

# Michigan Lottery Charitable Gaming Division

GARY C. PETERS  
*Commissioner*

MICHAEL G. PETERSEN  
*Deputy Commissioner  
Charitable Gaming Division*

## Annual Report 2006

October 1, 2005 to September 30, 2006



|                                       |    |
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## YEAR IN REVIEW



Gary C. Peters, Commissioner

Competition for the gaming dollar is fierce and no one knows that more than Michigan nonprofit organizations whose funding relies heavily on revenue raised through charitable gaming events. And while there is growth in certain areas of gaming, others continue to decline. The Charitable Gaming Division of the Michigan Lottery, which regulates these activities, encourages nonprofits to take advantage of the more popular forms of gaming in order to maximize their success.

Success in the gaming industry hinges on meeting the needs of the player. Players do not attend an event to spend money simply because they know it will be used for a good cause. Instead, players must be entertained, made to feel comfortable, and treated with respect. If charitable activities do not meet these three needs, they have failed their players.

What will entertain a player depends on a variety of factors including the popularity of the game. Texas Hold'em is a perfect example of a game that has been extremely successful at charitable millionaire parties, due in part to its televised success nationwide.

However, other gaming activities are not as attractive to players. Bingo has been played for decades and became a legal form of gaming in Michigan in 1973. Now, as charitable gaming struggles to compete for the shrinking entertainment dollar, new items must continually be introduced to attract new players. Electronic bingo cards have provided a new element that allows players to play a larger number of cards, thereby increasing their chances of winning. The Michigan progressive jackpot bingo game is a progressive game that is not subject to bingo prize limits. This game must be won in a predetermined number of calls or the prize rolls over.

Beginning in 2007, we will offer further enhancements to help advance the attractiveness of this game. Under the Big Money Bingo game, bingos will have the option of linking their progressive jackpots to other bingos statewide, increasing jackpots to amounts never before available at Michigan charitable bingos. Bingo players in any city, township, or village—whether playing in a small club or a large commercial hall—will play for the same jackpot. Unlike any other charitable game, the vendor of Big Money Bingo will provide advertising to bring awareness to non-traditional bingo players and induce former players back from Indiana and Canada and the numerous casinos located within close proximity to Michigan residents.

In anticipation of expanding its player base, the bingo community is working hard to ensure new players are comfortable and are treated with respect. Halls are holding themselves to a higher standard of cleanliness and service and bingo licensees are retaining workers who are helpful and courteous to all players.

These improvements are an example of the positive efforts being made by our licensees and the Charitable Gaming Division to assist the nonprofit community in Michigan in maximizing its returns. We recognize the important role that they play and are proud to partner with them.



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

A handwritten signature in black ink that reads "Gary C. Peters".

Gary C. Peters  
Commissioner

A handwritten signature in black ink that reads "Michael G. Petersen".

Michael G. Petersen  
Deputy Commissioner  
Charitable Gaming Division

## 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 \$74 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 \$74 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 2006:

| License              | Revenue              | Prizes               | Expenses            | Net Profit          |
|----------------------|----------------------|----------------------|---------------------|---------------------|
| Annual Charity Game  | \$121,416,791        | \$91,607,063         | \$13,634,021        | \$16,175,707        |
| Special Charity Game | 26,527               | 18,606               | 3,000               | 4,921               |
| Large Bingo          | 218,297,382          | 162,530,260          | 34,773,006          | 20,994,116          |
| Small Bingo          | 144,720              | 106,175              | 6,945               | 31,600              |
| Special Bingo        | 1,751,299            | 966,360              | 182,094             | 602,845             |
| Millionaire Party    | 13,309,642           | 6,432,321            | 1,851,321           | 5,026,000           |
| Large Raffle         | 62,485,969           | 24,946,993           | 5,833,095           | 31,705,881          |
| <b>Total</b>         | <b>\$417,432,330</b> | <b>\$286,607,778</b> | <b>\$56,283,482</b> | <b>\$74,541,070</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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638 annual charity game ticket licenses were issued.

18 special charity game ticket licenses were issued.



