

Georgia Lottery Corporation

*Management's Discussion and
Analysis for the Fiscal Years Ended
June 30, 2026 and 2025, Financial
Statements as of and for the Fiscal
Years Ended June 30, 2026 and
2025, and Independent Auditor's
Report*

GEORGIA LOTTERY CORPORATION

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INDEPENDENT AUDITOR'S REPORT

**The Board of Directors
of the Georgia Lottery Corporation**

Opinions

We have audited the accompanying financial statements of the **Georgia Lottery Corporation** (the "GLC"), a component unit of the State of Georgia, as of and for the fiscal years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the GLC's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Georgia Lottery Corporation as of June 30, 2026 and 2025, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the GLC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the GLC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the GLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the GLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Contributions, as presented in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 6, 2026

Management's Discussion and Analysis

As management of the Georgia Lottery Corporation (the "GLC"), we offer readers of the GLC's financial statements this narrative overview and analysis of the financial activities for the fiscal years ended June 30, 2026 and June 30, 2025. We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 18.

Highlights

The Georgia Lottery has now contributed over \$31.3 billion to education in its 34-year history. The Georgia Lottery accomplished several significant milestones during 2026. Gross sales reached an all-time high of \$6.193 billion, eclipsing the previous high of \$6.137 billion realized in 2023. Net proceeds for education was \$1.541 billion, making this the second highest annual return in GLC history, trailing only the post pandemic year of 2021. Digital instant (Diggi) game sales exceeded \$1 billion for the first time, reaching \$1.023 billion. COAM's contribution to profits topped \$200 million for the first time, reaching \$210.5 million. Finally, a Georgia player won the largest jackpot in state history on the Mega Millions game.

Overview of the Financial Statements

The GLC is accounted for as an enterprise fund, reporting transactions using the accrual basis of accounting similar to a business entity. This discussion and analysis was prepared under the guidance of GASB 103 and is intended to serve as an introduction to the GLC's basic financial statements, along with the notes to the financial statements. The statements of net position on page 18, the statements of revenues, expenses, and changes in net position on page 19, and the statements of cash flows on pages 20 and 21 report the GLC's net position and changes therein. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements begin on page 22 of this report.

The GLC pays its net proceeds each fiscal year to the General Fund of the state treasury for credit to the Lottery for Education Account. As a result, the GLC's net position consists of funds invested in capital assets and unrestricted net position. Unrestricted net position normally results from the inclusion of capital costs in the determination of net proceeds (as required by the Georgia Lottery for Education Act) and the cumulative effect of periodic adjustments to recognize the fair value of grand prize investments which are held to fund future grand prize payments. The GLC expects to hold these investments to maturity to meet our future grand prize winner obligations and, therefore, will not realize any gains or losses related to the current value of these investments for distribution as net proceeds. The reader of these financial statements should review the assets, deferred inflows and outflows of resources and liabilities in the statements of net position and the operating revenues and expenses and the payment to and due to Lottery for Education Account in the statements of revenues, expenses, and changes in net position to assess the GLC's financial position as of June 30, 2026 and 2025, and the results of its operations for the fiscal years then ended.

Condensed Statement of Net Position			
(\$ in thousands)			
		<u>FY26</u>	<u>FY25</u>
Total Assets	\$	723,361	\$ 734,400
Total Deferred Outflows	\$	29	\$ 41
Total Liabilities	\$	712,100	\$ 722,031
Total Deferred Inflows	\$	18,398	\$ 19,139
Net Position	\$	(7,108)	\$ (6,729)

Assets

At the end of fiscal year 2026, total assets were approximately \$723.4 million compared to \$734.4 million at the end of fiscal year 2025, representing a decrease of \$11.0 million. This decrease was primarily attributable to decreases of \$40.7 million in net retailer receivables, \$10.4 million in net grand prize investments (which represents securities held to pay grand prize winners in future years), \$2.6 million in net capital assets, and \$1.9 million in prepaids & other assets offset by an increase of \$45.0 million in cash. The change in retailer receivables is due to the timing of collections of outstanding balances and write-offs of uncollectible balances compared to the previous fiscal year. The decrease in grand prize investments represents the net effect of maturities used to fund prize payments, net purchases to fund new prize payments, accrued interest earned on current fiscal year maturities, and a decrease in the fair value of investments. The decrease in prepaid assets represents an increase in the cost associated with the special printing of scratcher tickets. The increase in cash is attributable to an increase in cash generated by net operating income. Deferred outflows of resources were flat in 2026 compared to 2025.

At the end of fiscal year 2025, total assets were \$734.4 million compared to approximately \$748.3 million at the end of fiscal year 2024, representing a decrease of \$13.9 million. This decrease was due to decreases of \$20.0 million in cash, \$6.9 million in net grand prize investments, and \$3.7 million in net capital assets offset by increases of \$10.7 million in prepaids & other assets and \$6.1 million in net retailer receivables. The deferred outflows of resources were flat in 2025 compared to 2024.

Liabilities

Total liabilities at the end of fiscal year 2026 were \$712.1 million compared to \$722.0 million at the end of fiscal year 2025 representing a decrease of \$9.9 million. The change is attributable to decreases of \$20.7 million for accounts payable and accrued liabilities, \$9.5 million for grand prizes payable (which represents the amount to be paid to grand prize winners over future years), and \$1.6 million for lease liability, offset by increases of \$21.5 million for prizes won and due to winners not yet claimed.

Total liabilities at the end of fiscal year 2025 were \$722.0 million compared to \$740.2 million at the end of fiscal year 2024 representing a decrease of \$18.2 million. The change is attributable to decreases of \$22.5 million for prizes won and due to winners not yet claimed, \$7.6 million for grand prizes payable, and \$1.7 million in lease liability offset by increases of \$9.8 million for accounts payable and accrued liabilities, and \$3.4 million for funds due to the Lottery for Education.

Deferred Inflows and Outflows of Resources

Deferred outflows were flat in 2026 compared to 2025. Deferred outflows are related to pensions. Deferred inflows of resources decreased by \$0.7 million in 2026 compared to 2025. Deferred inflows relate to pensions, COAM licensing fees received for future periods, and future lease-related proceeds. COAM licensing renewal fees for 2027, 2028, and 2029 received in 2026 were \$15.4 million. Future lease-related proceeds total \$2.9 million.

Deferred outflows were flat in 2025 compared to 2024. Deferred outflows are related to pensions. Deferred inflows of resources increased by \$0.3 million in 2025 compared to 2024. Deferred inflows relate to pensions, COAM licensing fees received for future periods, and future lease-related proceeds. COAM licensing renewal fees for 2026, 2027, and 2028 received in 2025 were \$15.7 million. Future lease-related proceeds total \$3.4 million.

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Condensed Statement of Revenues, Expenses and Changes in Net Position

(\$ in thousands)

	FY26		FY25	
Ticket sales (net)	\$	5,922,533	\$	5,723,708
COAM Revenue	\$	237,303	\$	216,980
Other revenue	\$	3,723	\$	3,563
Total operating revenue	\$	6,163,559	\$	5,944,251
Gaming expense	\$	4,566,331	\$	4,419,463
General and administrative	\$	62,104	\$	59,094
Total operating expense	\$	4,628,435	\$	4,478,557
Operating income	\$	1,535,124	\$	1,465,694
Noncapital subsidies	\$	(1,541,068)	\$	(1,471,552)
Total operating income (loss) and noncapital subsidies	\$	(5,944)	\$	(5,858)
Nonoperating revenue/(expense)	\$	5,565	\$	9,842
Change in net position	\$	(379)	\$	3,984

Revenue

As noted earlier, the Georgia Lottery achieved record sales of approximately \$6.194 billion in 2026. Sales performance is analyzed based on four categories: (1) Instant games (including Diggi); (2) Core games, which includes Cash 3, Cash 4, Fantasy 5, and Keno; (3) Multi-state games, which includes Mega Millions, Powerball, Cash 4 Life, and Millionaire For Life; and (4) Local draw games. Each category has its own unique characteristics to consider.

Gross Sales by Category				
(\$ in millions)				
		<u>FY2026</u>	<u>FY2025</u>	<u>FY2024</u>
Instant games	\$	4,276.4	\$ 4,252.5	\$ 4,102.9
Core games		1,288.0	1,267.7	1,248.7
Multi-state games		442.2	316.4	480.0
Local games		186.9	185.9	172.4
Total Gross Ticket Sales	\$	6,193.5	\$ 6,022.5	\$ 6,004.0

Instant sales represents the largest category in our portfolio, achieving \$4.276B. or 69% of total gross sales in 2026. Over the past five years, the industry has recognized a consistent decline in retail sales. This most significantly impacts instant games. The GLC has been successful in transitioning from retail instant games to digital instant games to offset this trend. As a result, the category grew slightly by 0.6% compared to 2025 despite a 3.6% decline in retail sales. Progressive jackpot games are especially popular digital games. The \$10 price point was the highest selling segment at retail, contributing \$687 million in 2026. The \$50 price point was the fastest growing retail segment, increasing by \$90.4 million, or 17.2% compared to 2025. The GLC is committed to identifying ways to maximize retail sales, including introducing a first-of-its-kind progressive jackpot 2nd chance promotion and installing SciQ merchandising systems to enhance our presence in over 900 retail locations during the fiscal year.

Instant sales were \$4.252B, or 71% of total gross sales in 2025. The category grew by 3.6% compared to 2024 despite a 2.4% decline in retail sales. The \$10 price point was the highest selling segment at retail, contributing \$751 million in 2025. The \$50 price point was the fastest growing retail segment, increasing by \$116.9 million, or 28.7% compared to 2024.

Core Game Sales				
(\$ in millions)				
		<u>FY2026</u>	<u>FY2025</u>	<u>FY2024</u>
Cash 3	\$	562.5	\$ 554.6	\$ 553.2
Fantasy 5		102.9	100.4	86.2
Keno		195.9	203.2	212.8
Cash 4		426.7	409.6	396.7
Total Core Game Sales	\$	1,288.0	\$ 1,267.8	\$ 1,248.9

Core games represent the cornerstone segment for the Georgia Lottery and represented 21% of gross ticket sales in 2026. These games possess an extremely loyal player base and have provided consistent sales through the years. They are available at retail and in the interactive channel and feature some of our most profitable games. The category achieved sales of approximately \$1.288 billion in 2026, representing an increase of \$20.3 million, or 1.6% compared to 2025. We see significant opportunities in expanding their presence in the interactive space. The new iLottery platform will contribute to this effort by implementing shopping cart functionality which will allow players to select multiple games in a single purchase.

