



**MICHAEL PHELPS
FOUNDATION**

**FINANCIAL STATEMENTS
December 31, 2024 and 2023**

MICHAEL PHELPS FOUNDATION
Financial Statements
December 31, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. 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

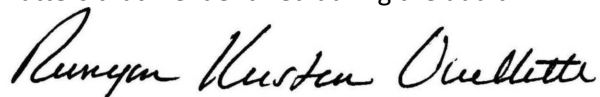
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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 21, 2025
South Portland, Maine

MICHAEL PHELPS FOUNDATION
Statements of Financial Position
December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash	\$ 1,099,412	1,440,940
Contributions receivable	328,500	57,000
Prepaid expenses	9,166	10,000
Other	-	1,006
Total current assets	1,437,078	1,508,946
Property and equipment:		
Equipment	2,882	2,882
Less accumulated depreciation	(2,688)	(2,688)
Property and equipment, net	194	194
Total assets	\$ 1,437,272	1,509,140
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 7,408	154,395
Accrued payroll	4,462	5,066
Total current liabilities	11,870	159,461
Total liabilities	11,870	159,461
Net assets:		
Without donor restrictions	1,096,902	1,292,679
With donor restrictions	328,500	57,000
Total net assets	1,425,402	1,349,679
Total liabilities and net assets	\$ 1,437,272	1,509,140

See accompanying notes to financial statements.

MICHAEL PHELPS FOUNDATION
Statements of Activities
Years Ended December 31, 2024 and 2023

	2024	2023
Net assets without donor restrictions:		
Support and revenue:		
Contributions	\$ 441,523	647,060
Special events, net of expenses of \$391,750 and \$285,946, respectively	566,050	400,742
Contributed nonfinancial assets	-	34,500
Other revenue	4,832	22,687
Releases from restriction	57,000	65,000
Total support and revenue without donor restrictions	1,069,405	1,169,989
Expenses:		
Program services	1,046,680	1,137,357
Management and general	133,545	235,544
Fundraising	84,957	77,097
Total expenses	1,265,182	1,449,998
Change in net assets without donor restrictions	(195,777)	(280,009)
Net assets with donor restrictions:		
Support and revenue:		
Special events income	328,500	57,000
Releases from restrictions	(57,000)	(65,000)
Total support and revenue with donor restrictions	271,500	(8,000)
Change in net assets with donor restrictions	271,500	(8,000)
Total change in net assets	75,723	(288,009)
Net assets, beginning of year	1,349,679	1,637,688
Net assets, end of year	\$ 1,425,402	1,349,679

See accompanying notes to financial statements.

MICHAEL PHELPS FOUNDATION
Statement of Functional Expenses
Year Ended December 31, 2024

	Program services	Management and general	Fundraising	Total expenses
Salaries	\$ 170,344	19,132	15,915	205,391
Payroll taxes and fringe benefits	23,815	2,621	2,440	28,876
Insurance	3,555	8,338	-	11,893
Accounting	351	29,626	-	29,977
Legal	6,799	26,149	-	32,948
Marketing	10,716	150	-	10,866
Printing and design	25,865	-	-	25,865
Shipping	8,294	216	55	8,565
Office expenses	7,916	10,298	-	18,214
Gifts and donations	588,885	441	-	589,326
Program materials	53,167	-	-	53,167
Training	66,058	11,110	-	77,168
Travel, meals, and meeting expenses	70,250	891	263	71,404
Technology	78	7,628	-	7,706
Finance charges	1,047	637	7,784	9,468
Permits and licenses	-	5,577	-	5,577
Storage	4,359	-	-	4,359
Interest	-	583	-	583
Professional Fees	4,369	2,495	-	6,864
Bad debt	-	-	58,500	58,500
Miscellaneous	812	7,653	-	8,465
Total expenses	\$ 1,046,680	133,545	84,957	1,265,182

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
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 75,723	(288,009)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Bad debt	58,500	15,000
Disposition of fixed assets	-	300
(Increase) decrease in current assets:		
Contributions receivable	(330,000)	(7,000)
Prepaid expenses	834	(869)
Other receivables	1,006	1,107
Increase (decrease) in current liabilities:		
Accounts payable	(146,987)	104,752
Accrued payroll	(604)	1,862
Net cash used in operating activities	(341,528)	(172,857)
Net change in cash	(341,528)	(172,857)
Cash at beginning of year	1,440,940	1,613,797
Cash at end of year	\$ 1,099,412	1,440,940

See accompanying notes to financial statements.

MICHAEL PHELPS FOUNDATION
Notes to Financial Statements
December 31, 2024 and 2023

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 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 the 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.

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.

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 over the estimated useful life 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 were no deferred revenues as of December 31, 2024 or 2023.

MICHAEL PHELPS FOUNDATION
Notes to Financial Statements, Continued
December 31, 2024 and 2023

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.

Accounts Receivable - Accounts receivable consist primarily of grants and accounts receivable. The Foundation considers receivables uncollectible after all efforts for collection have been exhausted.

Allowance for Credit Losses for Accounts Receivable - When an account balance is past due and attempts have been made to collect the receivable, the amount is considered uncollectible and is written off against the allowance for estimated credit losses. At December 31, 2024, and 2023, the Foundation did not consider an allowance for estimated credit losses to be necessary, as all amounts were considered fully collectible, and the estimated credit loss was not considered to be material to the financial statements.

