

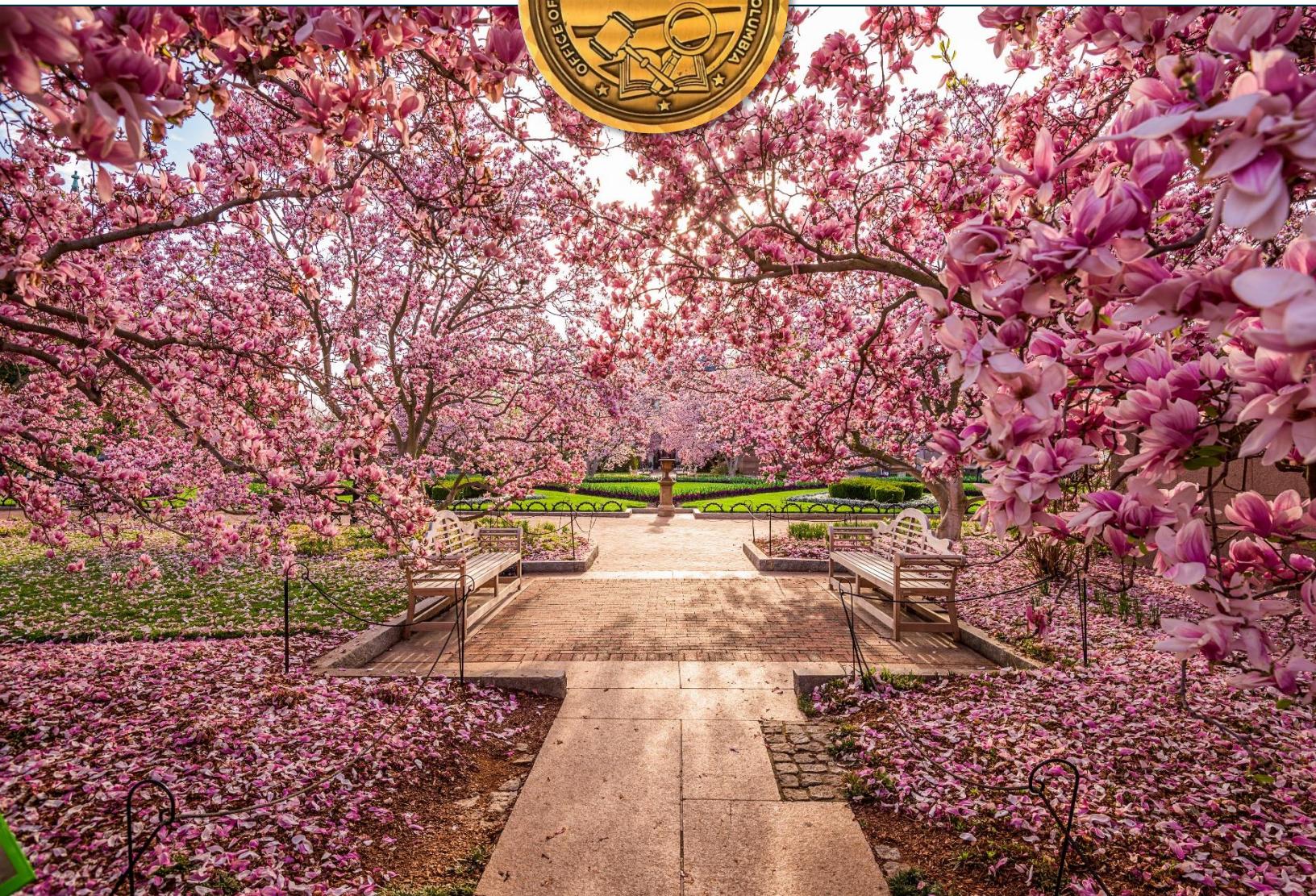
AUDIT REPORT

Office of Lottery and Gaming

Annual Financial Statements and Independent Auditor's Reports for
Fiscal Year 2025

OIG No. 25-1-09DC

January 30, 2026



DANIEL W. LUCAS
INSPECTOR GENERAL

OUR MISSION

We independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.



OUR VISION

We strive to be a world-class Office of the Inspector General that is customer focused and sets the standard for oversight excellence!

OUR VALUES

Accountability: We recognize that our duty extends beyond oversight; it encompasses responsibility. By holding ourselves accountable, we ensure that every action we take contributes to the greater good of the District.

Continuous Improvement: We view challenges not as obstacles, but as opportunities for growth. Our commitment to continuous improvement drives us to evolve, adapt, and enhance our practices.

Excellence: Mediocrity has no place in our lexicon. We strive for excellence in every facet of our work.

Integrity: Our integrity is non-negotiable. We act with honesty, transparency, and unwavering ethics. Upholding the public's trust demands nothing less.

Professionalism: As stewards of oversight, we maintain the utmost professionalism. Our interactions, decisions, and conduct exemplify the dignity of our role.

Transparency: Sunlight is our ally. Transparency illuminates our processes, decisions, and outcomes. By sharing information openly, we empower stakeholders, promote understanding, and reinforce our commitment to accountability.



DISTRICT OF COLUMBIA | OFFICE OF THE INSPECTOR GENERAL

MEMORANDUM

To: The Honorable Muriel Bowser
Mayor of the District of Columbia

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

From: Daniel W. Lucas 
Inspector General

Date: January 30, 2026

Subject: **Office of Lottery and Gaming Annual Financial Statements**
OIG No. 25-1-09DC

This memorandum transmits the final *Office of Lottery and Gaming Financial Statements and Independent Auditor's Reports* for fiscal year 2025. CliftonLarsonAllen LLP (CLA) conducted the audit and submitted these reports as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2025.

On January 2, 2026, CLA issued its opinion and concluded that the financial statements are presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America. CLA found no material weaknesses in internal control over financial reporting. Additionally, CLA issued a management letter noting an internal control deficiency (though not a significant deficiency or material weakness) and recommended four actions to strengthen controls and improve operational efficiency (See OIG Report No. 25-1-09DC(a)).

Should you have questions or concerns, please contact me or Dr. Slemo Warigon, Assistant Inspector General for Audits, at (202) 792-5684.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF LOTTERY AND GAMING**

**FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION
AND ANALYSIS (WITH INDEPENDENT AUDITOR'S REPORT)**

SEPTEMBER 30, 2025 AND 2024

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF LOTTERY AND GAMING
SEPTEMBER 30, 2025 and 2024**

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INDEPENDENT AUDITORS' REPORT

To the Mayor, Members of the Council of the Government of the District of Columbia,
the Management of the Office of Lottery and Gaming and
Inspector General of the Government of the District of Columbia
Washington, D.C.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Office of Lottery and Gaming (the Lottery), an enterprise fund of the Government of the District of Columbia, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Lottery and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Presentation

As discussed in Note 1 to the financial statements, the financial statements present only the Lottery and do not purport to, and do not present fairly the financial position of the Government of the District of Columbia as of September 30, 2025 and 2024, the changes in its financial position or, its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to the matter.

Emphasis of Matter – Implementation of GASB 101

As discussed in Note 1, the 2024 financial statements have been restated to account for a change in accounting principle. Our opinions are not modified with respect to these matters.

Other Matter – Prior Year Financial Statements Audited by Another Auditor

The financial statements of the Lottery as of September 30, 2024 were audited by another auditor, whose report dated January 3, 2025 expressed an unmodified opinion on those statements.

To the Mayor, Members of the Council of the Government of the District of Columbia,
the Management of the Office of Lottery and Gaming and
Inspector General of the Government of the District of Columbia
Washington, D.C.

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.

Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' 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 GAAS and *Government 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 GAAS and *Government 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 Lottery'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.

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.

To the Mayor, Members of the Council of the Government of the District of Columbia,
the Management of the Office of Lottery and Gaming and
Inspector General of the Government of the District of Columbia
Washington, D.C.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 GAAS, 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the cover page, the mission, vision, values and the Lottery annual financial statements memorandum (collectively, the other information) but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **January 2, 2026** on our consideration of the Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lottery's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lottery's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Arlington, Virginia
January 2, 2026

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF LOTTERY AND GAMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 and 2024
(Dollar Amounts in Thousands)

The discussion and analysis of the Office of Lottery and Gaming (the Lottery) financial performance provides an overview of its financial activities for the fiscal years ended September 30, 2025 and 2024. This discussion and analysis should be read in conjunction with the attached financial statements.

Background and Other Significant Information

The Lottery was established by DC Law 3-172 as an independent agency of the Government of the District of Columbia (the District). In accordance with law, the Lottery is responsible for generating revenues through the sale of lottery and sports wagering products and is required to remit monthly gaming revenues less prizes, operating expenses, and a reserve not to exceed 2% of annual prize payments to the General Fund of the District.

The Lottery's financial transactions are accounted for as an enterprise fund in the District's basic financial statements.

