

Michigan Lottery Charitable Gaming Division

Annual Report 2013

October 1, 2012 to September 30, 2013



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



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M. SCOTT BOWEN
Lottery Commissioner

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Deputy Commissioner
Charitable Gaming Division



YEAR IN REVIEW

By Kathie Oviedo

Deputy Commissioner of Charitable Gaming

Poet Nikki Giovanni once said, “Embrace the change, no matter what it is; once you do, you can learn about the new world you’re in and take advantage of it.” Wise words such as these can encourage us as we navigate this challenging world in which we find ourselves. Fiscal year 2013 has been insightful as I made my way to conferences and meetings, listening to members discuss the challenges of fundraising and discussing possible resolutions.

While considering today’s opportunities and challenges for charitable gaming in Michigan, it is enlightening to think back to ten years ago—the flourishing time of fiscal year 2003. Members of our aging veteran and fraternal clubs were younger then. Smoking was allowed at these private clubs and at bingo halls in Michigan. Annual attendance at bingo topped over five million—more than twice as many players as we have today! And millionaire party licenses were typically social events held at a church’s annual corn roast.

Charitable gaming ran into many obstacles over those ten years, placing us in new circumstances. As seniors age, veteran and fraternal clubs have been searching for ways to make themselves more relevant to younger members and find new volunteers. Many club members and bingo players who smoked while they gambled changed their routines and now spend more time at home or will go to a casino.

Once Texas Hold’em was allowed under the millionaire party license, it created a new type of event. It grew in leaps and bounds to a level that was difficult to regulate with Charitable Gaming’s limited resources. With last year’s transfer of millionaire party licenses to the Michigan Gaming Control Board, staff has been able to once again make bingo, raffle, and annual charity game licensees a priority.

Since fiscal year 2003, *nearly \$800 million* in net proceeds was raised by non-profit organizations through charitable gaming to support their lawful purposes. The benefit of charitable events to communities throughout Michigan is unquestionable, but the trend of our industry has brought about challenges that require careful examination.

Our entire Charitable Gaming team has done an outstanding job and shown dedication to recreating a successful charitable gaming industry.



Inspectors have covered larger territories and spent one-on-one time with licensees, training, testing new game concepts, and collecting licensee input.

Our analysts have studied game records to determine areas of concern and have identified multiple areas of focus. Strategies are being implemented to increase the success of licensed events.

Video training will soon be available to annual charity game licensees, providing those who manage the events and those who provide oversight to club activities with instruction that can be accessed at any time.

New processes have been implemented to make it easier for our partners to communicate with us. Licensees can email their financial statements, additional information, and change form requests to cg-additional-info@michigan.gov. Individuals, organizations, suppliers, and location owners can sign up for Charitable Gaming email subscription service to receive announcements throughout the year at www.michigan.gov/cg. And we can quickly respond to questions that are emailed to cg-questions@michigan.gov.

We are currently working on enhancing our website to make it more user-friendly. It will assist organizations, suppliers, locations, and players in understanding all aspects of charitable gaming, from qualifying for a license to easy instructions on how to play various games.

New ideas in all areas of charitable gaming are being evaluated. Some will be rolled out in 2014.

Charitable gaming in Michigan has had its obstacles, but we continue to embrace what is in front of us and look in places we might never have considered as we press forward from a year of transition to a new year of fruition.

Working collaboratively, we can ensure public trust and create new opportunities so that participation in charitable events will grow and the industry will flourish once again.



CHARITABLE CAUSES

Michigan non-profits continue to be 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. Sports programs, after school programs, and child safety programs rely more and more on volunteers and fundraising efforts.

But thanks to licensed fundraising activities, over \$50 million was raised last year for non-profit purposes right here in Michigan. This is in addition to millionaire party proceeds which are regulated by the Michigan Gaming Control Board. Charitable gaming continues to provide opportunities to raise funds through legalized gaming that includes bingo, raffles, and the sale of charity game tickets. Some beneficiaries from Charitable Gaming proceeds 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 |

FINANCIAL STATISTICS—ALL EVENTS

The following statistics are based on figures reported by licensees for events that occurred during FY 2013. 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	\$62,720,067	\$47,332,303	\$7,332,634	\$8,055,130
Special Charity Game	13,768	9,160	2,347	2,261
Large Bingo	149,552,341	115,549,196	23,577,157	10,425,988
Special Bingo	1,002,102	516,479	98,902	386,721
Large Raffle	59,460,690	23,225,270	4,324,116	31,911,304
Total	\$272,748,968	\$186,632,408	\$35,335,156	\$50,781,404

Millionaire party financial information now reported to the Michigan Gaming Control Board.



CHARITY GAME TICKETS

Michigan non-profit organizations raised over \$19 million through charity game ticket sales this year. Organizations with a bingo or large raffle license were able to sell charity game tickets during the time listed on their license without obtaining an additional license. Small bingos are not required to report financial information, including any charity game ticket sales.

License	Revenue	Prizes	Expenses	Net Profit
Annual Charity Game	\$62,720,067	\$47,332,303	\$7,332,634	\$8,055,130
Special Charity Game	13,768	9,160	2,347	2,261
Large Bingo	74,092,249	55,534,623	7,338,599	11,219,027
Special Bingo	120,035	85,747	11,656	22,632
Large Raffle	53,614	37,208	5,032	11,374
Total	\$136,999,733	\$102,999,041	\$14,690,268	\$19,310,424

ANNUAL CHARITY GAME

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

During FY 2013, the **610** organizations that sold tickets under an annual charity game ticket license reported the following financial data:

Revenue	\$62,720,067
Prizes.....	\$47,332,303
Expenses	\$7,332,634
Net Profit.....	\$8,055,130

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

During FY 2013, the **20** organizations that sold tickets under the special charity game license reported the following financial data:

Revenue	\$13,768
Prizes.....	\$9,160
Expenses.....	\$2,347
Net Profit.....	\$2,261



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.

