

Michigan Lottery Charitable Gaming Division

TOM WEBER
Acting Commissioner

MICHAEL G. PETERSEN
*Deputy Commissioner
Charitable Gaming Division*

Annual Report 2007

October 1, 2006 to September 30, 2007



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	2

YEAR IN REVIEW

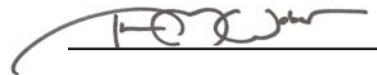
Each Charitable Gaming licensee is charged with a specific purpose: to generate money for their organization through charitable gaming efforts. To be successful, licensees need to think and operate like a business.

With that in mind, during August and September of this past year, representatives from Trade Products, Bingo King and Arrow International worked in partnership with the Michigan Lottery to hold the first ever bingo rejuvenation workshops. Conducted at eight locations around the state, one-third of the state's bingos and licensed halls were represented. The feedback from participants was *overwhelmingly positive* as they talked about discussing and implementing many of the ideas—such as acquiring new players, retaining players, providing better customer service, and improving their bottom line.

One of those topics, acquiring new players, was reflected in ABC's airing last summer of National Bingo Night, a reality TV game show that allowed viewers to download free bingo cards from the internet and play along from the comfort of their own homes. During the show's six episodes, over 170 million bingo cards were downloaded from ABC's website. In fact, traffic on ABC's site was so heavy before each game that many "players" were unable to gain access. Who knows how many more cards would have been downloaded had the site not been overloaded! When home viewers were later polled, it was determined that the majority were not regular bingo players. The market is there!

In addition to cultivating new players, the Michigan Lottery recognizes the importance of retaining existing players, so in early 2007, Big Money Bingo was launched. The linked, progressive game, conducted by Scientific Games, Inc. through a contract with the Michigan Lottery, has a jackpot starting at \$10,000 and grows each day until it is won. The progressive jackpot begins with 49 balls drawn and if not won, the number of balls drawn increases by one each week. To date, 15 Michigan players have won big playing Big Money Bingo. Over \$1.25 million dollars has been awarded, with an average jackpot of \$83,567 and jackpots ranging from \$24,000 to more than \$200,000!

Charitable Gaming strives to provide opportunities for our licensees to generate net profit to be invested into their lawful purposes. We wish all our charitable gaming licensees success in their fundraising efforts.



Tom Weber
Acting Commissioner



Michael G. Petersen
Deputy Commissioner
Charitable Gaming Division



Michigan Lottery
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 nearly 73 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 nearly \$73 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 2007:

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$117,577,414	\$88,715,120	\$13,253,073	\$15,609,221
Special Charity Game	19,600	15,384	1,961	2,255
Large Bingo	225,346,090	169,718,181	37,218,932	18,408,977
Small Bingo	34,628	25,833	1,421	7,374
Special Bingo	1,925,264	1,135,105	229,985	560,174
Millionaire Party	31,743,836	20,201,622	4,292,412	7,249,802
Large Raffle	58,930,045	22,975,795	4,935,183	31,019,067
Total	\$435,576,877	\$302,787,040	\$59,932,967	\$72,856,870

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



Michigan Lottery
Charitable Gaming Division

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:

628 annual charity game ticket licenses were issued.

15 special charity game ticket licenses were issued.



Charity game ticket sales provided nonprofit organizations with nearly \$30 million in profit this year.

Revenue	\$117,577,414
Prizes	\$88,715,120
Expenses	\$13,253,073
Net Profit	\$15,609,221

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	\$19,600
Prizes	\$15,384
Expenses	\$1,961
Net Profit	\$2,255

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	\$117,577,414	\$88,715,120	\$13,253,073	\$15,609,221
Special Charity Game	19,600	15,384	1,961	2,255
Large Bingo	91,557,679	68,719,183	8,976,198	13,862,298
Small Bingo	3,965	2,675	60	1,230
Special Bingo	467,571	347,690	46,814	73,067
Millionaire Party	83,653	59,667	8,844	15,142
Large Raffle	36,997	22,015	2,836	12,146
Total	\$209,746,879	\$157,881,734	\$22,289,786	\$29,575,359



Michigan Lottery
Charitable Gaming Division

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 bingos reported financial information for the first quarter only due to new legislation.

