

North Carolina Education Lottery



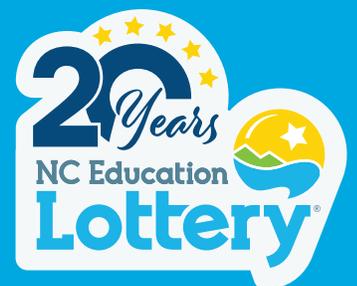
Popular Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2025

About the Popular Annual Financial Report:

The North Carolina Education Lottery (NCEL) finance division is proud to present you its Popular Annual Financial Report (PAFR) for the Fiscal Year (FY) ended June 30, 2025. This report provides an overview of the NCEL's financial condition and a brief analysis of where the money comes from and where the dollars are spent.

Most of the information in this report is drawn from the financial information appearing on the NCEL's FY 2025 Annual Comprehensive Financial Report (ACFR). The ACFR is a more detailed and complete financial presentation prepared in conformance with Generally Accepted Accounting Principals (GAAP) and was audited by an independent accounting firm, receiving an unmodified (clean) opinion. The financial data in this report also conforms to the GAAP. The ACFR, PAFR and the NCEL's Annual Report are available for viewing on the NCEL's website at https://nclottery.com/CorporateSocialResponsibility_Integrity.



N.C. Education Lottery

In fiscal year 2025, for the third year in a row, the North Carolina Education Lottery raised more than \$1 billion for education programs in the state of North Carolina.

Sales from traditional retail stores and from Online Play exceeded \$6.58 billion for the year. The Lottery continued its record of increasing sales every year of its operations. From those sales, the Lottery raised \$1.08 billion for education.

Scratch-off tickets remain the Lottery's most popular product, generating \$2.84 billion in sales, or 43% of revenue. The Lottery launched 48 new scratch-off games during the year, including its second \$50 game, \$8 Million Money Maker with five top prizes of \$8 million. The lottery's Online Play program continued to grow in popularity with digital instants play generating 39% of overall revenue, or \$2.6 billion. By the end of the fiscal year, the lottery offered a portfolio of 49 digital instant games.

During the year, the Lottery also expanded its portfolio of draw games. In November, a new draw game called Cash Pop began with tickets sold at retail locations only. The game offers five drawings a day. Players only need to match one number to win a prize.

The State Lottery Act directs the lottery to increase and maximize revenues for education purposes. To accomplish that, the lottery invested the largest share of its revenue, 75.7 percent, to prize expense to ensure players have fun and enjoy winning prizes. Retailers earned \$270.6 million, 7 percent, in commissions plus incentives for tickets sold at their stores. At the end of the year, the lottery had 7,150 retail locations in the state. Administrative expenses for operating the lottery totaled 3.9% percent of revenue.

Lottery players won 74 prizes of \$1 million or more. The biggest wins occurred with two \$10,000,000 Spectacular scratch-off tickets valued at \$10 million each.

In its annual financial audit, the Lottery received the highest rating possible, an "unmodified opinion," from independent auditors as it has in all prior annual financial audits.

The earnings of \$1.08 billion exceeded the budgeted allocations by the N.C. General Assembly for FY 2024-25. The N.C. General Assembly directs lottery revenues that exceed allocations to the Needs-Based Public School Capital Fund. With that decision, \$141 million in additional monies went to that fund after the end of the fiscal year.

The N.C. General Assembly also directed transfers of \$2.1 million in profits to N.C. Alcohol Law Enforcement and \$1 million to the N.C. Problem Gambling Program.

At the end of the fiscal year, sales since the inception of the Lottery in 2006 totaled \$50.7 billion and the amount of total money raised for education stood at \$12.4 billion.

In addition to operating the state lottery, the N.C. State Lottery Commission regulates sports wagering and eight licensed interactive sports betting operators. The Commission develops rules, licenses entities, monitors compliance, conducts focused investigations, and enforces both regulatory and statutory requirements.

In fiscal year 2025, the first full year of sports wagering activity in North Carolina, account holders bet \$6.6 billion on sporting events, including paid and promotional wagers. From those wagers, they won \$5.9 billion. State law levies an 18 percent tax on the gross wagering revenue generated by sports wagering activity. In fiscal year 2025, the gross wagering revenue for the state's eight licensed interactive sports wagering operators totaled \$647.7 million. After the 18 percent tax rate is applied, the estimated tax proceeds collected by the N.C. Department of Revenue was \$116.6 million.

