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FINER FOCUS = CLEAR DIRECTION

HASS AVOCADO BOARD ANNUAL REPORT 0708



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FINER FOCUS

The bright array of colors on this year's cover matches the equally rich variety of marketing programs and strategic initiatives implemented by the Hass Avocado Board this past year. Experience over several years has burnished some of these programs to a high gloss, making them more attractive to their expanding target audiences over time.

You will read in the following pages about some of these successes, most notably in consumer advertising, public relations, nutrition and merchandising. With the Big Game and Tailgating program, HAB has staked a strong ownership position in tailgating promotions that makes our category marketing more powerful by the year. Foodservice focused on the menu advantages of Hass Avocados and those efforts reflect the significance of restaurant and institutional customers, whose buying power now consumes a significant portion of our volume.

With missionary zeal, HAB has mounted a strong and consistent education program for our customers, reinforcing the nutritional benefits of our product. A visit to avocadecentral.com reinforces our commitment to let our customers know about the nearly 20 nutrients Hass Avocados supply and how they help meet important dietary guidelines. Those messages are repeated in every medium we use. HAB will also be leading the way in human nutritional research on behalf of the entire Hass Avocado community.

You will notice a second element of our cover art: all those vivid shades finally – and finely – converging to a concentrated point. And the point is Finer Focus, Clear Direction. Experience and marketing successes are leading us to narrow our focus to those strategic elements that will prove most effective for HAB and its associations. You will see this reflected in all that we do during the new crop year.

Len Francis
Chairman



A CLEAR DIRECTION

The finer focus of which Len speaks in his letter has been several years in the making. Early in HAB's existence, leadership concentrated on building an informational structure that could serve growers, importers, wholesalers and handlers around the globe. The resulting data-rich avoHQ.com speaks eloquently for itself.

At the same time, the HAB board began a transition from its technology focus to a greater marketing orientation, made possible as the necessary investment in infrastructure ran its course and left more resources for external programs. Along the way, through trial and feedback, it became apparent that HAB's efforts should center on several core activities, primarily serving to enhance marketing activities during key consumption periods in cooperation with HAB associations.

That philosophy is focused on four key initiatives beginning last year and continuing aggressively in the next.

First, the **HAB Marketing Committee** was restructured to comprise of a marketing executive from the California, Chile and Mexico associations. This is a powerful and knowledgeable group that meets regularly to offer the board quality input about marketing strategies and plans as well as coordinating category marketing.

Second, HAB has established a strong concentration on **consumer research**. Semi-annual nationwide tracking studies of both English and Spanish-speaking consumers are helping guide future marketing efforts.

Third, HAB is honing its marketing focus to include two time periods to augment the association marketing programs: **Big Game in January / February** and **Tailgating in late summer / early fall**.

Finally, we established a nutrition program that will grow over the years and reflect critical health messages in support of avocado consumption.

All four of these initiatives will bear greater fruit in 2009 and well beyond.

José Luis Obregón
Managing Director

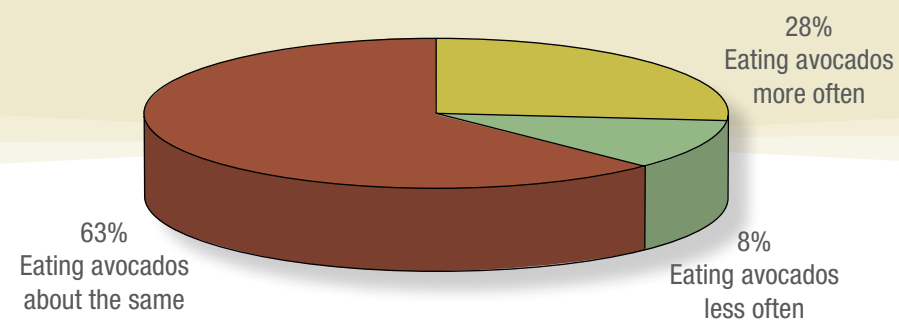




New national tracking studies in 2008 reinforced important information about Hass Avocado consumers. For example, the research indicates an increase in year-around avocado sales, which may offer more promotional opportunities to the industry. In the West, the category's strongest geographic market, according to the research, the challenge seems to be to maintain the high level of household penetration that exists and to keep increasing the number of avocados purchased per household. In the other regions, efforts to attract new users and also build purchase frequency among light and medium users may increase consumption. There is also a continued opportunity to cultivate usage year-round. Some details:

- Nearly one in three U.S. avocado-consuming households claim they ate more avocados in 2008 than in previous years.
- While the female predominance overall is driven by a skew toward grocery shopping among females, it is interesting to note that the category of consumers at the top of the list – referred to as “super users” – skews toward males and younger people.
- In a marked shift over the years, consumers are almost as likely to use avocados in non-Mexican dishes as they are in Mexican dishes.
- The proportion of avocado consumers who typically check where avocados are from remains steady.
- While virtually all Hispanic households consume avocados, usage is heaviest among Spanish-dominant or bilingual, foreign-born, Mexican and lower income households.
- More than eight in ten Hispanic avocado consumers are considered heavy/super users (one-half are super users). Heavy users purchase about 37 to 119 avocados per year, and super users purchase 120 or more avocados per year.