Core games represented 21% of gross ticket sales in 2025. The category achieved sales of approximately \$1.268 billion in 2025, representing an increase of \$19.0 million, or 1.5% compared to 2024.

Multi-state Game Sales					
(\$ in millions)					
		<u>FY2026</u>		<u>FY2025</u>	<u>FY2024</u>
Mega Millions	\$	145.2	\$	157.9	\$ 197.0
Powerball		261.5		130.0	255.6
Cash 4 Life/Millionaire For Life		35.5		28.5	27.4
Total Multi-state Game Sales	\$	442.2	\$	316.4	\$ 480.0

Multi-state games are games in which multiple jurisdictions place a fixed share of their proceeds in a pool to fund jackpots. The larger number of participating lotteries facilitates the ability to offer larger jackpots to players nationally. Sales of these games are highly dependent on the size and frequency of the jackpots. Consequently, the GLC removes the effects of large jackpots in forecasting future sales to ensure realistic projections. Georgia benefited from three large jackpots in 2026. Powerball reached jackpots of \$1.787 billion on September 6, 2025 and \$1.816 billion on December 24, 2025. Mega Millions reached a jackpot of \$983 million on November 14, 2025, which was won by a Georgia player, as noted earlier. These jackpots contributed to an increase of \$125.8 million, or 39.8% compared to 2025 for multi-state games. The GLC launched a new multistate game, Millionaire For Life, on February 22, 2026. This game combined Cash 4 Life and another similar game operated by other lotteries to offer larger jackpots at a higher price point. The last drawing for Cash 4 Life occurred on February 21, 2026. The new iLottery platform will allow the GLC to resume offering the game in the interactive channel and we anticipate receiving the full year benefit of the new game in 2027.

Sales of multi-state games are highly dependent on the size and frequency of the jackpots. Georgia experienced fewer large jackpots for Mega Millions and Powerball in 2025 compared to 2024. The effect of smaller and less frequent jackpots was a decrease of \$163.6 million, or 34.1% in multi-state sales compared to 2024.

Local Game Sales				
(\$ in millions)				
		<u>FY2026</u>	<u>FY2025</u>	<u>FY2024</u>
Cash Pop	\$	103.5	\$ 89.9	\$ 55.6
Quick Win		67.2	71.9	85.2
All other local games		16.2	24.1	31.6
Total Local Game Sales	\$	186.9	\$ 185.9	\$ 172.4

The Georgia Lottery offers three local games, Georgia Five, Cash Pop, and Quick Win as well as one add-on game (Fantasy 5 EZ Match) in 2026. Total sales were \$186.9 million, a slight increase of \$1.0 million, or 0.6% compared to 2025. The most popular local game was Cash Pop, which topped the \$100 million mark in sales for the first time, reaching \$103.5 million in 2026. This represented an increase of 15.1% compared to 2025. The increase was offset by the impact of ending Jumbo Bucks Lotto and Cash Match games which contributed \$8.3 million in 2025. Various initiatives, including development of the new iLottery platform, have limited the ability to introduce new local draw games over the past three years. With the planned upgrade of the retail platform in 2027, we expect this moratorium to continue into 2028. However, there will be a focus on opportunities to develop draw games specifically designed for the interactive channel in the interim.

The Georgia Lottery offered four local games, Georgia Five, Cash Pop, Jumbo Bucks Lotto (JBL), and Quick Win plus two add-on games (Fantasy 5 EZ Match and JBL Cash Match) in 2025. Total sales of local games was \$185.9 million, which was an increase of \$13.5 million, or 7.8% compared to 2024. Our most popular local game was Cash Pop contributing \$89.9 million in 2025. Quick Win contributed an additional \$71.9 million to 2024. The increase was offset by the impact of ending Jumbo Bucks Lotto and Cash Match games during the year resulting in a decline of \$7.6 million in 2025. The final draw for Jumbo Bucks Lotto and JBL Cash Match occurred on November 14, 2024.

COAM revenue includes commissions from net revenue generated by Class B COAM machines, licensing renewal revenue, fines and penalties, and other miscellaneous revenue. GLC launched the COAM centralized accounting system in January 2015. Its purpose is to collect net daily revenues generated by Class B COAM machines throughout the state on behalf of the machine owners (Masters). Class B machines are defined as line-up or match-up video games requiring some skill where the points carry over. Beginning May 10, 2024, the GLC began receiving 13% of total net revenues generated as a fee for providing this oversight service. Net revenues are analyzed based on several key parameters including the amount of cash input into the machines (money-in), redemption rates, the number of active machines, and the average net daily revenue generated by each machine.

COAM Key Performance Indicators				
(\$ in millions)				
		<u>FY2026</u>		<u>FY2025</u>
Money-in	\$	6,673.9	\$	5,817.3
Total Revenue	\$	237.3	\$	217.0
GLC share of net revenues generated by COAM's	\$	216.1	\$	197.3
Active machines at fiscal year end		42,053		39,440
Net daily revenue per machine	\$	108.34	\$	105.47

Coin Operated Amusement Machines (COAM's) contributed \$237.3 million in total revenues in 2026, representing an increase of \$20.3 million, or 9.4% compared to 2025. The largest component of COAM revenue is attributable to the GLC share of net revenues generated by the machines, which accounted for \$216.1 million. For 2026, total money-in reached approximately \$6.674 billion, an increase of \$857 million, or 14.7% compared to 2025. The redemption rate increased by 1.9% compared to 2025. The total number of active machines increased by 6.6% compared to 2025 and the net daily revenue per machine increased by \$2.87, or 2.7% to \$108.34 per machine. Collectively, this led to an increase of \$18.8 million, or 9.6% in revenue share for the fiscal year. Additionally, the GLC received \$16.6 million in license renewal fees, an increase of 5.1% consistent with the increase in the number of active machines. The GLC also received \$3.9 million in fines and penalties and \$0.7 million in other revenues.

Coin Operated Amusement Machines (COAM's) contributed \$217.0 million in total revenues in 2025, representing an increase of \$50.2 million, or 30.1% compared to 2024. For 2025, total money-in reached \$5.817 billion, an increase of \$536.1 million, or 10.2% compared to 2024. The redemption rate increased by 0.4%. The total number of active machines increased by 11.5% compared to 2024 and the net daily revenue per machine decreased by \$2.76, or 2.6% to \$105.47 per machine. Taken together with the increase in GLC's revenue share, this resulted in an increase of \$51.0 million, or 34.9% in revenue share for the year. Additionally, the GLC received \$15.8 million in license renewal fees, an increase of 14.0% consistent with the increase in the number of active machines. The GLC also received \$3.4 million in fines and penalties and \$0.4 million in other revenues.

Other Operating Revenue

Other operating revenue is comprised of various retailer service fees and increased by \$0.1 million in fiscal year 2026, totaling \$3.7 million compared to \$3.6 million in 2025. Other operating revenue increased by \$0.2 million in fiscal year 2025, totaling \$3.6 million compared to \$3.4 million in 2024.

Total Expense			
(\$ in millions)			
		<u>FY2026</u>	<u>FY2025</u>
Gaming Expense	\$	4,566.1	\$ 4,419.5
Operating Expense		62.3	59.1
Total Expense	\$	<u>4,628.4</u>	<u>\$ 4,478.6</u>

Expenses

Expenses are broken down into two categories: Gaming expenses and operating expenses. Gaming expenses include product cost (i.e., prize expense), vendor costs, retailer commissions, and marketing costs. Operating costs include general and administrative costs, depreciation, and bad debt.

Gaming Expense			
(\$ in millions)			
		<u>FY2026</u>	<u>FY2025</u>
Prize Expense	\$	4,054.4	\$ 3,917.4
Retailer commissions		293.5	293.6
Vendor fees		154.1	144.2
Marketing		64.2	64.3
Total Gaming Expense	\$	<u>4,566.1</u>	<u>\$ 4,419.5</u>

Gaming Expense

Gaming expense was \$4.566 billion in 2026, representing an increase of \$146.9 million, or 3.3% compared to 2025. The increase is primarily attributable to increases in prize expense and vendor costs. Gaming expense was \$4.419 billion in 2025. This was an increase of \$124.0 million, or 2.9% compared to 2024. The increase was attributable to increases in prize expense, vendor fees, and

marketing costs.

Prize expense is the single largest cost component for the lottery, accounting for approximately \$4.055 billion, or 65.7% of total revenue. This represented an increase of \$137.0 million, or 3.5% compared to 2025. Prize expense for instant games is based on the prize structure for each game. Accordingly, the portfolio mix of instant games is the most influential factor in aggregate prize expense. In 2026, the portfolio mix shifted significantly to digital instant games and retail games at the \$50 price point, which are higher payout games. Consequently, the GLC experienced an increase in instant game prize expense despite flat overall instant sales. For 2026, prize expense for instant games, net of unclaimed prizes, increased by \$68.5 million to \$3.042 billion compared to 2025. Instant prize expense is reduced by unclaimed prizes realized during the fiscal year. Unclaimed prize expense used to reduce prize expense was \$47.3 million, \$51.1 million, and \$55.3 million in 2026, 2025, and 2024, respectively. The GLC continues to prioritize maintaining a balance in its instant product offering to manage overall prize costs and maximize returns to education. Prize expense for draw games is recorded based on prize structure (e.g., jackpot games), historical experience (e.g., Cash 3, Keno), or actual liability (e.g., Quick Win). Prize expense for draw games totaled \$1.012 billion in 2026, an increase of \$68.8 million, or 7.3% compared to 2025. This was consistent with an 8.3% increase in draw game sales. The impact of jackpots on sales provides the greatest annual fluctuation in the total cost of draw games.

For 2025, prize expense was \$3.917 billion, or 65.8% of total revenue. This represented an increase of \$118.8 million, or 3.1% compared to 2024. For 2025, prize expense for instant games, net of unclaimed prizes, increased by \$173.1 million to \$2.974 billion compared to 2024. This was consistent with a 3.6% increase in instant game sales. Prize expense for draw games totaled \$943.5 million in 2025, a decrease of \$54.3 million compared to 2024. This was consistent with a 6.9% decrease in draw game sales.

Retailers receive a 6% commission on their net sales. Retailer commissions totaled \$293.5 million in 2026, remaining flat compared to 2025. This is consistent with retail sales remaining flat compared to 2025. Retailer commissions had experienced declines over the past four years, consistent with declines in the channel.

Retailer commissions totaled \$293.6 million in 2025, representing a decrease of \$10.9 million compared to 2024. This is consistent with a decline of 3.5% in retail sales compared to 2024.

