

Michigan Lottery Charitable Gaming Division

Annual Report 2015

October 1, 2014 to September 30, 2015



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





M. SCOTT BOWEN
Lottery Commissioner

KATHIE E. OVIEDO
Deputy Commissioner
Charitable Gaming Division

TABLE OF CONTENTS

YEAR IN REVIEW	3
NON-PROFITS BENEFIT	4
ALLOCATION OF REVENUES	4
CHARITY GAME TICKETS.....	5
ANNUAL CHARITY GAME.....	5
SPECIAL CHARITY GAME.....	5
PILOT: CHARITY GAME TICKET VENDING & VALIDATION	5
BINGOS	6
SPECIAL BINGO	6
LARGE BINGO.....	6
SMALL BINGO	6
BINGO GAME LOCATIONS	7
RAFFLES	8
SMALL RAFFLE	8
LARGE RAFFLE.....	8
REGULATORY ACTIVITY	9
INSPECTIONS	9
FINANCIAL OVERSIGHT	9
ADMINISTRATIVE ACTION	9
EVENT TRAINING	9
SUPPLIERS.....	10
DIVISION BUDGET	10



YEAR IN REVIEW

By Kathie E. Oviedo
Deputy Commissioner of Charitable Gaming

As another year has come to a close, we once again find ourselves reflecting on the past year's events and planning for the future.

Michigan non-profit organizations were able to raise more than \$56 million last year through bingo events, raffles, and the sale of charity game tickets. This was a great accomplishment for the organizations! We appreciate the hard work and dedication involved in participating in gaming events, and want to acknowledge the volunteers for their sacrifice to benefit others in their communities.

Much of Charitable Gaming Division's work this year has been behind the scenes. We have been researching, developing, and testing new bingo, raffle, and charity game ticket concepts. Some of these new ideas will be rolled out this year. It's important to continue to try new ideas and products so we can attract a new generation of players while keeping the interest of existing players.

Licensees, suppliers, players, and anyone interested are encouraged to share game ideas or suggestions by contacting our office. No matter how traditional or unique it may be, if the game concept is compliant with the Bingo Act and our rules and regulations, we may consider testing the idea. You never know, it could be the next big game everyone wants to play! Think about it, someone had to invent bingo.

As detailed in this Annual Report, in February of 2015 Charitable Gaming implemented a small-scale electronic charity game ticket dispenser pilot program. Twenty licensees now sell charity game tickets through use of an electronic ticket vending machine that reads each ticket and displays the results in video animation. This pilot

program is proving to be successful and profitable. We are exploring the option of expanding this program in 2016.

Not only are we dedicated to finding new ways for licensees to generate revenue, we also have taken steps to make our information easily accessible. One example of that is providing Annual Charity Game Ticket training videos on our website. Since launching this new communication tool, the training videos have had nearly 7,000 views and to test their understanding, 2,600 viewers have opted to be quizzed while viewing the training video.

The training videos have allowed organizations to obtain an immediate and complete understanding of what the expectations and requirements are to hold an Annual Charity Game Ticket License.

A new Raffle License presentation also was developed for training. Feedback has been extremely positive and licensees are gaining a more solid understanding of not only the rules but also benefit from helpful hints and ideas.

We are very excited with where we are going and proud of where we have been. Our goals are to ensure our licensees have a deeper understanding of the regulations, are excited about new ideas for future fundraising events, and are able to maximize their profitability to the fullest. Ultimately, this will benefit our communities and that is the most important interest we share.

The Charitable Gaming team members will continue to devote ourselves to providing a high level of service to all of our customers. We all wish you and your families a very healthy and happy 2016.



NON-PROFITS BENEFIT

Michigan non-profits are 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. Cancer research, libraries, and band programs rely more and more on volunteers and fundraising efforts.



Michigan organizations were able to raise more than \$56 million last year thanks to Act 382 of the Public Acts of 1972, which allows non-profits to raise funds through bingo, raffles, and the sale of charity game tickets as regulated through the Michigan Lottery Charitable Gaming Division. Organizations benefitting from Charitable Gaming 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

ALLOCATION OF REVENUES

The following statistics are based on figures reported by licensees for events that occurred during fiscal year (FY) 2015. 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	\$63,112,805	\$49,076,253	\$6,865,584	\$7,170,968
Special Charity Game	20,022	12,481	1,882	5,659
Large Bingo	132,927,129	102,309,167	20,734,305	\$9,883,657
Special Bingo	983,281	487,223	91,452	404,606
Large Raffle	69,932,349	28,497,676	5,611,079	35,823,594
Small Raffle	5,300,946	2,181,227	361,049	2,758,670
Total	\$272,276,532	\$182,564,027	\$33,665,351	\$56,047,154

Since September 2012, millionaire party activity has been regulated by and financial information has been reported to the Michigan Gaming Control Board.



CHARITY GAME TICKETS

Michigan non-profits raised more than \$17.5 million through the sale of charity game tickets this year. Large bingo, special bingo, and large raffle licensees may sell charity game tickets during the time listed on their license.

ANNUAL CHARITY GAME

Qualified organizations that own or lease a location for the primary use of their members, such as veteran and fraternal clubs, may obtain an annual charity game ticket license to sell charity game tickets during business hours. An annual charity game ticket license costs \$200 per license year.

