

**MICHIGAN LOTTERY
CHARITABLE GAMING DIVISION
2003 ANNUAL REPORT
October 1, 2002 to September 30, 2003**

GARY C. PETERS
Commissioner

MICHAEL G. PETERSEN
*Deputy Commissioner
Charitable Gaming Division*

Audit Activity	10
Bingo	5
Bingo Game Locations	6
Bingo Licenses Issued	6
Bingo Statistics, Large	5
Charitable Causes	3
Charity Game Tickets	4
Division Budget	9
Event Training	10
Financial Statistics—All Events	3
Millionaire Party	7
Mission Statement	11
Raffle	8
Regulatory Activity	10
Suppliers	9
Year In Review	1

YEAR IN REVIEW



Gary C. Peters, Commissioner

We are proud to report that FY 2003 was a very successful year for nonprofit organizations who conduct charitable gaming activities in Michigan. Overall, nonprofit organizations saw a profit of more than \$78 million.

The Charitable Gaming Division continues to introduce new initiatives aimed at revitalizing charitable gaming in Michigan. Recent initiatives include the introduction of the Michigan progressive jackpot bingo game which has increased player spending. And in continuing the momentum, we've introduced electronic bingo to Michigan players.

During the past year, many bingo licensees began using electronic bingo card minders at their bingo games. The electronic bingo card minders are handheld computers containing electronic bingo cards that allow the user to play more cards than ever before. These convenient devices also allow disabled players and senior citizens to continue playing bingo when physical limitations may make it impossible to play the standard hard bingo cards or paper bingo cards. These devices are not only great for players, but for the charities that operate bingo games as well. Charities have found that players who rent an electronic bingo device typically purchase more bingo cards, in turn, providing the charity with additional funding to facilitate their charitable causes in the local community.

The nearly 300 bingo licensees using electronic bingo devices at their games have achieved impressive results. The popularity of the devices with players is responsible for significant increases in player spending. This increase in spending has resulted in an average of \$224 in additional profit per bingo occasion.

Charity game tickets continue to be one of the most profitable forms of gaming for our charitable organizations. More than \$219 million in charity game tickets were sold during fiscal year 2003 resulting in \$31.6 million in profit for our licensees.

Building on this success, the Charitable Gaming Division plans to introduce a progressive charity game ticket which will see prizes rollover and continue to grow until won by a lucky player, much like the Michigan progressive jackpot bingo game.

The Charitable Gaming Division strives to provide the best possible service to our licensees. To provide information in the most efficient manner, we have posted much of the information required to conduct a successful gaming event on the Charitable Gaming website, including license applications, game records, financial statements, the bingo statute, administrative rules, directives, and gaming guides.

The Charitable Gaming website has proven to be a very useful source of information for our customers. The number of visitors to the site accessing the Charitable Gaming Rules increased 45% over the past year and the number of visitors downloading forms increased 34%. In FY 2003, we added the ability to find contact information for all licensed suppliers. As computer technology advances, we plan to continue adding features that will make conducting charitable gaming events easier for our licensees.

The games we offer to those who participate in charity events must meet the highest standards of credibility, fairness, and entertainment. The staff of the Lottery's Charitable Gaming Division is proud to be part of a program that benefits so many people in our state. We are devoted to the prosperity and integrity of Michigan's charitable gaming events now, and in the future.



Gary C. Peters
Commissioner



Michael G. Petersen
Deputy Commissioner
Charitable Gaming Division

Bingo licensees offering electronic bingo have increased their profit by an average of \$224 per bingo occasion.

CHARITABLE CAUSES

Without the funding derived from charitable gaming activities, many community projects in Michigan would not exist. From this year’s charitable gaming events, organizations retained over \$78 million for their lawful purposes. Some of the community projects funded through the use of these proceeds include but are not limited to:

Nonprofit organizations raised over \$78 million this year for their lawful purposes.

