

**MICHIGAN LOTTERY
CHARITABLE GAMING DIVISION
2004 ANNUAL REPORT
October 1, 2003 to September 30, 2004**

GARY C. PETERS
Commissioner

MICHAEL G. PETERSEN
*Deputy Commissioner
Charitable Gaming Division*

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Gary C. Peters, Commissioner

YEAR IN REVIEW

This year was an exciting and productive one for charitable gaming in Michigan. In addition to regular bingo games which are operated every day, over 11,300 licensed events occurred throughout the state. These licensed gaming activities generated more than \$79 million for the worthy causes of thousands of qualified organizations.

We are pleased to report that for the first time since 1993, requests for Millionaire Party licenses increased. In FY 2004, 684 licenses were issued—up 8.5 percent over 2003. Much of this can be attributed to the new Texas Hold 'em card games, which are continuing to grow in popularity. Two new groundbreaking charity game tickets were introduced—the \$5 Michigan Wild and the first progressive seal card game, Rock & Rollover. Both of these games have been very successful and well-received by players.

One of the rewards of charitable gaming work is that each year, we receive numerous letters from organizations anxious to share stories of how monies raised enabled them to fund many wonderful and worthy projects for their communities. Among the many efforts were support of local food banks, assistance in providing transportation to medical facilities, and funding a place for seniors to meet. The list goes on and on.

In the course of learning of these projects, the Charitable Gaming Division staff has had the privilege of meeting many dedicated volunteers who give of themselves so unselfishly. Conducting a licensed gaming event requires a significant amount of time and effort, and true dedication is necessary to run a successful bingo, millionaire party, raffle, or charity game ticket program.

As we enter the new year, our goal is to stimulate the growth of bingo in Michigan. Although over 100 weekly bingos netted \$50,000 or more, bingo revenues in 2004 were down 3.5 percent from 2003. Increased competition from other forms of gaming is forcing bingo licensees to either develop a more exciting program or incur losses. These demands require fresh, inviting formats on the part of licensees in order to retain and grow their player base. This is the challenge before us.

The Michigan Lottery and its Charitable Gaming Division are proud to be part of a program that benefits so many people in our state. Working with you, we can make all areas of charitable gaming in Michigan successful.



Gary C. Peters
Commissioner



Michael G. Petersen
Deputy Commissioner
Charitable Gaming Division

Over 100 weekly
bingos netted
\$50,000 or
more.

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 \$79 million for their lawful purposes. Some of the community projects funded through the use of these proceeds include but are not limited to:

Nonprofit organizations raised over \$79 million this year for their lawful purposes.

- Band Booster Programs
- Big Brothers/Big Sisters
- Blind Federation
- Burn Projects
- Cancer Research
- Catholic Missions & Education
- Children & Youth Camps
- Crisis Intervention Centers
- Cystic Fibrosis Research
- Diabetes Research
- Disabled Citizen Programs
- Easter Seals
- Fire Department Equipment
- Girl Scout Programs
- Historical Societies
- Junior Achievement
- Leukemia Foundation
- Library Funds
- Little League Baseball
- Local Symphony Orchestras
- Mental Health Programs
- Preschools and Co-op Nurseries
- Public and Private Schools
- Scholarships
- School Athletic Programs
- Senior Citizen Projects
- Soup Kitchens
- Special Olympics
- Veterans Hospitals and Therapy
- Wildlife and Conservation Programs

FINANCIAL STATISTICS—ALL EVENTS

The following statistics are based on figures reported by licensees for events that occurred during FY 2004:

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$123,885,963	\$92,864,966	\$14,474,693	\$16,546,304
Special Charity Game	32,907	22,057	3,878	6,972
Large Bingo	236,346,227	176,767,723	33,716,038	25,862,466
Small Bingo	155,587	120,418	6,951	28,218
Special Bingo	2,119,526	1,196,448	210,175	712,903
Millionaire Party	7,884,368	3,496,758	825,537	3,562,073
Large Raffle	62,485,763	24,572,803	5,543,646	32,369,314
Total	\$432,910,341	\$299,041,173	\$54,780,918	\$79,088,250

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

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	\$123,885,963
Prizes	\$92,864,966
Expenses	\$14,474,693
Net Profit	\$16,546,304

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	\$32,907
Prizes	\$22,057
Expenses	\$3,878
Net Profit	\$6,972

ALL CHARITY GAME TICKET SALES

Seven license types allow for the sale of charity game tickets. Licensees reported the following financial data for charity game ticket sales:

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$123,885,963	\$92,864,966	\$14,474,693	\$16,546,304
Special Charity Game	32,907	22,057	3,878	6,972
Large Bingo	99,689,941	74,682,019	9,900,912	15,107,010
Small Bingo	13,214	9,704	1,325	2,185
Special Bingo	502,197	363,769	49,878	88,550
Millionaire Party	105,571	76,967	9,893	18,711
Large Raffle	40,082	22,437	2,515	15,130
Total	\$224,269,875	\$168,041,919	\$24,443,094	\$31,784,862

560 annual charity game ticket licenses were issued.

