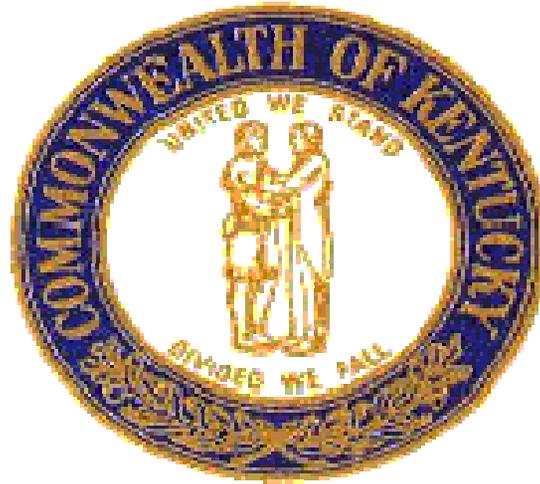


Department of Charitable Gaming

2007 ANNUAL REPORT



Steven L. Beshear
GOVERNOR
COMMONWEALTH OF KENTUCKY

Robert D. Vance
Secretary
Public Protection Cabinet

Henry G. Lackey
Commissioner
Department of Public Protection



CHARITABLE GAMING ADVISORY COMMISSION

The Charitable Gaming Advisory Commission, established in KRS 238.520, whose members are appointed by the Governor, provides ongoing advice and input to the Department of Charitable Gaming to assist in establishing effective policies for the licensing and regulation of charitable gaming. The Charitable Gaming Advisory Commission meets frequently to review matters affecting charitable gaming in the Commonwealth of Kentucky, proposed regulations and the progress of the department.

Robert D. Vance, Secretary

*Representing the Public Protection Cabinet
Frankfort
Member by virtue of office*

Jack Conway, Attorney General

*Representing Attorney General Office
Frankfort
Member by virtue of office*

Larry Cleveland

*Representing the Commonwealth Attorney's Association
Frankfort
Term Expires: 7/10/2012*

Michael Hayes

*Representing catholic organizations
Louisville
Term Expires: 7/10/2008*

Carlos Pugh

*Representing the Joint Executive Council of Veterans Organizations
Frankfort
Term Expires: 7/10/2011*

John Rollin Wilson

*Representing the KY Charitable Gaming Association
Louisville
Term Expires: 7/10/2010*

R. Scott Kimmich

*Member-at-Large
Erlanger
Term Expires: 7/10/2010*

Ralph D. Spurlock

*Representing volunteer firefighter organizations
London
Term Expires: 7/10/2011*

Christopher Anderson

*Representing Certified Public Accountants
Crestwood
Term Expires: 7/10/2009*

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I. YEAR'S HIGHLIGHTS

A. Gross Handle

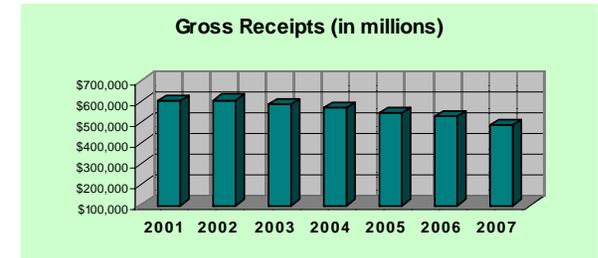
In 2007, Kentucky experienced a decrease in charitable gaming gross receipts. The “handle,” which is the money taken at the door before payouts or expenses are deducted, totaled **\$488,513,261.41** in 2007, a decrease of more than \$40 million from 2006. This decrease can be attributed to changes in the economy. The total payout statewide was **\$402,853,889.88**. The payout averages **82.5** percent of the statewide gross handle.

B. Retention Percentage

After expenses, the charities had **\$52,287,091.17** available for charitable purposes, which was **\$1,054,986.73** less than last year. However, the percentage of total dollars wagered that is available to (retained by) the charities was **61.04 percent**, up from **59.52 percent** in 2006.

C. Attendance

The reported statewide attendance for 2007 was **4,257,040** individuals, a decrease of **228,149** from last year. The five largest gaming counties in attendance are: Jefferson, Simpson, Bell, Whitley, and Pulaski. These counties accounted for **53.1 percent** of the attendance statewide. The six largest gaming counties in gross receipts are: Jefferson, Simpson, Bell, Whitley and Boyd. Of the 120 counties in Kentucky, 90 have some form of charitable gaming.



