



2014

ASSESSING  
GLOBAL IMPACT

HASS AVOCADO  
BOARD

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# 2014

## BOARD OF DIRECTORS AND STAFF MEMBERS

### DIRECTORS



Jamie  
**JOHNSON** *Chair*  
Producer



Bob  
**SCHAAR** *Partial Vice-Chair*  
Partial Secretary  
Producer



Scott  
**BAUWENS** *Partial Vice-Chair*  
Importer



Chris  
**HENRY** *Treasurer*  
Importer



Mike  
**PARR** *Partial Secretary*  
Importer



Ed  
**EMBLY**  
Producer



Isabel  
**FREELAND**  
Importer



Mark  
**GOLDEN**  
Producer



Rick  
**GREENWOOD**  
Producer



Ohannes  
**KARAOGHLANIAN**  
Producer



Casimir  
**WYTANIEC**  
Partial Producer



Gary  
**WOODWORTH**  
Partial Producer



Sebastian  
**BULNES**  
Importer



Rodrigo  
**LOPEZ**  
Importer



David  
**FAUSSET**  
Importer Alternate



Will  
**CARLETON**  
Producer Alternate



Laurie  
**LUSCHEI**  
Producer Alternate



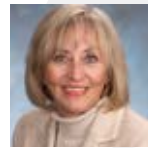
Gahl  
**CRANE**  
Importer Alternate



Emily  
**GREENBERG**  
Producer Alternate



Javier  
**MEDINA**  
Importer Alternate



Faye L.  
**HALL**  
Producer Alternate



Jimmy  
**LOTUFO**  
Importer Alternate



VACANT



VACANT

### STAFF MEMBERS



Emiliano  
**ESCOBEDO**  
Executive Director



Silvia  
**STANDKE**  
Executive Assistant to the Hass Avocado Board



Gina  
**WIDJAJA**  
Marketing and Communications Manager



Dr. Nikki  
**FORD**  
Director of Nutrition



Robert  
**RUMPH**  
Controller/Financial Services Manager



Alejandro  
**GAVITO**  
Global Data Manager



# WE'RE MEETING THOSE LONG-TERM GOALS



The year 2012 isn't exactly ancient history. But in the subsequent two years since we published that year's annual report, progress against critical goals has met the expectations we had about moving quickly and effectively.

We talked then about two specific priorities: better data collection and the preeminence of nutrition research in support of our product.

HAB laid the groundwork for a data collection system in 2013. The Global Data System Committee defined a legal framework and technical solution for the supply and demand data collection system that became a reality in 2014. The Avocado Volume and Inventory System (known as AVIS) was successfully launched in 2014 with active participation from the key players in the industry. That accomplishment is timely and remains a key HAB priority in an ever-expanding global avocado marketplace.

Also in 2014, nutrition research graduated from a firm promise to a full-fledged program with ever-growing results. Two particular studies emerged, both published in leading journals. We'll avoid including their names here because the titles each exceed 20 words – in research-laden jargon! But results are proving useful in changing perceptions about the nutritional benefits of consuming avocados:

For the first study, think carrots and tomato sauce: both great ingredients for a tasty meal that also go together with guacamole. Research found that fresh avocado significantly enhanced the absorption of provitamin A found in products like carrots and tomatoes when eaten together.

The second study tested whether adding avocado to a lunch would result in a reduced desire to eat more compared to eating the same meal without an avocado. It did! The study also found positive outcomes related to insulin levels in the blood.

Accomplishing such goals in the past several years clears the way for the new challenges that the industry faces, with globalization of avocado production leading the way. We look forward to meeting those challenges.

2014



**EMILIANO ESCOBEDO**  
Executive Director

# NEW COUNTRIES BRING NEW CHALLENGES WE'RE ON IT!



Emiliano's look back at 2014 shows some great accomplishments during that time – I am so proud of the staff and board's great work. That said, the whole HAB team is already looking onward and upward. Our next challenge (and it's a big one): we need to get our arms around even more supply and demand data to accomplish HAB's overarching objective of increasing the consumption of Hass avocados in the United States.

As our domestic marketplace expands, we see the globe shrinking in ways avocado industry members could not have imagined at the inception of HAB. Did any of us think that by 2013 Rwanda, Brazil, Kenya and Indonesia would make a top 10 list of avocado-producing countries?

Here's the challenge: with the number of growing regions expanding production, daily decisions in faraway places will affect the U.S. marketplace. How do we capture information about availability, seasonality, and origin that change from country to country? In 2015, HAB needs to better understand what's planted where, and how it affects our American market.

