

MAIN STREET MOBILE, INC.

FINANCIAL STATEMENTS

June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Main Street Mobile, Inc.
Mobile, Alabama

We have audited the accompanying statement of assets, liabilities, and net assets – modified cash basis of Main Street Mobile, Inc. (a nonprofit Organization) as of June 30, 2012, and the related statement of revenues, expenses, and changes in net assets – modified cash basis for the year then ended. The financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the Notes to Financial Statements, the financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of Main Street Mobile, Inc. as of June 30, 2012, and the changes in net assets for the year then ended, on the basis of accounting described in the Notes to Financial Statements.

Smith, Dukes and Buckalew, LLP

September 21, 2012

FINANCIAL STATEMENTS

MAIN STREET MOBILE, INC.

**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS –
MODIFIED CASH BASIS
June 30, 2012**

ASSETS

| | |
|-----------------------------|--------------------------|
| Current assets | |
| Cash and cash equivalents | \$ 213,558 |
| Property and equipment, net | |
| Equipment | 17,087 |
| Accumulated depreciation | <u>(8,453)</u> |
| | <u>8,634</u> |
| Total assets | <u><u>\$ 222,192</u></u> |

LIABILITIES AND NET ASSETS

| | |
|----------------------------------|--------------------------|
| NET ASSETS | |
| Unrestricted | \$ 127,453 |
| Temporarily restricted | 94,739 |
| Permanently restricted | <u>-</u> |
| Total net assets | <u>222,192</u> |
| Total liabilities and net assets | <u><u>\$ 222,192</u></u> |

See accompanying notes to financial statements.

MAIN STREET MOBILE, INC.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
MODIFIED CASH BASIS**

For the Year Ended June 30, 2012

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|-------------------------------------------|---------------------|-----------------------------------|-------------------|
| Support and revenues | | | |
| Public improvement grants | 7,600 | \$ - | \$ 7,600 |
| Contributions | 1,724 | - | 1,724 |
| Interest income | 603 | 853 | 1,456 |
| Endowment distribution from the Community | | | |
| Foundation of South Alabama | 8,950 | - | 8,950 |
| Artist live-work housing market study | - | 4,500 | 4,500 |
| Donor advised public art | - | 2,000 | 2,000 |
| Retail incubator | - | 60,000 | 60,000 |
| Hospitality zone assessment | - | 5,000 | 5,000 |
| Storm drain marker program | - | 2,000 | 2,000 |
| Special events | 3,890 | - | 3,890 |
| Miscellaneous | 7,769 | - | 7,769 |
| Net assets released from restrictions | 96,007 | (96,007) | - |
| Total support and revenues | <u>126,543</u> | <u>(21,654)</u> | <u>104,889</u> |
| Expenses | | | |
| Program services | 115,670 | | 115,670 |
| Supporting services | 7,066 | | 7,066 |
| Total expenses | <u>122,736</u> | <u>-</u> | <u>122,736</u> |
| Change in net assets | 3,807 | (21,654) | (17,847) |
| Beginning net assets | <u>123,646</u> | <u>116,393</u> | <u>240,039</u> |
| Ending net assets | <u>\$ 127,453</u> | <u>\$ 94,739</u> | <u>\$ 222,192</u> |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Nature of activities

Main Street Mobile, Inc. (the “Organization”) is a non-profit organization located in Mobile, Alabama whose purpose is to make downtown Mobile a vibrant and exceedingly wonderful place to live, work, and play by encouraging, promoting, and actively assisting business, residential, and cultural activities and projects, and by facilitating the creation and management of appealing public spaces.

Summary of Significant Accounting Policies

Basis of accounting

Main Street Mobile, Inc. prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the modified cash basis of accounting, certain revenues, and the related assets are recognized when collected rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Basis of presentation

The financial statements are presented following the recommendations of the Financial Accounting Standards Board in its Statement of Accounting Standards Codification 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets—not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets – subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets – subject to donor-imposed stipulations that they be retained and invested permanently by the Organization.

The Organization has no permanently restricted net assets.

Cash and cash equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Property and equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful lives of the assets, using primarily straight line methods.

Summary of Significant Accounting Policies (continued)

Income taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's tax returns for fiscal years ended June 30, 2010, 2011, and 2012 remain open for examination by the taxing authorities, generally for three years after they were filed.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent events

The Organization has evaluated subsequent events through September 21, 2012, the date the financial statements were available to be issued. No subsequent events have occurred through that date that would have a material impact on the financial statements.

Property and Equipment

Property and equipment consisted of the following at June 30:

| | | |
|-------------------------------|----|--------------|
| Furniture and equipment | \$ | 17,087 |
| Less Accumulated Depreciation | | (8,453) |
| | \$ | <u>8,634</u> |

Depreciation expense was \$2,307 for the year ending June 30, 2012.

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 consisted of the following:

| | | |
|-----------------------------------|----|---------------|
| Façade Grant | \$ | 50,219 |
| Cathedral Square Fund | | 22,520 |
| Cathedral Square Planting Program | | 5,000 |
| Retail Incubator | | 15,000 |
| Storm Drain Marker Program | | 2,000 |
| | \$ | <u>94,739</u> |

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Main Street Mobile, Inc.

We have audited the financial statements of Main Street Mobile, Inc. as of and for the year ended June 30, 2012, and our report thereon dated September 21, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Program Services and Support Services is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Smith, Dukes and Buckalew, LLP

September 21, 2012

MAIN STREET MOBILE, INC.

**SCHEDULE OF PROGRAM SERVICES AND SUPPORT SERVICES
For the Year Ended June 30, 2012**

| | <u>Program Services</u> | <u>Support Services</u> | <u>Total</u> |
|-------------------------------|-----------------------------|-----------------------------|-------------------|
| Marketing | \$ 116 | \$ - | \$ 116 |
| Community Research / Projects | 24,192 | - | 24,192 |
| Public improvements | 75,006 | - | 75,006 |
| Donor advised public art | 6,598 | - | 6,598 |
| Special events | 5,670 | - | 5,670 |
| Miscellaneous | 4,063 | - | 4,063 |
| Postage | - | 389 | 389 |
| Professional services | - | 3,763 | 3,763 |
| Office supplies | - | 138 | 138 |
| Bank charges | 25 | - | 25 |
| Insurance | - | 469 | 469 |
| Depreciation | - | 2,307 | 2,307 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total expenses | <u>\$ 115,670</u> | <u>\$ 7,066</u> | <u>\$ 122,736</u> |