

Michigan Lottery Charitable Gaming Division

M. SCOTT BOWEN
Commissioner

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*Deputy Commissioner
Charitable Gaming Division*

Annual Report 2008

October 1, 2007, to September 30, 2008



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YEAR IN REVIEW

Charitable gaming plays an ever-growing role in assisting many of Michigan's nonprofit organizations with their worthy causes. In fiscal year 2008, qualified organizations generated over \$75 million in net profit. With the challenges of a poor economy—fluctuating gas prices, loss of jobs, and cuts in federal funding—it is more important than ever that charitable gaming remains healthy in Michigan.

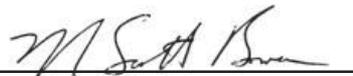
With the popularity of Texas Hold'em, millionaire parties have increasingly become an important fundraiser for many nonprofit organizations. More than 80 locations statewide hosted millionaire parties on a recurring basis. In fiscal year 2003, 630 millionaire party licensees generated \$1.2 million from games commonly played in a casino. But in fiscal year 2008, an unprecedented 4,000 millionaire party licenses were issued, resulting in \$10.4 million in profits.

Bingo also received a shot in the arm in the form of two new charity game tickets. While bingo paper proceeds continue to decline along with attendance, Lucky Bingo Balls and Beat the Odds have increased the sale of charity game tickets at bingo by 12 percent.

Lucky Bingo Balls took Michigan bingos by storm. This bingo event game not only contains instant winners, but 25 tickets—each containing three unique bingo balls—are randomly distributed throughout the deal. Playing these tickets with a predetermined bingo game not only brings more excitement to that bingo game, it provides another \$150 in "bingo" prizes for each deal sold. It's common for three or four deals of Lucky Bingo Balls to be played with one bingo game.

Continuing the upward momentum, Beat the Odds is a pyramid-style seal card game that contains instant winners *plus* 18 signup number tickets, randomly distributed throughout the deal. Once all tickets are sold, those with signup number tickets have a chance to win up to \$320 from the seal card action.

As the entertainment dollar is stretched, the Charitable Gaming Division is taking measures to provide more entertainment value to each dollar. The gaming community will see a larger variety of 50 cent games and the \$1 games will have "more bang for their buck." Texas Hold'em enthusiasts will continue to have opportunities to play their favorite game at local millionaire parties. By keeping charitable gaming affordable, Michigan residents will be able to take advantage of low cost gaming entertainment close to home while funding many great causes throughout the state.



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Commissioner
Michigan Lottery



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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 \$75 million for their lawful purposes. Some of the community projects funded through the use of these proceeds include:



Nonprofit organizations raised over \$75 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 2008:

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$109,694,387	\$82,654,397	\$12,390,542	\$14,649,448
Special Charity Game	17,083	13,466	3,303	314
Large Bingo	235,098,740	177,697,141	38,808,363	18,593,236
Special Bingo	1,534,801	852,498	168,209	514,094
Millionaire Party	74,890,142	56,199,663	8,234,105	10,456,374
Large Raffle	58,624,927	22,626,013	5,161,272	30,837,642
Total	\$479,860,080	\$340,043,178	\$64,765,794	\$75,051,108



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

634 annual charity game ticket licenses were issued.

15 special charity game ticket licenses were issued.



Charity game ticket sales provided nonprofit organizations with over \$30 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	\$109,694,387
Prizes	\$82,654,397
Expenses	\$12,390,542
Net Profit	\$14,649,448

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	\$17,083
Prizes	\$13,466
Expenses	\$3,303
Net Profit	\$314

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	\$109,694,387	\$82,654,397	\$12,390,542	\$14,649,448
Special Charity Game	17,083	13,466	3,303	314
Large Bingo	102,662,279	77,087,342	10,049,605	15,525,332
Special Bingo	292,969	215,828	36,838	40,303
Millionaire Party	115,782	83,410	10,975	21,397
Large Raffle	30,690	20,080	2,561	8,049
Total	\$212,813,190	\$160,074,523	\$22,493,824	\$30,244,843

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	\$133,678,293
Prizes	\$101,246,469
Expenses	\$28,890,129
Net Profit	\$3,541,695