Vendor fees totaled \$154.1 million in 2026, an increase of \$9.8 million, or 6.8% compared to 2025. The vendor cost increases in 2026 were comprised of \$7.8 million for implementation of the SciQ merchandising solution, \$2.5 million for merchant fees (IGT Pay) charged for iLottery transaction, and \$1.6 million for increased COAM net revenue. The increase in IGT Pay fees is consistent with an increase of 15.5% in interactive sales activity. This cost increase was partially offset by savings in retailer commissions related to the decrease in instant game sales at retail. Additionally, the GLC realized savings associated with the reduction in base fees charged by the major vendors as part of the contract extensions.

Vendor fees totaled \$144.2 million in 2025, an increase of \$8.9 million compared to 2024. The vendor cost increases in 2025 were comprised of increases of \$8.5 million for fees related to iLottery transactions and \$1.0 million related to increased COAM net revenue. The increases related to iLottery activity were partially offset by savings in retailer commissions related to the decrease in instant game sales at retail.

Marketing costs include traditional and digital advertising, social media, promotional expenses, retailer incentives, market research, point of sale, gaming equipment, shared game costs, and

sponsorships. Total marketing expense decreased by \$0.1 million to \$64.2 million compared to 2025. Amendment Six with Brightstar called for the GLC to make additional investments specifically related to iLottery activities. The GLC invested \$23.5 million in 2026. Due to the contract extension with Brightstar, the GLC has not made any investments in gaming equipment over the past two years.

Total marketing expense increased by \$7.2 million to \$64.3 million compared to 2024. Amendment Six with Brightstar called for the GLC to make additional investments specifically related to iLottery activities. The GLC invested \$24.5 million in 2025.

Operating Expense

Operating Expense			
(\$ in millions)			
	<u>FY2026</u>		<u>FY2025</u>
General & Administrative			
Personnel services	\$	44.2	\$ 41.8
Professional fees		3.1	3.5
Rent		3.0	2.7
Computer expense		3.5	2.5
Repairs and maintenance		1.8	1.7
All other G&A		1.8	1.6
Total G&A Expense	\$	57.3	\$ 53.8
Depreciation		4.0	4.6
Bad debt		1.0	0.7
Total Operating Expense	\$	62.3	\$ 59.1

Operating expense is primarily comprised of general and administrative expenses. G&A expense increased by \$3.5 million to \$57.3 million in 2026, an increase of 6.0% compared to 2025. This represents less than 1% of total revenue. Personnel services accounted for \$2.4 million of the increase. Computer licensing and maintenance costs increased by \$1.1 million compared to 2025. This reflects industry changes in how information is managed, software is acquired, and platforms are protected. All other expense items in aggregate were flat compared to 2025. As information management expenses become more variable based on user counts, data storage requirements, and information security needs, we anticipate continued cost growth associated with managing information technology.

Operating expense is primarily comprised of general and administrative expenses. G&A expense

increased by \$3.4 million to \$53.8 million in 2025, an increase of 6.4% compared to 2024. This represents approximately 1% of total revenue. The increase in personnel services accounted for \$2.9 million, or 94% of the increase.

Depreciation and bad debt accounted for \$5.0 million in 2026, a decrease of \$0.3 million compared to 2025. Depreciation decreased by \$0.6 million due to lower capital costs. Bad debt increased by \$0.2 million in 2026. The GLC continues to employ processes and analytics to proactively identify accounts that present potential collection risks to effectively mitigate these risks.

Depreciation and bad debt accounted for \$5.3 million in 2025, a decrease of \$1.6 million compared to 2024. Bad debt decreased by \$1.0 million and depreciation decreased by \$0.6 million in 2025 compared to 2024.

Noncapital Subsidies

Noncapital subsidies consist of payments due to Lottery for Education Account and a statutorily required payment of \$200,000 to the Department of Behavioral Health and Developmental Disabilities (DBHDD). Noncapital subsidies related to payments to the Lottery for Education account increased by \$69.5 million in 2026 compared to 2025.

For fiscal year 2025, noncapital subsidies related to payments to the Lottery for Education account decreased by \$19.4 million compared to 2024.

Nonoperating Revenues (Net of Expenses)

Nonoperating revenues, net of expenses, consist of interest revenue from investments, net lease revenues or expenses, and the change in the fair value of grand prize investments held by the GLC for funding of future grand prize payments. The increases or decreases in the fair value of grand prize investments are the result of current period market fluctuations.

For fiscal year 2026, nonoperating revenues decreased \$4.2 million from approximately \$9.8 million in 2025 to \$5.6 billion in 2026. The decrease in nonoperating revenues is primarily attributable to an unfavorable change of \$4.4 million in the fair value of grand prize investments held by the GLC for funding future grand prize payments. The fair value of investments is related to market conditions that existed during the fiscal year.

For fiscal year 2025, nonoperating revenues increased \$4.1 million from approximately \$5.7 million in 2024 to \$9.8 billion in 2025. The decrease in nonoperating revenues is primarily attributable to a favorable change of \$5.6 million in the fair value of grand prize investments held by the GLC for funding future grand prize payments offset by a decrease of \$1.4 million in interest earned during the fiscal year. The fair value of investments is related to market conditions that existed during the fiscal year.

Net Position and Changes in Net Position

Ending net position was a deficit balance of \$7.1 million in 2026, a decrease of \$0.4 million from a deficit balance of \$6.7 million in fiscal year 2025.

Net position increased \$4.0 million in 2025 from a deficit balance of \$10.7 million in fiscal year 2024, to an end of fiscal year deficit balance of \$6.7 million.

Capital Assets and Long-Term Obligations

At June 30, 2026, net capital assets totaled \$30.6 million compared with approximately \$33.2 million in the prior fiscal year. Capital additions during fiscal year 2026 primarily consisted of vehicle purchases and computer equipment, communications equipment, and software acquisitions. The Corporation also recognized the impact of lease modifications associated with office facilities.

Total long-term liabilities totaled approximately \$169.9 million during fiscal year 2026 compared to approximately \$179.7 million in 2025. The decrease was primarily attributable to reductions in grand prize obligations and lease liabilities. Grand prize obligations continue to be fully supported through investments acquired to satisfy future payment commitments.

At June 30, 2025, net capital assets totaled approximately \$33.2 million compared with approximately \$36.9 million in the prior fiscal year. Capital additions during fiscal year 2025 primarily consisted of vehicle purchases and computer equipment.

Total long-term liabilities totaled approximately \$179.7 million during fiscal year 2025 compared to approximately \$187.6 million in 2024. The decrease was primarily attributable to reductions in grand prize obligations and lease liabilities. Grand prize obligations continue to be fully supported through investments acquired to satisfy future payment commitments.

Currently Known Facts, Decisions, and Conditions

The GLC strives to stay relevant in the marketplace by providing lottery products and regulatory oversight of COAMs that align with our mission of maximizing revenues for the State of Georgia and its specific education programs funded through our proceeds.

In accordance with extension of our Brightstar contract, the GLC completed deployment of our enhanced interactive (iLottery) gaming platform in September 2026 and will begin the upgrade of our retail (Aurora) gaming platform in 2027. These upgrades will allow the GLC to continue expansion of our iLottery capabilities and create synergy between the two channels, fostering a singular customer experience.

The GLC will actively pursue opportunities to enhance our presence at retail sites and improve our operational efficiency. Several major initiatives are planned for fiscal year 2027 to support these objectives.

- The GLC plans to expand our use of digital marketing solutions, such as SciQ, digital menu boards, and digital playstations in fiscal year 2027.

- The GLC will complete renovation of our airport Concourse B space in Q2. This will further improve our presence within the secured section of the airport.
- The GLC will begin development of a player loyalty and rewards program. Launch is tentatively scheduled in the first quarter of FY28. This is a major strategic initiative that will allow us to develop promotions that micro target retail players and expand our ability to integrate our retail and interactive operations.
- The GLC will deploy an online retailer application system in Q4. This enhancement will significantly reduce the labor required to support the application process.
- The GLC will deploy the enhanced COAM licensing renewal system in time for the 2028 renewal period. The upgrade will automate the multi-year renewal process as permitted by the statute.

The GLC launched a new, daily multi-state game, *Millionaire For Life*, in February 2026. The game expanded on the current *Cash 4 Life* game by adding more participating lotteries, increasing the price point, and raising the top prizes. Additionally, the new iLottery platform will allow players to wager in the interactive space. The GLC anticipates acquiring the benefit of a full year of sales in 2027. *Cash 4 Life* ended at the same time.

Management is monitoring the effects of inflation and elevated interest rates on discretionary consumer spending. These economic conditions could affect revenues and operating results in fiscal year 2027.

Contacting the GLC's Financial Management

This financial report is designed to provide the state of Georgia, the public, and other interested parties with an overview of the financial results of the GLC's activities and to show the GLC's accountability for conducting business in a fiscally responsible manner. If you have questions about this report or require additional financial information, contact the GLC's Corporate Affairs Division at the Georgia Lottery.

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GEORGIA LOTTERY CORPORATION
(A Component Unit of the State of Georgia)

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2026 AND 2025

	2026	2025
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 331,755,000	\$ 286,778,000
Restricted fidelity fund cash	270,000	476,000
Restricted retailers' escrow fund cash	21,365,000	21,249,000
Retailer accounts receivable—net	186,209,000	226,883,000
Lease receivable - Current Portion	438,000	398,000
Prepaid expenses and other assets	13,674,000	15,564,000
Total current assets	553,711,000	551,348,000
NONCURRENT ASSETS:		
Grand prize investments	135,693,000	146,064,000
Lease Receivable	3,336,000	3,814,000
Capital assets - net	30,621,000	33,174,000
Total noncurrent assets	169,650,000	183,052,000
TOTAL ASSETS	723,361,000	734,400,000
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	29,000	41,000
Total Deferred Outflows of Resources	29,000	41,000
LIABILITIES		
CURRENT LIABILITIES:		
Due to Lottery for Education Account	360,896,000	360,491,000
Prizes payable	103,688,000	82,225,000
Grand Prizes Payable - Due in One Year	18,908,000	20,640,000
Lease Liability - Due in One Year	2,056,000	1,869,000
Accounts payable and accrued liabilities	35,040,000	55,427,000
Restricted fidelity fund	270,000	476,000
Restricted retailers' escrow fund	21,365,000	21,249,000
Total current liabilities	542,223,000	542,377,000
NONCURRENT LIABILITIES:		
Grand prizes payable	130,532,000	138,278,000
Noncurrent portion of compensated absences	4,656,000	4,871,000
Net pension liability	72,000	119,000
Long term lease liability	34,617,000	36,386,000
Total noncurrent liabilities	169,877,000	179,654,000
Total liabilities	712,100,000	722,031,000
Deferred Inflows of Resources		
Deferred Revenue	15,433,000	15,712,000
Deferred inflows of resources related to leases	2,940,000	3,411,000
Deferred inflows of resources related to pensions	25,000	16,000
Total Deferred Inflows of Resources	18,398,000	19,139,000
NET POSITION		
Invested in capital assets	(6,052,000)	(5,081,000)
Unrestricted	(1,056,000)	(1,648,000)
Total net position	\$ (7,108,000)	\$ (6,729,000)

See Notes to financial statements.

