



Michigan Lottery

Charitable Gaming Division

M. SCOTT BOWEN
Commissioner

MICHAEL G. PETERSEN
Deputy Commissioner
Charitable Gaming Division

Annual Report 2009

October 1, 2008, to September 30, 2009

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YEAR IN REVIEW

“It was the best of times, it was the worst of times.”

This quote from Charles Dickens’ *A Tale of Two Cities* (Chapman & Hall, London, 1859) sums up the year for charitable gaming in Michigan. Dominating the landscape in FY 2009 were Millionaire Parties, which generated almost \$19 million for the works of charitable organizations. In addition to facilitating much-needed funding for good causes, Millionaire Parties provided a source of employment and income for unemployed Michigan residents and small businesses suffering the effects of a downturn in the economy.

But while hundreds of groups conducted successful millionaire parties, many were frustrated with the inability to receive a license for their event as quickly as they wanted. Millionaire party licenses increased from 4,029 in FY 2008 to 8,140 in FY 2009, but at the same time, the increase to 150 locations at which millionaire parties are conducted resulted in a moratorium on new venues.

Overall, the Charitable Gaming Division issued over 18,000 licenses in FY 2009 and qualified 1,334 new organizations for a total of 19,000 qualified organizations statewide.

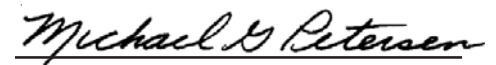
During these bleak economic times, charitable gaming has been a lifesaver as a fundraising option for many nonprofit organizations in Michigan. Net revenue, after all prizes and expenses were deducted, reached nearly \$80 million for the year. Raffles accounted for the lion’s share, with \$27 million in profits. Bingo, generating \$19.6 million, followed.

As we go forward into the new year, there will be many challenges for the charitable gaming community. Legislation that would both help and harm charitable organizations’ ability to raise funds is pending. Outside interests will continue their close scrutiny of all activities. In order to successfully overcome such challenges, all those involved — from players to suppliers to locations to the organizations themselves — will have to step up and take an active role in the oversight of charitable gaming.

The Charitable Gaming Division is committed to serving the needs of our customers. In these times of severe budget cuts, our staff will strive to provide the charitable gaming community and the citizens of Michigan with a gaming program that is fair and honest, and also affords the greatest opportunity possible for raising needed funds.



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Commissioner
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Deputy Commissioner
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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 \$79 million for their lawful purposes. Some of the community projects funded through the use of these proceeds include:



Nonprofit organizations raised almost \$80 million this year for their lawful purposes.

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 2009:

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$103,603,331	\$78,126,441	\$11,707,357	\$13,769,533
Special Charity Game	10,496	6,444	3,303	749
Large Bingo	245,326,914	185,581,985	40,117,409	19,627,520
Special Bingo	1,530,659	843,130	168,238	519,291
Millionaire Party	165,611,955	129,617,028	17,439,187	18,555,740
Large Raffle	52,500,383	20,896,446	4,330,211	27,273,726
Total	\$568,583,738	\$415,071,474	\$73,765,705	\$79,746,559

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



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621 annual charity game ticket licenses were issued.

10 special charity game ticket licenses were issued.



Charity game ticket sales provided nonprofit organizations with over \$31 million in profit this year.



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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	\$103,603,331
Prizes	\$78,126,441
Expenses	\$11,707,357
Net Profit	\$13,769,533

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	\$10,496
Prizes	\$6,444
Expenses	\$3,303
Net Profit	\$749

ALL CHARITY GAME TICKET SALES

Licensees reported the following financial data for charity game ticket sales:

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$103,603,331	\$78,126,441	\$11,707,357	\$13,769,533
Special Charity Game	10,496	6,444	3,303	\$749
Large Bingo	115,067,949	86,315,487	11,384,448	\$17,368,014
Special Bingo	303,118	223,283	32,592	\$47,243
Millionaire Party	101,718	70,675	10,835	\$20,208
Large Raffle	43,673	22,872	1,972	\$18,829
Total	\$219,130,285	\$164,765,202	\$23,140,507	\$31,224,576

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	\$131,486,506
Prizes	\$99,886,345
Expenses	\$28,868,607
Net Profit	\$2,731,554

