

Michigan Lottery Charitable Gaming Division

Annual Report 2014

October 1, 2013 to September 30, 2014



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
BINGOS	6
LARGE BINGO	6
SMALL BINGO	6
SPECIAL BINGO	6
BINGO GAME LOCATIONS.....	7
RAFFLES.....	8
SMALL RAFFLE	8
LARGE RAFFLE.....	8
REGULATORY ACTIVITY	9
EVENT TRAINING	9
FINANCIAL OVERSIGHT	9
INSPECTIONS	9
ADMINISTRATIVE ACTION	9
SUPPLIERS	10
DIVISION BUDGET	10



M. SCOTT BOWEN
Lottery Commissioner

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Deputy Commissioner
Charitable Gaming Division



YEAR IN REVIEW

By Kathie Oviedo

Deputy Commissioner of Charitable Gaming

In 2014, Michigan Charitable Gaming expanded its activities to provide additional support and services to help non-profit organizations struggling to raise funds for their communities.

The fundraising ability of non-profits has been eroded over the past decade by a number of factors: the smoking ban, a struggling economy, increased competition, dated technology, and an aging player population. The result is sharply lower revenues for these charitable groups and the community improvement projects and programs that they support.

As I attended organization conferences and visited their facilities, I learned about the challenges these non-profits face and solicited ideas for workable solutions. Other members of our team heard similar comments and ideas as they traveled around the state.

Acting on this firsthand information, the Michigan Lottery's Charitable Gaming Division developed and moved forward with new approaches to help the charitable organizations while maintaining essential integrity.

Specifically, we refined training programs and worked with non-profit members to find ways to make their licensed activities more profitable. For example, we developed and provided profitability tools and strategies to licensed bingos. We revised the Raffle Guide and made the instructions easier to use. We also have implemented some new games and the non-profits have seen success in that area.

These activities came in addition to Charitable Gaming efforts to carry out its traditional core mission: Maintain the integrity of this multi-million dollar industry by ensuring licensees are in compliance with the Bingo Act, rules and regulations, as well as state and federal laws. Plus conduct audits, inspections, and training focused on event integrity and records accountability.

We clearly are making progress and in 2015 we will continue to

explore other viable solutions and options with our licensees, volunteers, players, suppliers, manufacturers, legislators, and the general public.



These efforts align well with the Michigan Lottery Charitable Gaming Division's role of supporting the efforts of non-profit organizations to raise funds to help local communities.

As we look to the future, Charitable Gaming is committed to making licensed events more sustainable and entertaining. One way we can make progress is to focus on awareness of the public, especially those who can make a difference in these efforts. For instance, an expanded presence on social media is important. Together we will need to innovate across the communications spectrum to meet and benefit from the demands and speed of changing technology.

Public awareness through social media may be used as a tool to remind our communities, legislators, leaders, and the public of the extraordinary work that is being done by licensed organizations and volunteers and the benefits that work brings to our communities. Working together to spread the news will lead to further success and new interest in charitable gaming events.

Henry Ford once said: "Coming together is a beginning; keeping together is progress; working together is success."

Learning from each other and working together will make this industry prosperous again. While there will be stumbling blocks along the way, we cannot give up the dream of a successful charitable gaming program that allows qualified non-profit organizations to raise funds for their communities.

On behalf of those we serve, thank you for your support of Charitable Gaming.



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, over \$50 million was raised last year for non-profit purposes right here in Michigan. This is in addition to millionaire party proceeds which are regulated by the Michigan Gaming Control Board. Charitable gaming continues to provide opportunities to raise funds through legalized gaming that includes bingo, raffles, and the sale of charity game tickets. 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 2014. 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	\$56,518,198	\$42,693,002	\$6,623,229	\$7,201,967
Special Charity Game	18,477	11,519	2,562	4,396
Large Bingo	132,067,039	101,508,961	20,851,985	9,706,093
Special Bingo	1,028,414	536,379	99,406	392,629
Large Raffle	67,412,668	27,623,744	5,679,149	34,109,775
Small Raffle	2,240,117	866,660	185,704	1,187,753
Total	\$259,284,913	\$173,240,265	\$33,442,035	\$52,602,613

As of fiscal year 2013, millionaire party licensees report financial information to the Michigan Gaming Control Board.



CHARITY GAME TICKETS

Michigan non-profit organizations raised over \$17 million through charity game ticket sales this year. Organizations with a bingo or large raffle license 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	\$56,518,198	\$42,693,002	\$6,623,229	\$7,201,967
Large Bingo	66,244,374	49,593,329	6,527,779	10,123,266
Large Raffle	75,443	55,279	7,803	12,361

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 license to sell charity game tickets. An annual charity game ticket license costs \$200 per license year.