Financial Highlights

- Gross revenues, including licenses and permit fees, from lottery and sports wagering gaming activities decreased by \$117,750 or 35.84% from the prior year amount \$328,504. This significant decrease in gross revenue is linked to the decline in sport wagering sales.
- The Lottery generated ticket sales of \$198,045 for a decrease of \$7,423 or 3.61% less than the prior year total of \$205,468.
- The Lottery generated sports wagering sales in the amount of \$9,941, a decrease of \$108,643 or 91.62% below the prior year total of \$118,584. In FY2024, sports wagering was available through online, mobile, and retail channels, resulting in higher sales, while in FY2025, wagering was limited to retail locations only, leading to reduced activity.
- Total operating expenses decreased by \$110,942 or 38.25% primarily because of reduced sports wagering activities, as lower sales resulted in lower prize payouts.
- Prize payouts for lottery gaming activities in 2025 decreased by \$10,474 or 7.98% compared to 2024 and reflected a payout rate of 60.95% of ticket sales versus 63.84% the prior year.
- Contractor's fees for lottery gaming and sports wagering activities decreased by a combined \$1,802 or 18.62% from the prior year.
- Transfers to the District's General Fund was \$32,500, a decreased of \$6,850, or 17.41% below the prior year's total of \$39,350, primarily due to a decrease in the sports wagering activities.

To effectively understand the Lottery's operations and to assess its financial activities, the reader must be aware of individual game sales, related prize expenses and payout percentages, the impact on change in net position and resulting transfer to the District's General Fund. Prize payouts and the volume of Powerball, Mega Millions and Lucky For Life sales have the most dramatic impact on transfer levels but are beyond the control of management.

Using This Financial Report

This financial report consists of a series of financial statements, prepared in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. These statements focus on the financial condition, the results of operations, and cash flows of the Lottery as a whole.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF LOTTERY AND GAMING
 MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*
 SEPTEMBER 30, 2025, and 2024
(Dollar Amounts in Thousands)

One of the most important questions asked about the Lottery's finances is whether they have improved as a result of the year's activities. The key to understanding this core question is the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. These statements present financial information in a form that is similar to that used by commercial entities.

The Lottery's net position (the difference between assets and liabilities) is an indicator of the improvement or erosion of financial health. The Statements of Net Position include all assets and liabilities. It is prepared under the economic resources' measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when the related liability is incurred.

The Statements of Revenues, Expenses and Change in Net Position present the revenues earned and the expenses incurred during each year. Activities are reported as either operating or non-operating. Another important factor to consider when evaluating financial viability is the Lottery's ability to meet its financial obligations as they come due. The Statements of Cash Flows present information related to cash inflows and outflows summarized by operating, non-capital financing, capital financing and investing activities.

Financial Analysis

The Lottery's net position increased by \$13 and \$28 for the years ended September 30, 2025 and 2024, respectively. The following is a summary of the Lottery's financial information as of and for the years ended September 30, 2025, 2024, and 2023.

Table 1: Summary of Net Position
(In Thousands)

	Years Ended September 30		
	2025	2024, as restated	2023
Assets:			
Current and Other Assets	\$ 19,188	\$ 18,826	\$ 24,772
Capital Assets (net of accumulated depreciation and amortization)	-	1,123	1,382
Total Assets	\$ 19,188	\$ 19,949	\$ 26,154
Liabilities:			
Accounts Payable and Accrued Expenses	5,350	4,857	5,272
Unearned Revenue	127	142	163
Accrued Prizes and Commissions	8,232	8,371	14,432
Lease Liability – Short-term	-	1,113	1,336
Total Liabilities	13,709	14,483	21,203
Net Position:			
Net Investment in Capital Assets	-	11	54
Restricted	5,479	5,455	4,897
Total Net Position	\$ 5,479	\$ 5,466	\$ 4,951

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF LOTTERY AND GAMING
 MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)
 SEPTEMBER 30, 2025, and 2024
(Dollar Amounts in Thousands)

Table 2: Summary of Revenues, Expenses, and Changes in Net Position
(In Thousands)

	Years Ended September 30		
	2025	2024	2023
Operating Revenues:			
Gaming Revenues	\$ 210,754	\$ 328,504	\$ 289,927
Operating Expenses:			
Prizes	128,858	236,917	202,115
Other	50,706	53,101	55,599
Total Operating Expenses	<u>179,564</u>	<u>290,018</u>	<u>257,714</u>
Operating Income	31,190	38,486	32,213
Non-operating Revenues – Interest, Dividends and Other	1,456	1,147	1,572
Non-operating Expenses			
Lease Expense - Interest	133	255	300
Income before Transfers	32,513	39,378	33,485
Transfers to the District's General Fund	<u>(32,500)</u>	<u>(39,350)</u>	<u>(33,450)</u>
Change in Net Position	<u>\$ 13</u>	<u>\$ 28</u>	<u>\$ 35</u>

Restricted net positions were \$5,479, and \$5,455, as of September 30, 2025, and 2024, respectively, which represents an increase of \$25 or 0.46% and \$557 or 11.37%, respectively. Total assets decreased by \$761 or 3.82% in 2025 and \$6,205 or 23.72%, in 2024, respectively. Total liabilities decreased by \$775 or 5.35% and \$6,719 or 31.69% for the years ended September 30, 2025, and 2024, respectively, primarily due to accrued prizes.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF LOTTERY AND GAMING
 MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)
 SEPTEMBER 30, 2025, and 2024
(Dollar Amounts in Thousands)

Table 3: Gaming Revenues, Prizes, Commissions and Transfers
(In Thousands)

Index Class	Gaming Revenue	Prizes	Retailer Commissions	Contractor Fee	Advertising	Gross Margin	Transfers
Fiscal Year 2025							
DC 3	\$ 30,384	\$ (15,145)	\$ (1,965)	\$ (1,208)	\$ (1,041)	\$ 1,025	\$ 6,474
DC TWO	303	(123)	(19)	(12)	(10)	138	81
DC FIVE	16,495	(6,992)	(932)	(656)	(565)	7,350	4,316
DC FOUR	44,331	(20,156)	(2,763)	(1,763)	(1,519)	18,130	10,646
FAST PLAY	8,319	(6,113)	(599)	(331)	(285)	991	582
INSTANT	43,415	(32,394)	(3,323)	(1,727)	(1,487)	4,485	2,634
THE LUCKY ONE	79	(50)	(5)	(3)	(3)	18	11
KENO	4,032	(2,513)	(276)	(160)	(138)	945	555
LUCKY 4 LIFE	2,823	(1,620)	(133)	(112)	(97)	861	506
MEGA MILLIONS	4,602	(2,292)	(240)	(183)	(158)	1,730	1,016
POWERBALL	7,505	(3,548)	(395)	(298)	(257)	3,007	1,766
RACE 2 RICHES	6,331	(4,341)	(434)	(252)	(217)	1,088	639
TAP-N-PLAY	1,549	(1,203)	(114)	(62)	(53)	118	69
e-INSTANTS	27,878	(24,215)	-	(1,109)	(955)	1,599	939
OTHER	1,485	-	-	-	-	1,485	-
Total	\$ 199,531	\$ (120,705)	\$ (11,198)	\$ (7,876)	\$ (6,785)	\$ 52,970	\$ 30,232
Fiscal Year 2024							
DC 3	\$ 32,901	\$ (16,526)	\$ (2,134)	\$ (1,259)	\$ (1,412)	\$ 11,570	\$ 7,568
DC TWO	365	(355)	(29)	(14)	(16)	(49)	(32)
DC FIVE	17,526	(7,828)	(995)	(671)	(752)	7,280	4,762
DC FOUR	46,270	(26,493)	(3,033)	(1,770)	(1,986)	12,988	8,495
FAST PLAY	7,713	(5,995)	(565)	(295)	(331)	527	344
INSTANT	41,729	(30,944)	(3,146)	(1,596)	(1,791)	4,252	2,781
THE LUCKY ONE	89	(58)	(6)	(3)	(4)	18	12
KENO	4,304	(2,642)	(293)	(165)	(185)	1,019	667
LUCKY 4 LIFE	2,824	(1,608)	(104)	(108)	(121)	883	578
MEGA MILLIONS	5,316	(2,589)	(274)	(203)	(228)	2,022	1,321
POWERBALL	8,408	(4,006)	(366)	(322)	(361)	3,353	2,193
RACE 2 RICHES	6,141	(4,177)	(420)	(235)	(264)	1,045	684
TAP-N-PLAY	1,640	(1,270)	(120)	(63)	(71)	116	77
e-INSTANTS	30,242	(26,686)	-	(1,157)	(1,298)	1,101	720
OTHER	1,153	-	-	-	-	1,153	-
Total	\$ 206,621	\$ (131,177)	\$ (11,485)	\$ (7,861)	\$ (8,820)	\$ 47,278	\$ 30,170
Fiscal Year 2023							
DC 3	\$ 36,168	\$ (17,524)	\$ (2,328)	\$ (1,364)	\$ (1,445)	\$ 13,507	\$ 8,546
DC TWO	400	(251)	(28)	(15)	(16)	90	58
DC FIVE	20,770	(9,137)	(1,190)	(783)	(830)	8,830	5,586
DC FOUR	49,658	(30,763)	(3,338)	(1,872)	(1,984)	11,701	7,404
FAST PLAY	8,083	(6,629)	(603)	(305)	(323)	223	141
INSTANT	43,136	(31,618)	(3,278)	(1,627)	(1,723)	4,890	3,094
THE LUCKY ONE	82	(60)	(6)	(3)	(3)	10	6
KENO	4,669	(2,786)	(316)	(176)	(186)	1,205	761
LUCKY 4 LIFE	3,083	(1,765)	(180)	(116)	(123)	899	569
MEGA MILLIONS	7,707	(3,776)	(398)	(291)	(308)	2,934	1,856
POWERBALL	11,326	(5,452)	(596)	(427)	(452)	4,399	2,783
RACE 2 RICHES	6,811	(4,562)	(468)	(257)	(272)	1,252	792
TAP-N-PLAY	2,127	(1,680)	(157)	(80)	(85)	125	79
e-INSTANTS	27,215	(24,280)	-	(1,026)	(1,087)	822	520
OTHER	1,577	-	-	-	-	1,577	-
Total	\$ 222,812	\$ (140,283)	\$ (12,886)	\$ (8,342)	\$ (8,837)	\$ 52,464	\$ 32,195