A second initiative will strengthen our board. The new Corporate Governance Committee will work to make board membership a valued goal for more growers. It will find ways to enhance board effectiveness (training and education) and ensure governance best practices help take us to the next level. As HAB evolves and grows along with US consumption of Hass avocados, it is imperative that the board and board member experience keep pace.

We have seen previous goals met with great effort and determination over the past two years. This year, we'll see more of the same.

2014 

**JAMIE JOHNSON**  
Chairman of the Board

**HASS AVOCADO BOARD**

**Basic Financial Statements**

Year Ended December 31, 2014

(With Independent Auditors' Report Thereon)



**Mayer Hoffman McCann P.C.**

**An Independent CPA Firm**

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Board of Directors  
Hass Avocado Board  
Irvine, California

## **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying statement of net position of the Hass Avocado Board (the "Board") as of December 31, 2014, and the related statement of revenues, expenses and changes in net position, and statement of cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hass Avocado Board as of December 31, 2014 and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Report on Summarized Comparative Information***

We have previously audited the Board's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## ***Other Information***

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 Supplementary Information statement and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



### ***Report on Other Legal and Regulatory Requirements***

In accordance with *Government Auditing Standards*, we have also issued a report dated April 16, 2015 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 conjunction with this report in assessing the results of our audit.

*Mayer Hoffman McCann P.C.*

Irvine, California  
April 16, 2015

# **HASS AVOCADO BOARD**

## **Management's Discussion and 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, 2014. It has been prepared by management and should be read in conjunction with the audited financial statements for the periods ended December 31, 2014.

The Board is a federal government instrumentality created September 6, 2002 by the Hass Avocado Promotion, Research, and Information Act. The Board is an administrative body established pursuant to 7 CFR Part 1219, with supervisory oversight by the United States 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.

As required by 7 CFR Part 1219, the Board contracted with the California Avocado Commission (CAC) to assist in its management of board marketing programs in 2014. The Board maintains a limited marketing program implementation contract with the CAC and expended no funds to CAC for this purpose in 2014.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Board exceeded its liabilities as of December 31, 2014 by \$2,432,584 (net position). Of this amount, \$2,352,749 totaling 97% is unrestricted net assets and may be used for Board promotions, research and information obligations.
- The Board's 2014 total net position of \$2,432,584 increased by \$854,206 from the December 31, 2013 amount of \$1,578,378. Of this amount, net position invested in capital assets, net of related debt, decreased to \$79,835 from \$159,431 in 2013. Net position unrestricted for promotions, research and information increased from \$1,418,947 to \$2,352,749.

**HASS AVOCADO BOARD**  
**Management's Discussion and Analysis**

**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 Position; Statement of Revenues, Expenses and Changes in Net Position; 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 Position* 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 position. Over time, increases or decreases in net position 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, 2013 has been presented in the accompanying supplemental schedules to facilitate financial analysis for the current year ended December 31, 2014.

**STATEMENT OF NET POSITION:**

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

The largest portion (99%) of the Board's total assets were current assets, consisting primarily of cash, investments, and accounts receivable, totaling \$6,492,495; up \$1,522,368 from the prior year amount of \$4,970,127. This increase was mainly attributable to an increase in cash and investments and higher receivables related to U.S. Customs and Domestic Handlers. Total current assets cover liabilities 1.6 times, and indicate adequate liquidity.

Liabilities totaled \$4,139,746 at December 31, 2014, which increased \$588,566 from \$3,551,180 from the prior year. The decrease is mainly due to amounts owed to avocado associations and other vendors. Liabilities were primarily accounts payable and are considered current liabilities.

**HASS AVOCADO BOARD**  
**Management's Discussion and Analysis**

Net position 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 position invested in capital assets (net of accumulated depreciation) total \$79,835, down from the prior year amount of \$159,431. The decrease was due to depreciation on HAB's Global Data System (a.k.a. AVIS), tradeshow booth, and accounting software.

Unrestricted net position for promotions, research, industry information and consumer information activities are subject to imposed restrictions by federal statute governing their use. Unrestricted net position total \$2,352,749, an increase of \$933,802 over the prior year amount of \$1,418,947 mainly due to avocado volume which exceeded budget. Unrestricted net assets are 97% of total net assets and are subject to external restrictions on how they can be used.