- | | |
|-------------------------------|------------------------------------|
| Band Booster Programs | Junior Achievement |
| Big Brothers/Big Sisters | Leukemia Foundation |
| Blind Federation | Library Funds |
| Burn Projects | Little League Baseball |
| Cancer Research | Local Symphony Orchestras |
| Catholic Missions & Education | Mental Health Programs |
| Children & Youth Camps | Preschools and Co-op Nurseries |
| Crisis Intervention Centers | Public and Private Schools |
| Cystic Fibrosis Research | Scholarships |
| Diabetes Research | School Athletic Programs |
| Disabled Citizen Programs | Senior Citizen Projects |
| Easter Seals | Soup Kitchens |
| Fire Department Equipment | Special Olympics |
| Girl Scout Programs | Veterans Hospitals and Therapy |
| Historical Societies | Wildlife and Conservation Programs |

FINANCIAL STATISTICS—ALL EVENTS

The following statistics are based on figures reported by licensees for events that occurred during FY 2003:

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$114,031,036	\$85,481,909	\$13,046,821	\$15,502,306
Special Charity Game	26,889	17,402	6,904	2,583
Large Bingo	244,820,528	184,790,845	31,210,300	28,819,383
Small Bingo	140,751	100,192	8,564	31,995
Special Bingo	2,053,670	1,167,101	187,200	699,369
Millionaire Party	7,845,189	3,470,495	819,474	3,555,220
Large Raffle	58,330,063	23,947,013	4,733,442	29,649,608
Total	\$427,248,126	\$298,974,957	\$50,012,705	\$78,260,464

Financial statistics for charity game tickets and raffle tickets are included with the license under which those tickets were sold.

ANNUAL CHARITY GAME TICKET

Qualified organizations that own or lease a location for the primary use of its members may apply for an annual charity game ticket license. The annual charity game ticket license is \$200 for the license year. For this fiscal year, licensees reported the following financial data:

Revenue	\$114,031,036
Prizes	\$85,481,909
Expenses	\$13,046,821
Net Profit	\$15,502,306

547 annual charity game ticket licenses were issued.

23 special charity game ticket licenses were issued.

SPECIAL CHARITY GAME TICKET

Qualified organizations may apply for a special charity game ticket license. The special charity game ticket license is \$15 per day for up to four consecutive days. For this fiscal year, licensees reported the following financial data:

Revenue	\$26,889
Prizes	\$17,402
Expenses	\$6,904
Net Profit	\$2,583

ALL CHARITY GAME TICKET SALES

Seven license types allow for the sale of charity game tickets. Licensees reported the following financial data for charity game ticket sales:

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$114,031,036	\$85,481,909	\$13,046,821	\$15,502,306
Special Charity Game	26,889	17,402	6,904	2,583
Large Bingo	105,088,864	78,719,217	10,412,908	15,956,739
Small Bingo	2,499	1,881	240	378
Special Bingo	455,859	328,989	42,272	84,598
Millionaire Party	131,250	96,048	12,593	22,609
Large Raffle	61,055	35,879	4,019	21,157
Total	\$219,797,452	\$164,681,325	\$23,525,757	\$31,590,370

Charity game ticket sales provided nonprofit organizations with \$31.6 million in profit this year.

BINGO

Bingo licenses include large bingo, small bingo, and special bingo. The fee for a large bingo license is \$150, a small bingo license is \$55, and a special bingo license is \$25.

A qualified organization may obtain multiple bingo licenses, up to seven per week, but no more than one per day. Up to four special bingo licenses per year are allowed and are good for up to seven consecutive days.

Bingo licensees are allowed to sell charity game tickets. Below, bingo activity is shown separately from charity game ticket sales.

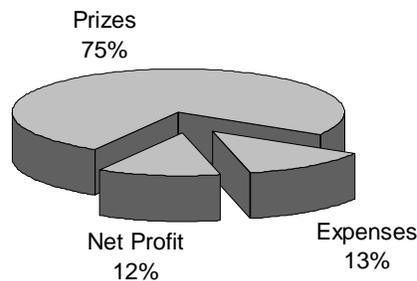
For this fiscal year, bingo licensees reported the following financial data for bingo activity:

Revenue	\$141,467,727
Prizes	\$107,008,051
Expenses	\$20,950,644
Net Profit	\$13,509,032

The 1,126 bingo licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue	\$105,547,222
Prizes	\$79,050,087
Expenses	\$10,455,420
Net Profit	\$16,041,715

Allocation of Total Bingo Revenue



Source of Total Bingo Net Profit



LARGE BINGO STATISTICS

The following statistics are based on figures reported by large bingo licensees for FY 2003: (This does not include small or special bingo games.)

Total attendance	5,062,244
Average number of players per large bingo occasion	74
Average bingo prizes paid per large bingo occasion	\$1,622

\$6.9 million in profit was generated from the Michigan progressive jackpot bingo game.

