

Rhode Island Lottery

An Enterprise Fund of the State of Rhode Island



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025



Prepared by the Finance Department

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2025

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Introductory Section



Rhode Island Department of Revenue

Lottery Division

December 19, 2025

The Honorable Daniel McKee, Governor
Thomas Verdi, Director of Revenue
Citizens of the State of Rhode Island

We are pleased to present to you the ANNUAL COMPREHENSIVE FINANCIAL REPORT of the Rhode Island Lottery (the Lottery), an enterprise fund of the State of Rhode Island for the fiscal year ended June 30, 2025. This report has been prepared by the Finance Department of the Lottery. The Lottery is responsible for the accuracy of the financial data and the completeness and fairness of the presentation, including all disclosures.

The Lottery is a division of the Department of Revenue of the State of Rhode Island, and its financial statements are included in the State's Annual Comprehensive Financial Report. This report presents Lottery activity in a single enterprise fund. Only the activity of the Lottery, and no other data or information related to any other State agency or fund, is included in this report.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Lottery's MD&A can be found immediately following the report of the independent auditors.

The Lottery was created by Constitutional Amendment passed on November 6, 1973. The legislation to create the Lottery was passed in March of 1974, and the Lottery began in May of 1974. The Lottery is operated like a business within the framework of State laws and regulations. Like any business, the Lottery's goal is to maximize income. As a State agency, however, the challenge lies in accomplishing this while maintaining the trust and best interest of the citizens of Rhode Island. It is our goal to achieve both.

About Us



Located at 1425 Pontiac Avenue in Cranston, Rhode Island, the Rhode Island Lottery employs 106 employees to oversee all aspects of Lottery operations and gaming in the State of Rhode Island. The employees perform operational, regulatory, compliance, and oversight procedures to ensure compliance with statutory requirements for all levels of operations and product lines.

The Rhode Island Lottery is the largest voluntary source of income for the State, benefiting all who live, work and visit the Ocean State.

The Lottery began operations in May 1974 with its first drawing. In 1975, Rhode Island became the first state to have a weekly lottery television program. The Numbers Game was introduced in February 1976 and still continues today. The first instant ticket game was introduced in 1976, with On-line games starting in February 1978.

With the formation of the Multi-State Lottery Association (MUSL) in 1988, games like PowerBall®, April 1992, and Mega Millions®, January 2010, were introduced by the Lottery. Keno was introduced in the State in September 1992. Around the same time, Video Lottery (VLT's) operations were introduced at the State's two licensed facilities.

In June 2013, Table Game Operations began at the Lincoln, Rhode Island licensed facility, followed by the Tiverton, Rhode Island facility in 2018.

In late 2018, retail sportsbooks were opened at both licensed facilities. A digital remote sportsbook application was launched in September 2019. In April 2020 iLottery was introduced to the State, with offerings of eInstants and online Keno (iKeno).

In March 2024, iGaming operations commenced. iGaming offers players the ability to play online slot machines (iSlots) and online live table games (iTables) via the use of the internet through either their computer or mobile device.

The major purpose of the Lottery is to generate revenue for transfer to the State's General Fund in accordance with the General Laws of the State of Rhode Island for each Lottery line of business.

Since 1974, the Lottery has transferred more than \$9.6 billion to the State's General Fund, which supports almost every aspect of life in our State, from education and health care to public safety and the environment. Generally, as Lottery revenues increase for each line of business, the amount of prizes and commissions, as well as the remaining net income transfers to the General Fund also increase. So, you don't have to play the Lottery to reap its rewards.

In addition to the money generated for the General Fund, there are the sales commissions paid to the hard-working Lottery retailers; those business establishments, restaurants, and small stores across the State where Lottery products are sold. The Lottery generates and collects revenues for traditional lottery and monitor game sales from more than 1,067 licensed lottery retailers located throughout the State of Rhode Island.

The success of the Rhode Island Lottery would not be possible without the commitment of the Rhode Island Lottery retailers, our employees, and most of all our players. We encourage everyone to play responsibly and continue to enjoy the Lottery as it was intended when it started in 1974 - a fun, positive way to generate additional revenue for the State of Rhode Island.



Rhode Island Lottery Product Offerings

The Rhode Island Lottery provides the opportunity to participate in the following games:



Instant (or scratch) tickets are played by scratching the covering on the play area of a ticket. Each game has instructions for how to play and win. Most games involve matching numbers or symbols, adding together revealed amounts to beat a specified number, or revealing certain winning patterns. Instant ticket offerings in Rhode Island include card games, sports, money, whimsical and holiday themes. Also offered are extended play games including Crossword and Loteria, at various price denominations, and Bingo. Some games may offer second chance drawings for additional cash and merchandise prizes.



The Daily Numbers game has been very popular in Rhode Island since its inception in 1976. Players can wager on 2, 3, or 4 digits. Wagers on 3 and 4 digits can be played in exact or any order. Players can select their own numbers or utilize the computer "quick pick." The Daily Numbers drawing is televised live Sunday through Saturday at 7:29 p.m. Weekly and 30-day purchase options are available to players.

The Lottery added an Instant Match feature to the Daily Numbers game in September 2002. Instant Match offers the player the chance to win up to \$500 instantly on a Daily Numbers ticket, for an additional \$1 per wager.

In May 2014, the midday drawing was added offering additional wagers to the evening drawing. The midday drawing is held daily at 1:30 p.m., and players may view it on YouTube™



Keno was introduced in September of 1992 and quickly proved to be a very popular game. Players choose from one (1) to ten (10) spots, with a \$100,000 top prize. Players can select their own number selection or utilize the computer "quick pick." In January of 2000, Keno drawings increased from every 5 minutes to every 4 minutes. These Keno drawings occur from 5:00 a.m. to 12:45 a.m., Monday through Saturday, and 7:00 a.m. to 12:45 a.m. on Sunday. In April of 2001, Keno Plus was introduced. Players have the option to purchase this feature for the chance to increase their winnings by up to ten times, thus giving Keno players the potential to win up to \$1,000,000. Keno Overtime started in July 2017, and the Overtime round begins after each Keno draw. In the Overtime draw, 10 numbers are selected from the remaining 60 numbers. Players can win additional prizes of up to \$500,000 by matching the Overtime numbers. Players can place Keno wagers at Retailer or on the Lottery's website and mobile app.



Bingo is a monitor game drawn every 8 minutes that was introduced to the Rhode Island Lottery on October 14, 2012. The game is played on a traditional bingo style board, where players must make one of eight patterns to win a prize. For each drawing, 30 numbered balls are drawn. Players can wager \$1, \$2, \$5, or \$10 per board, with a top prize of \$100,000.



Powerball® is a Multi-State Lottery Association game that began in 1992 and is offered in forty-five states (including Rhode Island), plus the District of Columbia, Puerto Rico, and U.S. Virgin Islands. For \$2, players select “5 out of 69” numbers and a Powerball® “1 out of 26.” Players can select their own numbers or utilize a computer “quick pick.” Televised drawings are shown on Monday, Wednesday and Saturday at 10:59 p.m ET. The Powerball® jackpot grows until it is won. Players win a prize by matching one of the 9 ways to win. The jackpot is won by matching all five white balls in any order and the red ball. For an additional \$1, players can choose the Power Play® option to increase their non-jackpot prizes. The Power Play® feature is a random multiplier whereby players are able to win 2, 3, 4, 5 or 10 times the prize. The 10X multiplier is only available when the advertised annuity jackpots are \$150 million or less. The \$1 million prize for matching 5/5 white balls increases to a maximum of \$2 million when you purchase the Power Play®. The multiplier does not apply to the grand prize jackpot.



The Rhode Island Lottery began offering Mega Millions® on January 30, 2010, through its participation in the Multi-State Lottery Association. Mega Millions® is offered in forty-five states, plus the District of Columbia, and the U.S. Virgin Islands. The game was modified on April 5, 2025, with starting jackpots of \$50 million. For \$5 players select “5 out of 70” numbers and a Mega Ball “1 out of 24” or utilize a computer “quick pick.” Every play now includes an automatic random generated multiplier of 2X, 3X, 4X, 5X or 10X assigned at the time of purchase. Every winning ticket will pay at least 2X the prize. The base prize for matching just the Mega Ball and the prize for matching 1 number and the Mega Ball also increased to \$5 and \$7 respectively. Plus, with every non-jackpot prize being multiplied, players will now win \$10-\$50 just for matching the Mega Ball. The multiplier does not apply to a jackpot win



Wild Money is a Rhode Island-only jackpot game with a starting jackpot of \$20,000 that continues to grow until a player matches the 5 numbers drawn out of a field of 38. Each board costs \$1. Players can select their own numbers or utilize a computer “quick pick.” The first Wild Money jackpot of \$315,869 was won on April 13, 2002, and the highest jackpot was \$763,383 won on October 8, 2022. On July 12, 2022, the game changed from three (3) drawings per week to a daily televised drawing at 7:30 p.m.



The Lucky for Life[®] game is now offered in twenty-two states and the District of Columbia, including Rhode Island. Players select "5 out of 48" numbers and a Lucky ball "1 out of 18" and have a chance to win \$1,000 a day for life. There is also a second tier prize of \$25,000 a year for life. Each board costs \$2. Drawings are held daily at 10:30 p.m. and can be viewed on YouTube.



Video Lottery debuted in Rhode Island in September of 1992. There are a total of 4,900 video lottery terminals (VLTs) located in the State's two gaming facilities, Bally's Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. As of June 30, 2025, Twin River had 3,900 VLTs, and Bally's Tiverton Casino & Hotel had 1,000 VLTs in operation. Various virtual and multi-layer display games are offered on the VLTs.



Table gaming opened in Rhode Island in June 2013 at Bally's Lincoln Casino Resort. At June 30, 2025 there were 87 tables available at Lincoln offering traditional card and dice games, and 30 poker tables, which were added in December 2015. Bally's Tiverton Casino & Hotel opened in August 2018 offering 32 traditional card and dice table games. Hybrid stadium gaming was opened at Bally's Lincoln Casino Resort and Bally's Tiverton Casino & Hotel in September 2018 and October 2018, respectively. There are currently 27 terminals at Bally's Lincoln Casino Resort and 18 at Bally's Tiverton Casino & Hotel. Hybrid stadium gaming consists of electronic wagering terminals in a stadium seating configuration allowing blackjack, roulette and mini-baccarat to be played concurrently with a live dealer.



Sports wagering in Rhode Island commenced in November 2018 at Bally's Lincoln Casino Resort, and in December 2018 at Bally's Tiverton Casino & Hotel. Presently, patrons can wager in the Sportsbook or at wagering terminals throughout the casino floors at both venues. Wagers can be placed on professional and college teams for various sporting events. The types of wagers accepted are based on industry standards for each sporting event, such as; money line, points spreads, total points, teasers, round robins and futures. Also, in-game/in-play bets and propositions are also offered. The sportsbook online application began on September 4, 2019 offering players the option of placing wagers and receiving payouts via their mobile device and/or their computer provided they are gambling within the State boundaries.



iGaming operations commenced on March 1, 2024. iGaming offers players who are twenty-one (21) years or older, the ability to play, within the State of Rhode Island's borders, online slot machines (iSlots) and online live table games (iTables) via the use of the internet through either their computer or mobile device. As of June 30, 2025, there are 272 online slot games, and 6 live table games offered. As of October 2024, the live table games were offered 24/7.



The iLottery mobile application launched in April 2020 with online Keno (iKeno) and eInstant games being offered to players within the State of Rhode Island's borders. The iKeno game is the same Keno game available at retail locations. Players choose from one (1) to ten (10) spots. Twenty (20) numbers are drawn from a field of eighty (80), with drawings taking place every four (4) minutes. Wagers range from one dollar (\$1) to ten dollars (\$10) per draw. The traditional add-on features, Keno Plus and Keno Overtime, are available. There are more than eighty (80) different eInstants available for purchase. These games "play" in the same manner as traditional Instant Ticket offerings. Each eInstant game is available at prices ranging from fifty-cents (\$.50) to twenty dollars (\$20).



Pull Tabs

Rhode Island General Laws mandate that pull tab tickets be sold only by non-profit organizations. The Rhode Island Lottery oversees the sale of pull tab tickets to these groups.

Rhode Island Economic Outlook

Rhode Island's population had an approximate 1% increase over a twelve month period at approximately 1.1 million as of June 30, 2025. As of June 2025, the unemployment rate was 4.3%; which was slightly less than the national rate of 4.4%.

Lottery Industry Economic Outlook

The United States Lottery Industry experienced a decrease in fiscal year 2025 over the prior fiscal year. Based on unaudited figures from the North American Association of State & Provincial Lotteries (NASPL), sales decreased from \$113.5 billion in fiscal year 2024 to \$109.4 billion in fiscal year 2025, a 3.60% decrease.

Accomplishments

The Lottery's fiscal year 2025 total operating revenues experienced an increase as compared to fiscal year 2024:

- The Lottery transferred \$433.6 million to the State's General Fund in fiscal year 2025. A 1.7% increase as compared to prior year.
- Gross profit from gaming operations in fiscal 2025 increased by \$6.7 million over fiscal 2024.
- iGaming was successfully launched on March 1, 2024. iGaming generated \$20.8 million in gross profit in its first complete year of operations during fiscal year 2025.
- iLottery revenue experienced a 34.1% increase over fiscal year 2024.

Future Projects

- The Lottery is scheduled for an iLottery platform upgrade. This upgrade will allow the Lottery to offer all lottery products via online using either a computer, digital device, or smart device. Player's will then have the ability to play all Lottery gaming products, within State boundaries. The platform includes a new player management module, and system intergration with the Lottery's new online platform. This upgrade is scheduled for sometime during fiscal year 2026.
- The video central reporting system is scheduled for a platform upgrade. The upgraded system will be cloud-based, offering advancements to the existing platform, such as providing compliance tools designed to help adhere to regulatory requirements, reduce risks, streamline operations, and foster responsible gaming. This upgrade is scheduled for sometime during fiscal year 2026.

Financial Information

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Rhode Island Lottery for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2024. This was the twenty-eighth consecutive year that the Lottery has achieved this prestigious award (1997 through 2024). In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized ACFR. This report must comply with both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Rhode Island Lottery received a certificate on its first submission, in May of 1998, and on each subsequent attempt. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Accounting Systems and Policies

The Rhode Island Lottery operates the Lottery Fund, an enterprise fund that, like a private business, utilizes the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized at the time the related liabilities are incurred.

Budgetary Controls

The operating budget of the Rhode Island Lottery is submitted to the State Budget Office, through the Department of Revenue, for inclusion into the Governor's State Budget to the General Assembly. The State Budget is ultimately legally enacted by the General Assembly. Lottery financial management monitors actual expenditures for compliance with operational requirements, and with statutory expenditures and other statutes.

The Revenue Estimating Conferences continue to adopt revenue estimates for the Lottery, which are incorporated into the State Budget.

Internal Control Environment

Management of the Lottery is responsible for establishing and maintaining an internal control structure designed to meet the objectives that assets are protected from loss, theft, or misuse and that the accounting systems allow for complete, accurate and timely recording and reporting of financial information executed in accordance with management's authorization, in conformity with generally accepted accounting principles, and free of material misstatement. The structure is designed to provide reasonable assurance, rather than absolute assurance, that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management. Internal control over financial reporting is also designed to reduce to an acceptable level, the risk that errors or irregularities in amounts that would be material in relation to financial statements may occur and not be prevented, detected or corrected within a timely period by management or employees in the normal course of performing their assigned functions. Management believes the Lottery's internal control structure meets these objectives.

The Lottery operates and regulates video lottery activity, table gaming, sports wagering, and iGaming at the State's two casinos in Lincoln and Tiverton, controls the disbursements of prizes, and manages a valuable instant ticket inventory; the following steps are taken to ensure the integrity and security of operations:

- Employing a Director of Management Information Systems, with a staff of 9 individuals.
- Employing specialized security and law enforcement personnel.
- Maintaining secure Lottery facilities and limiting access to them.
- Performing background checks on retailers, vendors, and employees.
- Printing lottery tickets with special security features.
- Independent Information Technology security audits of Lottery networks.
- Providing a variety of access and other controls in Information Technology systems and environments.
- Maintaining operating policies and procedures.
- Processing daily transaction data of all retailer activity by Lottery personnel using the Lottery's internal control system programs and reconciling transactions to reports generated by the on-line system.
- Implementation of comprehensive information security objectives for the Lottery's on-line and video lottery systems as provided by its central system provider.
- Monitoring regulated casino procedures and controls over net table game revenue.
- Implementation of financial, operational, and compliance minimum internal control requirement standards for casino management.
- Independent testing of mobile and computer system functionality and wagering applications.

The Lottery currently has 106 employees, 46 of whom are located at the headquarters in Cranston, Rhode Island. Additionally, 38 employees are located at the Twin River Lincoln facility, and 22 employees are located at the Twin River Tiverton facility, each location operating and regulating table games to ensure compliance with Rhode Island statutory requirements and Lottery rules and regulations.

Independent Audit

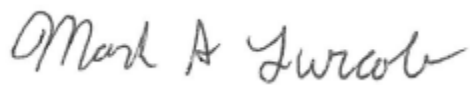
The Rhode Island General Laws require an annual audit to be performed by the State Auditor General. The fiscal year 2025 audit of the financial statements has been completed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. The Independent Auditor's Report on the Lottery's financial statements is included in the financial section of this report. In accordance with *Government Auditing Standards*, the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Perform in Accordance with *Government Auditing Standards*, was issued by the Auditor General.

Acknowledgements

Preparation of this report was accomplished with support and dedication from all members of the RI Lottery finance department.

This Annual Comprehensive Financial Report reflects our commitment to maintain the Rhode Island Lottery's financial statements and record keeping systems in compliance with the highest standards of accountability.

Respectfully submitted,



Mark A. Furcolo
Director



Anissa E. Colson
Finance Administrator



Government Finance Officers Association

Certificate of
Achievement for
Excellence in
Financial
Reporting

Presented to

Rhode Island Lottery

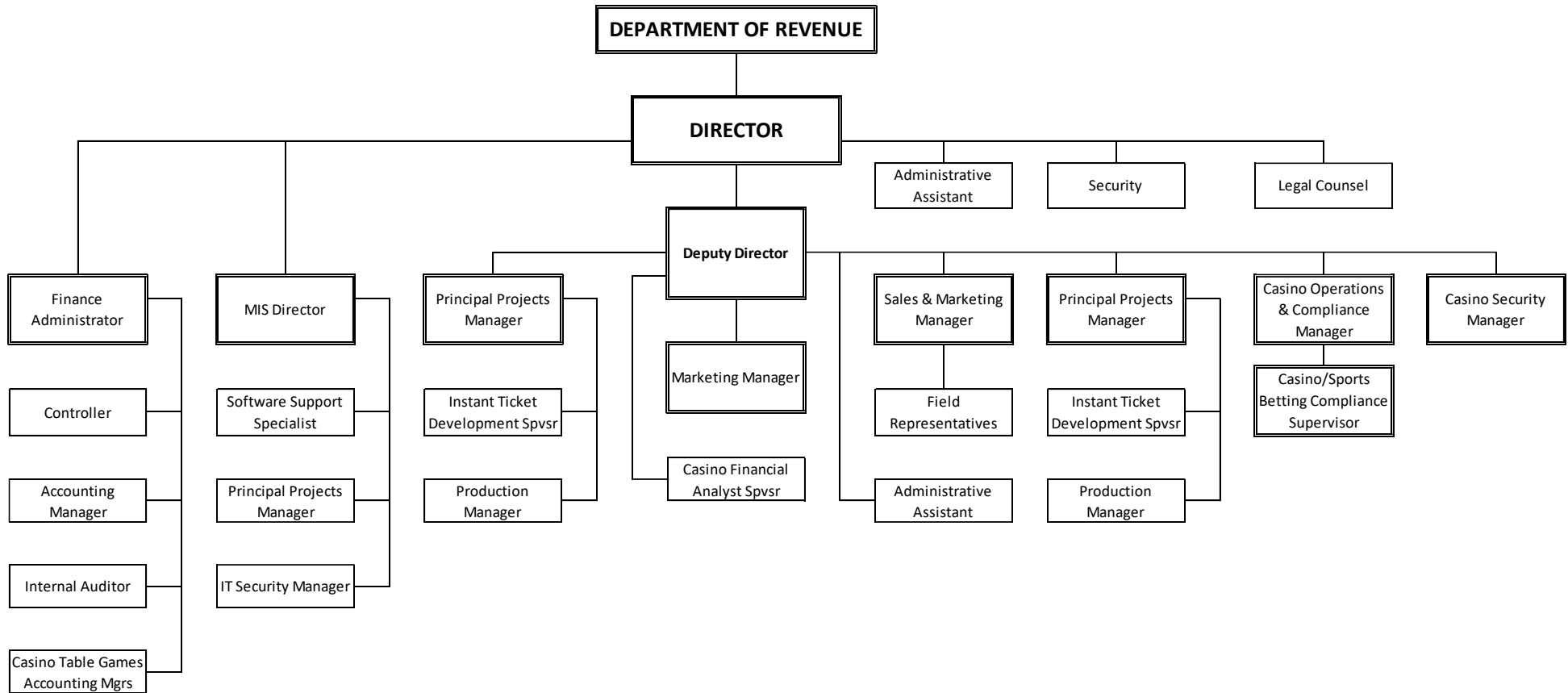
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

Rhode Island Lottery Organizational Chart June 30, 2025



PRINCIPAL OFFICIALS

Mark A. Furcolo

DIRECTOR

Michael C. O'Rourke

DEPUTY DIRECTOR

Anissa E. Colson

FINANCE ADMINISTRATOR

Joseph R. Santurri

DIRECTOR OF MANAGEMENT INFORMATION SYSTEMS

Keith J. Tucker

CASINO OPERATIONS AND COMPLIANCE MANAGER

David G. Kwetkowski

SALES AND MARKETING MANAGER

Melissa Juhnowski

MARKETING MANAGER

Valerie Morozov

GENERAL COUNSEL

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Financial Section



Office of the Auditor General

State of Rhode Island - General Assembly

David A. Bergantino, CPA, CFE – Auditor General

oag.ri.gov

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INDEPENDENT AUDITOR'S REPORT

Joint Committee on Legislative Services, General Assembly, State of Rhode Island:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Rhode Island Lottery (Lottery), an enterprise fund of the State of Rhode Island, as of and for the year ended June 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Lottery, as of June 30, 2025, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2(b), the financial statements present only the Lottery enterprise fund and do not purport to, and do not, present fairly the financial position of the State of Rhode Island, as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to this matter.

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 Lottery'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 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 auditor's report that includes our opinion. 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.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lottery'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 on pages 20 through 34, Schedule of the Lottery's Proportionate Share of the Net Pension Liability – Employees' Retirement System Plan on page 76, the Schedule of the Lottery's Contributions – Employees' Retirement System Plan on page 77, the Schedule of the Lottery's Proportionate Share of the Net OPEB Liability – State Employees' OPEB Plan on page 78, and the Schedule of the Lottery's Contributions – State Employees' OPEB Plan on page 79 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lottery's basic financial statements. The supplementary information included in Schedule 1 details operating revenue and related costs of gaming operations and is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, Schedule 1 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In conjunction with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 October 20, 2025 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 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.



David A. Bergantino, CPA, CFE
Auditor General

October 20, 2025, except for the Other Information section of our report, as to which this date is December 19, 2025

RHODE ISLAND LOTTERY

Management's Discussion and Analysis

Management of the Rhode Island Lottery (Lottery) provides this *Management's Discussion and Analysis* of their financial performance for the readers of the Lottery's financial statements. This narrative provides an overview of the Lottery's financial activity for the fiscal year ended June 30, 2025. This *Management's Discussion and Analysis* is to be considered in conjunction with the financial statements to provide an objective analysis of the Lottery's financial activities based on facts, decisions, and conditions currently facing management.

Understanding the Lottery's Financial Statements

The Lottery, a division of the Department of Revenue of the State of Rhode Island (State), is accounted for as an enterprise fund that reports all assets and liabilities using the accrual basis of accounting, much like a private business entity. In accordance with accounting principles generally accepted in the United States of America, this report consists of a series of financial statements, along with notes to the financial statements and a supplementary schedule detailing operating revenue and the cost of gaming operations for each lottery game. The financial statements immediately follow this *Management's Discussion and Analysis* and are designed to highlight the Lottery's net position and changes in net position resulting from Lottery operations.

The most important relationship demonstrated within the Lottery's financial statements is the requirement that the Lottery transfer net income to the State's General Fund. Accordingly, the primary focus of these financial statements is determining net income available for payment to the State's General Fund, rather than the change in net position of the Lottery. It is also important to note that most financial statement balances have a direct relationship to revenue. Generally, as lottery revenues increase for a particular game, the related amount paid to the State's General Fund also increases. Similarly, increases in revenue for a particular lottery game result in direct increases to the related prize awards and commissions expense.

Most assets included on the Statement of Net Position, with the exception of the upfront payments relating to the IGT Master Contract described below, represent current amounts such as cash and accounts receivable from Lottery retailers. The upfront payments have been deposited into cash equivalent financial instruments pending transfer to the State General fund as the Lottery recognized revenue over the life of the contract extension. Most current liabilities represent prize awards owed, vendor commission payments, and amounts due to the State's General Fund. Current assets approximate the amounts required to satisfy current liabilities at year-end.

Non-current assets consist of the Lottery's capital assets and a long-term lease receivable relating to the technology provider's rental of space in the Lottery's Cranston, RI location. Non-current liabilities consist mostly of net pension and OPEB liabilities, and unearned contract revenue totaling \$23.6 million. In February 2022, the Lottery executed the Eighth Amendment to the Master Contract with IGT Global Solutions (IGT). This amendment required IGT to pay \$27 million (up-front payment) to be the exclusive provider to the Lottery of its products and services for the 20-year contract extension period (excluding online sports wagering which is governed by a separate contract with IGT). In accordance with the amendment, the Lottery received the two up-front payments of \$13.5 million, respectively, on June 29, 2023, and June 26, 2024. These payments were recorded as unearned contract revenue and are recognized pro-rata over the term of the extended contract.

RHODE ISLAND LOTTERY

Management's Discussion and Analysis

The deficit in net position of \$17.7 million reported at June 30, 2025 relates to the Lottery's recognition of net pension and OPEB liabilities in accordance with government accounting standards. This net position (deficit) represents the Lottery's recognition of its proportionate share of the net pension liability and net OPEB liability (inclusive of related deferred inflows and outflows) as of June 30, 2025, as a participating employer in the Employees' Retirement System Pension Plan (Pension Plan) and the State Employees' OPEB Plan (OPEB Plan). Further details of the Lottery's net pension liability and net OPEB liability can be found in the notes to the financial statements.