During FY 2015, **583** organizations sold tickets under an annual charity game ticket license.

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 eight special charity game licenses per calendar year, which cost \$15 per day.

During FY 2015, **20** organizations sold tickets under a special charity game license.

PILOT: CHARITY GAME TICKET DISPENSER

Starting in February 2015, Charitable Gaming implemented a small-scale pilot program. Nineteen annual charity game licensees and one bingo location were allowed to sell charity game tickets using an electronic charity game ticket dispenser which reads each ticket and displays those results in video animation. Due to the system's ability to provide the financial statistics, there is little manual recordkeeping required by the licensee resulting in more accurate reporting to the State. The program is under review.



License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$63,112,805	\$49,076,253	\$6,865,584	\$7,170,968
Special Charity Game	20,022	12,481	1,882	5,659
Large Bingo	68,524,775	51,400,435	6,782,206	10,342,134
Special Bingo	132,316	97,725	11,994	\$22,597
Large Raffle	40,460	28,450	4,603	7,407
Total	\$131,830,378	\$100,615,344	\$13,666,269	\$17,548,765



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.

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 2015, **348** special bingo licensees (**46** of which sold charity game tickets) reported the following:

Bingo Revenue	\$850,965
Bingo Prizes	\$389,498
Bingo Expenses.....	\$79,458
Bingo Net Profit	\$382,009
CGT Revenue	\$132,316
CGT Prizes.....	\$97,725
CGT Expenses	\$11,994
CGT Net Profit	\$22,597

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 2015, **625** large bingo licensees (**542** of which sold charity game tickets) reported the following:

Bingo Revenue.....	\$64,402,354
Bingo Prizes	\$50,908,732
Bingo Expenses.....	\$13,952,099
Bingo Net Profit (Loss).....	(\$458,477)
CGT Revenue	\$68,524,775
CGT Prizes	\$51,400,435
CGT Expenses.....	\$6,782,206
CGT Net Profit.....	\$10,342,134
Average Bingo Prizes Paid Each Week.....	\$1,629
Total Attendance	1,711,063
Average Weekly Attendance per Bingo	55



SMALL BINGO

During FY 2015, **14** 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. Due to the insignificant prizes awarded, small bingo licensees are not required to report financial data to the bureau.



BINGO GAME LOCATIONS

In FY 2015, 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.

54% of bingos were held at the organization's own location.

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

33% of bingos were held at a licensed location.



In FY 2015, **268** bingo locations did not charge rent while **52** licensed locations charged for their use.



RAFFLES

Today, more than ever, public and private schools are searching for ways to provide funds for athletics, band activities, clubs, and other school-related programs.

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

For FY 2015, the **2,380** small raffle licensees reported the following financial data:

Raffle Ticket Revenue.....	\$5,300,946
Raffle Prizes.....	\$2,181,227
Raffle Expenses	\$361,049
Raffle Net Profit.....	\$2,758,670



LARGE RAFFLE

The **5,332** large raffle licensees (**13** of which sold charity game tickets) reported the following financial data:

Raffle Ticket Revenue	\$69,891,889	CGT Revenue	\$40,460
Raffle Prizes.....	\$28,469,226	CGT Prizes	\$28,450
Raffle Expenses	\$5,606,476	CGT Expenses.....	\$4,603
Raffle Net Profit	\$35,816,187	CGT Net Profit.....	\$7,407



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.

Training has been supplemented by the mandatory viewing of the online ACGT training videos. Inspectors continue to successfully train licensees while inspecting 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.

INSPECTIONS

Bingo.....	1,081
Charity Game Ticket	783
Raffle	120
Supplier	0
Hall.....	11

ADMINISTRATIVE ACTION

Complaint Investigations.....	50
Warning Notices	89
Violation Notices	38
Informal Meetings	6
Compliance Meetings.....	25
License Suspensions	18
License Revocations	0
License Surrenders	0
License Summary Suspensions.....	0

FINANCIAL OVERSIGHT

Financial Statements Entered	14,844
Financial Statement Delinquencies Issued.....	4,897
Game Record Audits.....	35
Organization General Fund Audits	3
Game Closing Documents Reviewed	70

EVENT TRAINING

	<u>Meetings</u>	<u>Attendance</u>
New Bingo Licensees	34	176
New ACGT Licensees	7	35
Area Training Seminars	17	707
Special Training Meetings	<u>64</u>	<u>111</u>
Total	122	1,029
ACGT Training Video Views	6,994	



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 2015, licenses were issued to **22** suppliers who reported the following financial data:

Sale and Rental of Bingo Equipment..... \$6,067,854
 Rental of Electronic Raffle Equipment \$131,025

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

As of September 2012, through Executive Order by Governor Snyder, 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 FY 2015, the Charitable Gaming Division incurred the following revenues and expenses:

Charitable Gaming Revenue.....	\$11,601,329	MGCB Revenue.....	\$479,100
Charitable Gaming Expenses.....	\$6,636,363	MGCB Expenses.....	\$2,571,112
		Total Net to General Fund.....	\$2,872,954





Hours: Monday thru Friday, 7:45 a.m. to 4:45 p.m.

MICHIGAN LOTTERY
CHARITABLE GAMING DIVISION
P.O. Box 30023
Lansing, MI 48909
517.335.5780
www.michigan.gov/cg
Fax: 517.267.2285