



Michigan Lottery Charitable Gaming Annual Report 2017

October 1, 2016 to September 30, 2017



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

APRIL 1, 2018
STATE OF MICHIGAN

CHARITABLE GAMING GOALS

- To provide services to the general public in a professional, positive, and efficient manner.
- To ensure that only organizations that qualify in accordance with the statute receive licenses.
- To ensure that licensed gaming events are conducted in a fair and honest manner.
- To ensure that funds received from the general public through licensed gaming events are accounted for and used for the lawful purposes of the organization.
- To utilize resources, technology, information, and innovation to assist licensees in maximizing their net profit from charitable events.

ARIC NESBITT
Lottery Commissioner

KATHIE E. OVIEDO
Deputy Commissioner
Charitable Gaming Division

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YEAR IN REVIEW

By Kathie E. Oviedo, Deputy Commissioner of Charitable Gaming

In fiscal year (FY) 2017, Michigan Charitable Gaming continued to focus on initiatives to strengthen its infrastructure through process and product refinement.

The division remains in the implementation stage of installing new licensing software that will allow applicants to apply, pay, and update changes online, significantly reducing the time it takes to process license applications. In addition, this new software will give inspectors instant accessibility to licensee information that is currently unavailable to them while they are traveling.

Educating licensees on the laws and regulations that govern the charitable gaming industry and to ensure the integrity and accountability of \$59.7 million is a priority. Licensees can address any issue by contacting their area inspector, using email, or calling the main office directly. Common non-compliance issues are addressed through the ListServe email tool.

Additionally, Charitable Gaming has been focusing on customer service, efficiency, and endeavors to assist charities in maintaining compliance by improving its training seminars and expanding available dates and locations throughout Michigan to provide more availability for our licensees to attend.

In June 2017, I was elected to the presidency of the North American Gaming Regulators Association (NAGRA). NAGRA is an organization that provides a forum for agencies across the U.S. that are involved in the regulation of all types of gaming with emphasis placed on gaming conducted for non-profit purposes. NAGRA provides valuable information on current technology and new trends in gaming. Over the years Michigan Charitable Gaming has been able to benefit from that knowledge.

Non-profit charities are an integral part of every community and change the lives of people in need every day with even the smallest of donations making a large impact. Michigan's non-profits use their proceeds for a wide variety of services that are provided to countless individuals. The more common ways for them to do that is by helping our veterans and families of fallen soldiers, helping youth with sports activities, providing educational materials to our schools, assisting our senior citizen community, and stocking food banks for those in need.

There are a multitude of other ways our licensees help the community that are less obvious. They fulfill the wishes of seriously ill, physically challenged, and abused children. They support families with home repair and utility expenses and provide medical equipment such as wheel chairs, hospital beds, hearing aids, and eye glasses to those who can't afford them. Licensees provide funding and assistance on projects to beautify neighborhoods, and so much more.

Charitable gaming is facing many obstacles yet continues to press forward, looking for new opportunities for growth to continue the mission of serving Michigan communities. Working collaboratively, we can develop new ideas while maintaining integrity so that participation in charitable events will grow and the industry will flourish once again.

NON-PROFITS BENEFIT

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	Hospice Care	Preschool Programs
Big Brothers/Big Sisters	Humane Society	Public and Private Schools
Blind Federation	Junior Achievement	Scholarships
Cancer Research	Leukemia Foundation	School Athletic Programs
Children & Youth Camps	Libraries	Soup Kitchens
Crisis Intervention Centers	Little League Baseball	Special Olympics
Faith-based Programs	Mental Health Programs	Veteran Programs
Food Banks	Military Family Support	Wildlife and Conservation

ALLOCATION OF ALL REVENUES

The following statistics are based on figures reported by licensees for events that occurred during FY 2017. 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	\$71,650,003	\$57,437,889	\$7,236,683	\$6,975,431
Special Charity Game	34,073	22,275	4,759	7,039
Large Bingo	131,340,884	101,105,249	19,969,938	10,265,697
Special Bingo	1,060,546	552,813	102,942	404,791
Large Raffle	75,484,415	30,239,664	6,406,167	38,838,584
Small Raffle	6,504,034	2,790,213	450,690	3,263,131
Total	\$286,073,955	\$192,148,103	\$34,171,179	\$59,754,673

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 2017.

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 2017, **572** 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 2017, **21** organizations sold tickets under a special charity game license.

CHARITY GAME TICKET VALIDATION DISPENSERS

Starting in February 2015, Charitable Gaming implemented a small-scale dispenser 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.

