

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-K**

(Mark One)

☒ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the fiscal year ended April 30, 2012

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **333-174404**

**M Street Gallery, Inc.**

(Exact name of small business issuer as specified in its charter)

**Florida**

(State or other jurisdiction of incorporation or organization)

**45-1443512**

(IRS Employer Identification No.)

**815 W. Boynton Beach Blvd., Boynton Beach, Florida 33426**

(Address of principal executive offices)

**561-200-7721**

(Issuer's telephone number)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐  
Non-accelerated filer ☐

Accelerated filer ☐  
Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ☐ No ☒

State issuer's revenues for its most recent fiscal year, April 30, 2012: \$2,800

The market value of the common stock held by non-affiliates cannot be estimated since there is no active market for the company's shares.

There were 2,645,000 shares of common stock outstanding as of April 30, 2012.

## FORWARD LOOKING STATEMENTS

The information presented in this Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995. These statements are not historical facts, but rather are based on our current expectations, estimates and projections, and our beliefs and assumptions. We intend words such as “anticipate,” “expect,” “intend,” “plan,” “believe,” “seek,” “estimate,” “will” and similar expressions to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. These factors could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. These risks and uncertainties are described in the risk factors and elsewhere in this Annual Report on Form 10-K. We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this Annual Report on Form 10-K. We are not obligated to update these statements or publicly release the result of any revisions to them to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events.

As used in this Annual Report on Form 10-K, except where otherwise stated or indicated by the context, “M Street,” “we,” “us,” “the Company,” “our,” or “the Registrant” means M Street Gallery, Inc.

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## **PART I**

### **ITEM 1. BUSINESS**

We were incorporated in the State of Florida on March 11, 2011, for the purpose of providing an online marketplace for art work created by German artist Reinhold Mackenroth through the Internet. We have proceeded with our business plan with obtaining a domain name called [www.MstreetGallery.com](http://www.MstreetGallery.com), purchased by our President, as a gift to our company and have constructed an e-commerce website.

We initiated a website that offers a modest array of unique and custom oil on canvas artwork, created by German artist Reinhold Mackenroth to individual retail customers. Our president has constructed our website. Our president works 30 hours per week coordinating and constructing the website, investigating marketing strategies and creating new artwork. Our costs in developing operations have been minimal to date. Our products are offered at retail prices. In addition to offering a modest array of unique original artwork, we also offer custom portraits services. We also intend to sell advertising banners to manufactures and retailers of art supplies. We are currently reviewing our options to offer Lithographs as a more economically way for customers to purchase artwork created by Mr. Mackenroth. There can be no assurance that we will be able to develop revenue in this area, or any other area.

#### *PRINCIPAL PRODUCTS AND SERVICES.*

The discussion of our future business is management's best estimate and analysis of the potential market, opportunities and difficulties that we face. There can be no assurances that the underlying assumptions accurately reflect our opportunities and potential for success. Competitive and economic forces make forecasting of revenues and costs difficult and unpredictable.

We hope to maintain our web site that provides an online marketplace for original oil on canvas artwork produced by German artist Reinhold Mackenroth. Our president has decades of experience in producing and replicating artwork but lacks experience in using the Internet as a point of sale. Our intention is to provide an interactive solution to improve the experience of purchasing original artwork to potential retail customers through our website. Although we have no experience in using the Internet to improve the experience of purchasing artwork, the products and services we intend to offer below may assist.

We hope to develop and maintain our site to permit website visitors to do the following:

- Conveniently view all original art productions 24 hours a day 7 days a week.
- Offer an efficient marketplace in which customers can submit and purchase custom portraits of themselves, loved ones or even pets.
- Cross geographical limitations by the ability to access our website worldwide to those visitors viewing our website in English, since we do not expect to offer our

website in different languages and we do not expect to convert our website to any other language nor extend any special customer service to these countries. Most popular search engines such as [www.Google.com](http://www.Google.com) can be accessed worldwide, and in turn consumers may click on our website from other countries located in or near the United States, such as the Caribbean Islands or as far as Europe. Some of these countries outside the United States may not have the availability of originally produced artwork or the ability to procure custom portraits. Therefore, we hope to provide our services to those countries that may be actively seeking oil on canvas original productions or custom portraits from the United States. We have not conducted any research to support this and its management assumption that this may hopefully be the case.