Financial Highlights

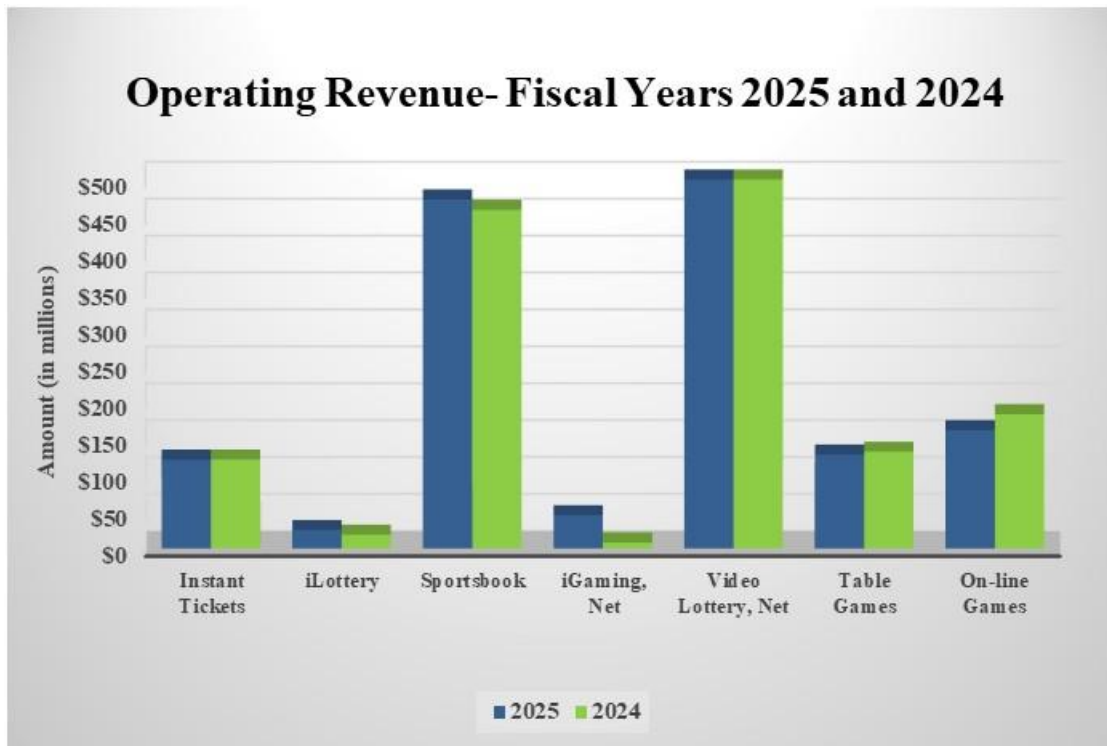
- The Lottery transferred \$433.6 million to the State's General Fund in fiscal year 2025 as compared to \$426.4 million in fiscal year 2024, which represents a 1.7% increase.
- Gross profit from gaming operations in fiscal 2025 increased by \$6.7 million over fiscal 2024.
- iGaming was successfully launched on March 1, 2024. iGaming generated \$20.8 million in gross profit in its first complete year of operations during fiscal year 2025.
- Table games net revenue at the Lottery's two licensed casinos decreased 3.0% over fiscal 2024.
- Video lottery net revenue at the Lottery's two licensed casinos decreased 0.6% over fiscal 2024.
- Sportsbook net revenue (hold) decreased 2.0% over fiscal 2024.
- An overall 12.0% decrease in on-line games revenue included:
 - Keno game revenue remained relatively consistent, while Bingo game revenue increased 28.5% over the prior year.
 - The multi-state jackpot driven games, Powerball® and Mega Millions®, had revenue decreases 50.1% and 21.0%, respectively, over fiscal 2024. These significant revenue decreases were largely attributed to a reduction in jackpot drawings with jackpots advertised in excess of \$1 billion in fiscal 2025 compared to fiscal 2024.
 - Wild Money experienced a revenue increase of 7.4% compared to the prior year.
 - The Daily Numbers revenue experienced a 5.6% decrease over fiscal year 2024.
 - Lucky for Life® revenues increased 2.7% over fiscal year 2024.
- iLottery revenue experienced a 34.1% increase over fiscal year 2024.
- Instant games revenue remained constant with fiscal year 2024.

RHODE ISLAND LOTTERY

Management's Discussion and Analysis

- In addition to revenue from gaming activities, the Lottery recognized \$1.4 million in contract revenue relating to the extension of its Master Gaming Agreement with IGT. The Lottery recognizes a pro-rata share of the upfront payments made in relation to the contract extension over the 20-year term of the agreement which gets transferred to the General Fund when earned.
- The Lottery received \$3.0 million in relation to revenue protection provisions relating to agreements with the Lottery's gaming contract partners. These provisions are detailed in Note 14, Contingencies.

The following graph depicts the Lottery's operating revenue for instant tickets, iLottery, sportsbook, iGaming, video lottery, table games, and on-line games for fiscal 2025 compared to fiscal 2024.



RHODE ISLAND LOTTERY

Management's Discussion and Analysis

Analysis of Comparative Financial Position

The Lottery's net position (deficit) at June 30, 2025 and June 30, 2024 is summarized below:

	June 30, 2025	June 30, 2024
Assets:		
Current assets		
Cash and cash equivalents	\$ 54,366,374	\$ 58,190,607
Accounts receivable, net	11,320,231	15,047,590
Lease receivable	89,307	83,621
Due from State's General Fund	-	18,089
Other	1,355,312	1,789,550
Total current assets	67,131,224	75,129,457
Non-current assets		
Capital assets, net	551,526	853,097
Long-term lease receivable	2,063,124	2,152,430
Total non-current assets	2,614,650	3,005,527
Total assets	69,745,874	78,134,984
Deferred outflows of resources:		
Deferred outflows of resources - pension	3,185,660	3,077,889
Deferred outflows of resources - OPEB	773,133	804,959
Total deferred outflows of resources	3,958,793	3,882,848
Liabilities:		
Current liabilities		
Cash and cash equivalents overdraft	\$ -	\$ 32,735
Due to State's General Fund - net income from operations	5,119,003	6,228,371
Due to State's General Fund - operating expenses	66,251	-
Accounts payable	16,300,200	21,427,471
Obligation for unpaid prize awards	11,294,905	14,554,361
Lease liability	337,249	323,715
Compensated absences	781,167	353,713
Other liabilities	8,930,367	7,375,911
Total current liabilities	42,829,142	50,296,277
Non-current liabilities		
Compensated absences	1,254,568	370,147
Net pension liability	17,838,432	17,761,691
Net OPEB liability	1,274,404	1,911,167
Long-term lease liability	-	337,249
Unearned contract revenue	23,553,947	24,939,474
Total non-current liabilities	43,921,351	45,319,728
Total liabilities	86,750,493	95,616,005
Deferred inflows of resources:		
Deferred inflows of resources - pension	1,097,616	856,084
Deferred inflows of resources - OPEB	1,471,760	1,219,199
Deferred inflows of resources - leases	2,108,218	2,191,838
Total deferred inflows of resources	4,677,594	4,267,121
Net position (deficit):		
Net investment in capital assets	214,277	192,133
Unrestricted	(17,937,697)	(18,057,427)
Total net position (deficit)	\$ (17,723,420)	\$ (17,865,294)

RHODE ISLAND LOTTERY

Management's Discussion and Analysis

The majority of the Lottery's assets represent current resources necessary to pay the current liabilities owed to vendors, prize winners, and ultimately the State's General Fund. At June 30, 2025, the Lottery's assets included \$54.4 million in cash and cash equivalents as compared with \$58.2 million at June 30, 2024. The Lottery's accounts receivable approximated \$11.3 million and \$15.0 million, respectively, at June 30, 2025 and 2024.

The Lottery's current liabilities at the balance sheet date are amounts owed for vendor payables and prize obligations. The amount owed at June 30, 2025, to the General Fund for June 2025 net operations approximated \$5.1 million. At June 30, 2025, vendor payables, made up largely of commissions (video lottery, table games, sportsbook, iGaming, and online) and prize obligations (attributable mostly to instant ticket games, video and sportsbook) were \$16.3 million and \$11.3 million, respectively. In comparison, vendor payables and prize obligations at June 30, 2024 were \$21.4 million and \$14.6 million, respectively.

Contract revenue represents the two (2) upfront payments received at the end of June 2023 and June 2024 from the technology provider relating to the 20-year extension of its exclusive contract to operate the Lottery's on-line (traditional lottery games) and video lottery gaming systems, as well as the rights to provide video lottery terminals (technology provider) through the formation of a VLT joint venture. The payments are being recognized as revenue over the contract extension; 20 years for the first payment and 19 years for the second payment.

The Lottery's net pension liability increased by \$0.1 million at June 30, 2025 as compared to June 30, 2024. The net pension liability increase resulted from increases in the total pension liability resulting from benefit changes offset by an increase in the plan's fiduciary net position at the June 30, 2024 measurement date.

The Lottery net OPEB liability decreased by \$0.6 million at June 30, 2025 as compared to June 30, 2024. The net OPEB liability decrease was mainly attributable to a significant increase in the OPEB plan's fiduciary net position at the June 30, 2024 measurement date. Increases in the fiduciary net position of the pension and OPEB plans related to significant net investment income recognized during fiscal 2024.

Deferred outflows of resources related to pension and OPEB remained consistent in fiscal 2025 compared to fiscal 2024. Deferred inflows of resources related to pension and OPEB increased in fiscal 2025 compared to fiscal 2024 primarily due to increases in deferrals relating to the net difference between projected and actual investment earnings over the prior measurement date. Pension and OPEB deferred inflows and outflows of resources smooth the recognition of certain plan changes over time rather than recognizing them immediately in pension and OPEB expense.

Deferred inflows of resources relating to leases in fiscal 2025 decreased by the expected reduction in future revenue anticipated from that leasing arrangement.

The deficit in net position, reported at June 30, 2025, of \$17.7 million represents the Lottery's proportionate share of the net pension liability and net OPEB liability as a participating employer in the State Employees' Pension and OPEB Plans. As required by RI General Laws, the Lottery's transfer to the State's General Fund is based on net income reflecting the actuarially determined employer contribution to the Pension Plan and OPEB Plan. Net income reported in the Lottery's financial statements reflects the recognition of pension expense and OPEB expense in accordance with generally accepted accounting principles.

RHODE ISLAND LOTTERY

Management's Discussion and Analysis

Lottery Operations

	June 30, 2025	June 30, 2024 *
Operating revenue:		
Games reported - gross revenue		
On-line games	\$ 160,223,788	\$ 181,973,458
Instant games	120,380,958	120,466,945
iLottery	24,874,558	18,544,313
Sportsbook	472,921,629	458,813,890
Games reported - revenue net of related prize awards		
Video lottery	519,218,219	522,521,365
Table games	127,185,036	131,054,281
iGaming	44,993,915	7,882,774
Other operating revenue	1,004,349	909,644
Total operating revenue	<u>1,470,802,452</u>	<u>1,442,166,670</u>
Cost of gaming operations:		
Prize awards expense/payouts	636,352,847	625,432,797
Commissions	384,546,799	374,291,250
Incentive programs, video lottery	3,598,924	4,152,984
Marketing/advertising expense	6,395,659	4,351,540
Cost of tickets	1,164,393	972,546
Transaction fees - online wagering	730,659	760,323
Unclaimed prize recovery	(5,197,262)	(4,295,135)
Total cost of gaming operations	<u>1,027,592,019</u>	<u>1,005,666,305</u>
Gross Profit	<u>443,210,433</u>	<u>436,500,365</u>
Operating expenses:		
Salaries and benefits	15,669,158	12,140,557
Depreciation and amortization	395,251	435,443
Problem gambling expenses	1,004,349	909,644
Other	1,815,086	1,568,660
Total operating expenses	<u>18,883,844</u>	<u>15,054,304</u>
Operating Income	<u>424,326,589</u>	<u>421,446,061</u>
Non-operating income (expenses):		
Investment income	3,577,908	3,417,257
Other income (expenses) - net	<u>5,738,687</u>	<u>2,327,503</u>
Income before transfers	433,643,184	427,190,821
Transfers to State's General Fund	(433,594,991)	(426,419,555)
Transfers from RI Capital Plan Fund	<u>93,681</u>	<u>-</u>
Increase (decrease) in net position	141,874	771,266
Total net position (deficit), beginning of year	<u>(17,865,294)</u>	<u>(18,636,560)</u>
Total net position (deficit), end of year	<u>\$ (17,723,420)</u>	<u>\$ (17,865,294)</u>
* See Note 2(o) for an explanation of the change in presentation.		

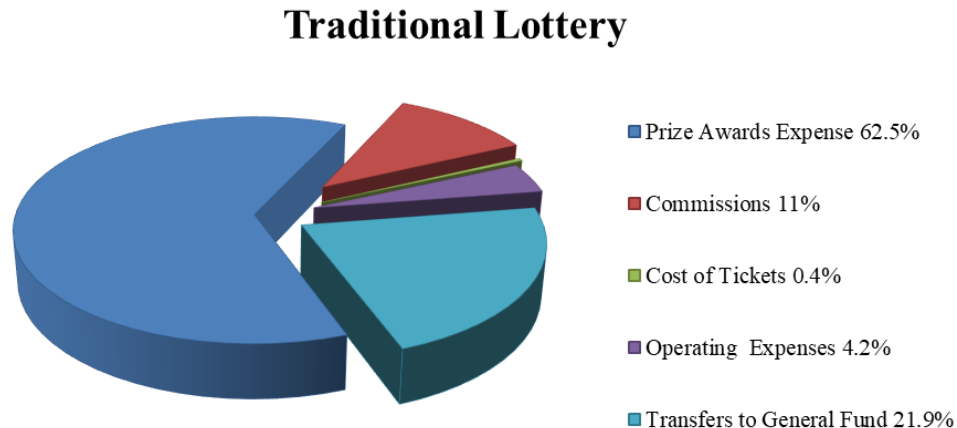
RHODE ISLAND LOTTERY

Management's Discussion and Analysis

Revenue

Traditional Lottery

- Traditional Lottery games consist of on-line, instant ticket games, and iLottery. Distribution of the year's traditional lottery revenue was as follows:



- On-line games offered during fiscal year 2025 were Powerball®, Mega Millions®, Wild Money, Daily Numbers, Lucky for Life®, and the monitor games, Keno and Bingo. The overall annual decrease for on-line games was 12.0% as compared to fiscal year 2024.
- The multi-state jackpot driven games, Powerball® and Mega Millions®, had revenue decreases 50.1% and 21.0%, respectively, over fiscal 2024. These significant revenue decreases were largely attributed to a reduction in jackpot drawings with jackpots advertised in excess of \$1 billion in fiscal 2025 compared to fiscal 2024.
- Wild Money and Lucky for Life® experienced 7.4% and 2.7% increases, respectively in revenue as compared to prior year. The Daily Numbers revenue experienced a 5.6% decrease over prior year. Keno revenue decreased 0.1%, while Bingo game revenue increased 28.5% over the prior year.
- Instant ticket revenue for fiscal 2025 revenues remained constant with fiscal year 2024. The Lottery continues to offer many instant ticket products at various price points. The Lottery's neighboring states have experienced the same results. During fiscal year 2025, the Lottery launched twenty-four (24) new games, which included two license games: "The Three Stooges®" and "Jaws®" both with \$5 price points.
- iLottery offerings during fiscal year 2025 included eInstant games and iKeno. iLottery revenue for fiscal year 2025 increased 34.1% over fiscal year 2024. This increase was due mostly to increased eInstant product offerings, along with higher prize payouts. iLottery also experienced proportional increases in prize awards and commissions during fiscal 2025, resulting in \$3.3 million in gross profit, a 7.2% increase over fiscal 2024.

RHODE ISLAND LOTTERY

Management's Discussion and Analysis

The following graph depicts the Lottery's on-line sales for the fiscal years ended June 30, 2025, and 2024.

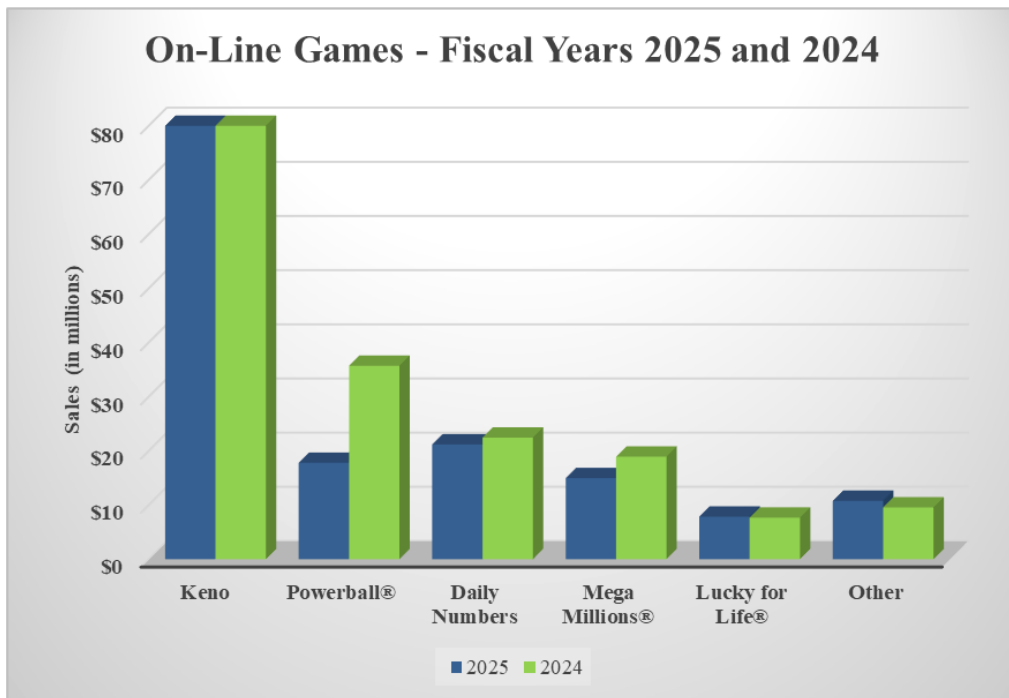
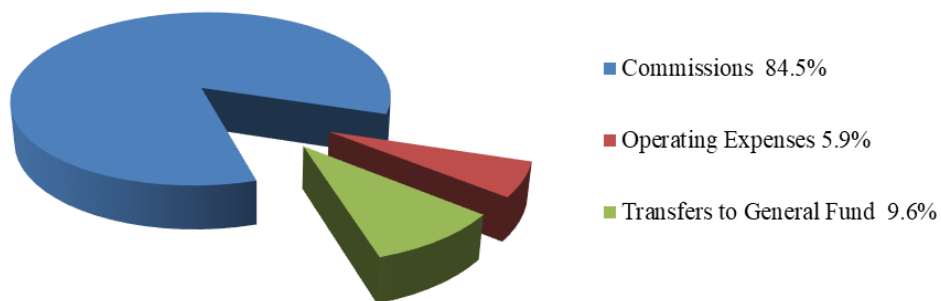


Table Games

For fiscal 2025, net table games revenue was \$127.2 million, a decrease of 3.0% compared to the prior year. Table games are operated exclusively at the State's two licensed casinos: Bally's Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. The decrease is attributed to several contributing factors, including a slowing economy, persistent inflation, diminished consumer disposable income, and increased competition. Gross profit for table games for fiscal year 2025 was \$19.7 million.

Distribution of the year's net table game revenue was as follows:

Table Games - Net Revenue Distribution



RHODE ISLAND LOTTERY

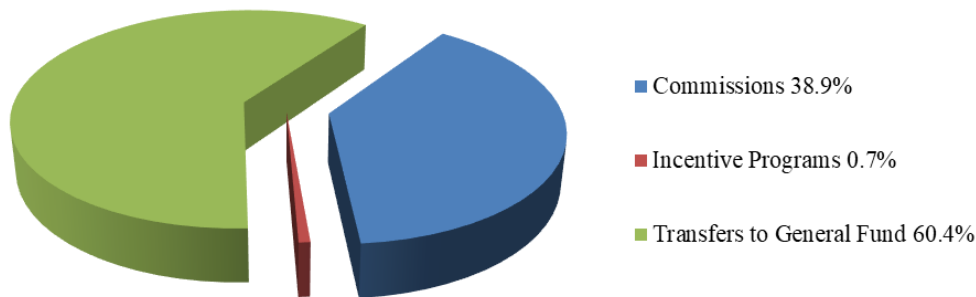
Management's Discussion and Analysis

Video Lottery

Net revenue from video lottery terminals for fiscal year 2025 amounted to \$519.2 million, a decrease of \$3.3 million, or 0.6%, from the prior year. Similar to table games, this decline reflects broader economic pressures and competitive market forces. VLT operations are conducted at both Bally's Lincoln and Bally's Tiverton facilities, with the Lincoln location offering approximately 3,900 machines and Tiverton hosting 1,000 units throughout the fiscal year. After deducting commissions and marketing expenses, \$313.6 million in gross profit was transferred to the State General Fund.

Distribution of the year's video lottery net revenue was as follows:

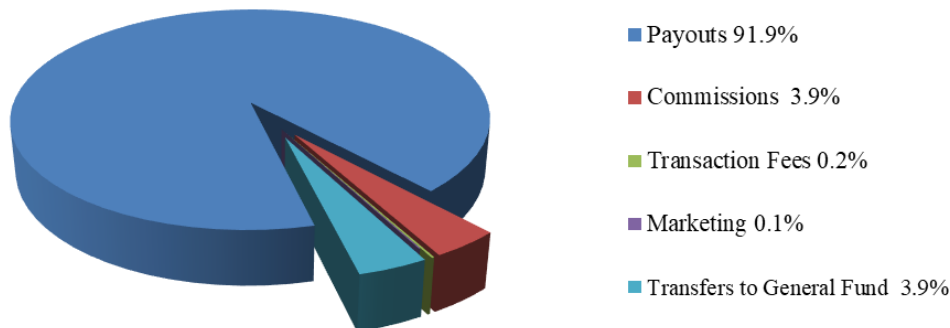
Video Lottery - Net Revenue Distribution



Sportsbook

Sportsbook net revenue (hold)—defined as wagers less payouts—was \$37.8 million for fiscal year 2025, reflecting a 2.0% decrease compared to fiscal year 2024. Total wagers (handle) reached \$472.9 million, with \$395.2 million (approximately 84%) generated through online and mobile platforms. After deducting payouts, commissions, online wagering transaction fees, and marketing expenses, \$18.6 million was transferred to the State General Fund. The year-over-year decline in sportsbook revenue is primarily due to increased competition from neighboring states.

Sportsbook

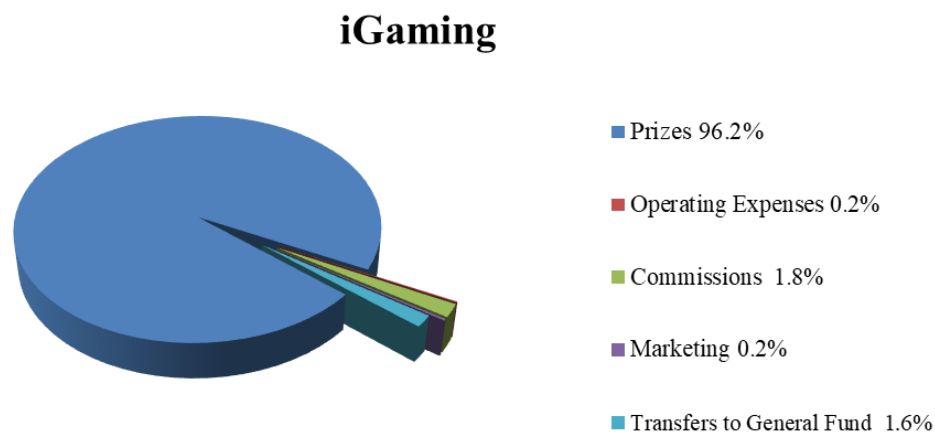


RHODE ISLAND LOTTERY

Management's Discussion and Analysis

iGaming

iGaming operations commenced on March 1, 2024. iGaming offers players who are twenty-one (21) years or older, and wager within the State boundaries, the ability to play online slot machines (iSlots) and online live table games (iTables) via the use of the internet through either their computer or mobile device. As of June 30, 2025, 272 online slot games, and 6 live tables games were offered. Live table games consisted of Blackjack, Roulette, and Speed Baccarat. As of June 30, 2025, iGaming net gaming revenue wagers minus prizes, before operating and allocable expenses totaled approximately \$45.0 million. Total iGaming revenue (handle) for fiscal year 2025 was \$1.2 billion. Net income transferred to the State General Fund from iGaming, after deducting commissions, marketing, and personnel and administrative expenses was \$19.3 million.