Education Programs Receiving Lottery Dollars

County	FY25	Cumulative
Alamance County	9,841,490	150,306,160
Alexander County	2,282,588	39,620,980
Alleghany County	13,208,136	61,477,129
Anson County	1,882,465	55,971,981
Ashe County	1,896,459	75,864,589
Avery County	1,331,816	17,452,725
Beaufort County	3,078,929	89,168,886
Bertie County	1,307,643	35,988,264
Bladen County	2,415,221	76,295,783
Brunswick County	6,303,698	89,546,385
Buncombe County	11,565,895	181,528,424
Burke County	5,236,947	130,935,926
Cabarrus County	16,010,822	230,653,982
Caldwell County	5,267,287	89,620,721
Camden County	13,342,661	74,071,280
Carteret County	3,958,913	71,196,821
Caswell County	1,442,604	34,265,256
Catawba County	9,191,284	185,404,829
Chatham County	4,381,677	61,609,454
Cherokee County	1,884,926	39,975,993
Chowan County	1,316,270	64,092,826
Clay County	1,057,962	71,236,852
Cleveland County	6,417,593	132,695,289
Columbus County	3,865,501	130,522,408
Craven County	5,842,885	108,048,794
Cumberland County	22,483,527	375,206,081
Currituck County	2,216,973	26,376,205
Dare County	2,623,327	35,169,452
Davidson County	9,616,385	154,833,664
Davie County	3,115,724	45,897,796
Duplin County	4,690,044	67,628,873
Durham County	13,657,197	216,585,688
Edgecombe County	65,767,027	117,496,251
Forsyth County	21,309,553	341,525,000
Franklin County	3,781,211	55,110,337
Gaston County	14,227,793	226,937,289
Gates County	2,112,757	30,027,678
Graham County	43,004,707	56,004,215
Granville County	3,250,456	52,161,385
Greene County	1,692,926	74,014,426
Guilford County	32,429,324	526,610,458
Halifax County	15,009,981	150,913,066
Harnett County	8,487,727	137,204,818
Haywood County	3,230,840	48,699,030
Henderson County	5,767,128	86,051,026
Hertford County	1,677,065	40,080,497
Hoke County	4,332,914	113,480,569
Hyde County	37,280,022	49,255,710
Iredell County	10,953,366	165,017,285
Jackson County	53,905,502	77,362,016

County	FY25	Cumulative
Johnston County	14,682,851	215,701,734
Jones County	944,932	26,630,127
Lee County	4,610,459	72,675,061
Lenoir County	4,063,058	115,146,190
Lincoln County	5,392,460	75,856,154
Macon County	2,341,676	94,073,217
Madison County	1,388,827	19,297,793
Martin County	63,617,425	91,503,874
McDowell County	3,026,516	57,211,310
Mecklenburg County	60,017,972	940,463,132
Mitchell County	1,195,587	51,791,221
Montgomery County	2,319,499	36,249,855
Moore County	5,266,991	74,339,084
Nash-Rocky Mount	5,626,626	147,274,198
New Hanover County	11,319,917	180,699,277
Northampton County	13,102,386	92,895,224
Onslow County	12,509,188	185,132,929
Orange County	8,213,301	123,673,051
Pamlico County	13,054,391	62,231,121
Pasquotank County	2,555,292	39,468,837
Pender County	5,105,688	63,697,297
Perquimans County	13,171,297	53,803,172
Person County	2,386,028	34,861,129
Pitt County	10,706,994	166,716,682
Polk County	1,493,920	19,707,800
Randolph County	8,397,464	166,275,810
Richmond County	3,324,503	53,729,846
Robeson County	10,092,095	231,470,787
Rockingham County	5,165,521	84,575,250
Rowan-Salisbury	7,719,515	126,984,726
Rutherford County	4,022,843	76,779,358
Sampson County	67,146,037	144,015,005
Scotland County	3,017,724	49,717,034
Stanly County	4,473,460	67,293,258
Stokes County	2,909,516	50,047,249
Surry County	4,391,937	78,058,887
Swain County	53,392,588	72,919,043
Transylvania County	1,797,947	24,831,572
Tyrrell County	696,997	7,413,073
Union County	16,685,576	251,300,333
Vance County	2,946,131	45,126,705
Wake County	64,346,784	948,640,062
Warren County	13,283,954	58,635,340
Washington County	943,960	61,771,876
Watauga County	2,742,125	34,659,178
Wayne County	7,841,605	162,849,130
Wilkes County	4,313,885	74,493,174
Wilson County	4,965,989	91,176,077
Yadkin County	4,232,714	47,063,335
Yancey County	4,439,613	49,402,119