NUMBER OF AVOCADOS CONSUMED BY U.S. HOUSEHOLDS



Strong global relationships bolster HAB's success in the worldwide marketplace. Managing Director José Luis Obregón and HAB Chairman Len Francis built such relationships in 2008 with travels that captured international avocado industry background from growers in the fields and handlers in producing countries.



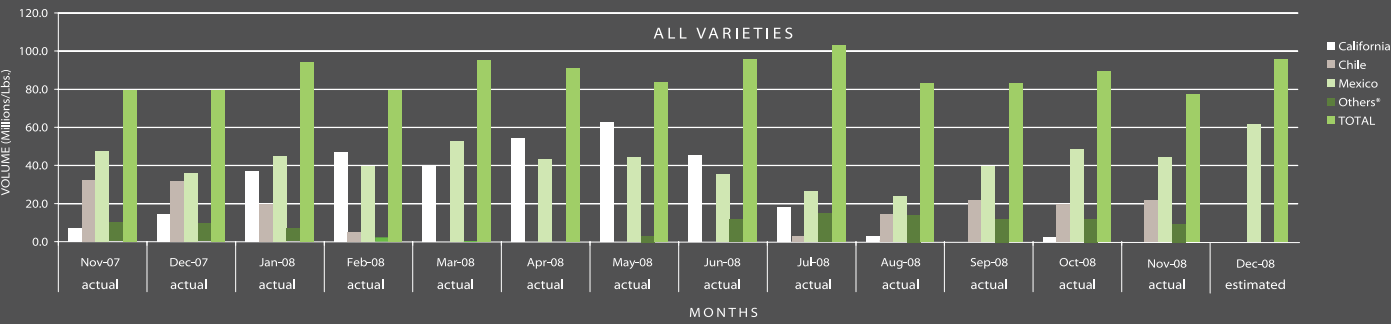
On a trip to Perú, HAB Managing Director José Luis Obregón (left) and HAB Board Chairman Len Francis (middle) toured the 2,100-acre Camposol Orchards, guided by Sergio Torres.



Obregón and Francis also toured the Camposol Orchards packing house.



2007/08 FISCAL YEAR & NOV-DEC 2008
U. S. AGGREGATE AVOCADO VOLUME



	actual Nov-07	actual Dec-07	actual Jan-08	actual Feb-08	actual Mar-08	actual Apr-08	actual May-08	actual Jun-08	actual Jul-08	actual Aug-08	actual Sep-08	actual Oct-08	actual TOTAL	HASS estimated TOTAL	actual Nov-08	estimated Dec-08	estimated TOTAL	HASS estimated TOTAL
California	0.2	1.1	8.0	12.3	35.0	48.0	44.8	54.6	61.2	43.9	17.1	2.6	328.8	309.4	0.4	1.9	2.3	1.8
Chile	20.8	32.2	32.6	20.7	5.8	0.2	0.0	0.0	0.0	3.5	14.2	25.6	155.6	155.6	20.0	21.3	41.3	41.3
Mexico	4.7	37.3	43.8	40.2	52.1	42.5	43.5	36.4	28.3	24.4	39.3	49.7	485.2	485.2	46.4	61.4	107.8	107.8
Others*	10.5	9.6	9.9	7.0	3.7	0.7	0.2	4.4	12.8	13.1	11.9	11.6	95.4	11.2	11.0	10.0	21.0	2.5
TOTAL	79.2	80.2	94.3	80.2	96.6	91.4	88.5	95.4	102.3	84.9	82.5	89.5	1065.0	961.4	77.8	94.6	172.4	153.4

* Others = Florida, Dominican Republic, New Zealand

The U.S. Aggregate Volume chart shows month-to-month shipments by region, offering growers a good perspective on the interaction between various associations. Volume totaled 1.065 billion pounds in the latest crop year.



Focusing on key transition periods, HAB launched aggressive campaigns in support of both the Big Game (February) and Tailgating (late summer/early fall). Along with other important Hass Avocado messages, these attention-getting promotions garnered more than 10 billion impressions in media outreach alone. These major efforts saw programs covering advertising, public relations, merchandising, foodservice and online marketing.



Tailgating Season is a New Avocado Season

HAB completed its third season of tailgating promotions during 2008, with bigger and better efforts based on past successes. The extensive tailgating effort — one of the biggest promotions of the year — secured nearly 53 million media impressions. HAB implemented a focused media effort featuring well-known tailgating personality and cookbook author Jay DiEugenio, a.k.a. The Tailgate Guy, as the program’s spokesperson. DiEugenio hosted entertaining tailgating-themed television segments on his broadcast media tour. He promoted Hass Avocados as a must-have ingredient for tailgating parties. The team also distributed tailgating-friendly recipes to media nationwide.

HAB partnered with a prominent Northern California winery and created a series of branded entertainment commercials that aired on many of the Food Network’s high-profile programs. The entertaining ads drove viewers to a micro site where they could find recipes, wine pairings and tailgating tips; about 120 spots aired.

The online program attracted 35,465 new visitors to the micro-site — a 20 percent increase over 2007 — generated 500 new sign-ups and featured tailgating tips, recipes and a sweepstakes.