D. Comparison to Other States

Kentucky has consistently ranked within the top six states in gross receipts (handle) in charitable gaming. For 2006, according to the National Association of Fundraising Ticket Manufacturers (NAFTM), Kentucky was fourth in gross receipts. The 2007 statistics from NAFTM are not yet available. Other states in the top five were Minnesota, Washington, Texas and Indiana. Minnesota was far and away the leader with more than \$1.3 billion wagered, followed by Washington with more than \$881 million and Texas with more than \$663 million. Kentucky wagered over \$546 million and Indiana wagered over \$520 million in 2005.

II. CHARITABLE ORGANIZATIONS/TYPES OF LICENSEES

A. Types of Charities

Charitable gaming licensees include churches, schools, band and athletic boosters, community sports programs, veterans, volunteer fire and rescue departments, animal rights groups, groups that support the arts, history or museums; and fraternal and civic groups such as Optimists, Ruritan, Jaycees, Kiwanis, Rotary, Elks, Moose, Lions, Eagles and police.

The single largest group of licensees is Catholic charities, churches, schools and men's groups. This accounts for approximately one-third of all licensees. The next largest group is associated with the military. Together, Catholics and veterans account for approximately half of all licensees. Other significant categories of licensees are volunteer fire departments, school booster groups and arts funding.

2006 TOP FIVE STATES BY GROSS RECEIPTS

STATE	GROSS RECEIPTS
Minnesota	\$1,288,115,000
Washington	\$787,078,392
Texas	\$662,254,915
Kentucky	\$527,262,973
Indiana	\$525,748,892

- **Kentucky has consistently ranked among the top six states in gross receipts in charitable gaming.**
- **One-third of charitable gaming licensees are Catholic charities (churches, schools or men's groups).**
- **Organizations associated with military veterans make up the second largest group of licensees.**

At the end of 2007, there were 758 licensed charities and 496 exempt organizations in Kentucky. Exempt organizations are approved organizations that have \$25,000 or less in annual gaming receipts and do not sell pulltabs or host casino nights. The Department of Charitable Gaming issued 251 charity fundraising event licenses (fairs, festivals, etc.), and 239 special limited charity fundraising event licenses (casino nights).

B. Games

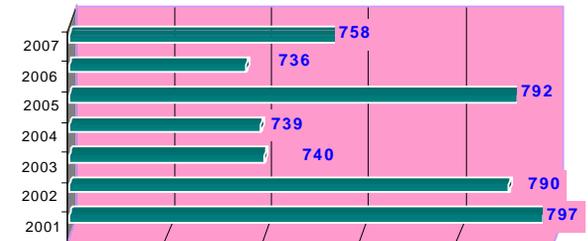
A charitable gaming license allows charities to play bingo, sell charity game tickets or pulltabs, hold raffles, have casino nights, and have school and church festivals and picnics, among other things. Of the charities licensed at the end of the year, 188 ran two bingo sessions per week and 143 ran one bingo session per week. The remaining 427 charities conducted a raffle, sold pulltabs or had charity fundraising events only.

C. Charities' Gross Receipts

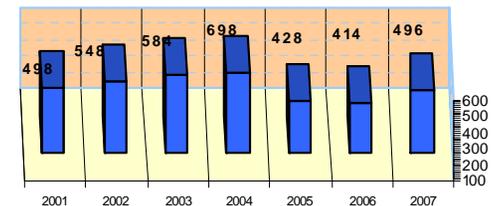
Of the 818 charities that reported in 2007:

- 1) Seventy-one had no gross receipts;
- 2) Total organizations with gross receipts less than \$100,000: 294
 - Gross receipts less than \$1,000: 9
 - Gross receipts \$1,000-\$9,999: 67
 - Gross receipts \$10,000-\$49,999: 154
 - Gross receipts \$50,000-\$99,999: 64