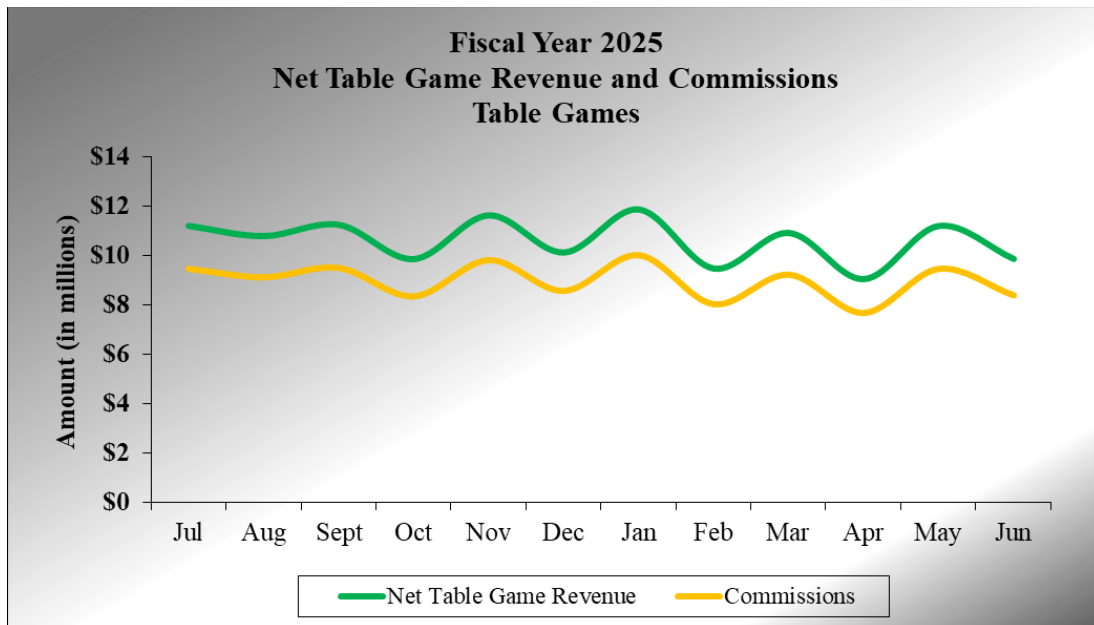
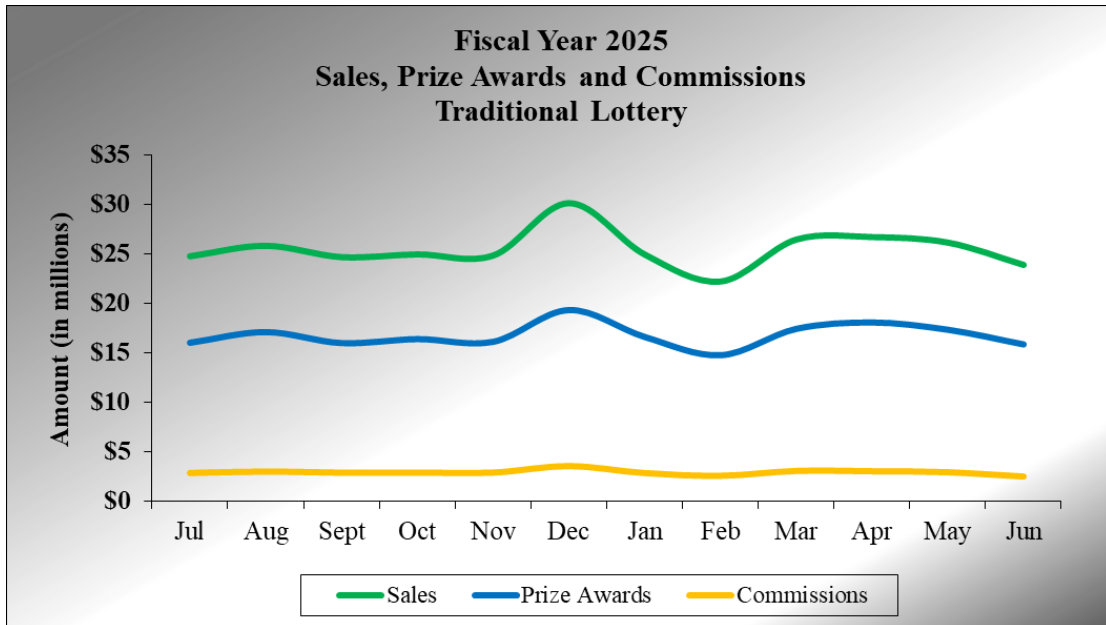


Commissions and Prize Awards Expense

As the following graphs depict, the Lottery's most significant expenses (commissions and prize awards) are predictable because they have a direct correlation to sales. As lottery revenues increase, so do the related prizes and commissions paid by the Lottery. While each game has a designed prize payout structure, the overall amount paid as prize awards expense is consistent in relation to sales. Similarly, since awarded commissions are revenue based, commissions expense increases and decreases along with revenue. The following graphs for each game type illustrate the relationship between revenue, prize awards, and commissions throughout the fiscal year. The illustration shows how the revenue and expenses increase and decrease consistently by month. For those games where revenue is reported net of prize awards, only commissions expense is presented with revenue.

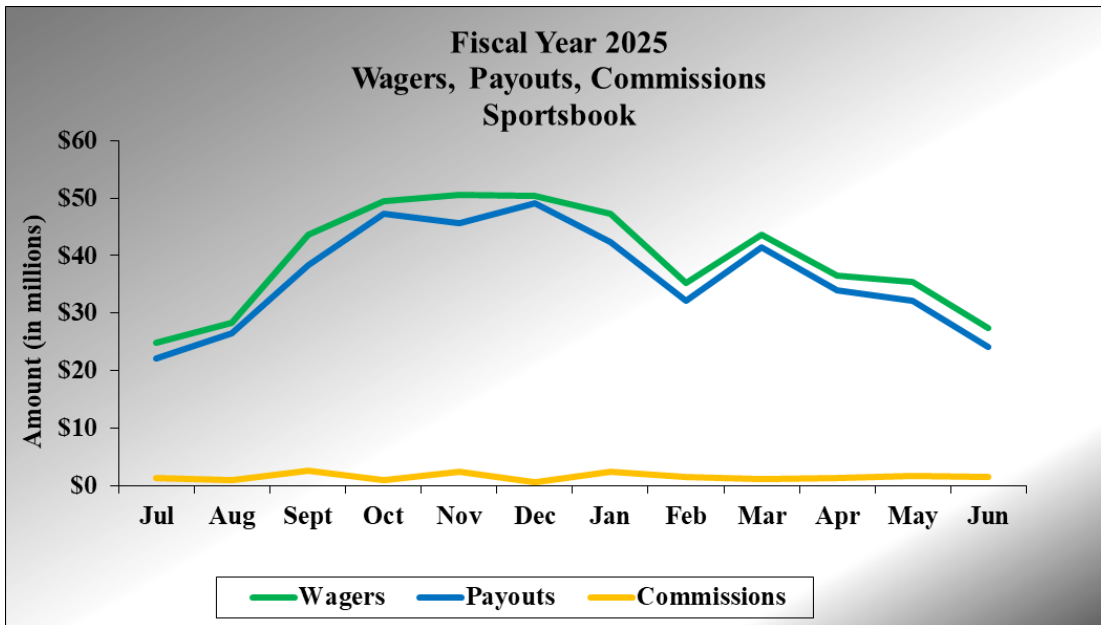
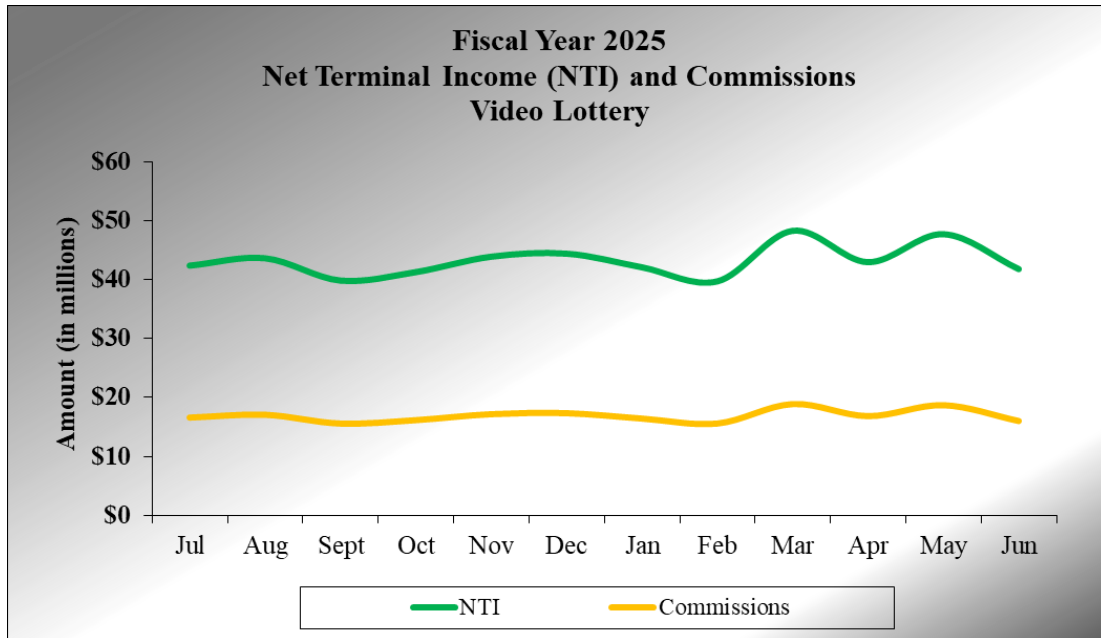
RHODE ISLAND LOTTERY

Management's Discussion and Analysis



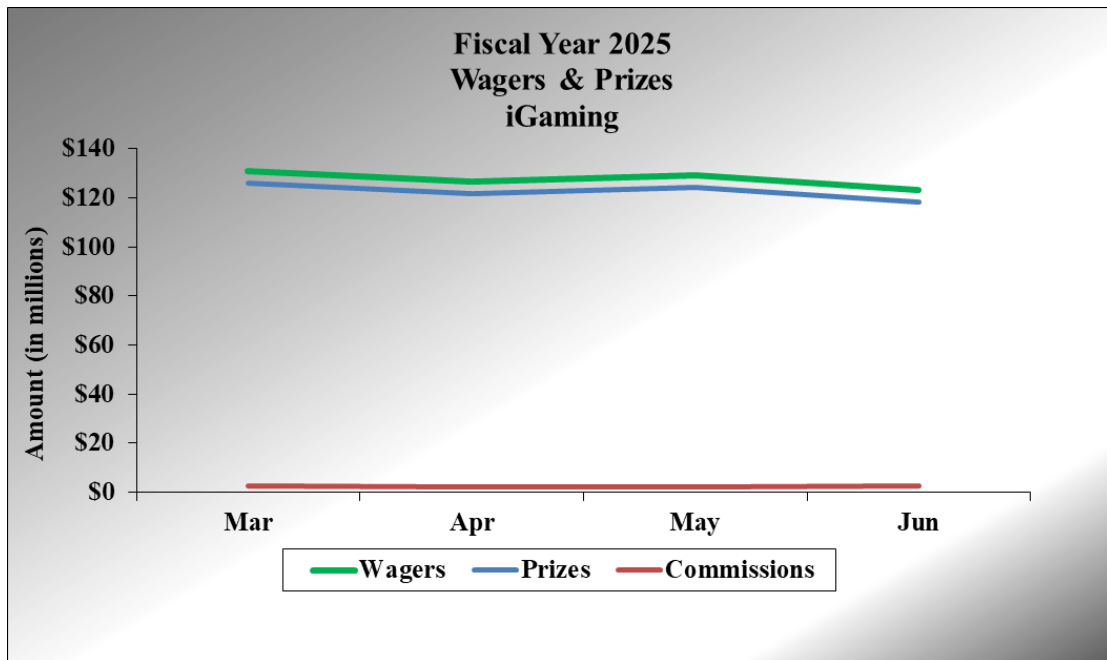
RHODE ISLAND LOTTERY

Management's Discussion and Analysis



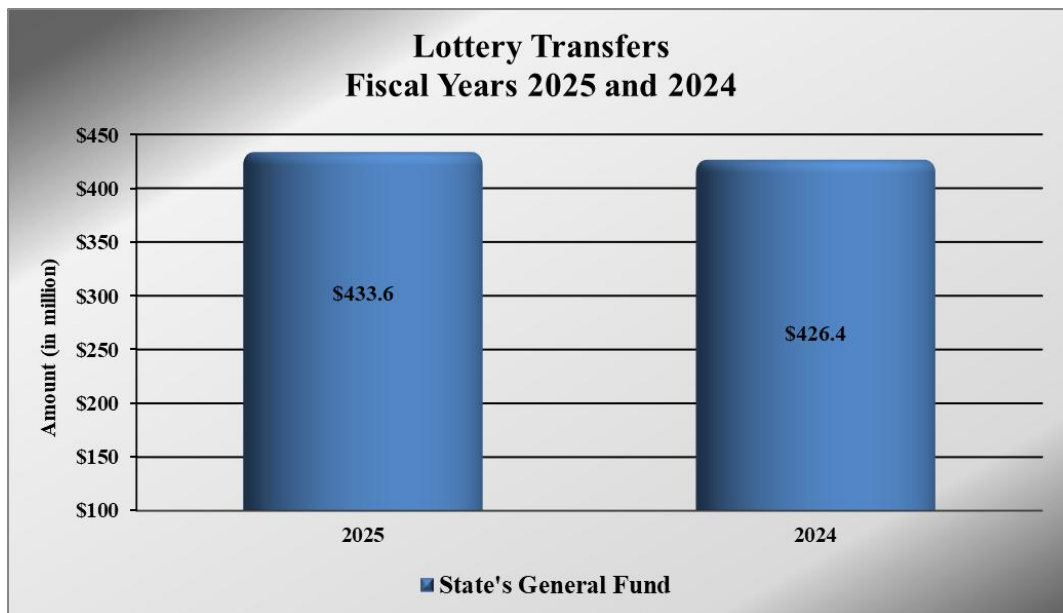
RHODE ISLAND LOTTERY

Management's Discussion and Analysis



Lottery Transfers

Net income transferred by the Lottery for the fiscal years 2025 and 2024 was \$433.6 million and \$426.4 million, respectively. All fiscal 2025 transfers were made by the Lottery directly to the State's General Fund, as required by the General Laws. As previously discussed, there were various reasons why certain Lottery game offerings experienced decreases and increases year over year, resulting in an overall 1.7% increase in the Lottery's 2025 Transfer to the General Fund, as compared to the prior year. iGaming being the primary factor for the increase, while the jackpot driven games, video lottery, table games, and the sportsbook resulted in decreases.



RHODE ISLAND LOTTERY

Management's Discussion and Analysis

Debt Administration

Jackpot prizes awarded under Powerball® and Mega Millions® are satisfied through investments purchased by the Multi-State Lottery Association (MUSL). MUSL purchases U.S. government obligations, which are held in irrevocable trusts established by MUSL for the benefit of participating state lotteries. Accordingly, the Lottery does not record an obligation for Powerball® and Mega Millions® jackpot awards which are payable in installments from funds provided by MUSL.

The Lucky for Life® game offers top and second prize winners an annuity or cash option payment. If the annuity option is selected by the winner, the Lucky for Life® game requires each selling lottery to purchase an insurance annuity to fully fund the top and second prizes won in that state. All participating lotteries share in the cost of the insurance annuity or cash option; however, the selling lottery is responsible for settling the top and second prize liabilities. Annuities shall be purchased in accordance with the applicable laws of the state purchasing the annuity. Qualified insurance companies must meet the minimum rating requirements established by each participating state. Rhode Island plans to purchase its annuities for any future top prize winners selecting this option through MUSL from an insurance company with an AM Best rating of A or better. Rhode Island has purchased its second prize winners' annuities through MUSL in accordance with insurance company rating requirements.

The Lottery leases outdoor advertising structures under a long-term, non-cancelable lease agreement. During the year, the Lottery paid all required lease payments. For further information, refer to Notes to Financial Statements, Note 12.

Annuity instant ticket games offer top prize winners an annuity or cash option payment. If the annuity option is selected by the winner, the Lottery will either purchase an annuity contract from an insurance company to fund its liability for the installment prize award or if the installment prize payment is minimal, then the Lottery will fund its liability from current operating funds. All annuities shall be purchased in accordance with applicable State laws, and the insurance company must meet the minimum rating requirements of AM Best: A or better. An annuity contract represents an obligation by the insurance company to provide a series of payments over future periods. Annuity contracts are subject to credit risk. If an annuity is purchased, investments for prize payments will be recorded based on the present value of the annuity contract at terms to yield a series of future payments required to meet the obligations of the Lottery for prize disbursements. Amounts recorded as prize expense will reflect the cost of both the annuity contracts necessary to satisfy either installment prize awards or single payment awards.

Capital Assets

The Lottery purchases and maintains property and equipment necessary to sell lottery products, pay prizes and perform other lottery operations. For further information, refer to Notes to Financial Statements, Note 4.

Potential Factors Impacting Future Operations

The Lottery generates revenue to maximize payments to the State's General Fund, and, accordingly, a continuous assessment of the State's financial environment and the Lottery's product lines and operations is essential to accomplish this mission. The following considerations have been presented to inform those interested in the Lottery's operations about potential factors that could affect future operations:

RHODE ISLAND LOTTERY

Management's Discussion and Analysis

- In February 2022, the Lottery executed the Eighth Amendment to the IGT Master Contract with IGT Global Solutions Corporation (IGT), extending the contract to June 30, 2043, including agreements related to online gaming, the video lottery central computer system, the video lottery technology provider license, instant tickets and related vending machine agreement, and the website services agreement. This extension included various provisions that will have an impact on the future operations of the Lottery, obligating IGT for continued technological investments over the long-term agreement to ensure that the Lottery can offer the latest products to its patrons in the continually evolving gaming market. Additional expansion of the iLottery gaming platform is planned for some time in fiscal year 2026. This expansion would include additional traditional lottery products, to add to the current offerings of eInstant games and iKeno. Replacement of the Lottery's video lottery central communication system is expected in fiscal year 2026.
- The State's licensed casinos are under growing competitive pressure as Connecticut and Massachusetts expand their gaming options, including legalized sports wagering. Massachusetts is expected to implement iLottery in the spring of 2026, as well as legislative consideration of some additional iGaming bills. Meanwhile, the Mashpee Wampanoag Tribe opened a Welcome Center in East Taunton in January 2025 with ten (10) gaming machines. That number has increased to 50. Effective July 2025, hours have been extended, now operating 7 days a week. The Tribe has a proposal in place seeking to further expand the number of gaming machines to 250. The State continues to monitor these developments and is adapting its marketing and promotional strategies to protect gaming revenues.
- In February 2026, the Lottery is scheduled to replace the Lucky for Life[®] game with a new product offering, Millionaire for Life[™]. The game parameters, price point, prize structure have not been finalized to date, however this game will be a multi-state draw game which will be analogous to Lucky for Life[®].
- Rhode Island signed into law a smoking ban inside all state casinos, with full ban taking effect on January 1, 2027, with the exception of one "pari mutual facility smoking lounge" located within the facility.

Contacting the Lottery's Financial Management

This financial report is designed to provide a general overview of the Lottery's financial activity for all those interested in the Lottery's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Administrator, Rhode Island Lottery, 1425 Pontiac Avenue, Cranston, RI, 02920.

RHODE ISLAND LOTTERY

Statement of Net Position

June 30, 2025

Assets

Current assets:

Cash and cash equivalents (note 3)	\$ 54,366,374
Accounts receivable-less allowance for doubtful accounts of \$189,155	11,320,231
Lease receivable (note 12)	89,307
Ticket inventory	995,780
Deposits with Multi-State Lottery Association (MUSL) (note 1)	48,303
Other current assets	311,229
Total current assets	<u>67,131,224</u>

Non-current assets:

Capital assets, net (note 4)	551,526
Long-term lease receivable (note 12)	2,063,124
Total non-current assets	<u>2,614,650</u>
Total assets	<u>69,745,874</u>

Deferred outflows of resources

Deferred outflows of resources - pension (note 9)	3,185,660
Deferred outflows of resources - OPEB (note 10)	773,133
Total deferred outflows of resources	<u>3,958,793</u>

Liabilities

Current liabilities:

Due to State's General Fund - net income from operations (note 5)	\$ 5,119,003
Due to State's General Fund - operating expenses (note 5)	66,251
Accounts payable	16,300,200
Obligation for unpaid prize awards	11,294,905
Lease liability	337,249
Accrued expenses	6,756,778
Compensated absences (note 7)	781,167
Advances for future drawings and events	788,063
Unearned contract revenue (note 2)	1,385,526
Total current liabilities	<u>42,829,142</u>

Non-current liabilities:

Compensated absences (note 7)	1,254,568
Net pension liability (note 9)	17,838,432
Net OPEB liability (note 10)	1,274,404
Unearned contract revenue (note 2)	23,553,947
Total non-current liabilities	<u>43,921,351</u>
Total liabilities	<u>86,750,493</u>

Deferred inflows of resources

Deferred inflows of resources - pension (note 9)	1,097,616
Deferred inflows of resources - OPEB (note 10)	1,471,760
Deferred inflows of resources - leases (note 12)	2,108,218
Total deferred inflows of resources	<u>4,677,594</u>

Net position (deficit)

Net investment in capital assets (note 8)	214,277
Unrestricted (deficit) (note 8)	<u>(17,937,697)</u>
Total net position (deficit)	<u>\$ (17,723,420)</u>

See accompanying notes to financial statements.

RHODE ISLAND LOTTERY

Statement of Revenue, Expenses and Changes in Net Position Year Ended June 30, 2025

Operating revenue (schedule 1):

Games reported - gross revenue	
On-line games	\$ 160,223,788
Instant games	120,380,958
iLottery	24,874,558
Sportsbook	472,921,629
Games reported - revenue net of related prize awards	
Video lottery (note 2)	519,218,219
Table games (note 2)	127,185,036
iGaming (note 2)	44,993,915
Other operating revenue	<u>1,004,349</u>
Total operating revenue	<u>1,470,802,452</u>

Cost of gaming operations (schedule 1):

Prize awards expense/payouts (on-line, instant, iLottery, and sportsbook)	636,352,847
Commissions (note 6)	384,546,799
Incentive programs, video lottery	3,598,924
Marketing/advertising expense	6,395,659
Cost of tickets	1,164,393
Transaction fees - online wagering	730,659
Unclaimed prize recovery	<u>(5,197,262)</u>
Total cost of gaming operations	<u>1,027,592,019</u>
Gross profit	<u>443,210,433</u>

Operating expenses:

Salaries and benefits	15,669,158
Depreciation and amortization	395,251
Problem gambling expenses	1,004,349
Other	<u>1,815,086</u>
Total operating expenses	<u>18,883,844</u>
Operating income	<u>424,326,589</u>

Non-operating income (expenses):

Investment income	3,577,908
Other income (expenses) - net	<u>5,738,687</u>
Income before transfers	433,643,184

Transfer to State's General Fund (note 5) (433,594,991)

Transfer from RI Capital Plan Fund 93,681

Increase in net position 141,874

Total net position (deficit), beginning of year (17,865,294)

Total net position (deficit), end of year (note 8) \$ (17,723,420)

See accompanying notes to financial statements.

RHODE ISLAND LOTTERYStatement of Cash Flows
Year Ended June 30, 2025

Cash flows from operating activities:	
Receipts from lottery sales, online and instant games	\$ 280,173,026
Receipts from iLottery sales	24,808,321
Receipts from sportsbook	473,129,591
Receipts from iGaming (net of prizes)	44,090,486
Receipts from video lottery operations (net of prizes)	523,669,992
Receipts from table games (net of prizes)	127,697,350
Receipts from MUSL for grand prize winners	1,079,672
Receipts from problem gambling program	1,028,946
Other receipts	4,456,773
Payments for on-line and instant ticket prizes	(179,296,514)
Payments for iLottery prizes	(20,282,172)
Payments for sportsbook payouts	(434,836,355)
Payments for commissions - retailers	(12,747,067)
Payments for commissions - sportsbook	(18,424,377)
Payments for commissions - iGaming	(20,583,683)
Payments for commissions - video lottery	(204,849,229)
Payments for commissions - table games	(107,171,663)
Payments to MUSL grand prize winners	(1,079,672)
Payments for commissions - on-line games contractor	(22,961,105)
Payments to facilities - video lottery incentive program	(4,152,984)
Payments to suppliers for goods and services	(11,578,862)
Payments to employees for services	(14,418,125)
Net cash provided by operating activities	<u>427,752,349</u>
Cash flows from noncapital financing activities:	
Repayment of cash overdraft	(32,735)
Transfers to State's General Fund	<u>(434,704,359)</u>
Net cash used for noncapital financing activities	<u>(434,737,094)</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(93,681)
Payments for lease obligations	<u>(323,715)</u>
Net cash used for capital and related financing activities	<u>(417,396)</u>
Cash flows from investing activities:	
Interest income	<u>3,577,908</u>
Net cash provided by investing activities	<u>3,577,908</u>
Net decrease in cash and cash equivalents	(3,824,233)
Cash and cash equivalents at July 1, 2024	<u>58,190,607</u>
Cash and cash equivalents at June 30, 2025	<u><u>\$ 54,366,374</u></u>
See accompanying notes to financial statements.	

Continued.

RHODE ISLAND LOTTERY
Statement of Cash Flows (Continued)
Year Ended June 30, 2025

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 424,326,589
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation and amortization	395,252
Miscellaneous receipts classified as operating activities	18,463
Rental income and other receipts	4,428,379
(Increase) decrease in assets and deferred outflows of resources:	
Accounts receivable	3,727,358
Lease receivable	83,620
Inventory	411,189
Deposits with MUSL	(2,027)
Prepaid expense	480
Deferred outflows of resources - pension	(107,771)
Deferred outflows of resources - OPEB	31,826
Increase (decrease) in liabilities and deferred inflows of resources:	
Due from State's General Fund - operating expenses	84,340
Obligation for unpaid prize awards	(3,259,456)
Accounts payable	(5,127,272)
Accrued expenses and other	2,851,875
Advances for future drawings and events	39,053
Net pension liability	76,741
Net OPEB liability	(636,763)
Deferred inflows of resources - pension	241,532
Deferred inflows of resources - OPEB	252,561
Deferred inflows of resources - leases	(83,620)
Total adjustments	3,425,760
Net cash provided by operating activities	\$ 427,752,349

See accompanying notes to financial statements.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(1) Organization

The Lottery was created in 1974 under the General Laws of the State of Rhode Island (General Laws) to establish and operate lottery games for the purpose of generating resources for the State's General Fund. The Lottery is a division of the Department of Revenue of the State of Rhode Island (the State).

The Lottery offers the following games to the public:

(A) On-line (lottery drawing) games that include:

- i) Traditional in-state drawing games including Daily Numbers – Midday and Evening, Keno, Bingo, and Wild Money. The drawings for these games are administered by the Rhode Island Lottery and offer patrons set prize amounts or smaller progressive jackpots. Keno and Bingo are considered monitor games where drawings are held every 4 and 8 minutes, respectively, on “monitors” in sales locations across the State.
- ii) Multi-state games, which include Powerball® and Mega Millions®, are operated in accordance with rules and agreements established by the Multi-State Lottery Association (MUSL). These games offer jackpot prize awards to patrons in participating states. Specific details regarding the operations of these games are as follows:

(a) *Powerball®*

Powerball® is a Multi-State Lottery Association game offered in forty-five states (including Rhode Island), plus the District of Columbia, Puerto Rico, and U.S. Virgin Islands. The Lottery sells Powerball® tickets, collects all revenues, and remits prize funds to MUSL net of low-tier prize awards. Grand prizes shall be paid, at the election of the player made no later than sixty (60) days after the player becomes entitled to the prize, with either a per-winner annuity or lump-sum cash distribution. If the payment election is not made at the time of purchase and is not made by the player within sixty (60) days after the player becomes entitled to the prize, then the prize shall be paid as an annuity prize. Annual installments are satisfied through investments purchased by MUSL. MUSL purchases U.S. government obligations, which are held in irrevocable trusts established by MUSL for the benefit of participating state lotteries. Accordingly, the Lottery does not record an obligation for jackpot awards which are payable in installments from funds provided by MUSL.