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

Key highlights and financial analysis are as follows:

- Actual operating revenues of \$46,299,170 in 2014 were \$4,029,532 higher than the \$42,269,638 in 2013. The increase was attributable to a 28% increase in import assessment revenues offset by a 40% decrease in revenue from domestic producers. Of the operating revenue, the majority \$39,284,206 (approximately 85%) reflects assessments from imported volume; \$7,013,366 (approximately 15%) is generated from domestic volume and the remainder of \$1,598 is from late fees, and interest.
- Actual operating expenses totaled \$45,444,964 in 2014, which was an increase of \$2,636,545 or approximately 6.2% from the prior year amount of \$42,808,419. The increase was due to an overall increase in assessable Hass volume resulting in higher assessment rebate expenses and available promotional and marketing funds.
- At the end of the 2014 year, the Board reported ending net position of \$2,432,584, which was an increase of \$854,206 from the prior year of \$1,578,378. The increase was primarily due to increased volume in the marketplace, which boosted HAB's revenue.

**BUDGETARY HIGHLIGHTS**

The 2014 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. The original revenue budget approved by the Board in September 2013 of \$42,250,000 remained constant. Two budget amendments were passed during 2014. The first amendment increased expenditures \$251,000 and the second amendment increased expenditures an additional \$62,500. The second amendment also reflected the HAB's request to allocate a portion of designated staff compensation from administration to marketing/promotional programs. Beginning budgeted reserves were also increased by \$78,378 to \$1,578,378 from the estimated \$1,500,000 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 2015 budget and programs were developed, reviewed and approved for implementation.



**HASS AVOCADO BOARD**  
**Management's Discussion and Analysis**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The Board's investment in capital assets for its business type activities as of December 31, 2014, total \$79,835 (net of accumulated depreciation), which is a \$75,596 decrease from December 31, 2013 year amount of \$159,431 (net of accumulated depreciation). The Board had no debt as of December 31, 2014.

**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 Suite 190 Irvine, California 92602.

**HASS AVOCADO BOARD****Statement of Net Position**

December 31, 2014

(With Comparative Data for December 31, 2013)

|  | <u>2014</u>         | <u>2013</u>      |
|--|---------------------|------------------|
| <b>Assets</b>                          |                     |                  |
| Current assets:                        |                     |                  |
| Cash and investments (note 2)          | \$ 2,672,906        | 1,917,679        |
| Receivables:                           |                     |                  |
| Customs                                | 3,781,683           | 3,034,494        |
| California                             | 9,214               | 5,437            |
| Prepaid expenses                       | <u>28,692</u>       | <u>12,517</u>    |
| Total current assets                   | <u>6,492,495</u>    | <u>4,970,127</u> |
| Noncurrent assets:                     |                     |                  |
| Capital assets (note 3):               |                     |                  |
| Depreciable                            | 239,027             | 239,027          |
| Accumulated depreciation               | <u>(159,192)</u>    | <u>(79,596)</u>  |
| Total noncurrent assets                | <u>79,835</u>       | <u>159,431</u>   |
| Total assets                           | <u>6,572,330</u>    | <u>5,129,558</u> |
| <b>Liabilities</b>                     |                     |                  |
| Current liabilities:                   |                     |                  |
| Accounts payable and other liabilities | <u>4,139,746</u>    | <u>3,551,180</u> |
| Total current liabilities              | <u>4,139,746</u>    | <u>3,551,180</u> |
| <b>Net Position</b>                    |                     |                  |
| Net investment in capital assets       | 79,835              | 159,431          |
| Unrestricted                           | <u>2,352,749</u>    | <u>1,418,947</u> |
| Total Net Position                     | <u>\$ 2,432,584</u> | <u>1,578,378</u> |

See accompanying notes to basic financial statements.

# HASS AVOCADO BOARD

## Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2014  
(With Comparative Data for December 31, 2013)

