

The background is a technical illustration featuring various gears of different sizes, some with teeth and others as simple circles. Dashed lines with arrows indicate movement and flow. A vertical dashed line runs down the left side, and a horizontal dashed line runs across the bottom. A small gear is positioned at the top right, and another is at the bottom right. A large gear is in the center left, and a smaller one is above it. A gear is also visible in the bottom left corner. The overall style is clean and modern, with a focus on mechanical and industrial themes.

# YEAR IN HIGH GEAR

**HAB**  
ANNUAL  
REPORT  
2010





- 1 Board of Directors
- 2 Letters
- 4 Nutrition
- 5 Record Volume
- 6 Promotions
- 8 Online
- 9 By the Numbers
- 10 Consumers Tell All
- 12 Independent Auditors' Report
- 13 Management's Discussion & Analysis

#### **Basic Financial Statements**

- 16 Statement of Net Assets
- 17 Statement of Revenues, Expenses and Changes in Net Assets - Budget and Actual
- 18 Statement of Cash Flows
- 19 Notes to Basic Financial Statements
- 23 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*





-  **Producer**
-  **Officer**
-  **Importer**
-  **Producer Alternate**
-  **Importer Alternate**

## BOARD OF DIRECTORS



**2011**

- 1 jim DONOVAN : *chair*
- 2 ken ROTH : *vice chair*
- 3 jimmy LOTUFO : *treasurer*
- 4 giovanni CAVALETTO : *secretary*
- 5 mike SANDERS
- 6 reuben HOFSHI
- 7 john LINDSTROM
- 8 jamie JOHNSON
- 9 casimir WYTANIEC
- 10 ohannes KARAOGHLANIAN
- 11 araceli ZANABRIA
- 12 barry LONDON

- 13 SCHAAAR
- 14 SINGMASTER
- 15 SOWDEN
- 16 GREENBERG
- 17 EMBLY
- 18 CARLETON
- 19 WILD
- 20 ORTEGA
- 21 BAUWENS
- 22 NADER
- 23 CRANE



## FROM THE EXECUTIVE DIRECTOR

When an engine is in high gear, it runs more smoothly and efficiently than in any other position. In a record year that saw well over 1.3 billion pounds of avocados consumed, in every corner of the United States, the complex marketing engine that delivers avocados needed that same "high gear" fluid performance in order to achieve success. Learning from recent experience in driving ever-expanding crops into a high-demand market, the Hass Avocado Board, in coordination with all Hass Avocado associations, ran a well-oiled machine that met the challenge. The year 2010 was, indeed, a Year in High Gear.

Several years ago we faced the certainty of a billion-pound year. Less certain was whether the market would expand to absorb so many avocados, especially in places less accustomed to seeing Hass Avocados on produce shelves. Clearly, the associations, handlers, importers, retailers and foodservice operators have learned how to successfully drive the market up a constant climb over the past years.

From a strategic standpoint, 2010 was a year for carrying out three specific strategies. HAB's focus shifted from a predominantly promotion orientation to three initiatives that supported the associations: consumer research; nutrition research and messaging; and select, synergistic promotions to fill seasonal gaps. You will see in the following pages how these strategies were executed. In 2011, we'll all test our skills by ensuring that we keep the market healthy in a small crop year. That's a challenge that 2010's experience will help meet.

josé luis **OBREGÓN**  
Executive Director







## FROM THE CHAIRMAN

HAB's mission has always been quite straightforward: To increase consumption of Hass Avocados in the United States.

This means focusing on long-term, demand-building activities rather than on promoting immediate sales, a job that the Californian, Chilean and Mexican avocado communities have done extremely well over the years. In addition and following the direction of our stakeholders, the emphasis on nutrition research and communication continues to expand and now represents almost half of all activities for 2011.

The 2011 Marketing Program reflects this long-term view with three core objectives: 1) to enhance the marketing effectiveness of our stakeholders; 2) to establish a compelling, ever-stronger nutrition research platform; and 3) to provide relevant information and data to facilitate stakeholder decisions.

These three objectives and their supporting activities speak to both our mission and a 2011 marketing budget that is less than half of that available in 2010. Specifically, they steer HAB away from trade promotions – an area of considerable emphasis for our sister associations – and keep the concentration where it belongs: on a sustainable, long-term path toward increasing demand and consumption.

jim **DONOVAN**  
Chairman





# FRESH ENERGY FOR NUTRITION EFFORTS

**HAB is positioned to become the market leader in the field of avocado nutrition research. A library of scientific studies conducted over several years will provide a strong, science-based foundation for its nutrition communications. From this research, HAB will create key messages usable for all association marketing efforts to encourage Hass Avocado consumption. HAB has commissioned three nutrition studies that are now under way:**

## HEART HEALTH:

This study at Pennsylvania State University® will evaluate the benefits of one avocado a day on heart disease risk factors beyond the known advantages of monounsaturated vegetable oils.



