



# CHAPTER 13

## SPORTS



BUSINESS BEATS BASICS

# SPORTS

## INTRODUCTION

The business of sports is going beyond game coverage and box scores and delving into the financial operations of professional teams, universities, and nonprofit organizations that operate amateur athletic events, college booster clubs, or college football bowls.

Covering sports business can be a significant business beat in a sports Mecca like metro Phoenix, where there are teams in major sports leagues, including the NBA, MLB, WNBA, and NFL, along with the Cactus League, NASCAR, and numerous high-profile college sports teams at Arizona State University. The city also hosts an annual stop on the PGA Tour and has hosted the NCAA's Final Four and two Super Bowls within the past decade.

Sports business coverage, however, isn't exclusive to large cities or those with major sports franchises. It can also be done well in a town where college sports is king – such as Auburn and Tuscaloosa, Alabama – or in small towns where high school sports coverage is front-page news. These are often the places where in-depth, investigative stories are made.

## GAMES VS. BUSINESS COVERAGE

The biggest difference between a sports game reporter and a sports business reporter is that the former is more concerned about who wins and loses on the field, while the latter is more interested in how a team's business operations will affect fans and the future viability of a sports team.

For example, if a team spends heavily on players to win in the short term, it could produce quick, positive results on the field, which is great for a sports game reporter. Yet, if the owner doesn't have deep pockets and cannot sustain that type of spending, then a sports business reporter could take a more introspective view – while the team is winning – to examine whether the franchise is competitive for the long haul.

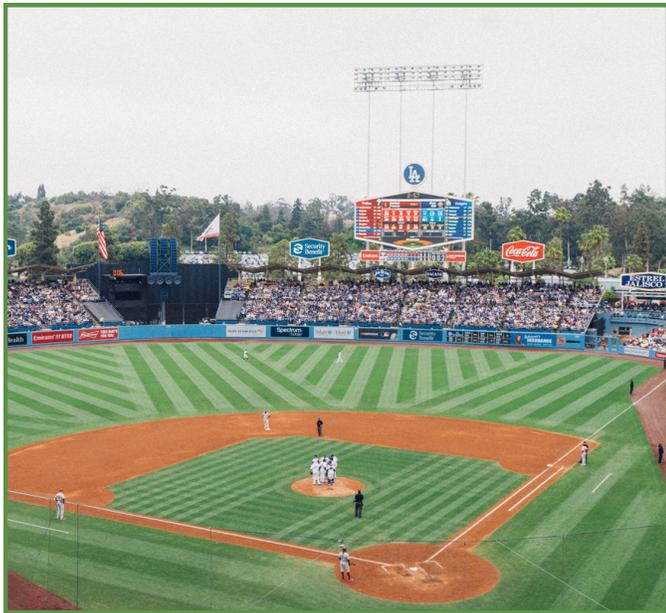
Some reporters can do both game coverage and business reporting, but typically a sports business reporter will communicate more frequently with owners and chief financial officers than actual players.



# WHERE TO BEGIN

## BE NICE TO RUTHIE

Regardless of the market, the key to covering this beat is getting to know the “movers and shakers” of the sports community – along with their assistants. In Phoenix, one of the top sports executives for many years was Jerry Colangelo, the former managing partner of the Phoenix Suns and Arizona Diamondbacks. While Colangelo was one of the most accessible sports executives in the country, you could guarantee he would call you back if you had a good relationship with his longtime assistant, Ruthie, who often screened his calls. If you were genuinely nice to Ruthie, she would make sure Colangelo got back to you, especially if you were on deadline.



## TRACK MAJOR AND MINORITY PARTNERS

You can also develop interesting feature stories by finding out the names of minority owners in professional sports teams. For example, Mike Chipman, who founded a company that developed TurboTax, is a general partner of the Arizona Diamondbacks who “possesses the largest financial stake in the franchise,” according to MLB.com as of 2024.



It’s also important to gather and review as many public records as possible to develop stories. Of course, most professional sports teams are privately held, but their owners could hold large stakes in publicly held companies whose financial reports are available through SEC.gov. Those records could show whether an owner truly is deep-pocketed or leveraged, and you can find related-party transactions – a business deal or arrangement between two parties who are joined by a special relationship prior to a deal. And that relationship may not necessarily benefit shareholders.