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF LOTTERY AND GAMING
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2025, and 2024
(Dollar Amounts in Thousands)

Table 3 provides a comparison of sales, prizes, retailer commissions, gross margin, and transfers to the District's General Fund generated by each lottery product offered. Overall lottery gaming revenues totaled \$199,531, \$206,621, and \$222,812 in fiscal years 2025, 2024 and 2023, respectively. Prize expenses decreased by \$10,473 or 7.98% in 2025 and decreased by \$9,106 or 6.49% in 2024. Total prize payouts as a percentage of gaming revenue were 60.94%, 63.84%, and 63.41% in fiscal years 2025, 2024 and 2023, respectively. Retailer commissions decreased by \$287, and \$1,401 in 2025 and 2024, respectively, due to the decrease of retailer cashing in 2025, and the decrease in ticket sales for 2024, respectively.

DC 3 --- DC Three is a daily three-digit game in which players may wager 50 cents or one dollar with nine ways to win prizes ranging from 25 to 500 dollars. In 2025, sales totaled \$30,384 for a \$2,517 or 7.65% decrease from 2024. Sales in 2024 totaled \$32,901 for a \$3,267 or 9.03% decrease from 2023 sales of \$36,168. The game continues to be impacted by the demographic changes in the District's population. The Lottery continues to strategically implement marketing and promotional campaigns to stabilize and enhance sales for the game. A night draw was introduced in August 2023.

Prizes amounted to \$15,145 in 2025, for a \$1,381 or 8.36% decrease from the prior year. Prizes amounted to \$16,526 in 2024, for a \$998 or 5.70% decrease below 2023 prizes that amounted to \$17,524. Retailer commissions expense decreased by \$169 primarily due to the noted decrease in prizes. Net proceeds to the District's General Fund in 2025 totaled \$6,474 for a \$1,094 or 14.46% decrease compared to 2024. The transfer in 2024 totaled \$7,568 a \$978 or 11.44% decrease compared to the 2023 transfer of \$8,546. The DC 3 game accounted for 15.34% of total gaming revenue and 21.41% of the overall gross margin. The game reflected a decrease of 0.67% in gaming revenue percentage contribution, and a decrease of 3.67% in gross margin percentage contribution due to a decrease in sales and decrease in prizes.

DC 2 --- DC Two is a daily two-digit game launched on March 11, 2018 in which players may wager 50 cents or one dollar with five ways to win prizes ranging from 25 to 50 dollars. The five ways to play DC2 are – (1) Straight Match, (2) Box, (3) Straight/Box, (4) 2-way Combo and (5) Front / Back Number. The game is designed to payout at least 50% in prizes. Prizes vary based on play type, and the top prize with a \$1 bet is \$50. The draw takes place twice a day everyday (day & evening).

Sales in 2025 totaled \$303 or a \$62 or 17.04% decrease from 2024. Sales in 2024 totaled \$365 for a \$35 or 8.75% decrease from 2023 sales of \$400. Prizes amounted to \$123 in 2025, for a \$232 or 65.35% decrease from 2024. Prizes amounted to \$355 in 2024, for a \$104 or 41.43% increase from 2023 prizes of \$251. The retailer commissions amounted to \$19 in 2025, a \$10 or 34.59% decrease from 2024. The retailer commissions amounted to \$29 in 2024, a \$1 or 3.57% increase from 2023 retailer commissions of \$28. Transfers to the District's General Fund totaled \$81, \$32, and \$58 in 2025, 2024 and 2023, respectively.

DC 5 --- DC Five is a daily five-digit game with a fixed prize payout. Players may wager 50 cents or one dollar for a chance to win thirteen different ways. Players select a number within the range 00000 to 99999. Tickets may be purchased for the next draw or up to seven consecutive draws for the mid-day and nightly drawings. Players also have the option for advance day play. This feature allows a player to place a bet for a specific day in the future.

In 2025, ticket sales totaled \$16,495 which represents a \$1031 or 5.88% decrease compared to 2024. Prizes and retailer commissions in 2025 amounted to \$6,992 and \$932, respectively. The result was a decrease in prizes of \$836 or 10.68% and a decrease to commissions of \$63 or 6.35% compared to the prior year. The game generated \$4,316 in transfer to the District's General Fund in 2025 or \$446 or 9.37% less than 2024.

Sales totaled \$17,526 in 2024, which represented a \$3,244 or 15.62% decrease from 2023 sales of \$20,770. Prizes and retailer commissions in 2024 and 2023 amounted to \$7,828 and \$995 and \$9,137 and \$1,190, respectively. The game generated \$4,762 and \$5,586 in transfers to the District's General Fund in 2024 and 2023, respectively.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF LOTTERY AND GAMING
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2025, and 2024
(Dollar Amounts in Thousands)

DC 4 --- DC Four is a daily four-digit game with a fixed prize payout. Players may wager 50 cents or one dollar for a chance to win seven different ways. Ticket sales totaled \$44,331 in 2025 for a \$1,939 or 4.19% decrease from the 2024 ticket sales of \$46,270. Ticket sales were \$46,270 in 2024, for a \$3,388 or 6.82% decrease from the 2023 ticket sales of \$49,658.

Prizes in 2025 totaled \$20,156, a decrease of \$6,337 or 23.92% below the prior year. FY 2024 totaled \$26,493, a decrease of \$4,270 or 13.88% from 2023 prizes of \$30,763. Transfers to the District's General Fund in 2025 totaled \$10,646 for a \$2,151 or 25.32% increase from the \$8,495 transferred in 2024. Transfers to the District's General Fund in 2024 totaled \$8,495 for a \$1,091 or 14.74% increase from the \$7,404 transferred in 2023. The DC Four game was responsible for 22.38% of total gaming revenue and 35.21% of the overall gross margin. The 0.14% decrease in gaming revenue contribution rate and 7.05% increase in gross margin contribution percentages below and above of the prior year amounts is directly associated with the decrease in sales and introduction of eInstants, respectively. Changing demographics continues to be an impactful theme as well. A night draw was introduced in August 2023.

FAST PLAY--- Fast Play games are a series of instant-style games printed and played through retailers' terminals. Fast Play tickets have a variety of games, and each ticket is randomly drawn from a separate pool of tickets. Ticket cost and prizes vary depending on the version of game played. The Fast Play games' prizes a reset at a fixed payout level. The player asks the agent/retailer for a specific type of Fast Play game and the ticket is generated at the terminal. The player knows immediately if he/she is a winner or not.

Ticket sales amounted to \$8,319 in 2025, an increase of \$606 or 7.85% above the \$7,713 in 2024. Prizes and retailer commissions combined totaled \$6,712, \$6,560, and \$7,232 for fiscal years 2025, 2024 and 2023, respectively. Transfers to the District's General Fund amounted to \$582, \$344, and \$141 for fiscal years 2025, 2024 and 2023, respectively.

INSTANT TICKETS --- Instant or scratch games are designed to allow a player the opportunity to determine if he/she is an instant winner at the time of ticket purchase. The price of tickets and prize structure are determined before the production of the tickets. Instant ticket sales amounted to \$43,415 in 2025, representing a \$1,686 or 4.04% increase above the 2024 sales of \$41,729.

Prizes in 2025 amounted to \$32,394, representing a \$1,450 or 4.68% increase above the \$30,944 in 2024. Retailer commissions totaled \$3,323 in 2025 for a \$177 or 5.62% increase above the \$3,146 expensed in 2024. Transfers to the District's General Fund totaled \$2,634 in 2025, for a \$147 or 5.29% decrease below \$2,781 in 2024.