- Post banners ads for art supplies and frames, and for other interested third parties.
- View information about the products in a more detailed and informative manner.

In summary our planned sources of revenue will be derived from the following:

1. The sale of original oil on canvas artwork and custom portraits produced by German artist Reinhold Mackenroth
2. Banner Ads

We offer consumers a modest array of original artwork and portraits at retail prices. We intend to emphasize the sale of custom portraits of loved ones and pets, which may not be available in other retail locations, warehouse clubs or mass merchandisers of artwork. We hope to attract consumers to our custom portrait services by making the process as easy as possible, unlike custom portraits of the past where they are normally conducted in person, we can deliver these services through the use of a photograph supplied by the customer delivered to us either through the mail or via email, most commonly we will advise our consumers to supply a photo which is a minimum of 5 inches by 8 inches, to present the needed detail.

We have not developed criteria for pricing of the advertising space; however, we anticipate pricing will be based upon advertisement size, web page placement, content requirements, contract duration and other factors.

We plan to process most of our orders directly online, but due to the delicate nature of some potential orders for multiple original artwork and its shipping requirements, we plan to process those orders by phone. Those individuals who wish to purchase products through our website can do so without any subscription fees. The site is welcome to all retail customers.

Our intention, is to maintain and grow a personalized interactive gallery of all the artwork produced by Mr. Mackenroth where a visitor can view and purchase a modest array of original artwork and custom portrait services with an in depth product description which may not be offered elsewhere.

## *DISTRIBUTION*

We plan to deliver our services mainly through our website and to a much lesser degree certain art shows and exhibits. Within either outlet of sale we expect to utilize third party shippers such as USPS, UPS and or Fedex.

## *COMPETITIVE BUSINESS CONDITIONS*

The conventional method of purchasing and selling artwork for at least the past fifty years has been through person-to-person meeting or brick and mortar type galleries. The public has been reticent to new vehicles or formats through which they would purchase and sell artwork. Competition among artwork retailers has increased as a result of the attractive commercial medium provided by the Internet and the relatively low barriers to enter this market. Therefore, we believe the success of online retailers will depend on their ability to develop brand awareness, offer competitive prices on a broad selection of products, and provide compelling content and superior customer service.

Despite the convenience of the services offered over the Internet or prospectively over our website, many consumers will view conventional methods of obtaining artwork more convenient and offering better customer service.

We will face intense competition in all aspects of the artwork industry.

We will compete with brick and mortar type retail stores as well as on line retailers that also provide art products and services to the public. These companies may offer convenience and customer service superior to our company. In addition, these companies may have better marketing and distribution channels.

We intend to maintain a website that is easy to use that offers a wide product selection at competitive prices. We hope to attract potential customers to our website instead of other companies they are familiar with because they would be able to choose from an array of original art productions, quickly and easily, without being rushed and allowing them the freedom to carry on at their own pace. Also, with our dedication to offering original production custom portraits, with oil on canvas, which may not be available in most galleries or warehouse type stores, we hope to capture the customer who demands a better quality of artwork in its originality and uniqueness.

The art industry is fragmented and regionalized. Our competitive position within the industry is small in light of the fact that we have not generated any revenue. Older, well established artist and dealers with records of success will attract qualified clients away from us. Since we have not generated any revenue, we cannot compete with them on the basis of reputation. We do expect to compete with them on the basis of price, service and selection. We intend to be able to attract and retain customers by offering a unique line of original productions along with the ability to offer custom portrait services. We will offer attractive, competitive pricing and will be responsive to all our customers needs. We will offer in depth descriptions and pictures that captures each art productions color and size and through our multi focused marketing and advertising campaign, as explained further

in *Plan of Operation*, we will utilize as many different marketing outlets as feasible, such as flyers and mailers, industry magazines, newspapers and exhibits and shows.

However, there can be no assurance that we will be able to compete effectively in this highly competitive industry, which could have a material impact upon market acceptance of our website and the products we wish to sell.

