

Michigan Lottery
Charitable Gaming Division

Annual Report 2012

October 1, 2011 to September 30, 2012



*Providing fundraising opportunities to local non-profit organizations
to help strengthen Michigan communities.*



TABLE OF CONTENTS

YEAR IN REVIEW.....	3
CHARITABLE CAUSES	4
FINANCIAL STATISTICS—ALL EVENTS	4
CHARITY GAME TICKETS.....	5
ANNUAL CHARITY GAME	5
SPECIAL CHARITY GAME	5
ALL CHARITY GAME TICKET SALES.....	5
BINGOS	6
LARGE BINGO	6
SMALL BINGO.....	6
SPECIAL BINGO	6
BINGO GAME LOCATIONS.....	7
MILLIONAIRE PARTY	8
RAFFLES	9
SMALL RAFFLE	9
LARGE RAFFLE.....	9
REGULATORY ACTIVITY.....	10
EVENT TRAINING.....	10
AUDIT ACTIVITY.....	10
SUPPLIERS	11
DIVISION BUDGET	11
MISSION STATEMENT	12

M. SCOTT BOWEN
Lottery Commissioner

KATHIE E. OVIEDO
Deputy Commissioner
Charitable Gaming Division

YEAR IN REVIEW

By Kathie Oviedo

Deputy Commissioner of Charitable Gaming

In 2012 we have seen many changes occur, i.e., Governor Snyder issued an Executive Order that transferred millionaire parties to the Michigan Gaming Control Board; legislation was passed to allow certain non-profit organizations to hold raffles without national or state oversight; and the US Department of Justice released a formal legal opinion concluding that internet gaming that does not relate to sporting events or contests is not in violation of the Wire Act.

As a result, good things have happened, the millionaire party transfer has allowed Charitable Gaming staff to focus more on the development of bingo, charity game ticket, and raffle programs; more raffle licenses have been issued as a result of passed legislation; and Michigan Lottery is exploring internet gaming.

You will see from the enclosed financial statistics that bingo continues to struggle and charity game ticket sales have declined. As other forms of gaming become more popular the charitable gaming community will have to be innovative and creative to ensure all games are fun and exciting to keep this business thriving.

One of my goals this past year was to reach out to organizations, locations, and suppliers to get opinions and ideas on action to take that will create a flourishing industry that in the end will benefit our communities. It quickly became clear that working hand-in-hand and cohesively is the only solution to accomplish this common goal.

In the past year, I have visited many bingo halls, fraternal and VFW locations, and attended several conferences and conventions. During my visits, I observed and heard many stories regarding people capable of accomplishing great things because of their dedication and loyalty to their cause. However, due to the struggling economy, competition, and lack of new players, many locations had to close their doors.

It is clear there is a need to reinvent bingo and bring back the industry as it once was. However, Charitable Gaming needs your help to do this, we must all work together to bring in new players, to boost proceeds, and to change the environment of charitable gaming events to coincide with changing times.

It is my commitment in this upcoming year to find opportunities that will help rejuvenate all charitable gaming events and allow organizations to become more prosperous to give them the ability to help our communities in a much stronger way. I will strive to create a regulatory environment that will enable organizations, locations, and suppliers to develop an improved market with innovation, efficiency, and cost reduction.

Some immediate changes Charitable Gaming is working on is to give you the ability to submit financial statements electronically, as we become acclimated to this new process additional forms will be accepted electronically as well. You will see a more interactive Charitable Gaming web site that includes an e-mail address for questions, comments, or suggestions, and a list serve registration that will enable you to receive ongoing communication regarding "What's New" in Charitable Gaming. There will be information and descriptions of the various bingo, charity game ticket, and raffle games available. These are just some examples of what's coming but on a larger scale we'll be looking at processes, rules, and directives that may need revisions to accommodate our goals.

I look forward to working with all of you in this upcoming year and I'm excited at what we will be able to accomplish.

CHARITABLE CAUSES

Michigan non-profits continue to be impacted by a struggling economy as cuts to charitable organizations are often the first to be made. Every age group and community has felt the squeeze. Our returning soldiers and aging seniors share reduced benefits and greater medical needs. Sports programs, after school programs, and child safety programs rely more and more on volunteers and fundraising efforts.