The Fiscal Research Division of the N.C. General Assembly reported the following expenditures of money raised by the lottery in fiscal year 2025:



\$385.9 million

to non-instructional support personnel at public schools;



\$100 million

for the Public School Building Capital Fund, which provides monies to North Carolina counties to build and repair schools;



\$458.2 million

to the Needs-Based Public School Capital Fund, which provides financial assistance to counties to build new schools;



\$50 million

to the Public School Repair and Renovation Fund, which provided \$500,000 grants to each of the state's 100 counties to repair and renovate schools and expand classrooms;



\$78.2 million

to N.C. Pre-K to cover the costs of sending at-risk four-year-olds to the academic prekindergarten program;



\$45.8 million

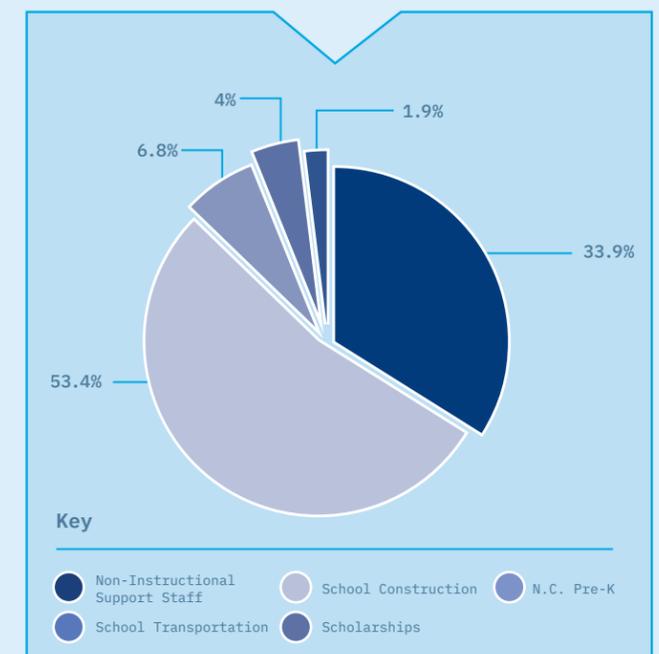
to provide funding for the Next NC Scholarships, awarded based on financial need;



\$21.4 million

to support school transportation for each of the state's school systems.

Program Allocation



Sales

The NCEL set another sales record in FY25 of \$6.59 billion driven by the new Digital Instant game category, which added \$2.6 billion in sales in its first full fiscal year in the market. Digital Instants have quickly become the second most popular category of games behind scratch-off games, accounting for nearly 40% of overall sales for the fiscal year.

Scratch Ticket Sales

Scratch-off ticket sales came in at \$2.84 billion for fiscal year 2025 compared with \$2.92 billion for fiscal year 2024, a 2.75% decrease of approximately \$80 million. The 2025 fiscal year saw players continue to shift their play towards higher price point tickets. The percentage of sales for \$20+ price points accounted for just over 58% of total sales, which was slightly more than FY24. The new \$50 price point contributed the most sales to the category at \$587 million or 21% of overall scratch-off sales in the first full year in the market. A total of three different price points exceeded \$500 million in sales, \$50, \$30 (\$579 million) and \$10 (\$552 million). The lower price point games continued the recent trend of declining sales as the NCEL began to shift the game launch strategy more towards higher price points to match consumer demand.

Draw Game Sales

Traditional draw game sales were \$1.15 billion for fiscal year 2025 compared to \$1.32 billion for fiscal year 2024, down \$172 million year over year. While most of the draw games experienced a year over year decline, Powerball and Mega Millions saw the biggest declines, (52%) and (26%), due to significantly lower jackpots over the course of the fiscal year. The newest draw game, Cash POP, was the standout for the year for draw games, adding over \$69 million in sales in just seven and half months on sale. The newest draw game features 5 draws per day and an easy to play mechanic that requires matching a single number to win.