During FY 2014, the **588** organizations that sold tickets under an annual charity game ticket license reported the following financial data:

Revenue	\$56,518,198
Prizes	\$42,693,002
Expenses	\$6,623,229
Net Profit.....	\$7,201,967

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 2014, the **12** organizations that sold tickets under the special charity game license reported the following financial data:

Revenue	\$18,477
Prizes	\$11,519
Expenses.....	\$2,562
Net Profit.....	\$4,396



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 may conduct weekly bingo with prizes limited to \$1,100 per game and \$3,500 per occasion by obtaining a large bingo license. During FY 2014, **655** large bingo licensees (**585** of which sold charity game tickets) reported the following:

Bingo Revenue	\$65,822,665	CGT Revenue	\$66,244,374
Bingo Prizes	\$51,915,632	CGT Prizes	\$49,593,329
Bingo Expenses	\$14,324,206	CGT Expenses	\$6,527,779
Bingo Net Profit (Loss)	(\$417,173)	CGT Net Profit	\$10,123,266
Average Bingo Prizes Paid Each Week	\$1,534	Total Attendance	1,784,701
		Average Weekly Attendance per Bingo Occasion	51

SMALL BINGO

During FY 2014, **17** small bingo licenses were issued. Small bingos are typically held at senior centers. 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 and 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 2014, **351** special bingo licensees (**67** of which sold charity game tickets) reported the following:

Bingo Revenue	\$866,002	CGT Revenue	\$162,412
Bingo Prizes	\$420,039	CGT Prizes	\$116,340
Bingo Expenses	\$82,887	CGT Expenses	\$16,519
Bingo Net Profit	\$363,076	CGT Net Profit	\$29,553



BINGO GAME LOCATIONS

In FY 2014, 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.

53% of bingos were held at the organization's own location.

12% of bingos were held at a related or donated location.

35% of bingos were held at a licensed location.



In FY 2014, there were **286** bingo locations that did not charge rent while **57** licensed locations charged for their use.



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.



LARGE RAFFLE

The **5,178** large raffle licensees (**17** of which sold charity game tickets) reported the following financial data:

Raffle Ticket Revenue	\$67,337,225	CGT Revenue	\$75,443
Raffle Prizes.....	\$27,568,465	CGT Prizes.....	55,279
Raffle Expenses	\$5,671,346	CGT Expenses	\$7,803
Raffle Net Profit	\$34,097,414	CGT Net Profit	\$12,361

SMALL RAFFLE

Small raffle licensees were required to file a financial report for any small raffle licenses issued after January 1, 2014. The **2,484** small raffle licensees reported the following financial data:

Raffle Ticket Revenue.....	\$2,240,117
Raffle Prizes	\$866,660
Raffle Expenses.....	\$185,704
Raffle Net Profit.....	\$1,187,753



REGULATORY ACTIVITY

The division assists non-profit organizations in conducting successful licensed events through training, financial oversight, and onsite inspections of records and processes. When violations are discovered and not resolved, the division takes administrative action against the licensed organization.

Inspector training has been redesigned to incorporate best practices, new tools, and ideas for profitability. Inspectors continue to successfully inspect licensed gaming events over broader territories throughout Michigan.

To expand the reach of communication and improve attendance at training meetings, the division is utilizing new technologies and building on industry partnerships.

EVENT TRAINING

	<u>Meetings</u>	<u>Attendance</u>
New Bingo Licensees	38	164
New ACGT Licensees	7	24
Area Training Seminars	30	997
Special Training Meetings	<u>56</u>	<u>257</u>
Total	131	1,442

FINANCIAL OVERSIGHT

Financial Statements Entered	12,995
Financial Statement Delinquencies Issued	4,170
Game Record Audits	40
Organization General Fund Audits.....	1
Game Closing Documents Reviewed	83

INSPECTIONS

Bingo	1,177
Charity Game Ticket.....	759
Raffle	156
Supplier	0
Hall	2

ADMINISTRATIVE ACTION

Complaint Investigations	40
Warning Notices.....	74
Violation Notices.....	39
Informal Meetings.....	7
Compliance Meetings	34
License Suspensions.....	23
License Revocations	0
License Surrenders.....	0
License Summary Suspensions.....	0



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 2014, licenses were issued to **22** suppliers who reported the following financial data:

Sale and Rental of Bingo Equipment.....	\$5,062,547
Rental of Electronic Raffle Equipment	\$101,144

DIVISION BUDGET

The Charitable Gaming Division is required by law to be self-supporting. Charitable gaming revenue includes charity game ticket sales; fees from charity game ticket, bingo, raffle, supplier, and hall licenses; and costs recovered from the processing of requests for data under the Michigan Freedom of Information Act. Charitable gaming expenses include charity game ticket stock, building rent, personnel, and office resources.

The Michigan Gaming Control Board (MGCB) collects millionaire party license fees and incurs expenses for regulating the millionaire party licenses. Revenues are provided and expenses are billed to the Charitable Gaming Division.

Revenue in excess of the Division's expenses is turned over to Michigan's General Fund. For FY2014, the Charitable Gaming Division incurred the following revenues and expenses:

Charitable Gaming Revenue.....	\$11,259,251
Charitable Gaming Expenses.....	\$6,545,967
MGCB Revenue	\$549,015
MGCB Expenses.....	\$2,339,125
Total Net to General Fund	\$2,923,174



MICHIGAN LOTTERY

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For questions not related to license status, email cg-questions@michigan.gov.