A CLEAR DIRECTION:
THE BIG GAME MEANS BIG AVOCADO CONSUMPTION

Football fans consumed an estimated 53.5 million pounds of Hass Avocados during the Big Game. To highlight the fruit’s popularity and encourage greater consumption, HAB coordinated an extensive public relations campaign. Marshall Faulk served as the program’s media spokesperson, an effort that secured more than 195 million consumer media impressions.

HAB also partnered with a major beer company to implement a successful “Super Party” promotion, featuring eye-catching recipe booklets and coupons, as well as high-visibility displays in markets.

The online Big Game promotion at avocadocentral.com attracted more than 6,000 new visitors and prompted new sign-ups for ongoing recipe e-mails. The site featured a month-long sweepstakes promotion with Faulk, an audio clip, recipes, party tips and a quiz.





Nutrition is the Newest HAB Focal Point

Hass Avocados contribute nearly 20 vitamins, minerals and beneficial plant compounds that can contribute to the nutrient quality of a consumer’s diet. Disseminating this information, as well as other positive avocado nutrition messages, is a new and critical role for HAB.

Consumer nutrition outreach gained more than 52 million consumer media impressions last year. HAB’s broad reach informed consumers about avocados’ nutritional benefits by incorporating nutritional information in all media outreach efforts — supported by a dedicated nutrition micro site.

HAB executed an extensive merchandising campaign promoting avocado nutrition key messages. One promotion conducted with a New York chain featured several articles throughout the year in the retailer’s *Nutrition Newsletter* that was distributed to 35,000 households and available for free in all stores.

HAB merchandisers also distributed promotional banners to numerous chains including H-E-B, with more than 300 supermarkets, and FoodMaxx, a California-based retailer. HAB also partnered with Gourmet Garden® Fresh Herbs and Publix Supermarkets® offering coupons and recipes to stimulate purchases in Publix’s 850-plus stores.



Web Site Shines with a Supreme Makeover

Foodservice: Tempting Millions of Hungry Restaurant Patrons

HAB’s foodservice efforts successfully encouraged operators to include avocado menu items in chains across the country. In addition, public relations more than doubled gross impressions from 915,000 in 2007 to 1,878,000 in 2008.

Togo’s® reprised the *Santa Fe Chicken Salad Wrap* promotion in 256 units. The salad in a tortilla was so popular in 2007 that Togo’s® extended the 2008 promotion to four months.

Villa Enterprises™ introduced Fresh Hass Avocados to their menu in 315 units during a quarterly promotion. The *Avocado and Shrimp Salad* was a hit!

ARAMARK® featured mini wraps, named the *California Chicken Club Wrap* and *California Turkey Club Wrap*, in 850 units.

Web communication over the crop year demonstrated impressive results. Total impressions increased by 546 percent, page views increased by 19 percent; and the recipe e-mails reached 27 percent more people than the year before.

To continue to make a strong impact, fresh content is very important in online marketing. Avocadocentral.com’s first design update in two years aims to attract more traffic to the site and establish itself as an online category leader and go-to resource for consumers. The compelling new content increases site relevance and educates avocado lovers nationwide. The vibrant site links visitors to mouthwatering recipes, a handy how-to section, interesting videos and nutrition information. The fully optimized site pulls in traffic even from online users searching for organic recipes.

HASS AVOCADO BOARD

Basic Financial Statements

Fourteen months ended December 31, 2008

(With Independent Auditors' Report Thereon)

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Board of Directors
Hass Avocado Board
Irvine, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of net assets of the Hass Avocado Board ("Board") as of and for the year ended December 31, 2008, and related statement of changes in revenues, expenses and changes in net assets, and statement of cash flows for the fourteen months then ended. These financial statements are the responsibility of the Hass Avocado Board's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the Board's basic financial statements for the year ended October 31, 2007 and in our report dated January 8, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of 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 of material misstatement. An audit 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hass Avocado Board as of December 31, 2008 and the respective changes in financial position and cash flows of the Hass Avocado Board for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued a report dated March 18, 2009, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
March 18, 2009

INTRODUCTION

This report, Management’s Discussion and Analysis (MD&A), provides an overview and analysis of the financial activities of the Hass Avocado Board (Board) for the fiscal year ended December 31, 2008. It has been prepared by management and should be read in conjunction with the audited financial statements for the periods ended December 31, 2008 and October 31, 2007.

During the November 1, 2007 – October 31, 2008 fiscal year, the Board approved a change in its fiscal year end to December 31 from October 31 so as to align the seasonality of its business, align itself with the normal calendar year and to enable stakeholders to more easily compare to other associations in the marketplace. The Board’s audited financial statements, for year end December 31, 2008, will be for a 14-month period which will then align itself to implement a January-December fiscal year effective in 2009.

The Board is a federal government instrumentality created September 6, 2002 by the Hass Avocado Promotion, Research, and Information Order. The Board is an administrative body established pursuant to 7 CFR Part 1219, with supervisory oversight by the United States (U. S.) Department of Agriculture. The purpose of the industry-funded program is to increase consumption and demand for domestic and imported Hass avocados in the U. S. market.

The Board consists of 12 Directors, 7 of whom represent domestic producers and 5 representing importers. Each Board member has an alternate. Appointed by the Secretary of Agriculture, the Board was officially seated March 18, 2003 in Washington D. C.