GEORGIA LOTTERY CORPORATION
(A Component Unit of the State of Georgia)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
OPERATING REVENUES:		
Ticket sales	\$ 6,193,510,000	\$ 6,022,559,000
Less tickets provided as prizes	(270,977,000)	(298,851,000)
Net ticket sales	5,922,533,000	5,723,708,000
Online fees	3,551,000	3,452,000
COAM fees	237,303,000	216,980,000
Other	172,000	111,000
Net operating revenues	6,163,559,000	5,944,251,000
OPERATING EXPENSES:		
Prizes	4,054,393,000	3,917,384,000
Retailer commissions	293,451,000	293,585,000
Contractor fees	154,068,000	144,221,000
Advertising	33,856,000	33,651,000
Salaries and benefits	44,210,000	41,751,000
Retailer merchandising and marketing	30,356,000	30,622,000
Rent, utilities, and maintenance	4,015,000	3,706,000
Depreciation	3,983,000	4,610,000
Professional fees	3,101,000	3,508,000
Gaming Equipment	7,000	-
Other	6,995,000	5,519,000
Total operating expenses	4,628,435,000	4,478,557,000
Operating income	1,535,124,000	1,465,694,000
NONCAPITAL SUBSIDIES		
Payments to and due to Lottery for Education Account	(1,540,868,000)	(1,471,352,000)
Payments to DBHDD	(200,000)	(200,000)
Total noncapital subsidies	(1,541,068,000)	(1,471,552,000)
Operating income (loss) and noncapital subsidies	(5,944,000)	(5,858,000)
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	7,299,000	7,186,000
Net lease revenue (expense)	(1,470,000)	(1,528,000)
Net increase (decrease) in fair value of grand prize investments	(264,000)	4,184,000
Total nonoperating revenues (expenses)	5,565,000	9,842,000
Change in net position	(379,000)	3,984,000
NET POSITION — Beginning of fiscal year	(6,729,000)	(10,713,000)
NET POSITION — End of fiscal year	\$ (7,108,000)	\$ (6,729,000)

GEORGIA LOTTERY CORPORATION
(A Component Unit of the State of Georgia)

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
OPERATING ACTIVITIES:		
Cash received from customers	\$ 5,962,705,000	\$ 5,716,169,000
Other operational cash received	3,723,000	4,309,000
COAM cash received	237,303,000	216,980,000
Cash paid to prize winners	(4,041,975,000)	(3,945,241,000)
Cash paid to retailers	(293,451,000)	(293,585,000)
Cash paid to contractors and employees	(232,183,000)	(238,986,000)
Other operating payments	(63,501,000)	(27,184,000)
Net cash provided by operating activities	<u>1,572,621,000</u>	<u>1,432,462,000</u>
NONCAPITAL FINANCING ACTIVITIES:		
Nonoperating subsidies provided - Payments to Lottery for Education Account	(1,540,463,000)	(1,467,972,000)
Nonoperating subsidies provided - Payments to DHBDD	<u>(200,000)</u>	<u>(200,000)</u>
Net cash used in noncapital financing activities	<u>(1,540,663,000)</u>	<u>(1,468,172,000)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of property and equipment	(1,142,000)	(895,000)
Net cash used for lease activities	(3,372,000)	(1,528,000)
Proceeds from disposals of property and equipment	<u>37,000</u>	<u>103,000</u>
Net cash used in capital and related financing activities	<u>(4,477,000)</u>	<u>(2,320,000)</u>
INVESTING ACTIVITIES:		
Interest received	7,299,000	7,186,000
Purchase of grand prize investments	(5,713,000)	(10,969,000)
Maturities of grand prize investments	<u>15,820,000</u>	<u>22,056,000</u>
Net cash provided by investing activities	<u>17,406,000</u>	<u>18,273,000</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	44,887,000	(19,757,000)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of fiscal year	<u>308,503,000</u>	<u>328,260,000</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of fiscal year	<u>\$ 353,390,000</u>	<u>\$ 308,503,000</u>

See Notes to financial statements.

GEORGIA LOTTERY CORPORATION
(A Component Unit of the State of Georgia)

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED
BY OPERATING ACTIVITIES:**

	2026	2025
Operating income	\$ 1,535,124,000	\$ 1,465,694,000
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3,983,000	4,610,000
Provision for doubtful retailer accounts	249,000	1,022,000
Changes in assets and liabilities:		
Retailer accounts receivable	40,425,000	(7,151,000)
Prepaid expenses and other assets	1,890,000	(10,699,000)
Accounts payable and accrued liabilities	(20,387,000)	9,827,000
Prizes payable	19,931,000	(23,946,000)
Grand prizes payable - Noncurrent	(7,513,000)	(6,185,000)
Restricted fidelity fund	(206,000)	146,000
Restricted retailer escrow	116,000	134,000
Deferred revenue	(750,000)	358,000
Net asset related to lease incentive	-	(21,000)
Net pension liability and related deferred inflows and outflows	(26,000)	(31,000)
LT Portion of Compensated Absences	(215,000)	26,000
Net cash provided by operating activities	<u>\$ 1,572,621,000</u>	<u>\$ 1,432,462,000</u>

**SCHEDULE OF NONCASH INVESTING, CAPITAL, AND RELATED
FINANCING ACTIVITIES**

Increase/(Decrease) in fair value of investments	\$ (264,000)	\$ 4,184,000
Lease modification	\$ (288,000)	\$ -
Accretion of grand prizes payable	<u>4,783,000</u>	<u>4,148,000</u>
Total noncash investing, capital, and related financing activities	<u>\$ 4,231,000</u>	<u>\$ 8,332,000</u>

See Notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

The Georgia Lottery Corporation (the “GLC”) was established as an instrumentality of the state with the enactment of the Georgia Lottery for Education Act (the “Act”) on November 2, 1992. The GLC is responsible for the provision of lotteries on behalf of the State of Georgia in accordance with the Act and is a component unit of the State of Georgia.

Additionally, House Bill 487 was signed into law in April 2013 which transferred oversight responsibility for licensing and regulating coin operated amusement machines (COAMs) across the state of Georgia from the Georgia Department of Revenue to the GLC. The COAM industry is comprised of masters (machine owners) and locations (machine operators). A COAM is any machine that requires some sort of payment (cash, tickets, tokens, etc.) and whose operation depends in whole or in part on the skill of the player. COAM’s are classified as Class A or Class B machines. The distinguishing characteristic between the two classes is that Class B machines afford the player an award, e.g., a free play or redemption coupon. Cash awards are prohibited.

The GLC’s ticket sales include scratcher ticket sales, Diggi games and draw ticket sales for *Cash 3*, *Cash 4*, *Georgia FIVE*, *Fantasy 5*, *Cash Match*, *Keno!*, *Mega Millions*, *Powerball*, *Jumbo Bucks Lotto* with *Cash Match*, *Cash 4 Life*, *Millionaire For Life* (launched February 22, 2026), *Print N Play*, *Cash Pop*, and *Quick Win*. *Cash 4 Life* was ended on February 21, 2026.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The GLC is accounted for as an enterprise fund. Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises:

(1) where the costs of providing goods and services to the general public on a continuing basis are to be financed through user charges or (2) where the periodic determination of net income is considered appropriate.

Basis of Accounting—The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”). Under this method, revenues are recognized when earned and expenses are recognized and recorded when a liability is incurred, regardless of the timing of cash flows. The Governmental Accounting Standards Board (“GASB”) establishes generally accepted accounting principles for governmental entities and pronouncements of the GASB are followed by the GLC.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition—Lottery games are sold to the public by contracted retailers. Revenue is recognized for draw games when tickets are sold to players and the related draw has occurred. Revenue is recognized for scratcher games when the product is made available for sale to the public, which is based on ticket activations by the retailers. Certain games include free tickets in the prize structure, which entitles the holder to receive one ticket of equal value. The selling price of tickets provided as prizes reduces gross ticket revenue when the prize is claimed by a player. Centralized accounting system revenue is recognized for COAM based the GLC percentage of the net daily revenues collected from individual Class B machines throughout the state. GLC also receives revenue from COAM owners and operators for renewing existing licenses and obtaining additional licenses. During fiscal year 2014 and prior, these licenses were considered an exchange transaction as the funds were used to pay for the GLC's establishment of the monitoring system related to COAM. Once the system was established in fiscal year 2015, the license revenue is considered a non-exchange transaction. As a non-exchange transaction, this revenue is treated as a deferred inflow of resources until the applicable licensing period is reached. Licenses are currently granted for up to three years.

Revenue and Expenses— The Georgia Lottery Corporation distinguishes revenues and expenses between operating and nonoperating activities in accordance with applicable Governmental Accounting Standards Board guidance for proprietary funds.

Operating revenues are generated from the principal ongoing activities of the Georgia Lottery Corporation and include lottery ticket sales, Coin Operated Amusement Machine (COAM) revenues, online fees, and other revenues associated with providing lottery products and regulatory services.

Operating expenses include expenses associated with the production, administration, sale, and regulation of lottery and COAM activities. Such expenses include prize expense, retailer commissions, contractor fees, advertising and marketing costs, personnel services, depreciation and amortization, professional services, and other costs incurred in conducting the Corporation's primary activities.

Nonoperating revenues, expenses, and subsidies consist of revenues and expenses that are not directly related to the Corporation's principal ongoing operations. These items include investment income, lease revenues, changes in the fair value of grand prize investments, lease-related expenses, and payments to and amounts due to the Lottery for Education Account.

The Corporation first determines operating income (loss) from its primary activities. Nonoperating revenues and expenses are reported separately from operating activities in the Statements of Revenues, Expenses, and Changes in Net Position.

Commissions and Bonuses— During fiscal years 2026 and 2025, retailers received a sales commission of 6% on all games. On March 15, 2011, Georgia House Bill 326 was enacted into law, which effectively eliminated all cashing bonuses and retailer incentive payments and provided for sales commissions at a rate of 6% for all games. Retailer incentive payments for winning jackpot tickets were reinstated with GLC Board of Director's approval in April 2019.