## WEIGHT/DIABETES MANAGEMENT:

At Loma Linda University®, researchers will evaluate whether one-half of an avocado a day promotes feelings of fullness and promotes food intake control.

## HEALTHY LIVING:

Researchers at Ohio State University® will determine whether adding one avocado a day to carotene-rich meals enhances fat-soluble vitamin absorption and promotes cardiovascular health.





**HAB has already assembled a comprehensive collection of published nutrition and scientific literature, reports and other articles related to avocados, available at:**  
**[www.AvocadoCentral.com/avocado-nutrition-center/avocado-resource-library](http://www.AvocadoCentral.com/avocado-nutrition-center/avocado-resource-library).**

### CONNECTING WITH THE DIETITIANS

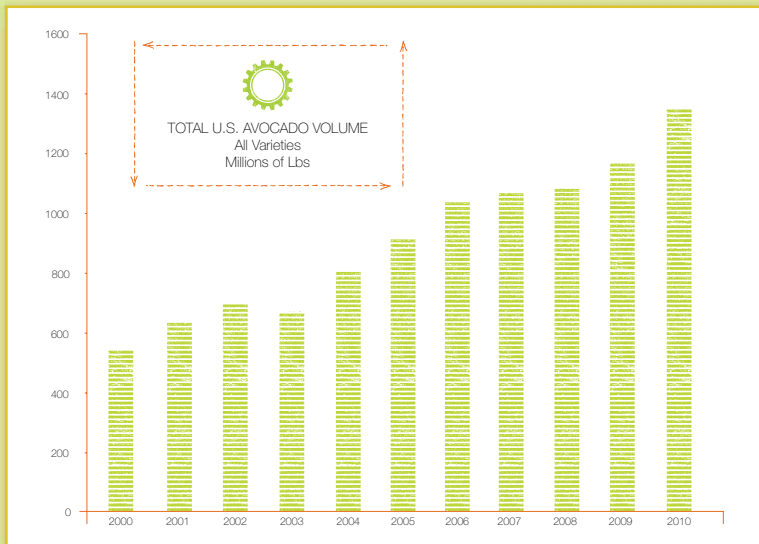
HAB participated at the American Dietetic Association® Food & Nutrition Conference & Expo 2010 along with CAC, CAIA and MHAIA, solidifying its commitment as the leader in nutrition for the industry by promoting the nutritional aspects of the fruit. At the conference, HAB's booth served as a centralized hub of resources where registered dietitians and healthcare professionals learned about the key health benefits of Hass Avocados, received resources to share with their patients and sampled avocado dishes.

### NATIONAL NUTRITION MONTH® MESSAGES REACH SHOPPERS

Avocados and nutrition are made for each other. HAB launched a concerted outreach effort during March's National Nutrition Month, reaching consumers through advertising and point-of-purchase support, public relations and online activities.

## HASS IN HIGH GEAR PRODUCES RECORD VOLUME

**Reflecting the precision parts of a well-oiled international marketing machine, HAB and its partner associations worked together to achieve a year of record volume. It was, indeed, a Year in High Gear.**





## POTENT PROMOTIONS

The year 2010 clearly showed the power of positive sports marketing. The Big Game, the extremely popular U.S. professional football championship, is one of the largest consumption events of the year for Hass Avocados and one of two timeframes of emphasis for HAB integrated promotions. Football fans were estimated to have consumed 80 million pounds of the fruit during Big Game festivities. HAB's "Game Plan for the Big Game" encouraged purchase of Hass Avocados leading up to and for the Big Game.

HAB worked with four-time Super Bowl champion Joe Montana to create a signature guacamole recipe that was promoted through media outreach and appearances.

### Joe Montana's Tomatillo Touchdown Guacamole

#### Ingredients:

- 4 medium tomatillos, husks removed and diced
- 4 green onions, sliced
- 2 tbsp. lime juice
- 2 tsp. green pepper hot sauce
- 1/2 tsp. salt
- 4 ripe, Fresh Hass Avocados, seeded, peeled and diced



#### Instructions:

- 1 Place tomatillos, green onions, lime juice, hot sauce and salt in a bowl.
- 2 Add avocados to bowl, stir to combine, somewhat mashing the avocado.

\*Serve with tortilla or pita chips. Serves 8

The Big Game online promotion included a micro site featuring Montana and Hass Avocado recipes. The site encouraged consumers to plan ahead and shop early for Hass Avocados as well as try recipes in advance of the Big Game. Fans were able to create and print a recipe playbook and enter a Big Game sweepstakes.

