

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OF 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the quarterly period ended July 31, 2012

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

\_\_\_\_\_  
**Commission File Number 333-174404**  
\_\_\_\_\_

**M STREET GALLERY, INC.**  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<b>Florida</b> (State or other jurisdiction or incorporation or organization)	<b>45-1443512</b> (I.R.S. Employer Identification No.)
<b>815 W. Boynton Beach Blvd., Boynton Beach, FL</b> (Address of principal executive offices)	<b>33426</b> (Zip Code)

**Registrants telephone number, including area code: 561-200-7721**

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 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 ☐ Accelerated filer ☐ Non-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 [X]

The registrant had 2,645,000 shares of common stock outstanding as of July 31, 2012

-1-

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

		<b>July 31, 2012 (UNAUDITED)</b>	<b>April 30, 2012</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash		<u>\$ 249</u>	<u>\$ 1,074</u>
Total current assets		<u>\$ 249</u>	<u>\$ 1,074</u>
Total assets		<u>\$ 249</u>	<u>\$ 1,074</u>
<b>Liabilities and Stockholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		8,500	\$ 6,750
Accrued compensation related party		<u>30,000</u>	<u>20,000</u>
Total liabilities		<u>\$38,500</u>	<u>\$ 26,750</u>
<b>Stockholders' (Deficit)</b>			
Common Stock (50,000,000 shares authorized at \$.0001 par, 2,645,000 shares issued and outstanding at July 31, 2012 and April 30, 2012, respectively)		264	264
Additional paid in capital		18,786	15,986
Accumulated deficit during development stage		<u>(57,301)</u>	<u>(41,926)</u>

Total Stockholders' (Deficit)		<u>(38,251)</u>	<u>(25,676)</u>
Total Liabilities and Stockholders' (Deficit)		<u>\$ 249</u>	<u>\$ 1,074</u>

The accompanying notes are an integral part of the financial statements

-2-

**M STREET GALLERY, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**STATEMENT OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED JULY 31, 2012 AND 2011 AND CUMULATIVELY**  
**FROM MARCH 11, 2011 (DATE OF INCEPTION) TO JULY 31, 2012**  
**(UNAUDITED)**

	<b>Three Months Ended</b>	<b>Three Months Ended</b>	<b>Cumulative From March 11, 2011 (Inception) to</b>
	<b><u>July 31, 2012</u></b>	<b><u>July 31, 2011</u></b>	<b><u>July 31, 2012</u></b>
Revenues (net)	\$ -	\$ -	\$ 2,800
Operating Expenses	<u>15,375</u>	<u>7,004</u>	<u>60,101</u>
Net (Loss) from Operations Before Provision for Income Tax	\$ (15,375)	\$ (7,004)	\$(57,301)
Provision For Income Tax	—	—	—
Net (Loss)	<u>\$ (15,375)</u>	<u>\$ (7,004)</u>	<u>\$(57,301)</u>
Net (Loss) per common share, Basic	<u>\$(0.00)</u>	<u>\$(0.00)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding	<u>2,645,000</u>	<u>2,645,000</u>	<u>2,645,000</u>

The accompanying notes are an integral part of the financial statements

-3-

**M STREET GALLERY, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED JULY 31, 2012 AND 2011 AND CUMULATIVELY**  
**FROM MARCH 11, 2011 (DATE OF INCEPTION) TO JULY 31, 2012**  
**(UNAUDITED)**

	<b>Three Months Ended July 31, 2012</b>	<b>Three Months Ended July 31, 2011</b>	<b>Cumulative From March 11, 2011 (Inception) to July 31, 2012</b>
Cash Flows From Operating Activities:			
Net (Loss)	\$(15,375)	\$(7,004)	\$(57,301)
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 in accounts payable and accrued liabilities	1,750	-	8,500
Increase in accrued compensation related party	<u>10,000</u>	<u>-</u>	<u>30,000</u>
Net Cash (Used) in Operating Activities	<u>(3,625)</u>	<u>(5,504)</u>	<u>(17,301)</u>

Cash Flows From Financing Activities:			
Proceeds of Sale of Common Stock to Founder	-	-	250
Proceeds of sale of common stock	-	-	14,500
Capital contribution by shareholder	<u>2,800</u>	<u>-</u>	<u>2,800</u>
Net cash provided in Financing Activities	<u>2,800</u>	<u>-</u>	<u>\$ 17,550</u>
Net Increase(Decrease) in Cash	(825)	(5,504)	<u>249</u>
Cash beginning of period	<u>\$1,074</u>	<u>14,750</u>	<u>-0-</u>
Cash end of period	<u>\$ 249</u>	<u>\$ 9,246</u>	<u>\$ 249</u>
Supplemental Disclosures of Cash Flow Information:			
Expenses Paid with Cash			
Income taxes	0	0	0
Interest expense	0	0	0

The accompanying notes are an integral part of the financial statements

-4-

**M STREET GALLERY, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**July 31, 2012**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

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 is currently manufacturing and 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 is operational and achieved its first sale.