Despite a year over year decline, Pick 3 continues to be the largest contributor to the draw game sales portfolio, accounting for 37% of sales. The significant decline in Powerball sales led to Pick 3 accounting for an even larger portion of overall draw game sales. Pick 3 and Pick 4 combined account for 55% of category sales, which was an increase of approximately 4 percentage points from FY24.

Draw game sales via the Online Play channel experienced a decline of 20% or (\$36) million year over year. This decline was primarily driven by the overall decline in Powerball and Mega Millions sales this year, but can also be attributed to the addition of Digital Instant games which provided players more ways to play online resulting in some cannibalization of the draw games. The online channel now accounts for 8% of overall Pick 3 sales and 10% of overall Pick 4 sales. Lucky for Life continues to have the highest penetration online of all draw games at 35%.

Digital Instant Sales

Digital instant game sales grew by 129% in the first full year of the program. The games continue to gain popularity amongst current and new players. The portfolio of games grew significantly last year with the addition of 25 new games. The most successful digital instant game launch of the year was MONOPOLY™, which featured a progressive jackpot that is shared between the North Carolina Education Lottery and the Virginia Lottery. The game awarded the largest jackpot ever won in North America on a digital instant game to a winner in North Carolina of \$6.7 million.

Game	FY 2025	FY 2024	FY 2023
Instant Tickets	\$ 2,842,024,393	\$ 2,922,346,435	\$ 2,979,938,810
Powerball	123,239,789	257,445,762	231,293,652
Mega Millions	111,519,178	150,901,122	176,477,109
Pick 3	423,867,090	449,207,288	457,543,583
Pick 4	211,198,879	218,382,398	219,698,355
Cash 5*	53,082,271	68,559,779	72,132,058
Lucky For Life	37,532,938	41,093,952	44,693,686
Keno	70,193,212	76,628,002	84,389,743
Fast Play	45,842,748	56,732,182	75,873,207
Bonus Cash Raffle	-	654,932	610,982
Digital Instants	2,597,996,677	1,133,568,175	-
Cash Pop	69,184,391	-	-
Total Sales	\$ 6,585,681,565	\$ 5,375,520,026	\$ 4,342,651,185

*The EZ Match game is an additional add on to the Carolina Cash 5 game; sales for EZ Match have been included with Cash 5 in the chart.



Gross lottery ticket sales for fiscal year 2025 totaled \$6.586 billion as compared to \$5.376 billion for fiscal year 2024. This represents an increase of \$1.21 billion from 2024. Fiscal Year 2024 ticket sales represented an increase of \$1.1 billion over fiscal year 2023 ticket sales.

Statement of Net Position

The Statement of Net Position presents the NCEL's financial position from a long-term perspective. It reports all of the NCEL's assets and liabilities. As required in the Lottery Act, net revenues of the NCEL are transferred four times a year to the NC Education Lottery Fund at the Office of State Budget and Management. At year end, Net Revenues Assets are zero for the NCEL. There are no changes in the Net Positions from year to year. Readers wanting more detailed financial information should refer to the NCEL's FY 2025 Annual Comprehensive Financial Report (ACFR) available on the North Carolina Education Lottery's website at: https://www.nclottery.com/CorporateSocialResponsibility_Integrity

Condensed Statement of Net Position (in thousands)

	2025	2024	2023
ASSETS			
Total Current Assets	\$ 221,325	\$ 231,461	\$ 162,428
Noncurrent Assets	78,537	68,347	69,278
Capital Assets, Depreciable (Net)	12,303	3,735	4,540
Total Assets	312,165	303,543	236,246
Deferred Outflows of Resources	27,101	21,234	20,224
LIABILITIES			
Total Current Liabilities	233,092	240,703	172,191
Noncurrent Liabilities	144,772	119,937	116,233
Total Liabilities	377,864	360,640	288,424
Deferred Inflows of Resources	6,100	8,835	12,744
NET POSITIONS			
Investment in Capital Assets	1,533	1,823	4,540
Restricted	-	-	-
Unrestricted	(46,231)	(46,521)	(49,238)
TOTAL NET POSITIONS	\$ (44,698)	\$ (44,698)	\$ (44,698)

A **current asset** is an asset which can either be converted to cash or used to pay current liabilities within 12 months. The NCEL's total current assets mainly consist of total cash, accounts receivable, investments in annuity contracts, and inventory.

