



**MICHAEL PHELPS
FOUNDATION**

**FINANCIAL STATEMENTS
December 31, 2023 and 2022**

MICHAEL PHELPS FOUNDATION
Financial Statements
December 31, 2023 and 2022

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Independent Auditor's Report

To the Board of Directors of
Michael Phelps Foundation

Opinion

We have audited the accompanying financial statements of Michael Phelps Foundation (the Foundation) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

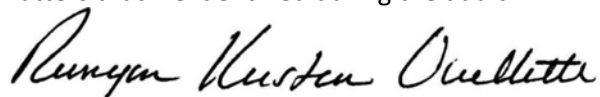
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



April 10, 2024
South Portland, Maine

MICHAEL PHELPS FOUNDATION
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash	\$ 1,440,940	1,613,797
Contributions receivable	57,000	65,000
Prepaid expenses	10,000	9,131
Other	1,006	2,113
Total current assets	1,508,946	1,690,041
Property and equipment:		
Equipment	2,882	3,182
Less accumulated depreciation	(2,688)	(2,688)
Property and equipment, net	194	494
Total assets	\$ 1,509,140	1,690,535
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 154,395	49,643
Accrued payroll	5,066	3,204
Total current liabilities	159,461	52,847
Total liabilities	159,461	52,847
Net assets:		
Without donor restrictions	1,292,679	1,572,688
With donor restrictions	57,000	65,000
Total net assets	1,349,679	1,637,688
Total liabilities and net assets	\$ 1,509,140	1,690,535

See accompanying notes to financial statements.

MICHAEL PHELPS FOUNDATION
Statements of Activities
Years Ended December 31, 2023 and 2022

	2023	2022
Net assets without donor restrictions:		
Support and revenue:		
Contributions	\$ 647,060	783,680
Special events, net of expenses of \$285,946	400,742	-
Contributions - Golf. Give. Gala.	-	544,050
Contributed nonfinancial assets	34,500	109,689
SBA PPP loan forgiveness	-	30,175
Other revenue	22,687	8,254
Releases from restriction	65,000	513,000
Total support and revenue without donor restrictions	1,169,989	1,988,848
Expenses:		
Program services	1,137,357	762,224
Management and general	235,544	126,742
Fundraising	77,097	623,770
Total expenses	1,449,998	1,512,736
Change in net assets without donor restrictions	(280,009)	476,112
Net assets with donor restrictions:		
Support and revenue:		
Special events sponsorship	57,000	-
Releases from restrictions	(65,000)	(513,000)
Total support and revenue with donor restrictions	(8,000)	(513,000)
Change in net assets with donor restrictions	(8,000)	(513,000)
Total change in net assets	(288,009)	(36,888)
Net assets, beginning of year	1,637,688	1,674,576
Net assets, end of year	\$ 1,349,679	1,637,688

See accompanying notes to financial statements.

MICHAEL PHELPS FOUNDATION
Statement of Functional Expenses
Year Ended December 31, 2023

	Program services	Management and general	Fundraising	Total expenses
Salaries	\$ 196,491	7,412	22,156	226,059
Payroll taxes and fringe benefits	30,145	6,567	3,308	40,020
Contributed nonfinancial assets - salaries	15,000	10,000	5,000	30,000
Contributed nonfinancial assets - rent	-	4,500	-	4,500
Insurance	2,600	6,455	-	9,055
Accounting	-	31,577	-	31,577
Legal	-	23,393	-	23,393
Marketing	-	269	7,000	7,269
Printing and design	18,724	2,581	-	21,305
Shipping	4,708	310	-	5,018
Office expenses	6,110	21,264	-	27,374
Gifts and donations	644,614	4,869	12,307	661,790
Program materials	71,330	282	-	71,612
Training	28,084	10,688	-	38,772
Travel, meals, and meeting expenses	103,216	4,407	3,210	110,833
Technology	720	6,432	2,776	9,928
Finance charges	4,017	349	5,311	9,677
Permits and licenses	-	4,342	-	4,342
Interest	-	197	-	197
Professional Fees	5,440	85,286	1,029	91,755
Bad debt	-	-	15,000	15,000
Miscellaneous	6,158	4,364	-	10,522
Total expenses	\$ 1,137,357	235,544	77,097	1,449,998

See accompanying notes to financial statements.