## EMPLOYEES

We currently have only one employee, who works less than full time, Reinhold Mackenroth, our president and sole director.

## GOVERNMENTAL REGULATION ISSUES

We are not now affected by direct government regulation, generally and laws or regulations directly applicable to access to or commerce on the Internet. However, due to increasing usage of the Internet, a number of laws and regulations may be adopted relating to the Internet, covering user privacy, pricing, and characteristics and quality of products and services. Furthermore, the growth and development for Internet commerce may prompt more stringent consumer protection laws imposing additional burdens on those companies conducting business over the Internet. The adoption of any additional laws or regulations may decrease the growth of the Internet, which, in turn, could decrease the demand for Internet services and increase the cost of doing business on the Internet. These factors may have an adverse effect on our business, results of operations and financial condition

## Item 1A. Risk Factors

### **Risk Factors Particular to M Street Gallery, Inc**

- A. Our success is heavily dependent upon the continued participation of Reinhold Mackenroth our only Officer and Director, if we lose him our business will have no management.**

Our success is heavily dependent upon the continued active participation of our only officer and director, Reinhold Mackenroth. Mr. Mackenroth has experience in the art and lithography industry. However, Mr. Mackenroth has little Internet experience in establishing an Internet e commerce website. Unless Mr. Mackenroth has the financial resources to hire qualified Internet consultants, the presentation and technical aspects of our website may not be able to attract customers to our website. Currently Mr. Mackenroth is not involved with any other business ventures. The only conflict of interest we foresee is that our Mr. Mackenroth may devote time to projects that do not involve us.



1. We do not maintain "key person" life insurance on Reinhold Mackenroth life.
2. We do not have a written employment agreement with Reinhold Mackenroth.
3. There can be no assurance that we will be able to recruit or retain other qualified personnel, should it be necessary to do so.

**B. Mr. Mackenroth is our only officer and director and owns more than 94 percent of the Companys common stock, following this offering and may approve or take actions that may be adverse to your interests**

Following this offering, Mr. Makenroth will own approximately 94.5 percent of the outstanding common stock and our voting power. As a result, he alone will be able to exercise control over many matters requiring approval by the board of directors or our stockholders. As a result, he will be able to:

- Control the composition of our board of directors;
- Control our management and policies;
- Determine the outcome of significant corporate transactions.

Additionally, it should be clear that the interests of Mr. Mackenroth may differ entirely from the other shareholders interest.

**C. If Customers do not accept an Internet Marketplace for art work via the Internet, we will not generate revenue to operate**

Our success depends upon the general acceptance of an on-line marketplace for art work by consumers, specifically those produced by Reinhold Mackenroth.

If customers do not embrace an online marketplace for art work, we will be unable to generate revenue. The market for an electronic marketplace for art work, particularly over the Internet, is in its early stages of development, but is evolving rapidly. We cannot assure that a sufficiently broad base of consumers and businesses will adopt, and continue to use, the Internet to obtain art work, traditionally provided in person-to-person transactions.

We believe that acceptance of an online marketplace for art work via the internet will depend on the following factors, among others:

- \* The growth of the Internet as a medium for commerce generally, and as a market for art work products in particular
- \* Development of the necessary Internet network infrastructure to support new technologies and handle the demands placed upon us by our visitors

\* A change in the perception among many consumers that an online marketplace is less dependable than obtaining art work through more traditional methods

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**D. Reinhold Mackenroth, our only Officer and Director will only participate 80% of his time towards the business of M Street Gallery, Inc., this may lead to slower development and growth**

Mr. Mackenroth, the Companys president, may participate in other business ventures, which may compete directly or indirectly with the Company, which may lead to less time devoted to the strategic development of the company. Additional conflicts of interest and non-arms length transactions may also arise in the future. Mr. Mackenroth plans to devote at least 80% of his time, towards the business of M Street Gallery, Inc, which consists of 30 or more hours per week. Currently, there are no written policies nor any plans to create a policy that govern these potential conflicts or activities.

**E. Reinhold Mackenroth, our only employee, who will work less than full time, may impede our competitiveness and customer experience.**

A component of our strategy is to be responsive to our customers' needs. Since, Mr. Mackenroth is our only employee who will work less than full time, and until such time that we generate enough revenue to hire additional employees, Mr. Mackenroth must balance his time accordingly. This may impact the level of customer service and our responsiveness to their needs. This may also have a material impact upon market acceptance of our website and the products we wish to sell.