Charity game ticket sales provided nonprofit organizations with over \$30 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 .....    | \$121,416,791 |
| Prizes .....     | \$91,607,063  |
| Expenses .....   | \$13,634,021  |
| Net Profit ..... | \$16,175,707  |

## 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 .....    | \$26,527 |
| Prizes .....     | \$18,606 |
| Expenses .....   | \$3,000  |
| Net Profit ..... | \$4,921  |

## 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  | \$121,416,791        | \$91,607,063         | \$13,634,021        | \$16,175,707        |
| Special Charity Game | 26,527               | 18,606               | 3,000               | 4,921               |
| Large Bingo          | 92,375,058           | 69,198,694           | 8,943,530           | 14,232,834          |
| Small Bingo          | 18,031               | 14,065               | 1,662               | 2,304               |
| Special Bingo        | 379,104              | 279,123              | 37,117              | 62,864              |
| Millionaire Party    | 145,184              | 106,862              | 17,257              | 21,065              |
| Large Raffle         | 50,996               | 25,094               | 6,071               | 19,831              |
| <b>Total</b>         | <b>\$214,411,691</b> | <b>\$161,249,507</b> | <b>\$22,642,658</b> | <b>\$30,519,526</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.

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

|                  |               |
|------------------|---------------|
| Revenue .....    | \$127,421,208 |
| Prizes .....     | \$94,110,913  |
| Expenses .....   | \$25,979,736  |
| Net Profit ..... | \$7,330,559   |

The 1,048 bingo licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

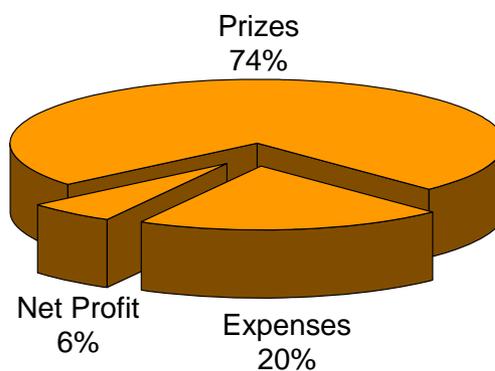
|                  |              |
|------------------|--------------|
| Revenue .....    | \$92,772,193 |
| Prizes .....     | \$69,491,882 |
| Expenses .....   | \$8,982,309  |
| Net Profit ..... | \$14,298,002 |

Players who enjoy electronic bingo also buy paper cards to keep them busy.

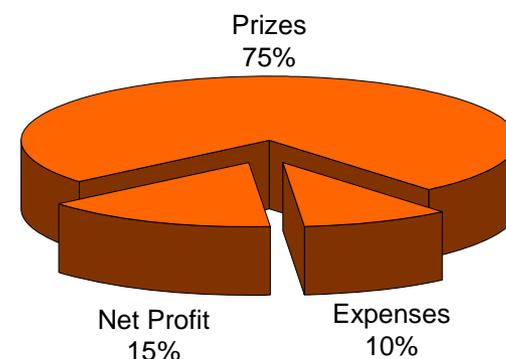


During the fiscal year, \$5.6 million in gross profit was generated from the Michigan progressive jackpot bingo game.

Allocation of Bingo Card Sales



Allocation of CGT Sales



## LARGE BINGO STATISTICS

The following statistics are based on figures reported by large bingo licensees for FY 2006: (This does not include small or special bingo games.)

|  |           |
|--|-----------|
| Total attendance .....                                   | 4,142,711 |
| Average number of players per large bingo occasion ..... | 68        |
| Average bingo prizes paid per large bingo occasion ..... | \$1,597   |



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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 2006, licensed bingo games operated in facilities as follows:

Own ..... 46%  
 Related Organization ..... 12%  
 Licensed Hall ..... 42%

The division licensed 113 halls for use by qualified organizations.



With the upcoming statewide Big Money Bingo game, many hall owners have invested in the appearance of their bingo halls, in the hopes of attracting new players to bingo.



Casino-style carpeting, use of bold colors, and comfortable furnishings create a more classy and exciting atmosphere.