|  | 2014                | 2013              |
|--|---------------------|-------------------|
| Operating revenues:                        |                     |                   |
| Assessments:                               |                     |                   |
| Customs                                    | \$ 39,284,206       | 30,584,921        |
| California                                 | 7,013,366           | 11,680,896        |
| Miscellaneous                              | 1,598               | 3,821             |
| Total operating revenues                   | <u>46,299,170</u>   | <u>42,269,638</u> |
| Operating expenses:                        |                     |                   |
| Rebate program:                            |                     |                   |
| Mexican Hass Avocado Import Association    | 28,071,728          | 23,841,408        |
| California Avocado Commission              | 5,961,570           | 9,929,359         |
| Peruvian Avocado Commission                | 3,001,465           | 1,009,786         |
| Chilean Avocado Import Association         | 2,064,740           | 1,029,003         |
| Total rebate program                       | <u>39,099,503</u>   | <u>35,809,556</u> |
| Marketing/Research/Communications Program: |                     |                   |
| Nutrition marketing                        | 3,415,981           | 3,709,645         |
| Nutrition research                         | 977,864             | 907,007           |
| Retail data and research                   | 380,556             | 407,624           |
| Strategic initiatives                      | 293,359             | 123,623           |
| Industry communication                     | 183,612             | 163,306           |
| Total Marketing/Research/Communications    | <u>5,251,372</u>    | <u>5,311,205</u>  |
| Other Expenses:                            |                     |                   |
| USDA oversight                             | 90,831              | 124,378           |
| Depreciation (note 3)                      | 79,596              | 79,596            |
| Total Other Expenses                       | <u>170,427</u>      | <u>203,974</u>    |
| Administration:                            |                     |                   |
| Administration expenses                    | 923,662             | 1,483,684         |
| Total administration                       | <u>923,662</u>      | <u>1,483,684</u>  |
| Total operating expenses                   | <u>45,444,964</u>   | <u>42,808,419</u> |
| Net operating income (loss)                | 854,206             | (538,781)         |
| Non-operating revenues:                    |                     |                   |
| Investment income                          | -                   | 40                |
| Total non-operating revenues               | <u>-</u>            | <u>40</u>         |
| Change in net position                     | 854,206             | (538,741)         |
| Net position, at beginning of year         | <u>1,578,378</u>    | <u>2,117,119</u>  |
| Net position, at the end of year           | <u>\$ 2,432,584</u> | <u>1,578,378</u>  |

See accompanying notes to basic financial statements.

**HASS AVOCADO BOARD****Statement of Cash Flows**

Year Ended December 31, 2014

(With Comparative Data for December 31, 2013)

|   | 2014          | 2013         |
|---|---------------|--------------|
| Cash flows from operating activities:   |               |              |
| Cash received from producers and importers  | \$ 45,548,205 | 42,227,962   |
| Cash paid to employees  | (882,146)     | (806,291)    |
| Cash rebate payments  | (39,099,503)  | (35,809,556) |
| Payments to suppliers for goods and services  | (4,811,329)   | (6,339,120)  |
| Net cash provided by (used for) operating activities  | 755,227       | (727,005)    |
| Cash flows from capital and related financing activities:   |               |              |
| Cash paid for the acquisition of capital assets   | -             | (239,027)    |
| Net cash provided by (used for) capital and related financing activities                                  | -             | (239,027)    |
| Cash flows from investing activities:   |               |              |
| Interest income   | -             | 40           |
| Net cash provided by (used for) investing activities  | -             | 40           |
| Net increase (decrease) in cash and cash equivalents  | 755,227       | (965,992)    |
| Cash and investments at beginning of year   | 1,917,679     | 2,883,671    |
| Cash and investments at end of year   | \$ 2,672,906  | 1,917,679    |
| Reconciliation of operating income to net cash provided by (used for) for operating activities:           |               |              |
| Operating income (loss)   | \$ 854,206    | (538,781)    |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: |               |              |
| Depreciation  | 79,596        | 79,596       |
| (Increase) decrease in receivables  | (750,966)     | (41,676)     |
| (Increase) decrease in prepaid expenses   | (16,175)      | (2,097)      |
| Increase (decrease) in accounts payable and other liabilities   | 588,566       | (224,047)    |
| Net cash provided by (used for) operating activities  | \$ 755,227    | (727,005)    |

Non-cash investing, capital and financing activities:

There were no significant non-cash investing, capital or financing activities during the years ended December 31, 2014 and 2013.

See accompanying notes to basic financial statements.



## HASS AVOCADO BOARD

### Notes to Basic Financial Statements

Year Ended December 31, 2014

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 implement and manage a comprehensive research, marketing, and information program whose overarching object is to increase the consumption of Hass Avocado in the United States. 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. Organically grown and exported 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.

Measurement Focus and Basis of Accounting

Enterprise funds are accounted for on the economic resources measurement focus. Accordingly, all assets and liabilities are included on the Statement of Net Position, and the reported net position provides an indication of the historical net worth of the fund. Operating statements for enterprise funds 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.

Enterprise 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. Capital assets that are contributed are recorded as contributed capital assets, which increases the net position 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:

|                  |           |
|------------------|-----------|
| Software         | 3-5 years |
| Office equipment | 3-5 years |
| Tradeshow booth  | 3-5 years |

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.

**HASS AVOCADO BOARD**  
**Notes to Basic Financial Statements**

(Continued)

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

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.

