
**MICHIGAN LOTTERY
CHARITABLE GAMING DIVISION
2005 ANNUAL REPORT
October 1, 2004 to September 30, 2005**

GARY C. PETERS
Commissioner

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*Deputy Commissioner
Charitable Gaming Division*

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Gary C. Peters, Commissioner

YEAR IN REVIEW

Charitable gaming is a vital part of Michigan's nonprofit community. In fiscal year 2005, qualified organizations netted over \$76 million. With the challenges of higher unemployment, cuts in government funding at all levels, and national disasters that are funneling away contributions that might otherwise benefit Michigan communities, it is more important

than ever that charitable gaming remains healthy in Michigan.

For the second consecutive year, requests for millionaire party licenses have increased. In FY 2005, over 1400 licenses were issued—more than double the amount issued the previous year. Texas Hold 'em card games continue to grow in popularity as a means of fundraising.



Contrary to the growth that is taking place with millionaire party and annual charity game ticket licenses, bingos continue to lose attendance. As part of the long-term strategy to rejuvenate bingo, licensed bingo halls were evaluated in areas such as attractiveness, cleanliness and the condition of bingo equipment. The evaluations will be used as a tool in upgrading bingo halls.

The Michigan Lottery and its Charitable Gaming Division look forward to continuing our work with licensees and legislative leaders to make charitable gaming in Michigan a success.



Gary C. Peters
Commissioner



Michael G. Petersen
Deputy Commissioner
Charitable Gaming Division

It is more important
than ever that
charitable gaming
remains healthy in
Michigan.

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 \$76 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 \$76 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 2005:

| License | Revenue | Prizes | Expenses | Net Profit |
|----------------------|----------------------|----------------------|---------------------|---------------------|
| Annual Charity Game | \$125,493,092 | \$94,551,164 | \$14,292,368 | \$16,649,560 |
| Special Charity Game | 29,220 | 21,064 | 3,797 | 4,359 |
| Large Bingo | 227,735,611 | 170,297,450 | 34,789,852 | 22,648,309 |
| Small Bingo | 158,787 | 122,226 | 7,996 | 28,565 |
| Special Bingo | 1,855,455 | 1,028,884 | 188,913 | 637,658 |
| Millionaire Party | 9,976,561 | 4,454,526 | 1,281,577 | 4,240,458 |
| Large Raffle | 62,913,526 | 25,358,029 | 5,475,121 | 32,080,376 |
| Total | \$428,162,252 | \$295,833,343 | \$56,039,624 | \$76,289,285 |

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 | \$125,493,092 |
| Prizes | \$94,551,164 |
| Expenses | \$14,292,368 |
| Net Profit | \$16,649,560 |

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 | \$29,220 |
| Prizes | \$21,064 |
| Expenses | \$3,797 |
| Net Profit | \$4,359 |

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 | \$125,493,092 | \$94,551,164 | \$14,292,368 | \$16,649,560 |
| Special Charity Game | 29,220 | 21,064 | 3,797 | 4,359 |
| Large Bingo | 97,477,635 | 72,557,905 | 9,647,699 | 15,272,031 |
| Small Bingo | 20,460 | 14,993 | 2,590 | 2,877 |
| Special Bingo | 402,252 | 298,080 | 41,741 | 62,431 |
| Millionaire Party | 74,086 | 54,720 | 8,136 | 11,230 |
| Large Raffle | 45,427 | 28,663 | 6,531 | 10,233 |
| Total | \$223,542,172 | \$167,526,589 | \$24,002,862 | \$32,012,721 |

577 annual charity game ticket licenses were issued.

13 special charity game ticket licenses were issued.

Charity game ticket sales provided nonprofit organizations with over \$32 million in profit this year.

BINGO

\$5.8 million in profit was generated from the Michigan progressive jackpot bingo game.

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.

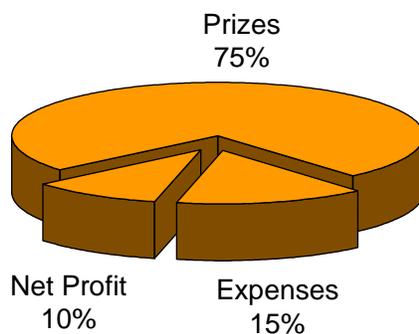
For this fiscal year, bingo licensees reported the following financial data for bingo activity:

| | |
|------------------|---------------|
| Revenue | \$131,849,506 |
| Prizes | \$98,577,582 |
| Expenses | \$25,294,731 |
| Net Profit | \$7,977,193 |

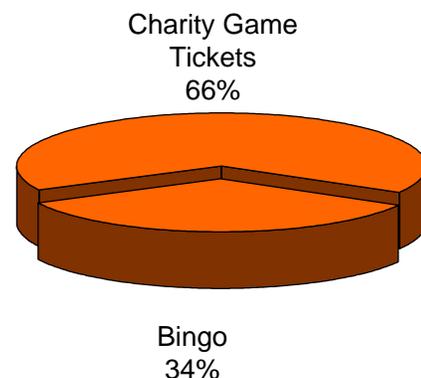
The 1,081 bingo licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

| | |
|------------------|--------------|
| Revenue | \$97,900,347 |
| Prizes | \$72,870,978 |
| Expenses | \$9,692,030 |
| Net Profit | \$15,337,339 |

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 2005: (This does not include small or special bingo games.)

| | |
|----------------------------------------------------------|-----------|
| Total attendance | 4,389,667 |
| Average number of players per large bingo occasion | 68 |
| Average bingo prizes paid per large bingo occasion | \$1,589 |



BINGO LICENSES ISSUED

| Year | Large | Small | Special | Total |
|------|-------|-------|---------|-------|
| 2005 | 1,178 | 21 | 571 | 1,770 |
| 2004 | 1,237 | 24 | 609 | 1,870 |
| 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 |

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 2005, licensed bingo games operated in facilities as follows:

| | |
|----------------------------|-----|
| Own | 46% |
| Related Organization | 13% |
| Licensed Hall | 41% |

The division licensed 123 halls for use by qualified organizations.