MICHAEL PHELPS FOUNDATION
Statement of Functional Expenses
Year Ended December 31, 2022

	Program services	Management and general	Fundraising	Total expenses
Salaries	\$ 140,446	7,820	12,741	161,007
Payroll taxes and fringe benefits	14,542	3,535	1,553	19,630
Contributed nonfinancial assets - salaries	30,000	20,000	10,000	60,000
Contributed nonfinancial assets - rent	-	3,375	-	3,375
Contributed nonfinancial assets - GGG expenses	-	-	46,314	46,314
Insurance	-	6,289	-	6,289
Accounting	-	26,695	-	26,695
Legal	5,742	-	1,000	6,742
Marketing	-	10,852	158	11,010
Printing and design	20,423	207	-	20,630
Shipping	4,564	-	-	4,564
Office expenses	9,395	11,763	-	21,158
Gala costs	-	-	370,340	370,340
Gifts and donations	364,847	4,174	7,279	376,300
Program materials	32,843	-	-	32,843
Training	34,494	12,098	-	46,592
Travel, meals, and meeting expenses	96,308	3,599	2,175	102,082
Technology	-	2,680	340	3,020
Finance charges	1,354	485	8,822	10,661
Permits and licenses	10	3,648	-	3,658
Bad debt	-	-	163,028	163,028
Miscellaneous	7,256	9,522	20	16,798
Total expenses	\$ 762,224	126,742	623,770	1,512,736

See accompanying notes to financial statements.

MICHAEL PHELPS FOUNDATION
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (288,009)	(36,888)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Bad debt	15,000	163,028
SBA PPP loan forgiveness	-	(30,175)
Disposition of fixed assets	300	-
(Increase) decrease in current assets:		
Contributions receivable	(7,000)	76,472
Due from IRS	-	45,965
Prepaid expenses	(869)	(669)
Other receivables	1,107	(1,931)
Increase (decrease) in current liabilities:		
Accounts payable	104,752	25,763
Accrued payroll	1,862	(699)
Net cash (used in) provided by operating activities	(172,857)	240,866
Cash flows from investing activities:		
Purchases of equipment	-	(300)
Net cash used in investing activities	-	(300)
Net change in cash	(172,857)	240,566
Cash at beginning of year	1,613,797	1,373,231
Cash at end of year	\$ 1,440,940	1,613,797

See accompanying notes to financial statements.

MICHAEL PHELPS FOUNDATION
Notes to Financial Statements
December 31, 2023 and 2022

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Michael Phelps Foundation (the Foundation) is a nonprofit organization focused on growing the sport of swimming and promoting healthy and active lives, primarily in children.

Basis of Accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting. Accordingly, revenues and gains are reported when earned and expenses and losses are recorded when incurred.

Basis of Presentation - The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of use restrictions placed by its donors: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are resources available to support operations and are not subject to donor imposed restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents, and its application for tax-exempt status.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as where the donor stipulates that resources be maintained in perpetuity. The Foundation's unspent contributions are reported in net assets with donor restrictions if the donor limits their use. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

Income Tax Exemption - The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code. Accordingly, no provision for income taxes has been made.

Accounting principles generally accepted in the United States of America requires management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service and/or state taxing authorities. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Cash - For financial statement purposes, cash consists of all checking account balances maintained at a banking institution located in southern Maine.

Property and Equipment - Significant items of equipment with estimated useful lives of more than one year and a cost of \$5,000 or more are capitalized at cost if purchased, or fair market value if donated. The Foundation depreciates equipment using the straight-line method. Estimated useful lives of the respective assets of 5 years.

Deferred Revenue - Grants and contributions deemed to be exchange-type transactions and received for expenses not yet incurred are deferred to the year in which such expenses are incurred. There was no deferred revenues as of December 31, 2023 or 2022.

MICHAEL PHELPS FOUNDATION
Notes to Financial Statements, Continued
December 31, 2023 and 2022

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenues and Expenses - Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions that are temporary in nature on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets. At its discretion, the Board of Directors may designate funds without donor restrictions for specific purposes.