A **non-current or capital asset** is an asset or property which cannot easily be converted into cash. The NCEL's non-current assets are mainly made up on long-term investments in annuity contracts, prepaid items, furniture, and equipment.

Total current liabilities are what the NCEL currently owes to its suppliers, winners, and the State; all of which are short term debts to be paid within a year. The NCEL's total current liabilities are made up of accounts payable, accrued payroll, current annuity prizes, and due to other fund ("Due to Other Funds" represents the amount of net revenues for the fiscal year not yet transferred to the State as of June 30, 2025 but will be transferred during fiscal year 2026).

Non-current liabilities are the NCEL's long-term financial obligations that are not due in the present accounting year. The majority of the NCEL's non-current liabilities consist of long term annuity prizes and accrued time off.

Activity for Capital Assets for Year Ended June 30, 2025 (in thousands)

Category	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2024
Capital assets, depreciable				
Furniture	\$ 63	\$ 0	\$ -	\$ 63
Equipment	6,321	966	(6)	5,361
Motorized equipment	80	0	-	80
Computer software	1,010	0	-	1,010
Subscription (SBITA)	18,045	14,650	-	3,395
Total capital assets, depreciable	25,519	15,616	(6)	9,999
Less accumulated depreciation for				
Furniture	30	-	-	30
Equipment	3,912	243	-	3,669
Motorized equipment	81	1	-	80
Computer software	986	-	-	986
Subscription (SBITA)	8,207	6,798	-	1,409
Total accumulated depreciation	13,216	7,042	(9,486)	6,174
SBITA Liability	(10,770)	628	-	(1,912)
Total capital asset, depreciable net	12,303	8,574	(6)	3,735
Capital assets, net	\$ 1,533	\$ 622	\$ (912)	\$ 1,823

The majority of capital asset investments were during our first full year of operation in 2007. The investment in capital assets includes game equipment, data processing equipment, telephone equipment, software, and fixtures. The capitalization of all items including equipment, computers, and furniture follows North Carolina's Office of State Controller's policies. Capital assets are reported at their cost and are depreciated over their estimated useful lives.

Statement of Activities

This section reports the fiscal year's financial activities from a long-term perspective. It is designed to provide a summary of the financial health and stability of the North Carolina Education Lottery. Information in this section should provide the reader with a general understanding of how the NCEL's resources are used.

Operating Revenues

Operating revenue is income derived from the lottery's everyday activities and mainly consists of ticket sales and communication fees collected from retailers. The majority of Fees and Licenses represent a weekly retailer communication fee charged to active retailers for satellite communications and an application fee for new retailers and changes in ownership.