The prize pool for Powerball® is 50% of each drawing period's ticket sales. MUSL may place up to 5% of each drawing period's ticket sales for Powerball®, included as part of each member's prize liability, in prize reserve funds. The prize reserve deduction begins at 2% when an annuity jackpot exceeds \$120 million and 4% when an annuity jackpot exceeds \$250 million. The maximum balance on the prize reserve funds for Powerball® is \$140 million. Once the prize reserve funds exceed this designated amount, the excess becomes part of the prize pool. The prize reserve funds serve as a contingency reserve to protect MUSL from unforeseen prize liabilities, and these reserve funds are to be used at the discretion of the MUSL Board of Directors. The prize reserve funds are refundable to MUSL members if MUSL disbands or if a member leaves MUSL. Members leaving MUSL must wait one year before receiving their remaining share, if any, of prize reserve funds.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(1) Organization - (Continued)

At any time that the Grand Prize Carry Forward Pool (GPCFP) is below forty-five million dollars (\$45,000,000) prior to a drawing, the GPCFP deduction from a Party Lottery's Grand Prize Pool (GPP) contribution for that drawing shall be equal to a maximum of four percent (4%) of a Party Lottery's sales when the annuity Grand Prize exceeds one hundred twenty million dollars (\$120,000,000). The GPCFP percentage shall be reduced by the percentage of sales being actually contributed to the Set-Aside Pool (SAP), Set Prize Reserve Account (SPRA), or the Prize Reserve Account (PRA). At any time that the GPCFP exceeds forty-five million dollars (\$45,000,000) prior to a drawing, there shall be no GPCFP deduction for that drawing.

At June 30, 2025, the prize reserve funds for the Powerball® game reported a balance of \$90.7 million of which the Lottery's share was \$0.6 million. The Lottery records amounts, which are placed into the prize reserve funds, as prize awards expense when the related sales occur.

All investment earnings relating to the prize reserve funds are credited to an unreserved account for each member state. This account can be utilized to offset operating costs or for the promotion of any MUSL game as approved by the MUSL Board of Directors. The Lottery has recorded all income and operating expenses related to its unreserved account and has reported the balance of \$48,303 at June 30, 2025, on the Statement of Net Position as "Deposits with MUSL".

(b) *Mega Millions*®

MUSL participates as a member (or party) lottery of the Mega Millions® Product Group (a group of lotteries participating under an agreement between the Mega Millions® lotteries and MUSL to offer the Mega Millions® game within their state jurisdictions). Mega Millions® is offered in forty-five states, plus the District of Columbia, and the U.S. Virgin Islands. The Rhode Island Lottery participates as a member of MUSL, in the sale of tickets, payment of prizes, and associated activities related to the Mega Millions® lottery game. As such, the Lottery sells Mega Millions® tickets, collects all revenues, and remits prize funds to MUSL net of low-tier prizes. Grand prizes shall be paid, at the election of the player made no later than sixty (60) days after the player becomes entitled to the prize, with either a per-winner annuity or lump-sum cash distribution. If the payment election is not made at the time of purchase and is not made by the player within sixty (60) days after the player becomes entitled to the prize, then the prize shall be paid as an annuity prize. Annual installments are satisfied through investments purchased by MUSL. MUSL purchases U.S. government obligations, which are held in irrevocable trusts established by MUSL for the benefit of participating lotteries. Accordingly, the Lottery does not record an obligation for jackpot awards which are payable in installments from funds provided by MUSL.

On April 5, 2025, the Mega Millions® game was modified. The new variation of the game offers larger, faster growing jackpots, with a starting jackpot of \$50 million. The cost to play increased to \$5, however, every play now includes an automatic random generated multiplier of 2X, 3X, 4X, 5X, or 10X assigned at the time of purchase. Every winning ticket will pay at least 2X the prize. The base prize for matching just the Mega Ball and the prize for matching 1 number and the Mega Ball also increased to \$5 and \$7 respectively. Plus, with every non-jackpot prize being multiplied, players will now win \$10-\$50 just for matching the Mega Ball. The multiplier does not apply to a jackpot win.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(1) Organization - (Continued)

The prize pool for Mega Millions[®] shall consist of up to 55% of each drawing period's ticket sales. An amount of up to 5% of each drawing period's ticket sales may be placed in one or more prize pool reserve accounts. The maximum prize reserve account is \$100 million. At June 30, 2025, the prize reserve account for the Mega Millions[®] game reported a balance of \$98.3 million of which the Lottery's share was \$.6 million. The Lottery records amounts, which are placed into the prize reserve funds, as prize awards expense when the related sales occur.

- iii) Lucky for Life[®], which is offered in twenty-two states and the District of Columbia, operates under an agreement between the six New England states ("New England Lotteries") and seventeen other participating lotteries (collectively referred to as the "Licensee Lotteries") to offer the Lucky for Life[®] game with a top prize of \$1,000 per day for life. The Lottery sells Lucky for Life[®] tickets, collects all revenues, and pays prizes based on its share of total sales, as a party lottery operating the game. The party lotteries have entered into an agreement with MUSL to administer certain aspects of the game. MUSL communicates and collects the share of prize amounts owed by each party lottery. The top prize and second prize are paid in accordance with official game rules and are shared based on each state's percentage of sales in proportion to the total top prize liability. Total low-tier prizes are shared based on a percentage of sales in proportion to the total low-tier prize liability.

Top Prize Settlement

All top prizes are funded through the purchase of insurance annuities with an alternative cash option. For the annuity option, top prizes are based on a \$365,000 deferred annuity paid annually based on the winner's natural life with a minimum payment period of 20 years. If there is more than one top prize winner, up to 14 winners, the annuitized prize will be split equally, including the number of top prize winners exercising the cash option, with a minimum value of \$500 per week to each winner exercising the annuity option.

For top prizes claimed in Rhode Island, the Lottery will utilize MUSL to purchase insurance annuities to satisfy the prize liability. The Lottery has adopted the following minimum qualification requirements for insurance companies providing insurance annuities for top prize winners:

- An AM Best rating of A or better;
- At least \$100 million in capital and surplus;
- At least \$1 billion in assets per the balance sheet of the company's most recently audited financial statements prepared by an independent certified public accountant; and
- A National Association of Insurance Commissioners' (NAIC) risk-based capital (RBC) rating of 200% or greater.

In the event of default on an insurance annuity for a Rhode Island winner, the Lottery may be contingently liable for any remaining prize amounts due the winner.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(1) Organization - (Continued)

As an alternative to the annuitized payment option, the top prize winner may request the top prize cash option payment of \$5,750,000. If there is more than one top prize winner, the top prize cash option will be divided by the total number of prize winners, including top prize winners selecting the annuitized payment option.

If more than fourteen top prize winners, the top prize liability is capped at \$7,125,000 and shall be split equally among all top prize winners and paid in one lump sum cash payment, without an annuitized option. The minimum prize value for this category shall not be less than any lower tier prize paid in that respective drawing.

Second Tier Prize Settlement

For up to 20 second prize winners, including those who exercise the cash option, the annuity payment option will be \$25,000 per year for life to second prize winners exercising the annuity option. For up to 20 second prize winners, including those who exercise the annuity option, the cash option will be set forth as published to each second prize winner exercising the cash option.

If more than 20 second prize winners, the second prize liability shall be capped at \$9,400,000 and shall be split equally among all second prize winners and paid in one lump sum cash payment, without an annuitized option. The minimum prize value for this category shall be not less than any lower tier prize paid in that respective drawing.

- (B) Instant (or scratch) ticket offerings sold through licensed lottery retailers include a wide array of themed games, card games, crosswords, and others, where patrons must match two or three of a kind, get like symbols or bonus features, or meet other game requirements to win the prize shown. The Lottery offers winners of some top tier prizes the option of receiving an annuity or a lump sum cash payment option.
- (C) iLottery mobile and online offerings currently include eInstants and iKeno. Players create an eWallet account to fund their player accounts and play iLottery offerings within geographical boundaries of the State of Rhode Island.
- (D) Video lottery games are generally operated through 4,900 video lottery terminals (VLTs) at two licensed facilities, Bally's Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. Video lottery offers various virtual and multi-layer display games, hosting a wide array of card and theme games to the public.
- (E) Table games are operated at Bally's Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. Chapter 42-61.2 of the General Laws authorizes the State to operate casino gaming, and the Lottery to promulgate rules and regulations and set policy for table gaming. This chapter stipulates the allocation of net table game revenue. Consistent with the General Laws, net table game revenue is deposited in the State Lottery Fund for administrative purposes with commissions distributed to Bally's Twin River Lincoln Casino Resort, Bally's Tiverton Casino & Hotel, and the Towns of Lincoln and Tiverton with the balance remitted to the General Fund.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(1) Organization - (Continued)

- (F) Sportsbook wagering is offered at in-person retail sportsbooks located at both Bally's Lincoln Casino Resort and at Bally's Tiverton Casino & Hotel, and via mobile and online devices provided they wager within the State boundaries. The sportsbook offers multiple wagering opportunities for professional and college events (excluding the individual performance statistics of athletes in a collegiate sports or athletic event which is part of a collegiate tournament that takes place in Rhode Island; or in which any Rhode Island college or university team participates regardless of where the event takes place), Olympic or international sporting events, etc. in line with industry standards. Chapter 42-61.2 of the General Laws authorizes the State, through the Lottery, to implement, operate, conduct, and control sports wagering at the Bally's Lincoln Casino Resort and at Bally's Tiverton Casino & Hotel. The State, through the Lottery, has full operational control, as defined by the statute.
- (G) iGaming wagering commenced on March 1, 2024. Chapter 42-61.2 of the General Laws authorizes the State, through the Lottery, to implement, operate, conduct, and control iGaming at Bally's Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. iGaming offers players who are twenty-one (21) years or older, and wager within the State boundaries, the ability to play online slot machines (iSlots) and online live table games (iTables) via the use of the internet through either their computer or mobile device. As of June 30, 2025, 272 online slot games, and 6 live tables games were offered. Live table games consisted of Blackjack, Roulette, and Speed Baccarat.
- (H) Prize payout percentages and amounts required to be paid to the State's General Fund as stipulated in the General Laws are summarized below for the various games operated by the Lottery.

<u>Game</u>	<u>Prize Payout</u>	<u>Mandated Payments to the State</u>
Daily Numbers Instant Tickets eInstants Powerball® Mega Millions® Wild Money Lucky for Life® Bingo	Not less than 45% or more than 71% of sales	Payments to the General Fund – net of prizes, commissions, administrative and operating expenses.
Keno and iKeno	Not less than 45% or more than 72% of sales	Payments to the General Fund – net of prizes, commissions, administrative and operating expenses.
Video Lottery	Prize payout not established by law	Payments to the General Fund - net terminal income (video lottery credits purchased less credits redeemed or redeemable, including prize contributions to multi-state video lottery progressive jackpots) minus commission payments and incentive program reimbursements.
Table Games and Stadium Gaming	Prize payout not established by law	Payments to the General Fund - net table game revenue minus commission payments and table game administrative and operating expenses.
Sportsbook	Prize payout not established by law	Payments to the General Fund – book revenue (accrual write less accrual payout) minus commission payments net of statutory host Town fees and approved marketing expenses.
iGaming	Prize payout not established by law	Payments to the General Fund - net iGaming revenue (wagers less prizes) minus commission payments and iGaming administrative and operating expenses.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(2) Summary of Significant Accounting Policies

(A) *Basis of Accounting*

The financial records of the Lottery, an enterprise fund, are accounted for using the economic resources measurement focus and are maintained on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the related liabilities are incurred. The Governmental Accounting Standards Board (GASB) has the responsibility for establishing generally accepted accounting principles for governmental proprietary fund type activities.

(B) *Reporting Entity*

The Lottery, a division of the Department of Revenue of the State of Rhode Island (State), is accounted for as an enterprise fund for financial reporting purposes.

Accordingly, its annual financial statements are included in the State's Annual Comprehensive Financial Report (ACFR). The accompanying financial statements are not intended to present the financial position and results of operations of the State.

(C) *Revenues and Expenses*

The Lottery defines all revenues and expenses deriving from on-line, including mobile and computer, instant ticket, video lottery, table games, sports betting, and iGaming, including mobile and computer, as operating revenue. The Lottery accrues for the maximum prizes payable. Prize obligations, other than those relating to prizes payable in installments, that remain unclaimed one year after the drawing date are reported as a reduction to cost of sales.

Revenue from the sale of lottery tickets, video lottery, table games, sports betting, and iGaming and related expenses for prizes and commissions, are recognized as follows:

1. On-line lottery games with specific drawing dates - when the related drawings are held. For Mega Millions[®] and Powerball[®], prize awards expense is recorded equal to the required contributions to the jackpot pool and low-tier prizes won. For the Lucky for Life[®] game, prize awards expense is recorded equal to the estimated cost of actual prizes won. Prize awards expense is subsequently adjusted based on the Lottery's share of purchased annuities for the top prize.
2. Traditional instant ticket lottery games - when ticket packets are charged to retailers. Prize expense is recognized in proportion to the number of tickets sold based on the stated prize structure for a specific traditional instant ticket game.
3. iLottery games are recognized at the time the specific games are played, and prize expense when the specific games are won.
4. Video lottery games - are reported on a net basis. Gross revenue is recognized when game credits are purchased via cash or credit redemption at the terminal (gross terminal inputs). Related prizes are recognized when game credits are issued by a video lottery terminal making them redeemable as credits in another video terminal or for cash by a patron (gross terminal outputs).

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(2) Summary of Significant Accounting Policies – (Continued)

The gross video lottery terminal inputs and outputs for fiscal 2025 and reported video lottery net revenue are detailed in the following schedule:

Schedule of Video Lottery Net Revenue For the Fiscal Year Ended June 30, 2025	
Video Terminal Cash-In (Gross Terminal Inputs):	
Cash collected from video lottery terminals	\$ 1,791,191,182
Plus: Credit vouchers redeemed for play in video lottery terminals	<u>2,461,598,527</u>
Total cash in reported by video lottery terminals	4,252,789,709
Less:	
Video Terminal Cash-out (Gross Terminal Outputs):	
Video lottery credit vouchers (redemptions) issued by video lottery terminals	<u>3,733,571,490</u>
Total cash-out amounts reported by video lottery terminals	<u>3,733,571,490</u>
Video lottery revenue, net	<u>\$ 519,218,219</u>

5. Table games, with the exception of poker, are reported on a net table game (win) basis from Bally's Lincoln Casino Resort and Bally's Tiverton Casino & Hotel facilities. Net table game revenue, calculated daily at each table, is cash in the drop box, plus front money (patron funds left on deposit with the facility that are drawn for chips at a table), plus markers (credit extended at a table to patrons in exchange for chips), less fills, plus credits, less beginning chip inventory, plus ending chip inventory, plus one-half of match play and free bet coupons redeemed. Poker games revenue is reported on a gross fee basis, referred to as poker rake, from Bally's Lincoln Casino Resort facility. Poker rake calculated daily at each table is based upon a percentage of each poker pot or a direct fee charged to each player in proportion to the time spent playing at the poker table.
6. Hybrid stadium gaming is reported on a net table game (win) basis from the facilities. Net table game revenue, calculated daily at each table, is tickets in, plus cash in, less tickets issued, and less token (dealer gratuities).

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(2) Summary of Significant Accounting Policies – (Continued)

The State, through the Lottery, has operational control and regulating authority to collect casino gaming gross receipts, allocate receipts according to statute, define and limit the rules of play and odds of authorized games including minimum and maximum wagers and payouts for each game. Amounts required by statute to be paid to the two state gaming facilities are reported as commissions. The statute further stipulates that the Lottery establishes rules and regulations and sets policy for table games. These policies and regulations (promulgated in accordance with the Lottery's established minimum control standards and federal and State statute) stipulate that the table games retailers (Bally's Lincoln Casino Resort and Bally's Tiverton Casino & Hotel) be responsible for obtaining approved equipment (tables, dice, cards, etc.) and bearing all risk for the management, security, and monitoring of authorized table games. The retailers are also responsible for marketing table games and all related expenses. The Lottery incurs operating and administrative costs relating to the oversight and regulation of casino operations which are netted against the State's statutory share of net table game revenue prior to transferring the balance to the State's General Fund.

7. Sports betting is reported on an accrual book revenue basis as of the completion of each sporting event. Book revenue is derived by event by calculating accrual write minus accrual payout. The State, through the Lottery, has authority to implement, operate, conduct, and control sports wagering at the State's two licensed facilities. The statute further stipulates that the Lottery Director promulgates rules and regulations related to sports wagering and sets policy including approving standards, rules and regulations to govern the conduct of sports wagering and the associated sports wagering system. Amounts required by statute to be paid to the facilities and the system operator, after deducting statutory payments to host Towns and agreed upon marketing expenses, are reported as commissions. Allocation of book revenue from sports wagering after payments to host Towns and approved marketing expenses are at statutory percentages.
8. iGaming - is reported on a net basis (wagers minus prizes). The State, through the Lottery, has authority to implement, operate, conduct, and control iGaming at the State's two licensed facilities. Amounts required by statute to be paid to the iGaming platform provider, iGaming game provider, and to host Towns, after deducting agreed upon marketing expenses, are reported as commissions. Allocation of commission payments are at statutory percentages. The Lottery incurs operating and administrative costs relating to the oversight and regulation of iGaming operations which are netted against the State's statutory share of iGaming revenue prior to transferring the balance to the State's General Fund.

Schedule of iGaming Net Revenue For the Fiscal Year Ended June 30, 2025

iGaming Gross Revenue

iSlots Revenue	\$ 716,257,278
iTables Revenue	482,375,557
Total iGaming Gross Revenue	1,198,632,835

Less:

iSlots Prizes/Payouts	682,962,786
iTables Prizes/Payouts	470,676,134
Total iGaming Prizes/Payouts	1,153,638,920

iGaming Revenue, net	<u>\$ 44,993,915</u>
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RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(2) Summary of Significant Accounting Policies – (Continued)

All expenses directly attributable to providing or promoting lottery games to the public are considered costs of gaming operations and are reported as such on the Lottery's Statement of Revenue, Expenses, and Changes in Net Position. These expenses predominantly include commissions to lottery retailers, gaming facilities, video lottery terminal providers, gaming system operators, and the towns that host the Lottery's gaming facilities, in addition to advertising, marketing and promotional expenses.

Other expenses directly attributable to the Lottery's support and oversight of gaming activities are reported as operating expenses. Operating expenses mostly consist of personnel costs, contract services, depreciation/amortization expenses, and other expenses associated with the maintenance of the Lottery's headquarters and internal computer network.

All other revenues and expenses are defined as non-operating. Non-operating revenues include income from pull tab tickets (the Lottery is not responsible for prizes won), rental income, refunds from the Multi-State Lottery Association, and penalties and fees incurred by Lottery retailers and/or other contractual obligations not relating to operating activities.

(D) *Capital Assets*

The Lottery adheres to the State's capitalization thresholds and estimated useful lives for capital asset categories. Capital assets are stated at historical cost. Depreciation and amortization are computed using the straight-line method based on the estimated useful lives of the assets. Asset categories, useful lives, and thresholds are as follows:

<u>Asset Category</u>	<u>Useful Life</u>	<u>Threshold</u>
Automobiles	5 years	\$10,000
Buildings	50 years	\$1,000,000
Building Improvements	20 years	\$1,000,000
Bulk Purchases (Computer/Furniture/Equipment)	5 years	\$100,000
Computer Equipment	5 years	\$10,000
Computer Software	10 years	\$2,000,000
Furniture & Fixtures	5 years	\$10,000
Leases	Lease Term	\$100,000

(E) *Cash Equivalents*

Cash equivalents consist of highly liquid investments with a maturity date of three months or less at the time of purchase and are stated at cost plus accrued interest which approximates fair value.

(F) *Investments*

Investments are recorded at fair value except for certain money market investments that have a remaining maturity at the time of purchase of one year or less, which are recorded at a net asset value reflective of amortized cost which approximates fair value. Fair value is defined by GASB Statement No. 72, *Fair Value Measurement and Application*, as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy has three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management's assumptions.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(2) Summary of Significant Accounting Policies – (Continued)

(G) *Ticket Inventory*

Inventory consists of the cost of tickets for the instant games, which are expensed as a percentage of sales from instant ticket games.

(H) *Advances for Future Drawings/Events*

Tickets can be purchased in advance of scheduled drawing dates. Revenue from advance ticket sales is recognized during the period in which the related drawing is held. Sports wagers may be made in advance for future athletic events (futures) and revenue is recognized at the time the athletic event is completed.

(I) *Unearned Contract Revenue*

Unearned contract revenue relates to the sale of the exclusive rights to the operation of the Lottery's gaming systems. The contract required an upfront payment from its technology provider relating to the 20-year extension of its exclusive contract to operate the on-line (traditional lottery games) and video lottery gaming systems, as well as the right to provide video lottery terminals (technology provider) through the formation of a VLT joint venture. The contract extension required two (2) upfront payments of \$13.5 million to the Lottery which were received in June 2023 and June 2024, respectively. These amounts will be recognized as revenue pro-rata over the 20-year contract extension period.

(J) *Incentive Programs – Video Lottery*

The Lottery reimburses the gaming facilities for the State's share (net terminal income percentage) of certain marketing and promotional expenses incurred by the facilities, in relation to video lottery games. Complete details of the Lottery's reimbursement are disclosed in Note 13, Commitments.

(K) *Compulsive and Problem Gambling Program*

Pursuant to RIGL section 42-61.2-14, the Lottery, in cooperation with Bally's Lincoln Casino Resort (Twin River) and Bally's Tiverton Casino & Hotel (Tiverton) shall offer compulsive and problem gambling programs that, include but are not limited to, the promotion and administration of (a) a problem gambling awareness programs for employees; (b) a player self-exclusion program; and (c) a problem gambling hotline. Twin River and Tiverton shall modify their existing compulsive and problem gambling programs to include table games, sports wagering, and iGaming to the extent such games are authorized at such facilities or through the internet or a mobile application. Twin River and Tiverton shall reimburse and pay to the Lottery no less than \$200,000 in aggregate annually for compulsive and problem gambling programs established by the Lottery and no less than \$50,000 in the aggregate annually for education and prevention programs. The Lottery recognized program expenses totaling \$1,004,349 and related operating income in reimbursement from the gaming facility providers for fiscal year 2025. At June 30, 2025, a receivable from the gaming facility providers was recognized in the amount of \$291,106. During the fiscal year 2024, the Lottery established a memorandum of understanding with the Rhode Island Council on Problem Gambling (RICPG), whereas, the RICPG is to obtain funds, which the Lottery receives and administers pursuant to Section 14 of Chapter 61.2 of Title 42 of the General Laws of the State of Rhode Island, to use in carrying out RICPG's mission of providing education, training, and information on problem gambling.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(2) *Summary of Significant Accounting Policies – (Continued)*

A person who is prohibited from gaming in a gaming establishment due to the player self-exclusion program shall not collect any winnings or recover losses arising as a result of prohibited gaming activity by said person. Winnings from a self-excluded person, after the deduction of taxes and other applicable withholdings, shall be forfeited to the Lottery. The Lottery shall forward such forfeited winnings, up to \$150,000 per year, to the RICPG for its use for research, education, and prevention of teenage gambling addiction, with the balance to be transferred by the Lottery to the general fund. During fiscal year 2025, the Lottery received \$33,584 in winnings that were forfeited from self-excluded players and subsequently transferred the funds to the RICPG.

(L) *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 the 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.

(M) *Postemployment Benefits Other Than Pensions (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Employees' and Electing Teachers OPEB System of the State of Rhode Island (the System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, the System recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at cost.

(N) *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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those amounts.

(O) *Change in Presentation*

For fiscal year 2025, iGaming net revenue is included in the financial statements as compared to gross iGaming revenue and prize awards in fiscal year 2024. The prior amounts included in Management's Discussion and Analysis comparative statement of revenue, expenses and changes in net position have been modified to conform with the new presentation.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(2) Summary of Significant Accounting Policies – (Continued)

(P) *Change in Accounting Estimate*

Effective July 1, 2024, the Lottery adopted the State's modified capital asset policy specific to estimated useful lives for certain capital asset categories. The changes included the addition of bulk purchases for computer/furniture/fixtures (with individual costs less than \$5,000), and the estimated useful life for computer software. In addition, several thresholds were increased as detailed in Note 2 (d).

(Q) *New Accounting Pronouncements*

The Lottery evaluates the impact of all new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB).

Effective for fiscal year 2025, GASB Statement No. 101, *Compensated Absences*, was implemented by the Lottery. The Lottery did not restate beginning net position reported at July 1, 2024 as the impact of retroactively applying the change was deemed immaterial. As a result of this implementation, the Lottery recorded a net increase in the long-term liability. See Note 7 for further information. In addition, the Lottery implemented GASB Statement No. 102, *Certain Risk Disclosures*, which resulted in no impact to the Lottery's financial statements for fiscal year 2025.

In subsequent years, the Lottery will consider the impact, if any of GASB Statement No. 103, *Financial Reporting Model Improvements*, and GASB Statement No. 104, *Disclosure of Certain Capital Assets*.

(3) Deposits and Investment Risk

Cash deposits, including interest-bearing investment deposit accounts	\$ 9,475,586
Investments classified as cash equivalents	<u>44,890,788</u>
Cash and cash equivalents	<u>\$ 54,366,374</u>

(A) *Deposits*

The Lottery's cash deposit balances at June 30, 2025, totaled \$9,475,586, with corresponding bank balances totaling \$9,451,876. The cash deposit balances consisted of \$9,386,737 in demand deposit accounts and \$88,849 in collateralized deposit investment accounts.

All deposits were in the custody of the State General Treasurer. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Lottery's (or State's) name.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(3) Deposits and Investment Risk– (Continued)

In accordance with Chapter 35-10.1 of the General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to 100% of time deposits with maturities greater than 60 days. Any of these institutions which do not meet capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of deposits, regardless of maturity. None of the cash deposits of the Lottery were required to be collateralized at June 30, 2025, pursuant to Chapter 35-10.1 of the General Laws. However, the State Investment Commission has adopted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to 102% of the uninsured deposit amounts. Of the total bank balance of \$9,451,876 at year end, the entire amount was either covered by federal depository insurance or collateralized by securities held by an independent third-party custodian.

(B) *Investments - Fair Value Measurements*

All investments, principally cash equivalent type investments, are made by the State General Treasurer in accordance with guidelines established by the State Investment Commission (SIC), which is responsible for the investment of all State funds. Pursuant to Chapter 35-10 of the General Laws, the SIC may, in general, “invest in securities as would be acquired by prudent persons of discretion and intelligence in these matters who are seeking a reasonable income and the preservation of their capital.”

The Lottery categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2025, the Lottery had a single investment consisting of \$44,890,788 in the Ocean State Investment Pool Trust (OSIP), an investment pool established by the State General Treasurer. The Lottery's OSIP investment represented 3.6% of the total OSIP Pool Cash Portfolio at June 30, 2025 (net assets of the portfolio approximated \$1.2 billion at June 30, 2025). Agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the State may invest in OSIP. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue - 2nd Floor, Warwick, RI 02886.