## MAKE FRIENDS WITH SEC FILINGS

Securities and Exchange Commission (SEC) Filings can inform you about sports business relationships. For example, until Howard Schultz sold the NBA’s Seattle Sonics to Oklahoma City investors in 2006, the Starbucks founder had his coffee company spend \$3.7 million during the course of four years on sponsorships for his NBA team. The sponsorships were a fraction of annual revenue for Starbucks, but the deal showed how one person’s successful business (Starbucks) was helping a business (Sonics) that was bleeding money.

Interestingly, the sponsorships ended as soon Schultz sold the team, a move Starbucks said was coincidental. The information regarding the business arrangement was disclosed in a proxy filing that Starbucks had made with the Securities and Exchange Commission.

**Note:** Be sure to get the contracts of coaches at other conference schools in order to have context and a fair comparison to what your coach is making.

## PUBLIC RECORDS

In covering a public university team, the athletic department's entire budget along with all coaches' salaries – and perks – are public records that can be obtained by filing a public records request. Be sure to ask for all outside contracts, such as those with apparel companies that may significantly boost a coach's compensation. And be prepared for a fight, as many schools don't like to disclose this information.

In covering a public university team, the athletic department's entire budget along with all coaches' salaries – and perks – are public records that can be obtained by filing a public records request. Be sure to ask for all outside contracts, such as those with apparel companies that may significantly boost a coach's compensation. And be prepared for a fight, as many schools don't like to disclose this information.

## NONPROFIT DATA

Another great resource for sports business stories is GuideStar.org, which has annual financial records for more than 1 million nonprofit organizations. Nonprofits run many college football bowls, booster clubs for universities and colleges, state athletic associations (which are the governing bodies for high school sports), and high school club teams. These records will show the revenue and expenses of each organization in addition to the salaries of top employees and independent contractors.

# RESOURCES

## SportsBusinessJournal.com

The go-to source in sports business coverage.

## Forbes.com

Annually ranks the value of professional sports teams and estimates revenues and expenses.

## USAToday.com

Their sports section gathers all the salary information of professional athletes.

## Cot's Baseball Contracts

Has all the information for contracts with major league baseball players. This site is even used by owners who want to see the contracts of players they may acquire.



# BOOKS

## On the Ball: What You Can Learn About Business From America's Sports Leaders (2003)

By Darren Rovell and David Carter

## First In Thirst: How Gatorade Turned the Science of Sweat into a Cultural Phenomenon (2005)

By Darren Rovell

## Billion-Dollar Ball (2015)

By Gilbert M. Gaul

## Shoe Dog (2016)

By Phil Knight

## An Economist Goes to the Game (2022)

By Paul Oyer

# MAKE IT LOCAL

One of the best stories I worked on involved looking at all the major sports nonprofits, including the professional sports teams, in the Phoenix area to see how they were serving their local community. After pulling 990s (a nonprofit tax form filed with the state) and making comparisons of the same time period, I could see how much was raised and how much was given away or spent on community services. At the time of the story, the Arizona Diamondbacks were the most generous nonprofit with little overhead and a lot of money going to worthy causes, while the Phoenix Coyotes had numerous questionable expenses, which ended after the story ran.

To examine the finances of a sports nonprofit, pull at least the three most recent years of the organization's 990s, and look to see how much money is coming in and how it's being spent. Look for high salaries, and examine if money being raised really is helping a local community or if it's being used to give someone a highly-paid job.



Also look at the money being spent on independent contractors, and see if there is a relationship with officers or board members. In Arizona, all businesses must register with the Arizona Corporation Commission, which posts all of the basic information of a business online such as the names of the owners and where a company is headquartered. This information may show you if there are ties between a business owner and officers and board members of a nonprofit.

## CIVIL COURTS

If a sports nonprofit organization or its executives look like they may be in financial trouble, look up civil lawsuits at the county or federal courthouse to see if they have been sued. Most of these records are online.