Producers and importers of Hass avocados pay an assessment under the program, with first handlers involved in the domestic assessment collection process and U. S. Customs responsible for assessment collections on imported Hass avocados. The initial rate of assessment was mandated at 2.5 cents per pound on fresh Hass avocados produced and handled in the U. S. and on fresh Hass avocados imported into the U. S.

An association of avocado importers is eligible to receive an amount of assessment funds equal to 85% of the assessments paid on Hass avocados imported by its members. Additionally, an avocado organization established by State statute in a State with the majority of Hass avocado production in the U. S. shall receive an amount of assessment funds equal to 85% of the assessments paid on Hass avocados produced in such State. Funds received by importer associations or a State avocado organization must be used to finance promotion, research, consumer information and/or industry information programs, plans or projects in the U. S.

The Board contracted with the California Avocado Commission to manage its marketing programs and administrative services for the current year. Strategic programs, plans, projects and budgets were developed and approved. Implementation of marketing communications and industry information programs commenced at the beginning of the fiscal year and continued throughout the year.

FINANCIAL HIGHLIGHTS

- The assets of the Board exceeded its liabilities as of December 31, 2008 by \$3,726,236 (net assets). Of this amount, \$3,723,774 totaling 99.93% is restricted net assets and may only be used for Board promotions, research and information obligations.
- The Board’s 2008 total net assets of \$3,726,236 increased by \$382,630 from the October 31, 2007 amount of \$3,343,606. Of this amount, net assets invested in capital assets, net of related debt, decreased \$6,896 to \$2,462. Net assets restricted for promotions, research and information increased \$389,526 to \$3,723,774.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Board’s financial reports. The Board’s financial reports include three basic financial statements: Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets-Budget and Actual; and Statement of Cash Flows. These *basic financial statements* are designed to present a broad overview of the financial data for the Board, in a manner similar to a private-sector business.

Fund Financial Statements:

The *Statement of Net Assets* presents information on all assets and liabilities of the Board using the accrual basis of accounting, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the current financial condition of the Board. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other federal government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Board’s fund is considered an *enterprise fund* (which is a proprietary fund type) and accounts for assessment collections for avocado marketing programs and activities.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

FINANCIAL ANALYSIS

Comparative data for the year ended October 31, 2007 has been presented in the accompanying supplemental schedules to facilitate financial analysis for the current year ended December 31, 2008.

STATEMENT OF NET ASSETS:

As noted earlier, net assets may serve over time as a useful indicator of the Board’s financial position.

The largest portion (99.96%) of the Board’s total assets were current assets, consisting primarily of cash, investments, and accounts receivable, totaling \$5,670,041; up \$418,539 from the prior year amount of \$5,251,502. This increase was mainly due to additional cash and investments

HASS AVOCADO BOARD
Management’s Discussion and Analysis

from assessment revenue from an increase in Hass volume from California, Mexico and Other regions. Total current assets cover liabilities 2.9 times, and indicate good liquidity.

Liabilities totaled \$1,946,267 for 2008, which increased \$29,013 from \$1,917,254 from the prior year. The increase is mainly due to amounts owed to vendors and import associations. Liabilities were primarily accounts payable and are considered current liabilities.

Net assets invested in capital assets, net of related debt, represent the Board’s capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net assets invested in capital assets (net of accumulated depreciation) total \$2,462; a decrease of \$6,896 from the prior year amount of \$9,358 primarily due to accumulated depreciation. Capital assets make up .07% of total net assets.

Restricted net assets for promotions, research, industry information and consumer information activities are subject to imposed restrictions by federal statute governing their use. Restricted net assets total \$3,723,774, an increase of \$389,526 over the prior year amount of \$3,334,248, due to an increase in assessment revenues. Restricted net assets are 99.93% of total net assets and are subject to external restrictions on how they can be used.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS-BUDGET AND ACTUAL:

Key highlights and financial analysis are as follows:

- Actual operating revenues of \$27,931,298 in 2008 were \$3,694,438 or 15.2% higher than the \$24,236,860 in 2007. The majority of the increase was from additional assessment revenue from Hass avocado volume from California, Mexico and Other regions. Of the operating revenue, the largest portion \$20,091,944 (71.9%) reflects assessments from imported volume; \$7,824,943 (28.0%) is generated from domestic volume and the balance of \$14,411 (.1%) is from late penalties. The increase was also due to the fact that the 2008 figures represent a period of fourteen months, which was two months longer than what the 2007 figures represent.
- Actual operating expenses totaled \$27,695,055 in 2008, which was an increase of \$4,154,239 or 17.65% from the prior year amount of \$23,540,816. This was mainly due to additional rebate payments to the California Avocado Commission and the Mexican Hass Avocado Import Association resulting from an increase in Hass avocado volume. The increase was also due to the fact that the 2008 figures represent a period of fourteen months, which was two months longer than what the 2007 figures represent.
- At the end of the 2008 year, the Board reported ending net assets of \$3,726,236, which was an increase of \$382,630 from the prior year of \$3,343,606. This was primarily due to additional assessment revenue from California, Mexico and Other regions.

BUDGETARY HIGHLIGHTS

The 2008 final budget for the Board’s operations represents the original budget for the 14-month period and amendments that may have occurred during the period. There was no change in the revenue budget of \$27,265,000 or the expenditure budget of \$28,738,647. However, beginning

HASS AVOCADO BOARD
Management’s Discussion and Analysis

reserves were increased by \$1,143,606 to \$3,343,606 from \$2,200,000 to reflect the actual audited amount from the prior year financial statements.