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

Revenue	\$135,276,767
Prizes	\$101,809,571
Expenses	\$28,427,266
Net Profit	\$5,039,930

The 1,047 bingo licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

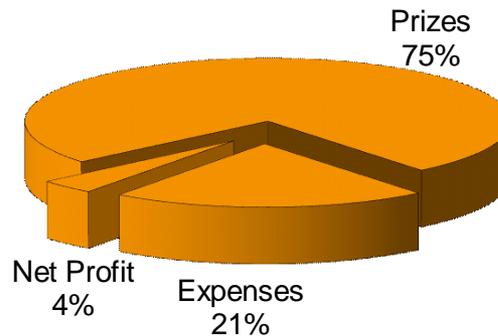
Revenue	\$92,029,215
Prizes	\$69,069,548
Expenses	\$9,023,072
Net Profit	\$13,936,595

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

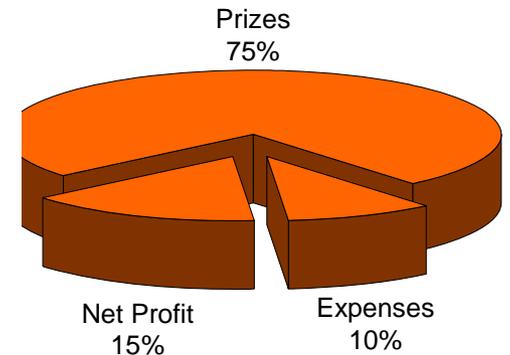


During the fiscal year, \$5.9 million in gross profit was generated from the Michigan progressive jackpot bingo game.

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 2007: (This does not include small or special bingo games.)

Total attendance	3,986,599
Average number of players per large bingo occasion	67
Average bingo prizes paid per large bingo occasion	\$1,770



Michigan Lottery
Charitable Gaming Division



Bingo and hall licensees are strongly encouraged to update their locations and make them non-smoker friendly. They should also pool their resources and work together to market to new potential players rather than fight over dwindling traditional players.



Michigan Lottery
Charitable Gaming Division

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 2007, licensed bingo games operated in facilities as follows:

Own 46%
 Related Organization 12%
 Licensed Hall 42%

The division licensed 117 halls for use by qualified organizations.



BINGO LICENSES ISSUED

<u>Year</u>	<u>Large</u>	<u>Small</u>	<u>Special</u>	<u>Total</u>	<u>Year</u>	<u>Large</u>	<u>Small</u>	<u>Special</u>	<u>Total</u>
2007	1,139	18	512	1,669	1989	2,204	52	1,215	3,471
2006	1,150	18	542	1,710	1988	2,242	54	1,216	3,512
2005	1,178	21	571	1,770	1987	2,293	53	1,432	3,778
2004	1,237	24	609	1,870	1986	2,363	58	1,377	3,798
2003	1,273	22	630	1,925	1985	2,473	63	1,353	3,889
2002	1,328	24	646	1,998	1984	2,536	66	1,415	4,017
2001	1,369	26	657	2,052	1983	2,480	63	1,311	3,854
2000	1,432	28	752	2,212	1982	2,454	63	1,316	3,833
1999	1,601	54	814	2,469	1981	2,350	70	1,242	3,662
1998	1,699	54	882	2,635	1980	2,219	69	1,294	3,582
1997	1,790	58	903	2,751	1979	2,217	35	1,303	3,555
1996	1,904	58	1,044	3,006	1978	2,197	43	1,311	3,551
1995	2,014	58	1,118	3,190	1977	2,154	50	1,234	3,438
1994	2,106	63	1,114	3,283	1976	2,075	53	1,145	3,273
1993	2,127	63	1,112	3,302	1975	1,897	80	1,090	3,067
1992	2,203	66	1,193	3,462	1974	1,666	101	1,014	2,781
1991	2,108	59	996	3,163	1973	1,329	156	575	2,060
1990	2,294	70	1,157	3,521					



With the increasing popularity of Texas Hold 'em, millionaire parties have skyrocketed. This fiscal year, sales increased 208% over last year.



2,822 millionaire party licenses were issued.