Instant ticket sales in 2024 totaled \$41,729 a decrease of \$1407 or 3.26% below the \$43,136 in 2023. This was primarily the result of a significant reduction in commuter traffic into the District due to jurisdictional protocols that include alternative work options and lottery retailer closures. Prizes in 2024 totaled \$30,944 for a \$674 or 2.13% decrease below the \$31,618 expensed in 2023. Retailer commissions totaled \$3,146 in 2024 for a \$132 or 4.03% decrease below the \$3,278 expensed in 2023. Transfers to the District's General Fund decreased to \$2,781 in 2024, \$313 less than the \$3,094 generated in 2023. This was primarily the result of decreased sales.

THE LUCKY ONE --- The Lucky One is a monitor- based game with draws taking place every four minutes. Players select a "lucky number" between one and thirty- six (36). There are three ways to play "The Lucky One" game – The Lucky Number (picking the exact number drawn), odd/ even and high/ low. The odds of winning the top prize of \$24 with a wager of \$1 is 1 in 36, while the odds of winning with the

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odd/ even or high/ low bet types are 1 in 2. Players have the option of a \$1 or 50 cent play. The Lucky One game was launched on May 20, 2018.

The Lucky One ticket sales in 2025 amounted to \$79, a decrease of \$10 or 10.74% from the \$89 sales total in 2024. Sales in 2024 amounted to \$89, an increase of \$7 or 8.54% from the 2023 sales of \$82. Prizes and commissions in 2025, 2024 and 2023 combined amounted to \$55, \$64, and \$66, respectively. The Lucky One contributed \$11, \$12, and \$6, in transfer to the District's General Fund in 2025, 2024 and 2023, respectively.

KENO --- Keno is a 10/20/80 game with fixed prizes. Players choose to play from 1 to 10 spots, with each spot having a different prize structure. Players select twenty numbers from a field of 80 numbers. Draws are held every four minutes during valid game times. Payouts range from five dollars to 100,000 dollars. Tier 1 prizes start as a fixed payout and transition to a pari-mutuel payout when the number of winners per draw exceeds 10. The game is supplemented by Keno Spin, which features a multiplier option to the game's prizes. The Keno game continues to be impacted by the changing demographics in the District of Columbia, inability to add new social settings and the economy. The Keno game is not offered at all retailer locations but continues to be marketed through targeted awareness and promotional campaigns.

Ticket sales for Keno totaled \$4,032 in 2025, representing a \$272 or 6.32% decrease from the 2024 sales total of \$4,304. Prize expenses decreased by \$129 to \$2,513 in 2025 when compared to the \$2,642 expensed in 2024. Retailer commissions totaled \$276 or 5.84% less than the \$293 expensed in 2024. Transfers to the District's General Fund decreased by \$112 to \$555 in 2025 from the \$667 transferred in 2024. The decrease in transfers is attributed to the decrease in sales.

Ticket sales for Keno totaled \$4,304 in 2024, representing a \$365 or 7.82% decrease from the 2023 sales total of \$4,669. Prizes expense decreased by \$144 to \$2,642 in 2024 when compared to the \$2,786 expensed in 2023. Transfers to the District's General Fund decreased \$94 to 667 in 2024 from the \$761 transferred in 2023.

LUCKY FOR LIFE --- The Lucky for Life game is a multi-state, five out of forty-eight, plus one out of eighteen terminal lottery game that pays a top prize of \$1,000 per week for actual life and a second- tier prize of \$25,000 a year for life. There are eight other ways to win prizes up to \$5,000 for two dollars per play. Lucky for Life transactions are handled through the Multi-State Lottery Association (MUSL). Party lotteries pool their sales and other resources, but otherwise account for operations separately. The Lottery began selling Lucky for Life tickets effective February 15, 2015.

Lucky for Life ticket sales amounted to \$2,823 in 2025, \$1 or 0.03% less than the \$2,824 in 2024. The prizes in 2025 totaled \$1,620, \$12 more than the \$1,608 in 2024. Retailer commissions in 2025 and 2024 totaled \$133 and \$104, respectively. Lucky for Life produced a transfer to the District's General Fund in 2025 and 2024 of \$506 and \$578, respectively. The decrease in transfers can be attributed to the increase in prizes.

Lucky for Life ticket sales amounted to \$2,824 in 2024, \$259 or 8.40% less than the \$3,083 in 2023. The prizes in 2024 totaled \$1,608, \$157 less than the \$1,765 in 2023. Retailer commissions in 2024 and 2023 totaled \$104 and \$180, respectively. Lucky for Life produced a transfer to the District's General Fund in 2024 and 2023 of \$578 and \$569, respectively.

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MEGA MILLIONS --- The Mega Millions game is a five out of seventy-five plus one out of fifteen terminal lottery game that pays a grand prize or a cash lump sum payment and all other prizes on a fixed basis. It also includes a "Just the Jackpot" play option. The ticket cost is \$2, or \$3 with the "Just the Jackpot" option which includes two game plays. All annuity prizes are paid in twenty-six annual installments. Some states offer a megaplier feature to increase non-jackpot prizes by 2, 3, or 4 times. The Mega Millions game is sponsored by the Mega Millions Group, a conglomerate of twelve states, and participating MUSL members that combine resources and sales to offer larger jackpots. All Mega Millions transactions of the Lottery are handled through the Multi-State Lottery Association. Party lotteries pool their sales and other resources, but otherwise account for operations separately. The Mega Millions Group introduced changes to Mega Millions on April 3, 2020. The changes include elimination of an automatic \$40 million beginning jackpot and the guaranteed increase of \$5 million between drawings. The beginning jackpot and increase between drawings will be based on game sales and interest rates. The changes to the game are the result of declining sales nationwide.

Mega Millions sales totaled \$4,602 in 2025, representing a \$714 or 13.42% decrease from the \$5,316 generated in 2024. The decrease in sales can be attributed to the lack of high jackpots in 2025. Mega Millions sales are jackpot driven and lack of high jackpots impact sales levels. Prizes amounted to \$2,292 in 2025, representing a \$297 or 11.47% decrease from the \$2,589 expensed in 2024. Prizes were expensed at the rate of 49.80% of overall ticket sales in 2025. The noted decrease in ticket sales offset by overall operating costs resulted in a transfer to the District's General Fund of \$1,016 in 2025 or \$305 less than the \$1,321 produced in 2024.

Mega Millions sales totaled \$5,316 in 2024, representing a \$2,391 or 31.02% decrease from the \$7,707 generated in 2023. The decrease in ticket sales can be attributed to the lack of high jackpots. Mega Millions sales are jackpot driven and lack of high jackpots impact sales levels. Prizes amounted to \$2,589 in 2024, representing a \$1,187 or 31.44% decrease from the \$3,776 expensed in 2023. Prizes were expensed at the rate of 48.70% of overall ticket sales in 2024. The noted decrease in ticket sales offset by overall operating costs resulted in a transfer to the District's General Fund of \$1,321 in 2024 or \$535 less than the \$1,856 produced in 2023.

POWERBALL --- The Powerball game is a five out of sixty-nine plus one out of twenty-six terminal lottery game that pays a grand prize on an annuitized pari-mutuel basis or as a cash lump sum payment and all other prizes on a fixed basis. All annuitized prizes are paid in thirty annual graduated installments. The Powerball game is sponsored by the Multi-State Lottery Association (MUSL), a conglomerate of thirty-five (35) states, a Non-MUSL Group which consists of ten (10) states, the District of Columbia and the Virgin Islands. The jurisdictions combine resources and sales to offer larger jackpots. Party lotteries pool their sales and other resources, but otherwise account for operations separately. The Powerball Group introduced changes to Powerball on April 2, 2020. The changes include elimination of an automatic \$40 million beginning jackpot and the guaranteed increase of \$10 million between drawings. The beginning jackpot and increase between drawings will be based on game sales and interest rates. The changes to the game are the result of declining sales nationwide.

Powerball sales totaled \$7,505 in 2025, representing a \$903 or 10.74% decrease from the \$8,408 generated in 2024. The decrease in sales can be attributed to the lack of higher jackpots experienced during the year. Powerball sales are jackpot-driven, and lack of high jackpots impact sales levels. Prizes amounted to \$3,548 in 2025 representing a \$458 or 11.43% decrease from the \$4,006 expensed in 2024. Powerball prizes are expensed at the rate of 47.27% of sales intake offset by lapsed prizes. Prize expenses decreased due to decreased sales. The \$427 decrease in transfer to the District's General Fund to \$1,766 from the \$2,193 transferred in 2024 is due to the allocation of the transfer being based on the gaming revenues that decreased in 2025.