OSIP has met the criteria outlined in GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants* to permit election to report its investments at amortized cost which approximates fair value. The OSIP is not rated and the weighted average maturity of investments held in the pool, by policy, is not to exceed 60 days. OSIP's investments are high quality and liquid and include U.S. government and government agency obligations, U.S. dollar-denominated money market securities of domestic and foreign issuers such as short-term certificates of deposits, commercial paper, corporate bonds and notes, time deposits, municipal securities, asset-backed securities, and repurchase agreements. OSIP transacts with its participants at a stable net asset value (NAV) per share. Investments reported at the NAV are not subject to the leveling categorization as described above. There are no participant withdrawal limitations.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(3) Deposits and Investment Risk– (Continued)

Custodial Credit Risk: Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government and are held by either: a) the counterparty or b) the counterparty's trust department or agent but not in the government's name. Pursuant to guidelines established by the SIC, securities purchased, or underlying collateral, are required to be delivered to an independent third-party custodian.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Based on SIC policy, the State's short-term investment portfolio, whenever possible, will be structured to minimize interest rate risk, by matching the maturities of investments with the requirements for funds disbursement. The Lottery's investments are typically money market mutual funds or investments with maturities less than 30 days thereby minimizing the Lottery's exposure to interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The SIC has adopted policies regarding acceptable short-term investment types. Credit risk is mitigated by the SIC's minimum rating criteria policy, collateralization requirements, and limiting the maximum participation by any one issuer to 35% of the State's total short-term investment portfolio. Credit risk policies have been developed for investments in commercial paper.

Concentration of Credit Risk: The SIC has adopted limitations as to the maximum percentages of the State's total short-term investment portfolio that may be invested in a specific investment type or with any one issuer of securities.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(4) Capital Assets

Lottery headquarters are situated on land owned by the State of Rhode Island. The State has assigned custody, control and supervision of the land to the Lottery at no cost. However, since title to such land remains vested in the State, it is not recorded in the statement of net position.

A summary of capital assets is as follows:

	Estimated Useful Life	Balance at June 30, 2024	2025 Additions	2025 Disposals	Balance at June 30, 2025
<u>Cost</u>					
Building	50	\$ 1,437,912			\$ 1,437,912
Building improvements	20	1,933,094			1,933,094
Lottery drawing equipment	5	231,874			231,874
Automobiles	5	474,423			474,423
Computer equipment	5	164,821		(38,024)	126,797
Furniture and fixtures	5	88,778			88,778
Office equipment	5	40,001			40,001
Ticket production equipment	5	8,105			8,105
Construction in Progress	-	-	93,681		93,681
Right-to-use asset-lease	4	1,268,131			1,268,131
Total		<u>\$ 5,647,139</u>	<u>\$ 93,681</u>	<u>\$ (38,024)</u>	<u>\$ 5,702,796</u>
<u>Less: Accumulated Depreciation and Amortization</u>					
Building		\$ 1,437,912			\$ 1,437,912
Building improvements		1,898,726	7,179		1,905,905
Lottery drawing equipment		208,522	23,352		231,874
Automobiles		404,950	19,826		424,776
Computer equipment		108,902	17,242	(38,024)	88,120
Furniture and fixtures		59,292	8,415		67,707
Office equipment		33,567	2,205		35,772
Ticket production equipment		8,105			8,105
Right-to-use asset-lease		634,066	317,033		951,099
Total		<u>\$ 4,794,042</u>	<u>\$ 395,252</u>	<u>\$ (38,024)</u>	<u>\$ 5,151,270</u>
Capital assets, net		<u>\$ 853,097</u>	<u>\$ (301,571)</u>	<u>\$ -</u>	<u>\$ 551,526</u>

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(5) Transfers to the State

- (A) The Lottery is required to transfer net proceeds from the Lottery's games in accordance with RI General Laws sections 42-61-15 and 42-61.2-7. Transfers to the State's General Fund for fiscal 2025 are reported as follows in the Lottery's financial statements:

Due to State's General Fund, beginning of year	\$ 6,228,371
Transfers to State's General Fund	433,594,991
Cash paid during fiscal year	(434,704,359)
Due to State's General Fund, end of year	<u>\$ 5,119,003</u>

In accordance with the Rhode Island General Laws, the Lottery transfers net income to the State's General Fund based on the Lottery's actual pension and OPEB contributions (which are the actuarially determined contributions required by law) to the State's pension plan and OPEB plan. Pension and OPEB expense reported in the Lottery's financial statements in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is a different amount reflecting the change in the net pension and OPEB liabilities during the fiscal year. The table below details the amount transferred to the General Fund as required by RI General Laws:

<u>Description</u>	<u>Amount</u>
Income before Transfers	\$ 433,643,184
Add: Expenses reimbursed by Transfers from RI Capital Plan Fund	93,681
Add: Pension expense in accordance with GASB Statement No. 68	2,789,454
Less: Pension contributions made subsequent to measurement date	(2,578,952)
Add: OPEB expense in accordance with GASB Statement No. 75	(36,678)
Less: OPEB contributions made subsequent to measurement date	(315,698)
Transfers to State's General Fund	<u>\$ 433,594,991</u>

- (B) The Lottery also reimburses the State's General Fund for certain operating expenses associated with personnel costs, information technology resources, utilities, etc. As a result, amounts due to the General Fund at year-end for operating expenses totaled \$66,251.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(6) Commissions

The Lottery pays commissions to ticket retailers and its on-line games contractor based on a percentage of gross ticket sales. Video lottery commissions, as specified in the General Laws, are paid to the facility operators, technology providers (video lottery terminal providers), the central communications provider and others based on various percentages of net terminal income (video lottery credits purchased less credits redeemed or redeemable plus progressive jackpots). Table games commissions, as specified in the General Laws, are paid to Bally's Twin River Lincoln Casino Resort, Bally's Tiverton Casino & Hotel, and the Towns of Lincoln, RI and Tiverton, RI. Sportsbook commissions, as specified in the General Laws, are paid to the facility operators and the system operator after flat fees to the Town of Lincoln, RI and Tiverton, RI, and after approved marketing expenses. iGaming commissions, as specified in the General Laws, after the deduction of approved marketing expenses, are paid to the platform provider, game provider, and to the Towns of Lincoln, RI and Tiverton, RI.

The General Laws provide for reductions of certain video lottery commissions. The amount reduced is to be credited to the State's Distressed Communities Relief Fund, which is part of the State's General Fund. The Lottery has reflected the actual video commissions paid as an expense. The amount to be credited to the Distressed Communities Relief Fund is included in the payments to the State's General Fund.

(7) Compensated Absences

In accordance with GASB Statement No. 101, *Compensated Absences*, the Lottery accrued an estimated liability for compensated absences for leave that has not been used and leave that has been used but has not yet been paid or settled. This estimate includes leave for vacation, sick, and salary-related payments in accordance with the State of Rhode Island's personnel policies and procedures for time management. The liability for compensated absences was approximately \$2,035,735 as of June 30, 2025, and is recorded as a liability in the Statement of Net Position. The current portion of \$781,167, was estimated based on a three-year average of the prior years' time utilization. The long-term portion was estimated using a three-year average of employees' forfeited time, at the employee's current rate of pay, which included salary-related payments. However, if an employee is eligible to retire, using the employee's current rate of pay, including salary-related payments, we calculated the estimate based on the State's mandated payout rules for those employees.

Changes in the reported liability for compensated absences for fiscal 2025 are as follows:

	<u>Balance at July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2025</u>	<u>Amount Due Within one Year</u>
Liability for Compensated Absences*	\$ 723,860	1,311,875	-	\$ 2,035,735	\$ 781,167

* - The change in compensated absences above is presented as a net change for the year.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(8) Net Position - (Deficit)

Components of Unrestricted (Deficit):

- *Proportionate share of Net Pension Liability in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions* – the Lottery recognizes its proportionate share of the State’s net pension liability for the Pension Plan. The Lottery’s net pension liability at June 30, 2025 was \$17,838,432, which constitutes a significant portion of the unrestricted deficit reported on the Statement of Net Position at June 30, 2025. As required by RI General Laws, the Lottery’s transfer to the State’s General Fund is based on net income reflecting the actuarially determined employer contribution to the Employees' Retirement System. Net income reported in the Lottery’s financial statements reflects the recognition of pension expense in accordance with generally accepted accounting principles.
- *Proportionate share of Net OPEB Liability in accordance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – the Lottery recognizes its proportionate share of the State’s net OPEB liability for the OPEB Plan. The Lottery’s net OPEB liability at June 30, 2025, was \$1,274,404, which constitutes a portion of the unrestricted deficit reported on the Statement of Net Position at June 30, 2025. As required by RI General Laws, the Lottery’s transfer to the State’s General Fund is based on net income reflecting the actuarially determined employer contribution to the OPEB Plan. Net income reported in the Lottery’s financial statements reflects the recognition of OPEB expense in accordance with generally accepted accounting principles.

Net investment in capital assets:

- The Lottery’s net position (deficit) at June 30, 2025 also includes its net investment in capital assets. The Lottery’s \$214,277 net investment in capital assets represents the Lottery’s reported capital assets, net of accumulated depreciation and amortization, totaling \$551,526, less the lease liability totaling \$337,249, relating to its right-to-use-asset lease of outdoor advertising structures.

(9) Retirement Plans

Plan description - Employees of the Lottery participate in a cost-sharing multiple-employer defined benefit pension plan – the Employees’ Retirement System Plan - administered by the Employees’ Retirement System of the State of Rhode Island (the “System”). Under a cost sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers’ payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(9) Retirement Plans- (Continued)

Benefit provisions - The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. For members retiring on or after July 1, 2024, retiree benefit amounts are based on the average highest three consecutive years of compensation. Members eligible to retire at September 30, 2009, may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivor's benefits for service-connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided to retirees based on statutory provisions (Section 36-10-35 of the Rhode Island General Laws). For members and/or beneficiaries of members who retired on or before June 30, 2012, cost of living adjustments are computed annually. For members retiring on or after July 1, 2012, twenty-five percent (or 1/4th) of the cost of living adjustment is computed annually until the plan reaches a 75% funded status. The full benefit adjustment is reinstated for all members upon the plan reaching the 75% funded status.

The plan also provides nonservice-connected disability benefits after five years of service, and service-connected disability benefits with no minimum service requirement.

Contributions – The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. For fiscal 2025, Lottery employees, with less than 20 years of service as of July 1, 2012, were required to contribute 3.75% of their annual covered salary. Employees with more than 20 years of service as of July 1, 2012 were required to contribute 11% of their annual covered salary. The Lottery is required to contribute at an actuarially determined rate; the rate was 30.75% of annual covered payroll for the fiscal year ended June 30, 2025. The Lottery contributed \$2,578,952, \$2,369,132 and \$2,098,514 for the fiscal years ended June 30, 2025, 2024, and 2023, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2025, the Lottery reported a liability of \$17,838,432 for its proportionate share of the net pension liability related to its participation in ERS. The net pension liability was measured as of June 30, 2024, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to the June 30, 2024 measurement date. The Lottery's proportion of the net pension liability was based on its share of contributions to the ERS for fiscal year 2024 relative to the total contributions of all participating employers for that fiscal year. At the June 30, 2024 measurement date, the Lottery's proportion was 0.92276512%.

For the year ended June 30, 2025, the Lottery recognized pension expense of \$2,789,454. At June 30, 2025, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(9) Retirement Plans - (Continued)**Deferred Outflows of Resources**

Changes in assumptions	\$	-
Difference between expected and actual experience		547,786
Changes in proportion and differences between employer contributions and proportionate share of contributions		58,922
Contributions subsequent to measurement date		<u>2,578,952</u>
Total Deferred Outflows of Resources	\$	<u>3,185,660</u>

Deferred Inflows of Resources

Difference between expected and actual experience	\$	2,801
Changes in assumptions		21,779
Net difference between projected and actual investment earnings		647,191
Changes in proportion and differences between employer contributions and proportionate share of contributions		<u>425,845</u>
Total Deferred Inflows of Resources	\$	<u>1,097,616</u>

Contributions of \$2,578,952 are reported as deferred outflows of resources related to pensions resulting from the Lottery's contributions in fiscal year 2025 subsequent to the measurement date and will be recognized as a reduction of the net pension liability determined in the subsequent period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(9) Retirement Plans - (Continued)

<u>Year ended June 30:</u>	<u>Net Deferred Outflows (Inflows) of Resources:</u>
2026	\$ (553,142)
2027	380,152
2028	(169,404)
2029	(148,514)
2030	-
Thereafter	-
	<u><u>\$ (490,908)</u></u>

Actuarial Methods and Assumptions

The total pension liability was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal - Individual Entry Age Actuarial Cost Methodology
Amortization Method	Level Percent of Payroll - Closed
Inflation	2.50%
Salary Increases	3.00% to 7.00%
Investment Rate of Return	7.00%

Mortality – Variants of the PUB (10) Tables for Healthy and Disabled Retirees,
projected with Scale Ultimate MP2021 with immediate convergence.

The actuarial assumptions used in the June 30, 2023 valuation rolled forward to June 30, 2024 and the calculation of the total pension liability at June 30, 2024 were based on the 2024 Actuarial Experience Investigation Study for the six-year period ended June 30, 2022 as approved by the System's Board on May 17, 2023.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 40 sources. The June 30, 2024 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(9) Retirement Plans - (Continued)

Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
GROWTH		
Global Equity		
US Equity	25.90%	5.98%
International Developed Equity	10.00%	6.47%
Emerging Markets Equity	4.10%	8.10%
Sub-total	40.00%	
Private Growth		
Private Equity	12.50%	9.37%
Non-Core Real Estate	2.50%	4.92%
Sub-total	15.00%	
INCOME		
Equity Options	2.00%	5.69%
Liquid Credit	5.00%	4.36%
Private Credit	3.00%	4.36%
Collateralized Loan Obligations (CLO)	2.00%	4.36%
Sub-total	12.00%	
STABILITY		
Crisis Protection Class		
Treasury Duration	5.00%	1.00%
Systematic Trend	5.00%	4.02%
Sub-total	10.00%	
Inflation Protection		
Core Real Estate	4.00%	4.92%
Private Infrastructure	4.00%	6.02%
Sub-total	8.00%	
Volatility Protection		
IG Corp Credit	3.25%	2.60%
Securitized Credit	3.25%	2.60%
Absolute Return	6.50%	4.02%
Cash	2.00%	1.00%
Sub-total	15.00%	
Total	100.00%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(9) Retirement Plans - (Continued)

Discount rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were 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 net pension liability to changes in the discount rate

Net Pension Liability		
1% Decrease		1% Increase
<u>(6.0% Discount Rate)</u>	<u>(7.0% Discount Rate)</u>	<u>(8.0% Discount Rate)</u>
\$ 22,499,401	\$ 17,838,432	\$ 13,603,480

Pension Plan Fiduciary Net Position:

As noted earlier, ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>. The report contains detailed information about the pension plan's fiduciary net position.

Defined Contribution Plan:

Plan Description – Certain employees participating in the defined benefit plan (those with less than 20 years of service as of July 1, 2012), as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. The Retirement Board is the plan administrator and plan trustee. The Employees may choose among various investment options available to plan participants. The State Investment Commission is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

Plan contributions – Certain employees (those with less than 20 years of service as of July 1, 2012) contribute 5% of their annual covered salary and employers contribute at the following percentages of annual covered salary for these employees based on their years of service as of July 1, 2012:

<u>Years of Service</u>	<u>Employer</u>
<u>As of July 1, 2012</u>	<u>Contribution Rate</u>
15-20 Years	1.5%
10-15 Years	1.25%
0-10 Years	1.00%

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(9) Retirement Plans - (Continued)

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws of the State of Rhode Island, which are subject to amendment by the General Assembly.

The Lottery contributed and recognized as pension expense \$83,959 for the fiscal year ended June 30, 2025, equal to 100% of the required contributions for the fiscal year.

Plan vesting and contribution forfeiture provisions – The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is non-forfeitable. The total amount contributed by the employer, including associated investment gains and losses, vests with the member and is non-forfeitable upon completion of three (3) years of contributory service. Non-vested employer contributions are forfeited upon termination of employment. Such forfeitures can be used by employers to offset future remittances to the plan.

Retirement benefits – Benefits may be paid to a member after severance from employment, death, plan termination, or upon a deemed severance from employment for participants performing qualified military service. At a minimum, retirement benefits must begin in the year in which the member attains age 73 or terminates employment, if later.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at <http://www.ersri.org>.

(10) Postemployment Healthcare Plan

Plan description - Employees of the Lottery participate in a cost-sharing multiple-employer defined benefit other post-employment benefits (OPEB) plan included within the Rhode Island State Employees' and Electing Teachers OPEB System (the "System"). The Lottery participates in the State Employees plan within the System.

Under a cost sharing plan, OPEB obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing OPEB benefits through the plan, regardless of the status of the employers' payment of its OPEB obligation to the plan. The plan provides health care benefits to plan members.

The System is administered by the OPEB Board and was authorized, created, and established under Chapter 36-12.1 of the RI General Laws. The Board was established under Chapter 36-12.1 as an independent board to hold and administer, in trust, the funds of the OPEB system. The four members of the OPEB Board are: the State Controller, the State Budget Officer, the State Personnel Administrator and the General Treasurer, or their designees.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(10) Postemployment Healthcare Plan- (Continued)

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.oag.ri.gov/reports.html>.

Membership and Benefit provisions – The plans within the System generally provide healthcare coverage to pre-Medicare eligible retirees and health reimbursement account contributions for members who are Medicare eligible. Members may purchase coverage for spouses and dependents.

Members of the System must meet the eligibility and services requirements set forth in the RI General Laws or other governing documents. RIGL Sections 16-17.1-1 and 2, 36-10-2, 36-12.1, 36-12-2.2 and 36-12-4 govern the provisions of the System, and they may be amended in the future by action of the General Assembly.

Contributions – The funding policy, as set forth in the General Laws and which may be amended at any time, provides for actuarially determined periodic contributions to the plans. The Lottery is required to contribute at an actuarially determined rate; the rate was 3.94% of annual covered payroll for the fiscal year ended June 30, 2025. The Lottery contributed \$315,698, \$372,538 and \$335,709 for the fiscal years ended June 30, 2025, 2024 and 2023, respectively, equal to 100% of the required contributions for each year.

Active employees do not make contributions to the plan. Retired member contributions consist of the required retiree share of coverage based on the time of retirement and years of service.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2025, the Lottery reported a liability of \$1,274,404 for its proportionate share of the net OPEB liability related to its participation in the System. The net OPEB liability was measured as of June 30, 2024, the measurement date, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to the June 30, 2024 measurement date. The Lottery's proportion of the net OPEB liability was based on its share of contributions to the System for fiscal year 2024 relative to the total contributions of all participating employers for that fiscal year. At the June 30, 2024 measurement date, the Lottery's proportion was .92087054%.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(10) Postemployment Healthcare Plan- (Continued)

For the year ended June 30, 2025, the Lottery recognized OPEB expense of \$(36,678). At June 30, 2025, the Lottery reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources

Changes in assumptions	\$	186,919
Difference between expected and actual experience		15,762
Changes in proportion and differences between employer contributions and proportionate share of contributions		254,754
Contributions subsequent to measurement date		<u>315,698</u>
Total Deferred Outflows of Resources	\$	<u>773,133</u>

Deferred Inflows of Resources

Changes in assumptions	\$	215,253
Difference between expected and actual experience		936,671
Changes in proportion and differences between employer contributions and proportionate share of contributions		104,860
Net difference between projected and actual investment earnings		<u>214,976</u>
Total Deferred Inflows of Resources	\$	<u>1,471,760</u>

Contributions of \$315,698 are reported as deferred outflows of resources related to OPEB expense resulting from the Lottery's contributions in fiscal year 2025 subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the subsequent period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(10) Postemployment Healthcare Plan- (Continued)

<u>Year ended June 30:</u>	<u>Net Deferred Outflows (Inflows) of Resources:</u>
2026	\$ (250,374)
2027	(179,047)
2028	(286,202)
2029	(160,589)
2030	(86,519)
Thereafter	(51,594)
	<u>\$ (1,014,325)</u>

Actuarial Methods and Assumptions

The actuarial assumptions used in the June 30 2023 valuation and the calculation of total OPEB liability at the June 30, 2024 measurement date were consistent with the Actuarial Experience Investigative Study for the six years ended June 30, 2019 performed for the Employees' Retirement System of Rhode Island. The total OPEB liability was determined using the following significant actuarial methods and assumptions:

Actuarial Cost Method	Individual Entry Age Actuarial Cost methodology is used
Amortization Method	Level Percent of Payroll - Closed
Inflation	2.50%
Salary Increases	3.25% to 6.25%
Investment Rate of Return	5.00%
Health Care Cost Trend Rate	6.50% to 7.25% in fiscal 2024 decreasing annually to 3.5% in fiscal year 2038 and later

Mortality rates for male plan members were based on the PUB-10 Median Table for General Healthy Retiree Males, loaded by 115%, projected with Scale Ultimate MP16. Mortality rates for female plan members were based on the PUB-10 Median Table for General Healthy Retiree Females, loaded by 111%, projected with Scale Ultimate MP16.

The long-term expected rate of return best-estimate on OPEB plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of OPEB plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 40 nationally recognized investment consulting firms. The June 30, 2024 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(10) Postemployment Healthcare Plan- (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
<i>Growth</i>		
Global Equity/Public Growth	40.0%	6.52%
Private Growth	5.0%	8.90%
<i>Income</i>		
Equity Options	4.0%	5.81%
Liquid Credit	4.0%	4.42%
Emerging Market Debt	4.0%	4.45%
Collateralized Loan Obligations	4.0%	4.42%
Private Credit	5.0%	4.42%
<i>Stability</i>		
Inflation Protection		
Core Real Estate	4.0%	4.94%
Private Real Assets	4.0%	6.12%
Volatility Protection		
U. S. Aggregate Bond	26.0%	1.96%
	<u>100.0%</u>	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount rate

The discount rate used to measure the total OPEB liability was 5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members, if any, will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions and the projection of cash flows as of each fiscal year ending, the OPEB plan's fiduciary net position and future contributions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(10) Postemployment Healthcare Plan- (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability (asset) calculated using the discount rate of 5.0% as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

Net OPEB Liability		
Discount Rate Sensitivity		
1% Decrease		1% Increase
(4.0% Discount Rate)	(5.0% Discount Rate)	(6.0% Discount Rate)
\$ 1,957,871	\$ 1,274,404	\$ 701,832

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following table presents the net OPEB liability (asset) calculated using the healthcare cost trend rate baseline (defined in the actuarial assumptions table above), as well as what the employers' net OPEB liability (asset) would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

Net OPEB Liability		
Health Care Trend Rate Sensitivity		
1% Lower	Baseline	1% Higher
\$ 555,904	\$ 1,274,404	\$ 2,166,210

OPEB Plan Fiduciary Net Position:

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.oag.ri.gov/reports.html>. The report contains detailed information about the OPEB plan's fiduciary net position.

(11) Deferred Compensation

Employees of the Lottery may participate in a deferred compensation plan offered by the State. Required disclosures are reported in the State's Annual Comprehensive Financial Report (ACFR).

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(12) Leases

The Lottery leases outdoor advertising structures for display of advertising copy at certain locations throughout the State of Rhode Island under a long-term, non-cancelable lease agreement. The lease commenced on June 17, 2022, and expires on June 30, 2026. The lease requires monthly payments, and the first annual payment was approximately \$330,000 with annual incremental increases. The lease does not require the Lottery to guarantee any residual values. At June 30, 2025, the Lottery reported a right to use asset (net of accumulated amortization) of \$317,032, and conversely a lease liability of \$337,249 relating to this lease. Amortization expense of \$317,033 was incurred regarding this right-to-use asset lease for fiscal year 2025. The Lottery did not recognize any variable lease payments regarding this lease during the year.

Total future minimum lease payments are as follows:

Year ended June 30:	Principal Payments	Interest Payments	Total
2026	337,249	5,266	342,515
	\$ 337,249	\$ 5,266	\$ 342,515

	Balance at July 1, 2024	Increase	Decrease	Balance at June 30, 2025
Lease Liability	\$660,964	\$-	\$323,715	\$337,249

Total net right-to-use asset lease at June 30, 2025:

Outdoor advertising structures	\$ 1,268,131
Less: accumulated amortization	<u>(951,099)</u>
	\$ 317,032

See Note 4 for details of the right-to-use assets acquired through leases.

The Lottery, acting as lessor, leases office space at 1425 Pontiac Avenue, Cranston, RI under a long-term, non-cancellable lease agreement. The lease is for five (5) years, commencing on October 19, 2021, and expires on October 31, 2026, and by mutual agreement may be extended for two (2) five-year periods, and one (1) additional four (4) year renewal period. The annual lease payments are approximately \$160,000 per year and are subject to a 2.5% increase per annum, including during the renewal period. During the year ended June 30, 2025, the Lottery recognized \$83,620 in lease revenue, and \$55,757 in lease interest revenue, pursuant to this agreement. In June 2023, the Lottery exercised, pursuant to the agreement, the right to assume a portion of the lease space, with the change taking effect on January 1, 2024, making the annual lease payments approximately \$137,000 with a 2.5% increase annum. The Lottery has recognized deferred inflows of resources of \$2,108,218 representing the present value of lease revenue that will be recognized over the remaining term of the agreement. The following future minimum lease payments schedule reflects this change:

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(12) Leases - (Continued)

Total future minimum lease payments are as follows:

Year ended June 30:		Total		Principal		Interest
2026	\$	142,861	\$	89,307		53,554
2027		146,423		95,222		51,201
2028		150,083		101,389		48,694
2029		153,835		107,809		46,026
2030		157,681		114,490		43,191
Thereafter		1,878,552		1,644,214		234,338
	\$	2,629,435	\$	2,152,431	\$	477,004

There are no residual value guarantees, termination penalties or variable payments in the lease agreement.

(13) Commitments

As a result of the June 2021 enactment of the Marc A. Crisafulli Economic Development Act (Crisafulli Act), the Lottery executed the Eighth Amendments to the Master Contracts with IGT Global Solutions (IGT) and the Rhode Island Affiliates of Bally's Corporation (Bally's) – Bally's Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. These amendments provide commitments throughout the life of the contract, which expires on June 30, 2043.

(A) *Gaming Systems Provider – IGT Global Solutions (IGT)*

Effective February 17, 2022, the Lottery entered into a contract amendment with IGT, extending the term of the Master Contract through June 30, 2043. In consideration for being the exclusive gaming system provider, except for online sports betting, IGT will pay to the Lottery \$27 million. In the event that the contract is terminated before its full term, a court may determine that the Lottery would need to refund some portion of the purchase price.

