



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

TAHITIAN VILLAGE ARCHITECTURAL CONTROL COMMITTEE

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

31 DECEMBER 2021



Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Management
Tahitian Village Architectural Control Committee

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

We have audited the financial statements of Tahitian Village Architectural Control Committee (Tahitian ACC) for the year ended 31 December 2021, and have issued our report thereon dated 1 November 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated information related to the planned scope and timing of our audit in our engagement letter to you dated 31 March 2022. Professional standards also require that we communicate to you the following information related to our audit.

Internal Control

In planning and performing our audit of the financial statements of Tahitian ACC in accordance with auditing standards generally accepted in the United States of America, we considered Tahitian ACC's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tahitian ACC's internal control. Accordingly, we do not express an opinion on the effectiveness of Tahitian ACC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in Tahitian ACC's internal control to be a material weakness:

Segregation of duties over cash receipts and incoming checks (separation of accounting functions from custodial functions) is one of the basic components of an internal control structure. Separation of duties



over receipts is important to ensure complete receipt and recording of an entity's revenue. However, in Tahitian ACC's case, complete segregation of duties over the incoming receipts is not possible due to limited staff and resources.

The responsibility for understanding the risk of material misstatement of accounting records due to fraud and ensuring the operations of mitigating controls has been placed on management and the Board. We recommend the Board discuss these risks and review the related controls. A risk that the Board and management should consider is theft of cash or incoming checks before they are recorded in the general ledger.

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Tahitian ACC are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended 31 December 2021. We noted no transactions entered into by Tahitian ACC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of fixed assets is based on general knowledge of the assets involved and customary lives used by other organizations for similar assets. We evaluated the key factors and assumptions used to develop the estimated useful lives of fixed assets (and related accumulated depreciation) in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit. The attached schedule also summarizes material misstatements detected as a result of audit procedures that were corrected by management.



Board of Directors and Management
Tahitian Village Architectural Control Committee
Communications with Those Charged with Governance
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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated 1 November 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Tahitian ACC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Tahitian ACC and is not intended to be and should not be used by anyone other than these specified parties.

Montemayor Britton Bender PC

1 November 2022
Austin, Texas

TAHITIAN VILLAGE ARCHITECTURAL CONTROL COMMITTEE

CORRECTED MISSTATEMENTS

31 DECEMBER 2021

<u>Account</u>	<u>Debit</u>	<u>Credit</u>
1. Security Deposit Refund	13,500	
Forfeited Deposits		13,500
2. Opening Balance Equity	5,318	
Depreciation Expense		5,318
3. Accounts Payable		6,310
Taxes	1,780	
Miscellaneous Expense	4,530	
4. Accounts Payable		5,993
Opening Balance Equity	1,501	
Taxes	4,492	4,712
5. Opening Balance Equity	7,204	
Professional Fees		2,379
Taxes		1,124
Miscellaneous Expense		3,701
6. Opening Balance Equity	1,440	
Payroll Accrual		1,440

TAHITIAN VILLAGE ARCHITECTURAL CONTROL COMMITTEE

UNCORRECTED MISSTATEMENTS

31 DECEMBER 2021

<u>Account</u>	<u>Debit</u>	<u>Credit</u>
A. Roscoe State Bank	1,061	
Accounts Payable		1,061
B. Accounts Payable		4,712
Taxes	4,712	



Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Management
Tahitian Village Architectural Control Committee

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of Tahitian Village Architectural Control Committee (Tahitian ACC), which comprise the balance sheet as of 31 December 2021, and the related statements of income and retained earnings, and cash flows for the year 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 Tahitian ACC as of 31 December 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Tahitian ACC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 4 to the financial statements, certain errors resulted in the understatement of amounts previously reported for accumulated depreciation and accounts payable and overstatement of retained earnings as of 31 December 2020. Accordingly, amounts recorded for accumulated depreciation have been restated in the 2020 financial statements, and an adjustment has been made to retained earnings as of 31 December 2020. Our opinion is not modified with respect to that matter.

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 Tahitian ACC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by 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 Tahitian ACC'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 Tahitian ACC'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

Montemayor Britton Bender PC

1 November 2022
Austin, Texas

TAHITIAN VILLAGE ARCHITECTURAL CONTROL COMMITTEE

BALANCE SHEET

31 DECEMBER 2021

ASSETS

Current assets

Cash **\$470,094**

Fixed assets **783**

\$470,877

LIABILITIES AND RETAINED EARNINGS

Current liabilities

Accounts payable **\$12,303**

Accrued liabilities **1,440**

Security deposits **78,000**

91,743

Retained earnings **379,134**

\$470,877

The accompanying notes are an integral part of this financial statement presentation.