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Powerball sales totaled \$8,408 in 2024, representing a \$2,918 or 25.76% decrease from the \$11,326 generated in 2023. The decrease in sales can be attributed to lower jackpots experienced during the year. Powerball sales are jackpot-driven and less jackpots impact sales levels. Prizes amounted to \$4,006 in 2024 representing a \$1,446 or 26.52% decrease from the \$5,452 expensed in 2023. Powerball prizes are expensed at the rate of 47.65% of sales intake offset by lapsed prizes. Prize expense decreased due to decreased sales. The \$590 decrease in transfer to the District's General Fund to \$2,193 from the \$2,783 transferred in 2023 is due to the allocation of the transfer being based on the gaming revenues that decreased in 2024.

RACE2RICHES --- Race2Riches is an interactive horseracing game with the opportunity to win up to \$1,000. Drawings or races are held every four minutes seven days a week during regular operating hours. Race2Riches ticket sales amounted to \$6,331 in 2025, representing a \$190 or 3.09% increase above the \$6,141 generated in 2024. The increase in sales in 2025 from the prior year's total is primarily because of the effect of the opening of retailers on a game that plays every four minutes and usually offers a social experience. Prize expense increased to \$4,341 in 2025 from \$4,177 in 2024, which represented a \$164 or 3.92% increase above 2024. The \$45 decrease in transfers to the District's General Fund in 2025 to \$639, is less than the 2024 transfer amount of \$684. The decrease in the transfer is attributed to the increase in prizes.

Race2Riches ticket sales amounted to \$6,141 in 2024, representing a \$670 or 9.84% decrease below the \$6,811 generated in 2023. The decrease in sales in 2024 from the prior year's total was primarily because of the effect of the closure of retailers on a game that plays every four minutes and usually offers a social experience. Prize expense decreased to \$4,177 in 2024 from \$4,562 in 2023, which represented a \$385 or 8.44% decrease below 2023. The \$108 decrease in transfers to the District's General Fund in 2024 to \$684, is less than the 2023 transfer amount of \$792. The decrease in the transfer was attributed to the increase in prize expense.

TAP-N-PLAY --- Tap-N-Play games are touch activated, interactive, instant win style terminal games played through self-service terminal (MP). Players use the touch screen of the terminal to choose the games and game parameters (price points, numbers, playboard etc.). The games are presented in high-quality graphic animations and sounds. Tap-N-Play games launched on April 5, 2013, with 2 games, and are being expanded to accommodate various play styles and themes. Currently, D.C. Lottery offers eight (8) different types of games with \$1, \$2, \$3, \$5, \$10 and \$20 price points. Play style includes number/symbol match, bingo, reveal symbol, double or nothing and high/low. Overall odds of winning are 1 in 3.66. Ticket sales amounted to \$1,549 and \$1,640 in fiscal years 2025 and 2024, respectively. The prize expense was \$1,203 and \$1,270 and amounted to a 77.66% and 77.44% prize payout rate in 2025 and 2024, respectively. Retailer commissions were \$114 in 2025 and \$120 in 2024. Transfers to the District's General Fund were \$69 and \$77 and represented 4.48% and 4.70% of sales for 2025 and 2024, respectively. The decrease in the transfer to the General Fund is primarily because of the decrease in sales.

eINSTANTS --- eInstants were launched on December 18, 2020, as part of the iLottery platform that provides lottery players with registered accounts the convenience to purchase lottery games electronically, via a mobile device or a desktop computer. The winnings are applied directly to the player's account if it does not exceed the amount required for in person validation and payment at Lottery headquarters. The platform is managed by the Lottery's gaming system vendor.

In 2025, the sales totaled \$27,878, a \$2,364 or 7.82% decrease from \$30,242 sales generated in 2024. The prizes totaled \$24,215, a \$2,471 or 9.26% decrease from \$26,686 in 2024. Transfers to the District's General Fund were \$939 and \$720 in 2025 and 2024, respectively. eInstants 2025 sales share of 14.08% decreased \$0.64% from its share of 14.72% in 2024.

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**Table 4: Sports Wagering Bets, Total Stakes, Payouts, GGR and Transfers
(In Thousands)**

Index Class	Number of Bets	Total Stakes	Total Revenue	Total Payouts	GGR	Contractor Fees	Transfers
Fiscal Year 2025							
SPORTS WAGERING	595	\$ 9,941	\$ 9,941	\$ (8,155)	\$ 1,786	\$ 30	\$ -
Fiscal Year 2024							
SPORTS WAGERING	1,448	\$ 123,145	\$ 118,584	\$ (105,739)	\$ 17,460	\$ 1,818	\$ 9,180
Fiscal Year 2023							
SPORTS WAGERING	2,176	\$ 69,564	\$ 68,418	\$ (61,832)	\$ 7,875	\$ 2,799	\$ 1,255

SPORTS WAGERING --- The Sports Wagering Lottery Amendment Act of 2018, which authorizes the District of Columbia to engage in sports wagering, was approved on December 18, 2018. The Office of Lottery and Gaming (OLG) launched sports wagering on May 28, 2020 via mobile and internet channels. Players could place wagers on offered sporting events after establishing an e-wallet account and having their identity verified. The OLG Intralot vendor was responsible for the sportsbook and had a contracted payout percentage with the OLG of 90%. The Intralot vendor was responsible for the costs of percentage points more than 90%. The vendor was paid 42.5% of the Net Gaming Revenue (NGR equals stakes minus payouts minus bonuses) as a contractor's fee. Sports Wagering was available for purchase at retail locations in FY 2022.

In prior years, the OLG managed its sports wagering platform directly, and offered services across online, mobile, and retail channels, resulting in significantly higher sales due to broad accessibility. Due to a change in DC law permitting private operators to run their own sportsbooks, in FY2025, the Office of Lottery and Gaming (OLG) transitioned its sports wagering operations to Caesars. Caesars now operates exclusively through retail locations, with no online or mobile betting options, leading to a notable decline in sales volume.

Under the current agreement:

- OLG receives 40% of Gross Gaming Revenue (GGR), while Caesars retains 60%.
- Caesars covers 50% of retailer sales commissions (2.5%) and 50% of payouts for sports betting winnings cashed at retail locations (0.5%).
- Additionally, Caesars pays 1% of verified cash deposits made to its mobile wagering accounts at retail sites

Total Gaming Revenue in 2025 was \$9,941, a \$108,643 or 91.62% decrease from the \$118,584 in 2024. The payouts in 2025 totaled \$8,155, a \$97,585 or 92.29% decrease from the \$105,739 in 2024. The payout percentage was 82.03% and 89.17% in 2025 and 2024, respectively. Gross Gaming Revenue (GGR equals stakes minus payouts, excluding, all bonuses) totaled \$1,786 and \$17,460 in 2025 and 2024, respectively. The contractor's fee was \$30 in 2025 and \$1,818 in 2024.

Total Gaming Revenue was \$118,584 in 2024, compared to \$68,418 in 2023; respectively. The payouts were \$105,739, with a payout percentage of 89.17% in 2024, compared to \$61,832 and 90.37% in 2023. GGR totaled \$17,460, and \$7,875 in 2024 and 2023. The contractor's fee was \$1,818 in 2024 and \$2,799 in 2023.

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INTEREST, DIVIDENDS, LICENSE & PERMIT FEES AND OTHER INCOME

All idle cash of the Lottery is invested through the District's General Fund Pooled Investments Account. Powerball and Mega Millions receipts transferred to MUSL to fund major jackpots are invested in securities prior to jackpots being hit and earnings are allocated annually to party lotteries. Interest and dividend income, shown separately in the financial statements, increased by \$309, decreased by \$421, and increased by \$1,288 in fiscal years 2025, 2024, and 2023, respectively. Interest income rates are impacted by the market conditions, the national economy, and other factors beyond the control of individual entities.

Lottery License and Permit Fees increased by \$59 to \$66 in 2025, decreased by \$3 to \$7 in 2024, and decreased by \$4 to \$10 in 2023. Sports Wagering License and Infraction Fees decreased by \$1,743 to \$2,702 in 2025, and increased by \$4,181 to \$4,445 in 2024.

Charitable Gaming Activities

The Lottery also oversees charitable gaming activities to include the licensing and regulation of charitable and other not-for-profit organizations conducting bingo, raffles, and other fund-raising activities within the District of Columbia. The mission of the Lottery with respect to charitable gaming is to ensure that only qualified organizations are licensed to conduct fund-raising activities and that they are carried out in accordance with existing laws, rules and regulations. Revenues generated through the issuance of licenses, processing fees, etc. are not intended to cover costs associated with overseeing program activities.

Known Facts Likely to Impact Future Financial Conditions

The Lottery anticipates a continued negative impact on overall sales and revenue in fiscal year 2026 due to recent federal layoffs and economic uncertainties. Lottery sales are directly impacted by the population swell of federal and city employees traveling into the jurisdiction daily for work. As a result of permanent closings of lottery retail locations, changing residential demographics, and teleworking options for area employees, overall lottery sales are foreseeable to continue to be negatively impacted. However, the continued roll-out of new modernized equipment, enhanced gaming system infrastructure, continued expansion of sports wagering at retail locations, new instant ticket products, innovative promotions, and expense reductions are all hopeful measures in mitigating any negative impact.