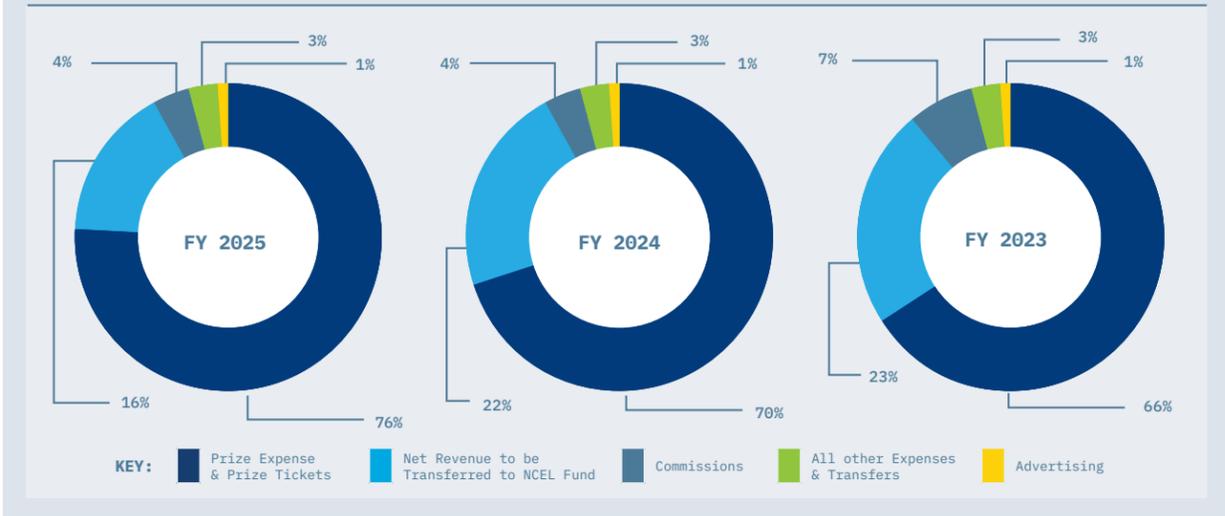
Operating Expenses

An operating expense is an expense that an organization incurs as a result of its normal business operations. In the lottery's case these expenses are all directly related to the production and sale of lottery tickets. The following charts show the major components of the NCEL operating expense and transfers as a percentage of total revenues for the June 30, 2025, 2024, and 2023 fiscal years.

Statement of Activities (in thousands)

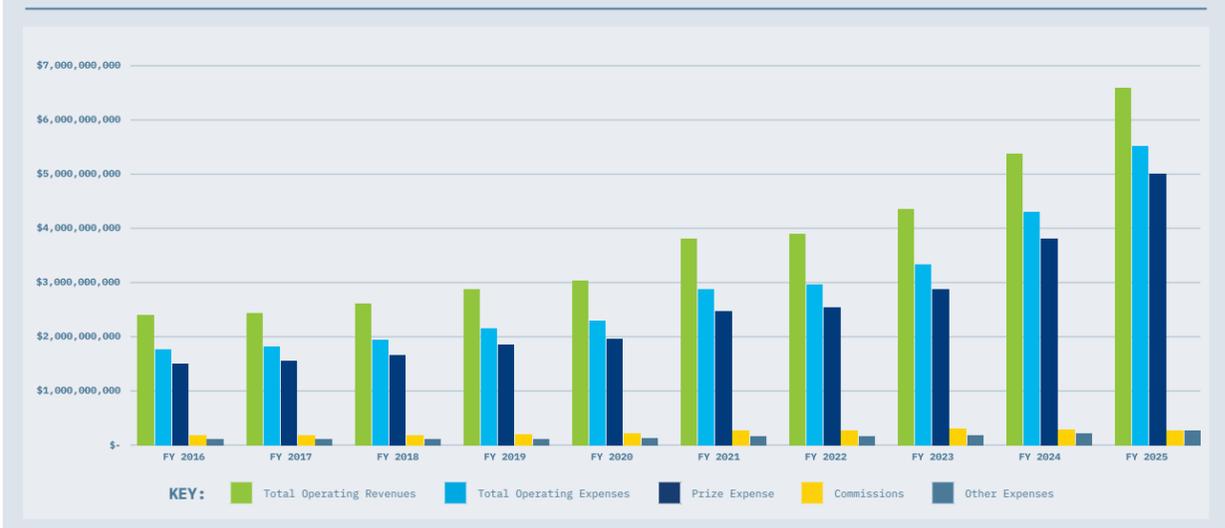
	FY 2025	FY 2024	FY 2023
Operating Revenues:			
Gross Sales:	6,585,681	5,375,520	4,342,706
Less: Prize Tickets and Bad Debt	(66)	(156)	(170)
Fees and Licenses	5,403	5,554	5,582
Total Operating Revenues	6,591,018	5,380,918	4,348,118
Operating Expenses:			
Salaries, Wages, and Benefits	39,795	34,043	27,728
Lottery Prizes	4,998,261	3,802,659	2,863,660
Retailer Commissions	268,956	284,178	293,845
Retailer Incentive	1,659	1,436	1,391
Gaming Systems Services	127,194	100,375	89,880
Advertising	48,771	42,187	32,783
Marketing	5,258	4,259	4,487
Other Services	15,790	12,523	9,874
Furniture, Fixtures, and Equipment	2,246	1,112	1,291
Depreciation	7,042	949	1,173
Other General and Administrative Expenses	6,436	6,669	6,173
Total Operating Expenses	5,521,408	4,290,390	3,332,285
Operating Income	1,069,610	1,090,528	1,015,833
Non-operating Revenues (Expenses):			
Investment Earnings and Other Miscellaneous Revenue (Expense)	8,336	6,267	2,499
Compulsive Gambling Contribution	(1,000)	(1,000)	(1,000)
ALE Gaming Enforcement	(2,100)	(2,100)	(2,100)
Inter-Agency Transfer In	-	-	-
Nonoperating Expense	-	-	-
Unclaimed Prizes to NC Education Lottery Fund	(23,063)	(22,314)	(22,092)
Net Revenues to the State of NC	(1,053,262)	(1,070,000)	(993,157)
Miscellaneous Non-operating Expenses	1,466	3,154	(186)
Transfer for Sports Betting	-	(4,574)	-
Noncapital Contributions	13	39	203
Total Non-operating Revenue (Expense)	(1,069,610)	(1,090,528)	(1,015,833)
Change in Net Position	-	-	-
Net Position, Beginning July 1	(44,698)	(44,698)	(44,698)
Net Position, Ending June 30	(44,698)	(44,698)	(44,698)