Michigan Lottery
Charitable Gaming Division

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	\$27,363,751
Cash Redemptions	\$18,413,308
Merchandise Prizes	\$150,738
Expenses	\$3,998,071
Net Profit	\$4,801,634

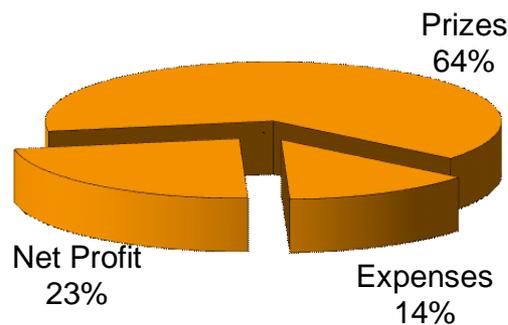
The 29 millionaire party licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue	\$83,653
Prizes	\$59,667
Expenses	\$8,844
Net Profit	\$15,142

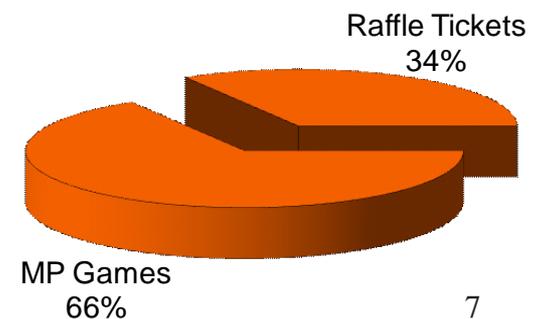
The 705 millionaire party licensees that sold raffle tickets reported the following financial data for raffle ticket sales:

Revenue	\$4,296,432
Prizes	\$1,577,909
Expenses	\$285,497
Net Profit	\$2,433,026

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.

2,812 small raffle licenses
were issued.

5,154 large raffle licenses
were issued.



Raffles ticket sales yield the highest
average margin of profit at 53%.

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.

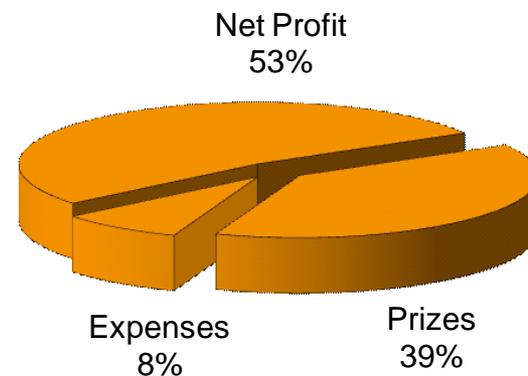
For this fiscal year, large raffle licensees reported the following financial data for raffle ticket sales:

Revenue	\$58,893,048
Prizes	\$22,953,780
Expenses	\$4,932,347
Net Profit	\$31,006,921

The 21 raffle licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue	\$36,997
Prizes	\$22,015
Expenses	\$2,836
Net Profit	\$12,146

Allocation of Total
Large Raffle Revenue



Michigan Lottery
Charitable Gaming Division

SUPPLIERS



Suppliers grossed over \$11.5 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 2007, licenses were issued to 48 suppliers who reported the following financial data:

Sale and rental of bingo equipment	\$10,112,674
Sale and rental of millionaire party equipment	\$1,446,718

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 2007, division gross revenue was \$18,907,074. 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.



Michigan Lottery
Charitable Gaming Division

REGULATORY ACTIVITY

During FY 2007, the following inspections and administrative activities were conducted:

<u>Inspections</u>	<u>Administrative Activities</u>
Bingo 1,805	Complaint Investigations 91
Charity Game Ticket 1,060	Violation Notices 122
Millionaire Party 585	Warning Notices 306
Raffle 571	Informal Meetings 37
Supplier 7	Compliance Meetings 40
Hall 103	License Suspensions 35
	License Revocations 0
	License Surrender 9
	License Summary Suspensions 0

To assist nonprofit organizations in conducting successful events, 204 training meetings were held.



Representatives from Trade Products, Bingo King, and Arrow International partnered with the Michigan Lottery to hold the first bingo rejuvenation workshops.

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	81	476
New charity game ticket licenses	20	90
Area training seminars	14	745
Special training meetings	81	478
Bingo workshops	<u>8</u>	<u>318</u>
Total	204	2,107

AUDIT ACTIVITY

During the year, the following audit activities were conducted:

Charity game ticket audits	26
Organization audits	4
Financial statement delinquencies issued	4,318
Financial statements entered	15,164
Record reviews	78



Michigan Lottery
Charitable Gaming Division



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
P.O. Box 30023
Lansing, MI 48909
517. 335.5780
www.michigan.gov/cg



Michigan Lottery
Charitable Gaming Division