

michigan lottery  

**Charitable  
 Gaming**

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*Commissioner*

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 Charitable Gaming Division*

## Annual Report 2011

October 1, 2010, to September 30, 2011

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## YEAR IN REVIEW by Kathie Oviedo, Deputy Commissioner of Charitable Gaming

On behalf of the Charitable Gaming Division staff, it is my pleasure to present the 2011 Annual Report. This report summarizes revenues received from charitable gaming activities.

In my first year serving as the Deputy Commissioner of Charitable Gaming, I was impressed by the relentless hard work and accomplishments being achieved by licensed organizations. I recognized the self-sacrifice it takes from the organizations and their volunteers to raise awareness and draw people together by encouraging involvement in addressing needs of the community and the underprivileged.

Licensed organizations have used charitable gaming proceeds to improve local communities in extraordinary ways by providing scholarships, camps, and school programs for under-privileged children; aiding financially disadvantaged families; helping homeless and drug addicted individuals; making available refuge for victims of domestic violence; building parks and playgrounds for our children; offering programs for senior citizen centers; supporting local police and fire departments; and giving much needed services to our veterans and military families. These are but a few examples demonstrating the positive impact charitable gaming has on the communities in which we all live.

As we move forward into next year, our goal is to ensure organizations continue to be

profitable and promote charitable gaming as a lucrative venue to provide proceeds for their lawful purposes. Charitable gaming has contributed millions of dollars to communities all across Michigan. Although it comprises only a small portion of the total gaming industry, charitable gaming provides direct benefits to virtually every corner of the state. The Charitable Gaming Division will be taking new strategies that involve an enhanced public affairs role to include the development of improved communication through social media, and more convenient and accessible education and training opportunities. In addition, we are dedicated to providing efficient customer service and continual improvement of the charitable gaming activities through new game opportunities, technology, and effective regulation. Our initiative is to ensure that charities, suppliers and others work together and operate with honesty and integrity and in the public interest. Success of charitable gaming is dependent upon fair and productive partnerships between all participants in the sector so together we can make this a great program.

My utmost appreciation and respect goes to the organizations, suppliers, locations, volunteers and players for their dedication in making a difference in our communities and I look forward to working with you collectively to enhance our program even more in 2012.



## MISSION STATEMENT

The mission of the Charitable Gaming Division is to:

- ▶ Provide efficient service to the general public with the highest level of professionalism to promote customer satisfaction.
- ▶ Examine the integrity of all charitable gaming activities to ensure proceeds are accounted for and used for the lawful purposes of qualified licensed non-profit organizations.
- ▶ Strive to encourage charity participation in licensed charitable gaming events and seek new ways to maximize proceeds for their charitable cause.
- ▶ Look to continuously improve training, communications, regulatory responsibilities, and gaming initiatives through innovation, technology and resources.

## CHARITABLE CAUSES

From this year's charitable gaming events, organizations retained \$68 million for their lawful purposes. Some of the community projects funded through the use of these proceeds include:

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



Without the funding derived from charitable gaming activities, many community events and programs in Michigan would not exist.

## FINANCIAL STATISTICS—ALL EVENTS

The following statistics are based on figures reported by licensees for events that occurred during FY 2011:

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$79,073,442	\$59,665,451	\$9,054,534	\$10,353,457
Special Charity Game	29,245	19,361	5,365	4,519
Large & Small Bingo	183,078,730	143,174,742	30,052,262	9,851,726
Special Bingo	1,193,165	633,248	138,081	421,836
Millionaire Party	197,256,125	160,131,323	17,901,374	19,223,428
Large Raffle	54,261,404	21,638,729	4,111,602	28,511,073
<b>Total</b>	<b>\$514,893,612</b>	<b>\$385,263,735</b>	<b>\$61,263,218</b>	<b>\$68,366,659</b>

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

617 annual charity game ticket licenses were issued.

30 special charity game ticket licenses were issued.



Charity game ticket sales provided nonprofit organizations with over \$23 million in profit this year.

## CHARITY GAME TICKETS

Organizations licensed for a large bingo, special bingo, millionaire party, or large raffle are allowed to sell charity game tickets during the time listed on their license without an additional license.