IGT, a Delaware Corporation changed its name to Brightstar Global Solutions Corporation (Brightstar) and subcontracted certain obligations under the Master Contract with the Lottery to IGT, a Nevada corporation ("IGT"). On July 1, 2025, Apollo Global Management (Apollo), a private equity firm, completed the acquisition of Everi Holding, Inc. and IGT's gaming/digital business, including the subcontracted obligations. This acquisition by Apollo will continue operations as IGT and be organized into three business units, Gaming, Digital, and FinTech. Due to the acquisition, on June 30, 2025, the Lottery signed a letter agreement related to subcontracting payment services as it relates to the gaming/digital business. Brightstar will continue to operate as Rhode Island's lottery gaming systems provider. No impact on Lottery operations is expected from this acquisition or from the name change to Brightstar.

RHODE ISLAND LOTTERY

Notes to Financial Statements
Year Ended June 30, 2025

(13) Commitments- (Continued)

The contract mandates commission percentages as detailed in the following chart.

Commission Percentages	
On-Line and Instant Tickets	
Total Lottery Sales in the Year	Percent Thereof
\$0 - \$275 Million	5.00%
Over \$275 Million - \$400 Million	4.00%
Over \$400 Million	5.00%
Video Lottery Central System	
Total Net Terminal Income for the Year	Percent Thereof
\$0 - \$500 Million	2.50%
Over \$500 Million - \$1 Billion	1.00%
Over \$1 Billion	2.50%

(B) Video Lottery Terminal Provider - IGT Global Solutions Corporation (IGT)

IGT is also a provider of video lottery terminals and receives compensation equal to approximately 7% of net terminal income. The Master Contract (as amended) also includes provisions related to premium IGT video lottery terminals and responsibility for related license fees (IGT) as well as concurrence on agreement on the promotional points program with the casinos and the Lottery.

Pursuant to the Crisafulli Act, IGT, on January 1, 2023, executed an Assignment and Assumption Agreement to transfer its Video Lottery Terminal Technology Provider License Agreement to the VLT Joint Venture. The VLT Joint Venture is effective January 1, 2023 through June 30, 2043. The VLT Joint Venture, "Rhode Island VLT Company LLC", is owned by IGT and the Affiliates of Bally's but controlled by IGT or an Affiliate of IGT. The Rhode Island VLT Company LLC is the exclusive Technology Provider of VLTs and is regulated by the Lottery as a Technology Provider.

(C) Sportsbook – IGT Global Solutions Corporation (IGT)

In August 2018, the Lottery executed a Sports Betting Agreement with IGT to provide a proprietary sports betting solution for all sports betting at Bally's Lincoln Casino Resort and Bally's Tiverton Casino & Hotel facilities. The initial term of the agreement was five years from the launch date (November 26, 2018), and upon mutual agreement of the parties, there are two successive five-year renewal options. IGT's revenue share is allocated in accordance with R.I. Gen. Laws § 42-61.2-5. In the event of a loss of sports wagering revenue in a quarterly period, IGT will cover the State's share of said loss interest free until a subsequent invoicing period is sufficient to cover said prior period loss.

During July 2019, the Lottery executed the first amendment to the Sports Betting Agreement, as amended, authorizing IGT to supply the equipment, software, and services for online sports wagering. This was in accordance with authorized online sports wagering legislation enacted in June 2019.

RHODE ISLAND LOTTERY

Notes to Financial Statements
Year Ended June 30, 2025

(13) Commitments- (Continued)

In April 2023, the Lottery executed the second amendment to the Sports Betting Agreement, changing the renewal options to three successive periods: a three-year extension period, a two-year extension period, and a five-year extension period. Via this second amendment, the agreement was extended through November 25, 2026. This agreement further requires IGT to enhance the sports betting platform; namely, by reviewing quarterly competitor websites, performing platform refreshments, and increasing bank functionality. The agreement also required the installation and maintenance of player kiosks on premises and the provision of system and organization control attestation reports to the Lottery annually. The agreement also allows for certain third-party integrations into the sports betting platform, including live scoreboards, live feeds, and league and team logos, upon mutual agreement, with the costs for implementation shared between the Lottery and IGT. The second amendment also required IGT to pay thirty-two percent of provider service fees (specifically, debit fees, ACH transfer fees, and other payment processing fees) associated with on-line sports betting.

(D) *Licensed Gaming Facilities (Bally's Lincoln Casino Resort and Bally's Tiverton Casino and Hotel)*

Each licensed facility operates under a Master Contract with the Lottery. Effective February 17, 2022, the Lottery entered into contract amendments with Bally's Affiliate UTGR, Inc., now UTGR, LLC and Bally's Affiliate Twin River-Tiverton, LLC extending the respective terms through June 30, 2043. The contracts entitle the owners to compensation ranging from 26% to 28.85% of video lottery net terminal income at the respective facility.

Pursuant to the Crisafulli Act, as of January 1, 2023, Bally's or Affiliates of Bally's is part of the VLT Joint Venture with IGT as the exclusive technology provider of video lottery terminals through June 30, 2043. The VLT Joint Venture, "Rhode Island VLT Company LLC", is owned by IGT and the Affiliates of Bally's but controlled by IGT or an Affiliate of IGT. The Rhode Island VLT Company LLC is the exclusive Technology Provider of VLTs and is regulated by the Lottery as a Technology Provider.

The Master Contracts reflect the statutory authorization of a consolidated promotional points program at the licensed gaming facilities. For fiscal year 2025, allowable promotional points are 20% of prior year net terminal income plus \$1,500,000. In fiscal 2025, the combined promotional points authorized and issued were approximately \$98.8 million to facility patrons.

The Master Contract also reflects the statutory requirement that the Lottery reimburse the owner for certain allowable marketing expenses as follows:

<u>Marketing Expense Level</u>	<u>Lottery Reimbursement Percentage</u>
Bally's Lincoln Casino Resort:	
\$1 up to \$4,000,000	0%
\$4,000,001 up to \$10,000,000	State Share of NTI
\$10,000,001 up to \$14,000,000	0%
\$14,000,001 up to \$17,000,000	State Share of NTI
Bally's Tiverton Casino & Hotel:	
\$1 up to \$560,000	0%
\$560,001 up to \$1,400,000	State Share of NTI

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(13) Commitments- (Continued)

The Lottery is required to reimburse the gaming facilities for allowable marketing expenses incurred at the same percentage as the Lottery's share of net terminal income for the fiscal year 2025 (60.77% for Bally's Lincoln Casino Resort and 60.41% for Bally's Tiverton Casino & Hotel). For fiscal year 2025, the Lottery accrued \$3,091,480 and \$507,444 in reimbursable marketing expenses for Bally's Lincoln Casino Resort and Bally's Tiverton Casino & Hotel, respectively.

Table games are operated at Bally's Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. Commissions for both casino facilities and the respective host community were 83.5% and 1%. In June 2022, legislation was enacted, requiring a guaranteed minimum \$3 million payment to be made to the Towns of Lincoln and Tiverton, from net table games revenue, video lottery net terminal income, and iGaming net revenue, with any shortfall coming from the State's share of table games net revenue and video lottery net terminal income. In fiscal year 2025, there was a shortfall to the Town of Tiverton, therefore the State was required to make a payment of \$755,028 to bring the minimum required payment up to \$3 million.

Annual flat commissions, required to be paid to the Towns of Lincoln and Tiverton, are \$200,000/per town for sports betting operations.

In November 2018, the Lottery also entered into a Sports Wagering Hosting Agreement, as amended, with UTGR, Inc and Twin-River Tiverton, LLC to host in-person and on-line sports wagering. The agreement entitles the owners to compensation of 17% of sports wagering revenue (write minus payout) generated at the facilities. The agreement can be extended for two five-year periods so long as there is a master video lottery terminal contract between the relevant parties.

(E) *iGaming systems provider (Bally's and Affiliates of Bally's)*

In June 2023, legislation was enacted for the Lottery to implement, operate, conduct, and control iGaming at Bally's Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. Legislation required that the Lottery enter into a contract with the Affiliates of Bally's to be the exclusive iGaming platform vendor. On March 1, 2024, the Lottery entered into a contract with the subsidiary UTGR, LLC to be the iGaming Platform provider with a contract term ending on June 30, 2043. The contract obligates UTGR, LLC to: (a) regularly update and replace the servicer-based system for iGaming on schedules agreed by the Lottery, (b) fund the Lottery's responsible gambling programs, (c) provide the Lottery with reporting and player account management, provide funds management (including fraud and security controls), maintain all custodial accounts, pay for all digital transactions fees, incur all costs associated with the implementation of the system, provide a player call center, etc. The Lottery pays UTGR, LLC commissions at statutory rates for both iSlots and iTables.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(13) Commitments- (Continued)

The legislation further required the Lottery to enter into a contract with the Affiliates of Bally's to be the exclusive iGaming game provider. On March 1, 2024, the Lottery entered into a contract with UTGR, LLC to be the iGaming game provider with a contract term ending on June 30, 2043. The legislation also required the Affiliates of Bally's to enter into an assignment and assumption agreement between the Affiliates of Bally's (UTGR, LLC) and the iGaming Joint Venture. The iGaming Joint Venture (Bally's RI iCasino LLC) is the exclusive iGaming game provider. This joint venture is owned by the Affiliates of Bally's and IGT and controlled by Bally's. Under the terms of this contract, UTGR, LLC is to provide the platform for iSlot and iTable game offerings. This includes requirements for licensed games, a minimum number of game changes, as well as premium games which started in fiscal year 2025, and a 20% limitation on the number of proprietary iSlot games developed by Bally's or its Affiliates. The Lottery pays Bally's RI iCasino LLC commissions at statutory rates for both iSlots and iTables.

The Lottery, the Affiliates of Bally's (UTGR, LLC) and IGT, are all required to pay their share of the sportsbook and iGaming advertising and marketing programs. Each party's share is based on contractual and state law mandated requirements detailed in both the Sports Wagering Hosting Agreement and iGaming Platform provider agreement.

(14) Contingencies

- (A) The Lottery's master contracts with its video lottery facilities contain revenue protection provisions in the event that existing video lottery facilities incur revenue losses caused by new gaming ventures within the State.
- (B) The State's licensed casinos are under growing competitive pressure as Connecticut and Massachusetts expand their gaming options, including legalized sports wagering. Massachusetts is expected to implement iLottery in the spring of 2026, as well as legislative consideration of some additional iGaming bills. Meanwhile, the Mashpee Wampanoag Tribe opened a Welcome Center in East Taunton in January 2025 with ten (10) gaming machines. That number has increased to 50. Effective July 2025, hours have been extended, now operating 7 days a week. The Tribe has a proposal in place seeking to further expand the number of gaming machines to 250. The State continues to monitor these developments and is adapting its marketing and promotional strategies to protect gaming.
- (C) On May 29, 2024, the Lottery and the Rhode Island Department of Business Regulation entered into a letter agreement with Bally's or one of its Affiliates, with respect to the acceptance of wagers placed in Massachusetts through mobile devices, which activities constitute competitive activities in the operation of, casino gaming (which includes sports wagering) in Massachusetts. Bally's will, or will cause an Affiliate to, reimburse the State of Rhode Island, through the Lottery, for a dollar-for-dollar up to \$1.5 million per year, with such reimbursement annually adjusted based on the change to the Consumer Price Index (CPI) beginning with calendar year 2024. The reimbursement period shall mean any calendar year beginning with calendar 2024 and including but ending with the fifth (5th) calendar year thereafter during which Bally's or an Affiliate conducts Massachusetts mobile sports betting. In March 2025, the Lottery received \$1,500,000 regarding this agreement.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(14) Contingencies- (Continued)

- (D) In connection with the iGaming platform contract, Bally's shall provide financial protection to the State related to the negative revenue impact (Shortfall) on Traditional Lottery Products as of a result of iGaming whereby Bally's shall make an annual payment to the Lottery in an amount equal to 100% of the first \$1 million of any Shortfall, and 50% of any Shortfall between \$1 million and \$2 million. The Shortfall will be calculated on the base year revenue (Shortfall to Base Year Revenue), which is fiscal year 2023, for any difference in the net revenue received for the current fiscal year compared to the base year. Keno, instant ticket games, and eInstants constitutes traditional lottery products. For fiscal year 2025, the Lottery has recorded a receivable due from UTGR, LLC in the amount of \$1,500,000 for the financial protection relating to the Shortfall provision.
- (E) In the event of default on an insurance annuity contract for a Rhode Island winner of the Lucky for Life® jackpot prize award, the Lottery may be contingently liable for any remaining prize amounts due the winner.
- (F) In accordance with Sections 5.1 and 5.3 of the Eighth Amendment to the Master Contract, the Lottery assessed liquated damages from IGT for the shortfall in the minimum number of FTEs required under the second employment obligation. The Lottery received \$897,000 during fiscal year 2025 regarding this assessment.

(15) Risk Management

The Lottery is exposed to various types of risk related to its operations. These risks can result in losses incurred from property damage or destruction, inability to operate gaming activities and worker compensation claims. The Lottery manages these risks through the purchase of commercial insurance and worker's compensation coverage through the State of Rhode Island. During fiscal 2025, the Lottery maintained its amount of purchased insurance coverage. Claims and settlements incurred for fiscal years 2025, 2024 and 2023 have not exceeded the Lottery's insurance coverage.

The Lottery participates in the health insurance program for all State employees.

The Lottery also manages a variety of operational risks which could impact the continuity of business operations. These include the risk of cyber-attacks, property damages, or employee strikes which could adversely impact Lottery operations and have an effect on the State's share of net revenues. To mitigate these risks, Lottery contractors and facility operators procure business interruption insurance, cyber liability insurance, and other property insurance, in conjunction with managing employment issues in a manner that safeguards the continuity of the Lottery's business operations.

RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2025

(16) Subsequent Events

- On August 14, 2025, in accordance with Section 2 of the Sports Wagering Hosting Agreement and Section 2 of the First Amendment to Sports Wagering Hosting Agreement, the Lottery, along with UTGR and Twin-River Tiverton, LLC, mutually agreed to exercise the 2nd First Amendment Extension Term thereby extending the Hosting Agreement for a five-year period. Bally's Lincoln Casino Resort term has been extended to October 19, 2030, and Bally's Tiverton Casino & Hotel has been extended to February 26, 2031.
- In September 2025, Bally's announced that it received approval to proceed with a sale-leaseback agreement with Gaming and Leisure Properties for its Bally's Lincoln Casino Resort. This agreement is not expected to impact operations at Bally's Lincoln Casino Resort.

Required
Supplementary
Information

RI Lottery
Schedule of the Lottery's Proportionate Share of the Net Pension Liability
Employees' Retirement System Plan

Year Ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Lottery's proportion of the net pension liability	0.92276512%	0.92245521%	0.94734360%	0.93097814%	0.95210284%	0.91995341%	0.76161477%	0.74815308%	0.76619002%	0.75882900%
Lottery's proportionate share of the net pension liability	\$ 17,838,432	\$ 17,761,691	\$ 18,689,341	\$ 16,557,874	\$ 21,652,204	\$ 20,850,027	\$ 17,142,457	\$ 16,869,023	\$ 16,260,567	\$ 15,073,593
Lottery's covered payroll (at measurement date)	\$ 8,177,892	\$ 7,492,017	\$ 7,376,958	\$ 6,898,515	\$ 7,198,822	\$ 6,612,770	\$ 5,311,202	\$ 5,185,935	\$ 5,155,796	\$ 5,070,849
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	218.13%	237.07%	253.35%	240.02%	300.77%	315.30%	322.76%	325.28%	315.38%	297.26%
Plan fiduciary net position as a percentage of the total pension liability	63.1%	61.3%	59.6%	63.2%	52.6%	52.8%	52.5%	51.8%	51.9%	55.0%

Notes:

1.) The amounts presented for each fiscal year were determined as of June 30 measurement date prior to the fiscal year-end.

RI Lottery
Schedule of the Lottery's Contributions
Employees' Retirement System Plan

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily determined contribution	\$ 2,578,952	\$ 2,369,132	\$ 2,098,514	\$ 2,066,286	\$ 1,899,851	\$ 1,899,769	\$ 1,737,836	\$ 1,320,896	\$ 1,314,116	\$ 1,219,209
Contributions in relation to the statutorily determined contribution	2,578,952	2,369,132	2,098,514	2,066,286	1,899,851	1,899,769	1,737,836	1,320,896	1,314,116	1,219,209
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lottery's covered payroll	8,386,836	8,177,892	7,492,017	7,376,958	6,898,515	\$ 7,198,822	\$ 6,612,770	\$ 5,311,202	\$ 5,185,935	\$ 5,155,796
Contributions as a percentage of covered payroll	30.75%	28.97%	28.01%	28.01%	27.54%	26.39%	26.28%	24.87%	25.34%	23.65%

Notes:

1.) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

RI Lottery
Schedule of the Lottery's Proportionate Share of the Net OPEB Liability
State Employees' OPEB Plan

Year Ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Lottery's proportion of the net OPEB liability	0.92087054%	0.91809123%	0.94008190%	0.92487715%	0.94750704%	0.91422568%	0.76106927%	0.74378532%
Lottery's proportionate share share of the net OPEB liability	\$ 1,274,404	\$ 1,911,167	\$ 2,577,595	\$ 2,145,330	\$ 3,419,593	\$ 3,990,381	\$ 3,876,354	\$ 3,863,547
Lottery's covered payroll (at measurement date)	\$ 8,177,892	\$ 7,493,504	\$ 7,386,136	\$ 6,911,293	\$ 7,182,571	\$ 6,705,017	\$ 5,308,395	\$ 5,185,930
Lottery's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.58%	25.50%	34.90%	31.04%	47.61%	59.51%	73.02%	74.50%
Plan fiduciary net position as a percentage of the total OPEB liability	76.55%	65.09%	55.09%	60.52%	42.51%	33.57%	26.25%	22.38%

Notes:

1.) The amounts presented for each fiscal year were determined as of June 30 measurement date prior to the fiscal year-end.

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

RI Lottery
Schedule of the Lottery's Contributions
State Employees' OPEB Plan

	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily determined contribution	\$ 315,698	\$ 372,538	\$ 335,709	\$ 389,988	\$ 379,430	\$ 477,641	\$ 400,960	\$ 317,442
statutorily determined contribution	315,698	372,538	335,709	389,988	379,430	477,641	400,960	317,442
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lottery's covered payroll	\$ 8,012,640	\$ 8,177,892	\$ 7,493,504	\$ 7,386,136	\$ 6,911,293	\$ 7,182,571	\$ 6,705,017	\$ 5,308,395
Contributions as a percentage of covered payroll	3.94%	4.52%	4.48%	5.28%	5.49%	6.65%	5.98%	5.98%

Notes:

1.) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

RHODE ISLAND LOTTERY
Notes to Required Supplementary Information
Year Ended June 30, 2025

Pension – Required Supplementary Information:

- **Schedule of the Lottery’s Proportionate Share of the Net Pension Liability – Employees’ Retirement System Plan**
- **Schedule of the Lottery’s Contributions – Employees’ Retirement System Plan**

1) Actuarial methods and assumptions used to calculate the net pension liability of the participating employers

The actuarial methods and assumptions used to calculate the net pension liability of the participating employers are described in Note 9 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

June 30, 2024 measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2024 measurement date compared to the June 30, 2023 measurement date.

Benefit changes are reflected in the calculation of the net pension liability at the June 30, 2024 measurement date. The following is a summary of those benefit changes enacted by the General Assembly:

- The threshold for full COLAs was reduced from an 80% funded ratio to 75%;
- Retirees whose dates of retirement were before July 1, 2012 are no longer subject to the reduced COLA while the plans are less than the threshold;
- The final average salary formula was reduced from 5 to 3 years for all future retirees; and
- Certain members were granted MERS Public Safety benefits.

June 30, 2023 measurement date:

As part of the 2023 Actuarial Experience Study for the six-year period ending June 30, 2022 as approved by the System Board on May 17, 2023, certain assumptions were modified and reflected in the determination of net pension liability (asset) at the June 30, 2023 measurement date. The following summarizes the more significant changes in assumptions:

- Decreased individual salary increases and projected payroll growth for most groups. These two items mainly offset each other in calculating contribution requirements, especially as dollar amounts, but create a much lower projected annual growth rate in the dollar amounts of contributions.
- Updated the mortality projection scales to the ultimate rates of the most recently published ones, this had no material impact to the liabilities or contributions.
- Modestly increased turnover rates.
- Slight modifications to the retirement rates.
- Modified slightly the rates of disability.

June 30, 2022 measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2022 measurement date compared to the June 30, 2021 measurement date.

RHODE ISLAND LOTTERY
Notes to Required Supplementary Information
Year Ended June 30, 2025

1) Actuarial methods and assumptions used to calculate the net pension liability (asset) of the participating employers (continued)

June 30, 2021 measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2021 measurement date compared to the June 30, 2020 measurement date.

June 30, 2020 measurement date:

As part of the 2020 Actuarial Experience Study for the six-year period ending June 30, 2019 as approved by the System Board on May 22, 2020, certain assumptions were modified and reflected in the determination of net pension liability (asset) at the June 30, 2020 measurement date. The following summarizes the more significant changes in assumptions:

- Updated the underlying mortality tables from the RP-2014 set of tables to the public sector-based PUB (10) tables.
- Increased slightly the probabilities of turnover.
- Decreased slightly the probabilities of retirement.
- Modified slightly the probabilities of disability, including adding material incidence of disability for members in the age ranges that historically have been eligible to retire but under prospective provisions are not.

June 30, 2019 measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2019 measurement date compared to the June 30, 2018 measurement date.

June 30, 2018 measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plan as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

June 30, 2017 measurement date:

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

June 30, 2016 measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability of the plans as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date.

RHODE ISLAND LOTTERY
Notes to Required Supplementary Information
Year Ended June 30, 2025

1) Actuarial methods and assumptions used to calculate the net pension liability (asset) of the participating employers (continued)

June 30, 2015 measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability of the plans as of the June 30, 2015 measurement date compared to the June 30, 2014 measurement date.

Benefit changes are reflected in the calculation of the net pension liability at the June 30, 2015 measurement date. The following is a summary of those benefit changes that resulted from the settlement of the pension litigation and the subsequent enactment of those settlement provisions by the General Assembly.

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and municipal general employees will contribute 8.25% (9.25% for units with a COLA provision) and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan. Also, members who earn less than \$35,000 per year will not be required to pay the administrative fees to the defined contribution plan.
- Members who retired from a COLA eligible plan before July 1, 2012 will received a one-time cost of living adjustment of 2% of the first \$25,000 paid as soon as administratively possible.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather than 5-year intervals.
- The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5yr Return - 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total max COLA of 3.5%. This COLA is calculated on the first \$25,855, effective January 1, 2016, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.)
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

2) Actuarially determined contributions

Actuarially determined contributions are calculated as of June 30, three years prior to the fiscal year in which the contributions are reported. For example, the contribution rate for fiscal 2025 for the plan was based on a valuation performed as of June 30, 2022.

RHODE ISLAND LOTTERY
Notes to Required Supplementary Information
Year Ended June 30, 2025

Other Postemployment Benefits (OPEB) Plan – Required Supplementary Information:

- **Schedule of the Lottery’s Proportionate Share of the Net OPEB Liability – State Employees’ OPEB Plan**
- **Schedule of the Lottery’s Contributions – State Employees’ OPEB Plan**

These schedules are intended to present ten years of data. Additional years of data will be presented as they become available.

1) Actuarial assumptions and methods used to calculate the net OPEB liability of the participating employers

The actuarial methods and assumptions used to calculate the net OPEB liability of the participating employers are described in Note 10 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

June 30, 2024 measurement date:

The net OPEB liability (asset) measured as of June 30, 2024 reflected updated assumptions for the health care trend rates compared to the June 30, 2023 measurement date.

June 30, 2023 measurement date:

There were no changes in actuarial methods reflected in the calculation of the net OPEB liability (asset) of the plans as of the June 30, 2023 measurement date compared to the June 30, 2022 measurement date. Changes in actuarial assumptions were limited to the update of healthcare trend assumptions.

June 30, 2022 measurement date:

There were no changes in actuarial methods reflected in the calculation of the net OPEB liability (asset) of the plans as of the June 30, 2022 measurement date compared to the June 30, 2021 measurement date. Changes in actuarial assumptions were limited to the update of healthcare trend assumptions.

June 30, 2021 measurement date:

Assumption changes included updated rates of mortality, retirement, withdrawal, disability and salary increases consistent with the Employees’ Retirement System of Rhode Island, as applicable.

June 30, 2020 measurement date:

The “Cadillac tax”, which was a tax provision from the federal Affordable Care Act (ACA), was repealed in December 2019. As a result, liability amounts previously included for the “Cadillac tax” within the development of the total OPEB liability has been removed as of the June 30, 2020 measurement date.

RHODE ISLAND LOTTERY
Notes to Required Supplementary Information
Year Ended June 30, 2025

1) Actuarial assumptions and methods used to calculate the net OPEB liability of the participating employers (Continued)

June 30, 2019 measurement date:

The June 30, 2018 actuarial valuation rolled forward to the June 30, 2020 measurement date reflected a change in Excise Tax load on pre-65 liabilities from 11.0% to 9.5%.

June 30, 2018 Measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability of the plan as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

June 30, 2017 Measurement date:

Certain actuarial assumptions for State Employees were updated to match the assumptions used for State Employees in the pension valuation for the Employees' Retirement System of Rhode Island (ERSRI) and the results of an actuarial experience investigation performed for ERSRI at June 30, 2016. Changes were made to the following assumptions:

- Merit and longevity portion of the salary increase assumption
- Rates of separation from active membership
- Rates of retirement
- Rates of disability
- The rate of wage inflation
- The mortality assumption
- The trend assumption
- Aging factors and health and inflation trends

The excise tax load on pre-65 liabilities was changed from 13.8% to 11.0%. The Patient Protection and Affordable Care Act includes an excise tax on high-cost health plans. The excise tax is 40% of costs above a threshold. The actual actuarial assumptions used in the most recent valuations assume that the plans will be subject to the excise tax in 2024.

2) Actuarially determined contributions

The annual required contributions for fiscal 2025 for the plan were determined based on the June 30, 2022 valuation of the State Employees' OPEB Plan.

