



# Michigan Lottery Charitable Gaming Division

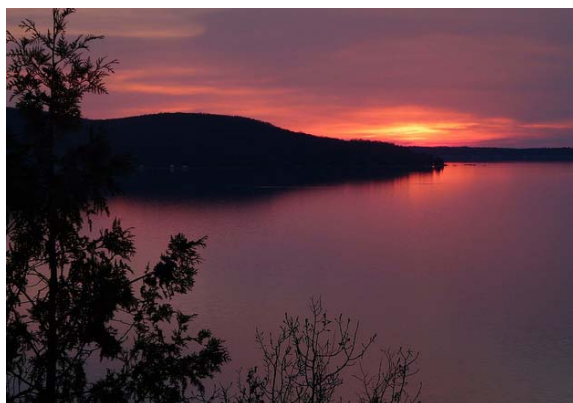
M. SCOTT BOWEN  
*Commissioner*

MICHAEL G. PETERSEN  
*Deputy Commissioner  
Charitable Gaming Division*

## Annual Report 2010

October 1, 2009, to September 30, 2010

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## YEAR IN REVIEW

2010 has been the most detrimental year known to bingo halls and veteran and fraternal clubs in Michigan. The May 1 implementation of the smoking ban was a direct hit to both, reducing attendance and, as a result, the sale of charity game tickets which fell by \$17 million. Past players are now choosing to either stay home or venture to casinos which are exempt from this law.

On a positive note, thanks to Texas Hold'em, millionaire parties continue to be a profitable source of revenue for charities. Despite the smoking ban, gross revenue increased by almost \$20 million from FY 2009 to FY 2010. As long as the popularity of Texas Hold'em continues, millionaire parties should be a lucrative fundraiser for charities.

This will be my last Annual Report. After twenty years of serving the charitable gaming community I am moving on to new challenges. I want to thank the staff of the Charitable Gaming Division for all of their dedicated work toward making this program the best in the nation. Thank you to all the suppliers, bingo hall owners, and card rooms who help the charities be successful. And to you the volunteers who so unselfishly give of your time, I wish you only the best. So long and continued success to all of you.

*Michael G. Petersen*



Michael G. Petersen  
Deputy Commissioner of  
Charitable Gaming  
from 1990 to 2010



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## CHARITABLE CAUSES

From this year's charitable gaming events, organizations retained nearly \$74 million for their lawful purposes. Some of the community projects funded through the use of these proceeds include:



Without the funding derived from charitable gaming activities, many community projects in Michigan would not exist.

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

## FINANCIAL STATISTICS—ALL EVENTS

The following statistics are based on figures reported by licensees for events that occurred during FY 2010:

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$91,903,678	\$69,249,799	\$10,597,121	\$12,056,758
Special Charity Game	15,540	9,542	2,522	3,476
Large Bingo	228,465,261	175,799,198	37,526,437	15,139,626
Special Bingo	1,260,527	689,474	135,249	435,804
Millionaire Party	185,261,723	147,845,709	18,439,146	18,976,868
Large Raffle	53,635,627	22,201,037	4,104,536	27,330,054
<b>Total</b>	<b>\$560,542,356</b>	<b>\$415,794,759</b>	<b>\$70,805,011</b>	<b>\$73,942,586</b>

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



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620 annual charity game ticket licenses were issued.

10 special charity game ticket licenses were issued.



Charity game ticket sales provided nonprofit organizations with over \$28 million in profit this year.

## 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.....	\$91,903,678
Prizes.....	\$69,249,799
Expenses.....	\$10,597,121
Net Profit.....	\$12,056,758

## 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.....	\$15,540
Prizes.....	\$9,542
Expenses.....	\$2,522
Net Profit.....	\$3,476

## ALL CHARITY GAME TICKET SALES

Licensees who sold charity game tickets reported the following:

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$91,903,678	\$69,249,799	\$10,597,121	\$12,056,758
Special Charity Game	15,540	9,542	2,522	3,476
Large Bingo	109,594,865	82,255,906	10,702,399	16,636,560
Special Bingo	219,507	161,926	21,743	35,838
Millionaire Party	85,905	52,806	7,675	25,424
Large Raffle	20,188	14,429	1,563	4,196
<b>Total</b>	<b>\$201,839,683</b>	<b>\$151,744,408</b>	<b>\$21,333,023</b>	<b>\$28,762,252</b>



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## 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.

Small bingo licensees are not required to report financial data to the bureau.