Contractor Fees—The GLC has contracted with two vendors for most of the gaming systems and supplies. Additionally, the GLC has contracted with one vendor for operation and maintenance of the centralized COAM accounting system.

In fiscal year 2026, the Brightstar Lottery (“Brightstar”) base rate decreased from 0.8477% to 0.7629% of net sales effective September 12, 2025. The base rate for e-Instant sales decreased from 3.52% to 2.268% effective the same date. In fiscal year 2025, the Brightstar base rate was 0.8477% of net sales and the base rate for e-Instants was 3.52%. In September 2022, the contract with Brightstar was amended through September 11, 2032. The amendment contains several major provisions, including (1) A reduction in the base rate of net retail sales; (2) A reduction in the base rate of e-Instant sales; (3) Provision for new gaming equipment, including playstations, retail terminals, self-service merchandising units, integrated debit card readers, and customer facing scanners; and (4) upgrades to the retail and interactive gaming platforms. The upgraded interactive gaming platform is scheduled to launch in September 2026. Delivery of the new equipment began in fiscal year 2024.

In fiscal year 2026, the Scientific Games, Inc. (“SGI”) rate decreased from 0.793% to 0.699% of scratcher game tickets distributed to retailers, net of returns effective September 11, 2025. In fiscal year 2025, the SGI rate was 0.793% of scratcher game tickets distributed to retailers, net of returns. In January 2023, the contract was amended through September 2032. The amendment contains three major provisions: (1) A reduction in the base rate on adjusted activated scratcher ticket sales; (2) A vendor bonus incentive of 1.149% on annual adjusted activated scratcher ticket sales exceeding \$4.5 billion; and (3) Elimination of the vendor requirement to provide dispenser facings at no cost. On November 20, 2024, the GLC executed contract amendment seven with SGI to establish and provide a player loyalty and reward program. This amendment does not change the current contract end date. The GLC also executed amendment eight with SGI to implement SciQ, a retail merchandising solution. This contract calls for installation and support of up to 45,000 ticket facings and digital menu boards in approximately 1,500 retail locations. The contract is for four years with an option for three additional years.

In October 2020, the GLC amended its contract with Intralot, Inc. for the development and maintenance of a centralized COAM accounting system. The primary terms of the amendment are as follows: (1) The contract is extended for seven years; (2) Intralot’s base fee is reduced from 1.2489% to 1.0989% of net daily revenues generated by COAM machines effective January 1, 2023; and (3) Intralot agrees to provide technology infrastructure refreshments of approximately \$8.6 million. The new rate will remain fixed throughout the life of the extended agreement. The amended contract ends December 31, 2029.

Prizes—In accordance with the Act, as nearly as practical, at least 45% of ticket sales must be returned to the public in the form of prizes. Prize expense for scratcher games is recognized based on the predetermined prize structure for each game. Generally, prize expense for *Cash 3*, *Cash 4*, *Georgia FIVE*, *Cash Match*, *Keno!*, *Cash Pop*, and *Quick Win* draw games is recognized based on the estimated payout experience over the life of the games, theoretical game payout or the industry averages. Prize expense for *Fantasy 5* and *Jumbo Bucks Lotto* is recorded on a pari-mutuel basis according to the game structure based on a percentage of revenue recognized. *Jumbo Bucks Lotto* ended on November 14, 2024.

Cash 4 Life, *Millionaire For Life*, and *Mega Millions* are multi-state lottery games operated by member lotteries. Prize costs are shared based on contributions to the prize pools by the member lotteries. In April 2025, the *Mega Millions* game rules were amended to limit sharing of prize costs to grand prizes (jackpot and tier 2) only. Each member lottery is now responsible for funding its own fixed prize costs for each game. *Cash 4 Life* ended February 21, 2026 with the launch of *Millionaire For Life*.

The *Powerball* grand prize is a shared prize from contributions to the prize pool by all member lotteries of the Multi-State Lottery Association (“MUSL”) and certain Mega Millions states including Georgia which sell *Powerball* tickets without being a member of MUSL. All *Powerball* grand prizes won by players who purchased tickets in Georgia are funded by investments purchased by MUSL. The investments are held by MUSL in trust for the GLC and are paid in 20 annual installments. No investments were held in trust by MUSL in the statement of net position at June 30, 2026. The GLC withdrew from MUSL on August 31, 1996. During fiscal year 2010, the GLC, along with the other participating Mega Millions states, entered into an agreement with MUSL authorizing the cross-sell of tickets for the *Powerball* game. Ticket sales under the cross-sell agreement began on January 31, 2010, and the first *Powerball* drawing including participating Mega Millions states was held on February 1, 2010.

Unclaimed Prizes—Prizes must be claimed no later than 90 days after game-end for scratcher games and 180 days after the drawing for draw games. In response to shelter in place restrictions, a temporary extension for draw game claims changed the expiration period from 180 days to 300 days in April 2020. The temporary extension was lifted in March 2021. An estimate of the unclaimed prizes is based upon the historical experience rate as a percentage of prize expense. In accordance with the Act, \$200,000 of unclaimed prizes must be transferred to the Department of Behavioral Health and Developmental Disabilities for the treatment of compulsive gambling and related educational programs. Transfers for this purpose for each fiscal year have been \$200,000. The remainder of unclaimed prizes is used to fund future prizes or special prize promotions, as defined by the statute. The GLC also transferred \$200,000 on behalf of the COAM business unit as part of their operating expenses.

Net Position—Net position represents cumulative revenues less expenses in excess of net proceeds transferred to the Lottery for Education Account, as defined under the Act (see Note 7). Net position includes funds invested in capital assets and unrestricted net position. Unrestricted net position normally results from the inclusion of capital costs in the determination of net proceeds as required by the Act and the cumulative effect of periodic adjustments to recognize the fair value of grand prize investments held to fund grand prizes payable. Grand prize investments are purchased to finance future payments to *Jumbo Bucks Lotto*, *Mega Millions*, *Powerball*, and certain scratcher game grand prize winners. Any increases or decreases in the fair value of these investments are determined to be unrealized and will not affect (i) the future ability to hold these investments or (ii) the amount of funds available for distribution to the Lottery for Education Account. Unrealized gains/(losses) on grand prize investments at June 30, 2026 and 2025 were (\$6,870,000) and (\$6,606,000), respectively, resulting in a net decrease of \$264,000 in the fair value of grand prize investments.

Cash and Cash Equivalents—The GLC considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. This includes cash in banks, petty cash, and balances on account in Georgia Fund 1.

Accounts Receivable—Accounts receivable represent lottery proceeds due from retailers for net ticket sales less commissions and prizes paid by the retailers and from COAM operators (Locations) for net revenues collected from COAM machines. Lottery proceeds are collected weekly from retailer and COAM operator bank accounts held in trust for the GLC. An allowance for doubtful accounts is established based on management’s estimate of retailer and COAM operator receivables that will not be collected. On June 30, 2026 and 2025, the allowance

for uncollectible retailer receivables was \$2,442,000 and \$2,193,000, respectively.

Capital Assets—Capital assets are stated at cost less accumulated depreciation. Depreciation on capital assets is computed using the straight-line method over the estimated useful lives of three to ten years. Leasehold improvements are amortized over their expected useful lives or the lease term, whichever is shorter. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the results from operations in the period of disposal. In 2021, the GLC implemented GASB 87 which requires that leases beyond one year be accounted for as intangible capital assets at net present value and amortized over the life of the lease. In 2023, the GLC implemented GASB 96 which requires that subscription agreements lasting greater than one year be accounted for as intangible assets at net present value and amortized over the life of the agreement.

Fidelity Fund—In accordance with the Act, retailers and COAM locations contribute a fee to a fidelity fund upon acceptance as a GLC retailer or COAM operator. The GLC is reimbursed from available funds for any losses incurred as a result of the misfeasance or malfeasance of GLC retailers or COAM locations. At the end of each year, any amount in the fund in excess of \$500,000 is treated as net proceeds from the GLC subject to transfer to the Lottery for Education Account. There were no fidelity funds available for transfer as net proceeds for the years ended June 30, 2026 and 2025. The fidelity fund proceeds are held in a separate account and are presented in the statements of net position as restricted fidelity fund cash and in liabilities as restricted fidelity funds.

Escrow Fund—Retailers and COAM locations pledge cash deposits to an escrow funds management service offered by a commercial bank selected by the GLC. This is one of the acceptable forms of Financial Security Deposits from Retailers pursuant to Section 19 of the Georgia Lottery for Education Act, Chapter 2 of the GLC Policies entitled ‘Retailer Rules and Regulations,’ Chapter 8.2 of the GLC Policies entitled ‘Retailer Credit and Financial Security Policy,’ and appropriate Executive Orders. The GLC is reimbursed from available funds for any losses incurred as a result of the misfeasance or malfeasance of GLC retailers or COAM operators. The retailers’ escrow funds are not subject to transfer to the Lottery for Education Account. The retailer escrow fund proceeds are held in a separate account and are presented in the statements of net position as restricted retailer escrow fund cash and in liabilities as restricted retailer escrow funds.

Coin Operated Amusement Machines (COAM)

The GLC deployed an internally developed licensing application system in May 2014. The GLC granted 343 Class A and 199 Class B master licenses in fiscal year 2026. COAM Operations issued 21,495 Class A decals for 17,083 active machines and 53,292 Class B decals for 53,165 active machines. The GLC’s share of net revenue increased from 10% to 13% on May 12, 2024, consistent with House Bill 353.

COAM collected an additional \$14.0 million in renewal fees received in advance of the fiscal year 2027 licensing period. HB 353 also allowed applicants to pay their licensing fees for up to two additional years (license periods 2028 and 2029). The GLC collected \$0.3 million in multi-year license fees in 2026.

Compensated Absences—Employees earn the right to be compensated during absences for vacation and illness. Unused leave benefits are paid to employees upon separation from service. The cost of vacation and vested sick leave benefits is accrued in the period in which

it was earned. In March 2005, the GLC adopted a new policy concerning payments of accrued sick leave upon termination. Sick leave accrued by employees prior to March 1, 2005, and not used prior to termination is paid at a 50% rate upon termination. No payments will be made for sick leave accrued after March 1, 2005, and not used by the employee before termination. The Lottery uses a last in first out (LIFO) flow assumption for compensated absences.

Pensions—For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees’ Retirement System (ERS) and additions to/deductions from ERS’ fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Budget—Georgia Statute requires the GLC to submit to the Office of Planning and Budget (“OPB”) and the State Auditor, annually by June 30, a proposed operating budget for the next fiscal year. Additionally, the GLC is required to submit to the OPB annually, on September 1, a proposed operating budget for the GLC and an estimate of net proceeds for the succeeding fiscal year. The GLC complied with these requirements in 2026 and 2025.