**F. We are a Development Stage Company and may not generate enough revenues to stay in business**

Because we are in the developmental stage an investor cannot determine if we will ever be profitable. We will experience financial difficulties during our operational development and beyond.

We may be unable to operate profitably, even if we generate revenues. We plan to generate revenues from the sales of art work and advertising through our website, but there can be no assurance that our revenues will exceed our costs.

Investors have no basis upon which to judge our ability to maintain our web site and product line and are unable to forecast our future growth. We have no revenues or revenue sources and yet we have significant costs. We cannot assure that our website will receive enough Internet traffic or purchases to generate revenues or achieve profitability.

## **Other Investment Risk Factors**

### **A. Purchase of Penny Stocks Can be Risky and these securities will be more difficult to sell even if a market develops**

In the event that a public market develops for our securities, such securities may be classified as a penny stock depending upon their market price and the manner in which they are traded. The Securities and Exchange Commission has adopted Rule 15c-9 which establishes the definition of a "penny stock," for purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share whose securities are admitted to quotation but do not trade on the Nasdaq SmallCap Market or on a national securities exchange.

For any transaction involving a penny stock, unless exempt, the rules require delivery by the broker of a document to investors stating the risks of investment in penny stocks, the possible lack of liquidity, commissions to be paid, current quotation and investors' rights and remedies, a special suitability inquiry, regular reporting to the investor and other requirements. Prices for penny stocks are often not available and investors are often unable to sell such stock. Thus an investor may lose his investment in a penny stock and consequently should be cautious of any purchase of penny stocks.

### **B. Absence of Dividends Now and in the Near Future May Affect a Shareholders Return on Investment**

We have never paid dividends. We do not anticipate declaring or paying dividends in the foreseeable future, and we intend to retain any future earnings to finance its growth. Our dividends will be at our Board of Directors discretion and contingent upon our financial condition, earnings and capital requirements. An investor should be aware that a dividend, either in cash or shares, may never be paid by the company and therefore, the shares of the company should not be purchased by an investor as an income producing security.

## **Item 2. Properties**

We are presently using office space provided by our President, Reinhold Mackenroth, without charge or contract for lease, at 815 W. Boynton Beach Blvd, Boynton Beach, Florida 33426. Our phone number is 561-200-7721. We feel that this space is adequate for our needs at this time, and we feel that we will be able to locate adequate space in the future, if needed, on commercially reasonable terms.

### **Item 3. Legal Proceedings**

We are not aware of any pending or threatened legal proceedings, which involve M Street Gallery, Inc.

## **PART II**

### **Item 5. Market for Common Equity and Related Stockholder Matters**

#### **(a) MARKET INFORMATION**

Our securities do not currently, and have not in the past, actively traded on any public market. Thus, there is currently no market for our securities and there can be no assurance that a trading market will develop or, if one develops, that it will continue. The shares of commons tock are quoted in the NASD's OTC Bulletin Board under the symbol "MREY"

#### **(b) SHAREHOLDERS**

The number of shareholders of record of our Common Stock as of the close of business on April 30, 2012 was 20.

#### **(c) DIVIDEND POLICY**

To date, we have declared no cash dividends on our Common Stock, and we do not expect to pay cash dividends in the near term. We intend to retain future earnings, if any, to provide funds for operation of our business.

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### **Item 6. Selected Financial Data**

Not applicable

### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **Overview**

We were incorporated in the State of Florida on March 11, 2011, for the purpose of providing an online marketplace for art work created by German artist Reinhold Mackenroth, through the Internet. M Street Gallery is an active participant in the manufacturing and sale of original oil based paintings. We are fully operational and plan to build on that momentum going forward with our business plan. Our website is located at [www.MstreetGallery.com](http://www.MstreetGallery.com).

We offer a modest array of unique and custom oil on canvas artwork, created by German artist Reinhold Mackenroth to individual retail customers. In addition to offering a modest array of unique original artwork, we also offer custom portraits services.