A month-long media advertising campaign drove traffic to the Big Game micro site. HAB complemented its consumer marketing with trade advertising and in-store point-of-purchase materials.



## FALL FOOTBALL PROMOTION PROVIDES NATIONAL EXPOSURE FOR HAB

The synergistic fall football promotion sponsored by HAB, the California Avocado Commission and the Chilean Avocado Importers Association could be best described as “really on” in 2010: on national television, on regional TV, online and on site. The broadcast schedule, running from late August until well into December, saw national exposure for Pac 10® and Big 12® games and regionally for Big Ten® and Southeastern Conference battles.

Savvy media buying resulted in 851 spots delivered, more than 250 units than originally anticipated – a 43 percent bonus provided by Fox Sports® Network. These spots included coverage on in-game kick-off features, “Pick of the Week®” integration and even SEC Weather Report broadcasts.

HAB offered creative tips and recipes to inspire consumers’ inclusion of the fruit into their meals. Media outreach included a “mat” release featuring a new avocado-centric recipe, “Tropical Salad with Hass

Avocados and Grilled Shrimp,” and a radio news release featuring a nutritional expert - Julie Upton, MS, R.D., CSSD.

HAB’s merchandising team expanded the promotion with nutrition-themed point-of-purchase materials for retailers, supported by ads in *The Packer®* and *The Produce News®*.

In-store radio ran for four weeks at more than 6,600 supermarkets across the nation. HAB estimated that nearly 100 million messages were delivered, with a call to action to find Hass Avocados in the produce department. HAB also reached out to key foodservice media and 8,000 regional chains that received a mailer, including Hass Avocados nutrition information.



## TOUCHING ALL THE BASES

Football isn't the only hot sport for avocado ideas. HAB implemented a public relations effort to promote the use of Hass Avocados for baseball parties during the fall timeframe. Former Chicago Cubs® second baseman and Hall of Famer Ryne Sandberg spoke with sports media about how to incorporate Hass Avocados into game day dishes. Through HAB's efforts, more than 250 million consumer media impressions were secured.

HAB partnered with MHAIA for the second time for the 2010 The Big Hit® promotion. The Big Hit® brings avocado enjoyment with the excitement of the Major League Baseball® playoff season.

Both associations worked with Turner Broadcasting System® for its Major League Baseball® postseason coverage on TBS. A 30-second spot featuring avocados and a promotional sweepstakes aired during October, accompanied by a sweepstakes offer.

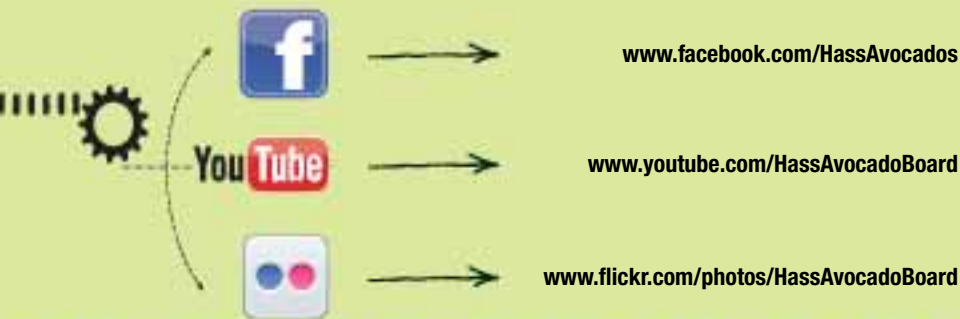


## ONLINE: WHAT A TERRIFIC WEB WE WEAVE

HAB's efforts online to reach consumers interested in Hass Avocado recipe and nutrition information began with the development of a search engine optimization strategy for AvocadoCentral.com. Through this process, key areas of the site were selected and enhanced to evolve and keep current with online trends and seasonal changes in search behavior. As an example, one tactic was to develop an "official" Hass Avocado recipe that HAB could promote year-round and also leverage for the thousands of monthly searches made for "official guacamole" or "best guacamole recipe."

For the first time ever, HAB engaged with Hass Avocado fans by sponsoring an online viral recipe contest during the fall sports entertaining campaign. By asking participants to submit their favorite avocado recipe for their kick off, more than 160 avocado recipes were submitted and shared across social networks for a chance to win a trip for four to the Rose Bowl® Game. At the end of the seven week campaign, total engagements reached 178,130, summed by 163 recipe entries, 5,711 reviews, 14,718 votes, 30,978 viral offsite views, and 126,560 onsite views.

**With SOCIAL MEDIA becoming a major communication force, HAB has developed a plethora of new options for reaching consumers. In early 2010, HAB launched Hass Avocado pages on key social media platforms, including:**



HAB leverages consumers' love for avocados to build an online community of Hass Avocado fans by providing informative and engaging content. Consumers can easily share this information online with friends and place it on their social media profiles, blogs and websites.