Charitable Gaming Licenses Issued

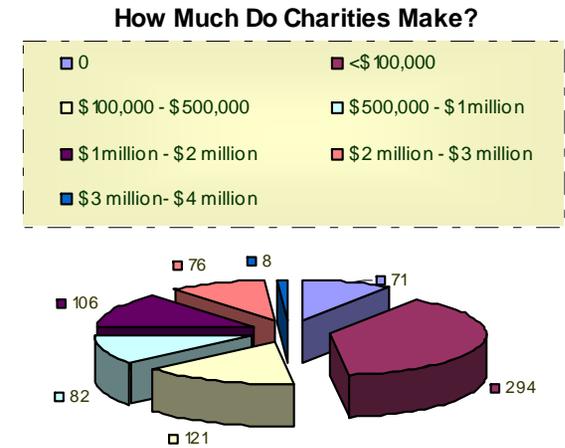


Exemption Acknowledgements Issued



- 3) Total organizations with gross receipts of \$100,000 to \$499,999: 121
 Gross receipts \$100,000-\$199,999: 55
 Gross receipts \$200,000-\$299,999: 18
 Gross receipts \$300,000-\$399,999: 26
 Gross receipts \$400,000-\$499,999: 22
- 4) Total organizations with gross receipts of \$500,000 to \$999,999: 82
 Gross receipts \$500,000-\$599,999: 19
 Gross receipts \$600,000-\$699,999: 21
 Gross receipts \$700,000-\$799,999: 19
 Gross receipts \$800,000-\$899,999: 10
 Gross receipts \$900,000-\$999,999: 13
- 5) Total organizations with gross receipts \$1 million-\$1.9 million: 106
- 6) Total organizations with gross receipts \$2 million-\$2.9 million: 76
- 7) Total organizations with gross receipts \$3 million-\$3.9 million: 8

Factoring out charities that reported no gross receipts, 497 charities had receipts less than \$1 million and 190 charities had receipts of \$1 million or more. The average gross receipts per charity were **\$711,081.90**.



D. Expenses

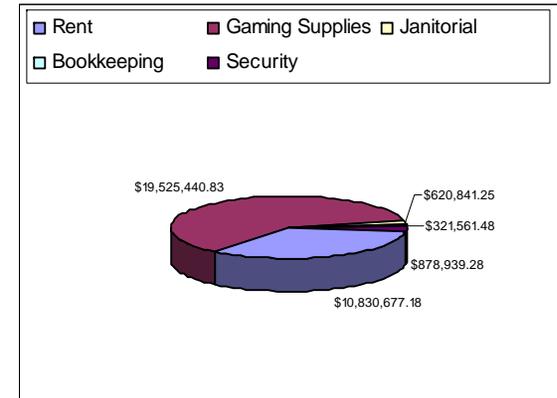
Total expenses for charities statewide for 2007 were \$33,276,995.08. Of that total, \$10,830,677.18 was facility rent. The average facility made \$183,570.80 strictly from rental of the facility. This accounts for 32.5 percent of the expenses the charities paid.

Charities paid distributors \$19,525,440.83 for gaming supplies and equipment. The average distributor grossed \$813,560.03 on Kentucky charities. This accounts for 58.7 percent of the expenses the charities pay. Together, facilities and distributors alone account for 91.2 percent of the expense dollar.

Remaining expenses include utilities, insurance, advertising, janitorial services, bookkeeping, security and trade organization dues. Statewide, charities paid \$878,939.28 for security, \$620,841.25 for janitorial services and \$321,561.48 for bookkeeping.

E. Facilities

In 2007, the DCG licensed 59 facilities. This number does not include organizations that game at their own facility or facilities that do not have more than two organizations gaming.



F. Distributors

The DCG ended 2007 with 24 licensed distributors.

G. Manufacturers

In 2007, the DCG licensed 25 manufacturers, all of which were out-of-state businesses.