Currently, our website offers 16 original oil based paintings valued in aggregate at an estimated market price of \$31,000, as listed on our website.

## **Results of Operations**

### **Revenue**

During fiscal 2012 and 2011, we had revenue of \$2,800 and \$0 respectively. This increase in revenue was attributed to several painting being sold.

### **Operating Expenses**

Our operating expenses for fiscal year 2012 and 2011 were \$44,726 and \$0. This increase in expenses is attributed to the commencement of operations along with compensation and professional fees. The compensation portion totals \$20,000, of which has been deferred until there is sufficient working capital.

### **Net Loss**

We had a net loss of (\$41,926) for 2012 compared to a net loss of \$0 in fiscal 2011. This increase in net loss is attributable to the increase in operating expenses as discussed above.

## **Liquidity and Capital Resources**

At April 30, 2012 we had \$1,074 in available cash compared to \$14,750 at April 30, 2011, a decrease of \$13,676.

### **Liabilities**

At April 30, 2012, we had total deferred liabilities of \$26,750 compared to \$0 as of April 30, 2011. This increase is mainly attributable to compensation and accounts payable.

### **Cash Flows**

Cash used in operations at April 30, 2012 were \$13,676 compared to \$0 as of April 30, 2011.

As of April 30, 2012 the company had assets of \$1,074 and liabilities of \$26,750 compared to assets of \$14,750 and liabilities of \$0 as of April 30, 2011. Stockholders

deficit as of April 30, 2012 was \$25,675 compared to a stockholders equity of \$14,750 at April 30, 2011. This loss was attributed to an increase in expenses, accounts payable and compensation.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Financial statements are audited and included herein beginning on page F-1 of this report.

## **ITEM 9. CHANGE AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES**

None

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

Under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15 promulgated under the Securities Exchange Act of 1934 (the “Exchange Act”). Such disclosure controls and procedures are designed to provide reasonable assurance that information, which is required to be disclosed in our reports filed pursuant to the Exchange Act, is recorded, processed, accumulated, and communicated to management within the time periods specified in the SEC’s rules and forms. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

### **Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting that occurred during the year ended April 30, 2012 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

### **Management’s Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, which consists of our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of internal control over financial reporting based on criteria established in the framework in *Internal Control – Integrated Framework* issued

by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), as supplemented by the COSO publication *Internal Control over Financial Reporting – Guidance for Smaller Public Companies* . Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was effective as of April 30, 2012, based on these criteria.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

This annual report does not include an attestation report of our registered independent auditors regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered independent auditors pursuant to temporary rules of the SEC that permit us to provide only management’s report in this annual report.

Baum & Company, P.A.  
Certified Public Accountants  
605 Lincoln Road Suite 210  
Miami Beach, Florida 33139

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Stockholders and Board of Directors  
M Street Gallery, Inc.

We have audited the accompanying balance sheets of M Street Gallery, Inc. (A Development Stage Company) as of April 30, 2012 and 2011 and the related statements of operations, cash flows and stockholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 provide a reasonable basis for our opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position of M Street Gallery, Inc. (A Development Stage Company) as of April 30, 2012 and 2011 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Miami Beach, Florida  
July 5, 2012  
/s/ Baum & Company, P.A.



**M STREET GALLERY, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**BALANCE SHEET**

		<u><b>April 30, 2012</b></u>	<u><b>April 30, 2011</b></u>
<b>Assets</b>			
Current Assets			
Cash		<u>\$1,074</u>	<u>\$ 14,750</u>
Total Current Assets		<u>\$1,074</u>	<u>\$ 14,750</u>
Total Assets		<u>\$1,074</u>	<u>\$ 14,750</u>
<b>Liabilities and Stockholders' Equity (Deficit)</b>			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 6,750	-
Accrued compensation related party		<u>20,000</u>	<u>-</u>
Total Liabilities		<u>\$ 26,750</u>	<u>\$ 0</u>
Stockholders' Equity (Deficit)			
Common Stock (50,000,000 shares authorized at \$.0001 par, 2,645,000 shares issued and outstanding at April 30, 2012 and April 30, 2011 respectively)		264	264
Additional paid in capital		15,986	14,486
Accumulated deficit during development Stage		<u>(41,926)</u>	<u>-</u>
Total Stockholders' Equity (Deficit)		<u>(25,676)</u>	<u>14,750</u>
Total Liabilities and Stockholders' Equity		<u>\$ 1,074</u>	<u>\$ 14,750</u>

See accompanying notes to financial statements.