BINGO LICENSES ISSUED

<u>Year</u>	<u>Large</u>	<u>Small</u>	<u>Special</u>	<u>Total</u>
2003	1,273	22	630	1,925
2002	1,328	24	646	1,998
2001	1,369	26	657	2,052
2000	1,432	28	752	2,212
1999	1,601	54	814	2,469
1998	1,699	54	882	2,635
1997	1,790	58	903	2,751
1996	1,904	58	1,044	3,006
1995	2,014	58	1,118	3,190
1994	2,106	63	1,114	3,283
1993	2,127	63	1,112	3,302
1992	2,203	66	1,193	3,462
1991	2,108	59	996	3,163
1990	2,294	70	1,157	3,521
1989	2,204	52	1,215	3,471
1988	2,242	54	1,216	3,512
1987	2,293	53	1,432	3,778
1986	2,363	58	1,377	3,798
1985	2,473	63	1,353	3,889
1984	2,536	66	1,415	4,017
1983	2,480	63	1,311	3,854
1982	2,454	63	1,316	3,833
1981	2,350	70	1,242	3,662
1980	2,219	69	1,294	3,582
1979	2,217	35	1,303	3,555
1978	2,197	43	1,311	3,551
1977	2,154	50	1,234	3,438
1976	2,075	53	1,145	3,273
1975	1,897	80	1,090	3,067
1974	1,666	101	1,014	2,781
1973	1,329	156	575	2,060

Average player spending at bingos that sold charity game tickets was \$52.84. That is *nearly double* the \$28.76 spent per player at bingos where tickets were not sold!

BINGO GAME LOCATIONS

Licensed bingo games may be conducted in the licensee's own facility, a related organization's facility, or a licensed hall. Rent, when it is charged, is required by Act 382 of the Public Acts of 1972, as amended, to be reasonable. All terms of the rental agreement must be approved by and on file with the bureau.

In FY 2003, licensed bingo games operated in facilities as follows:

Own	48%
Related Organization	13%
Licensed Hall	39%

The division licensed 132 halls for use by qualified organizations.

MILLIONAIRE PARTY

Millionaire parties, also called “Las Vegas Nights,” are a popular form of licensed fundraising because of the entertainment appeal of the event. A millionaire party license allows for the awarding of cash or merchandise prizes, the sale of charity game tickets, and the conduct of raffles in conjunction with the event.

A millionaire party can be licensed for up to four consecutive days at \$50 per day.

For this fiscal year, millionaire party licensees reported the following financial data for millionaire party activity:

Revenue	\$3,485,496
Cash Redemptions	\$1,742,347
Merchandise Prizes	\$43,025
Expenses	\$512,282
Net Profit	\$1,187,842

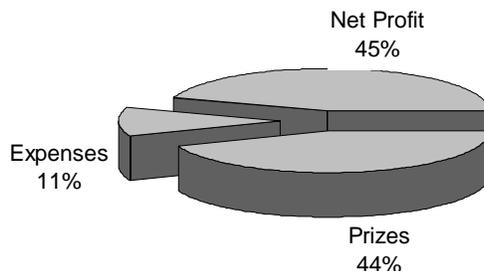
The 28 millionaire party licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue	\$131,250
Prizes	\$96,048
Expenses	\$12,593
Net Profit	\$22,609

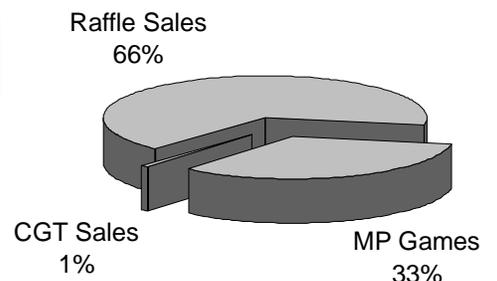
The 344 millionaire party licensees that sold raffle tickets reported the following financial data for raffle ticket sales:

Revenue	\$4,228,443
Prizes	\$1,589,075
Expenses	\$294,599
Net Profit	\$2,344,769

Allocation of Total Millionaire Party Revenue



Source of Total Millionaire Party Net Profit



Total profit at millionaire parties exceeded \$3.5 million in FY 2003.

630 millionaire party licenses were issued.