## **NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **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.

The financial information included herein as of July 31, 2012, and for the three month periods ended July 31, 2012 and 2011, has been presented without an audit, pursuant to accounting principles for the interim financial information generally accepted in the United States of America and the rules of the Securities and Exchange Commission.

-5-

## **M STREET GALLERY, INC. (A DEVELOPMENT STAGE COMPANY) NOTES TO FINANCIAL STATEMENTS July 31, 2012**

### **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 \$249 cash as of July 31, 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.

-6-

**M STREET GALLERY, INC.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
July 31, 2012**

### **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 July 31, 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.

## **NOTE 3      Capital Transactions**

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

In March 2011, the Company sold 91,000 shares of their restricted common stock, 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.

In May, 2011, \$1,500 in legal costs associated with the registration was paid for by a principal stockholder as a gift to the company, and thus was accounted for as contributed capital.

In June and July 2012, a total of \$2,800 was contributed to the company by a principal stockholder, as a gift to the company, and was accounted for as contributed capital.

## **NOTE 4      Related Parties**

The officers/stockholders of the Company currently receive no compensation for their services to the Company. Additionally, they have incurred de minimis operating costs in their development.

In October, the officers/stockholders of the Company donated two paintings at no cost to the company.



Commencing November 1, 2011 the CEO and President Mr. Mackenroth was to receive a salary of \$40,000 per year. This is deferred until funds are available.

**NOTE 5     Income Taxes**

As of July 31, 2012, the company had a net operating loss carry forward for income tax reporting purposes of \$57,301 that expire in 15 years.

Federal income taxes at statutory rate	34%
State tax rate, net of federal income tax	4
Offsetting Valuation Adjustment	(38)
Effective income tax rate	0%

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

**NOTE 6     Subsequent Events**

The Company has evaluated subsequent events from July 31, 2012 through the date whereupon the financial statements were issued and has determined that there are no items to disclose.

-7-

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

***Business 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 creation 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, we also offer custom portraits services.

Currently, we offer 18 original oil based paintings valued in aggregate at an estimated market price of \$34,000, as listed on our website.

***Results of Operations – Three Months Ended July 31, 2012 compared to the Three Months Ended July 31, 2011***

**Revenue**

For the three months ended July 31, 2012 and the three months ended July 31, 2011, we have had no revenues.

**Other General and Administration Expenses**

For the three months ended July 31, 2012, other general and administration expenses were \$15,375 compared to \$7,004 for the three months ended July 31, 2011. This increase of \$8,371 or 120% in expenses were attributable to professional fees and compensation, whereas the expenses for the three months ended July 31, 2011, were attributable to mainly registration costs. The \$10,000 in compensation has been deferred until funds are available.

For the three months ended July 31, 2012 a total of \$2,800 was contributed to the company by a principal stockholder, as a gift to the company, and thus was accounted for as contributed capital. For the three months ended July 31, 2011 a total of \$1,500 of expenses were directly paid by a principal stockholder, as a gift to the company.

**Net Loss**

The net loss for the three months ended July 31, 2012 was \$15,375 compared to \$7,004 for the three months ended July 31, 2011. This increase of \$8,371 or 120% in losses was attributable to the above items.

**Liquidity and Capital Resources**

At July 31, 2012, the company had \$249 in available cash compared to \$1,074 in available cash at April 30, 2012.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Not Applicable

**Item 4. Controls and Procedures.**

Our management, including the Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "1934 Act"), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded; that our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports we file or submit under the 1934 Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There have been no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the period covered by this report.

-9-

## **Part II**

### **Item 1. Legal Proceedings**

None

#### **Item 1.a.**

Not Applicable

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None

### **Item 3. Defaults upon Senior Securities**

None

### **Item 4. Submission of Matters to a Vote of Security Holders**

None

-10-

### **Item 6. Exhibits**

31. Certification of the Principal Executive Officer and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act

32. Certification of the Principal Executive Officer and Chief Financial Officer, pursuant to section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act
101. Financial statements from the quarterly report on Form 10-Q of the Company for the quarter ended July 31, 2012, formatted in Extensible Business Reporting Language (XBRL): (i) the Statement of Operations, (ii) the Balance Sheet, (iii) the Statement of Cash Flows (iv) the Notes to Financial Statements tagged as blocks of text.

-11-

### **SIGNATURES**

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 13, 2012

M STREET GALLERY, Inc.

By: /s/ Reinhold Mackenroth  
Reinhold Mackenroth,  
Chief Executive Officer, Principal  
Executive Officer, Principal Financial  
Officer and Principal Accounting Officer

-12-