AvocadoCentral.com, HAB's consumer site, promoted the nutritional aspects of Hass Avocados with targeted pay-per-click advertising and online banners on various websites in an effort that showed more than 17 million impressions.



## BY THE NUMBERS

All HAB's 2010 statistical measures point to an aggressive and effective effort on several fronts to reach and influence consumers. Here are a few numbers that illustrate success in public relations, advertising and promotions.

**1.6**  
BILLION

The number of media impressions achieved by HAB's public relations, advertising and promotional programs in 2010.

NEARLY  
**255**  
MILLION

The number of audience impressions garnered from online advertising alone.

**400**  
MILLION

**1.2**  
BILLION

Total gross impressions for consumer public relations, including news bureau, Big Game day, fall sports entertaining and consumer and professional nutrition outreach.

Number of avocado recipe cards in 350 retail outlets in 2010.

**150,000**

The reach of nutrition-oriented, in-store radio ads placed during National Nutrition month.

**99**  
MILLION

NEARLY  
**41**  
MILLION



# HASS AVOCADO CONSUMERS TELL ALL

Consumer research is all about what shoppers like and want. And Hass Avocado consumers are not shy about their preferences. Here are some results from HAB's 2010 fall tracking study.

U.S. household penetration of avocados continues to increase. Avo-fans purchasing avocados to eat at home jumped from 60 to 67 percent nationwide from 2007 to fall 2010. Strongest consumption is in the Pacific region (82 percent) and the southwest (81 percent).

Customers purchased an average of 79 and 73 avocados annually in these same two regions. But perhaps the most impressive was growth in the southeast, where avocado lovers were less than ardent in 2007, buying only 42 per year in 2007 but proved their devotion in 2010 with an average of 67 purchases.

Sports nuts love avocados too! Avocados are used during many sporting events, most particularly while watching professional football games, as indicated by a spike from 20 percent of consumers doing that to 31 percent in 2010. Other sports – baseball, basketball, soccer – are also seeing increased avocado loyalty from fans.

Total awareness of Hass Avocados continues to increase significantly, rising from just 32 percent in 2007 to an impressive 62 percent in 2010. 78 percent know about Hass in the southwest, the leading region for Hass awareness.

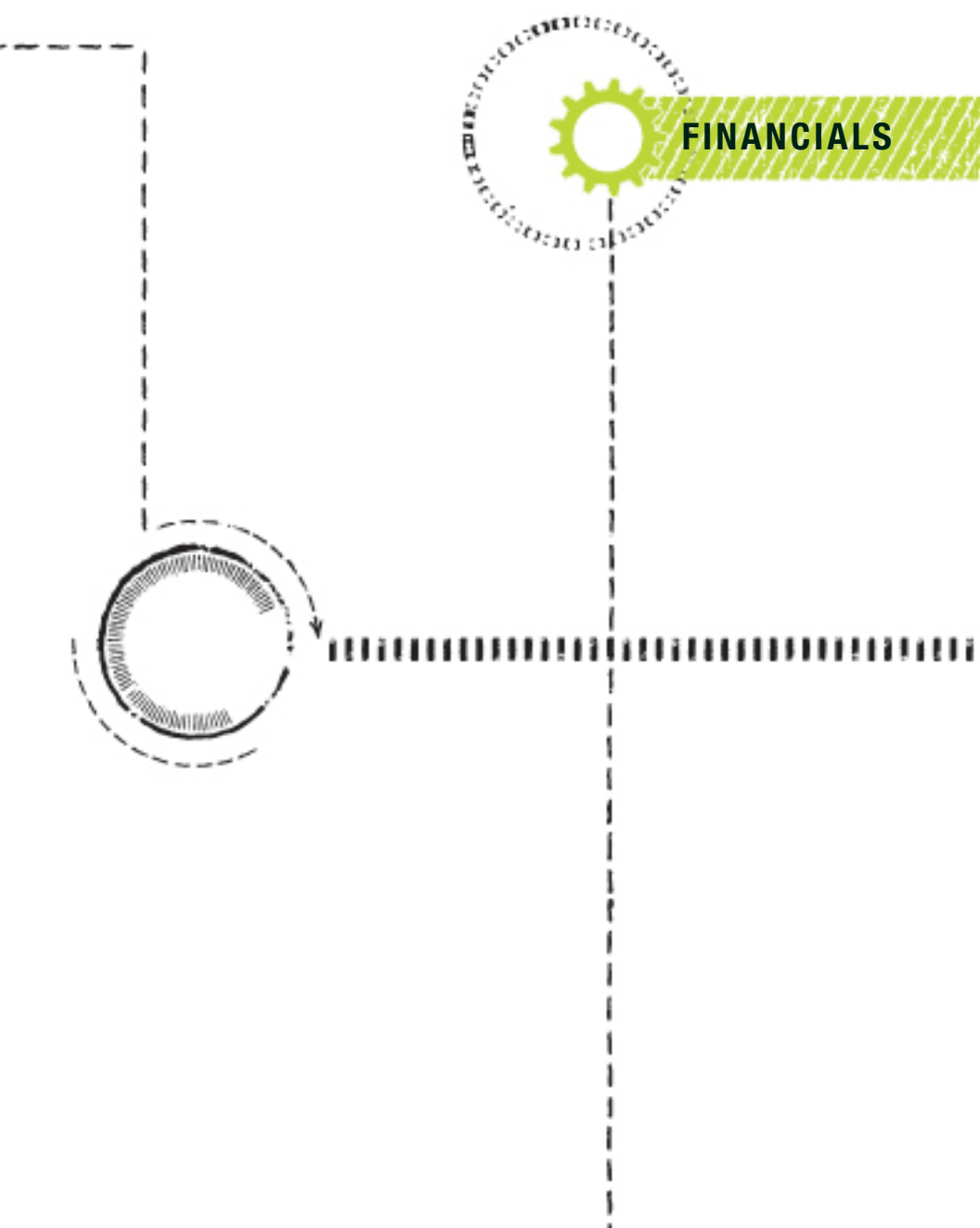
Awareness grew for the three major growing regions during this period: from 55 to 61 percent for California avocados; 45 to 51 percent for Mexican avocados; and 24 to 28 percent for Chilean avocados.