Supplementary Information

Schedule 1 – Operating Revenue and Cost of Gaming Operations

Rhode Island Lottery - Operating Revenue and Cost of Gaming Operations

Year Ended June 30, 2025

Schedule 1

	Revenue ⁽¹⁾	Prize Awards Expense/ Payouts	Commissions	Incentive Programs Video Lottery	Marketing/ Advertising Expense	Cost of Tickets	Transaction Fees - Online Wagering	Unclaimed Prize Recovery	Cost of Gaming Operations	Gross Profit
Games reported – gross revenue										
On-line Games										
Keno	\$ 87,696,830	\$ 58,094,357	\$ 11,309,842	\$ -	\$ 190,099	\$ -	\$ -	\$ (302,904)	\$ 69,291,394	\$ 18,405,436
Bingo	3,081,863	2,109,503	396,981	-	160,497	-	-	(11,672)	2,655,309	426,554
Powerball®	17,786,916	8,898,654	2,293,571	-	459,051	-	-	(984,971)	10,666,305	7,120,611
Daily Numbers	21,173,814	10,430,813	2,729,839	-	93,998	-	-	(192,299)	13,062,351	8,111,463
Mega Millions®	14,942,612	7,526,273	1,927,447	-	833,449	-	-	(245,292)	10,041,877	4,900,735
Wild Money	7,686,119	4,246,824	991,544	-	134,307	-	-	(327,156)	5,045,519	2,640,600
Lucky for Life®	<u>7,855,634</u>	<u>4,667,612</u>	<u>1,012,661</u>	<u>-</u>	<u>202,091</u>	<u>-</u>	<u>-</u>	<u>(98,672)</u>	<u>5,783,692</u>	<u>2,071,942</u>
	160,223,788	95,974,036	20,661,885	-	2,073,492	-	-	(2,162,966)	116,546,447	43,677,341
Instant Tickets	120,380,958	84,943,656	12,747,067	-	1,151,030	1,164,393	-	(2,156,701)	97,849,445	22,531,513
iLottery ⁽⁴⁾	24,874,558	20,306,593	1,218,191	-	58,574	-	5,097	(8,380)	21,580,075	3,294,483
Sportsbook	472,921,629	435,128,562	18,532,314	-	388,343 ⁽³⁾	-	725,562	(447,704)	454,327,077	18,594,552
Games reported – revenue net of related prize awards										
Video Lottery ⁽²⁾	519,218,219	-	202,384,000	3,598,924	-	-	-	(402,681)	205,580,243	313,637,976
Table Games	127,185,036	-	107,504,803	-	-	-	-	(18,830)	107,485,973	19,699,063
iGaming ⁽⁵⁾	44,993,915	-	21,498,539	-	2,724,220 ⁽⁶⁾	-	-	-	24,222,759	20,771,156
Other operating revenue	<u>1,004,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,004,349</u>
Totals	<u>\$ 1,470,802,452</u>	<u>\$ 636,352,847</u>	<u>\$ 384,546,799</u>	<u>\$ 3,598,924</u>	<u>\$ 6,395,659</u>	<u>\$ 1,164,393</u>	<u>\$ 730,659</u>	<u>\$ (5,197,262)</u>	<u>\$ 1,027,592,019</u>	<u>\$ 443,210,433</u>
Lottery games commissions - detail by game										
Licensed Retailers (Facilities)		Video Lottery	Table Games	Sportsbook	iGaming					
	\$	145,236,321	\$ 106,199,506	\$ 6,290,803	\$ -					
Platform Provider		-	-	-	10,903,603					
Technology Provider/Gaming Provider		35,543,246	-	11,841,511	10,031,608					
Central Communications Provider(s)		12,692,182	-	-	-					
Towns of Lincoln and Tiverton		8,250,245	1,305,297	400,000	563,328					
Narragansett Indian Tribe		<u>662,006</u>	<u>-</u>	<u>-</u>	<u>-</u>					
Total		<u>\$ 202,384,000</u>	<u>\$ 107,504,803</u>	<u>\$ 18,532,314</u>	<u>\$ 21,498,539</u>					

(1) See note 2 (c) for details of revenue accounting policy.

(2) See note 2 (c) (4) for detail of gross video lottery terminal activity.

(3) Marketing expenses for Sportsbook are allocated as part of the overall allocation of revenue to the State and licensed retailers (facilities).

(4) iLottery consisted of eInstants and iKeno at June 30, 2025.

(5) See note 2 (c) (8) for detail of gross iGaming activity.

(6) Marketing expenses for iGaming are allocated as part of the overall allocation of revenue to the State, Platform and Gaming Provider (s), and Towns of Lincoln and Tiverton.

Statistical Section

Statistical Section

This part of the Lottery's comprehensive annual financial report presents detailed information as to the context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the financial health of the State of Rhode Island, the Lottery and the lottery industry.

<u>Contents</u>	<u>Page</u>
Lottery Statistics – Rhode Island These schedules contain trend information to help the reader understand how the Lottery's financial performance and well-being have changed over time.	86
Rhode Island Demographics These schedules offer demographic and economic indicators to help give the reader a better understanding of the Lottery's and the State of Rhode Island's environment.	94
Lottery Statistics – National These schedules contain financial information to help the reader understand the Lottery's performance compared to the other lottery jurisdictions within the United States of America.	97

Lottery
Statistics
—
Rhode Island

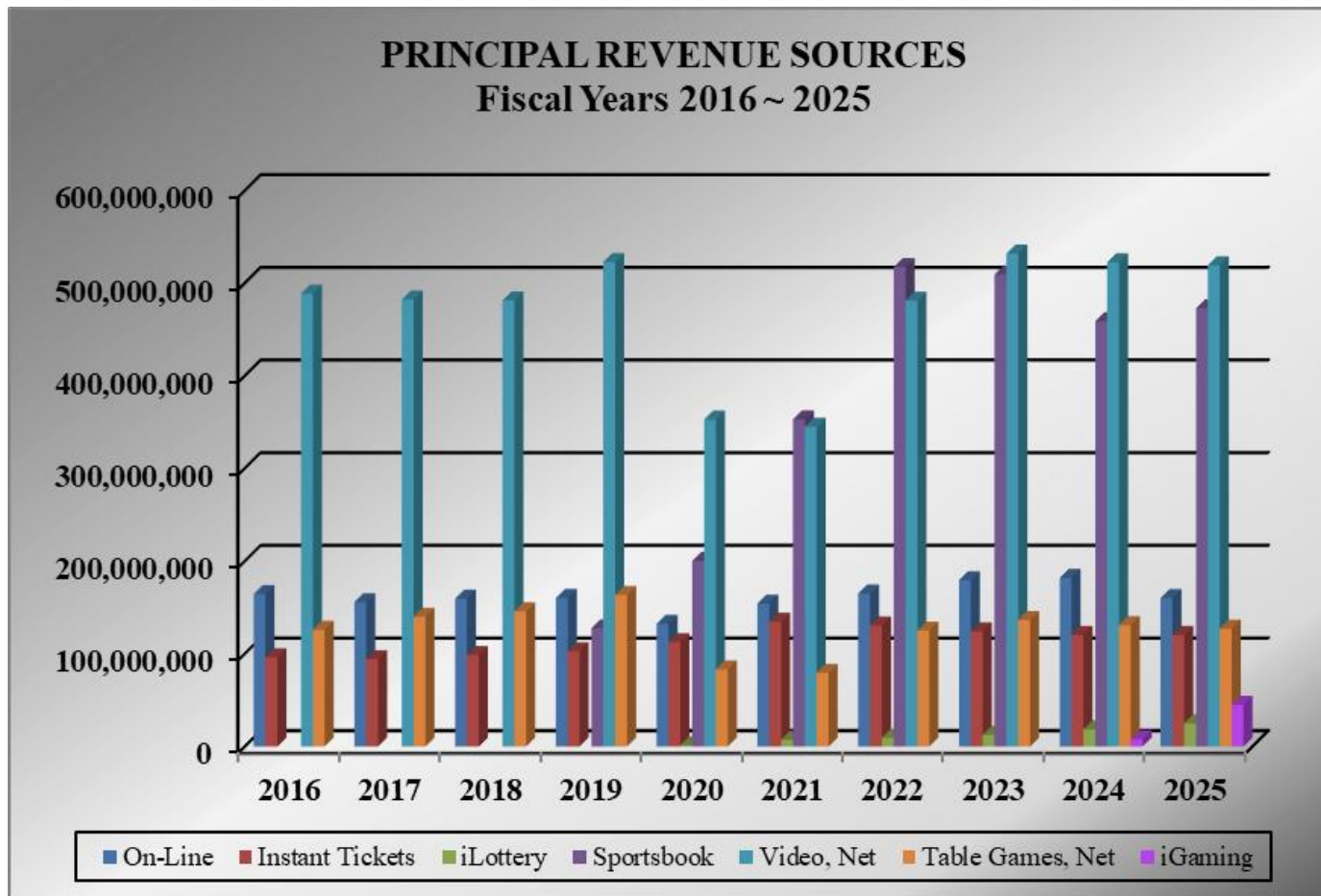
RHODE ISLAND LOTTERY

Principal Revenue Sources

Fiscal Years 2016 through 2025

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Operating revenue										
Games reported - gross revenue										
<i>On-line</i>										
Keno	\$ 83,659,591	\$ 82,984,608	\$ 82,435,628	\$ 79,843,410	\$ 69,826,851	\$ 78,821,109	\$ 89,730,021	\$ 88,803,404	\$ 87,745,099	\$ 87,696,830
Bingo	1,029,788	972,663	1,034,438	1,214,353	1,155,937	1,275,117	1,432,895	1,771,853	2,398,417	3,081,863
PowerBall®	36,307,849	29,378,496	30,191,087	27,218,295	17,945,735	20,945,689	26,184,419	29,652,582	35,679,850	17,786,916
Daily Numbers	23,773,865	23,886,086	23,210,121	22,988,120	22,900,223	24,297,239	22,855,155	22,334,123	22,437,804	21,173,814
Mega Millions®	10,064,697	9,365,827	13,345,270	20,229,951	11,943,934	15,673,683	10,907,256	20,910,859	18,909,244	14,942,612
Wild Money	4,317,463	3,967,038	4,465,768	3,898,948	3,816,929	8,343,821	5,859,173	8,261,297	7,154,168	7,686,119
Lucky for Life	5,398,864	5,096,898	4,970,754	4,958,714	4,853,934	4,806,790	8,056,757	7,694,848	7,648,876	7,855,634
Other	-	4,475	10,391	9,307	-	-	-	-	-	-
Total on-line	164,552,117	155,656,091	159,663,457	160,361,098	132,443,543	154,163,448	165,025,676	179,428,966	181,973,458	160,223,788
Percentage of total revenues	18.8%	17.8%	18.0%	14.9%	15.0%	14.3%	11.5%	12.0%	12.6%	10.8%
<i>Instant tickets</i>										
Instant tickets	96,281,087	94,225,863	98,706,129	102,914,666	112,643,821	134,625,405	130,562,609	124,257,579	120,466,945	120,380,958
Percentage of total revenues	11.0%	10.8%	11.1%	9.5%	12.7%	12.5%	9.1%	8.3%	8.3%	8.1%
<i>iLottery</i>										
iLottery	-	-	-	-	1,305,682	7,152,533	9,498,777	12,616,040	18,544,313	24,874,558
Percentage of total revenues	0.0%	0.0%	0.0%	0.0%	0.1%	0.7%	0.7%	0.8%	1.3%	1.7%
<i>Sportsbook</i>										
Sportsbook	-	-	-	127,587,809	200,188,405	352,995,097	517,229,614	509,469,437	458,813,890	472,921,629
Percentage of total revenues	0.0%	0.0%	0.0%	11.8%	22.6%	32.8%	36.2%	34.0%	31.7%	32.0%
Games reported - revenue net of related prize awards										
<i>Video</i>										
Video lottery	488,690,835	482,404,252	481,372,523	522,754,625	352,833,794	345,066,349	481,150,833	531,976,452	522,521,365	519,218,219
Percentage of total revenues	55.8%	55.2%	54.3%	48.5%	39.9%	32.1%	33.7%	35.6%	36.2%	35.2%
<i>Table games</i>										
Table games	125,837,949	140,090,213	145,831,110	163,442,908	83,257,074	79,459,088	125,047,864	136,600,182	131,054,281	127,185,036
Percentage of total revenues	14.4%	16.0%	16.4%	15.2%	9.4%	7.4%	8.7%	9.1%	9.1%	8.6%
<i>iGaming</i>										
iGaming	-	-	-	-	-	-	-	-	7,882,774	44,993,915
Percentage of total revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	3.0%
Other operating revenue										
	-	-	-	-	-	549,647	570,896	633,651	909,644	1,004,349
	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%	0.1%
Total operating revenue	875,361,988	872,376,419	885,573,219	1,077,061,106	882,672,319	1,074,011,567	1,429,086,269	1,494,982,307	1,442,166,670	1,470,802,452
Non-operating income										
Investment income	163,373	305,420	542,969	553,497	702,358	155,294	154,148	2,136,034	3,417,257	3,577,908
Net pull tab sales	37,272	37,042	34,796	33,908	24,026	22,083	24,524	22,602	21,729	14,213
Contract revenue	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	675,000	1,385,526
Miscellaneous	276,216	211,516	242,547	233,422	448,694	355,510	532,593	836,923	1,630,774	4,338,948
Total non-operating revenues	1,101,861	1,178,978	1,445,312	1,445,827	1,800,078	1,157,887	1,336,265	3,620,559	5,744,760	9,316,595
Percentage of total revenues	0.1%	0.1%	0.2%	0.1%	0.2%	0.1%	0.1%	0.2%	0.4%	0.6%
Total revenues	\$ 876,463,849	\$ 873,555,397	\$ 887,018,531	\$ 1,078,506,933	\$ 884,472,397	\$ 1,075,169,454	\$ 1,430,422,534	\$ 1,498,602,866	\$ 1,447,911,430	\$ 1,480,119,047

RHODE ISLAND LOTTERY
Principal Revenue Sources
Fiscal Years 2016 through 2025

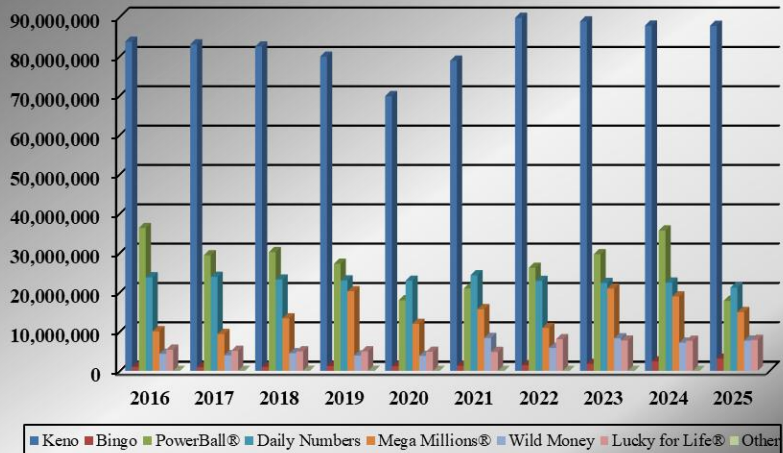


RHODE ISLAND LOTTERY

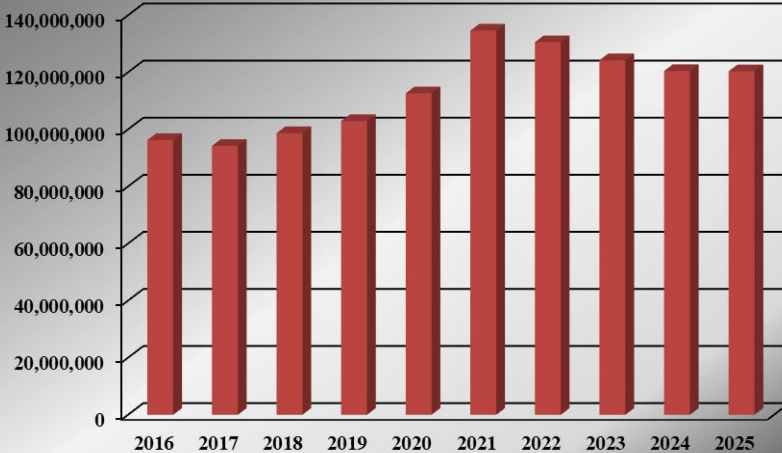
Principal Revenue Sources

Fiscal Years 2016 through 2025

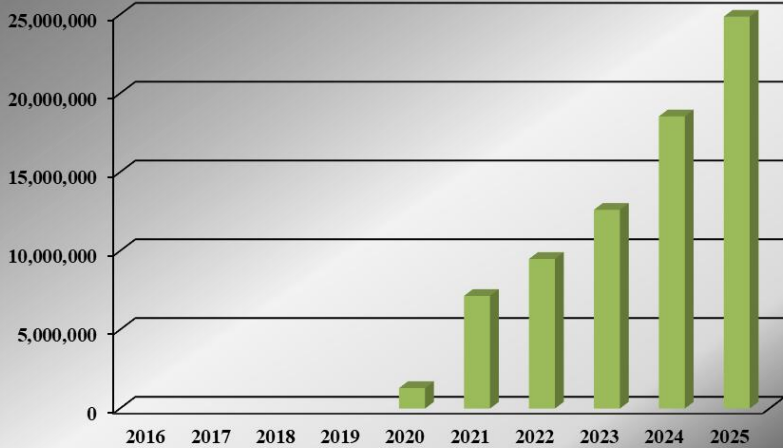
ON-LINE REVENUES
Fiscal Years 2016 ~ 2025



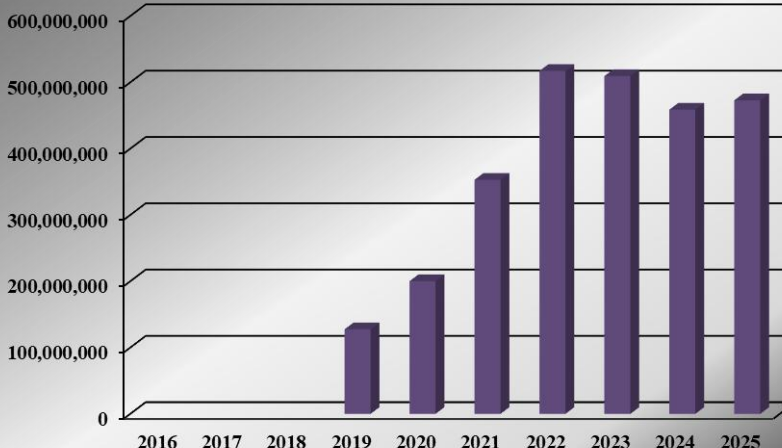
INSTANT TICKET REVENUES
Fiscal Years 2016 ~ 2025



iLOTTERY REVENUES
Fiscal Years 2016 ~ 2025



SPORTSBOOK REVENUES
Fiscal Years 2016 ~ 2025

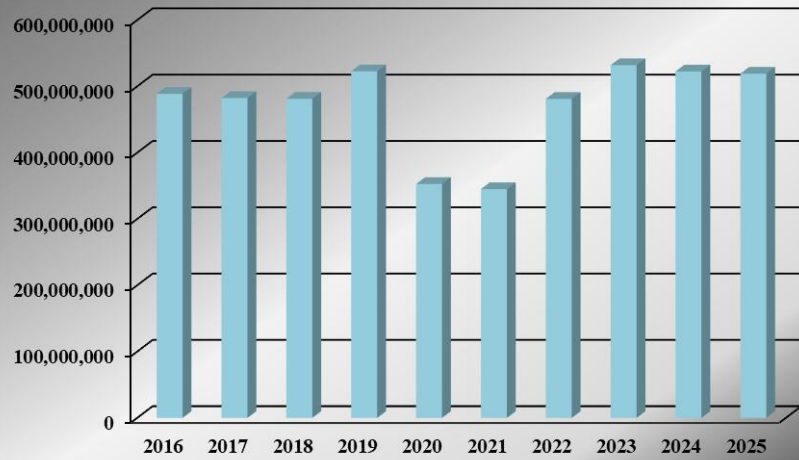


RHODE ISLAND LOTTERY

Principal Revenue Sources

Fiscal Years 2016 through 2025

VIDEO LOTTERY, NET REVENUES
Fiscal Years 2016 ~ 2025



iGAMING, NET REVENUES
Fiscal Years 2016 ~ 2025

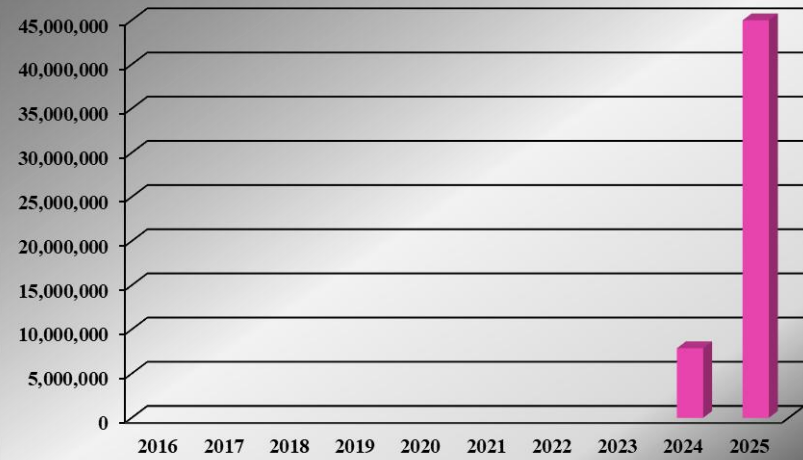
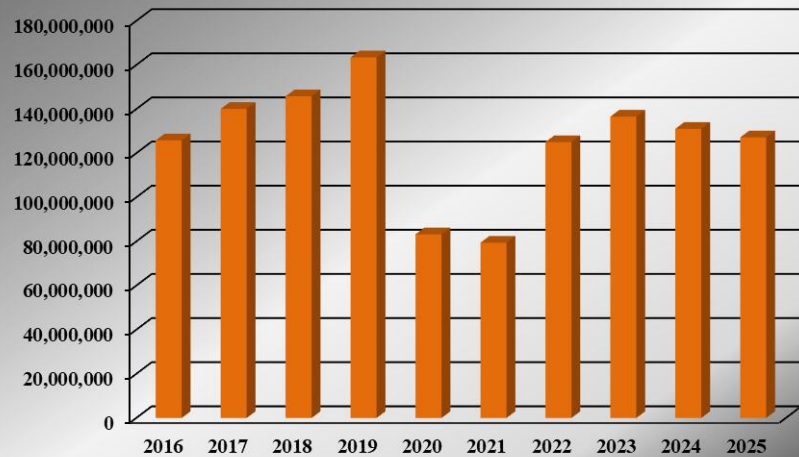


TABLE GAMES, NET REVENUES
Fiscal Years 2016 ~ 2025



RHODE ISLAND LOTTERY

Change in Net Position

Fiscal Years 2016 through 2025

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Operating revenues										
Games reported - gross revenue										
On-line	\$ 164,552,117	\$ 155,656,091	\$ 159,663,457	\$ 160,361,098	\$ 132,443,543	\$ 154,163,448	\$ 165,025,676	\$ 179,428,966	\$ 181,973,458	\$ 160,223,788
Instant tickets	96,281,087	94,225,863	98,706,129	102,914,666	112,643,821	134,625,405	130,562,609	124,257,579	120,466,945	120,380,958
iLottery	-	-	-	-	1,305,682	7,152,533	9,498,777	12,616,040	18,544,313	24,874,558
Sports Book	-	-	-	127,587,809	200,188,405	352,995,097	517,229,614	509,469,437	458,813,890	472,921,629
Games reported - revenue net of related prize awards										
Video lottery	488,690,835	482,404,252	481,372,523	522,754,625	352,833,794	345,066,349	481,150,833	531,976,452	522,521,365	519,218,219
Table games	125,837,949	140,090,213	145,831,110	163,442,908	83,257,074	79,459,088	125,047,864	136,600,182	131,054,281	127,185,036
iGaming	-	-	-	-	-	-	-	-	7,882,774	44,993,915
Other operating revenue						549,647	570,896	633,651	909,644	1,004,349
Total operating revenue	875,361,988	872,376,419	885,573,219	1,077,061,106	882,672,319	1,074,011,567	1,429,086,269	1,494,982,307	1,442,166,670	1,470,802,452
Cost of gaming operations										
Prize awards expense	161,650,780	157,023,937	162,126,601	285,987,368	338,205,556	505,366,057	673,703,958	659,286,567	625,432,797	636,352,847
Retailer/vendor commissions	31,666,893	30,279,906	31,259,176	31,824,962	29,245,728	33,581,310	35,154,578	36,145,158	36,041,477	33,408,952
iLottery commissions	-	-	-	-	65,285	337,720	465,312	614,196	900,358	1,218,191
Video commissions	188,979,963	186,780,926	186,411,125	202,470,151	136,485,046	135,648,650	188,354,850	207,722,824	203,824,904	202,384,000
Sports book commissions	-	-	-	3,104,551	9,110,668	17,612,073	19,599,758	24,987,952	18,925,145	18,532,314
Table games commissions	105,703,877	117,675,779	122,498,132	137,995,985	70,352,228	67,228,656	105,725,985	115,474,015	110,783,871	107,504,803
iGaming commissions	-	-	-	-	-	-	-	-	3,815,495	21,498,539
Incentive programs, video	6,802,349	6,857,127	6,799,640	6,053,466	3,990,072	671,958	4,232,235	4,150,164	4,152,984	3,598,924
Marketing/advertising expense	1,916,270	2,622,021	2,669,113	3,554,740	2,602,043	2,485,974	2,972,708	2,966,297	4,351,540	6,395,659
Cost of tickets	1,155,106	995,285	1,110,175	925,570	972,986	1,082,726	1,004,530	930,293	972,546	1,164,393
Transaction fees - online wagering	-	-	-	-	-	681,377	933,667	1,177,966	760,323	730,659
Unclaimed prize recovery	(2,271,719)	(2,808,577)	(2,650,661)	(3,300,542)	(3,776,164)	(4,770,564)	(4,777,863)	(4,526,660)	(4,295,135)	(5,197,262)
Total cost of gaming operations	495,603,519	499,426,404	510,223,301	668,616,251	587,253,448	759,925,937	1,027,369,718	1,048,928,772	1,005,666,305	1,027,592,019
Gross Profit	379,758,469	372,950,015	375,349,918	408,444,855	295,418,871	314,085,630	401,716,551	446,053,535	436,500,365	443,210,433
Operating Expenses										
Salaries and benefits	10,300,568	9,948,138	10,358,741	10,855,702	12,550,219	12,224,386	11,334,962	11,687,353	12,140,557	15,669,158
Depreciation and amortization	111,393	131,982	131,603	132,628	133,808	138,440	117,665	432,396	435,443	395,251
Problem gambling expenses	-	-	-	-	-	549,647	570,896	633,651	909,644	1,004,349
Other	1,183,805	796,044	879,727	750,689	916,708	1,028,101	1,160,914	1,251,552	1,568,660	1,815,086
Total operating expenses	11,595,766	10,876,164	11,370,071	11,739,019	13,600,735	13,940,574	13,184,437	14,004,952	15,054,304	18,883,844
Operating Income	368,162,703	362,073,851	363,979,847	396,705,836	281,818,136	300,145,056	388,532,114	432,048,583	421,446,061	424,326,589
Non-operating income (expenses)										
Interest income	163,373	305,420	542,969	553,497	702,358	155,294	154,148	2,136,034	3,417,257	3,577,908
Contract revenue	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	675,000	1,385,526
Other	313,488	248,558	277,343	267,330	472,720	377,593	557,117	859,525	1,652,503	4,353,161
Total non-operating income (expenses)	1,101,861	1,178,978	1,445,312	1,445,827	1,800,078	1,157,887	1,336,265	3,620,559	5,744,760	9,316,595
Income Before Transfers	369,264,564	363,252,829	365,425,159	398,151,663	283,618,214	301,302,943	389,868,379	435,669,142	427,190,821	433,643,184
Transfers from (to) State's General Fund	(369,760,880)	(362,696,628)	(364,974,453)	(397,320,920)	(283,870,546)	(301,803,081)	(388,641,696)	(434,666,769)	(426,419,555)	(433,594,991)
Transfers from (to) RI Capital Plan Fund	444,458	-	-	-	-	-	-	-	-	93,681
Increase (decrease) in net position	\$ (51,858)	\$ 556,201	\$ 450,706	\$ 830,743	\$ (252,332)	\$ (500,138)	\$ 1,226,683	\$ 1,002,373	\$ 771,266	\$ 141,874