But thanks to licensed fundraising activities, nearly \$67 million was raised last year for non-profit purposes right here in Michigan. Charitable gaming continues to provide opportunities to raise funds through legalized gaming that includes bingo, raffles, the sale of charity game tickets, and millionaire party games. Some beneficiaries from Charitable Gaming proceeds include:

Band Booster Programs	Faith-based Programs	Libraries	Scholarships
Big Brothers/Big Sisters	Girl Scout Programs	Little League Baseball	School Athletic Programs
Blind Federation	Hospice	Mental Health Programs	Soup Kitchens
Cancer Research	Humane Society	Orchestral Societies	Special Olympics
Children & Youth Camps	Junior Achievement	Preschool Programs	Veteran Programs
Crisis Intervention Centers	Leukemia Foundation	Public and Private Schools	Wildlife and Conservation



FINANCIAL STATISTICS—ALL EVENTS

The following statistics are based on figures reported by licensees for events that occurred during FY 2012. Charity game ticket and raffle ticket statistics are included with the license under which those tickets were sold.

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$70,273,659	\$53,034,975	\$8,017,269	\$9,221,415
Special Charity Game	19,034	13,277	3,545	2,212
Large Bingo	162,961,004	126,234,288	26,107,246	10,619,470
Special Bingo	1,113,897	578,012	119,780	416,105
Millionaire Party*	186,004,253	153,317,622	16,005,955	16,680,676
Large Raffle	57,393,583	23,348,598	4,231,676	29,813,309
Total	\$477,765,430	\$356,526,772	\$54,485,471	\$66,753,187

*Millionaire party statistics include only those submitted to Charitable Gaming through September 14, 2012.

CHARITY GAME TICKETS

Non-profit organizations raised over \$21 million through charity game ticket sales this year. Organizations licensed for a large, small, or special bingo; millionaire party; or large raffle were able to sell charity game tickets during the time listed on their license *without* obtaining an additional license. Small bingos are not required to report financial information, including any charity game ticket sales.

ANNUAL CHARITY GAME

Qualified organizations that own or lease a location for the primary use of its members—such as veteran and fraternal clubs—may obtain an annual charity game ticket (ACGT) license to sell charity game tickets. An ACGT license costs \$200 per license year. During FY 2012, the 608 organizations that held an ACGT license reported the following financial data:

Revenue	\$70,273,659
Prizes	\$53,034,975
Expenses.....	\$8,017,269
Net Profit.....	\$9,221,415

SPECIAL CHARITY GAME

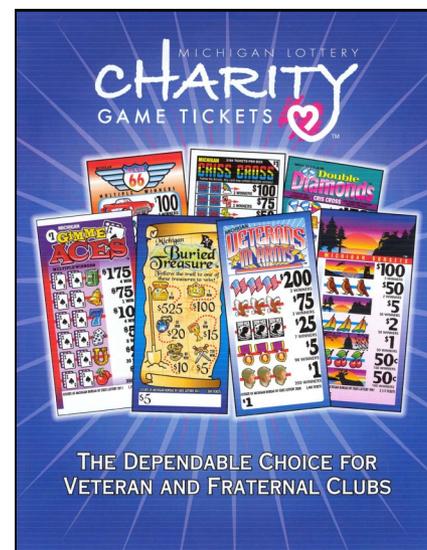
Qualified organizations may sell charity game tickets at any one location for up to four consecutive days by obtaining a special charity game license. Each organization is limited to only eight special charity game licenses per calendar year, which cost \$15 per day. During FY 2012, the 11 organizations that sold tickets under the special charity game license reported the following financial data:

Revenue	\$19,034
Prizes	\$13,277
Expenses	\$3,545
Net Profit.....	\$2,212

ALL CHARITY GAME TICKET SALES

All licensees that sold charity game tickets reported the following:

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$70,273,659	\$53,034,975	\$8,017,269	\$9,221,415
Special Charity Game	19,034	13,277	3,545	2,212
Large Bingo	78,213,972	58,673,814	7,675,166	11,864,992
Special Bingo	158,752	117,131	18,219	23,402
Millionaire Party	51,698	39,144	5,309	7,245
Large Raffle	32,285	21,640	2,742	7,903
Total	\$148,749,400	\$111,899,981	\$15,722,250	\$21,127,169



BINGOS

Bingo licenses include large bingo, small bingo, and special bingo. The fee for a large bingo license is \$150 per year, a small bingo license is \$55 per year, and a special bingo license is \$25 per occasion.



