

Michigan Lottery Charitable Gaming Division

Annual Report 2016

October 1, 2015 to September 30, 2016



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





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YEAR IN REVIEW

By Kathie E. Oviedo

Deputy Commissioner of Charitable Gaming

For more than five years I have had the privilege of serving as the Deputy Commissioner for Charitable Gaming and continue to be excited about the changes that the Charitable Gaming team is implementing to better serve non-profits in our state. I am proud to present you this copy of Michigan Lottery Charitable Gaming Division's 2016 Annual Report.

Michigan non-profit organizations successfully raised nearly \$60 million in 2016, up from \$56 in 2015, through bingo events, raffles, and selling charity game tickets. I'd like to point out that event profits also rose in 2016, a huge accomplishment since it reverses severe declines seen in previous years.

I'm often amazed by the strength, loyalty and perseverance of the individuals who volunteer for charitable gaming events to support their organization's goals and missions. The commitment, generosity and compassion of organizations, volunteers and supporters is always unconditional. We should be grateful for and celebrate the benefits that non-profit organizations make in communities across Michigan. They are an important part of the fabric of life in our communities and help nurture hope and opportunity.

To help non-profits reach their goals, the Charitable Gaming team has worked diligently with its vendor to create new games that are fun and entertaining and attract new players and ultimately help raise revenue for licensees. For example, one of our new charity game tickets "Firehouse Derby" offers players opportunities to win prizes in multiple ways, adding more excitement and entertainment value to events. It has been very successful and popular with bingo players and has increased net profits for the organizations using it.

Another exciting game that was introduced was the Detroit Red Wings charity game tickets, which have been a hit with players. This year we will also offer a Detroit Tigers ticket.

We continue to encourage participation in and to promote awareness of our "Tickets and Tents" program. The concept is that each year there are hundreds of fairs and festivals throughout the state where organizations could qualify to sell tickets through a special charity game ticket or bingo license. Clearly, this is an untapped market and a potentially lucrative one. We have been promoting the "Tickets and Tents" program, along with other programs, through the area training meetings offered by Charitable Gaming and numerous conferences that Charitable Gaming staffers attend throughout the state.

Additionally, Charitable Gaming has increased raffle training for non-profit organizations. Raffles are an easy, fast and exciting way for non-profits to raise funds. Our goal is to help more licensees and non-profit organizations become aware of the various types of raffles that may be conducted and the ease of getting a license. This outreach initiative has helped boost raffle sales, which increased by more than \$3 million in 2016.

The Charitable Gaming team is continuously evaluating its procedures and processes and implementing changes to expedite the processing of licenses for all events. The team members take pride in providing a high level of customer service. They are committed to do their best each day to meet the needs of organizations, location owners, and suppliers to help them reach their goals for the benefit of their communities.

Our five statewide inspectors implemented tools to help organizations recognize when they are struggling financially and provided them with options to address those challenges. These resources saved organizations more than \$1 million in 2016.

Our plans for 2017 include a number of exciting new initiatives, most notably converting to a new system that will make it faster and easier for organizations to apply for licenses. This state-of-the-art software will allow our team to be more efficient and support our commitment to providing excellent customer service.

We also plan to launch a new outreach effort to suppliers and bingo hall owners. Specifically, we want to provide them with more insight and assistance on promotions and marketing that will encourage more play and more player participation.

These innovations and exciting new programs enhance Charitable Gaming's efforts to be an effective resource for non-profits and also support our mission of assuring compliance and protecting the public's welfare.

In closing, I'd like to say "Thank you!" to the organizations, volunteers, location owners, suppliers, and the Charitable Gaming team members who have made so many charitable gaming events successful with their tireless commitment of time and energy. I look forward to what will come in 2017 and envision bigger and better things to happen!



NON-PROFITS BENEFIT

While Michigan's economy has brightened, the needs in each community continue to grow. For example, 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 almost \$60 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) 2016. 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	\$73,454,175	\$58,903,352	\$7,368,203	\$7,182,620
Special Charity Game	42,472	28,919	6,264	7,289
Large Bingo	133,725,823	102,502,257	20,543,093	10,680,473
Special Bingo	1,006,376	520,892	101,637	383,847
Large Raffle	73,170,032	29,653,999	5,707,360	37,808,673
Small Raffle	6,447,656	2,775,782	469,243	3,202,631
Total	\$287,846,534	\$194,385,201	\$34,195,800	\$59,265,533

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 \$17.8 million through the sale of charity game tickets in FY 2016. Large bingo, special bingo, and large raffle licensees may sell charity game tickets during the times listed on their licenses.

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 2016, **576** organizations sold tickets under an annual charity game ticket license.