## ANNUAL CHARITY GAME

Qualified organizations that own or lease a location for the primary use of its members may sell charity game tickets under an annual charity game license. The annual charity game license is \$200 for the license year. For this fiscal year, licensees reported the following financial data:

Revenue .....	\$79,073,442
Prizes .....	\$59,665,451
Expenses .....	\$9,054,534
Net Profit .....	\$10,353,457

## SPECIAL CHARITY GAME

Qualified organizations may sell charity game tickets for up to four consecutive days using a special charity game license, which costs \$15 per day. For this fiscal year, licensees reported the following financial data:

Revenue .....	\$29,245
Prizes .....	\$19,361
Expenses .....	\$5,365
Net Profit .....	\$4,519

## ALL CHARITY GAME TICKET SALES

Licensees that sold charity game tickets reported the following:

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$79,073,442	\$59,665,451	\$9,054,534	\$10,353,457
Special Charity Game	\$29,245	\$19,361	\$5,365	\$4,519
Large Bingo	\$86,894,541	\$65,221,512	\$8,446,604	\$13,226,425
Special Bingo	\$205,972	\$149,330	\$20,639	\$36,003
Millionaire Party	\$60,177	\$45,014	\$6,636	\$8,527
Large Raffle	\$19,233	\$12,736	\$1,898	\$4,599
<b>Total</b>	<b>\$166,282,610</b>	<b>\$125,113,404</b>	<b>\$17,535,676</b>	<b>\$23,633,530</b>



906 large bingo licenses were issued.

428 special bingo licenses were issued.

20 small bingo licenses were issued.

## 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.

Small bingo licensees are not required to report financial data to the bureau.

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

Revenue .....	\$97,172,883
Prizes .....	\$78,438,029
Expenses .....	\$21,723,100
Net Profit .....	-\$2,988,246

The 878 bingo licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue .....	\$87,100,513
Prizes .....	\$65,370,842
Expenses .....	\$8,467,243
Net Profit .....	\$13,262,428



## BINGO GAME LOCATIONS

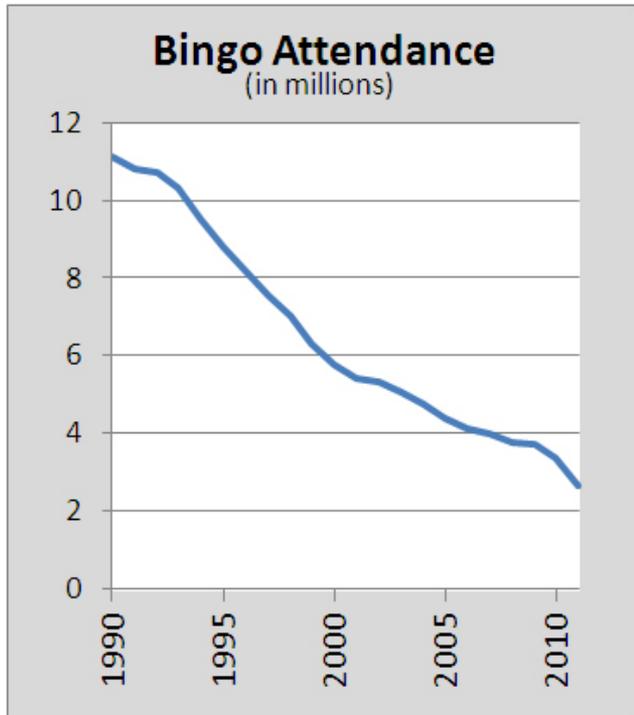
Nearly half of the licensed bingo games in Michigan are held by veteran or fraternal clubs at their own facility. These locations are sometimes used at no charge by related organizations, such as auxiliaries.

A location 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.

In FY 2011, licensed bingo games were held in the following facilities:

Own Location .....	48%
Related Organization's Location/Donated .....	12%
Licensed Location .....	40%

In FY 2011, the bureau licensed 84 locations (primarily commercial halls and clubs) that wished to charge qualified organizations to hold bingo events at their venues.



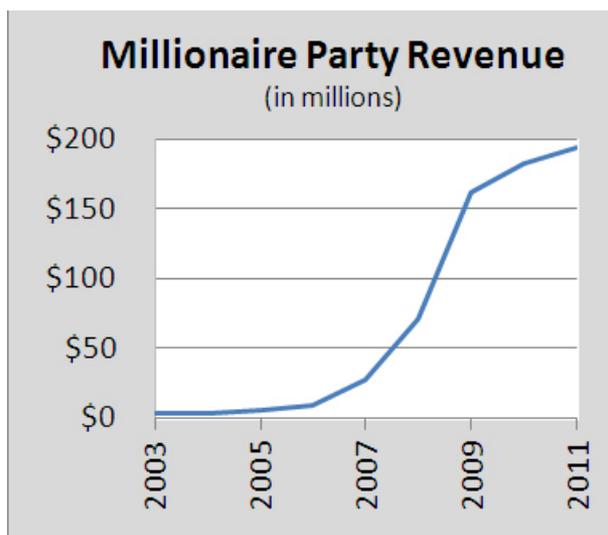
## LARGE BINGO STATISTICS

The following statistics are based on figures reported by large bingo licensees for FY 2011:

Total Attendance .....	2,664,999
Avg Number of Weekly Players .....	54
Avg Prizes Paid Each Week .....	\$1,660



7,894 millionaire party licenses were issued during FY 2011, which provided licensees with an average net profit of \$2,400.