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 2013, **728** large bingo licensees (**629** of which sold charity game tickets) reported the following:

Bingo Revenue	\$75,460,092	CGT Revenue	\$74,092,249
Bingo Prizes	\$60,014,573	CGT Prizes	\$55,534,623
Bingo Expenses	\$16,238,558	CGT Expenses.....	\$7,338,599
Bingo Net Profit (Loss)	(\$793,039)	CGT Net Profit.....	\$11,219,027
Average Bingo Prizes Paid Each Week.....	\$1,651	Total Attendance.....	2,074,342
		Average Weekly Attendance per Bingo Occasion.....	54

SMALL BINGO

During FY 2013, **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 and are not required to report financial data to the bureau.



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 2013, **388** special bingo licensees (**42** of which sold charity game tickets) reported the following:

Bingo Revenue	\$882,067	CGT Revenue	\$120,035
Bingo Prizes.....	\$430,732	CGT Prizes	\$85,747
Bingo Expenses	\$87,246	CGT Expenses	\$11,656
Bingo Net Profit	\$364,089	CGT Net Profit.....	\$22,632



BINGO GAME LOCATIONS

In FY 2013, 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.

53% of bingos were held at the organization's own location.

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

34% of bingos were held at a licensed location.



In FY 2013, there were **304** bingo locations that did not charge rent while **57** licensed locations charged for their use.



RAFFLES

Today, more than ever, public and private schools are searching for ways to replace depleting funds for athletics, band activities, clubs, and other school-related programs. The division recently began promoting licensed raffles to schools to raise awareness of the opportunity to generate funding through raffles.

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

The **2,680** small raffle licensees were not required to file a financial statement.

NOTE: All small raffle licenses issued after January 1, 2014, will be required to file a financial statement with the bureau.



LARGE RAFFLE

The **5,198** large raffle licensees (**20** of which sold charity game tickets) reported the following financial data:

Raffle Ticket Revenue	\$59,407,076	CGT Revenue	\$53,614
Raffle Prizes.....	\$23,188,062	CGT Prizes.....	\$37,208
Raffle Expenses	\$4,319,084	CGT Expenses	\$5,032
Raffle Net Profit	\$31,899,930	CGT Net Profit	\$11,374



REGULATORY ACTIVITY

The division assists non-profit organizations in conducting successful licensed events through **event training**, **financial oversight**, and **inspections**. When problems are discovered and not resolved, the division will take **administrative action** against the licensed organization.

Priorities for regulatory activity shifted over the last fiscal year as millionaire party regulation was turned over to the Michigan Gaming Control Board (MGCB), and the focus moved to struggling bingo and annual charity game ticket events. Additionally, inspectors performed administrative functions—such as serving on committees, surveying halls, training the MGCB and attending their hearings, testing new games, and learning new assessment tools. With only seven inspectors, territories were expanded, resulting in more drive time. This year, bingo inspections took twice as long, as inspectors spent intense one-on-one time with licensees, pouring through game records, addressing training needs, and providing organizations with assessment tools. As Charitable Gaming inspectors accomplished unprecedented tasks, the number of inspections were reduced and fewer administrative actions were taken against licensees.

EVENT TRAINING

	<u>Meetings</u>	<u>Attendance</u>
New Bingo Licensees	35	175
New ACGT Licensees	13	30
Area Training Seminars	12	559
Special Training Meetings	<u>50</u>	<u>156</u>
Total	100	920

FINANCIAL OVERSIGHT

Financial Statements Entered	10,881
Financial Statement Delinquencies Issued	4,043
Record Reviews	42
Charity Game Ticket Audits.....	11
Organization General Fund Audits.....	0
Game Closing Documents Reviewed	34

INSPECTIONS

Bingo	1,511
Charity Game Ticket.....	885
Raffle	165
Supplier	2
Hall	15

ADMINISTRATIVE ACTION

Complaint Investigations	44
Warning Notices.....	101
Violation Notices.....	63
Informal Meetings.....	2
Compliance Meetings	55
License Suspensions.....	37
License Revocations	0
License Surrenders.....	0
License Summary Suspensions.....	0



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 2013, licenses were issued to **24** suppliers who reported the following financial data:

Sale and Rental of Bingo Equipment..... \$6,411,734
Rental of Electronic Raffle Equipment..... \$38,057

DIVISION BUDGET

The Charitable Gaming Division is required by law to be self-supporting with license fees and the sale of charity game tickets to suppliers as the only sources of funding. Revenue in excess of the division's expenses is turned over to Michigan's general fund.

Charitable gaming revenue includes fees from charity game ticket, bingo, 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.

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

The Michigan Gaming Control Board collects millionaire party license fees and incurs expenses for regulating the millionaire party licenses. Revenues are turned over and expenses are billed to Charitable Gaming.

CHARITABLE GAMING DIVISION

Revenue \$12,433,905
Expenses \$6,396,032
Net Profit..... \$6,037,873

Total Net to General Fund \$4,514,067

MICHIGAN GAMING CONTROL BOARD

Revenue \$1,019,515
Expenses \$2,543,321
Net Profit **(\$1,523,806)**





MICHIGAN LOTTERY

CHARITABLE GAMING DIVISION

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For questions not related to license status:

cg-questions@michigan.gov

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