2. Cash and Investments

Cash and investments as of December 31, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:

|                      |                     |
|----------------------|---------------------|
| Cash and investments | <u>\$ 2,672,906</u> |
|----------------------|---------------------|

Cash and investments as of December 31, 2014 consist of the following:

|                 |                     |
|-----------------|---------------------|
| Demand deposits | <u>\$ 2,672,906</u> |
|-----------------|---------------------|

**HASS AVOCADO BOARD**  
**Notes to Basic Financial Statements**

(Continued)

2. Cash and Investments. (Continued)

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

3. Capital Assets

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

|                           | <u>January 1, 2014</u> | <u>Additions</u> | <u>Deletions</u> | <u>December 31, 2014</u> |
|---------------------------|------------------------|------------------|------------------|--------------------------|
| Capital assets:           |                        |                  |                  |                          |
| Office equipment          | \$ 15,411              | -                | -                | 15,411                   |
| Software                  | 68,700                 | -                | -                | 68,700                   |
| Tradeshow booth           | 154,916                | -                | -                | 154,916                  |
| Accumulated depreciation: |                        |                  |                  |                          |
| Office equipment          | (5,132)                | (5,132)          | -                | (10,264)                 |
| Software                  | (22,877)               | (22,877)         | -                | (45,754)                 |
| Tradeshow booth           | <u>(51,587)</u>        | <u>(51,587)</u>  | <u>-</u>         | <u>(103,174)</u>         |
| Total capital assets, net | <u>\$ 159,431</u>      | <u>(79,596)</u>  | <u>-</u>         | <u>79,835</u>            |

Depreciation expense was \$79,596 for the year ended December 31, 2014.

4. Revenue Concentration

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



## HASS AVOCADO BOARD

### Notes to Basic Financial Statements

(Continued)

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. Office space lease expense was \$106,736 for the year ended December 31, 2014. During the previous year, the Board also entered into an agreement to lease a printer/copier. This lease is 63 months at a rate of \$381 a month expiring on June 3, 2018. Rental expense was \$4,572 for the year ended December 31, 2014.

On November 9, 2014, the Board entered into an operating lease for office space located in Mission Viejo, California. The lease commences on March 1, 2015 and is a 6 year, 3 month lease with payments ranging from \$0 a month to \$6,136 a month.

Future lease commitments under these agreements are as follows:

|       |                   |
|-------|-------------------|
| 2015  | \$ 61,680         |
| 2016  | 71,636            |
| 2017  | 73,644            |
| 2018  | 73,414            |
| 2019  | <u>73,272</u>     |
| Total | <u>\$ 353,646</u> |

6. Pension Plan

The Board of Directors of the Hass Avocado Board (Board) implemented a defined contribution retirement plan 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. Employees are eligible to receive the Board's contribution after 1,500 hours of employment. Total benefit expenses for the year ended December 31, 2014 were \$71,005.

## SUPPLEMENTARY INFORMATION

# HASS AVOCADO BOARD

## Statement of Revenues, Expenses and Changes in Net Position - Budget and Actual

Year Ended December 31, 2014  
(With Comparative Data for December 31, 2013)

|  | Final<br>Budget   | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) | 2013              |
|--|-------------------|-------------------|---|-------------------|
| Operating revenues:                        |                   |                   |   |                   |
| Assessment Revenues                        | \$ 42,500,000     | 46,297,572        | 3,797,572   | 42,265,817        |
| Other Income                               | -                 | 1,598             | 1,598   | 3,861             |
| Total operating revenues                   | <u>42,500,000</u> | <u>46,299,170</u> | <u>3,799,170</u>  | <u>42,269,678</u> |
| Operating expenses:                        |                   |                   |   |                   |
| Rebate program:                            |                   |                   |   |                   |
| Rebates                                    | <u>36,125,000</u> | <u>39,099,503</u> | <u>(2,974,503)</u>                                      | <u>35,809,556</u> |
| Marketing/Research/Communications Program: |                   |                   |   |                   |
| Nutrition marketing                        | 3,576,468         | 3,415,981         | 160,487   | 3,709,645         |
| Nutrition research                         | 1,334,547         | 977,864           | 356,683   | 907,007           |
| Retail data and research                   | 416,750           | 380,556           | 36,194  | 407,624           |
| Strategic initiatives                      | 449,694           | 293,359           | 156,335   | 123,623           |
| Industry communication                     | <u>229,209</u>    | <u>183,612</u>    | <u>45,597</u>   | <u>163,306</u>    |
| Total Marketing/Research/Communications    | <u>6,006,668</u>  | <u>5,251,372</u>  | <u>755,296</u>  | <u>5,311,205</u>  |
| Other Expenses:                            |                   |                   |   |                   |
| USDA oversight                             | 79,000            | 90,831            | (11,831)  | 124,378           |
| Depreciation                               | -                 | 79,596            | (79,596)  | 79,596            |
| Program implementation fee                 | <u>5,000</u>      | <u>-</u>          | <u>5,000</u>  | <u>-</u>          |
| Total Other Expenses                       | <u>84,000</u>     | <u>170,427</u>    | <u>(86,427)</u>   | <u>203,974</u>    |
| Administration:                            |                   |                   |   |                   |
| Administration expenses                    | <u>972,832</u>    | <u>923,662</u>    | <u>49,170</u>   | <u>1,483,684</u>  |
| Total administration                       | <u>972,832</u>    | <u>923,662</u>    | <u>49,170</u>   | <u>1,483,684</u>  |
| Total operating expenses                   | <u>43,188,500</u> | <u>45,444,964</u> | <u>(2,256,464)</u>                                      | <u>42,808,419</u> |
| Change in net position                     | (688,500)         | 854,206           | 1,542,706   | (538,741)         |
| Net Position, at beginning of year         | <u>1,578,378</u>  | <u>1,578,378</u>  | <u>-</u>  | <u>2,117,119</u>  |
| Net Position, at the end of year           | <u>\$ 889,878</u> | <u>2,432,584</u>  | <u>1,542,706</u>  | <u>1,578,378</u>  |