During the year, the Board was involved in developing, analyzing and implementing current and long-range financial goals and activities for strategic planning purposes. Next year’s 2009 budget and programs were developed, reviewed and approved for implementation.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Board’s investment in capital assets for its business type activities as of December 31, 2008, total \$2,462 (net of accumulated depreciation), which is a decrease of \$6,896 from the October 31, 2007 year amount of \$9,358 (net of accumulated depreciation). The decrease represents depreciation of equipment used for program activities of the Board. The Board had no debt as of December 31, 2008.

CONTACTING THE BOARD’S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Board’s finances and to show the Board’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Valetta Weaver, Administrator, Hass Avocado Board, 38 Discovery #150, Irvine, California 92618-3105.

HASS AVOCADO BOARD
Statement of Net Assets
December 31, 2008

Assets	
Current assets:	
Cash and investments (note 2)	\$ 3,446,440
Receivables:	
California	13,862
Customs	2,118,252
Interest	1,540
Miscellaneous	22,681
Prepaid expenses	<u>67,266</u>
Total current assets	<u>5,670,041</u>
Noncurrent assets:	
Capital assets (note 3):	
Depreciable	81,584
Accumulated depreciation	<u>(79,122)</u>
Total noncurrent assets	<u>2,462</u>
Total assets	<u>5,672,503</u>
Liabilities	
Current Liabilities:	
Accounts payable	<u>1,946,267</u>
Total current liabilities	<u>1,946,267</u>
Net Assets	
Invested in capital assets, net of accumulated depreciation	2,462
Restricted for:	
Promotions, research and information	<u>3,723,774</u>
Total net assets	<u>\$ 3,726,236</u>

See accompanying notes to basic financial statements.

HASS AVOCADO BOARD
Statement of Revenues, Expenses and Changes in Net Assets - Budget and Actual
Fourteen Months Ended December 31, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Operating revenues:			
Assessments:			
California	\$ 8,525,000	7,824,943	(700,057)
Customs	18,625,000	20,091,944	1,466,944
Miscellaneous	<u>-</u>	<u>14,411</u>	<u>14,411</u>
Total operating revenues	<u>27,150,000</u>	<u>27,931,298</u>	<u>781,298</u>
Operating expenses:			
Rebate program:			
California Avocado Commission	7,246,250	6,594,717	651,533
Chilean Avocado Import Association	5,992,500	4,045,664	1,946,836
Mexican Hass Avocado Import Association	<u>9,520,000</u>	<u>11,351,046</u>	<u>(1,831,046)</u>
Total rebate program	<u>22,758,750</u>	<u>21,991,427</u>	<u>767,323</u>
Promotions:			
Consumer communications	1,954,699	1,950,625	4,074
Trade communications	1,010,550	921,898	88,652
Industry communications	132,500	132,430	70
Marketing research	<u>525,367</u>	<u>432,274</u>	<u>93,093</u>
Total promotions	<u>3,623,116</u>	<u>3,437,227</u>	<u>185,889</u>
Industry information:			
Information and infrastructure	336,100	316,049	20,051
Analysis	85,000	72,698	12,302
Interaction	177,500	157,739	19,761
Educational programs	<u>51,500</u>	<u>43,591</u>	<u>7,909</u>
Total industry information	<u>650,100</u>	<u>590,077</u>	<u>60,023</u>
Program implementation fee	<u>427,322</u>	<u>427,322</u>	<u>-</u>
Administration:			
Administration expenses	1,272,359	1,242,106	30,253
Depreciation expense	<u>7,000</u>	<u>6,896</u>	<u>104</u>
Total administration	<u>1,279,359</u>	<u>1,249,002</u>	<u>30,357</u>
Total operating expenses	<u>28,738,647</u>	<u>27,695,055</u>	<u>1,043,592</u>
Net operating income (loss)	(1,588,647)	236,243	(262,294)
Non-operating revenues (expenses):			
Investment income	<u>115,000</u>	<u>146,387</u>	<u>31,387</u>
Total non-operating revenues (expenses)	<u>115,000</u>	<u>146,387</u>	<u>31,387</u>
Change in net assets	(1,473,647)	382,630	(230,907)
Net assets, at beginning of year	<u>3,343,606</u>	<u>3,343,606</u>	<u>-</u>
Net assets, at the end of year	<u>\$ 1,869,959</u>	<u>3,726,236</u>	<u>(230,907)</u>

See accompanying notes to basic financial statements.

HASS AVOCADO BOARD	
Statement of Cash Flows	
Fourteen Months Ended December 31, 2008	
Cash flows from operating activities:	
Cash received from producers and importers	\$ 27,600,686
Cash rebate payments and payments to suppliers for goods and services	<u>(27,724,240)</u>
Net cash provided by (used for) operating activities	<u>(123,554)</u>
Cash flows from investing activities:	
Interest income	<u>149,612</u>
Net cash provided by (used for) investing activities	<u>149,612</u>
Net increase (decrease) in cash and cash equivalents	26,058
Cash and investments at beginning of year	<u>3,420,382</u>
Cash and investments at end of year	<u><u>\$ 3,446,440</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 236,243
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	6,896
(Increase) decrease in receivables	(330,615)
(Increase) decrease in prepaid deposits	(65,091)
Increase (decrease) in accounts payable and other liabilities	<u>29,013</u>
Net cash provided by (used for) operating activities	<u><u>\$ (123,554)</u></u>
<u>Non-cash investing, capital and financing activities:</u>	
There were no significant non-cash investing, capital or financing activities during the fourteen months ended December 31, 2008.	