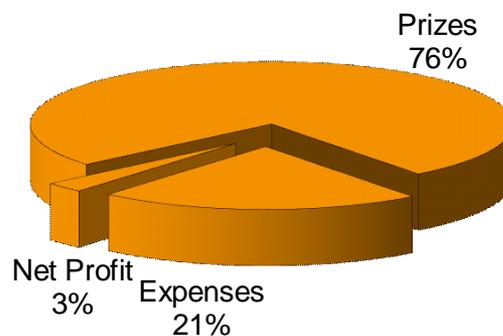
The 997 bingo licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue	\$102,955,248
Prizes	\$77,303,170
Expenses	\$10,086,443
Net Profit	\$15,565,635

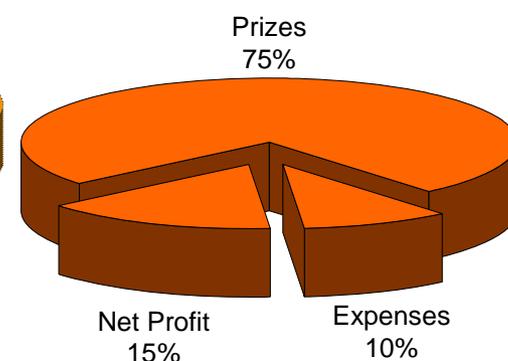


During the fiscal year, \$5.8 million in gross profit was generated from the Michigan progressive jackpot bingo game.

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 2008:

Total Attendance	3,780,781
Average Number of Players per Large Bingo Occasion	67
Average Bingo Prizes Paid per Large Bingo Occasion	\$1,868



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Bingo and hall licensees are strongly encouraged to update their locations and make them non-smoker friendly so they appeal to larger audiences.

They should also pool their resources and work together to market to new potential players rather than compete over dwindling traditional 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 2008, licensed bingo games operated in facilities as follows:

Own 48%
 Related Organization 11%
 Licensed Hall 41%

The bureau licensed 105 halls for use by qualified organizations.



BINGO LICENSES ISSUED

Year	Large	Small	Special	Total	Year	Large	Small	Special	Total
2008	1,062	17	480	1,559	1990	2,294	70	1,157	3,521
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



Texas Hold 'em continues its upward momentum, being the most popular form of charitable gaming. Since licenses began to increase four years ago, revenue is now 19 times greater than it was in 2004.



4,029 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 (MP) games:

Revenue	\$70,936,704
Cash Redemptions/Prizes	\$54,562,555
Merchandise Prizes	\$122,447
Expenses	\$7,950,012
Net Profit	\$8,301,690

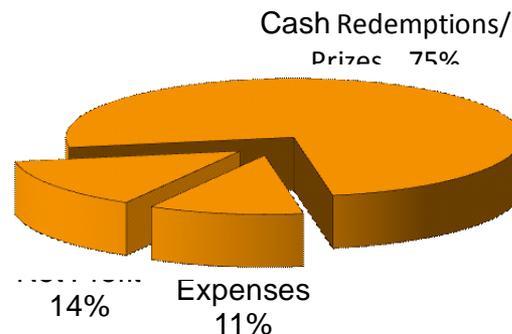
The 32 millionaire party licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue	\$115,782
Prizes	\$83,410
Expenses	\$10,975
Net Profit	\$21,397

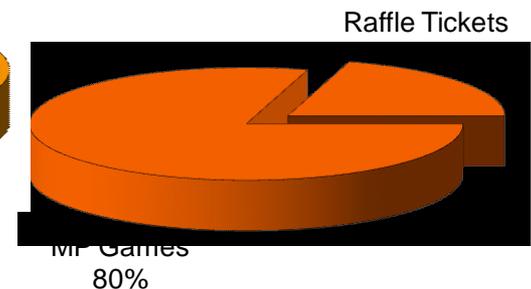
The 569 millionaire party licensees that sold raffle tickets reported the following financial data for raffle ticket sales:

Revenue	\$3,837,656
Prizes	\$1,431,251
Expenses	\$273,118
Net Profit	\$2,133,287

Allocation of Total
Millionaire Party Revenue

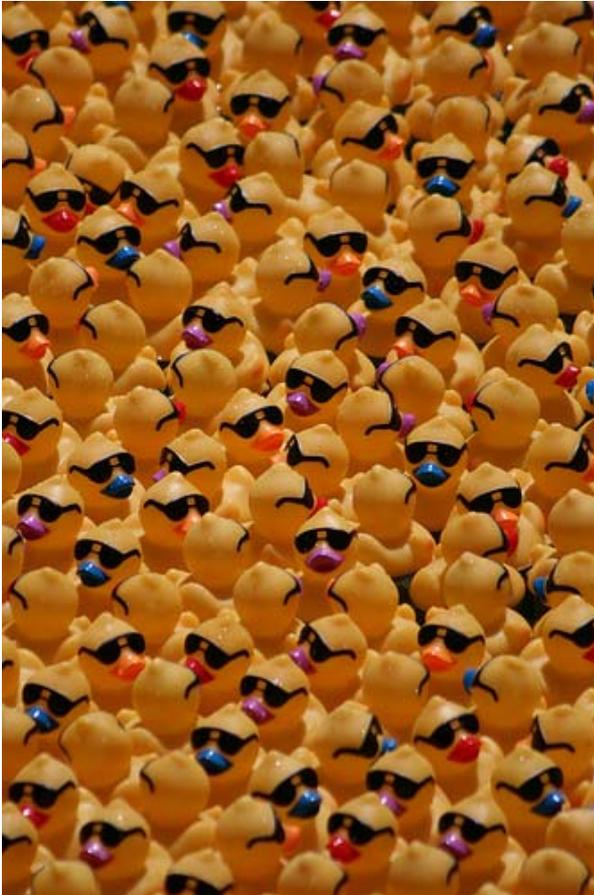


Source of Total
Millionaire Party Net Profit



2,833 small raffle licenses were issued.

5,151 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.

Small raffle licensees are not required to report financial data 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.

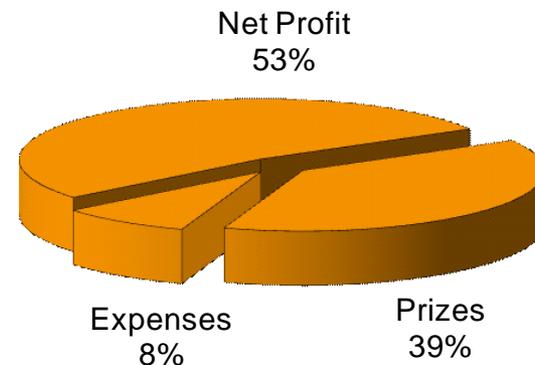
For this fiscal year, large raffle licensees reported the following financial data for raffle ticket sales:

Revenue	\$58,594,237
Prizes	\$22,605,933
Expenses	\$5,158,711
Net Profit	\$30,829,593

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

Revenue	\$30,690
Prizes	\$20,080
Expenses	\$2,561
Net Profit	\$8,049

Allocation of Total Large Raffle Revenue





Suppliers grossed over \$13 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 of financial activity pertaining to sales or rentals to the licensed organizations.

For FY 2008, licenses were issued to 47 suppliers who reported the following financial data:

Sale and Rental of Bingo Equipment	\$10,995,703
Sale and Rental of Millionaire Party Equipment	\$2,271,945



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 2008, division gross revenue was \$18,941,330. 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 2008, the following inspections and administrative activities were conducted:

<u>Inspections</u>	<u>Administrative Activities</u>
Bingo 1,782	Complaint Investigations 130
Charity Game Ticket 976	Warning Notices 225
Millionaire Party 750	Violation Notices 85
Raffle 334	Informal Meetings 39
Supplier 3	Compliance Meetings 47
Hall 19	License Suspensions 31
	License Revocations 0
	License Surrenders 3
	License Summary Suspensions 0



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

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	50	255
New Charity Game Ticket Licenses	14	70
Area Training Seminars	14	536
Special Training Meetings	<u>97</u>	<u>296</u>
Total	175	1,157

AUDIT ACTIVITY

During the year, the following audit activities were conducted:

Financial Statements Entered	15,728
Financial Statement Delinquencies Issued	4,260
Charity Game Ticket Audits	18
Organization Audits	4
Record Reviews	72
Game Closing Documents Reviewed	104



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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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