Contacting the Lottery

Interested parties can contact the Office of Lottery and Gaming, 2235 Shannon Place, SE, Fifth Floor, Washington, D.C. 20020.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF LOTTERY AND GAMING

STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2025 and 2024
(Dollar Amounts in Thousands)

	<u>2025</u>	<u>2024, as restated</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents - Restricted	\$ 15,109	\$ 14,815
Accounts Receivable, Net	4,073	4,004
Prepaid Expenses and Other	6	7
Total Current Assets	19,188	18,826
 Non-current Assets:		
Capital Assets, Net (excl. RTUA - Equip.)	-	11
Right to Use Asset - Equipment, Net	-	1,112
Total Non-current Assets	-	1,123
Total Assets	19,188	19,949
 LIABILITIES		
Current Liabilities:		
Accounts Payable	4,024	3,194
Compensation Liabilities	322	678
Unearned Revenues	127	142
Accrued Prizes and Commissions	8,232	8,370
Other Accrued Liabilities	-	179
Compensated Absences	749	602
Lease Payable - Current Portion	-	1,113
Total Current Liabilities	13,454	14,278
 Non-current Liabilities		
Compensated Absences	255	205
Total Non-current Liabilities	255	205
Total Liabilities	13,709	14,483
 Net Position:		
Net Investment in Capital Assets	-	11
Restricted	5,479	5,455
 Total Net Position:	\$ 5,479	\$ 5,466

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

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF LOTTERY AND GAMING
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEARS ENDED SEPTEMBER 30, 2025 and 2024
(Dollar Amounts in Thousands)

	2025	2024
Operating Revenues		
Instant Games	\$ 43,415	\$ 41,729
Terminal Games	126,753	133,498
eInstants	27,877	30,241
Licenses, Permit Fees & Other	66	7
Sports Wagering (SW)	9,941	118,584
Licenses and Infraction Fees (SW)	2,702	4,445
Total Operating Revenues	210,754	328,504
Operating Expenses		
Prizes	96,488	104,491
Prizes - eInstants	24,215	26,686
Retailer Commissions	11,197	11,485
Contractor Fees	7,848	7,861
Advertising	7,144	9,036
Prizes - SW	8,155	105,740
Commissions - SW	296	676
Contractor Fees - SW	30	1,818
Total Direct Costs	155,373	267,793
Salaries	11,675	11,123
Professional	1,605	1,582
Contractual Services	5,995	4,664
Administration	3,793	3,484
Depreciation	11	43
Amoritization RTU - Equipment	1,112	1,329
Total Operating Expenses	179,564	290,018
Operating Income	31,190	38,486
Non-operating Revenue		
Interest & Dividend Income	1,456	1,147
Non-operating Expense		
Lease Expense - Interest	133	255
Net Income Before Transfers	32,513	39,378
Transfer to General Fund	(32,500)	(39,350)
Change in Net Position	13	28
Net Position, Beginning of Year	5,466	4,951
Restatement for GASB 101	-	487
Net Position, End of Year	\$ 5,479	\$ 5,466

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

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF LOTTERY AND GAMING
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2025 and 2024
(Dollar Amounts in Thousands)

	2025	2024
Operating Activities:		
Cash Receipts From Customers	210,670	328,692
Cash Payments To Vendors	(25,762)	(28,864)
Cash Payments To Employees	(11,833)	(10,632)
Cash Payments For Prizes and Commissions	(140,491)	(255,140)
Net Cash Flows Provided by Operating Activities	32,584	34,056
Cash Flows From Non-Capital Funding Activities:		
Transfers Out to the General Fund	(32,500)	(39,350)
Net Cash Flows Used by Non-Capital Financing Activities	(32,500)	(39,350)
Cash Flows From Capital & related Financing Activities:		
Payment for Lease Liability and Interest	(1,246)	(1,590)
Net Cash Flows Used by Capital and related Financing Activities	(1,246)	(1,590)
Cash Flows From Investing Activities		
Interest & Dividends	1,456	1,147
Net Cash Flows Provided by Investing Activities	1,456	1,147
Net Increase (Decrease) in Cash and Equivalents	294	(5,737)
Cash & Cash Equivalents - Beginning of Year	14,815	20,552
Cash & Cash Equivalents - End of Year	15,109	14,815
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating Income	31,190	38,486
Depreciation	11	43
Amortization Expense - RTUA Equipment	1,112	1,329
Effect of Changes in non-cash operating Assets and Liabilities		
Receivables	(69)	208
Prepaid Expenses	1	1
Accounts Payable	830	(290)
Compensation Liabilities	(159)	491
Deferred Inflows	(15)	(21)
Accrued Prizes and Commissions	(139)	(6,062)
Other Current Liabilities	(178)	(129)
Net Cash Provided By Operating Activities	32,584	34,056

The accompanying notes are an integral part of these financial statements

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF LOTTERY AND GAMING
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2025, and 2024
(Dollar Amounts in Thousands)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization --- The Lottery and Charitable Games Control Board (the Lottery) was established by DC Law 3-172 as an independent agency of the Government of the District of Columbia (the District). The name was changed to the Office of Lottery and Gaming effective May 3, 2019. In accordance with the law, the Lottery must remit its monthly gaming revenues, less prizes, operating expenses and a reserve not to exceed 2% of projected annual prize payments to the General Fund of the District.

(b) Measurement Focus and Basis of Accounting --- The Lottery's basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The economic measurement focus reports all assets and liabilities associated with operations in the Statements of Net Position.

(c) Implementation of New Accounting Standards --- During fiscal year 2025, the Lottery implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. As a result of this implementation, beginning balances of the liability for compensated absences and net position for fiscal year 2024 were restated as shown below to reflect the cumulative effect of applying the new guidance.

	FY 2024, as reported	GASB 101 Restatement	FY 2024, as restated
Compensated Absences - Current	427	175	602
Total Current Liabilities	14,103	175	14,278
Compensated Absences - Non-Current	867	(662)	205
Total Non-current Liabilities	867	(662)	205
Total Liabilities	14,970	(487)	14,483
Restricted Net Position	4,968	487	5,455
Total Net Position	4,979	487	5,466

Additionally, GASB Statement No. 102 – Certain Risk Disclosures became effective in FY2025. However, after evaluation, OLG determined that the provisions of this standard are not applicable to its operations, as the entity does not meet the criteria for the types of risks addressed in the statement.

(d) Basis of Presentation --- The Lottery's financial transactions are accounted for as an enterprise fund in the District's financial statements. The accompanying financial statements are only those of the Lottery and are not intended to present the financial position, changes in financial position, and cash flows of the District taken as a whole. The District provides certain legal, central accounting and other services to the Lottery. The costs and revenue associated with these services are not reflected in these financial statements.

(e) Cash and Cash Equivalents --- The Lottery participates in the District's pooled cash program whereby cash that is not needed for immediate disbursement is pooled with that of the District's and used to purchase current investments. In accordance with the law, the District may invest the pooled cash directly in, or through repurchase agreements, obligations of the United States or its agencies, which are fully guaranteed by the federal government, and in certificates of deposit, which are issued by federally insured banks. In accordance with District policies, substantially all deposits in the pooled

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cash program were insured or collateralized with securities held by the District or its agent in the District's name. Interest income from the investment of pooled cash is allocated to the Lottery based on the amount the Lottery invests in the pool. The Lottery considers the pooled cash to be cash equivalents for the purpose of cash flows because the pool may not hold securities for more than 90 days. Cash and cash equivalents as of September 30, 2025 and 2024, respectively, were \$15,109, and \$14,815.

- (f) **Revenues and Accounts Receivable (A/R) Recognition** --- Revenues and A/R from terminal tickets are recorded when the drawings are held. Terminal tickets sold in advance of draws are recorded as unearned revenues. Revenues and A/R from instant tickets are recorded when related packs are activated.
- (g) **Allowance for Uncollectible Accounts** --- The Lottery establishes an allowance for uncollectible accounts for all accounts receivable over 180 days old.
- (h) **Unclaimed Prizes** --- Prizes must be claimed within 180 days (D.C. Code § 3–1318) following the drawing date for each game. Prizes unclaimed beyond this period are forfeited by the ticket holder. Total prizes lapsed amounted to \$2,289, and \$2,450 for the fiscal years 2025 and 2024, respectively. These forfeited prizes are netted against prize expense in the Statements of Revenues, Expenses and Change in Net Position.
- (i) **Capital Assets with Lease Assets Reported Separately** --- Capital assets are recorded at cost. The cost of major remodeling, betterments, and improvements of \$5 and greater are capitalized. Repair and maintenance costs are expensed as incurred. When capital assets are retired or sold, the cost and related accumulated depreciation are removed from the appropriate property and equipment accounts, and resulting gains or losses are recorded.
- (j) **Right-to-use Leased Assets** --- The lease asset is measured at the amount of the initial measurement of the lease liability which is the present value of future payments during the lease term. By the end of the lease term, the lease asset balance and the related accumulated amortization balance are removed from the appropriate accounts.