Contributions - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time the conditions upon which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date received. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. If deemed necessary, an allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activity.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net asset without donor restrictions class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the net assets with donor restrictions class that are temporary in nature; the restrictions are considered to be released at the time such long-lived assets are placed in service.

Contributions with Restrictions Met in the Same Year - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets without donor restrictions class.

Expense Allocation - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Certain costs have been allocated between the programs and supporting services identified based upon hours worked and other inputs.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. Actual results could differ from these estimates.

New Accounting Pronouncements - In December, 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-09 *Income Taxes (Topic 740)*. This ASU eliminates or modifies certain requirements currently in place, and establishes new income tax disclosure requirements. Application of this ASU must be applied for fiscal years ending on or after December 15, 2025. The Foundation is currently evaluating the impact of this ASU on the financial statements.

MICHAEL PHELPS FOUNDATION
Notes to Financial Statements, Continued
December 31, 2023 and 2022

CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Foundation maintains cash balances at one financial institution. At December 31, 2023 and 2022, these accounts were insured by the Federal Deposit Insurance Corporation up to \$250,000 in the aggregate. The Foundation has a repurchase agreement with a bank to provide for federally-backed collateralization of cash balances in excess of FDIC insurance limits. At December 31, 2023 and 2022, the Foundation had \$129,081 and \$138,001 of uninsured cash, respectively.

CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of unconditional promises to give from donors that are all due to be received within one year. As of December 31, 2023 and 2022, management considers all amounts outstanding to be fully collectible and thus does not deem a reserve for uncollectible accounts or a discount to present value to be necessary. At December 31, 2023 and 2022, there was \$57,000 and \$65,000, respectively, of outstanding contributions receivable.

EMPLOYEE RETENTION CREDIT

Pursuant to the Coronavirus Aid, Relief, and Economy Security Act (CARES Act), which was enacted in March 2020, the Foundation qualified as an employer that was eligible to claim an Employee Retention Credit. The Employee Retention Credit is a refundable tax credit against certain employment taxes equal to 50 percent of the qualified wages an eligible employer pays to employees after March 12, 2020, and before July 1, 2021. During 2021, the Foundation qualified for an Employee Retention Credit of \$45,965 for salaries paid during the period of March 12, 2020, and before July 1, 2021. The outstanding Employee Retention Credits of \$45,965 was received during the year ended December 31, 2022.

CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statements of activities amounted to \$34,500 and \$109,689 for the years ended December 31, 2023 and 2022, respectively. Unless otherwise noted, all contributed nonfinancial assets are not subject to any donor restrictions. All contributed services were utilized to provide educational programs of the Foundation. In valuing and reporting these services, the Foundation estimated fair value in the financial statements based on current rates for similar services or goods.

Contributed nonfinancial assets consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Salaries	\$ 30,000	60,000
Rent	4,500	3,375
Furniture for the Golf. Give. Gala.	-	25,000
Food and beverages for the Golf. Give. Gala.	-	21,314
Total contributed nonfinancial assets	\$ 34,500	109,689

MICHAEL PHELPS FOUNDATION
Notes to Financial Statements, Continued
December 31, 2023 and 2022

CONTRIBUTED NONFINANCIAL ASSETS, CONTINUED

For the year ended December 31, 2023, the Foundation recognized contributed public relations and training services in the amount of \$30,000, and donated office space of \$4,500. For the year ended December 31, 2022, the Foundation recognized contributed public relations and training services in the amount of \$60,000, donated office space of \$3,375, and donated goods of \$46,314. Each of these goods and services are presented in the Foundation's financial statements as contributed nonfinancial assets with an offsetting expense of salaries, rent, and GGG expenses, respectively.

PAYCHECK PROTECTION PROGRAM

On February 9, 2021, as a result of the negative financial impact of COVID-19, the Foundation applied for and was granted a loan from Norway Savings Bank, in conjunction with the Small Business Administration (SBA), in the amount of \$30,175, pursuant to the Paycheck Protection Program (the "PPP") under division A, Title I of the Coronavirus Aid, Relief and Economy Security Act (CARES Act), which was enacted in March, 2020. The loan, which was in the form of a note dated February 9, 2021, was scheduled to mature on February 9, 2026 and bore interest at a rate of 1.00% per annum, payable monthly commencing ten months after the covered period had ended.