# HASS AVOCADO BOARD

## Schedule of Program Expenditures - Budget and Actual

Year Ended December 31, 2014  
(With Comparative Data for December 31, 2013)

|   | Final<br>Budget     | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) | 2013             |
|---|---------------------|------------------|---|------------------|
| <b>Nutrition marketing</b>                          |                     |                  |   |                  |
| Research publications announcements                 | \$ 1,616,500        | 1,218,931        | 397,569   | 1,255,603        |
| Strategy, issues radar and reporting                | 191,000             | 535,794          | (344,794)   | 407,458          |
| Events  | 484,587             | 434,345          | 50,242  | 263,765          |
| Creative content                                    | 159,500             | 311,174          | (151,674)   | 344,812          |
| Staff allocation                                    | -                   | 271,598          | (271,598)   | -                |
| Online/website/social media                         | 181,000             | 185,012          | (4,012)   | 382,661          |
| Thought leader education                            | 124,500             | 125,069          | (569)   | 406,365          |
| Consumer research tracking                          | 174,500             | 117,303          | 57,198  | 222,225          |
| Program management                                  | 387,881             | 107,931          | 279,950   | 92,222           |
| Strategic partnerships                              | 95,000              | 55,383           | 39,617  | 245,652          |
| Message testing and approval                        | 20,000              | 19,612           | 388   | 11,069           |
| Consumer research insights                          | 132,000             | 31,749           | 100,251   | 16,265           |
| Third party endorsement/announcements               | 10,000              | 2,080            | 7,920   | 17,566           |
| Hispanic marketing and communications               | -                   | -                | -   | 43,982           |
| <b>Total nutrition marketing</b>                    | <b>3,576,468</b>    | <b>3,415,981</b> | <b>160,487</b>  | <b>3,709,645</b> |
| <b>Nutrition research</b>                           |                     |                  |   |                  |
| Science pipeline                                    | 729,750             | 616,606          | 113,144   | 501,935          |
| Staff allocation                                    | -                   | 207,736          | (207,736)   | -                |
| Project management                                  | 193,797             | 29,237           | 164,560   | 229,762          |
| Events  | 37,500              | -                | 37,500  | 30,587           |
| Strategy and issues radar                           | 373,500             | 124,285          | 249,215   | 144,723          |
| <b>Total nutrition research</b>                     | <b>1,334,547</b>    | <b>977,864</b>   | <b>356,683</b>  | <b>907,007</b>   |
| <b>Retail data and research</b>                     |                     |                  |   |                  |
| Data services                                       | 128,700             | 123,882          | 4,818   | 111,015          |
| Track and monitor                                   | 138,150             | 118,754          | 19,396  | 123,657          |
| Retail best practices                               | 55,975              | 79,083           | (23,108)  | 31,134           |
| Communications                                      | 42,450              | 40,463           | 1,987   | 38,016           |
| Market performance                                  | -                   | -                | -   | 66,165           |
| Retail purchase behaviors                           | 51,475              | 18,374           | 33,101  | 37,637           |
| <b>Total retail data and research</b>               | <b>416,750</b>      | <b>380,556</b>   | <b>36,194</b>   | <b>407,624</b>   |
| <b>Strategic initiatives</b>                        |                     |                  |   |                  |
| Global data system                                  | 262,273             | 212,506          | 49,767  | 73,491           |
| Quality   | 133,952             | 75,651           | 58,301  | 17,238           |
| International presentation                          | 30,000              | 5,202            | 24,798  | 20,894           |
| Corporate governance                                | 23,469              | -                | 23,469  | 20,894           |
| Planning meetings                                   | -                   | -                | -   | 12,000           |
| <b>Total strategic initiatives</b>                  | <b>449,694</b>      | <b>293,359</b>   | <b>156,335</b>  | <b>144,517</b>   |
| <b>Industry communications</b>                      |                     |                  |   |                  |
| Staff allocation                                    | -                   | 61,390           | (61,390)  | -                |
| Industry website                                    | 48,300              | 42,638           | 5,662   | 42,505           |
| HAB promotional materials                           | 10,000              | 21,733           | (11,733)  | 18,751           |
| Newsletter  | 20,700              | 17,958           | 2,742   | 23,398           |
| Project management                                  | 88,109              | 15,128           | 72,982  | 30,531           |
| Industry meetings and events                        | 19,500              | 12,603           | 6,897   | 12,748           |
| Annual report                                       | 9,600               | 6,978            | 2,622   | 7,609            |
| Board reports                                       | -                   | 3,364            | (3,364)   | 16,144           |
| Content design                                      | 11,000              | 1,820            | 9,180   | 10,341           |
| Outreach  | 22,000              | -                | 22,000  | 1,279            |
| <b>Total industry communications</b>                | <b>229,209</b>      | <b>183,612</b>   | <b>45,597</b>   | <b>163,306</b>   |
| <b>Total Marketing/Research/<br/>Communications</b> | <b>\$ 6,006,668</b> | <b>5,251,372</b> | <b>755,296</b>  | <b>5,332,099</b> |