## BINGO LICENSES ISSUED

| Year | Large | Small | Special | Total | Year | Large | Small | Special | Total |
|------|-------|-------|---------|-------|------|-------|-------|---------|-------|
| 2006 | 1,150 | 18    | 542     | 1,710 | 1989 | 2,204 | 52    | 1,215   | 3,471 |
| 2005 | 1,178 | 21    | 571     | 1,770 | 1988 | 2,242 | 54    | 1,216   | 3,512 |
| 2004 | 1,237 | 24    | 609     | 1,870 | 1987 | 2,293 | 53    | 1,432   | 3,778 |
| 2003 | 1,273 | 22    | 630     | 1,925 | 1986 | 2,363 | 58    | 1,377   | 3,798 |
| 2002 | 1,328 | 24    | 646     | 1,998 | 1985 | 2,473 | 63    | 1,353   | 3,889 |
| 2001 | 1,369 | 26    | 657     | 2,052 | 1984 | 2,536 | 66    | 1,415   | 4,017 |
| 2000 | 1,432 | 28    | 752     | 2,212 | 1983 | 2,480 | 63    | 1,311   | 3,854 |
| 1999 | 1,601 | 54    | 814     | 2,469 | 1982 | 2,454 | 63    | 1,316   | 3,833 |
| 1998 | 1,699 | 54    | 882     | 2,635 | 1981 | 2,350 | 70    | 1,242   | 3,662 |
| 1997 | 1,790 | 58    | 903     | 2,751 | 1980 | 2,219 | 69    | 1,294   | 3,582 |
| 1996 | 1,904 | 58    | 1,044   | 3,006 | 1979 | 2,217 | 35    | 1,303   | 3,555 |
| 1995 | 2,014 | 58    | 1,118   | 3,190 | 1978 | 2,197 | 43    | 1,311   | 3,551 |
| 1994 | 2,106 | 63    | 1,114   | 3,283 | 1977 | 2,154 | 50    | 1,234   | 3,438 |
| 1993 | 2,127 | 63    | 1,112   | 3,302 | 1976 | 2,075 | 53    | 1,145   | 3,273 |
| 1992 | 2,203 | 66    | 1,193   | 3,462 | 1975 | 1,897 | 80    | 1,090   | 3,067 |
| 1991 | 2,108 | 59    | 996     | 3,163 | 1974 | 1,666 | 101   | 1,014   | 2,781 |
| 1990 | 2,294 | 70    | 1,157   | 3,521 | 1973 | 1,329 | 156   | 575     | 2,060 |



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Millionaire parties have become the fastest growing form of charitable gaming.



2,132 millionaire party licenses were issued.



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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 activity:

|                          |             |
|--------------------------|-------------|
| Revenue .....            | \$8,864,080 |
| Cash Redemptions .....   | \$4,601,058 |
| Merchandise Prizes ..... | \$88,304    |
| Expenses .....           | \$1,561,843 |
| Net Profit .....         | \$2,612,875 |

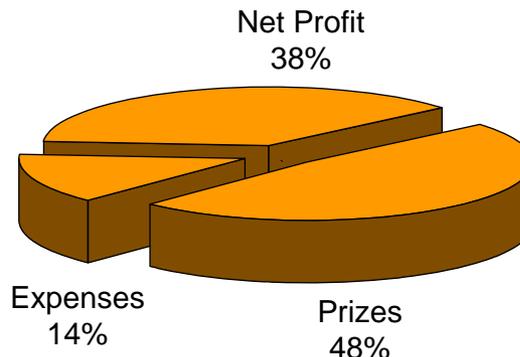
The 40 millionaire party licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

|                  |           |
|------------------|-----------|
| Revenue .....    | \$145,184 |
| Prizes .....     | \$106,862 |
| Expenses .....   | \$17,257  |
| Net Profit ..... | \$21,065  |