Perhaps the most gratifying finding for everyone in the business is this one: Who would have imagined even a decade ago that in 2010 the top reason consumers say they purchase avocados is that they consider them “Good for You”? Consumers now have a significantly better understanding of the benefits of eating avocados.

**Who would have imagined even a decade ago that in 2010 the top reason consumers say they purchase avocados is that they consider them “Good for You”!**









# 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, 2010, and related statement of revenues, expenses and changes in net assets – budget to actual, and statement of cash flows for the year 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 financial statements of the Hass Avocado Board for year ended December 31, 2009 and, in our report dated April 1, 2010, 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, 2010 and the respective changes in financial position and cash flows of the Hass Avocado Board for the year 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hass Avocado Board's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 7, 2011 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 read in considered in assessing the results of our audit.

*Mayer Hoffman McCann P.C.*

MAYER HOFFMAN MCCANN P.C.  
Irvine, California  
April 7, 2011





# MANAGEMENT'S DISCUSSION & ANALYSIS

## 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, 2010. It has been prepared by management and should be read in conjunction with the audited financial statements for the periods ended December 31, 2010.

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 established 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. and remains unchanged.

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 (CAC) to manage its marketing programs and administrative services in 2009. At the end of 2009, the Board separated its physical offices and administration from the CAC. The Board still maintains a limited marketing program implementation contract with the CAC.

## FINANCIAL HIGHLIGHTS

- The assets of the Board exceeded its liabilities as of December 31, 2010 by \$1,490,503 (net assets). Of this amount, \$1,490,503 totaling 100% is restricted net assets and may only be used for Board promotions, research and information obligations.
- The Board's 2010 total net assets of \$1,490,503 decreased by \$1,302,438 from the December 31, 2009 amount of \$2,792,941. Of this amount, net assets invested in capital assets, net of related debt, remained unchanged at \$0. Net assets restricted for promotions, research and information decreased \$1,302,438 to \$1,490,503.

## 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.



# MANAGEMENT'S DISCUSSION & ANALYSIS

## 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 December 31, 2009 has been presented in the accompanying supplemental schedules to facilitate financial analysis for the current year ended December 31, 2010.

## 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 (100%) of the Board's total assets were current assets, consisting primarily of cash, investments, and accounts receivable, totaling \$4,019,016; down \$946,235 from the prior year amount of \$4,965,251. This decrease was mainly attributable to a reduction in cash and investments as there was an intentional drawdown of reserves by increased spending on marketing programs. Total current assets cover liabilities 1.6 times, and indicate adequate liquidity.

Liabilities totaled \$2,528,513 at December 31, 2010, which increased \$356,204 from \$2,172,310 from the prior year. The increase is mainly due to amounts owed to vendors and rebates owed to avocado 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 \$0, no change from the prior year amount of \$0.

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 \$1,490,503, a decrease of \$1,302,438 over the prior year amount of \$2,792,941, mainly due to the use of funds for an increase in marketing and promotional expenditures. Restricted net assets are 100% of total net assets and are subject to external restrictions on how they can be used.