SMALL RAFFLE

A small raffle license is issued for a raffle drawing when the total value of all prizes awarded on that date will not exceed \$500. A small raffle license can be issued for more than one drawing date.

Small raffle licensees are not required to submit financial statements to the bureau.

3,012 small raffle licenses were issued.

4,787 large raffle licenses were issued.

LARGE RAFFLE

When the total value of all prizes exceeds \$500, the raffle must be licensed for a fee of \$50 per drawing date. A large raffle license allows for the sale of charity game tickets.

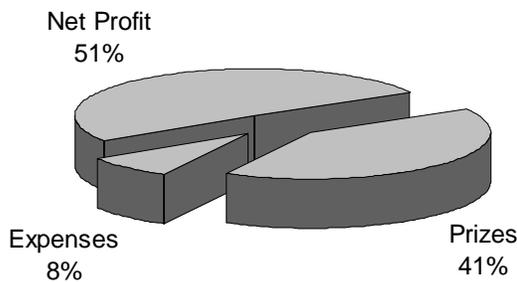
For this fiscal year, large raffle licensees reported the following financial data for raffle ticket sales:

Revenue	\$58,269,008
Prizes	\$23,911,134
Expenses	\$4,729,423
Net Profit	\$29,628,451

The 18 raffle licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue	\$61,055
Prizes	\$35,879
Expenses	\$4,019
Net Profit	\$21,157

Allocation of Total Large Raffle Revenue



Raffles yield the highest margin of profit. Overall, 51% of raffle ticket sales is profit to the organizations.

DIVISION BUDGET

The Charitable Gaming Division is required by law to be self-supporting with license fees and charity game ticket revenue as the only sources of funding. Revenue collected in excess of the division's operating expenses, including the payment of charity game ticket program costs, are turned over to the state's General Fund.

In FY 2003, division gross revenue was \$19,155,306. Gross revenue includes fees from charity game ticket, bingo, millionaire party, raffle, supplier, and hall licenses; charity game ticket sales; and costs recovered from the processing of requests for data under the Michigan Freedom of Information Act.

Suppliers
grossed
approximately
\$5.3 million from
the sale and
rental of bingo
and millionaire
party equipment.

SUPPLIERS

Act 382 of the Public Acts of 1972, as amended, requires the licensing of all suppliers of gambling equipment wishing to do business with nonprofit organizations licensed by the bureau. Licensed nonprofit organizations are required to purchase or rent the gambling equipment they use from a licensed supplier. Licensed suppliers are required to post a performance bond to sell charity game tickets.

The suppliers annual license fee is \$300. Each supplier is required to file a report of financial activity pertaining to sales or rentals to the licensed organizations.

For FY 2003, licenses were issued to 38 suppliers who reported the following financial data:

Sale and rental of bingo equipment	\$4,936,874
Sale and rental of millionaire party equipment	\$359,915

REGULATORY ACTIVITY

During FY 2003, the following inspections and administrative activities were conducted:

<u>Inspections</u>	<u>Administrative Activities</u>
Bingo 2,046	Complaint Investigations 66
Charity Game Ticket 1,000	Violation Notices 145
Millionaire Party 189	Warning Notices 366
Raffle 561	Informal Meetings 34
Supplier 2	Compliance Meetings 61
Hall 20	License Suspensions 56
	License Revocations 0
	License Surrender 7

EVENT TRAINING

One of the division's major objectives is to assist nonprofit organizations in conducting licensed events in a successful manner. The division held the following training meetings:

	<u>Training Meetings</u>	<u>Total Attendance</u>
New bingo licenses	64	387
New charity game ticket licenses	54	231
Area training seminars	16	787
Special training meetings	74	337
Total	208	1,742

AUDIT ACTIVITY

During the year, the following audit activities were conducted:

Charity game ticket audits 48
Organization audits 7
Financial statement delinquencies issued 3,494
Financial statements entered 13,634
Record reviews 58

To assist nonprofit organizations in conducting successful events, 208 training meetings were held.



MISSION STATEMENT

- Provide services to the general public in a professional, positive, and efficient manner.
- Ensure that only organizations that qualify in accordance with the statute receive licenses.
- Ensure that licensed gaming events are conducted in a fair and honest manner.
- Ensure that funds received from the general public through licensed gaming events are accounted for and used for the lawful purposes of the organization.

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