# HASS AVOCADO BOARD

## Schedule of Administration Expenditures - Budget and Actual

Year Ended December 31, 2014  
(With Comparative Data for December 31, 2013)

|  | Final<br>Budget   | Actual         | Variance with<br>Final Budget<br>Positive<br>(Negative) | 2013             |
|--|-------------------|----------------|---|------------------|
| Other expenses:                            |                   |                |   |                  |
| USDA oversight                             | \$ 79,000         | 90,831         | (11,831)  | 124,378          |
| Depreciation (note 3)                      | -                 | 79,596         | (79,596)  | 79,596           |
| Program implementation fee                 | 5,000             | -              | 5,000   | -                |
| Total industry information                 | <u>\$ 84,000</u>  | <u>170,427</u> | <u>(86,427)</u>   | <u>203,974</u>   |
| Administration expenses:                   |                   |                |   |                  |
| Staff allocation                           | \$ 246,664        | 238,587        | 8,077   | 621,176          |
| Fixed expenses (rent, supplies, fax, etc.) | 104,068           | 106,736        | (2,668)   | 100,925          |
| Travel expense                             | 40,000            | 91,270         | (51,270)  | 177,598          |
| Meeting/board member expenses              | 86,000            | 79,839         | 6,161   | 94,077           |
| Benefits                                   | 71,420            | 71,779         | (359)   | 121,182          |
| Professional fees - legal                  | 56,084            | 56,536         | (452)   | 43,958           |
| Internet/email expense                     | 55,125            | 42,970         | 12,155  | 43,459           |
| CPA - auditor                              | 50,000            | 38,579         | 11,421  | 33,342           |
| Insurance liability                        | 30,000            | 36,178         | (6,178)   | 29,273           |
| Payroll taxes                              | 39,321            | 33,720         | 5,601   | 35,277           |
| Pension                                    | 71,843            | 31,057         | 40,786  | 63,933           |
| Consulting fees/temp services              | 2,500             | 22,317         | (19,817)  | 29,874           |
| Nomination/election                        | 16,000            | 16,301         | (301)   | 10,069           |
| Office supplies and expenses               | 13,175            | 14,095         | (920)   | 10,793           |
| Communication expense                      | 12,500            | 9,313          | 3,187   | 6,871            |
| Bank fees                                  | 9,000             | 7,041          | 1,959   | 5,758            |
| Computer supplies and expenses             | 7,000             | 6,045          | 955   | 1,970            |
| Photo copying                              | 7,000             | 5,790          | 1,210   | 4,439            |
| Courier charges                            | 2,400             | 4,834          | (2,434)   | 1,383            |
| Postage                                    | 4,000             | 3,704          | 296   | 2,026            |
| Education, training, conferences, seminars | 35,000            | 2,554          | 32,446  | 16,345           |
| Furniture/equipment                        | 10,232            | 2,323          | 7,909   | 24,369           |
| Equipment maintenance and expenses         | 2,000             | 1,412          | 588   | 4,034            |
| Printing                                   | 1,500             | 682            | 818   | 1,553            |
| Total administration expenses              | <u>\$ 972,832</u> | <u>923,662</u> | <u>49,170</u>   | <u>1,483,684</u> |

