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# How a Youth Wrestling Club Became a Multimillion-Dollar Gambling Operation

The \$2 billion ‘e-tab’ gold rush in states like North Dakota is keeping sports leagues, tourism bureaus and other nonprofits afloat



Patrons playing electronic pull-tab machines at Ace's Lounge & Casino in Minot, N.D., last week.

By

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| Photography by Sean Arbaut for WSJ

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The Matpac Wrestling Club, a nonprofit youth program in North Dakota, has increased its revenue 30-fold since 2017. Not through candy-bar sales or bake-offs, but from a multimillion-dollar gambling operation.

It is hardly an outlier. Across the Great Plains state, sports leagues, tourism bureaus and other charities have transformed themselves through gambling.

North Dakota sits at the center of an unlikely experiment: Tax-exempt groups can install Las Vegas-style machines in restaurants, bars and other establishments and watch the money roll in. An increasing number of states now allow them.

Nonprofits have rewritten their fundraising playbooks: They find venues to place “electronic pull-tab machines”—called e-tabs—and often make money faster than they can spend it. Some tax-exempt organizations have bought pubs. A charity for the disabled runs four bars.

“I don’t know if the public understands the scale at which charitable gaming is occurring in the state,” said Sean Cleary, a Republican state senator in North Dakota. “It has gone well beyond the scope of what a lot of folks were intending.”

Players in North Dakota spend more than \$2 billion on e-tabs annually, directing profits to charities. The machines are fixtures from bowling alleys to Applebee’s. There is one for roughly every 100 adults in the state.

Proponents say charitable gambling lets nonprofits expand their missions. Newly rich from e-tab cash, the Matpac Wrestling Club purchased an 18,000-square-foot facility and, in 2024, distributed nearly \$1 million in grants to other organizations, according to Internal Revenue Service nonprofit filings.

“Gaming funds help us market Bismarck,” the head of another nonprofit, focused on tourism, testified at a state Senate hearing.

Without that money, she said, the organization wouldn’t be able to help fund July Fourth fireworks or “Rodeo Days.”

Some lawmakers and researchers, however, argue that lax regulation has fostered a nonprofit Wild West.

In central North Dakota, the Beulah Convention and Visitors Bureau is housed in a modest suburban office complex and promotes the area. (As its website puts it, “Never a dull moment in Beulah!”) The nonprofit’s revenue surged past \$750,000 by 2024 after it began sponsoring e-tab machines around 2021—up from less than six figures five years earlier, according to filings.

But in early March, the North Dakota Attorney General sought to revoke the group's charitable-gaming license and fine them, alleging "multiple violations of state gaming laws and regulations."

In one case, according to the AG's preliminary findings, the nonprofit claimed to have donated over \$270,000 to the Pfennig Wildlife Museum, a tourist attraction, but instead opened a bank account under the museum's name, sent itself the money and used a portion of the funds to pay its own employees' salaries and pay back a loan, among other expenses.

A representative of the Beulah Convention nonprofit declined to comment. Its chairwoman said at a city council meeting in March that her staff had been "unfairly vilified."

### **'Ice Time LLC'**

E-tabs grew out of decades-old charitable-gaming laws that permitted smaller games like bingo and blackjack. Legislation in states such as Kentucky, Minnesota and New Hampshire has added e-tabs to the mix.

In some states, they are less conspicuous. (Minnesota's are played on electronic tables.) Indiana became the latest to legalize them in December. They are blockbusters all over.



E-tabs descend from paper pull-tabs, a game of chance where strips hide symbols. Reveal the right ones—win a cash prize.

For more than 3,000 nonprofits nationwide, charitable gaming now constitutes more than half of their funding, according to a Wall Street Journal analysis of IRS filings.

North Dakota legislators, who legalized e-tabs in 2017, say they didn't anticipate how closely manufacturers would model them after slot machines. The trend is so lucrative that charities are entering the bar business. Ace's Lounge & Casino, in Minot, is operated by a subsidiary called Ice Time LLC. Ice Time itself is owned by the town's nonprofit youth ice-hockey program, according to IRS filings.



Ace's Lounge & Casino is operated by a subsidiary of the town's youth ice-hockey nonprofit.



Patrons placed bets on the paddle-wheel table at Ace's Lounge & Casino last week.

In Grand Forks, a charity for disabled adults bought Southgate Casino Bar & Grill through a subsidiary. The group, the North Dakota Association for the Disabled, operates four bars and made over \$4 million in net gaming income in 2024, its filings show.

The nonprofit's chief executive, Don Santer, said that the group spends roughly \$3 million on direct services for people with disabilities and that the term "casino" is a marketing label.

A 2023 North Dakota legislative report found that e-tabs are the source of most gambling-addiction cases in the state. Yet many nonprofits now use the revenue to serve more people.

In August, a West Fargo Hockey Association employee pleaded guilty to embezzling nearly \$70,000 from the gaming proceeds of the nonprofit, which made almost \$4.5 million from gaming in the last fiscal year, according to filings. The man used the stolen money to cover his financial losses, mainly from gambling.

Other organizations have more cash than they can spend. A Journal analysis of IRS filings from 128 North Dakota nonprofits reporting charitable-gaming revenue found that from 2018 to 2023, the median nonprofit's revenue roughly doubled, while expenses rose 50%.

"It seems like some of these organizations," said Cleary, the state senator, "are at risk of becoming casinos with a secondary nonprofit aim."

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