**M STREET GALLERY, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED APRIL 30, 2012,**  
**THE PERIOD FROM MARCH 11, 2011 (INCEPTION) TO APRIL 30, 2011**  
**AND CUMULATIVELY FROM MARCH 11, 2011 (INCEPTION) TO APRIL 30, 2012**

	Year Ended <u>April 30, 2012</u>	March 11, 2011 (date of inception) to <u>April 30, 2011</u>	Cumulative March 11, 2011(date of inception) to <u>April 30, 2012</u>
Revenues	\$2,800	\$ -	\$2,800
Expenses	44,726	-	44,726
Net (Loss) from Operations Before Provision for Income Tax	\$41,926	\$ -	\$41,926
Provision For Income Tax	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Loss	<u>\$41,926</u>	<u>\$ -</u>	<u>\$41,926</u>
Net(Loss) per Common Share, Basic	<u>\$(0.02)</u>	<u>\$(0.00)</u>	<u>\$(0.02)</u>
Weighted average number of common shares outstanding	<u>2,645,000</u>	<u>2,167,917</u>	<u>2,645,000</u>

See accompanying notes to financial statements.

**M STREET GALLERY, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIT)**  
**FROM MARCH 11, 2011 (DATE OF INCEPTION) TO APRIL 30, 2012**

	Common Shares	Common Stock Amount	Additional Paid in Capital	Accumulated (Deficit) During the Development Stage	Total Equity (Deficit)
Beginning Balance at March 11, 2011 (Inception)	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of Common Stock to Founder at par Value	2,500,000	250	-		250
Issuance of Common Stock for Cash	145,000	14	14,486		14,500
Net loss Year Ended April 30, 2011					
Balance at April 30, 2011	2,645,000	264	14,486	-	14,750
Expenses Paid by Stockholder			1,500		1,500
Net (loss) Year Ended April 30, 2012				<u>(41,926)</u>	<u>(41,926)</u>
Balance at April 30, 2012	<u>2,645,000</u>	<u>\$ 264</u>	<u>\$ 15,986</u>	<u>\$ (41,926)</u>	<u>\$ (25,676)</u>

See accompanying notes to financial statements

**M STREET GALLERY, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED APRIL 30, 2012,**  
**THE PERIOD FROM MARCH 11, 2011 (INCEPTION) TO APRIL 30, 2011**  
**AND CUMULATIVELY FROM MARCH 11, 2011 (INCEPTION) TO APRIL 30, 2012**

	Year Ended April 30, <u>2012</u>	March 11, 2011 (date of inception) to <u>April 30,</u> <u>2011</u>	Cumulative  March 11, 2011 (date of inception) to April 30, <u>2012</u>
Cash Flows From Operating Activities:			
Net (Loss)	\$ (41,926)	\$ -	\$ (41,926)
Adjustments to reconcile Net (Loss) to Net Cash Provided (Used) in Operating Activities:			
Expenses Paid by Stockholder	1,500	-	1,500
Changes in operating assets and liabilities:			
Increase (Decrease) in accounts payable and accrued liabilities	6,750	-	6,750
Accrued compensation related party	<u>20,000</u>	-	<u>20,000</u>
Net Cash Used in Operating Activities	(13,676)	-	(13,676)
Cash Flows From Financing Activities:			
Proceeds of Sale of Common Stock to Founder	-	250	250
Proceeds from Sale of Common Stock	-	<u>14,500</u>	<u>14,500</u>
Net Cash Provided by Financing Activities	-	\$ 14,750	\$ 14,750
Net (Decrease) Increase in Cash	(13,676)	\$ 14,750	(13,676)
Cash at Beginning of Period	<u>14,750</u>	<u>-0-</u>	<u>-0-</u>
Cash at End of Period	<u>\$ 1,074</u>	<u>\$ 14,750</u>	<u>\$ 1,074</u>
Supplemental Disclosure of Cash			

Flow Information:			
Expenses paid with Cash			
Taxes Paid	\$ -0-	\$ -0-	\$ -0-
Interest Expense	\$ -0-	\$ -0-	\$ -0-

See accompanying notes to financial statements.