18 special charity game ticket licenses were issued.

Charity game ticket sales provided nonprofit organizations with over \$31 million in profit this year.

\$6.6 million in profit was generated from the Michigan progressive jackpot bingo game.

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.

A qualified organization may obtain multiple bingo licenses, up to seven per week, but no more than one per day. Up to four special bingo licenses per year are allowed and are good for up to seven consecutive days.

Bingo licensees are allowed to sell charity game tickets. Below, bingo activity is shown separately from charity game ticket sales.

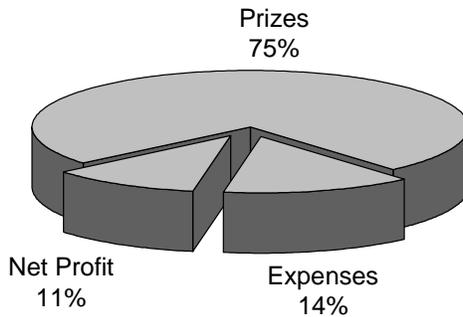
For this fiscal year, bingo licensees reported the following financial data for bingo activity:

Revenue	\$138,415,988
Prizes	\$103,029,097
Expenses	\$23,981,049
Net Profit	\$11,405,842

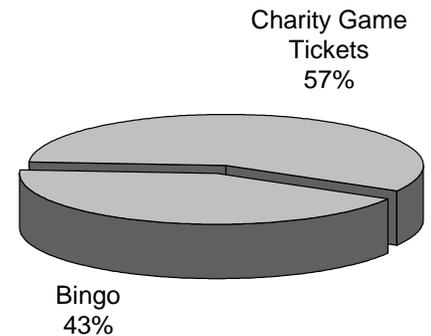
The 980 bingo licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue	\$100,205,352
Prizes	\$75,055,492
Expenses	\$9,952,115
Net Profit	\$15,197,745

Allocation of Total Bingo Revenue



Source of Total Bingo Net Profit



LARGE BINGO STATISTICS

The following statistics are based on figures reported by large bingo licensees for FY 2004: (This does not include small or special bingo games.)

Total attendance	4,723,909
Average number of players per large bingo occasion	71
Average bingo prizes paid per large bingo occasion	\$1,610

BINGO LICENSES ISSUED

<u>Year</u>	<u>Large</u>	<u>Small</u>	<u>Special</u>	<u>Total</u>
2004	1,237	24	609	1,870
2003	1,273	22	630	1,925
2002	1,328	24	646	1,998
2001	1,369	26	657	2,052
2000	1,432	28	752	2,212
1999	1,601	54	814	2,469
1998	1,699	54	882	2,635
1997	1,790	58	903	2,751
1996	1,904	58	1,044	3,006
1995	2,014	58	1,118	3,190
1994	2,106	63	1,114	3,283
1993	2,127	63	1,112	3,302
1992	2,203	66	1,193	3,462
1991	2,108	59	996	3,163
1990	2,294	70	1,157	3,521
1989	2,204	52	1,215	3,471
1988	2,242	54	1,216	3,512
1987	2,293	53	1,432	3,778
1986	2,363	58	1,377	3,798
1985	2,473	63	1,353	3,889
1984	2,536	66	1,415	4,017
1983	2,480	63	1,311	3,854
1982	2,454	63	1,316	3,833
1981	2,350	70	1,242	3,662
1980	2,219	69	1,294	3,582
1979	2,217	35	1,303	3,555
1978	2,197	43	1,311	3,551
1977	2,154	50	1,234	3,438
1976	2,075	53	1,145	3,273
1975	1,897	80	1,090	3,067
1974	1,666	101	1,014	2,781
1973	1,329	156	575	2,060

Average player spending at bingos that sold charity game tickets was \$54.49. That is *nearly double* the \$28.98 spent per player at bingos where tickets were not sold!

BINGO GAME LOCATIONS

Licensed bingo games may be conducted in the licensee's own facility, a related organization's facility, or a licensed hall. Rent, when it is charged, is required by Act 382 of the Public Acts of 1972, as amended, to be reasonable. All terms of the rental agreement must be approved by and on file with the bureau.