ALLOCATION OF CHARITY GAME TICKET REVENUES

<u>License</u>	<u>Revenue</u>	<u>Prizes</u>	<u>Expenses</u>	<u>Net Profit</u>
Annual Charity Game	\$71,650,003	\$57,437,889	\$7,236,683	\$6,975,431
Special Charity Game	34,073	22,275	4,759	7,039
Large Bingo*	71,294,226	53,551,839	6,950,031	10,792,356
Special Bingo*	182,991	129,589	15,207	38,195
Large Raffle*	65,579	43,471	5,568	16,540
Total	\$143,226,872	\$111,185,063	\$14,212,248	\$17,829,561

* Large bingo, special bingo, and large raffle licensees may sell charity game tickets during the times listed on their licenses.

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 2017, **343** special bingo licensees, **53** of which sold charity game tickets (CGTs), reported the following:

Bingo Revenue.....	\$877,555	CGT Revenue.....	\$182,991
Bingo Prizes.....	\$423,224	CGT Prizes.....	\$129,589
Bingo Expenses.....	\$87,735	CGT Expenses.....	\$15,207
Bingo Net Profit.....	\$366,596	CGT Net Profit.....	\$38,195
		Total Net Profit.....	\$404,791

LARGE BINGO

Weekly bingos have prizes limited to \$1,100 per game and \$3,500 per occasion under a large bingo license. During FY 2017, **553** large bingo licensees, **490** of which sold CGTs, reported the following:

Bingo Revenue.....	\$60,046,658	CGT Revenue.....	\$71,294,226
Bingo Prizes.....	\$47,553,410	CGT Prizes.....	\$53,551,839
Bingo Expenses.....	\$13,019,907	CGT Expenses.....	\$6,950,031
Bingo Net Profit.....	(\$526,659)	CGT Net Profit.....	\$10,792,356
		Total Net Profit.....	\$10,265,697

Average Bingo Prizes Paid Each Week...\$1,720

Total Attendance.....1,554,545

Average Weekly Attendance per Bingo.....56

SMALL BINGO

During FY 2017, **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 2017, more than 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 2017, **241** bingo locations did not charge rent while **45** licensed locations charged for their use.

RAFFLES

Raffles are the most popular gaming event in which Michigan non-profits raise funds.

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 2017, the **2,348** small raffle licensees reported the following financial data:

Raffle Ticket Revenue.....	\$6,504,034
Raffle Prizes.....	\$2,790,213
Raffle Expenses.....	\$450,690
Raffle Net Profit.....	\$3,263,131

LARGE RAFFLE

The **5,474** large raffle licensees (**21** of which sold charity game tickets) reported the following financial data:

Raffle Ticket Revenue.....	\$75,418,836	CGT Revenue.....	\$65,579
Raffle Prizes.....	\$30,196,193	CGT Prizes.....	\$43,471
Raffle Expenses.....	\$6,400,599	CGT Expenses.....	\$5,568
Raffle Net Profit.....	\$38,822,044	CGT Net Profit.....	\$16,540

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 broad territories in Michigan. Annual Charity Game Ticket (ACGT) training is supplemented by online ACGT training videos.

INSPECTIONS

Bingo.....	856
Charity Game Ticket.....	829
Raffle.....	207
Supplier.....	2
Hall.....	7

FINANCIAL OVERSIGHT

Financial Statements Entered.....	13,151
Financial Statement Delinquencies Issued.....	4,704
Game Record Audits.....	40
Organization General Fund Audits.....	3
Game Closing Documents Reviewed.....	29

ADMINISTRATIVE ACTION

Complaint Investigations.....	70
Warning Notices.....	134
Violation Notices.....	47
Informal Meetings.....	2
Compliance Meetings.....	26
License Suspensions.....	24
License Revocations.....	0
License Surrenders.....	0
License Summary Suspensions.....	0

EVENT TRAINING

	<u>Meetings</u>	<u>Attendance</u>
New Bingo Licensees	25	90
New ACGT Licensees	11	32
Area Training Seminars	23	641
Special Training Meetings	<u>51</u>	<u>91</u>
Total	110	854
ACGT Training Video Views		2,180

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 2017, licenses were issued to **18** 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 and CGT Validation Dispensers.....	\$4,752,247
Rental of Electronic Raffle Equipment.....	\$305,114

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, office resources, and Michigan Gaming Control Board (MGCB) expenses.

Since September 2012, through Executive Order by Governor Snyder, the MGCB collects millionaire party license fees and incurs expenses for regulating the millionaire party licenses. License fee 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 2017, the Charitable Gaming Division incurred the following revenues and expenses:

Charitable Gaming Revenue.....	\$11,596,038	MGCB Revenue.....	\$464,500
Charitable Gaming Expenses.....	\$7,329,386	MGCB Expenses.....	\$2,786,837
		Total Net to General Fund.....	\$1,944,315

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.