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

Revenue .....	\$119,911,416
Prizes .....	\$94,070,840
Expenses .....	\$26,937,544
Net Profit .....	(\$1,096,968)

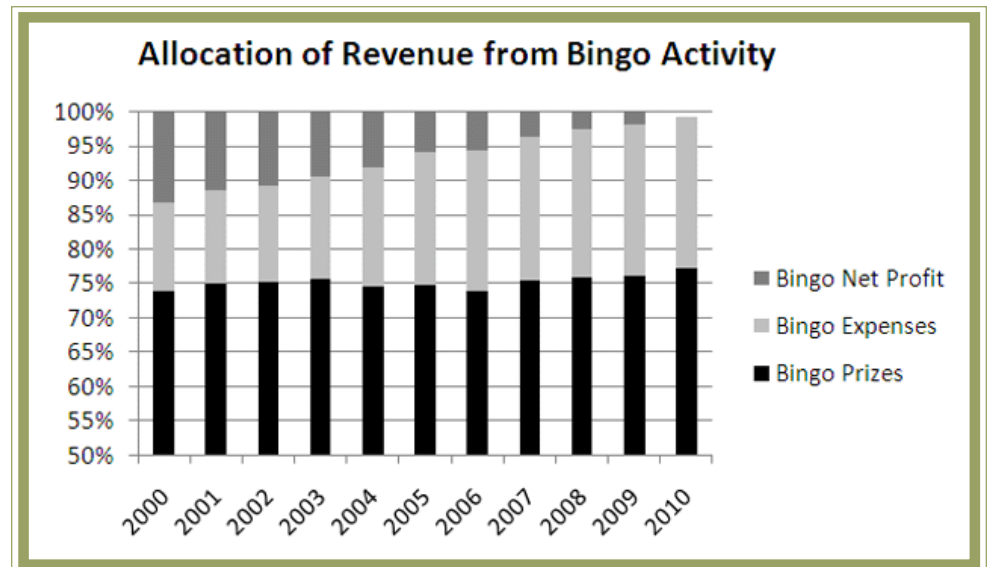
The 939 bingo licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue .....	\$109,814,372
Prizes .....	\$82,417,832
Expenses .....	\$10,724,142
Net Profit .....	\$16,672,398

427 special bingo licenses were issued.

991 large bingo licenses were issued.

21 small bingo licenses were issued.



While bingo licensees are often thought to give away too much in prizes based on their shrinking attendance and dwindling revenue, bingo expenses have grown at a rate that far exceeds prizes, virtually eliminating net profit.



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## BINGO GAME LOCATIONS

Licensed bingo games may be conducted in the licensee's own facility, a related organization's facility, or a licensed hall. All terms of the rental agreement must be approved by and on file with the bureau.

In FY 2010, licensed bingo games operated in facilities as follows:

Licensed Hall .....	42%
Own .....	47%
Related Organization .....	11%

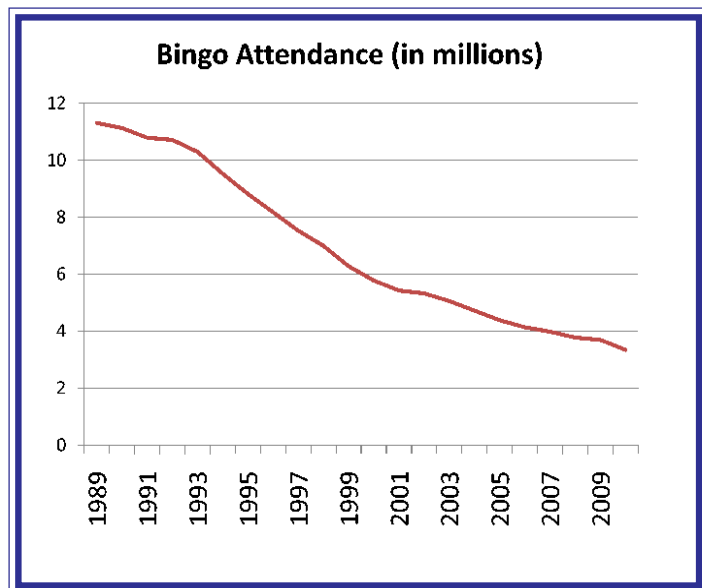
95 halls were licensed by the bureau for use by qualified organizations.



As of May 1, 2010, players were no longer allowed to smoke inside any charity bingo hall.

## Is bingo (as we know it) dying?

When bingo was legalized in 1972, it quickly became a favorite pastime for many. Since the introduction of Native American casinos in the early 1990's, attendance at bingo has sharply declined.



## LARGE BINGO STATISTICS

The following statistics are based on figures reported by large bingo licensees for FY 2010:

Total Attendance .....	3,348,721
Avg Number of Weekly Players .....	64
Avg Prizes Paid Each Week .....	\$1,888

