this account arise when MUSL jackpots expire unclaimed, at which point each participating lottery is refunded its pro rata share based on sales during the jackpot accumulation period. Funds in the account are invested in U.S. Treasury securities until withdrawn, and interest earnings are credited to the account quarterly. Use of funds in the Unreserved Account is limited and must be approved by the MUSL Board. Any request to use funds must be accompanied by certification that the expenditure complies with applicable state or jurisdiction law and relates to MUSL activities.

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.

6. GAMES

Currently, the Montana Lottery games are scratch ticket games, eight lotto games referred to as Powerball, Montana Ca\$h, Mega Millions, Treasure Play, Big Sky Bonus, Lotto America, Millionaire for Life, and Montana Millionaire, a limited-edition lottery game. Sports Bet Montana which is a sports wagering game.

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 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.

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 three \$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 an authorized location, or wager on a phone application which also must 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.

7. 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 include 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.

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Online Services. On August 26, 2025, the Lottery signed a seven-year contract with Intralot, Inc. of Duluth, GA to provide an online gaming system and the associated services beginning June 30, 2026. The contract requires Intralot to provide new terminals to all sales agents with the associated software and communications. Payment under the contract is based on 5.05% of net weekly Lottery sales of lotto and scratch games. Intralot receives 40% of the gross gaming revenue for the Sports Bet Montana product.

Advertising. Effective June 30, 2021, the Lottery entered into a five-year contract with the Wendt Agency of Great Falls, Montana, to provide advertising and media services. At the direction of the State Procurement Bureau, the Lottery exercised the contract's two remaining one-year extensions.

8. 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.

9. LEASES 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.

10. 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 June 30, 2026, the fund traded at \$.999346 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)
June 30, 2026	\$ 30,997			
June 30, 2025	29,863			