Deferred inflows/ outflows of resources — In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. Deferred outflows or resources represent a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (expense) until then. Georgia lottery has one item that qualifies for reporting in this category that pertain to the recording of changes in the Georgia Lottery’s net pension liability. The differences between Employer contributions and proportionate share of contributions are amortized into pension expense over the expected remaining service lives of plan members. The differences between expected and actual experience are amortized into pension expense over the expected remaining service lives of plan members. The contributions subsequent to measurement date are presented as a deferred outflow of resources and will be recognized as a reduction of the Georgia Lottery’s net pension liability in the next fiscal year.

In addition to liabilities, the statement of net position includes a separate section for the deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Georgia Lottery has three items that qualify for reporting in this category. Unearned revenue is reported for COAM licenses related to the next fiscal year. In the government-wide financial statements the Georgia Lottery reports deferred amounts related to leases that will be recognized as noted in the amortization schedule. The Georgia Lottery also has deferred inflows of resources that pertain to the recording of changes in the Georgia Lottery’s net pension liability. The deferred amounts related to pension differences between estimated and actual investment earnings are amortized against pension expense over a five-year period.

3. CASH, CASH EQUIVALENTS, AND GRAND PRIZE INVESTMENTS

Cash—Cash is primarily held in demand deposits at Truist Bank. The GLC’s daily operating cash and other cash accounts for accounts payable, prizes payable, retailer return items, district

offices, promotions, payroll, escrow, merchant processor transactions and petty cash are held in accounts with Truist. On June 30, 2026, the Master Operating Account had a book balance of \$57,983,000 and a bank balance of \$58,010,000. This includes COAM cash consisting of a book balance of \$44,420,000 and a bank balance of \$44,405,000. On June 30, 2026, all other accounts had a net book balance of (\$5,913,000). The book balance was due to outstanding checks for the accounts payable and prize check accounts of (\$6,836,000) offset by a balance of \$923,000 for all other accounts. The net carrying value and bank balance of all GLC cash accounts as of June 30, 2026, was \$52,071,000 and \$58,911,000 respectively. These deposits were entirely insured by FDIC insurance or collateralized by investment securities held by the GLC's agent in the GLC's name.

On June 30, 2025, the Master Operating Account had a book balance of \$86,624,000 and a bank balance of \$88,174,000. This includes COAM cash consisting of a book balance of \$71,405,000 and a bank balance of \$72,875,000. On June 30, 2025, all other accounts had a net book balance of (\$3,853,000). The book balance was due to outstanding checks for the accounts payable and prize check accounts of (\$5,770,000) offset by a balance of \$1,917,000 for all other accounts. The net carrying value and bank balance of all GLC cash accounts as of June 30, 2025, was \$82,771,000 and \$90,069,000 respectively. These deposits were entirely insured by FDIC insurance or collateralized by investment securities held by the GLC's agent in the GLC's name.

Cash Equivalents—Cash equivalents represent surplus cash invested in Georgia Fund 1 administered by the State of Georgia's Office of the State Treasurer. The voluntary fund is a short-term investment vehicle that is available for use by state entities and local governments. Georgia Fund 1 invests its assets in U.S. Treasury bills, U.S. Treasury notes, securities issued by federal agencies and instrumentalities, banker's acceptances, and repurchase agreements.

The Georgia Fund 1 is an external investment pool managed by the Office of the State Treasurer in accordance with policies and procedures established by state law and the State Depository Board, the oversight Board for the Office of the State Treasurer. This investment is valued at fair value. The Georgia Fund 1 is an AAf/S1 rated investment pool by Fitch, and the portfolio's weighted average maturity is fifty-three (53) days at June 30, 2026. Under SGAS No. 40, since these funds represent an externally managed pool it is not exposed to custodial credit risk, and therefore, no custodial credit risk disclosures are required. The GLC's investment in Georgia Fund 1 was approximately \$279,684,000 and \$204,007,000 at June 30, 2026 and 2025, respectively. Interest earned on the GLC's investments was approximately \$7,299,000 and \$7,186,000 for the fiscal years ended June 30, 2026 and 2025, respectively.

Other Deposits— Cash maintained in the Retailer Escrow Fund bank account had bank and book balances of \$22,804,000 and \$21,365,000 respectively, as of June 30, 2026. Cash maintained in the Fidelity Fund bank account has bank and book balances of \$318,000 and \$270,000, respectively, as of June 30, 2026. All accounts continue to be entirely insured by FDIC insurance or collateralized by investment securities held by the GLC's agent in the GLC's name.

Cash maintained in the Retailer Escrow Fund bank account had bank and book balances of \$23,021,000 and \$21,249,000 respectively, as of June 30, 2025. Cash maintained in the Fidelity Fund bank account has bank and book balances of \$463,000 and \$476,000,

respectively, as of June 30, 2025. All accounts continue to be entirely insured by FDIC insurance or collateralized by investment securities held by the GLC's agent in the GLC's name.

Grand Prize Investments—All grand prize investments represent funds held to pay grand prize winners who are entitled to multiyear payments. Grand prize investments at June 30, 2026 and 2025 , consist of the following:

	Fair Value	
	2026	2025
U. S. Securities	\$ 135,693,000	\$ 146,064,000
	<u>\$ 135,693,000</u>	<u>\$ 146,064,000</u>

Grand prize investments are not presented as current assets, as they are not part of the GLC's current operations. Changes in grand prize investments for the years ended June 30, 2026 and 2025 consisted of the following:

Fair value - June 30, 2024	<u>\$ 152,967,000</u>
Purchases	\$ 10,969,000
Payments to grand prize winners	(26,204,000)
Interest earned on current-year maturities	4,148,000
Change in fair value	<u>4,184,000</u>
Fair value - June 30, 2025	<u>\$ 146,064,000</u>
Purchases	\$ 5,713,000
Payments to grand prize winners	(20,603,000)
Interest earned on current-year maturities	4,783,000
Change in fair value	<u>(264,000)</u>
Fair value - June 30, 2026	<u>\$ 135,693,000</u>

Grand prize investments are recorded at their fair values. Increases or decreases in the fair value of these investments are recorded as non-operating revenue (expense). The GLC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The GLC has the following recurring fair value measurements as of June 30, 2026 and 2025 :

Investment	2026		2025	
	Level 2	Fair Value	Level 2	Fair Value
United States Treasuries	\$ 135,693,000	\$ 135,693,000	\$ 146,064,000	\$ 146,064,000
Total investments at fair value	<u>\$ 135,693,000</u>	<u>\$ 135,693,000</u>	<u>\$ 146,064,000</u>	<u>\$ 146,064,000</u>
Investments not subjected to level disclosure:				
Georgia Fund 1		<u>279,684,000</u>		<u>204,007,000</u>
Total Investments		<u>\$ 415,377,000</u>		<u>\$ 350,071,000</u>

The investment in United States Treasuries classified as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the GLC does not disclose investment in the Georgia Fund 1 within the fair value hierarchy.

Custodial credit risk for Deposits—Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2026, all deposits are considered to be insured.

Investments—The GLC's investments consist of U.S. Treasury Strips (principal and interest) that are held to maturity to fund grand prize winners for several draw games, including *Lotto Georgia, The Big Game, Mega Millions, Lotto South, Win For Life, and Jumbo Bucks Lotto*, and various Scratcher Games with annuity prizes such as *Georgia's \$500 Million Club, Georgia Lottery Black, Super Millions, 200X The Money, Ultimate \$5 Million, \$3,000 Festive Frenzy, \$1,000 A Month For Life, Maximum Green and Cash 4 Life*. As of June 30, 2026 and 2025, the GLC's investment balances consisted of:

<u>Investment Type</u>	<u>2026 Fair Value</u>	<u>2026 Maturity</u>
U. S. Treasury Strips	<u>\$ 135,693,000</u>	Weighted average maturity of 5.5 years
Total	<u>\$ 135,693,000</u>	

<u>Investment Type</u>	<u>2025 Fair Value</u>	<u>2025 Maturity</u>
U. S. Treasury Strips	<u>\$ 146,064,000</u>	Weighted average maturity of 5.6 years
Total	<u>\$ 146,064,000</u>	

U.S Treasury Strips held by the GLC are AAA-rated and current holdings mature quarterly beginning August 2026 through November 2048.

Interest Rate Risk—The GLC’s deposits in the master operating account with Truist are subject to fluctuations in short-term interest rates. The GLC purchases investments to fund future prize payments at fixed amounts for grand prize winner obligations, as detailed in Note 5, Grand Prizes Payable. Periodic market fluctuations affect the fair value of grand prize investments. The GLC expects to hold grand prize investments to maturity to meet future grand prize payments and, therefore, will not realize any gains or losses related to the changes in the market. The only exposure that the GLC has in regard to interest rate sensitivity is for the GLC’s master operating account, since there is no investment related impact on the GLC resulting from the effect of interest rate changes on grand prize investments.

Credit Risk—State laws limit the investment sources available to the GLC to United States Treasury securities, federal agency securities, state of Georgia securities, repurchase or reverse repurchase agreements, bank certificates of deposits, Georgia Fund 1, life insurance annuity contracts, and investments that would be permissible for the legal reserves of domestic life insurance companies under the laws of the state of Georgia.

Custodial Credit Risk—For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the GLC will not be able to recover the value of its investments in the possession of an outside party. The GLC entered into a Collateral pool agreement with SunTrust (now Truist) on January 26, 2016. Effective July 1, 2017, banks with \$50 billion or more will be required to participate in the Secure Deposit Program per Senate Bill 283. Truist falls into this category.

The program will be administered by the State Treasurer for the State Depository Board. Collateralization of public deposits will no longer be permitted. Custodial risk will be mitigated by FDIC insurance, liquidation of collateral pledged to the State Treasurer by the Covered Depository and assessments made by the State Treasurer on remaining Covered Depositories to the extent necessary to cover any shortfall.