In FY 2004, licensed bingo games operated in facilities as follows:

Own	47%
Related Organization	13%
Licensed Hall	40%

The division licensed 123 halls for use by qualified organizations.

Due to the popularity of Texas Hold ‘em, millionaire party licenses increased by 8.5%.

MILLIONAIRE PARTY

Millionaire parties, also called “Las Vegas Nights,” are a popular form of licensed fundraising because of the entertainment appeal of the event. 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 activity:

Revenue	\$3,703,199
Cash Redemptions	\$1,825,259
Merchandise Prizes	\$45,293
Expenses	\$572,005
Net Profit	\$1,260,642

The 25 millionaire party licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

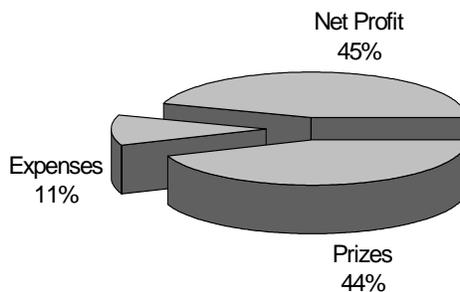
Revenue	\$105,571
Prizes	\$76,967
Expenses	\$9,893
Net Profit	\$18,711

684 millionaire party licenses were issued.

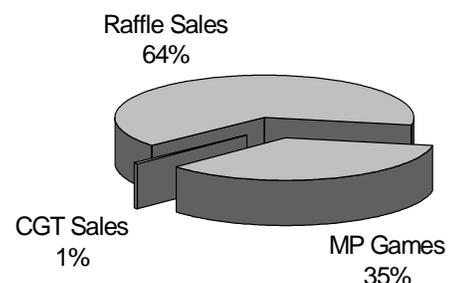
The 361 millionaire party licensees that sold raffle tickets reported the following financial data for raffle ticket sales:

Revenue	\$4,075,598
Prizes	\$1,549,239
Expenses	\$243,639
Net Profit	\$2,282,720

Allocation of Total Millionaire Party Revenue



Source of Total Millionaire Party Net Profit



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 submit financial statements to the bureau.

2,948 small raffle licenses were issued.

5,030 large raffle licenses were issued.

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.

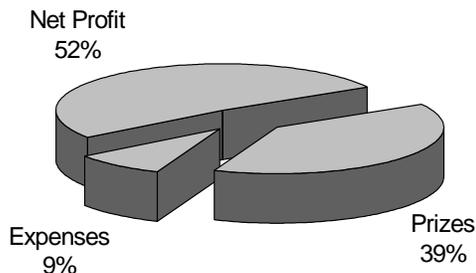
For this fiscal year, large raffle licensees reported the following financial data for raffle ticket sales:

Revenue	\$62,445,681
Prizes	\$24,550,366
Expenses	\$5,541,131
Net Profit	\$32,354,184

The 16 raffle licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue	\$40,082
Prizes	\$22,437
Expenses	\$2,515
Net Profit	\$15,130

Allocation of Total Large Raffle Revenue



Raffles yield the highest margin of profit. Overall, 52% of raffle ticket sales is profit to the organizations.

DIVISION BUDGET

The Charitable Gaming Division is required by law to be self-supporting with license fees and charity game ticket revenue 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, are turned over to the state’s General Fund.

In FY 2004, division gross revenue was \$19,980,694. 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.

Suppliers grossed approximately \$8.8 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 gambling equipment wishing to do business with nonprofit organizations licensed by the bureau. Licensed nonprofit organizations are required to purchase or rent the gambling equipment they use from a licensed supplier. 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 2004, licenses were issued to 40 suppliers who reported the following financial data:

Sale and rental of bingo equipment	\$8,781,304
Sale and rental of millionaire party equipment	\$329,327

REGULATORY ACTIVITY

During FY 2004, the following inspections and administrative activities were conducted:

<u>Inspections</u>		<u>Administrative Activities</u>	
Bingo	2,037	Complaint Investigations	43
Charity Game Ticket	814	Violation Notices	124
Millionaire Party	110	Warning Notices	340
Raffle	447	Informal Meetings	41
Supplier	6	Compliance Meetings	33
Hall	30	License Suspensions	19
		License Revocations	0
		License Surrender	4
		License Summary Suspensions	8

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	76	466
New charity game ticket licenses	34	138
Area training seminars	16	644
Special training meetings	58	206
Total	184	1,454

AUDIT ACTIVITY

During the year, the following audit activities were conducted:

Charity game ticket audits	43
Organization audits	5
Financial statement delinquencies issued	3,381
Financial statements entered	12,969
Record reviews	60

To assist nonprofit organizations in conducting successful events, 184 training meetings were held.



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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