Assessing the Financial Performance of Professional Sport Team Nonprofit Organizations: A Case of Dallas-Forth Worth Metroplex

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Professional sport teams (PSTs) have long engaged in community outreach through establishing independent, yet affiliated, nonprofit organizations (NPOs). While PST NPOs have become an industry norm (Babiak & Wolfe, 2009), skepticism toward socially responsible activities has remained a critical issue in business (Wagner et al., 2009), and PST NPOs are also prone to such skepticism due to affiliations with their for-profit counterparts. As competition increases in the nonprofit sector in soliciting funds and due to critical financial issues (insolvency, liquidity issues, and operating deficits and reserves; Morris et al., 2018), NPOs have been forced to merge or consolidate to remain financially viable and achieve their missions (Paarlberg et al., 2018). PST NPOs are small in terms of contributions and disbursements (Sparvero & Kent, 2014), implying that they are also likely to face such financial issues. Research on financial efficiency of NPOs is well established (Carroll & Stater, 2009; Prentice, 2016), but there is a dearth of studies on PST NPOs’ financial performance. Thus, this study assessed the historical financial performance of two PST NPOs in the Dallas-Fort Worth (DFW) metroplex (Texas Rangers Foundation [TRF] and Dallas Stars Foundation [DSF]) using regional and national averages as benchmarks. We also investigated whether key financial metrics (program efficiency ratio [PER], fundraising efficiency ratio [FER], and liabilities to assets ratio [LAR]) could predict the total contributions that PST NPOs received.

Financial document analysis was performed using Form 990s from 1997 to 2017 for the TRF and from 1998 to 2016 for the DSF. The data retrieved from the documents included total contribution received, total revenue and expense, program, fundraising, and administrative expenses, and total assets and liabilities. Three financial ratios (PER, FER, and LAR) and two percentage measures (fundraising expense percentage [FEP] and administrative expense percentage [AEP]) were then calculated. Multiple regression analysis was followed to examine whether three ratios predicted the total contributions received.

The TRF’s historical performance was good (PER = .81; FER = .06; AEP = .13) considering the suggested thresholds (Charity Navigator, n.d.; Tschirhart & Bielefeld, 2012); however, DSF’s was somewhat limited (PER = .71; FER = .196; AEP = .19). Based on Charity Navigator’s 2017 Metro Market Analysis, TRF performed better than the regional and national averages, while DSF scored poorly on all the metrics. Both TRF and DSF recorded operating deficits and no fundraising expenses in certain previous years. The regression model explained 44.1 percent of the variance in total contributions received. Only PER was statistically significant ($\beta = .59, p < .01$). The amount of contributions tended to increase by $62,747 for a one percent increase in PER.

The current research provides a useful snapshot of the financial performance of PST NPOs in the DFW area. As financial solvency has always been a challenging issue of NPOs (Hung & Hager, 2019), the results offer practical insights to PST NPO managers for better nonprofit operations and management. The results also call for the development of metrics that better predicts PST NPOs’ financial performance by considering their unique operation.