See accompanying notes to basic financial statements.

HASS AVOCADO BOARD

Notes to Basic Financial Statements

Fourteen Months Ended December 13, 2008

1.

Summary of Reporting Entity and Significant Accounting Policies

Reporting Entity

The Hass Avocado Board is authorized under the *United States Department of Agriculture (U.S.D.A.), Code of Federal Regulations (7 CFR Part 1219) - Hass Avocado Promotion, Research, and Information Order* (the Order) to carry on programs of advertising, promotion, marketing research, and production research relating to the sale of Hass Avocados. The Board is authorized to levy an assessment against producers of Hass Avocados for purposes of carrying out its programs. Under the Order, producers and importers pay an assessment of 2.5 cents per pound on fresh Hass Avocados produced in or imported into the United States for consumption in the United States. Exports of U.S. Hass Avocados are exempt from assessment.

Fund Accounting

The basic accounting and reporting entity is a *fund*. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or after November 30, 1989 that do not conflict with GASB pronouncements.

Measurement Focus and Basis of Accounting

Proprietary fund types are accounted for on the economic resources measurement focus. Accordingly, all assets and liabilities are included on the Statement of Net Assets, and the reported net assets provides an indication of the historical net worth of the fund. Operating statements for proprietary fund types report increases (revenues) and decreases (expenses) in total historical net worth.

The Board uses the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when the liability is incurred for receipt of the related goods and services.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses result from providing goods and services related to the fund's ongoing operations. Operating expenses include the cost of program services provided, general and administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

HASS AVOCADO BOARD

Notes to Basic Financial Statements

(Continued)

1. Summary of Reporting Entity and Significant Accounting Policies, (Continued)

Investments

Investments are reported in the accompanying balance sheet at fair value. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined to include demand deposits, as well as any direct investment in short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less. Investments in federal agency securities are not considered to be cash equivalents as defined above and, therefore, are excluded from the statements of cash flows.

Capital Assets

Capital assets purchased by the Board are capitalized at historical cost. Data reflected in the Board capital asset records may include estimates of original cost as determined by knowledgeable Board personnel. Capital assets that are contributed are recorded as contributed capital assets, which increases the net assets of the Board. Such contributed capital assets are recorded at their fair market value at the time of donation.

Any single item purchased by the Board with a cost greater than or equal to \$5,000 and an estimated useful life of greater than one year is capitalized and depreciated. Depreciation is charged to operations using the straight-line method based on the estimated useful life of the asset. The estimated useful lives are as follows:

Office equipment	3-5 years
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Notes to Basic Financial Statements

(Continued)

1. Summary of Reporting Entity and Significant Accounting Policies, (Continued)

Budgetary Practices

The budget is prepared on the accrual basis of accounting. The Board’s administration shall prepare and submit the proposed annual budget to the Board of Directors for its approval for the business-type fund. After reviewing the proposed budget, the Board of Directors shall further consider the proposed budget and make any revisions thereof it may deem necessary. The budget is then legally enacted by means of a budget resolution passed by the Board of Directors and the U.S.D.A. Upon final adoption, the budget shall be in effect for the ensuing fiscal year.

During the year, the Board amended its expense budget as follows:

Original budget	\$28,738,647
Amendments	-
Amended budget	<u>\$28,738,647</u>

Administration and Program Services

The Board contracts with the California Avocado Commission to provide all administrative and program services (including overhead costs) necessary in carrying out the purpose described in the Order.

Tax Exemption

The Office of Chief Council of the Internal Revenue Service, U.S. Treasury Department ruled on October 22, 1992, that research and promotion boards, such as the Hass Avocado Board, are not subject to federal income taxation. Such boards are also generally exempt from all forms of taxation, including personal, real property taxes, and sales taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HASS AVOCADO BOARD

Notes to Basic Financial Statements

(Continued)

1. Summary of Reporting Entity and Significant Accounting Policies. (Continued)

Change in Reporting Period

The Board changed the reporting period from an October 31 year end to a December 31 year end to coincide with the fiscal years used by members within its industry. The accounting period presented in the financial statements for the period ended December 31, 2008 are for a fourteen month period.