LARGE BINGO

Qualified organizations wishing to conduct bingo once a week with prizes limited to \$1,100 per game and \$3,500 per occasion may obtain a large bingo license. During FY 2012, 773 large bingo licensees (695 of which sold charity game tickets) reported the following:

Bingo Revenue	\$84,747,032	CGT Revenue	\$78,213,972
Bingo Prizes.....	\$67,560,474	CGT Prizes.....	\$58,673,814
Bingo Expenses	\$18,432,080	CGT Expenses	\$7,675,166
Bingo Net Profit (Loss)	(\$1,245,522)	Total Attendance	2,354,778
Average Bingo Prizes Paid Each Week.....	\$1,748	Average Weekly Attendance per Bingo Occasion	55

SMALL BINGO

Qualified organizations wishing to conduct bingo once a week with prizes limited to \$25 per game and \$300 per occasion may obtain a small bingo license. During FY 2012, 15 small bingo licenses were issued. Small bingo licensees are not required to report financial data to the bureau.

SPECIAL BINGO

A qualified organization may obtain up to four special bingo licenses per year. Each license is good for up to seven consecutive days. During FY 2012, 378 special bingo licensees (55 of which sold charity game tickets) reported the following:

Bingo Revenue	\$955,145	CGT Revenue	\$158,752
Bingo Prizes.....	\$460,881	CGT Prizes.....	\$117,131
Bingo Expenses	\$101,561	CGT Expenses	\$18,219
Bingo Net Profit	\$392,703	CGT Net Profit	\$23,402

BINGO GAME LOCATIONS

In FY 2012, half the licensed large bingo games in Michigan were hosted by veteran and fraternal clubs at their own facilities. These locations are sometimes used at no charge by related organizations, such as auxiliaries.

These locations, as well as commercial halls, can be rented to an organization for bingo if that location becomes licensed. Before an organization is approved to play bingo at a licensed location, all terms of the rental agreement must be approved by the bureau.



51% of bingos were held at the organization's own location.

13% of bingos were held at a related or donated location.

36% of bingos were held at a licensed location.

In FY 2012, there were 327 bingo locations that did not charge rent while 61 licensed locations charged for their use.



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. An organization may obtain up to four millionaire party licenses per year. Each license may be issued for up to four consecutive days at \$50 per day.

On April 11, 2012, Governor Snyder signed executive order 2012-4, which transferred the licensing and regulation of the Millionaire Party program to the Michigan Gaming Control Board. Millionaire parties include not only Texas Hold 'em but also the type of Las Vegas games found at church festivals.



During FY 2012, 7,189 millionaire party licensees (14 of which sold charity game tickets and 275 of which sold raffle tickets) reported the following financial data*:

Millionaire Party Game Revenue	\$184,176,756	CGT Revenue	\$51,698
Cash Redemptions.....	\$152,413,619	CGT Prizes.....	\$39,144
Merchandise Prizes	\$227,148	CGT Expenses	\$5,309
Millionaire Party Expenses	\$15,870,300	CGT Net Profit	\$7,245
Millionaire Party Net Profit	\$15,665,689		
Raffle Ticket Revenue	\$1,775,799		
Raffle Prizes.....	\$637,711		
Raffle Expenses	\$130,346		
Raffle Net Profit	\$1,007,742		

*Millionaire party financial data includes only that which was collected by the Charitable Gaming Division through September 14, 2012. It does *not* include data from financial statements submitted to the Michigan Gaming Control Board.