In 2004 a new directive allowed Texas Hold'em to be played at millionaire parties.

## MILLIONAIRE PARTY

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 games:

Revenue .....	\$193,901,008
Cash Redemptions/Prizes .....	\$158,808,522
Merchandise Prizes .....	\$109,573
Expenses .....	\$17,695,677
Net Profit .....	\$17,287,236

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

Revenue .....	\$60,177
Prizes .....	\$45,014
Expenses .....	\$6,636
Net Profit .....	\$8,527

The 398 millionaire party licensees that sold raffle tickets reported the following financial data for raffle ticket sales:

Revenue .....	\$3,294,940
Prizes .....	\$1,168,214
Expenses .....	\$199,061
Net Profit .....	\$1,927,665

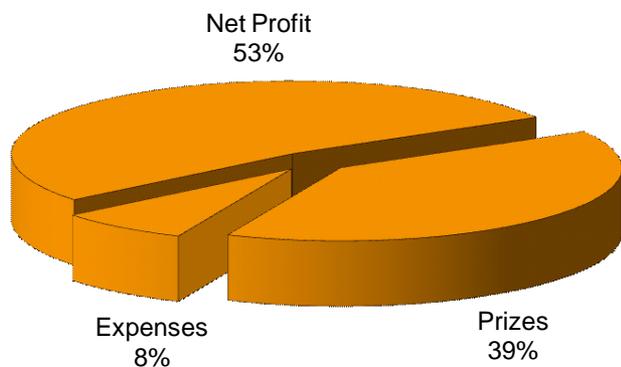
2,532 small raffle licenses were issued.

4,981 large raffle licenses were issued.



Raffles remain the most profitable means of fundraising in Michigan with an average net profit exceeding 50%.

Allocation of Large Raffle Revenue



## SMALL RAFFLE

When the total value of all raffle prizes awarded in a day will not exceed \$500, a small raffle license may be issued. This license may be issued for more than one date if the drawings are held at the same location. The cost is \$15 for up to three days and \$5 for each additional day.

Small raffle licensees are not required to report financial information from the event to the bureau.

## LARGE RAFFLE

When the total value of all prizes awarded in a day will exceed \$500, it is considered a large raffle and must be licensed for a fee of \$50 per drawing date. While rarely done, a large raffle license also allows for the sale of charity game tickets on the drawing date.

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

Revenue .....	\$54,242,171
Prizes .....	\$21,625,993
Expenses .....	\$4,109,704
Net Profit .....	\$28,506,474

The 9 raffle licensees that sold charity game tickets reported the following financial data for charity game ticket sales:

Revenue .....	\$19,233
Prizes .....	\$12,736
Expenses .....	\$1,898
Net Profit .....	\$4,599



Suppliers grossed over \$12 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 gaming equipment wishing to do business with nonprofit organizations licensed by the bureau. Licensed nonprofit 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 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.

For FY 2011, licenses were issued to 79 suppliers who reported the following financial data:

Sale and Rental of Bingo Equipment .....	\$7,472,797
Sale and Rental of Millionaire Party Equipment .....	\$5,080,134



## DIVISION BUDGET

The Charitable Gaming Division is required by law to be self-supporting with license fees and sale of charity game tickets to suppliers 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, is turned over to the state's General Fund.

In FY 2011, division gross revenue was \$16,001,968. 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.

## REGULATORY ACTIVITY

The following inspections and administrative activities were conducted during FY 2011:

### Inspections

Bingo .....	1,518
Charity Game Ticket .....	975
Millionaire Party .....	1,620
Raffle .....	136
Supplier .....	35
Hall .....	20

### Administrative Activities

Complaint Investigations .....	92
Warning Notices .....	190
Violation Notices .....	86
Informal Meetings .....	14
Compliance Meetings .....	107
License Suspensions .....	37
License Revocations .....	0
MP Location Violation Closures .....	2
License Surrenders .....	2
License Summary Suspensions .....	0

## 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	53	247
New Charity Game Ticket Licenses	7	27
Area Training Seminars	11	350
Special Training Meetings	<u>58</u>	<u>170</u>
<b>Total</b>	<b>129</b>	<b>794</b>

## AUDIT ACTIVITY

During the year, the following audit activities were conducted:

Financial Statements Entered .....	20,648
Financial Statement Delinquencies Issued .....	4,509
Charity Game Ticket Audits .....	44
Organization Audits .....	0
Record Reviews .....	82
Game Closing Documents Reviewed .....	110



Charitable Gaming staff review game records to ensure revenues are used for the lawful purpose of the organizations.

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Charitable Gaming Division**

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