The loan could be prepaid by the Foundation at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, certain amounts of the loan could be forgiven if they are used for qualifying expenses as described in the CARES Act. Such qualifying expenses included payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Foundation used the entire loan proceeds for qualifying expenses.

On February 7, 2022, the Foundation received notification of full forgiveness of its PPP loan. Such forgiveness is presented as "SBA PPP loan forgiveness" on the accompanying statements of activities for the year ended December 31, 2022.

SHARED-SERVICE AGREEMENT

The Foundation has entered into a shared-service agreement with Octagon, a worldwide sports and entertainment marketing firm. The agreement states that both organizations will work together on the marketing of the Foundation. Octagon will serve as the Foundation's exclusive representative worldwide in developing, negotiating, and managing the Foundation's marketing activities. The Foundation shall pay Octagon a fee of ten percent of all gross compensation it receives pursuant to any agreement, arrangement, or association, which is entered into, or in which negotiations substantially commenced, during the term of this agreement. Total fees paid to Octagon amounted to \$7,000 and \$11,875 during the years ended December 31, 2023 and 2022, respectively. This agreement would renew on an annual basis, unless otherwise terminated in writing by either party. This agreement was terminated during the year ended December 31, 2023.

MICHAEL PHELPS FOUNDATION
Notes to Financial Statements, Continued
December 31, 2023 and 2022

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES

Net assets with donor restrictions consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Subject to appropriation and expenditure when a specified event or time occurs:		
Contributions receivable	\$ 57,000	65,000
Totals	\$ 57,000	65,000
Total net assets with donor restrictions	\$ 57,000	65,000

Net assets released from restriction consisted of the following during the years ended December 31:

	<u>2023</u>	<u>2022</u>
Contributions receivable	\$ 65,000	239,500
Donor-restricted for events	-	273,500
Total net assets released from restriction	\$ 65,000	513,000

LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation has the following financial assets available within one year of the balance sheet date to meet cash needs for general expenditure:

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,440,940	1,613,797
Contributions receivable	57,000	65,000
Total	\$ 1,497,940	1,678,797

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. Contributions receivable are subject to implied time restrictions, but are expected to be collected within one year. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

RETIREMENT PLAN

Effective January 1, 2014, the Foundation established a 401(k) Plan. All eligible employees may contribute to this Plan. Beginning in fiscal year 2022, the Foundation initiated an employer match on up to 5% of compensation. Total expense for the year ended December 31, 2023 and 2022 amounted to \$9,169 and \$1,864, respectively.

MICHAEL PHELPS FOUNDATION
Notes to Financial Statements, Continued
December 31, 2023 and 2022

REVENUE RECOGNITION

During the years ended December 31, 2023 and 2022, the Foundation had contract revenue consisting of the following:

	<u>2023</u>	<u>2022</u>
Special Events Sponsorships	\$ 400,742	-
Golf. Give. Gala. Sponsorships	-	544,050
<u>Total contract revenue</u>	<u>\$ 400,742</u>	<u>544,050</u>

During the years ended December 31, 2023 and 2022, the Foundation had contract receivables in the amount of \$57,000 and \$40,000, respectively, all of which pertained to special event sponsorships. For each of the years ended December 31, 2023 and 2022, goods and services provided to customers included sponsorship of special events.

To best match the timing of the transfer of goods or services, the Foundation recognizes revenue from contracts with customers when performance obligations are satisfied, which is the date of occurrence for special events. All prices are fixed and there are no financing terms. There are no significant warranties of return, refund, or discount obligations related to any contracts with customers. For each of the years ended December 31, 2023 and 2022, the greatest economic factor effecting contract revenue has been the state of the economy and inflation.

Contract transaction prices include management's judgment of variable consideration, which includes incentives and rebates. Based on available information, management must include an estimate of any variable consideration, if applicable, when determining the contract transaction price. There were no such variable considerations in determining contract transaction prices.

METHOD USED FOR ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Those expenses include salaries, payroll taxes and fringe benefits, payroll service fees, and health insurance. These expenses are allocated based on hours worked.

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through April 10, 2024, which is the date these financial statements were available to be issued.