# MANAGEMENT'S DISCUSSION & ANALYSIS

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

Key highlights and financial analysis are as follows:

- Actual operating revenues of \$31,187,911 in 2010 were \$4,256,610 higher than the \$26,931,301 in 2009. The increase was attributable to a 225% increase in domestic assessment revenues offset by a 20% reduction in revenue from imports. Of the operating revenue, the majority \$18,173,327 (58.3%) reflects assessments from imported volume; \$13,009,434 (41.7%) is generated from domestic volume and the remainder of \$5,241 (less than 1%) is from late fees and interest.
- Actual operating expenses totaled \$32,494,118 in 2010, which was an increase of \$4,611,350 or 17% from the prior year amount of \$27,882,768. The large increase was due to the decision of the board to draw down excess reserves by increasing spending on research and promotion programs as well as a larger crop increasing assessment rebate expenses.
- At the end of the 2010 year, the Board reported ending net assets of \$1,490,503, which was a decrease of \$1,302,438 from the prior year of \$2,792,941. This was primarily due to aforementioned planned increased expenditures for marketing and promotional programs.

## BUDGETARY HIGHLIGHTS

The 2010 final budget for the Board's operations represents the original budget for the 12-month period and amendments that may have occurred during the period. There was no change in the original revenue budget of \$34,093,125. However, the budget was amended three times during the year increasing spending on research and promotion by a total of \$1,409,356. Beginning reserves were also increased by \$903,294 to \$2,792,941 from the estimated \$1,889,647 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 2011 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, 2010, total \$0 (net of accumulated depreciation), which is the same as December 31, 2009 year amount of \$0 (net of accumulated depreciation). The Board had no debt as of December 31, 2010.

## 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 Robert M. Rumph, Controller/Financial Services Manager, Hass Avocado Board, 230 Commerce #190, Irvine, California 92602.



# STATEMENT OF NET ASSETS

## DECEMBER 31, 2010

(WITH COMPARATIVE DATA FOR DECEMBER 31, 2009)

	2010	2009
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and investments (note 2)	\$ 1,702,115	2,735,110
Receivables:		
California	24,409	34,790
Customs	2,259,937	2,170,036
Prepaid expenses	32,555	25,315
Total current assets	4,019,016	4,965,251
<b>NONCURRENT ASSETS:</b>		
Capital assets (note 3)		
Depreciable	81,584	81,584
Accumulated depreciation	(81,584)	(81,584)
Total noncurrent assets	—	—
Total assets	4,019,016	4,965,251
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	2,528,513	2,172,310
Total current liabilities	2,528,513	2,172,310
<b>NET ASSETS:</b>		
Restricted for:		
Promotions, research and information	1,490,503	2,792,941
Total net assets	\$1,490,503	2,792,941
<b>NET ASSETS</b>		



# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL YEAR ENDED DECEMBER 31, 2010 (WITH COMPARATIVE DATA FOR DECEMBER 31, 2009)

	FINAL BUDGET	2010	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2009
<b>OPERATING REVENUES</b>				
ASSESSMENTS:				
California	\$ 10,153,125	13,011,765	2,858,640	4,003,364
Customs	23,920,000	18,173,327	(5,746,673)	22,847,476
Miscellaneous	—	2,819	2,819	80,461
Total operating revenues	34,073,125	31,187,911	(2,885,214)	26,931,301
<b>OPERATING EXPENSES</b>				
REBATE PROGRAM:				
California Avocado Commission	8,630,156	11,060,448	(2,430,292)	3,423,700
Chilean Avocado Import Association	5,882,000	2,889,361	2,992,639	5,141,713
Mexican Hass Avocado Import Association	13,493,750	11,005,611	2,499,139	12,628,177
Total rebate program	28,005,906	24,955,420	3,050,486	21,193,590
PROMOTIONS:				
Consumer communications	3,836,000	3,811,458	24,542	3,023,256
Trade communications	1,099,130	1,018,398	80,732	865,000
Industry communications	111,750	103,617	8,133	94,728
Marketing research	1,017,783	974,062	43,721	662,871
Total promotions	6,064,663	5,907,535	157,128	4,645,855
INDUSTRY INFORMATION:				
Interaction	102,800	920,013	10,787	182,140
Educational programs	9,000	8,977	23	79,589
Total industry information	111,800	100,990	10,810	261,729
Program implementation fee	617,646	617,646	—	517,770
ADMINISTRATION:				
Administration expenses	1,028,260	912,527	115,733	1,261,361
Depreciation expense	—	—	—	2,463
Total administration	1,028,260	912,527	115,733	1,263,824
Total operating expenses	35,828,275	32,494,118	3,334,157	27,882,768
Net operating income (loss)	(1,755,150)	(1,306,207)	448,943	(951,467)
<b>NON-OPERATING REVENUES</b>				
Investment income	20,000	3,769	(16,231)	18,175
Total non-operating revenues	—	3,769	(16,231)	18,175
Change in net assets	(1,755,150)	(1,302,438)	432,712	(933,292)
<b>NET ASSETS</b>				
At beginning of year	2,792,941	2,792,941	—	3,726,233
At end of year	\$ 1,037,791	1,490,503	432,712	2,792,941