In a community where high school sports are the bread and butter, look to see how much the executive director of the state's athletic association is making. Then see if that person has received raises during the past few years at a time when many high schools have been forced to cut back on funding teams, travel, and coaches' salaries because of budget problems. If there is a dominant club team in the area, or a nonprofit booster club for a high school, then obtain the 990s to see where the money is going.

If a nonprofit organization is leery about turning over the information and wants to know why you want the information, it's probably an early sign that there are questionable expenses. You don't have to give any reason for wanting to examine these public records. If this occurs, a call to your local IRS office should spur a nonprofit to turn over the records.

## FROM THE FANS' SEATS

For most fans and consumers, it's always better to have a deep-pocketed owner who can field a competitive team every year. Fans of the Los Angeles Clippers long have complained about the frugal ways of owner Donald Sterling and the horrible performance on the court by his team. However, as a business operator, Sterling is one of the most profitable owners in the NBA, while other owners who have opened the purse strings to compete are now complaining that they are losing money.

# CHALLENGES AND PITFALLS

## UNLESS YOU CAN CONFIRM FINANCIAL DATA, DON'T USE IT.

It's been said many times, but again: Always double-check what you believe are facts, especially when there isn't a paper trail to confirm figures. The biggest error I made in covering sports business was when I didn't do enough homework on a Phoenix-area businessman who tried to buy the Minnesota Vikings of the NFL. The investor told me he had a high net worth and gave me an outrageously inflated figure of what he was worth. Unfortunately, I published the figure – and it was dead wrong.



The investor also convinced the former owner of the Vikings he was wealthy, and there was even a press conference in Minnesota announcing the deal. The sale, however, fell apart when the NFL did some digging and realized the investor had nowhere near the resources he said he had to buy the Vikings.



While I wasn't the only one who was bamboozled, had I done a better job of vetting the investor, I would have had a national scoop instead of feeling embarrassed.

## TAKING TIME TO GET IT RIGHT

Another challenge is putting pressure on yourself or succumbing to pressure from editors to have a story out first, when it may be better to wait a day or longer to make sure the story is right.



I once did a story on the Pat Tillman Foundation, which is named after the former Arizona State University and Arizona Cardinals star who was killed while serving in the military in Afghanistan. At first glance, the foundation's most recent annual financial report appeared to show the foundation wasn't giving away any money for scholarships – as it had promised – and was paying a six-figure income to a relative of Tillman's to run the foundation.



Before running with the story, I put in a call to the executive director who told me she was extremely busy and traveling, but if I could wait two days she would arrange a conference call to explain everything on the financial forms, which she acknowledged may look a bit strange. It was worth the wait. They told me the reason it didn't look like they were providing scholarship money to Arizona State University and others as promised was because of an accounting rule. Because the foundation had made the \$1 million pledge in their books years earlier, despite making the donations in installments, they weren't able to "count the donations twice" and thus appeared to not be making donations. Officials at ASU confirmed the money was being given in installments. Additionally, the relative with the six-figure salary actually took a pay cut to help run the foundation and was leaving to go back to his other job because he wasn't making enough money. Instead of having a "gotcha" watchdog story, I ended up with a fairly vanilla profile of the foundation and an event it hosted. Which is completely acceptable.



# TERMS TO KNOW

Here are some terms you would find in the financial records for nonprofit organizations, which run sports-related businesses in small and large communities. Keeping this list of terms handy will remind you of places to look for financial records.

## 501(c)

This is the designation by the Internal Revenue Service for tax-exempt nonprofit organizations. This tax-exempt status allows nonprofit organizations to not pay taxes on revenue, and donations made to the nonprofit are tax deductible.

## Form 990

The tax return that nonprofit organizations file with the IRS. Nonprofits must, by law, make their three most recent years of 990 forms available for public viewing. You can also see the most recent filings for free at [Guidestar.org](http://Guidestar.org). For a subscription fee, you can pay to view records at Guidestar that, in some cases, can go back 10 years.

## Contractors

These are organizations that do business with a nonprofit. A nonprofit on Schedule O has to list the compensation of its top five contractors. This is a good place to look to see if there are questionable business relationships.