RHODE ISLAND LOTTERY
Net Position
June 30, 2016 through 2025

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Net position at year-end										
Net investment in capital assets	\$ 368,149	\$ 421,514	\$ 314,132	\$ 353,299	\$ 472,462	\$ 345,976	\$ 228,311	\$ 290,861	\$ 192,133	\$ 214,277
Unrestricted (deficit)	(18,718,116)	(18,215,280)	(21,258,021)	(20,466,445)	(20,837,940)	(21,211,592)	(19,867,244)	(18,927,421)	(18,057,427)	(17,937,697)
Total net position (deficit)	\$ (18,349,967)	\$ (17,793,766)	\$ (20,943,889)	\$ (20,113,146)	\$ (20,365,478)	\$ (20,865,616)	\$ (19,638,933)	\$ (18,636,560)	\$ (17,865,294)	\$ (17,723,420)

RHODE ISLAND LOTTERY

Changes in Cash and Cash Equivalents

Fiscal Years 2016 through 2025

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Cash flows from operating activities										
Receipts from lottery sales, online and instant games	\$ 260,846,176	\$ 249,704,373	\$ 255,625,349	\$ 263,162,235	\$ 244,907,135	\$ 289,718,097	\$ 295,196,266	\$ 302,342,653	\$ 300,294,047	\$ 280,173,026
Receipts from iLottery sales	-	-	-	-	813,748	7,397,902	9,483,693	12,517,204	18,467,025	24,808,321
Receipts from video lottery operations (net of prizes)	488,690,835	482,404,252	481,372,523	520,958,097	357,288,264	345,141,394	480,707,405	531,086,001	519,469,161	523,669,992
Receipts from sportsbook	-	-	-	127,656,908	200,568,793	353,601,197	517,025,424	509,151,932	458,132,501	473,129,591
Receipts from iGaming (net of prizes)	-	-	-	-	-	-	-	-	7,344,770	44,090,486
Receipts from table games (net of prizes)	125,837,949	140,090,213	145,831,110	163,352,339	84,821,270	78,851,844	124,887,915	136,002,029	130,818,672	127,697,350
Receipts from MUSL for grand prize winners	-	2,778,254	14,827,674	104,941	948,389	1,103,944	5,823,089	109,558	4,738,269	1,079,672
Receipts from problem gambling program	200,000	100,000	110,000	315,000	201,000	596,422	418,952	844,821	875,582	1,028,946
Receipts of up front contract revenue	-	-	-	-	-	-	-	13,500,000	13,500,000	-
Other receipts	327,969	262,203	288,061	290,555	466,616	351,045	670,949	867,003	1,659,205	4,456,773
Receipts from Deposits held for sportsbook patrons	-	-	-	-	-	372,859	-	-	-	-
Payments for on-line and instant ticket prizes	(157,651,019)	(154,240,739)	(157,585,742)	(160,803,002)	(152,346,638)	(178,907,035)	(186,445,495)	(187,766,697)	(184,811,228)	(179,296,514)
Payments from iLottery prizes	-	-	-	-	(854,438)	(4,737,906)	(6,499,973)	(8,696,013)	(14,398,144)	(20,282,172)
Payments for sportsbook payouts	-	-	-	(119,417,531)	(180,234,835)	(316,206,191)	(475,996,947)	(458,726,463)	(419,756,690)	(434,836,355)
Payments to MUSL grand prize winners	-	(2,778,254)	(14,827,674)	(104,941)	(948,389)	(1,103,944)	(5,823,089)	(109,558)	(4,738,269)	(1,079,672)
Payments for commissions - retailers	(10,266,937)	(10,057,345)	(10,518,181)	(10,978,572)	(12,026,875)	(13,973,576)	(13,852,851)	(13,054,233)	(12,655,036)	(12,747,067)
Payments for commissions - video lottery	(190,957,016)	(186,245,129)	(183,816,882)	(202,766,906)	(143,156,480)	(128,474,681)	(190,015,896)	(206,896,989)	(201,517,522)	(204,849,229)
Payments for commissions - sportsbook	-	-	-	(1,333,416)	(10,720,367)	(17,208,753)	(19,707,137)	(24,622,257)	(18,821,635)	(18,424,377)
Payments for commissions - iGaming	-	-	-	-	-	-	-	-	(3,145,140)	(20,583,683)
Payments for monies held for sportsbook patrons	-	-	-	-	-	-	(921,581)	-	-	-
Payments for commissions - table games	(104,844,750)	(119,313,361)	(121,800,935)	(136,645,583)	(73,836,729)	(64,275,399)	(107,384,429)	(114,479,267)	(110,784,403)	(107,171,663)
Payments for commissions - on-line games contractor	(22,429,985)	(19,150,948)	(20,821,956)	(20,707,789)	(17,215,929)	(20,844,148)	(22,139,205)	(23,695,235)	(23,235,402)	(22,961,105)
Payments to facilities - video lottery incentive program	(4,970,820)	(6,827,370)	(6,788,488)	(6,127,515)	(5,263,216)	(1,474,766)	(1,620,130)	(4,143,108)	(4,150,164)	(4,152,984)
Payments to suppliers for goods and services	(4,718,289)	(4,253,305)	(5,818,893)	(4,889,991)	(5,134,200)	(5,637,622)	(7,014,697)	(7,222,261)	(7,919,027)	(11,578,862)
Payments to employees for services	(9,544,337)	(10,126,431)	(9,996,859)	(10,902,676)	(11,642,786)	(11,234,766)	(11,844,063)	(12,032,067)	(12,735,836)	(14,418,125)
Net cash provided by operating activities	370,519,776	362,346,413	366,079,107	401,162,153	276,634,333	313,055,917	384,948,200	444,977,053	436,630,736	427,752,349
Cash flows from noncapital financing activities										
Transfers from (to) State's General Fund	(369,414,091)	(362,194,766)	(368,365,935)	(393,791,945)	(283,055,528)	(301,308,232)	(388,692,039)	(432,738,056)	(425,427,740)	(434,704,359)
Cash overdraft/Repayment of overdraft	-	-	-	-	-	-	9,101,723	(9,101,723)	32,735	(32,735)
Transfers from (to) RI Capital Plan Fund	-	444,458	-	-	-	-	-	-	-	-
Net cash used for noncapital financing activities	(369,414,091)	(361,750,308)	(368,365,935)	(393,791,945)	(283,055,528)	(301,308,232)	(379,590,316)	(441,839,779)	(425,395,005)	(434,737,094)
Cash flows from capital and related financing activities										
Purchase of capital assets	(24,147)	(185,347)	(24,221)	(171,795)	(252,971)	(11,954)	-	(194,487)	(30,007)	(93,681)
Payments for lease	-	-	-	-	-	-	-	(300,459)	(306,708)	(323,715)
Net cash provided by (used for) capital and related financing activities	(24,147)	(185,347)	(24,221)	(171,795)	(252,971)	(11,954)	-	(494,946)	(336,715)	(417,396)
Cash flows from investing Activities										
Interest income	163,373	305,420	542,969	553,497	702,358	155,294	154,148	2,136,034	3,417,257	3,577,908
Net cash provided by investing activities	163,373	305,420	542,969	553,497	702,358	155,294	154,148	2,136,034	3,417,257	3,577,908
Net increase (decrease) in cash and cash equivalents	1,244,911	716,178	(1,768,080)	7,751,910	(5,971,808)	11,891,025	5,512,032	4,778,362	14,316,273	(3,824,233)
Cash and cash equivalents, beginning of year	19,719,804	20,964,715	21,680,893	19,912,813	27,664,723	21,692,915	33,583,940	39,095,972	43,874,334	58,190,607
Cash and cash equivalents, end of year	\$ 20,964,715	\$ 21,680,893	\$ 19,912,813	\$ 27,664,723	\$ 21,692,915	\$ 33,583,940	\$ 39,095,972	\$ 43,874,334	\$ 58,190,607	\$ 54,366,374

RHODE ISLAND LOTTERY
Schedule of Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>		<u>2020</u>		<u>2021</u>		<u>2022</u>		<u>2023</u>		<u>2024</u>		<u>2025</u>	
Outstanding Debt																				
Capital Leases	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	1,268,131	\$	967,672	\$	660,964	\$	337,249
Total Debt	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>1,268,131</u>	<u>\$</u>	<u>967,672</u>	<u>\$</u>	<u>660,964</u>	<u>\$</u>	<u>337,249</u>
Debt as a Percentage of Personal Income		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
Amount of Debt per Capita	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	1.16	\$	0.88	\$	0.60	\$	0.30

Note: The RI Lottery adopted GASB Statement No. 87- *Leases* during fiscal year 2022. This schedule is to be reported prospectively until ten years of data are presented.

Source: Rhode Island Lottery

Rhode Island Demographics

RHODE ISLAND LOTTERY

Rhode Island Demographics

Rhode Island Population by County - As of July 1

Population	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Bristol County	50,397	50,340	50,497	50,641	50,707	50,783	50,778	50,388	50,358	50,145
Kent County	166,797	167,410	167,796	168,939	169,512	170,423	171,115	171,523	171,770	172,450
Newport County	85,383	85,701	85,705	85,761	85,798	85,511	85,613	84,851	83,843	83,468
Providence County	646,584	650,196	651,705	656,846	658,969	660,044	658,887	662,209	667,219	675,912
Washington County	128,394	128,784	129,402	129,637	129,594	129,769	130,853	130,527	130,239	130,333
Total Rhode Island Population	1,077,555	1,082,431	1,085,105	1,091,824	1,094,580	1,096,530	1,097,246	1,099,498	1,103,429	1,112,308
Percent Increase/(Decrease)	0.40%	0.45%	0.25%	0.62%	0.25%	0.18%	0.07%	0.21%	0.36%	0.80%

Total Personal Income, Per Capita Personal Income and Unemployment Rate Data - Calendar Years 2015 - 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Personal Income (in millions)	52,514	54,704	56,919	60,337	64,970	69,014	70,450	74,046	74,778	78,554
Per Capita Personal Income	48,734	50,538	52,132	55,123	59,251	62,897	64,075	67,105	67,769	70,623
Unemployment Rate	5.8%	5.1%	4.2%	3.8%	3.3%	12.8%	6.4%	3.0%	2.5%	4.1%

Source: U.S. Census Bureau, U.S. Department of Labor Bureau of Labor Statistics, and Bureau of Economic Analysis
As of result of revised census data, amounts for various years may differ from the amounts presented in the same tables in the June 30, 2024 report.

State of Rhode Island and Providence Plantations Principal Employers

2015				2024			
Rank	Employer	Employed	% of Total Employment	Rank	Employer	Employed	% of Total Employment
1	Lifespan	11,964	2.25%	1	Brown University Health	17,723	3.14%
2	Care New England	8,661	1.63%	2	Care New England Health System	8,000	1.42%
3	CVS Caremark Corporation	7,000	1.32%	3	CVS Health Corp.	6,900	1.22%
4	Citizens Financial Group	5,324	1.00%	4	General Dynamics Electric Boat	6,300	1.12%
5	Brown University	4,191	0.79%	5	Brown University	5,496	0.97%
6	Stop & Shop	4,142	0.78%	6	Citizens Financial Group Inc.	4,200	0.74%
7	Fidelity Investments	3,880	0.73%	7	Naval Undersea Warfare Center	3,585	0.63%
8	General Dynamics Corp	3,563	0.67%	8	Amica Mutual Insurance, Co.	3,535	0.63%
9	Roman Catholic Diocese of Providence	3,500	0.66%	9	Fidelity Investments Inc.	3,200	0.57%
10	Naval Undersea Warfare Center	2,732	0.51%	10	Ocean State Job Lot	2,629	0.47%
Total employment		531,000	10.34%	Total employment		565,000	10.91%

Source: 2024 information is provided by Providence Business News - Book of Lists
Some employers are not listed because they did not wish to participate.

RHODE ISLAND LOTTERY

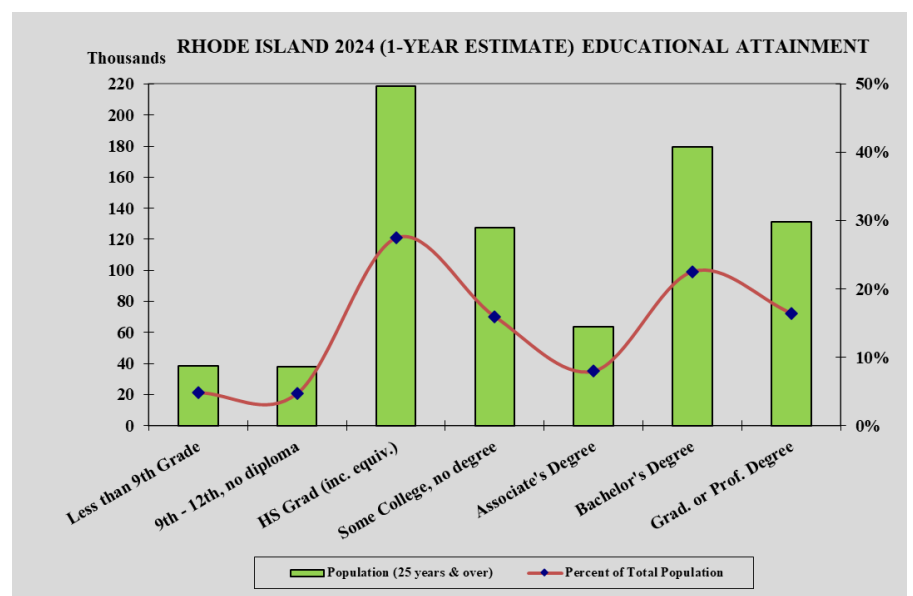
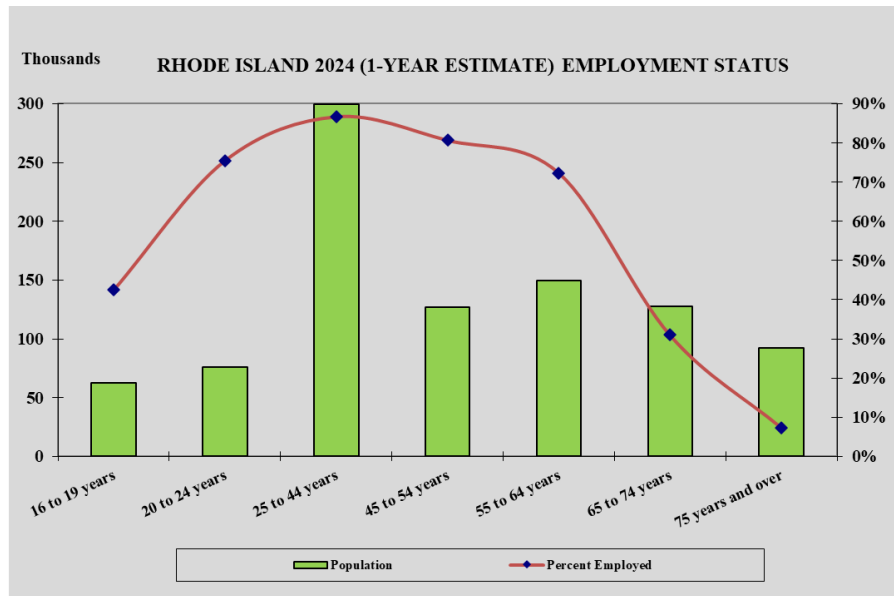
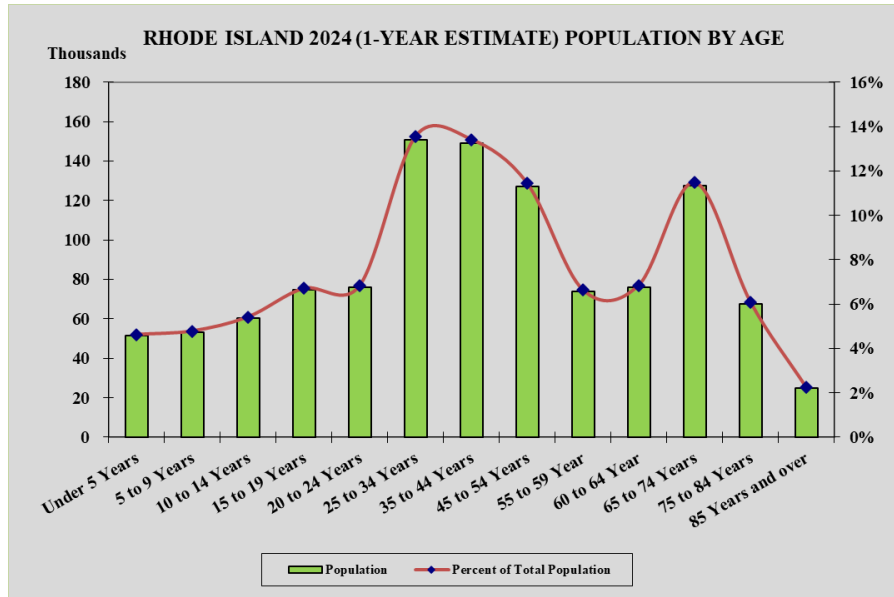
Rhode Island Lottery Employees by Function

Categories	Total Employees									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Officials/Managers/Administrators	8	8	9	9	9	9	9	11	9	9
Professionals	17	16	18	23	22	20	21	20	25	25
Technicians	6	6	6	7	7	7	7	7	9	10
Protective Services	10	10	10	17	17	16	16	16	17	18
Para Professionals	27	26	28	38	35	36	37	35	36	36
Administrative Support	9	9	8	8	8	7	6	6	6	6
Service Management	2	2	2	2	2	1	2	2	2	2
Total	79	77	81	104	100	96	98	97	104	106

Source: Rhode Island Lottery

RHODE ISLAND LOTTERY

Rhode Island Demographics



Source: U.S. Census Bureau

Lottery
Statistics
—
National

U.S. LOTTERIES RANKED BY FISCAL YEAR 2025 SALES				U.S. LOTTERIES RANKED BY SALES % CHANGE		
RANK	LOTTERY	FY '24 SALES (\$M)	FY '25 SALES (\$M)	RANK	LOTTERY	% CHANGE
1	New York	10,549.76	10,255.57	1	North Carolina	6.46%
2	Florida	9,417.52	9,132.89	2	Delaware	4.68%
3	California	9,275.11	8,932.71	3	West Virginia	4.47%
4	Texas	8,389.78	7,912.29	4	Virginia	2.63%
5	Massachusetts	6,140.73	5,939.34	5	Rhode Island***	0.72%
6	Ohio	5,912.62	5,776.58	6	Maryland	0.56%
7	Georgia	5,490.80	5,328.62	7	Oregon	-2.22%
8	Maryland	5,266.79	5,296.24	8	Ohio	-2.30%
9	North Carolina	4,663.28	4,964.59	9	Illinois	-2.63%
10	Michigan	4,764.57	4,609.34	10	New York	-2.79%
11	Pennsylvania	4,957.60	4,438.69	11	South Dakota	-2.80%
12	Virginia	4,233.98	4,345.34	12	Georgia	-2.95%
13	Illinois	3,857.51	3,756.20	13	Florida	-3.02%
14	New Jersey	3,632.11	3,343.48	14	Michigan	-3.26%
15	South Carolina	2,384.73	2,299.82	15	Massachusetts	-3.28%
16	Tennessee	2,029.98	1,832.21	16	South Carolina	-3.56%
17	Oregon	1,726.29	1,688.00	17	California	-3.69%
18	West Virginia	1,570.40	1,640.66	18	Connecticut	-4.29%
19	Indiana	1,744.21	1,605.86	19	Idaho	-4.75%
20	Missouri	1,742.79	1,601.83	20	Kentucky	-5.52%
21	Kentucky	1,544.14	1,458.91	21	Maine	-5.63%
22	Arizona	1,528.24	1,403.41	22	Texas	-5.69%
23	Connecticut	1,437.38	1,375.74	23	Arkansas	-5.77%
24	Rhode Island***	1,009.57	1,016.86	24	New Hampshire	-6.54%
25	Washington	1,028.96	937.22	25	Mississippi	-6.95%
26	Wisconsin	954.80	861.80	26	Montana	-7.14%
27	Colorado	900.76	827.86	27	Vermont	-7.83%
28	Delaware	779.01	815.50	28	Indiana	-7.93%
29	Minnesota	775.74	708.30	29	New Jersey	-7.95%
30	New Hampshire	644.60	602.45	30	Missouri	-8.09%
31	Louisiana	639.62	581.19	31	Colorado	-8.09%
32	Arkansas	612.96	577.60	32	Arizona	-8.17%
33	Mississippi	477.58	444.38	33	D.C.	-8.35%
34	Iowa	489.88	434.94	34	Minnesota	-8.69%
35	Maine	430.24	406.00	35	Washington	-8.92%
36	South Dakota	417.36	405.67	36	Louisiana	-9.13%
37	Idaho	421.75	401.72	37	Wisconsin	-9.74%
38	Oklahoma	354.71	305.69	38	Tennessee	-9.74%
39	Kansas	337.94	301.78	39	Pennsylvania	-10.47%
40	Nebraska	221.50	185.37	40	Kansas	-10.70%
41	D.C.	191.63	175.62	41	Iowa	-11.22%
42	Vermont	168.59	155.39	42	New Mexico	-12.54%
43	New Mexico	170.24	148.88	43	Oklahoma	-13.82%
44	Montana	98.71	91.66	44	Nebraska	-16.31%
45	Wyoming	40.95	28.92	45	Wyoming	-29.39%
46	North Dakota	40.13	26.88	46	North Dakota	-33.02%
TOTAL		113,467.49	109,379.94			-3.60%
***Above schedule reflects Net Revenue for Video Lottery, Table Games, and iGaming						
Note: Results are unofficial and unaudited, and are subject to change						
Source: North American Association of State & Provincial Lotteries						

U.S. LOTTERIES RANKED BY FISCAL YEAR 2025 PROFIT				U.S. LOTTERIES RANKED BY PROFIT % CHANGE		
RANK	LOTTERY	FY '24 PROFIT (\$M)	FY '25 PROFIT (\$M)	RANK	LOTTERY	% CHANGE
1	New York	3,775.37	3,584.49	1	North Carolina	4.46%
2	Florida	2,387.58	2,161.25	2	Montana	3.11%
3	California	2,287.93	1,931.58	3	Virginia	2.19%
4	Texas	2,007.34	1,809.49	4	Rhode Island***	1.68%
5	Maryland	1,491.10	1,493.62	5	New Hampshire	0.54%
6	Georgia	1,491.13	1,471.75	6	Maryland	0.17%
7	Ohio	1,518.58	1,452.34	7	West Virginia	-1.04%
8	North Carolina	1,144.94	1,196.01	8	Georgia	-1.30%
9	Virginia	1,139.75	1,164.75	9	Delaware	-2.64%
10	Michigan	1,249.96	1,159.43	10	South Dakota	-2.73%
11	New Jersey	1,172.00	1,083.00	11	Ohio	-4.36%
12	Massachusetts	1,159.70	1,067.36	12	New York	-5.06%
13	Pennsylvania	1,220.50	1,051.98	13	Kentucky	-5.66%
14	Oregon	950.20	889.86	14	Oregon	-6.35%
15	Illinois	883.73	796.03	15	Indiana	-6.40%
16	West Virginia	569.42	563.48	16	South Carolina	-6.79%
17	South Carolina	590.46	550.36	17	Michigan	-7.24%
18	Rhode Island***	426.42	433.59	18	New Jersey	-7.59%
19	Tennessee	519.32	430.06	19	Massachusetts	-7.96%
20	Kentucky	405.42	382.48	20	Connecticut	-8.29%
21	Connecticut	394.24	361.55	21	Florida	-9.48%
22	Indiana	363.98	340.68	22	Mississippi	-9.67%
23	Missouri	378.70	327.50	23	Texas	-9.86%
24	Wisconsin	365.80	315.56	24	Illinois	-9.92%
25	Arizona	314.89	273.05	25	Idaho	-10.71%
26	Delaware	246.66	240.14	26	Maine	-11.31%
27	Washington	255.53	212.42	27	Louisiana	-11.38%
28	New Hampshire	207.87	208.98	28	New Mexico	-12.52%
29	Louisiana	204.83	181.52	29	Arizona	-13.29%
30	South Dakota	183.69	178.69	30	Missouri	-13.52%
31	Colorado	196.39	169.81	31	Colorado	-13.53%
32	Minnesota	196.52	161.65	32	Arkansas	-13.59%
33	Mississippi	125.10	113.00	33	Wisconsin	-13.73%
34	Arkansas	129.40	111.82	34	Pennsylvania	-13.81%
35	Iowa	106.62	86.15	35	Vermont	-14.42%
36	Maine	90.08	79.89	36	Kansas	-14.85%
37	Kansas	90.57	77.12	37	California	-15.58%
38	Idaho	84.00	75.00	38	Washington	-16.87%
39	Oklahoma	88.44	73.45	39	Oklahoma	-16.95%
40	Nebraska	55.32	45.70	40	Tennessee	-17.19%
41	New Mexico	51.08	44.69	41	Nebraska	-17.40%
42	D.C.	38.49	31.72	42	D.C.	-17.57%
43	Vermont	35.06	30.00	43	Minnesota	-17.75%
44	Montana	21.56	22.23	44	Iowa	-19.20%
45	North Dakota	9.92	6.32	45	North Dakota	-36.29%
46	Wyoming	6.06	2.83	46	Wyoming	-53.25%
	TOTAL	30,631.69	28,444.39			-7.14%
***Above schedule reflects Net Revenue for Video Lottery, Table Games, and iGaming						
Note: Results are unofficial and unaudited, and are subject to change						
Source: North American Association of State & Provincial Lotteries						