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4. CAPITAL ASSETS

Capital assets as of June 30, 2026 and 2025 consisted of the following:

	Balance at June 30, 2025	Increases	Decreases	Balance at June 30, 2026
Capital assets:				
Furniture and fixtures	\$ 2,900,000	\$ -	\$ -	\$ 2,900,000
Computer equipment	17,910,000	459,000	-	18,369,000
Communications equipment	4,489,000	51,000	-	4,540,000
Vehicles	5,508,000	500,000	(270,000)	5,738,000
Leasehold improvements	8,202,000	-	-	8,202,000
Software	5,382,000	132,000	-	5,514,000
Other assets	1,747,000	-	-	1,747,000
Gaming Equipment	10,241,000	-	-	10,241,000
Right-to-use lease of office space	42,388,000	288,000	-	42,676,000
Total capital assets at historical cost	98,767,000	1,430,000	(270,000)	99,927,000
Less accumulated depreciation	(65,593,000)	(3,983,000)	270,000	(69,306,000)
Capital assets—net	<u>\$ 33,174,000</u>	<u>\$ (2,553,000)</u>	<u>\$ -</u>	<u>\$ 30,621,000</u>

	Balance at June 30, 2024	Increases	Decreases	Balance at June 30, 2025
Capital assets:				
Furniture and fixtures	\$ 2,900,000	\$ -	\$ -	\$ 2,900,000
Computer equipment	17,672,000	238,000	-	17,910,000
Communications equipment	4,489,000	-	-	4,489,000
Vehicles	5,225,000	644,000	(361,000)	5,508,000
Leasehold improvements	8,195,000	13,000	(6,000)	8,202,000
Software	5,382,000	-	-	5,382,000
Other assets	1,747,000	-	-	1,747,000
Gaming Equipment	10,241,000	-	-	10,241,000
Right-to-use lease of office space	42,388,000	-	-	42,388,000
Total capital assets at historical cost	98,239,000	895,000	(367,000)	98,767,000
Less accumulated depreciation	(61,343,000)	(4,610,000)	360,000	(65,593,000)
Capital assets—net	<u>\$ 36,896,000</u>	<u>\$ (3,715,000)</u>	<u>\$ (7,000)</u>	<u>\$ 33,174,000</u>

5. GRAND PRIZES PAYABLE

Grand prizes payable is recorded at the net present value of the U.S. Treasury securities purchased for each jackpot winner. Grand prizes payable was accreted by approximately \$4,783,000 and \$4,148,000 for the years ended June 30, 2026 and 2025, respectively. Grand prizes payable due within one year is presented as a current liability.

Future payments of grand prizes payable at June 30, 2026, are scheduled as follows:

2027	\$ 18,908,000
2028	16,896,000
2029	15,046,000
2030	14,496,000
2031	14,281,000
2032-2036	57,113,000
2037-2041	37,275,000
2042-2046	10,293,000
2047-2051	439,000
	\$ 184,747,000
Less Imputed Interest	
	(35,307,000)
Net Present Value of Grand Prizes Payable	
	\$ 149,440,000

The Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (the “Omnibus Act”) was enacted into federal law on October 21, 1998. Included in this Omnibus Act is a Special Rule for Cash Options for Receipt of Qualified Prizes (“Special Rule”). Pursuant to the Special Rule, the GLC may extend to recipients of “qualified prizes” the opportunity, within a certain period after the drawing, to select a lump-sum payment equivalent to the cash value of an annuitized prize. Qualified prizes, as defined in the Omnibus Act, include multiple-year payments of a minimum of ten years.

Claimants of qualified prizes, as defined in the GLC Rules and Regulations, on or after the date of enactment of the Omnibus Act, can make an irrevocable election to receive a lump-sum cash payment equivalent of the annuitized prize within 60 days of the claim date. Grand prizes payable at June 30, 2026, consist of no qualified prizes under this provision of the Special Rule.

6. LONG TERM LEASES

The Georgia Lottery is a lessee for a series of noncancellable leases of office space for its headquarters and district offices. In fiscal year 2021, the Georgia Lottery adopted GASB 87 to account for all such leases. As such, the Georgia Lottery recognized a lease liability and a right-to-use intangible asset. The liability was initially measured at the present value of the

payments expected to be made over the terms of the various leases. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The Georgia Lottery utilized the State of Georgia's incremental borrowing rate to establish the initial discount rate. Lease-related interest expense under all leases totaled approximately \$2,173,000 for the year ended June 30, 2026. Lease-related interest expense under all leases totaled approximately \$2,274,000 for the year ended June 30, 2025. The lease asset was initially measured at the value of the lease liability. Subsequently the asset is amortized on a straight-line basis over the life of the lease. Lease-related amortization expense of \$2,580,000 was recorded in fiscal year 2026.

The aggregate amortization schedule for the non-cancellable lease liability is as follows:

Lease Payable			
Fiscal Year Ending June 30,	Principal	Interest	Total
2027	\$ 2,056,000	\$ 2,079,000	\$ 4,135,000
2028	2,090,000	1,959,000	4,049,000
2029	2,324,000	1,832,000	4,156,000
2030	2,564,000	1,690,000	4,254,000
2031	2,651,000	1,538,000	4,189,000
2032 - 2036	16,411,000	5,042,000	21,453,000
2037 - 2038	8,577,000	532,000	9,109,000
Total	<u>\$ 36,673,000</u>	<u>\$ 14,672,000</u>	<u>\$ 51,345,000</u>

The Georgia Lottery is lessor for a noncancellable lease of office space. The Georgia Lottery recognizes a lease receivable and a deferred inflow of resources in the Statement of Net Position. Upon implementation of GASB 87, the Georgia Lottery initially measured the receivable at the present value of the payments expected to be received over the life of the lease. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term on a straight-line basis. The GLC recognized \$233,000 in lease-related interest revenue and \$470,000 in lease revenue associated with the vendor lease in fiscal year 2026.

The aggregate amortization schedule for the non-cancellable lease receivable is as follows:

Lease Receivable			
Fiscal Year Ending June 30,	Principal	Interest	Total
2027	438,000	190,000	628,000
2028	523,000	180,000	703,000
2029	572,000	148,000	720,000
2030	624,000	114,000	738,000
2031	681,000	76,000	757,000
2032 - 2033	936,000	37,000	973,000
Total	<u>\$ 3,774,000</u>	<u>\$ 745,000</u>	<u>\$ 4,519,000</u>

An agreement was reached to amend the lease terms for the GLC headquarters office space effective September 30, 2019. The major terms of the amendment are as follows: (1) The lease term was extended by fifteen (15) years to 2038; (2) The amendment provides for an additional 24,974 square feet of contiguous space, (3) The amendment allows for a tenant improvement allowance of \$5.1 million of which the full amount is currently available; and (4) The amendment includes a lease abatement of \$2,932,000. The remaining available allowance was recognized in fiscal year 2023. The net asset associated with the allowance for tenant improvements decreased by \$67,000 from \$67,000 to \$0 in fiscal year 2026. The GLC executed an extension of its sublease with IGT during 2024. The amendment extends the lease to September 2032 consistent with the base contract. The lease rates are identical to the rates in GLC's master lease agreement.

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7. DUE TO LOTTERY FOR EDUCATION ACCOUNT

In accordance with the Act, all net proceeds of the GLC are due to the Lottery for Education Account within the state of Georgia Treasury. Net proceeds is defined under the Act as “all revenue derived from the sale of lottery tickets or shares and all other monies derived from the GLC less operating expenses.” Any unrealized gain or loss resulting from changes in fair value of grand prize investments does not represent funds received from GLC operations and is excluded from determination of “net proceeds.”

“Operating expenses” are defined under the Act as “all costs of doing business, including, but not limited to, prizes, commissions, and other compensation paid to retailers, advertising and marketing costs, personnel costs, capital costs, depreciation of property and equipment, funds for compulsive gambling education and treatment, amounts held in or paid from a fidelity fund, and other operating costs.”

Net proceeds and operating expenses for the fiscal years ended June 30, 2026 and 2025, are summarized as follows:

	2026	2025
Operating revenues:		
Ticket sales	\$ 6,193,510,000	\$ 6,022,559,000
Less tickets provided as prizes	(270,977,000)	(298,851,000)
Net ticket sales	5,922,533,000	5,723,708,000
Online fees and other revenues	4,426,000	4,309,000
COAM fees	237,303,000	216,980,000
Interest revenue and other	7,299,000	7,186,000
GLC proceeds	6,171,561,000	5,952,183,000
Operating expenses—as defined:		
Gaming	4,566,330,000	4,419,463,000
Operating	64,363,000	61,368,000
Other	1,342,000	1,095,000
Total operating expenses—as defined	4,632,035,000	4,481,926,000
Net proceeds before distribution of unrestricted net position	1,539,526,000	1,470,257,000
Other:		
Funds resulting from current year capital purchases	1,142,000	895,000
Funds for current year compulsive gambling education and treatment	200,000	200,000
Total other	1,342,000	1,095,000
Net proceeds subject to transfer	\$ 1,540,868,000	\$ 1,471,352,000
Amount due to Lottery for Education Account for the fiscal year	\$ 1,540,868,000	\$ 1,471,352,000
Amount paid during the fiscal year	(1,179,972,000)	(1,110,861,000)
Amount due to Lottery for Education Account for the fiscal year	\$ 360,896,000	\$ 360,491,000

8. EMPLOYEE BENEFITS

401(k) Defined Contribution Plan—Effective July 1, 1998, House Bill 441 was enacted into law, allowing the Georgia Lottery Corporation to participate in the Deferred Compensation Plan offered by the state of Georgia for public employees pursuant to Section 401(k) of the Internal Revenue Code.

There were 372 GLC employees participating in the 401(k) plan on June 30, 2026. For the years ended June 30, 2026 and 2025, GLC contributed \$2,494,000 and \$2,672,000 to the plan, respectively. Contributions by plan participants during fiscal years ended June 30, 2026 and 2025 were \$2,097,000 and \$2,094,000, respectively.

457 Deferred Compensation Plan—Beginning in December 1994, the GLC offered its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

Section 1448 of the Small Business Job Protection Act of 1996 added Subsection (g) to Section 457 of the Internal Revenue Service Code to provide that all assets and income under a Section 457(b) plan that are maintained by a state or local government employer must be held in trust for the exclusive benefit of plan participants and their beneficiaries. In September 2013, the GLC transferred custodianship of the plan's assets from Nationwide Retirement Services to Great-West Financial. As of June 30, 2026 and 2025, the fair value of the plan's assets was \$6,946,000 and \$6,859,000, respectively. Contributions by participants during the years ended June 30, 2026 and 2025 were \$229,000 and \$208,000, respectively.

Compensated Absences— At June 30, 2026 and 2025, the balance for compensated absences was \$4,950,000 and \$5,082,000, respectively. The fiscal year-end balances are comprised of earned and unused vacation and sick leave hours. At separation, employees are compensated for all earned vacation and any remaining sick leave hours accrued prior to March 1, 2005. Increases to the compensated absences balance represent vacation and sick leave hours earned by employees and decreases represent their usage of leave.