# STATEMENT OF CASH FLOWS

## YEAR ENDED DECEMBER 31, 2010

(WITH COMPARATIVE DATA FOR DECEMBER 31, 2009)

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from producers and importers	\$ 31,113,816	\$ 26,881,266
Cash rebate payments and payments to suppliers for goods and services	(32,150,580)	(27,612,311)
Net cash provided by (used for) operating activities	(1,036,764)	(731,045)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	3,769	19,715
Net cash provided by (used for) investing activities	3,769	19,715
Net increase (decrease) in cash and cash equivalents	(1,032,995)	(711,330)
<b>CASH AND INVESTMENTS</b>		
At beginning of year	2,735,110	3,446,440
At end of year	\$ 1,702,115	\$ 2,735,110
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (1,306,207)	\$ (951,467)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	-	2,463
(Increase) decrease in receivables	(79,521)	(50,035)
(Increase) decrease in prepaid deposits	(7,240)	(41,951)
Increase (decrease) in accounts payable and other liabilities	356,204	226,043
Net cash provided by (used for) operating activities	\$ (1,036,764)	\$ (731,045)
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
There were no significant non-cash investing, capital or financing activities during the year ended December 31, 2010.		



# NOTES TO BASIC FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2010

### 1 SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

**REPORTING ENTITY** The Hass Avocado Board is authorized under the *United States Department of Agriculture (USDA), 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.

**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.



# NOTES TO BASIC FINANCIAL STATEMENTS

## (CONTINUED)

### 1 SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

**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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**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 USDA. 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	\$34,418,919
Amendments	<u>1,409,356</u>
Amended budget	<u>\$35,828,275</u>

**ADMINISTRATION AND PROGRAM SERVICES** The Board contracts with the California Avocado Commission to provide certain marketing services necessary in carrying out the purpose described in the Order.

**TAX EXEMPTION** The Office of Chief Counsel 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.

**PRIOR YEAR DATA** Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Board's prior year financial statements, from which this selected financial data was derived.



## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### 2 CASH AND INVESTMENTS

**CASH AND INVESTMENTS AS OF DECEMBER 31, 2010 ARE CLASSIFIED IN THE ACCOMPANYING FINANCIAL STATEMENTS AS FOLLOWS:**

Statement of net assets:	
Cash and investments	\$1,702,115
Total cash and investments	\$1,702,115

**CASH AND INVESTMENTS AS OF DECEMBER 31, 2010 CONSIST OF THE FOLLOWING:**

Demand deposits	\$1,702,115
Total cash and investments	\$1,702,115

**Investments Authorized by the United States Department of Agriculture and the Hass Avocado Board** Under provision of the *USDA 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)
- Merrill Lynch insured savings accounts

**Disclosures Relating to Interest Rate Risk** For the year ended December 31, 2010, the Board maintained a checking account which had a balance in excess of the Federal Deposit Insurance Corporation (FDIC) limit by \$72,378. The Hass Avocado Board monitors the financial health of the respective institution and have not incurred any losses with respect to uninsured deposit amounts.

### 3 CAPITAL ASSETS

**CHANGES IN CAPITAL ASSETS AND RELATED ACCUMULATED DEPRECIATION WERE AS FOLLOWS:**

	JANUARY 1, 2010	ADDITIONS	DELETIONS	DECEMBER 31, 2010
CAPITAL ASSETS:				
Office equipment	\$81,584	-	-	\$81,584
ACCUMULATED DEPRECIATION:				
Office equipment	(81,584)	-	-	(\$81,584)
Total capital assets, net	-	-	-	-

Depreciation expense was \$0 for the year ended in December 31, 2010.



## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

### 4 REVENUE CONCENTRATION

Approximately 53% of total operating revenue was derived from assessments collected from four Hass Avocado handlers/importers.

### 5 LEASE COMMITMENTS

The Hass Avocado Board entered into an operating lease on September 25, 2009 for office space. The operating lease is a 5.5 year lease expiring on February 28, 2015. The future commitments of the Board for the year ended December 31, 2010 are:

2011	\$ 104,551
2012	107,232
2013	109,689
2014	113,040
2015	<u>18,944</u>

Total	<u>\$ 453,456</u>
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### 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 Benefit expenses for the year ended December 31, 2010 was \$25,887.