2. Cash and Investments

Cash and investments as of December 31, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 3,446,440
Total cash and investments	\$ 3,446,440

Cash and investments as of December 31, 2008 consist of the following:

Demand deposits	\$ 2,924,440
Certificate of deposit	522,000
Total cash and investments	\$ 3,446,440

Investments Authorized by the United States Department of Agriculture and the Hass Avocado Board

Under provision of the U.S.D.A. Guidelines for Agricultural Marketing Service Oversight of Commodity Research and Promotions Programs investment policy, and the investment policy adopted by the Board, authorized investments include the following:

- U.S. Government securities and other obligations
- California state and local government securities
- Commercial paper
- Bankers' acceptances
- Nonnegotiable certificates of deposit
- Bonds, debentures, and notes issued by corporations organized and operating within the United States. Such securities shall be within the top three ratings of a nationally recognized rating service
- Money market funds (broker accounts)

Notes to Basic Financial Statements

(Continued)

2. Cash and Investments. (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Entity manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Hass Avocado Board's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Hass Avocado Board's investments by maturity:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months	13 to 24	25-60	More Than
		Or Less	Months	Months	60 Months
Certificates of deposit	\$ 522,000	522,000	-	-	-
Total	\$ 522,000	522,000	-	-	-

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Entity's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End		
				AAA	Aa	Not Rated
Certificates of Deposit	\$ 522,000	N/A	522,000	-	-	-

HASS AVOCADO BOARD
Notes to Basic Financial Statements

(Continued)

3. Capital Assets

Changes in capital assets and related accumulated depreciation were as follows:

	<u>November 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2008</u>
Capital assets:				
Office equipment	\$ 81,584	-	-	81,584
Accumulated depreciation:				
Office equipment	<u>(72,226)</u>	<u>(6,896)</u>	<u>-</u>	<u>(79,122)</u>
Total capital assets, net	<u>\$ 9,358</u>	<u>(6,896)</u>	<u>-</u>	<u>2,462</u>

Depreciation expense was \$6,896 for the year ended December 31, 2008.

4. Revenue Concentration

Approximately 48% of total operating revenue was derived from assessments collected from four Hass Avocado handlers/importers.

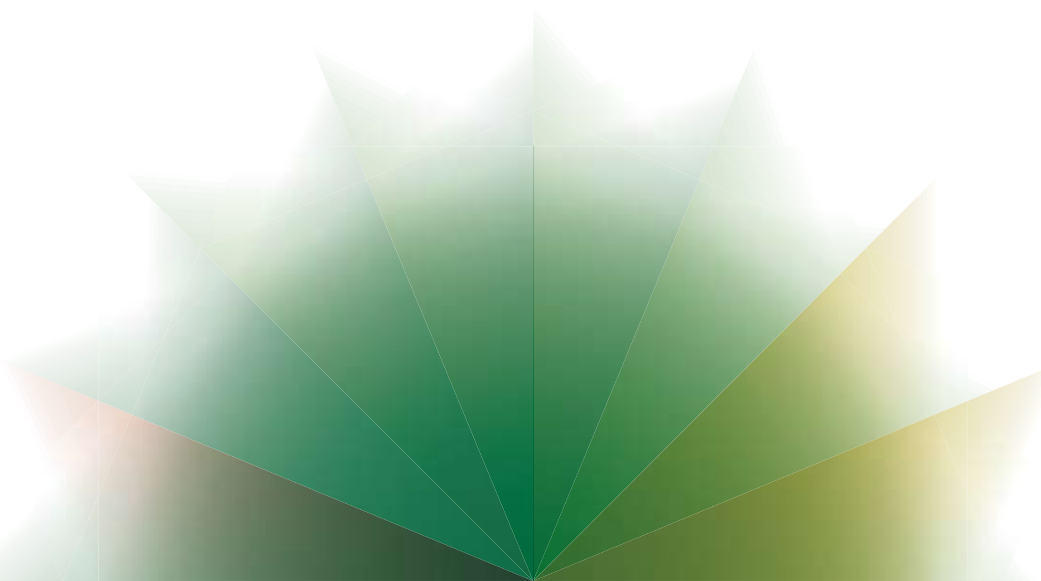
5. Capital Leases

The Hass Avocado Board is the lessor for certain equipment leased to the New Zealand Avocado Industry Council, the Chilean Avocado Importers Association and the Mexican Hass Avocado Importers Association (lessees). The term of each lease is for 36 months, which the lessee's pay an annual amount of \$500. The lease expired on October 31, 2008.

6. Post-employment benefit plan

The Board of Directors of the Hass Avocado Board (Board) implemented a Profit Sharing Plan (PSP) for eligible Board employees, effective November 1, 2007. The plan limits contributions strictly from the Board. The Board contributes 10% of the participant's compensation. Total expenses for the year ended December 31, 2008 were \$21,663.