Amortization and depreciation expense are calculated using the straight-line method over the following estimated useful lives:

<u>Category</u>	<u>Estimated Useful Life</u>
Machinery and Equipment	5-8 years
Office Furniture and Fixtures	5-8 years
Leasehold Improvements	5-15 years
Right-to-Use Asset – Equipment	3 years

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(k) **Gaming Revenues** --- Gaming revenues consist of ticket sales, sports wagering settled stakes (dispositioned wagers as the result of an event taking place) and other related revenues including dividends and interest income, penalties assessed on delinquent agents' accounts, and charitable gaming fees. Revenues from terminal tickets are recorded as gaming revenues when the drawings are held. Terminal tickets sold in advance are recorded as unearned revenues until the drawings are held. Revenues are recorded when a terminal ticket is sold if the sale is not associated with a subsequent drawing. Revenues from instant tickets are recorded as gaming revenues when related packs are activated.

(l) **Games and Prizes** --- The Lottery's main sources of income are from terminal and online (mobile & desktop) games, instant games and sports wagering. Terminal and online games (iLottery) are comprised of DC2, DC Three, DC Four, DC Five, Powerball, Mega Millions, Lucky for Life, Keno, Race2Riches, The Lucky One, Fast Play and Tap-N-Play. However, all games are currently not on the iLottery platform. The games are managed by Intralot through a contracted agreement with the Lottery.

(m) **Prize Expense** --- Instant tickets prize expense is based on the prize payout percentage for each instant lottery game and is accrued as the related gaming revenue is earned. Prize expenses for terminal games, excluding the Powerball, Mega Millions, and Fast Play, are accrued based on the draw liability associated with drawings for the specific games. Powerball's prize expenses are recorded at the rate of 50% of ticket sales. Mega Millions' prize expenses are recorded at rates ranging from 50% to 52.5% of regular and Mega-Plier sales. Fast Play's prize expenses are recorded when applicable winning tickets are sold. The accrued prize liability represents a payable for prize amounts that have not been claimed as of the fiscal year-end. Prize expenses for all games are reduced by the sum of lapsed prizes not claimed during the required period of 180 days from the sales draw date for terminal games and the respective game closing date for instant games.

(n) **Compensated Absences** --- In FY2025, the Lottery implemented GASB Statement No. 101, *Compensated Absences*, and now accrues for both vacation and sick leave benefits as they are earned by employees. The Lottery permits employees to accumulate earned but unused vacation and sick pay benefits based on length of service. Employees may be required to use any excess of 240 hours of vacation benefits by a specified date.

There is no maximum limit on the amount of unused sick pay benefits employees may accumulate. Under GASB 101, the Lottery recognizes a liability for accumulated vacation and sick leave benefits that are expected to be paid or used in the future. Lottery employees participating in the Federal Civil Service Retirement System program may convert sick pay benefits to additional service time at the rate of one month for every 176 hours of sick leave not used at the point of retirement.

(o) **Use of Estimates** --- The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure 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.

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NOTE 2 ACCOUNTS RECEIVABLE

The components of accounts receivable as of September 30, 2025 and 2024 were as follows:

	2025	2024
Due from Agents:		
Terminal Games	\$ 1,262	\$ 1,254
Instant Games	<u>2,166</u>	<u>2,174</u>
Total Due from Agents	3,428	3,428
Other	<u>645</u>	<u>576</u>
Total Accounts Receivable	<u><u>\$ 4,073</u></u>	<u><u>\$ 4,004</u></u>

NOTE 3 CAPITAL ASSETS

A summary of capital assets as of September 30, 2025 and 2024 is as follows:

	Balance as of October 1, 2024	Additions	Adjustments/ Dispositions	Balance as of September 30, 2025
Cost:				
Machinery and Equipment	1,643	-	-	1,643
Right-to-Use Asset - Equipment	<u>5,096</u>	<u>-</u>	<u>-</u>	<u>5,096</u>
Total Cost	<u><u>6,739</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>6,739</u></u>
Less: Accumulated Depreciation & Amortization				
Machinery and Equipment	(1,632)	(11)	-	(1,644)
Accumulated Amortization - RTUA	<u>(3,984)</u>	<u>(1,112)</u>	<u>-</u>	<u>(5,096)</u>
Total Accumulated Depr. & Amort.	<u><u>(5,616)</u></u>	<u><u>(1,123)</u></u>	<u><u>-</u></u>	<u><u>(6,739)</u></u>
Capital Assets – Net, including RTUA	<u><u>1,123</u></u>	<u><u>(1,123)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
	Balance as of October 1, 2023	Additions	Adjustments/ Dispositions	Balance as of September 30, 2024
Cost:				
Machinery and Equipment	1,643	-	-	1,643
Right-to-Use Asset - Equipment	<u>3,983</u>	<u>1,113</u>	<u>-</u>	<u>5,096</u>
Total Cost	<u><u>5,626</u></u>	<u><u>1,113</u></u>	<u><u>-</u></u>	<u><u>6,739</u></u>
Less: Accumulated Depreciation & Amortization				
Machinery and Equipment	(1,589)	(43)	-	(1,632)
Accumulated Amortization - RTUA	<u>(2,655)</u>	<u>(1,329)</u>	<u>-</u>	<u>(3,984)</u>
Total Accumulated Depr. & Amort.	<u><u>(4,244)</u></u>	<u><u>(1,372)</u></u>	<u><u>-</u></u>	<u><u>(5,616)</u></u>
Capital Assets – Net, including RTUA	<u><u>1,382</u></u>	<u><u>(259)</u></u>	<u><u>-</u></u>	<u><u>1,123</u></u>

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NOTE 4 MULTI-STATE LOTTERY ASSOCIATION (MUSL)

(a) *Background*

The Lottery is a member of the Multi-State Lottery Association (MUSL). MUSL has thirty-three (33) members and administers multi-state lottery games. Powerball was initiated on April 20, 1992 and is a semi- weekly pari-mutuel drawing with a minimum grand prize of \$20,000. All MUSL members remit a portion of their Powerball revenues to MUSL for the prize payments and administrative expenses of the game.

(b) *Restricted Investments and Obligations for Unpaid Prizes*

Powerball jackpot prizes are payable to winners in annual installments over 20 to 25 years. The Lottery is responsible for sending the annual payments to Powerball winners who purchased their winning tickets from the Lottery. MUSL is responsible for providing the Lottery cash to fund these installment payments.

The prize pool for Powerball consists of 50% of each drawing period's sales. Two percent of the prize pool is placed in a prize reserve fund and a set prize reserve fund. These reserve funds serve as contingency funds to protect MUSL from unforeseen liabilities. As of September 30, 2025, and 2024, the total Powerball prize reserve fund was approximately \$90,719, and \$87,055 respectively, of which the Lottery's share was approximately \$188, and \$192, respectively. In addition, the total Powerball set aside prize reserve fund as of September 30, 2025 and 2024 was approximately \$40,000 and \$40,000 respectively, of which the Lottery's share was approximately \$88, and \$84, respectively.

The prize pool for Mega Millions consists of 50% of each drawing period's sales. Two percent of the prize pool is placed in a prize reserve fund and a set prize reserve fund. These reserve funds serve as contingency funds to protect MUSL from unforeseen liabilities. As of September 30, 2025, and 2024, the total Mega Millions prize reserve fund was approximately \$98,757, and \$95,865, respectively, of which the Lottery's share was approximately \$208, and \$214, respectively.

The balance remaining in the reserve funds is refundable to MUSL members if a member leaves or if MUSL disbands. If a member leaves, the member must wait a year before their portion of the prize reserve funds is returned. The balance in the reserve funds may be used at the discretion of MUSL's Board of Directors. Accordingly, the Lottery's share of the reserve funds is not reflected in the accompanying financial statements.

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(c) *Credit Risk*

In order to control credit risk, the Lottery invests only in obligations of the United States Government or Agency securities. As of September 30, 2025, and 2024, the Lottery's investments in U.S. Government and agency securities were rated Aaa by Moody's Investor Service.

(d) *Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Lottery will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, or not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent, but not in the government's name. Lottery policy requires that a third-party custodian hold investment securities and the collateral underlying all investments, in the government's name. As of September 30, 2025, and 2024, the Lottery's investments were not exposed to custodial credit risk.