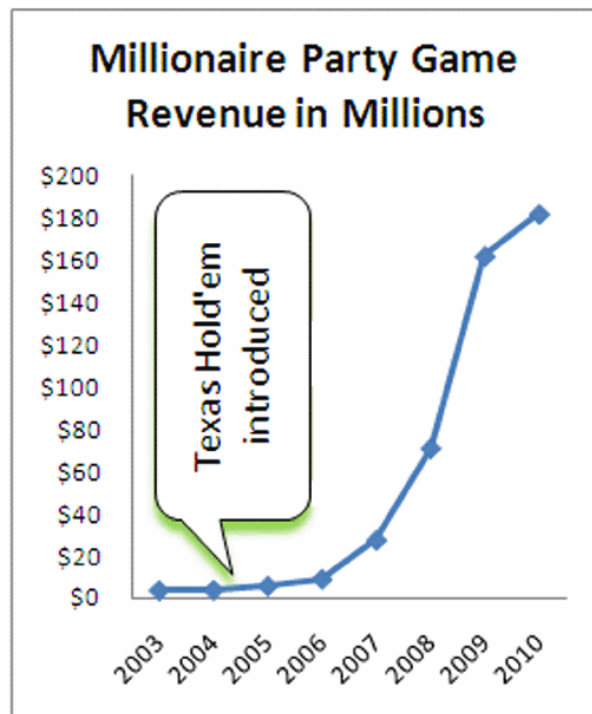


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8,217 millionaire party licenses were issued during FY 2010.



In 2004 a new directive allowed Texas Hold'em to be played at millionaire parties.



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## MILLIONAIRE PARTY

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 games:

Revenue .....	\$181,892,459
Cash Redemptions/Prizes .....	\$146,431,517
Merchandise Prizes .....	\$150,088
Expenses .....	\$18,207,847
Net Profit .....	\$17,103,007

The 26 millionaire party licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue .....	\$85,905
Prizes .....	\$52,806
Expenses .....	\$7,675
Net Profit .....	\$25,424

The 407 millionaire party licensees that sold raffle tickets reported the following financial data for raffle ticket sales:

Revenue .....	\$3,283,359
Prizes .....	\$1,211,298
Expenses .....	\$223,624
Net Profit .....	\$1,848,437

2,506 small raffle licenses were issued.

4,784 large raffle licenses were issued.



Raffles remain the most profitable means of fundraising in Michigan with an average net profit exceeding 50%.

## 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 at a given location. It costs \$15 for up to three days and \$5 for each additional day.

Small raffle licensees are not required to report financial data to the bureau.

## 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.

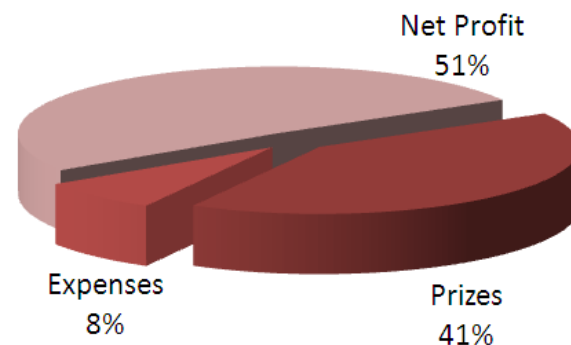
For this fiscal year, large raffle licensees reported the following financial data for raffle ticket sales:

Revenue .....	\$53,615,439
Prizes .....	\$22,186,608
Expenses .....	\$4,102,973
Net Profit .....	\$27,325,858

The 11 raffle licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue .....	\$20,188
Prizes .....	\$14,429
Expenses .....	\$1,563
Net Profit .....	\$4,196

Allocation of Large Raffle Revenue



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Suppliers grossed over \$14 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 gaming equipment wishing to do business with nonprofit organizations licensed by the bureau. Licensed nonprofit organizations are required to purchase or rent the gaming equipment they use from a licensed supplier at a reasonable rate. 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 with the bureau of financial activity pertaining to sales or rentals.

For FY 2010, licenses were issued to 81 suppliers who reported the following financial data:

Sale and Rental of Bingo Equipment .....	\$10,646,081
Sale and Rental of Millionaire Party Equipment .....	\$4,220,552

## DIVISION BUDGET

The Charitable Gaming Division is required by law to be self-supporting with license fees and sale of charity game tickets to suppliers 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, is turned over to the state's General Fund.

In FY 2010, division gross revenue was \$18,737,425. 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.



## REGULATORY ACTIVITY

During FY 2010, the following inspections and administrative activities were conducted:

### Inspections

Bingo .....	1,339
Charity Game Ticket .....	804
Millionaire Party .....	1,961
Raffle .....	49
Supplier .....	21
Hall .....	36

### Administrative Activities

Complaint Investigations .....	136
Warning Notices .....	184
Violation Notices .....	88
Informal Meetings .....	11
Compliance Meetings .....	130
License Suspensions .....	67
License Revocations .....	0
License Surrenders .....	1
License Summary Suspensions .....	0

## 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	47	218
New Charity Game Ticket Licenses	7	29
Area Training Seminars	11	263
Special Training Meetings	79	292
<b>Total</b>	<b>144</b>	<b>802</b>

## AUDIT ACTIVITY

During the year, the following audit activities were conducted:

Financial Statements Entered .....	19,656
Financial Statement Delinquencies Issued .....	4,465
Charity Game Ticket Audits .....	34
Organization Audits .....	4
Record Reviews .....	185
Game Closing Documents Reviewed .....	89

*Charitable Gaming staff review game records to ensure revenues are used for the lawful purpose of the organizations.*



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## *Charitable Gaming 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.



### **Michigan Lottery Charitable Gaming Division**

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