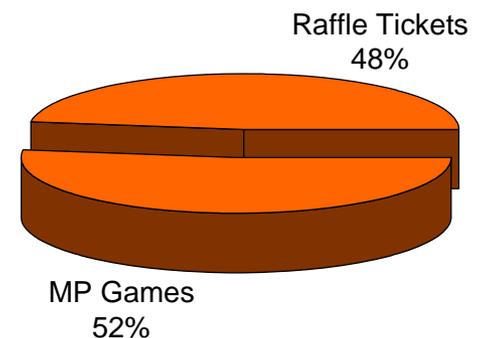
The 595 millionaire party licensees that sold raffle tickets reported the following financial data for raffle ticket sales:

|                  |             |
|------------------|-------------|
| Revenue .....    | \$4,300,378 |
| Prizes .....     | \$1,636,097 |
| Expenses .....   | \$272,221   |
| Net Profit ..... | \$2,392,060 |

Allocation of Total Millionaire Party Revenue



Source of Total Millionaire Party Net Profit



2,902 small raffle licenses were issued.

5,200 large raffle licenses were issued.



Raffles ticket sales yield the highest average margin of profit at 51%.

## 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.

## 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.

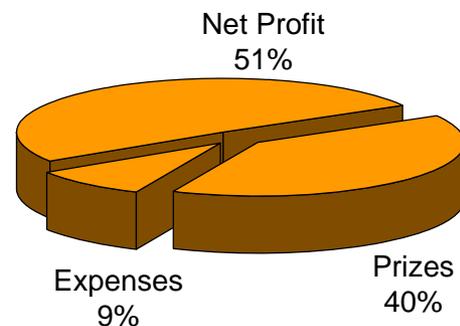
For this fiscal year, large raffle licensees reported the following financial data for raffle ticket sales:

|                  |              |
|------------------|--------------|
| Revenue .....    | \$62,434,973 |
| Prizes .....     | \$24,921,899 |
| Expenses .....   | \$5,827,024  |
| Net Profit ..... | \$31,686,050 |

The 17 raffle licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

|                  |          |
|------------------|----------|
| Revenue .....    | \$50,996 |
| Prizes .....     | \$25,094 |
| Expenses .....   | \$6,071  |
| Net Profit ..... | \$19,831 |

Allocation of Total Large Raffle Revenue



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## SUPPLIERS



Suppliers grossed over \$10.4 million from the sale and rental of bingo and millionaire party equipment.

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 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 of financial activity pertaining to sales or rentals to the licensed organizations.

For FY 2006, licenses were issued to 44 suppliers who reported the following financial data:

|  |             |
|--|-------------|
| Sale and rental of bingo equipment .....             | \$9,787,929 |
| Sale and rental of millionaire party equipment ..... | \$614,547   |



## 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 2006, division gross revenue was \$18,555,713. 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.



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## REGULATORY ACTIVITY

During FY 2006, the following inspections and administrative activities were conducted:

| <u>Inspections</u>        | <u>Administrative Activities</u>  |
|---------------------------|-----------------------------------|
| Bingo .....               | Complaint Investigations .....    |
| 2,188                     | 142                               |
| Charity Game Ticket ..... | Violation Notices .....           |
| 1,250                     | 181                               |
| Millionaire Party .....   | Warning Notices .....             |
| 444                       | 473                               |
| Raffle .....              | Informal Meetings .....           |
| 696                       | 21                                |
| Supplier .....            | Compliance Meetings .....         |
| 8                         | 87                                |
| Hall .....                | License Suspensions .....         |
| 154                       | 58                                |
|                           | License Revocations .....         |
|                           | 1                                 |
|                           | License Surrender .....           |
|                           | 11                                |
|                           | License Summary Suspensions ..... |
|                           | 0                                 |



To assist nonprofit organizations in conducting successful events, 198 training meetings were held.

## 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               | 76                       | 406                     |
| New charity game ticket licenses | 23                       | 99                      |
| Area training seminars           | 12                       | 665                     |
| Special training meetings        | <u>87</u>                | <u>737</u>              |
| <b>Total</b>                     | <b>198</b>               | <b>1,907</b>            |

## AUDIT ACTIVITY

During the year, the following audit activities were conducted:

|  |        |
|--|--------|
| Charity game ticket audits .....               | 15     |
| Organization audits .....                      | 7      |
| Financial statement delinquencies issued ..... | 3,910  |
| Financial statements entered .....             | 14,777 |
| Record reviews .....                           | 74     |



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## 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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