# 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 year ended December 31, 2010 and have issued our report thereon dated April 7, 2011. 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 (USDA) and as interpreted in the *Guidelines for Agricultural Marketing Service Oversight of Commodity Research and Promotion Programs*, issued by the USDA. 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 of the financial statements of the Hass Avocado Board (the "Board") as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 deficiencies, significant deficiencies, or material weaknesses have been identified.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

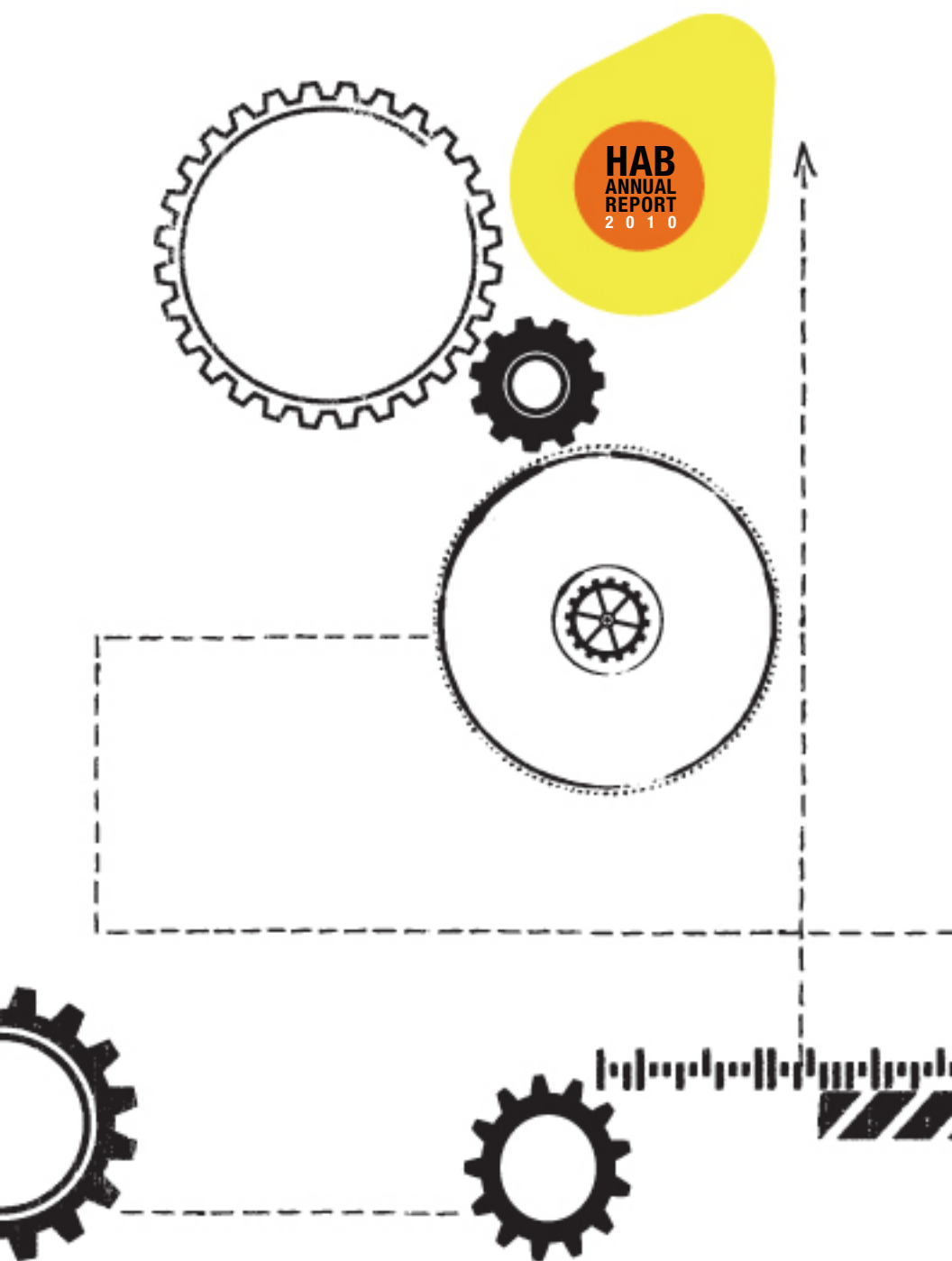
This report is intended solely for the information and use of the Board of Directors, management, the Finance Committee and the USDA and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Hoffman McCann P.C.*

MAYER HOFFMAN MCCANN P.C.  
Irvine, California  
April 7, 2011











**YEAR**  
**IN HIGH**  
**GEAR**



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