



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

TAHITIAN VILLAGE PROPERTY OWNERS' ASSOCIATION

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

31 DECEMBER 2021



Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Management
Tahitian Village Property Owners' Association

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of Tahitian Village Property Owners' Association ("Association"), which comprise the balance sheet as of 31 December 2021, and the related statements of revenues, expenses and changes in fund balances 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 the Association 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.

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 the Association 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.

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

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

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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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a 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 the Association'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 the Association'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.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted the schedule of estimated future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Montgomery Smith Borden PC

8 May 2023
Austin, Texas

TAHITIAN VILLAGE PROPERTY OWNERS' ASSOCIATION

BALANCE SHEET

31 DECEMBER 2021

ASSETS

Current assets

Cash \$696,350

Accounts receivable 16,680

713,030

Fixed assets

1,917

\$714,947

LIABILITIES AND FUND BALANCES

Current liabilities

Accrued liabilities \$351

Fund balance

Operating fund 714,596

\$714,947

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

TAHITIAN VILLAGE PROPERTY OWNERS' ASSOCIATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

YEAR ENDED 31 DECEMBER 2021

REVENUE	Operating Fund
Transfer fees	\$235,638
Other	<u>10,009</u>
	<u>245,647</u>
EXPENSES	
Payroll and related	53,519
Donations	53,000
Professional fees	29,603
Special events	16,480
Depreciation	7,309
Website	3,800
Postage	3,650
Other	<u>7,855</u>
	<u>175,216</u>
CHANGE IN FUND BALANCE	70,431
BEGINNING FUND BALANCE	<u>644,165</u>
ENDING FUND BALANCE	<u>\$714,596</u>

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

TAHITIAN VILLAGE PROPERTY OWNERS' ASSOCIATION

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Excess (deficiency) of revenues over expenses	\$70,431
Depreciation expense	7,309
Change in accounts receivable	(145)
Change in accrued liabilities	<u>(2,537)</u>
NET CHANGE IN CASH	75,058
BEGINNING CASH	<u>621,292</u>
ENDING CASH	<u>\$696,350</u>

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

TAHITIAN VILLAGE PROPERTY OWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

The Tahitian Village Property Owners' Association (the Association) was incorporated on 31 July 1972, under the state laws of Texas, as a non-profit organization. The purpose of the Association is the promotion and development for the common good and social welfare of the people of the community of Tahitian Village and for the maintenance of properties of Tahitian Village by controlling property deed restrictions. The Association's activities are funded by transfer fees. The Association is located in Bastrop, Texas and consists of 7,000 lots.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Association uses the accrual basis of accounting which recognizes revenue when earned and expenses when incurred.

FUND ACCOUNTING

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following fund established according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

REVENUE AND REVENUE RECOGNITION

Revenue from contracts with customers is comprised of transfer fees. Transfer fee revenue is recognized at a point in time upon the sale of each property. The Association charges \$225 for each property sold. Payments are due at the closing of the sale. At 31 December 2021 and 2020 there were contract receivables of \$12,150 and \$7,650, respectively, for transfer fees earned that payment has not been received. Contract receivables are included in accounts receivable in the statement of financial position. At year end there were no contract assets or contract liabilities. In general, revenue does not have a significant financing component because payment terms are relatively short.

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.

TAHITIAN VILLAGE PROPERTY OWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INCOME TAXES

The Association, while being incorporated as a not-for-profit organization, is not exempt from federal income taxes and files an annual income tax return with the Internal Revenue Service (IRS). The Association is applying for nonprofit status with the IRS.

The Association's federal returns are subject to audit by the IRS. The current and prior two fiscal years remain open for examination by the IRS. Management has evaluated the Association's tax positions and concluded that the Association has taken no uncertain tax positions that require adjustments. As of year-end, there were no interest or penalties related to unrecognized tax benefits.

FIXED ASSETS

Fixed assets are recorded at cost or fair value if donated. Assets that have a life of more than one year are capitalized. Depreciation is

FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association is not required to accumulate funds for future major repairs and no study has been made to estimate the remaining useful lives and costs of future repairs and replacements. However, the fund balance is available as needed for major repairs.

SUBSEQUENT EVENTS

The Association 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: CHANGE IN ACCOUNTING PRINCIPLE

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASU's replaced most existing revenue recognition guidance in U.S. generally accepted accounting principles. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Association adopted the new standard effective 1 January 2021. As part of the adoption of the ASU, the Corporation elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

TAHITIAN VILLAGE PROPERTY OWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE

Analysis of various provisions of this standard resulted in no significant changes in the way the Association recognizes revenue, and therefore no changes to previously issued financial statements were required as a result of the adoption. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

NOTE 4: LITIGATION

The Association 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 went before the Texas Supreme Court on a petition for review of the trial court's denial of a temporary injunction against the Association. The Association prevailed in the lawsuit and will receive approximately \$25,000 over the next year in monthly installments.

NOTE 5: OLD TRANSFER FEES RECEIVABLE

As of year end, the Association had approximately \$45,000 in uncollected transfer fees relating to 2020 and 2021, The Association has an allowance for uncollectible receivables for the same amount. The Association has not established a policy regarding collection efforts to be made.



Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Management
Tahitian Village Property Owners' Association

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

We have audited the financial statements of the Tahitian Village Property Owners' Association ("Association") for the year ended 31 December 2021, and have issued our report thereon dated 8 May 2023. 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 3 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 the Association in accordance with auditing standards generally accepted in the United States of America, we considered the Association'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 the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 deficiencies in the Association's internal control to be a material weaknesses:

1. 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 the Association'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.

2. The Association does not have a formal policy regarding uncollected transfer fees. The Board of Directors should establish such a formal policy to direct management on processes and procedures to pursue such uncollected amounts.

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 2 to the financial statements. As described in Note 4, the Association changed accounting policies related to its financial statement presentation by adopting Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), in the year ended 31 December 2021. Accordingly, the accounting change has been applied using the modified retrospective basis for current and future periods. We noted no transactions entered into by the Association 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:

1. 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.

2. Management's estimate of the functional allocation of expenses is based on estimates of time spent by staff on various functional activities, as well as general knowledge of specific expense accounts. We evaluated the key factors and assumptions used to develop the estimated functional allocation of expenses in determining that it is 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.

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.

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 8 May 2023.

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 the Association'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 the Association and is not intended to be and should not be used by anyone other than these specified parties.

Montgomery Smith Beards PC

8 May 2023
Austin, Texas

TAHITIAN VILLAGE PROPERTY OWNERS' ASSOCIATION

UNCORRECTED MISSTATEMENTS

31 DECEMBER 2021

	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
A	Annual Meeting	1,270	
	Accounts payable		1,270
B	Beginning net assets	4,680	
	Professional fees		3,555
	Special events: Annual meeting		500
	Special events: Holiday contest		625
C	Beginning net assets	4,028	
	Accumulated depreciation		4,028
D	Accumulated depreciation	1,159	
	Depreciation expense		1,159
E	Beginning net assets	1,440	
	Accrued liabilities		1,440
F	Cash	1,778	
	Due to comptroller		1,778