RAFFLES

Today, more than ever, public and private schools are searching for ways to replace depleting funds for athletics, band activities, clubs, and other school-related programs. The division recently began promoting licensed raffles to schools to raise awareness of the opportunity to generate funding through raffles.

When the total value of all raffle prizes awarded in a day will not exceed \$500, a small raffle license may be issued. When the total value of all prizes awarded in a day will exceed \$500, a large raffle license is required. The fee for a large raffle license is \$50 per drawing date and a small raffle license is \$5 per drawing date with a minimum fee of \$15.



SMALL RAFFLE

The 2,483 small raffle licensees were not required to report financial data to the bureau.

LARGE RAFFLE

The 4,932 large raffle licensees (11 of which sold charity game tickets) reported the following financial data:

Raffle Ticket Revenue.....	\$57,361,298	CGT Revenue	\$32,285
Raffle Prizes	\$23,326,958	CGT Prizes	\$21,640
Raffle Expenses.....	\$4,228,934	CGT Expenses.....	\$2,742
Raffle Net Profit.....	\$29,805,406	CGT Net Profit.....	\$7,903

REGULATORY ACTIVITY

The following inspections and administrative activities were conducted during FY 2012:

Inspections

Bingo.....	1,691
Charity Game Ticket	1,105
Millionaire Party*	1,242
Raffle	160
Supplier	6
Hall	22

Administrative Activities*

Complaint Investigations.....	62
Warning Notices.....	174
Violation Notices	111
Informal Meetings.....	11
Compliance Meetings.....	104
License Suspensions	64
License Revocations	0
MP Location Violation Closures	3
License Surrenders	0
License Summary Suspensions.....	0

EVENT TRAINING

One of the division's major objectives is to assist non-profit 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 Licensees	32	208
New ACGT Licensees	5	20
Area Training Seminars*	7	100
Special Training Meetings*	<u>51</u>	<u>211</u>
Total	95	539

AUDIT ACTIVITY

During FY 2012, these audit activities were conducted*:

Financial Statements Entered	17,870
Financial Statement Delinquencies Issued.....	4,866
Charity Game Ticket Audits.....	39
Organization General Fund Audits	6
Record Reviews	160
Game Closing Documents Reviewed	121

* Millionaire party inspections, special training meetings and seminars, administrative activities, and audit activities include only those administered by the Charitable Gaming Division. Michigan Gaming Control Board activity is not included in this report.

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 non-profit organizations licensed by the bureau. Licensed non-profit 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 in order 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 of gaming equipment.

For FY 2012, licenses were issued to 74 suppliers who reported the following financial data:

Sale and Rental of Bingo Equipment	\$7,073,370
Sale and Rental of Millionaire Party Equipment.....	\$5,286,411

DIVISION BUDGET

The Charitable Gaming Division is required by law to be self-supporting with license fees and the sale of charity game tickets to suppliers as the only sources of funding. Revenue in excess of the division's operating expenses is turned over to Michigan's general fund.

Charitable Gaming 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.

Operating expenses include charity game ticket stock, building rent, personnel, and office resources.

Millionaire party expenses are new costs charged by the Michigan Gaming Control Board relating to the licensing and enforcement of millionaire party activities. Full expenses did not begin until FY 2013.

Charitable Gaming Revenue	\$14,466,392
Operating Expenses	\$6,779,405
Millionaire Party Expenses	\$186,629
Total to General Fund.....	\$7,500,358



Michigan Lottery Charitable Gaming Division

P.O. Box 30023
Lansing, MI 48909
517.335.5780

www.michigan.gov/cg
Fax 1: 517.267.2285
Fax 2: 517.373.6863

General questions only: cg-questions@michigan.gov
Hours: Monday thru Friday, 7:45 a.m. to 4:45 p.m.

Special thanks to the organizations and photographers that provided permission to use their photographs.

Cover: petango.com, flickr.com (Wigwam Jones), kyleclafford.com, rethinkchurch.org (Anthony Dugal), volunteermatch.org; page 4: brownwoodtx.com (Steve Nash); page 6: flickr.com (allistonlions); page 9: i9sports.com.