Distribution of Revenues for Fiscal Years 2023 to 2025



Prizes, commissions, and gaming vendor charges all directly relate to sales. As expected, as sales have increased, so have these expenses. In fiscal year 2025, total gaming expenses, which consist of prizes, retailer commissions, and gaming vendor charges (gaming system services), totaled \$5.4 billion as compared to \$4.2 billion for fiscal year 2024. This was an increase of \$1.2 billion from fiscal year 2024. Fiscal year 2024 gaming expenses represented a \$1 billion increase over fiscal year 2023. The commission paid to lottery retailers is set, statutorily, to 7% of sales. These commissions are not paid on digital instant sales which take place on-line and do not rely on a retailer. The commissions paid to retailers for fiscal year 2025 remained at 7% of retailer sales. Other operating expenses, which consist of advertising and marketing, salary and benefits, professional fees, rent, maintenance, depreciation, and general administrative expenses increased to \$127 million in fiscal year 2025, as compared with \$103.2 million for fiscal year 2024. This was an increase of \$25 million over fiscal year 2024. Fiscal year 2024 represented an increase of \$18 million over fiscal year 2023. Other operating expenses represented 2.0% and 2.0% of total operating revenues in fiscal years 2025 and 2024, respectively.

Operating Revenues vs. Expenses FY 2016 to FY 2025



Non-operating Revenues and Expenses

Non-operating revenues and expenses are defined as those that are incurred by activities not related to the core operations of an organization. In the lottery's case, non-operating items are any revenues or expenses incurred not directly associated with the sale of lottery tickets.

Non-operating revenues consist of investment earnings from the Short Term Investment Fund held at the State Treasurer's Office and Multi-State Lottery Association (MUSL) dividends received.

Non-operating expenses mainly consist of transfers from the NCEL to the State. These transfers consist of net revenues to the State, compulsive gambling treatment contributions, and unclaimed prizes transferred to the North Carolina Education Lottery Fund.

Readers wanting more detailed financial information on any of the lottery's financial activities and results should refer to the NCEL's FY2025 Annual Comprehensive Financial Report (ACFR) available on the NCEL's website at https://www.nc lottery.com/CorporateSocialResponsibility_Integrity.

Connect and Learn More



Information about the lottery's mission to raise money for education is available to you in many ways. You are invited to visit our website, contact our communications team, or connect with us through social media. We are here to provide available resources schedule interviews with lottery officials, or arrange for presentations to civic groups, classes, and associations.

Adam Owens, Director of Communications

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Awards & Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) has given an *Award for Outstanding Achievement in Popular Annual Financial Reporting* to the North Carolina Education Lottery for its Popular Annual Financial Report for the fiscal year ended June 30, 2024. The *Award for Outstanding Achievement in Popular Annual Financial Reporting* is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an *Award for Outstanding Achievement in Popular Annual Financial Reporting*, a government unit must publish a Popular Annual Financial Report, whose contents confirm to program standards of creativity, presentation, understandability, and reader appeal.

An *Award for Outstanding Achievement in Popular Annual Financial Reporting* is valid for a period of one year only. The North Carolina Education Lottery has received a Popular Award for the last seventeen consecutive years (fiscal years ended 2008–2024). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

200 copies of this public document were printed at a cost of \$605.00 or \$3.03 per copy.



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

North Carolina Education Lottery

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrell
Executive Director/CEO