The Foundation's policy is to measure its allowance for credit losses based on an evaluation of historical internal and external information and past experience of the receivable aging, adjusted for current economic conditions, and reasonable and supportable forecast about future events that affects the collectability of receivables. Specific factors considered in measuring the expected amount of accounts receivables collected include the current customer-specific risk characteristics, current and forecasted future financial condition, the customer's past payment history and forecasted payment ability, and other factors, such as changes in the economy due to interest, inflation, and unemployment levels.

MICHAEL PHELPS FOUNDATION
Notes to Financial Statements, Continued
December 31, 2024 and 2023

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In measuring expected credit losses for accounts receivable, the Foundation considers the entire population of accounts receivable to be a single pool because the assets have similar risk characteristics in terms of customer creditworthiness, customer industry and geographic location, and the impact of the current and forecasted direction of the economic and business environment on collectability of such receivables. In situations in which customers have risk characteristics that are outside those of the customer pool as a whole, those customers are evaluated for credit losses using criteria independent of the remainder of the accounts receivable pool.

From time to time, there may be changes in current economic conditions, such as rates of interest, inflation, unemployment, and borrower forecasted ability to make payments, among others, that may impact the overall economic outlook and change the forecast of the expected amounts to be collected for accounts receivable. In those situations, the Foundation factors in those changes into its computation of expected losses.

During the years ended December 31, 2024, and 2023, there were no changes in the Foundation's accounting policies or methodology, in measuring credit losses related to its accounts receivable. There were no significant changes in the amount of accounts written off during the years ended December 31, 2024, and 2023.

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.

In addition, during December 2023, the FASB issued ASU No. 2023-08 *Intangibles - Goodwill and Other – Crypto Assets (Subtopic 350-60)*. This ASU requires additional disclosures as well as measuring crypto assets at fair value in the balance sheet and recognizing re-measurement changes, as needed, in net income for each reporting period. Topic 820, Fair Value guidance is also applicable under this new ASU. Application of this ASU must be applied for fiscal years beginning after December 15, 2024.

The Foundation is currently evaluating the impact of these ASUs on the financial statements.

MICHAEL PHELPS FOUNDATION
Notes to Financial Statements, Continued
December 31, 2024 and 2023

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, 2024 and 2023, these accounts were insured by the Federal Deposit Insurance Corporation up to \$250,000 in the aggregate. The Foundation had a repurchase agreement with a bank to provide for federally-backed collateralization of cash balances in excess of FDIC insurance limits; this was closed during March, 2024. At December 31, 2024 and 2023, the Foundation had \$839,099 and \$129,081 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, 2024 and 2023, 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, 2024 and 2023, there was \$328,500 and \$57,000, respectively, of outstanding contributions receivable.

CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statements of activities amounted to \$0 and \$34,500 for the years ended December 31, 2024 and 2023, respectively. Unless otherwise noted, all contributed nonfinancial assets are not subject to any donor restrictions. All contributed services were utilized to support 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>2024</u>	<u>2023</u>
Salaries	\$ -	30,000
Rent	-	4,500
Total contributed nonfinancial assets	\$ -	34,500

For the year ended December 31, 2024, the Foundation had no contributed nonfinancial assets. 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. Each of these goods and services are presented in the Foundation's financial statements as contributed nonfinancial assets with an offsetting expense of contributed nonfinancial assets - salaries, and contributed nonfinancial assets - rent.

SHARED-SERVICE AGREEMENT

The Foundation had a shared-service agreement with Octagon, a worldwide sports and entertainment marketing firm. The agreement stated that both organizations would work together on the marketing of the Foundation. Octagon would serve as the Foundation's exclusive representative worldwide in developing, negotiating, and managing the Foundation's marketing activities. The Foundation would pay Octagon a fee of ten percent of all gross compensation it received pursuant to any agreement, arrangement, or association, which was entered into, or in which negotiations substantially commenced, during the term of this agreement. Total fees paid to Octagon amounted to \$7,000 during the year ended December 31, 2023. This agreement was terminated during the year ended December 31, 2023.

MICHAEL PHELPS FOUNDATION
Notes to Financial Statements, Continued
December 31, 2024 and 2023

REVENUE RECOGNITION

During the years ended December 31, 2024 and 2023, the Foundation had contract revenue consisting of the following:

	<u>2024</u>	<u>2023</u>
Special events income	\$ 894,550	457,742
Total contract revenue	\$ 894,550	457,742

During the years ended December 31, 2024 and 2023, the Foundation had no contract receivables or liabilities. For each of the years ended December 31, 2024 and 2023, 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, 2024 and 2023, 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.

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, 2024 and 2023 amounted to \$7,457 and \$9,169, respectively.

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES

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

	<u>2024</u>	<u>2023</u>
Subject to appropriation and expenditure when a specified event or time occurs:		
Contributions receivable	\$ 328,500	57,000
Totals	\$ 328,500	57,000
Total net assets with donor restrictions	\$ 328,500	57,000

MICHAEL PHELPS FOUNDATION
Notes to Financial Statements, Continued
December 31, 2024 and 2023

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES, CONTINUED

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

	<u>2024</u>	<u>2023</u>
Contributions receivable	\$ 57,000	65,000
Total net assets released from restriction	\$ 57,000	65,000

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>2024</u>	<u>2023</u>
Cash	\$ 1,099,412	1,440,940
Contributions receivable	328,500	57,000
Total	\$ 1,427,912	1,497,940

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.

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 21, 2025, which is the date these financial statements were available to be issued.