**TAHITIAN VILLAGE ARCHITECTURAL CONTROL COMMITTEE
STATEMENT INCOME AND RETAINED EARNINGS
YEAR ENDED 31 DECEMBER 2021**

REVENUE	
Permit Fees	\$139,640
Forfeited deposits	50,000
Other	<u>824</u>
	<u>190,464</u>
EXPENSES	
Payroll	44,223
Professional fees	24,152
Depreciation	4,526
Insurance	2,987
Rent	1,650
Other	<u>4,908</u>
	<u>82,446</u>
NET INCOME BEFORE TAXES	108,018
Provision for Federal income tax	<u>14,237</u>
NET INCOME	<u>93,781</u>
BEGINNING RETAINED EARNINGS, as previously stated	300,816
Prior period adjustment	<u>(15,463)</u>
BEGINNING RETAINED EARNINGS, as restated	<u>285,353</u>
ENDING RETAINED EARNINGS	<u><u>\$379,134</u></u>

The accompanying notes are an integral part of this financial statement presentation.

TAHITIAN VILLAGE ARCHITECTURAL CONTROL COMMITTEE

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$85,137
Depreciation expense	4,530
Change in accounts payable	10,802
Change in accrued liabilities	1,440
Change in security deposits	<u>(3,505)</u>
NET CHANGE IN CASH	98,404
BEGINNING CASH	<u>371,690</u>
ENDING CASH	<u>\$470,094</u>
FEDERAL INCOME TAXES PAID	<u>\$14,237</u>

The accompanying notes are an integral part of this financial statement presentation.

TAHITIAN VILLAGE ARCHITECTURAL CONTROL COMMITTEE

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

The Tahitian Village Architectural Control Committee (Tahitian ACC, a corporation) was created by the property owners association on 31 July 1972. The purpose is to provide guidelines for contractors with respect to the construction of new homes and/or additions or improvement to existing structures in order to maintain a uniform appearance of property in the Tahitian Village subdivision.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Tahitian ACC's financial statements are presented on the accrual basis of accounting. Revenue is recorded when earned, rather than when received. Expenses are recorded when incurred regardless of when paid.

REVENUE AND REVENUE RECOGNITION

Revenue from permit fees is recognized at a point in time when a builder submits an application to request permission to build in the Tahitian Village subdivision. There were no contract assets or contract liabilities at year-end.

SECURITY DEPOSITS

Security deposits are refundable deposits builders pay when they begin construction in the Tahitian Village subdivision. Contractors have 12 months to complete construction and complete other requirements outlined in a checklist provided to them by Tahitian ACC. If the contractor does not complete the requirements to receive the deposit back within 3 months of completing construction the deposit is forfeit and becomes revenue. Security deposits liability at year end is \$78,000, total deposits forfeit during the year were \$50,000.

FIXED ASSETS

Acquisitions of property and equipment valued at \$1,000 or more and a useful life greater than one year are capitalized at cost if purchased, or estimated fair market value on the date of donation, if contributed. Repairs and maintenance costs are expensed as incurred. Depreciation is computed using the double declining balance method based on the estimated useful life of the asset, which is 3 years for vehicles.

TAHITIAN VILLAGE ARCHITECTURAL CONTROL COMMITTEE

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 during the reporting period. Actual results could differ from those estimates.

FEDERAL INCOME TAXES

Tahitian ACC was created as a result of a Tahitian Village POA deed restriction. Under the provisions of the internal Revenue code, Tahitian ACC is a U.S. Corporation subject to federal tax laws. Tahitian ACC pays federal corporate income taxes on its taxable income. As of year-end, there were no interest and penalties related to unrecognized tax benefits.

SUBSEQUENT EVENTS

Tahitian ACC has evaluated subsequent events as of the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

NOTE 3: FIXED ASSETS

2012 Toyota Tundra	\$10,627
Accumulated depreciation	<u>(9,844)</u>
	<u>\$783</u>

NOTE 4: PRIOR PERIOD ADJUSTMENT

As of 31 December 2020, accumulated depreciation was understated by \$5,318, accounts payable was understated by \$10,145 and retained earnings was overstated by \$15,463 on the balance sheet. A prior period adjustment has been recorded to correct beginning retained earnings. The effect of this adjustment decreased the net income for the year ended 31 December 2020 by \$15,463.

TAHITIAN VILLAGE ARCHITECTURAL CONTROL COMMITTEE

NOTES TO FINANCIAL STATEMENTS

NOTE 5: CONTINGENCY

Tahitian ACC was actively involved in a lawsuit during the year, case No. 22,0127, *Zachery Myers and Dart Frog LLC v Tahitian Village Property Owners' Association and Tahitian Village Architectural Control Committee*, in the Supreme Court of Texas. The case is before the Texas Supreme court on a petition for review of the trial court's denial of a temporary injunction against Tahitian ACC. Tahitian ACC has prevailed in each step of the lawsuit, however, an estimate of the possible loss, or range of loss, if any, cannot be made. Therefore, no adjustment has been recorded to reflect this contingency in the financial statements.

NOTE 6: INCOME TAXES

The components of the provision for federal income taxes for the year are:

Current Federal tax:	\$14,237
Deferred Federal tax:	<u>0</u>
	<u>\$14,237</u>

Tahitian ACC's provision for income taxes attributable to continuing operations, is computed by applying the statutory federal income tax rate of 21% to income before taxes for the year ended 31 December 2021.