Average player spending at bingos that sold charity game tickets was \$56.14. That is *nearly double* the \$29.47 spent per player at bingos where tickets were not sold!

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 | \$5,664,193 |
| Cash Redemptions | \$2,720,120 |
| Merchandise Prizes | \$93,033 |
| Expenses | \$972,308 |
| Net Profit | \$1,878,732 |

The 19 millionaire party licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

| | |
|------------------|----------|
| Revenue | \$74,086 |
| Prizes | \$54,720 |
| Expenses | \$8,136 |
| Net Profit | \$11,230 |

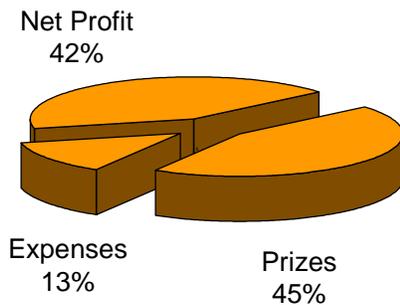
The 434 millionaire party licensees that sold raffle tickets reported the following financial data for raffle ticket sales:

| | |
|------------------|-------------|
| Revenue | \$4,238,282 |
| Prizes | \$1,586,653 |
| Expenses | \$301,133 |
| Net Profit | \$2,350,496 |

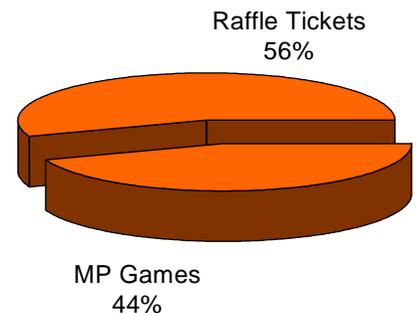
While raffle tickets were only sold at 30% of the millionaire parties, raffle ticket proceeds accounted for 56% of the profit raised at millionaire parties.

1,417 millionaire party licenses were issued.

Allocation of Total Millionaire Party Revenue



Source of Total Millionaire Party Net Profit



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.

2,846 small raffle licenses were issued.

5,138 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.

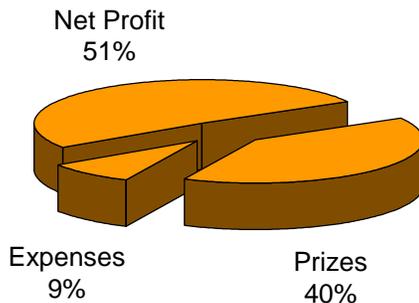
For this fiscal year, large raffle licensees reported the following financial data for raffle ticket sales:

| | |
|------------------|--------------|
| Revenue | \$62,868,099 |
| Prizes | \$25,329,366 |
| Expenses | \$5,468,590 |
| Net Profit | \$32,070,143 |

The 19 raffle licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

| | |
|------------------|----------|
| Revenue | \$45,427 |
| Prizes | \$28,663 |
| Expenses | \$6,531 |
| Net Profit | \$10,233 |

Allocation of Total Large Raffle Revenue



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

Suppliers
grossed over
\$9.3 million
from the sale
and rental of
bingo and
millionaire party
equipment.

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 2005, division gross revenue was \$19,639,038. 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

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 2005 licenses were issued to 46 suppliers who reported the following financial data:

| | |
|------------------------------------------------------|-------------|
| Sale and rental of bingo equipment | \$8,995,493 |
| Sale and rental of millionaire party equipment | \$346,257 |



REGULATORY ACTIVITY

During FY 2005, the following inspections and administrative activities were conducted:

| <u>Inspections</u> | <u>Administrative Activities</u> |
|---------------------------------|-------------------------------------|
| Bingo 1,906 | Complaint Investigations 73 |
| Charity Game Ticket 1,001 | Violation Notices 154 |
| Millionaire Party 193 | Warning Notices 388 |
| Raffle 410 | Informal Meetings 31 |
| Supplier 5 | Compliance Meetings 59 |
| Hall 139 | License Suspensions 49 |
| | License Revocations 8 |
| | License Surrender 8 |
| | 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 | 66 | 416 |
| New charity game ticket licenses | 31 | 163 |
| Area training seminars | 11 | 598 |
| Special training meetings | 85 | 272 |
| Total | 193 | 1,449 |

AUDIT ACTIVITY

During the year, the following audit activities were conducted:

| |
|------------------------------------------------------|
| Charity game ticket audits 20 |
| Organization audits 3 |
| Financial statement delinquencies issued 3,887 |
| Financial statements entered 13,371 |
| Record reviews 78 |

To assist nonprofit organizations in conducting successful events, 193 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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