During the fiscal year ended June 30, 2026, there was a net decrease in compensated absences of \$189,000. During the fiscal year ended June 30, 2025, there was a net increase in compensated absences of \$98,000. The current portion of the compensated absence liability, expected to be due within one fiscal year of the statement date, June 30, 2026, is estimated using historical trends. At June 30, 2026 and 2025, the estimated current portion of the compensated absences liability was \$294,000 and \$211,000, respectively.

Defined Benefit Plan – Employees' Retirement System

General Information

Plan description: ERS is a cost-sharing multiple-employer defined benefit pension plan

established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/financials.

Benefits provided: The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS. The GLC has two employees that participate in this plan.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions: Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The GLC's contractually required contribution rate, actuarially determined annually, for the fiscal year ended June 30, 2026 was 29.15% of annual covered payroll for old and new plan members and 25.51% for GSEPS members. The GLC's contributions to ERS totaled \$23,000 for the fiscal year ended June 30, 2026. Contributions are expected to finance the costs of benefits earned by employees during the fiscal year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2026, the GLC reported a liability for its proportionate share of the net pension liability in the amount of \$72,000. The net pension liability was measured as of June 30, 2025. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2024. An expected total pension liability as of June 30, 2025 was determined using standard roll-forward techniques. The GLC's proportion of the net pension

liability was based on contributions to ERS during the fiscal year ended June 30, 2025. At June 30, 2025 the Employer's proportion was 0.002528%, which was a decrease of 0.000118% from its proportion measured as of June 30, 2024 of 0.002646%.

At June 30, 2025, the GLC reported a liability for its proportionate share of the net pension liability in the amount of \$119,000. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2023. An expected total pension liability as of June 30, 2024 was determined using standard roll-forward techniques. The GLC's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2024. At June 30, 2024 the Employer's proportion was 0.002646%, which was an increase of 0.000383 % from its proportion measured as of June 30, 2023 of 0.002263%.

For the fiscal years ended June 30, 2026 and 2025, the GLC recognized a pension benefit of \$3,000 and \$7,000, respectively. At June 30, 2026, the GLC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,000	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	22,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,000	3,000
Employer contributions subsequent to the measurement date	23,000	-
Total	<u>\$ 29,000</u>	<u>\$ 25,000</u>

GLC contributions subsequent to the measurement date of \$23,000 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Future Net Deferred Resources

Fiscal Year Ending June 30:

2027	\$ 6,000
2028	(12,000)
2029	(9,000)
2030	(4,000)
Total	<u>\$ (19,000)</u>

At June 30, 2025, the GLC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,000	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	13,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	11,000	3,000
Employer contributions subsequent to the measurement date	23,000	-
Total	<u>\$ 41,000</u>	<u>\$ 16,000</u>

Future Net Deferred Resources

Fiscal Year Ending June 30:

2026	\$ 4,000
2027	11,000
2028	(8,000)
2029	(5,000)
Total	<u>\$ 2,000</u>

Actuarial assumptions: The total pension liability as of June 30, 2025 was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00%-6.75%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Cost Of Living Adjustment	1.05%

Mortality rates are as follows:

- The Pub-2010 General Employee Table, with no adjustments, projected generationally with the MP-2019 scale is used for both males and females while in active service.
- The Pub-2010 Family of Tables projected generationally with the MP-2019 Scale and with further adjustments are used for postretirement mortality assumptions as follows:

Participant Type	Membership Table	Set Forward (+)/Setback(-)	Adjustment to Rates
Service Retirees	General Healthy Annuitant	Male: +1; Female: +1	Male: 105%; Female: 108%
Disability Retirees	General Disabled	Male: -3; Female: +0	Male: 103%; Female: 106%
Beneficiaries	General Contingent Survivors	Male: +2; Female: +2	Male: 106%; Female: 105%

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019. The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best- estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class based on the most recent experience study are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return*
Fixed Income	30.00%	1.90%
Domestic large equities	43.20%	9.30%
Domestic small equities	4.30%	13.00%
International developed market equities	12.30%	9.30%
International emerging market equities	5.20%	11.30%
Alternatives	5.00%	11.40%
Total	<u>100.00%</u>	

* Net of inflation

Discount rate: The discount rate used to measure the total pension liability was 7.00%. This was unchanged from the discount rate used in the prior year. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the GLC's proportionate share of the net pension liability to changes in the discount rate: The following presents the GLC's proportionate share of the net pension

liability, reported as of June 30, 2026, calculated using the discount rate of 7.00 %, as well as what the GLC’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 %) or 1-percentage-point higher (8.00 %) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Employer's proportionate share of the net pension liability	\$ 130,000	\$ 72,000	\$ 23,000

The following presents the GLC’s proportionate share of the net pension liability, reported as of June 30, 2025, calculated using the discount rate of 7.00 %, as well as what the GLC’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 %) or 1-percentage-point higher (8.00 %) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Employer's proportionate share of the net pension liability	\$ 179,000	\$ 119,000	\$ 68,000

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued ERS financial report which is publicly available at www.ers.ga.gov/financials.

9. CONTINGENCIES

The GLC is subject to litigation in the ordinary course of its business. In the opinion of management and legal counsel, the outcome of such litigation will not have a material impact on the financial position or cash flows of the GLC.

10. RISK MANAGEMENT

The GLC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries to employees. The GLC obtains umbrella insurance coverage for property, liability, vehicle fleet, workers’ compensation, and unemployment compensation through the State of Georgia’s Department of Administrative Services (“DOAS”). The GLC purchased additional commercial insurance for certain company-owned vehicles. DOAS, as a component of the State of Georgia, utilizes self-insurance programs established by individual agreement, statute or administrative action to provide property insurance covering fire and extended coverage and automobile insurance and to pay losses that might occur from such causes; liability insurance for employees against personal liability for damages arising out of performance of their duties; survivors’ benefits for eligible members of the Employees’ Retirement System; consolidating processing of unemployment compensation claims against state agencies and the payment of sums due to the Department of Labor; and workers’ compensation statutes of the State of Georgia. These self-insurance funds are accounted for as internal service funds of the State of Georgia where assets are set aside for claim settlements. Most risk management programs are

funded by assessments charged to participating organizations. A limited amount of commercial insurance is purchased by the self-insurance funds applicable to property, employee and automobile liability, fidelity, and certain other risks to limit the exposure to catastrophic losses. Otherwise, the risk management programs service all claims against the state for injuries and property damage.

Financial information relative to self-insurance funds is presented in the financial reports of the Department of Administrative Services and the Employees' Retirement System for the years ended June 30, 2026 and 2025 .

The GLC negotiated a service contract with Blue Cross Blue Shield of Georgia to provide its employee health insurance, dental and vision coverage effective January 1, 2017. In January 2022, the GLC negotiated a service contract with ReliaStar Life Insurance Company to provide stop loss coverage. Unum is the provider for short- term disability, long-term disability, and term life insurance coverage. The GLC's health, dental, and vision insurance plans are funded by contributions from plan participants and by GLC employer contributions.

Georgia Lottery Corporation
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Employees' Retirement System
For the Fiscal Year Ended June 30:

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
GLC's proportion of the net pension liability	0.002528%	0.002646%	0.002263%	0.002941%	0.004507%	0.005550%	0.005480%	0.005946%	0.009434%	0.012860%
GLC's proportionate share of the net pension liability	\$ 72,000	\$ 119,000	\$ 135,000	\$ 196,000	\$ 105,000	\$ 234,000	\$ 226,000	\$ 244,000	383,000	608,000
GLC's covered-employee payroll	\$ 81,000	\$ 78,000	\$ 63,000	\$ 73,000	\$ 109,000	\$ 140,000	\$ 122,000	\$ 130,000	232,000	303,000
GLC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	88.89%	152.56%	214.29%	268.49%	96.33%	167.14%	185.25%	187.69%	165.09%	200.67%
Plan fiduciary net position as a percentage of the total pension liability	86.80%	78.75%	71.20%	67.44%	87.62%	76.21%	76.74%	76.68%	76.33%	72.34%

Georgia Lottery Corporation
Required Supplementary Information
Schedule of Contributions Employees' Retirement System
For the Fiscal Year Ended June 30:

		<u>2026</u>		<u>2025</u>		<u>2024</u>		<u>2023</u>		<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Contractually required contribution	\$	23,000	\$	23,000	\$	23,000	\$	19,000	\$	18,000	\$	27,000		34,000		30,000		32,000		57,000
Contribution in relation to the contractually required contribution	\$	23,000	\$	23,000	\$	23,000	\$	19,000	\$	18,000	\$	27,000		34,000		30,000		32,000		57,000
Contribution deficiency (excess)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
GLC's covered-employee payroll	\$	79,000	\$	81,000	\$	78,000	\$	63,000	\$	73,000	\$	109,000		140,000		122,000		130,000		232,000
Contribution as a percentage of covered-employee payroll		29.15%		29.20%		29.49%		30.16%		24.66%		24.77%		24.29%		24.59%		24.62%		24.57%

Georgia Lottery Corporation
Notes to Required Supplementary
Information For the Fiscal Year
Ended June 30, 2026
(Dollar amounts in thousands)

Changes in benefit terms: There have been no changes in benefit terms.

Changes of assumptions: On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal, and salary increases. The expectation of retired life mortality was changed from the RP-2000 Mortality Table to the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB (set forward 2 years for both males and females).

A new funding policy was initially adopted by the Board on March 15, 2018, and most recently amended on June 18, 2020. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for the June 30, 2017 actuarial valuation and further reduced from 7.40% to 7.30% for the June 30, 2018 actuarial valuation.

On December 17, 2020, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System based on the experience study prepared for the five-year period ending June 30, 2019. Primary among the changes were the updates to rates of mortality, retirement, withdrawal, and salary increases. This also included a change to the long-term assumed investment rate of return to 7.00%. These assumption changes are reflected in the calculation of the June 30, 2021 Total Pension Liability.

On April 21, 2022, the Board adopted a new funding policy which, in part, provides that the Actuarial Accrued Liability and Normal Cost of the System will include a prefunded variable Cost-Of-Living Adjustment (COLA) for eligible retirees and beneficiaries of the System. Under the new policy, future COLAs are provided through a profit-sharing mechanism using the System's asset performance. After studying the parameters of this new policy, the assumption for future COLAs was set at 1.05%. Previously, no future COLAs were assumed. In addition, the funding policy set the assumed rate of return at 7.20% for the June 30, 2021 valuation and established a new Transitional Unfunded Actuarial Accrued Liability as of June 30, 2021 which will be amortized over a closed 20-year period.

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