**M STREET GALLERY, INC.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2012**

**NOTE 1      SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Operations**

The Company was organized under the laws of the State of Florida on March 11, 2011.

The Company is in the developmental stage. The Company plans to develop a distribution channel in the art industry selling a comprehensive supply of one of a kind, oil on canvas, art productions utilizing the Internet. With the recent launch of its functional website, the company has commenced operations.

**NOTE 2      Development Stage Company**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles related to development stage companies. A development stage company is one which planned principal operations have not commenced or if its operations have commenced, there has been no significant revenues there from.

**Basis of Presentation**

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America and are presented in US Dollars.

### **Accounting Basis**

The Company uses the accrual basis of accounting and accounting principles generally accepted in the United States of America (“GAAP” accounting). The Company has adopted an April 30 Fiscal year end.

### **Cash and Cash Equivalents**

The Company considers all highly liquid investments with the original maturities of three months or less to be cash equivalents. The Company had \$1,074 cash and equivalents as of April 30, 2012.

### **Fair Value of Financial Instruments**

The Company’s financial instruments consist of cash and cash equivalents. The carrying amounts of cash approximate fair value because of the short term maturity of these items. These fair value estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect those estimates. We do not hold or issue financial instruments for trading purposes, nor do we utilize derivative instruments.

### **Income Taxes**

In accordance with ASC 740, deferred income taxes and benefits will be provided for the results of operations of the Company. The tax effects of temporary differences and carry-forwards that give rise to significant portion of deferred tax assets and liabilities will be recognized as appropriate.

### **Use of Estimates**

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

### **Revenue Recognition**

The company recognizes revenue when products are fully delivered or services have been provided and collection is reasonably assured.

### **Stock Based Compensation**

Stock based compensation is accounted for at fair value in accordance with ASC Topic 718. To date, the Company has not adopted a stock option plan and has not granted any stock options.

### **Basic Income (Loss) Per Share**

Basic income (loss) per share is calculated by dividing the Company's net loss applicable to common shareholders by the weighted average number of common shares during the period. Diluted earnings per share is calculated by dividing the Company's net income available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity. There are no such common stock equivalents outstanding as of April 30, 2012.

### **Recent Accounting Pronouncements**

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial positions or cash flow

**M STREET GALLERY, INC.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2012**

#### **NOTE 3   Capital Transactions**

In March 2011, the Company issued 2,500,000 shares of their restricted common stock to the President and Founder of the company for the sum of \$250.

In March 2011, The Company issued 91,000 shares of their restricted common stock. The shares were offered under Regulation S of the Securities Act of 1933, as amended for the above issuances to non US

citizens or residents. The shares were offered at a per share price of \$.10, for an aggregate sum of \$9,100.

In April, 2011, Pursuant to Rule 505 of Regulation D of the Securities Act of 1933, as amended the company sold 54,000 shares of restricted common stock for \$5,400.

**NOTE 4 Income Taxes**

As of April 30, 2012, the Company had net operating losses (NOL's) of approximately \$41,926 that expire in 15 years.

Statutory federal income taxes	34%
Valuation allowance	(34)
Effective tax rate	0%

No tax benefit is being accrued due to no current expectation of profits

**NOTE 5 Related Parties**

The officers/stockholders of the Company have incurred De minimis operating costs in their development.

In October 2011, the officers/stockholders of the Company donated two paintings at no cost to the company, these paintings that were sold were of de minis value and thus no costs of these paintings were reflected on the Company's books. In addition, the officers/stockholder have also consigned paintings to the company for use in its website.

Commencing November 1, 2011 the CEO and President Mr. Mackenroth's salary of \$40,000 per year, is being deferred until there is sufficient working capital. Accrued deferred compensation at April 30, 2012 was \$20,000.