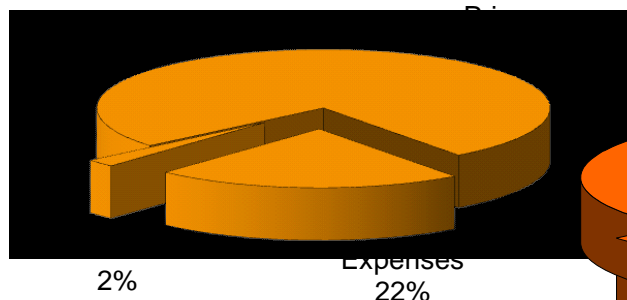
The 966 bingo licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue	\$115,371,067
Prizes	\$86,538,770
Expenses	\$11,417,040
Net Profit	\$17,415,257

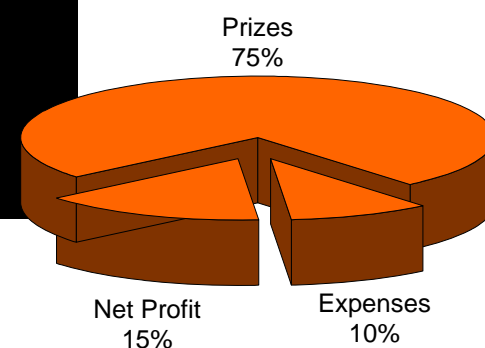


Lydia MacKenzie, Chairperson
Gladstone Senior Citizens Non-Profit Corp
100 years old on January 10, 2010

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 2009:

Total Attendance	3,699,602
Average Number of Players per Large Bingo Occasion	68
Average Bingo Prizes Paid per Large Bingo Occasion	\$1,918



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Beginning May 1, 2010, smoking will be banned from public places in Michigan.

Bingo and hall licensees are strongly encouraged to work together in promoting bingo to the new larger market of potential players.



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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 2009, licensed bingo games operated in facilities as follows:

Licensed Hall	42%
Own	47%
Related Organization	11%

The bureau licensed 99 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>
2009	1,017	17	462	1,496	2000	1,432	28	752	2,212
2008	1,062	17	480	1,559	1999	1,601	54	814	2,469
2007	1,139	18	512	1,669	1998	1,699	54	882	2,635
2006	1,150	18	542	1,710	1997	1,790	58	903	2,751
2005	1,178	21	571	1,770	1996	1,904	58	1,044	3,006
2004	1,237	24	609	1,870	1995	2,014	58	1,118	3,190
2003	1,273	22	630	1,925	1994	2,106	63	1,114	3,283
2002	1,328	24	646	1,998	--	--	--	--	--
2001	1,369	26	657	2,052	1973	1,329	156	575	2,060



Texas Hold 'em continues its upward momentum, being the most popular form of charitable gaming. Since licenses began to increase five years ago, revenue is 44 times greater than it was in 2004.



8,140 millionaire party licenses were issued, twice as many as last fiscal year.



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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 (MP) games:

Revenue	\$162,178,315
Cash Redemptions/Prizes	\$128,172,983
Merchandise Prizes	\$146,321
Expenses	\$17,224,572
Net Profit	\$16,634,439

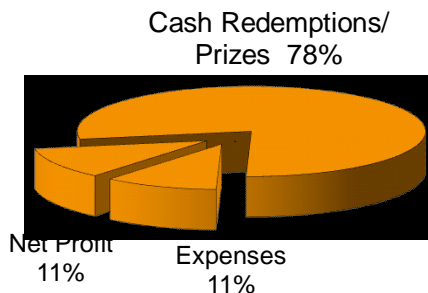
The 32 millionaire party licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue	\$101,718
Prizes	\$70,675
Expenses	\$10,835
Net Profit	\$20,208

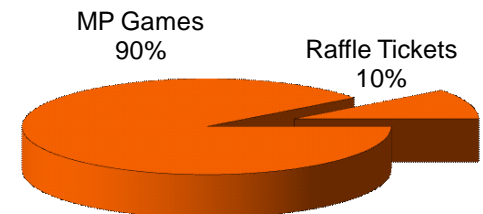
The 569 millionaire party licensees that sold raffle tickets reported the following financial data for raffle ticket sales:

Revenue	\$3,331,922
Prizes	\$1,227,049
Expenses	\$203,780
Net Profit	\$1,901,093

Allocation of Total
Millionaire Party Revenue

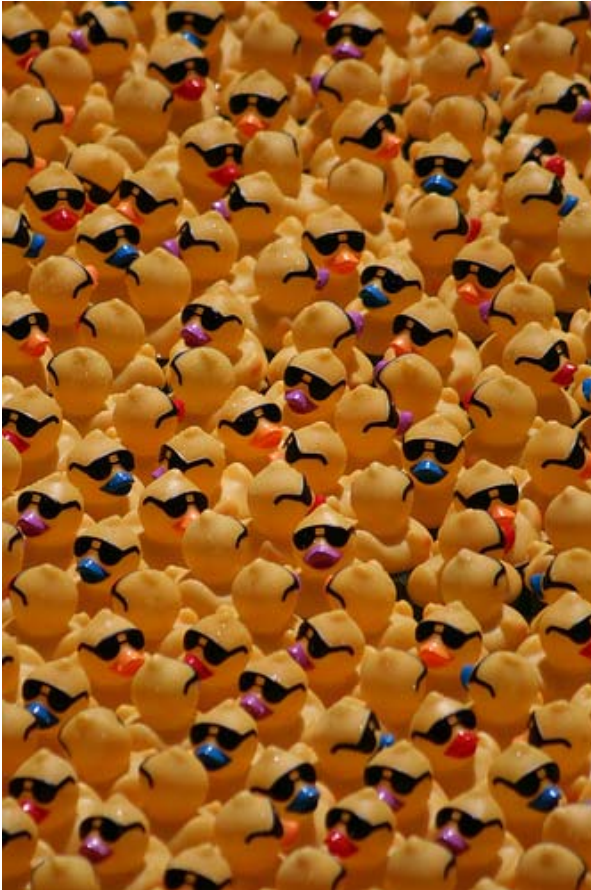


Source of Total
Millionaire Party Net Profit



2,813 small raffle licenses
were issued.

4,884 large raffle licenses
were issued.



Photograph courtesy of Francesco Minciotti, Rome, Italy

When a raffle is conducted through a duck race, the event can become a significant community attraction.



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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.

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.

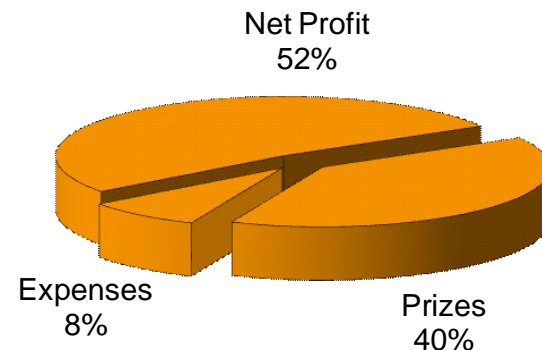
For this fiscal year, large raffle licensees reported the following financial data for raffle ticket sales:

Revenue	\$52,456,710
Prizes	\$20,873,574
Expenses	\$4,328,239
Net Profit	\$27,254,897

The 15 raffle licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue	\$43,673
Prizes	\$22,872
Expenses	\$1,972
Net Profit	\$18,829

Allocation of Total
Large Raffle Revenue





Suppliers grossed over \$15 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 2009, licenses were issued to 107 suppliers who reported the following financial data:

Sale and Rental of Bingo Equipment	\$10,404,688
Sale and Rental of Millionaire Party Equipment	\$4,631,054



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 2009, division gross revenue was \$20,662,879. 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 2009, the following inspections and administrative activities were conducted:

<u>Inspections</u>	<u>Administrative Activities</u>
Bingo 1,116	Complaint Investigations 103
Charity Game Ticket 545	Warning Notices 131
Millionaire Party 1,984	Violation Notices 43
Raffle 107	Informal Meetings 51
Supplier 32	Compliance Meetings 197
Hall 47	License Suspensions 97
	License Revocations 6
	License Surrenders 5
	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	67	266
New Charity Game Ticket Licenses	10	52
Area Training Seminars	11	792
Special Training Meetings	<u>208</u>	<u>648</u>
Total	296	1,758

AUDIT ACTIVITY

During the year, the following audit activities were conducted:

Financial Statements Entered	19,733
Financial Statement Delinquencies Issued	4,730
Charity Game Ticket Audits	28
Organization Audits	0
Record Reviews	291
Game Closing Documents Reviewed	89



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



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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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