III. DIVISION OF LICENSING & COMPLIANCE

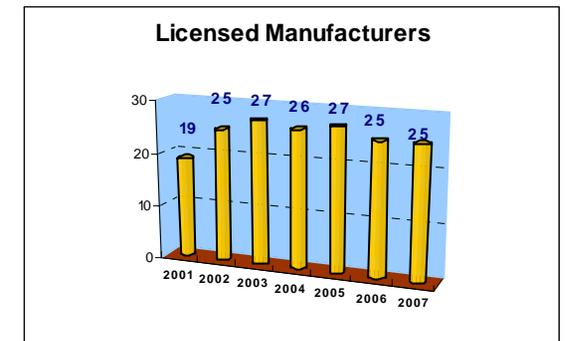
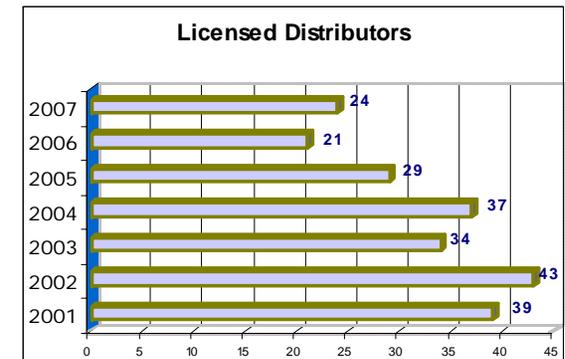
The Division of Licensing and Compliance has three branches: Licensing, Compliance and Accounting.

A. Licensing Branch

The Licensing Branch reviews license applications for organizations, facilities, distributors and manufacturers, sends deficiency letters if required, refers applications for criminal history checks, reviews exempt status organizations, issues licenses and processes license changes requested by licensees.

B. Accounting Division

The Accounting Division reviews and reconciles quarterly report forms filed by organizations, facilities and distributors, processes fees for licensees, processes annual reports filed by exempt organizations and calculates the retention rate of organizations based on quarterly reports at the end of the calendar year.



C. Compliance Branch

Ten charitable gaming compliance officers are located throughout the state. The compliance officers conduct on-site inspections of licensed charitable gaming activity to ensure adherence to applicable charitable gaming statutes and administrative regulations. In addition, compliance officers investigate complaints and perform background investigations on organizations. The Compliance Branch received 198 complaints and conducted 65 investigations in 2007.

IV. DIVISION OF ENFORCEMENT

The DCG has strong enforcement powers, including examining charitable gaming supplies and equipment and conducting in-depth audits and investigations. The Division of Enforcement has two branches, Audit and Investigations.

A. Audit Branch

The Audit Branch consists of five auditors located throughout the state with one located in the Frankfort office. The branch is headed by a certified public accountant. Auditors conduct in-depth audits of charitable gaming activities to ensure that high standards of accounting, record keeping and reporting of charitable gaming receipts are met. Audits may lead to corrective measures on the part of a licensee and/or administrative action against the charitable organization's license.

Inspections are as follows:

1,173	Charitable Organizations
22	Facility Inspections
44	Special Limited Events
36	Charity Fundraising Events/Special Limited Events



The Audit Branch opened 12 new audits, issued 33 final audit reviews, concluded one audit with court action and currently has two audits with pending court action.

B. Investigations Branch

There are five investigators located throughout the state. They investigate complaints with allegations of criminal wrongdoing, including theft, forgery, criminal possession of a forged instrument, promoting gambling, possession of a gambling device, participating in a continuing criminal enterprise, tax evasion and money laundering. Investigations can result in administrative action or civil and/or criminal action. The DCG often cooperates with federal prosecutors and federal law enforcement agencies, the Kentucky State Police and other local, state and federal law enforcement entities. In 2007, the enforcement branch assisted in federal indictments on four defendants and seized numerous amounts of illegal products and gambling devices.

V. COUNTY-BY-COUNTY BREAKDOWN

The following pages include charts of the gross receipts, gross payouts, expenses and attendance broken down by county.

The Investigations Branch opened 170 cases and closed 142, including 18 cases from prior years.

ARRESTS- 8

INDICTMENTS- 8

CITATIONS-2

CONVICTIONS- 2 (six cases are still In the court process awaiting final Disposition)

**COURT ORDERED
RESTITUTION- \$47,000**

**ADMINISTRATIVE
CASES/ACTIONS OPENED &
CLOSED- 4**

Charges Include:

- 1) **Diversion of charitable gaming funds over \$300**
- 2) **Diversion of charitable gaming funds under \$300**
- 3) **Promoting gambling**
- 4) **Possession of a gambling device**
- 5) **Theft (Felony)**
- 6) **Forgery 2nd Degree**