SPECIAL CHARITY GAME

Qualified organizations may obtain a special charity game license to sell tickets at any one location for up to four consecutive days. Each organization is limited to eight special charity game licenses per calendar year. A special charity game license costs \$15 per day.

During FY 2016, **22** organizations sold tickets under a special charity game license.

CHARITY GAME TICKET VALIDATION DISPENSERS

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 a charity game ticket dispenser which reads each ticket, displays those results in video animation, and keeps track of the player's balance. Due to the system's ability to provide the financial statistics, minimal manual recordkeeping is required by the licensee resulting in more accurate reporting to the State. Program results continue to be evaluated.



License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$73,454,175	\$58,903,352	\$7,368,203	\$7,182,620
Special Charity Game	42,472	28,919	6,264	7,289
Large Bingo	70,369,601	52,800,777	6,930,844	10,637,980
Special Bingo	176,109	127,480	18,101	30,528
Large Raffle	110,799	79,516	13,035	18,248
Total	\$144,153,156	\$111,940,044	\$14,336,447	\$17,876,665



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 2016, **345** special bingo licensees, **46** of which sold charity game tickets (CGTs), reported the following:

Bingo Revenue	\$830,267
Bingo Prizes	\$393,412
Bingo Expenses.....	\$83,536
Bingo Net Profit	\$353,319
CGT Revenue	\$176,109
CGT Prizes.....	\$127,480
CGT Expenses	\$18,101
CGT Net Profit	\$30,528



SMALL BINGO

During FY 2016, **13** 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.

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 2016, **572** large bingo licensees (**509** of which sold charity game tickets) reported the following:

Bingo Revenue.....	\$63,356,222
Bingo Prizes	\$49,701,480
Bingo Expenses.....	\$13,612,249
Bingo Net Profit	\$42,493
CGT Revenue	\$70,369,601
CGT Prizes	\$52,800,777
CGT Expenses.....	\$6,930,844
CGT Net Profit.....	\$10,637,980
Average Bingo Prizes Paid Each Week.....	\$1,738
Total Attendance	1,655,145
Average Weekly Attendance per Bingo	58



BINGO GAME LOCATIONS

In FY 2016, 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.

55% of bingos were held at the organization's own location.

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

32% of bingos were held at a licensed location.



In FY 2016, **257** bingo locations did not charge rent while **50** 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 2016, the **2,335** small raffle licensees reported the following financial data:

Raffle Ticket Revenue.....	\$6,447,656
Raffle Prizes	\$2,775,782
Raffle Expenses	\$469,243
Raffle Net Profit.....	\$3,202,631



LARGE RAFFLE

The **5,484** large raffle licensees (**21** of which sold charity game tickets) reported the following financial data:

Raffle Ticket Revenue	\$73,059,233	CGT Revenue	\$110,799
Raffle Prizes.....	\$29,574,483	CGT Prizes	\$79,516
Raffle Expenses	\$5,694,325	CGT Expenses.....	\$13,035
Raffle Net Profit	\$37,790,425	CGT Net Profit.....	\$18,248



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.

Inspectors continue to successfully train organizations while inspecting licensed gaming events throughout broader territories in Michigan. Annual Charity Game Ticket (ACGT) training is supplemented by the mandatory viewing of the online ACGT training videos.

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.....	869
Charity Game Ticket	817
Raffle	189
Supplier	0
Hall.....	9

FINANCIAL OVERSIGHT

Financial Statements Entered	14,339
Financial Statement Delinquencies Issued.....	5,084
Game Record Audits.....	40
Organization General Fund Audits	5
Game Closing Documents Reviewed	50

ADMINISTRATIVE ACTION

Complaint Investigations.....	68
Warning Notices	126
Violation Notices	30
Informal Meetings.....	6
Compliance Meetings.....	26
License Suspensions	21
License Revocations	0
License Surrenders	0
License Summary Suspensions.....	0

EVENT TRAINING

	<u>Meetings</u>	<u>Attendance</u>
New Bingo Licensees	12	33
New ACGT Licensees	5	21
Area Training Seminars	16	654
Special Training Meetings	<u>43</u>	<u>77</u>
Total	76	785
ACGT Training Video Views		2,333



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 2016, licenses were issued to **20** suppliers which reported the following revenue. This includes monthly maintenance for the pilot program. Supplier expenses are not included.

Sale and Rental of Bingo Equipment..... \$5,060,102

Rental of Electronic Raffle Equipment \$252,791

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 2016, the Charitable Gaming Division incurred the following revenues and expenses:

Charitable Gaming Revenue	\$11,777,106	MGCB Revenue	\$491,050
Charitable Gaming Expenses	\$6,656,354	MGCB Expenses	\$2,612,562
Total Net to General Fund			\$2,999,241



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