## Net assets or fund balances

This is the total amount of money the nonprofit has. This is a historical measurement as money can accrue over time, and major nonprofits like College Bowl Games could have tens of millions of dollars in net assets or fund balances.

## Reportable compensation

This is the salary, bonus, or other income of employees. Make sure you look to see if employees are getting compensation from organizations related to the nonprofit. Also look at Schedule J to see if any of the officers are getting additional perks like first-class travel or having their health club dues paid for by the nonprofit. (That actually does occur).

## Revenue less expenses (or bottom line)

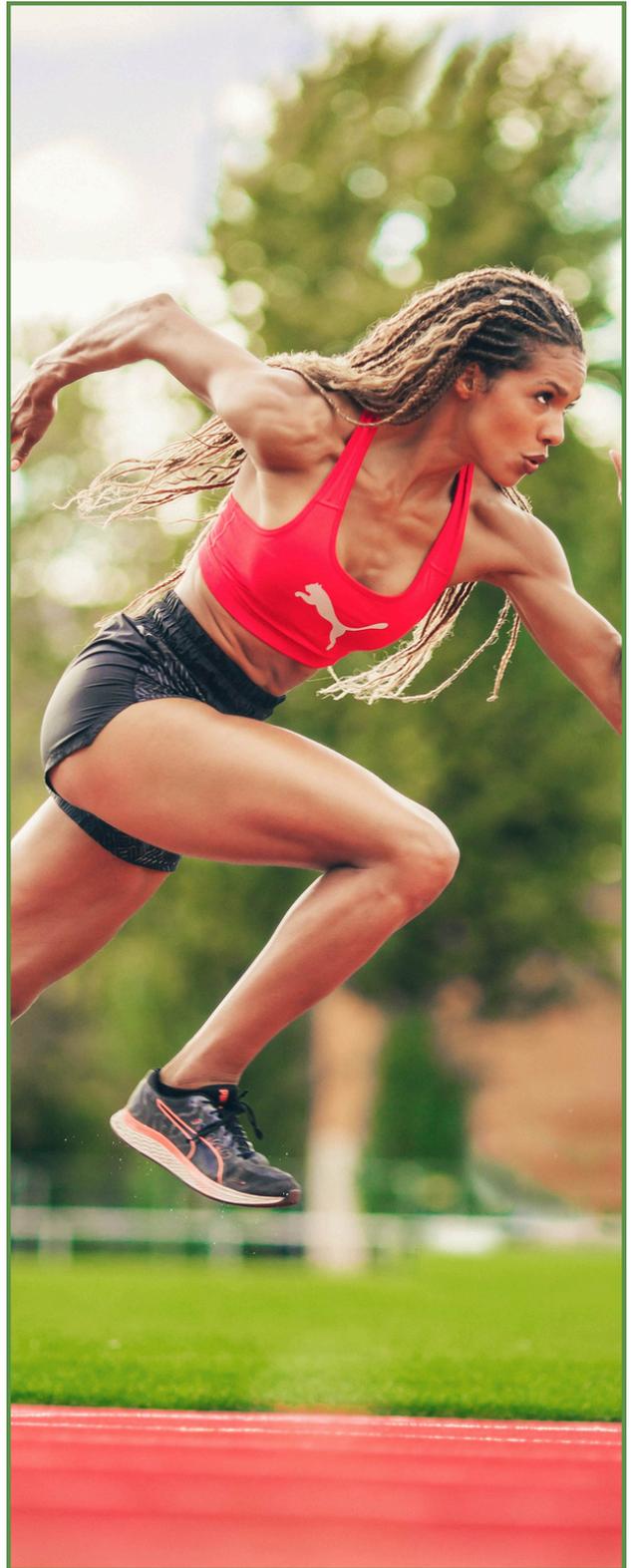
You can find this by subtracting the year's expenses from the revenue. Like a successful private business, this should be a positive number.

## Total expenses

These are all the costs, including salaries, benefits, and money given away, during the year.

## Total revenue

This is all the money, including donations and investment income, that comes in for the year.



This chapter is based on the "Beats Basics" Sports Business section, originally published in 2011 and written by Craig Harris, who was a reporter for The Arizona Republic.