**NOTE 6 Subsequent Events**

The Company has evaluated subsequent events from April 30, 2011 through the date whereupon the financial statements were issued and has determined that there are no items to disclose.



### PART III

#### **Item 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, AND CONTROL PERSONS**

The directors and executive officers of M Street Gallery, Inc. are as follows:

NAME AND ADDRESS	AGE	POSITIONS HELD
Reinhold Mackenroth	61	President, CEO, Director

Reinhold Mackenroth will serve as the director until our next annual stockholder meeting to be held within six months of our fiscal year's close or until a successor is elected who accepts the position.

Directors are elected for one-year terms. Reinhold Mackenroth will dedicate at least 80% of his time, towards the business of M Street Gallery, Inc., which will also include, but not limited to, accounting and financial reporting.

From 1991 to 2008 (his retirement) he served as the lead sales manager and quality control manager at ORT, a German lithography reproduction company serving the advertising industry. From 2008, Mr. Mackenroth has dedicated his time creating unique and custom artwork. He has also initiated the research and work to building M Street Gallery and its website that will enable visitors of our website the ability to view different artworks with detailed descriptions and pictures. Mr. Mackenroth has dedicated his time to the development of the company by implementing our business plan, raising capital, planning and designing the website and product research.

#### **Item 11. Executive Compensation**

The following tables sets for the compensation for all officers and directors

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name & Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non- Equity Incentive Plan Compensa tion	Nonqua lified Deferre d Earning s (\$)	All Other Comp. (\$)	Total

Reinhold Mackenroth, CEO	2012	0	0		0	0	0	20,000 <sup>(1)</sup>	20,000

(1) Compensation for Reinhold Mackenroth has been deferred until there is sufficient working capital

## **Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following tables set forth the ownership, as of April 30, 2012, of our common stock (a) by each person known by us to be the beneficial owner of more than 5% of our outstanding common stock, and (b) by each of our directors, by all executive officers and our directors as a group. To the best of our knowledge, all persons named have sole voting and investment power with respect to such shares, except as otherwise noted.

Title of Class	Name and Address	No. of Shares	Nature of Ownership	Current % Owned
Common	Reinhold Mackenroth 815 W Boynton Beach Blvd. Boynton Beach, FL 33436	2,500,000	Held of record	94.5%

## **Item 13. Certain Relationships and Related Transactions**

On March 22, 2011, 2,500,000 shares of M Street Gallery, Inc. common stock were sold to Mr. Mackenroth for \$250, at par value of \$.0001 per share, as founders shares.

Mr. Mackenroth has paid certain legal fees associated with this offering (\$1,500), on behalf of the company, as a gift to the company. The aggregate expenses paid by management to date are \$1,500. In addition to those expenses that were gifted to the company, Mr. Mackenroth also provides office space to the company at no charge, as a gift to the company.

Other than the sale listed above, we have not entered into any transactions with our officers, directors, persons nominated for such positions, beneficial owners of 5% or more of our common stock, or family members of such persons. We are not a subsidiary of any other company. Our President, Reinhold Mackenroth, was our only promoter.

## **Item 14. Principal Accountant Fees and Services**

The following table sets forth the fees billed to us for the fiscal year ended April 30, 2012 by Baum & Company, P.A. for fees billed for fiscal years ended April 30, 2012 and April 30, 2011

	Fiscal Year Ended <u>April 30, 2012</u>	Fiscal Year Ended <u>April 30, 2011</u>
Audit Fees (1)	\$9,750	\$4,500
All Other Fees		
Total	\$9,750	\$4,500

(1) Consists of fees billed for professional services rendered for the audit of the financial statements of the Company as of April 30, 2012 and April 30, 2011 and reviews of the financial statements included in the Company's Quarterly Reports On Form 10-Q for the quarters during such fiscal years.

#### Item 15. Exhibits

##### Exhibit Number

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##### Document Description

Certificate of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-15(e) and 15d-15(e) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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Certificate of Chief Executive Officer and Chief Financial Officer pursuant to Section 18 U.S.C. Section 1350

### SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

/s/ Reinhold Mackenroth

(Registrant)

Date: July 9 , 2012

/s/ Reinhold Mackenroth

(Signature)\*

Reinhold Mackenroth, President