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NOTE 5 GAMING REVENUES AND EXPENSES

Gaming revenues and expenses for the fiscal years ended September 30, 2025 and 2024 were as follows:

Index Class	Gaming Revenue	Prizes	Retailer Commissions	Contractor Fee	Advertising	Gross Margin	Transfers
Fiscal Year 2025							
DC 3	\$ 30,384	\$ (15,145)	\$ (1,965)	\$ (1,208)	\$ (1,041)	\$ 1,025	\$ 6,474
DC TWO	303	(123)	(19)	(12)	(10)	138	81
DC FIVE	16,495	(6,992)	(932)	(656)	(565)	7,350	4,316
DC FOUR	44,331	(20,156)	(2,763)	(1,763)	(1,519)	18,130	10,646
FAST PLAY	8,319	(6,113)	(599)	(331)	(285)	991	582
INSTANT	43,415	(32,394)	(3,323)	(1,727)	(1,487)	4,485	2,634
THE LUCKY ONE	79	(50)	(5)	(3)	(3)	18	11
KENO	4,032	(2,513)	(276)	(160)	(138)	945	555
LUCKY 4 LIFE	2,823	(1,620)	(133)	(112)	(97)	861	506
MEGA MILLIONS	4,602	(2,292)	(240)	(183)	(158)	1,730	1,016
POWERBALL	7,505	(3,548)	(395)	(298)	(257)	3,007	1,766
RACE 2 RICHES	6,331	(4,341)	(434)	(252)	(217)	1,088	639
TAP-N-PLAY	1,549	(1,203)	(114)	(62)	(53)	118	69
e-INSTANTS	27,878	(24,215)		(1,109)	(955)	1,599	939
OTHER	1,485					1,485	
Total	\$ 199,531	\$ (120,705)	\$ (11,198)	\$ (7,876)	\$ (6,785)	\$ 52,970	\$ 30,232
Fiscal Year 2024							
DC 3	\$ 32,901	\$ (16,526)	\$ (2,134)	\$ (1,259)	\$ (1,412)	\$ 11,570	\$ 7,568
DC TWO	365	(355)	(29)	(14)	(16)	(49)	(32)
DC FIVE	17,526	(7,828)	(995)	(671)	(752)	7,280	4,762
DC FOUR	46,270	(26,493)	(3,033)	(1,770)	(1,986)	12,988	8,495
FAST PLAY	7,713	(5,995)	(565)	(295)	(331)	527	344
INSTANT	41,729	(30,944)	(3,146)	(1,596)	(1,791)	4,252	2,781
THE LUCKY ONE	89	(58)	(6)	(3)	(4)	18	12
KENO	4,304	(2,642)	(293)	(165)	(185)	1,019	667
LUCKY 4 LIFE	2,824	(1,608)	(104)	(108)	(121)	883	578
MEGA MILLIONS	5,316	(2,589)	(274)	(203)	(228)	2,022	1,321
POWERBALL	8,408	(4,006)	(366)	(322)	(361)	3,353	2,193
RACE 2 RICHES	6,141	(4,177)	(420)	(235)	(264)	1,045	684
TAP-N-PLAY	1,640	(1,270)	(120)	(63)	(71)	116	77
e-INSTANTS	30,242	(26,686)	-	(1,157)	(1,298)	1,101	720
OTHER	1,153	-	-	-	-	1,153	-
Total	\$ 206,621	\$ (131,177)	\$ (11,485)	\$ (7,861)	\$ (8,820)	\$ 47,278	\$ 30,170

GOVERNMENT OF THE DISTRICT OF COLUMBIA
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NOTE 6 TRANSFERS TO THE DISTRICT'S GENERAL FUND

In accordance with D.C. Code § 3–1312, the Chief Financial Officer shall first pay for the operation, administration, and capital expenses of the specific forms of gambling, including the payment of prizes to winners of the games. The remainder shall be paid over by the CFO, on a monthly basis, promptly after the 1st of the month for the preceding month, into the General Fund of the District of Columbia as general-purpose revenue funds of the District of Columbia. The Mayor may approve a change in the reserve limit, as necessary, upon the request of the Lottery. During the fiscal years ended September 30, 2025 and 2024, the Lottery's net transfers to the General Fund of the District were \$32,970, and \$39,350 respectively.

NOTE 7 LONG-TERM LIABILITIES

The following summarizes long-term liabilities as of September 30, 2025 and 2024:

	Balance as of 9/30/2024, restated	Additions	Reductions	Balance as of 9/30/2025	A mount Due Within One Year
Compensated Absences	807	197	-	1,004	255
Total Long-term Liabilities	<u>807</u>	<u>197</u>	<u>-</u>	<u>1,004</u>	<u>255</u>

	Balance as of 9/30/2023	Additions	Reductions	Balance as of 9/30/2024, restated	A mount Due Within One Year
Compensated Absences	894	756	(843)	807	205
Lease Payable Principal – Long-term	<u>1,336</u>	<u>-</u>	<u>(1,336)</u>	<u>-</u>	<u>-</u>
Total Long-term Liabilities	<u>2,230</u>	<u>756</u>	<u>(2,179)</u>	<u>807</u>	<u>205</u>

NOTE 8 LESSEE – LEASE LIABILITY

The Lottery has an agreement for the use of retail lottery equipment. As required by GASB Statement 87, *Leases*, the Lottery recorded a right-to-use leased asset and corresponding liability for this lease of \$3,983. In July of 2024, the lease was extended till July 2025 with the existing payment terms. In July 2025, the lease was extended for additional one year till July 2026 with the same payment terms. Since this was a short-term extension, a right-to-use leased asset and corresponding liability was not recorded.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
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NOTE 9 RETIREMENT PROGRAMS

(a) *Defined Benefit Pension Plan*

The majority of the full-time Lottery employees hired before October 1, 1987 are covered by the Federal Civil Service Retirement System. The Federal Civil Service Retirement System is a cost- sharing multiple employer pension plan.

The U.S. Office of Personnel Management is responsible for administering the Federal Civil Service Retirement System, including collecting the contributions and disbursing the benefits.

The Lottery contributes 7.0% and employees contribute 7.25% of employees' covered compensation to the Federal Civil Service Retirement System. Contributions by the Lottery amounted to \$9 and \$9 for the years ended September 30, 2025 and 2024, respectively. The number of Lottery employees covered under the Federal Civil Service Retirement System is 1.

(b) *Defined Contribution Plan*

All full-time employees hired after September 30, 1987 are covered by the District-sponsored defined contribution plan. Employees do not contribute to this plan and are eligible to participate after one year of service. The Lottery contributes 5% of an eligible employee's base salary, which amounted to \$359, and \$362 for the fiscal years ended September 30, 2025 and 2024, respectively.

Contributions and earnings vest fully after four years of service following a one-year waiting period. Contributions and earnings are forfeited if separation occurs before five years of credited service. These contributions are not considered assets of the Lottery or the District, which has no further liability to this plan.

(c) *Deferred Compensation Plan*

Lottery employees are eligible to participate in the District-sponsored deferred compensation plan (D.C. Code § 47-3601) created in accordance with Internal Revenue Code Section 457. Employees may defer an amount equal to or less than 100% of includible compensation or \$24 in 2025, and \$23 in 2024. Maximum annual contribution amounts are determined and set by the Internal Revenue Service (IRS). Compensation deferred, and income earned is taxable when paid or made available to the participant or beneficiary upon retirement, death, termination, or unforeseeable emergency. Contributions are not assets of the Lottery or District, which have no further liability to the plan.

NOTE 10 COMMITMENTS AND CONTINGENCIES

(a) *Risk of Loss*

The Lottery is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Lottery or District covers all the Lottery's claim settlements and judgments out of the Lottery revenues or the District's General Fund resources.

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NOTE 11 RELATED PARTY TRANSACTIONS

The Lottery usually has related party transactions with the Office of the Chief Financial Officer (OCFO) of the District of Columbia Government to provide financial and managerial oversight. These services included, but were not limited to, internal audit and internal security, legal, human resources, procurement, financial management, and executive management oversight services. The annual contractual cost was \$1,480, and \$1,248 in fiscal years 2025 and 2024, respectively. Other services provided by District Government entities at no cost to the Lottery include central processing of payroll, accounting, computer technology services, and the handling of intra-district transactions for rent, telephone, security guard services, etc. Personnel costs for these services are budgeted and accounted for as part of the respective entity's regular operations.

NOTE 12 LITIGATION

The Lottery is a defendant in legal claims arising from its normal operations. While the ultimate outcome of lawsuits cannot be predicted, it is the opinion of management and in-house counsel that the disposition of any litigation in which the Lottery is involved will not have a material adverse effect on the financial position, changes in financial position or cash flows of the Lottery.

NOTE 13 SUBSEQUENT EVENTS

The Lottery did not have any subsequent events that based on the facts and circumstances, required recording or disclosure in the financial statements for the year ended September 30, 2025. Events and transactions were evaluated through January 2, 2026, the date the financial statements were available to be issued.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor, Members of the Council of the Government of the District of Columbia,
the Management of the Office of Lottery and Gaming and
Inspector General of the Government of the District of Columbia
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Office of Lottery and Gaming (the Lottery), an enterprise fund of the Government of the District of Columbia, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements, and have issued our report thereon dated January 2, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lottery's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lottery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lottery's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Mayor, Members of the Council of the Government of the District of Columbia,
the Management of the Office of Lottery and Gaming and
Inspector General of the Government of the District of Columbia
Office of Lottery and Gaming

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lottery's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Arlington, Virginia
January 2, 2026

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