SUPPLEMENTAL SCHEDULES



HASS AVOCADO BOARD

Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual

Twelve Months Ended October 31, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2007 Actual
Operating revenues:				
Assessments:				
California	\$ 8,450,000	7,801,656	(648,344)	6,209,728
Customs	14,775,000	16,300,574	1,525,574	18,011,946
Miscellaneous	-	14,411	14,411	15,186
Total operating revenues	<u>23,225,000</u>	<u>24,116,641</u>	<u>891,641</u>	<u>24,236,860</u>
Operating expenses:				
Rebate program:				
California Avocado Commission	7,182,500	6,574,923	607,577	5,278,269
Chilean Avocado Import Association	4,377,500	3,189,411	1,188,089	5,485,703
Mexican Hass Avocado Import Association	<u>7,968,750</u>	<u>9,229,343</u>	<u>(1,260,593)</u>	<u>7,708,683</u>
Total rebate program	<u>19,528,750</u>	<u>18,993,677</u>	<u>535,073</u>	<u>18,472,655</u>
Promotions:				
Consumer communications	1,717,900	1,718,789	(889)	1,703,459
Trade communications	929,300	869,570	59,730	935,744
Industry communications	115,000	115,009	(9)	125,157
Marketing research	<u>494,000</u>	<u>398,281</u>	<u>95,719</u>	<u>332,499</u>
Total promotions	<u>3,256,200</u>	<u>3,101,649</u>	<u>154,551</u>	<u>3,096,859</u>
Industry information:				
Information and infrastructure	266,600	251,483	15,117	212,649
Analysis	85,000	72,698	12,302	120,281
Interaction	165,000	145,309	19,691	263,581
Educational programs	<u>50,500</u>	<u>42,591</u>	<u>7,909</u>	<u>134,012</u>
Total industry information	<u>567,100</u>	<u>512,081</u>	<u>55,019</u>	<u>730,523</u>
Program implementation fee	<u>382,330</u>	<u>382,330</u>	<u>-</u>	<u>411,475</u>
Administration:				
Administration expenses	1,063,520	1,088,925	(25,405)	822,300
Depreciation expense	<u>6,000</u>	<u>5,910</u>	<u>90</u>	<u>7,004</u>
Total administration	<u>1,069,520</u>	<u>1,094,835</u>	<u>(25,315)</u>	<u>829,304</u>
Total operating expenses	<u>24,803,900</u>	<u>24,084,572</u>	<u>719,328</u>	<u>23,540,816</u>
Net operating income (loss)	(1,578,900)	32,069	172,313	696,044
Non-operating revenues (expenses):				
Investment income	<u>100,000</u>	<u>134,865</u>	<u>34,865</u>	<u>206,490</u>
Total non-operating revenues (expenses)	<u>100,000</u>	<u>134,865</u>	<u>34,865</u>	<u>206,490</u>
Change in net assets	(1,478,900)	166,934	207,178	902,534
Net assets, at beginning of year	<u>3,343,606</u>	<u>3,343,606</u>	<u>-</u>	<u>2,441,072</u>
Net assets, at the end of year	<u>\$ 1,864,706</u>	<u>3,510,540</u>	<u>207,178</u>	<u>3,343,606</u>

HASS AVOCADO BOARD

Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual

Two Months Ended December 31, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Operating revenues:			
Assessments:			
California	\$ 75,000	23,287	(51,713)
Customs	<u>3,850,000</u>	<u>3,791,370</u>	<u>(58,630)</u>
Total operating revenues	<u>3,925,000</u>	<u>3,814,657</u>	<u>(110,343)</u>
Operating expenses:			
Rebate program:			
California Avocado Commission	63,750	19,794	43,956
Chilean Avocado Import Association	1,615,000	856,253	758,747
Mexican Hass Avocado Import Association	<u>1,551,250</u>	<u>2,121,703</u>	<u>(570,453)</u>
Total rebate program	<u>3,230,000</u>	<u>2,997,750</u>	<u>232,250</u>
Promotions:			
Consumer communications	236,799	231,836	4,963
Trade communications	81,250	52,328	28,922
Industry communications	17,500	17,421	79
Marketing research	<u>31,367</u>	<u>33,993</u>	<u>(2,626)</u>
Total promotions	<u>366,916</u>	<u>335,578</u>	<u>31,338</u>
Industry information:			
Information and infrastructure	69,500	64,566	4,934
Interaction	12,500	12,430	70
Educational programs	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total industry information	<u>83,000</u>	<u>77,996</u>	<u>5,004</u>
Program implementation fee	<u>44,992</u>	<u>44,992</u>	<u>-</u>
Administration:			
Administration expenses	208,839	153,181	55,658
Depreciation expense	<u>1,000</u>	<u>986</u>	<u>14</u>
Total administration	<u>209,839</u>	<u>154,167</u>	<u>55,672</u>
Total operating expenses	<u>3,934,747</u>	<u>3,610,483</u>	<u>324,264</u>
Net operating income (loss)	(9,747)	204,174	(213,921)
Non-operating revenues (expenses):			
Investment income	<u>15,000</u>	<u>11,522</u>	<u>(3,478)</u>
Total non-operating revenues (expenses)	<u>15,000</u>	<u>11,522</u>	<u>(3,478)</u>
Change in net assets	5,253	215,696	(210,443)
Net assets, at beginning of year	<u>3,510,540</u>	<u>3,510,540</u>	<u>-</u>
Net assets, at the end of year	<u>\$ 3,515,793</u>	<u>3,726,236</u>	<u>(210,443)</u>



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Board of Directors
Hass Avocado Board
Irvine, California

Report on Compliance and Other Matters and On Internal Control Over Financial Reporting Based On an Audit of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the Hass Avocado Board (the Board) as of and for the fourteen months ended December 31, 2008 and have issued our report thereon dated March 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Board are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Code of Federal Regulations (7 CFR Part 1219)- Hass Avocado Promotion, Research, and Information Order*, issued by the United States Department of Agriculture (U.S.D.A.) and as interpreted in the *Guidelines for Agricultural Marketing Service Oversight of Commodity Research and Promotion Programs*, issued by the U.S.D.A. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control.

Board of Directors
Hass Avocado Board
Page Two

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board's internal control.

Our consideration of internal control was for the limited purpose described in the third paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, the Finance Committee and the U.S.D.A. and is not intended to be and should not be used by anyone other than these specified parties.

Irvine, California
March 18, 2009