**HASS AVOCADO BOARD****Schedule of Cash Receipts and Disbursements**

Year Ended December 31, 2014

(With Comparative Data for December 31, 2013)

|   | <u>2014</u>         | <u>2013</u>       |
|---|---------------------|-------------------|
| Cash receipts:                            |                     |                   |
| California assessments                    | \$ 7,009,590        | 11,677,934        |
| Customs assessments                       | 38,538,615          | 30,550,028        |
| Interest income                           | <u>-</u>            | <u>40</u>         |
| Total cash receipts                       | <u>45,548,205</u>   | <u>42,228,002</u> |
| Cash disbursements:                       |                     |                   |
| Rebates                                   | 38,677,182          | 35,097,788        |
| Nutrition marketing                       | 3,276,771           | 4,802,473         |
| Nutrition research                        | 977,864             | 907,007           |
| Retail data & research                    | 380,556             | 407,624           |
| Industry communication                    | 183,612             | 163,306           |
| Strategic initiatives                     | 293,359             | 192,323           |
| USDA oversight                            | 90,831              | 124,378           |
| Administration                            | <u>912,802</u>      | <u>1,499,095</u>  |
| Total cash disbursements                  | <u>44,792,978</u>   | <u>43,193,994</u> |
| Excess of receipts over disbursements     | 755,227             | (965,992)         |
| Cash and investments at beginning of year | <u>1,917,679</u>    | <u>2,883,671</u>  |
| Cash and investments at end of year       | <u>\$ 2,672,906</u> | <u>1,917,679</u>  |



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Board of Directors  
Hass Avocado Board  
Irvine, California

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

We have audited, in accordance with the 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, the financial statements of the Hass Avocado Board (the "Board"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated April 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, 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. 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. 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*. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mayer Hoffman McCann P.C.*

Irvine, California  
April 16, 2015





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Board of Directors  
Hass Avocado Board  
Irvine, California

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH THE HASS AVOCADO PROMOTION, RESEARCH AND  
INFORMATION ACT OF 2000 AND ORDER**

Independent Auditors' Report

Compliance

We have audited the Hass Avocado Board's (the "Board"), compliance with the compliance requirements of the Hass Avocado Promotion, Research and Information Act of 2000 and Order that are indicated below for the year ended December 31, 2014. Compliance with the requirements referred to below is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, and contracts, applicable to the Hass Avocado Promotion, Research and Information Act of 2000 and Order.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the Board's requirements of the Hass Avocado Promotion, Research and Information Act of 2000 and Order based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below that could have a direct and material effect on the Board has occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of Board's compliance with those requirements. In our opinion, the Board complied, in all material respects, with the compliance requirements referred to below that are applicable for the year ended December 31, 2014.

- Complied with the allowability provisions of 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.
- Complied with Section 575, Subsection (g) of the Hass Avocado Promotion, Research and Consumer Information Act of 2000 and Section 1219.42, Subsection (b) of the Order, relating to the use of assessment funds for the purpose of influencing governmental policy or action.
- Expended assessment funds for purposes authorized by the Hass Avocado Promotion, Research and Consumer Information Act and Order.
- Expended or obligated assessment funds only for projects in the fiscal year authorized to be expended by the Board's approved budget and marketing plan.
- Funds were used only for projects and other expenses in a budget approved by the USDA.
- Obtained a written contract or agreement with any person or entity providing goods or services to the Board.
- Complied with the Agriculture Marketing Service (AMS) investment policy as interpreted by Direction 2210.2 and the Research and Promotion Branch paper, "Securing Research and Promotion Brand Funds," relating to the limitations on the types of investments which may be purchased by the Board and the insurance or collateral that must be obtained for all Board deposits and investments.
- Complied with the by-laws of the Board or any other policy of the Board, specifically as they relate to all financial matters, including time, attendance, and travel.

#### Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with compliance requirements of the Hass Avocado Promotion, Research and Information Act of 2000 and Order, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Hass Avocado Promotion, Research and Information Act of 2000 and Order. Accordingly, this report is not suitable for any other purpose.

*Mayer Hoffman McCann P.C.*

Irvine, California  
April 16, 2015