

MAIN STREET MOBILE, INC.

FINANCIAL STATEMENTS

June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Downtown Mobile District Management Corporation
Mobile, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of Main Street Mobile, Inc. (a nonprofit Corporation), which comprise the statements of financial position – modified cash basis as of June 30, 2016 and 2015, and the related statements of activities – modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements 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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Main Street Mobile, Inc. as of June 30, 2016 and 2015, and its changes in net assets during the years then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Program Services and Support Services are presented for purposes of additional analysis and are 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 and 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, Duke and Huchalew, CP

Mobile, Alabama
December 9, 2016

FINANCIAL STATEMENTS

MAIN STREET MOBILE, INC.

**STATEMENTS OF FINANCIAL POSITION –
MODIFIED CASH BASIS
June 30, 2016 and 2015**

ASSETS	<u>2016</u>	<u>2015</u>
Current assets		
Cash	\$ 95,195	\$ 131,418
Certificates of deposit	156,967	156,772
Due from Downtown Mobile District Management Corporation	-	1,625
Property and equipment		
Property and equipment	17,087	17,087
Accumulated depreciation	<u>(16,354)</u>	<u>(15,377)</u>
Property and equipment, net	733	1,710
Real estate held for rehabilitation	30,578	-
Other assets	<u>1,328</u>	<u>1,328</u>
Total assets	<u>\$ 284,801</u>	<u>\$ 292,853</u>
 NET ASSETS		
Net assets		
Unrestricted	\$ 165,056	\$ 152,851
Temporarily restricted	119,745	140,002
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>\$ 284,801</u>	<u>\$ 292,853</u>

The Notes to Financial Statements are an integral part of these statements.

MAIN STREET MOBILE, INC.

**STATEMENTS OF ACTIVITIES –
MODIFIED CASH BASIS
For the Years Ended June 30, 2016 and 2015**

	2016		
	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Contributions	\$ 3,966	\$ -	\$ 3,966
Interest income	216	161	377
Distribution from the Community Foundation of South Alabama's Main Street Mobile Endowment	9,310	-	9,310
War of 1812 re-enactment	-	-	-
Retail incubator	-	-	-
Lt. Tommy P. Menton Memorial	-	-	-
Co-Working Space / Incubator	-	-	-
Main Street Awards	-	-	-
Streets Alive	1,000	-	1,000
City Parks Design Project	-	-	-
Equino Sculpture	-	13,850	13,850
Historic Mobile, LLC	-	20,000	20,000
SouthSounds Music Festival	-	-	-
General Business Incubator	-	5,000	5,000
Special events	-	-	-
Miscellaneous	4,481	-	4,481
Net assets released from restrictions	59,268	(59,268)	-
Total support and revenues	78,241	(20,257)	57,984
Expenses			
Program services	53,725	-	53,725
Supporting services	12,311	-	12,311
Total expenses	66,036	-	66,036
Change in net assets	12,205	(20,257)	(8,052)
Beginning net assets	152,851	140,002	292,853
Ending net assets	<u>\$ 165,056</u>	<u>\$ 119,745</u>	<u>\$ 284,801</u>

The Notes to Financial Statements are an integral part of these statements.

2015		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 4,155	\$ 600	\$ 4,755
236	154	390
9,100	-	9,100
-	2,041	2,041
-	-	-
-	-	-
-	-	-
1,500	-	1,500
5,756	-	5,756
-	50,000	50,000
-	-	-
-	-	-
2,050	-	2,050
-	10,000	10,000
-	-	-
8,056	-	8,056
18,670	(18,670)	-
<u>49,523</u>	<u>44,125</u>	<u>93,648</u>
33,606	-	33,606
9,346	-	9,346
<u>42,952</u>	<u>-</u>	<u>42,952</u>
6,571	44,125	50,696
146,280	95,877	242,157
<u>\$ 152,851</u>	<u>\$ 140,002</u>	<u>\$ 292,853</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES

Main Street Mobile, Inc. (the “Organization”) is a nonprofit 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.

NOTE 2 – 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Income taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable State law and, therefore, has no provision for income taxes. Also, contributions to the Organization are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the 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.

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 December 9, 2016, the date at which 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.

NOTE 3 – PROPERTY AND EQUIPMENT

Depreciation expense was \$977 and \$2,308 for the years ending June 30, 2016 and 2015, respectively.

NOTE 4 – RELATED PARTIES

Amounts due from related parties represent expenses paid by the Organization on the related parties' behalf, which will be subsequently reimbursed by the related parties. Likewise, amounts due to related parties represent expenses paid on the Organization's behalf, for which the Organization will reimburse the related party.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Façade Grant	\$ 50,398	\$ 50,352
Cathedral Square Fund	25,693	25,578
Retail Incubator	-	2,838
Tunnels to Towers	-	2,000
Lt. Tommy P. Menton Memorial / Equino	5,678	2,821
Co-Working Space / Incubator	25,476	18,913
City Parks Design Project	12,500	37,500
	<u>\$ 119,745</u>	<u>\$ 140,002</u>

SUPPLEMENTARY INFORMATION

MAIN STREET MOBILE, INC.

**SCHEDULES OF PROGRAM SERVICES AND SUPPORT SERVICES
For the Years Ended June 30, 2016 and 2015**

	2016		
	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
Marketing	\$ 709	\$ -	\$ 709
Community research / projects	27,699	-	27,699
Public improvements	25,240	-	25,240
Special events	-	-	-
Miscellaneous	-	-	-
Postage	-	2,255	2,255
Professional services	-	5,347	5,347
Office supplies	-	3,732	3,732
Bank charges	77	-	77
Insurance	-	-	-
Depreciation	-	977	977
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 53,725</u>	<u>\$ 12,311</u>	<u>\$ 66,036</u>

2015

Program Services	Support Services	Total
\$ -	\$ -	\$ -
10,504	-	10,504
16,740	-	16,740
2,050	-	2,050
4,252	-	4,252
-	244	244
-	4,550	4,550
-	2,244	2,244
60	-	60
-	-	-
-	2,308	2,308
<u>\$ 33,606</u>	<u>\$ 9,346</u>	<u>\$ 42,952</u>