



**Finance Committee Packet**  
**May 24, 2021**

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## Finance Committee

### Meeting Agenda

Monday, May 24, 2021  
2:00 p.m. (PST)  
Via Online Video/Teleconference  
Connection instructions below

**2:00 P.M. CALL TO ORDER** – Chairman, Dave Fausset

- Roll Call/Establish quorum
- Announcements
- Approve February 22, 2021 meeting minutes

**FINANCIAL REPORT**

- Accounting and Internal Controls Policy and Procedures
- HAB Assessment Policy
- HAB Re-Export Policy and Procedures
- Review RFP for 2022 Accounting Services
- December 2020 Audited Financial Reports
- 2020 Handler Audit Report
- 2021 Finance and volume report
- 2021 Budget amendment #3
- 2022 Budget planning parameters

**NEW BUSINESS**

**3:00 P.M. ADJOURN\***

\* Time is intended merely for guidance.

**Join Zoom Meeting**

<https://us02web.zoom.us/j/89279248435>

Meeting ID: 892 7924 8435

**One tap mobile**

+16699006833,,89279248435# US (San Jose)

**Dial by your location**

+1 346 248 7799 US (Houston)

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Meeting ID: 892 7924 8435

**Find your local number:**

**VISION: FRESH HASS AVOCADOS WILL BE AMERICA'S MOST POPULAR AND DESIRED FRUIT BY 2025. THE AVERAGE ANNUAL INCREASE IN THE VALUE OF THE FRUIT CONSUMED ON A PER PERSON BASIS IN THE U.S. WILL BE 6%.**

**MISSION: HAB STRENGTHENS THE GLOBAL AVOCADO INDUSTRY AND ITS STAKEHOLDERS IN OUR COLLECTIVE EFFORTS TOWARD MARKET DEVELOPMENT IN THE U.S. THROUGH LEADERSHIP IN NUTRITION, COMMUNICATIONS, BUSINESS SUPPORT TOOLS AND INFORMATION, AND SUSTAINABILITY PRACTICES THROUGHOUT THE SUPPLY CHAIN.**



## Finance Committee

### Meeting Minutes

Monday, February 22, 2021

A meeting of the Finance Committee of the Hass Avocado Board (HAB) was held via zoom teleconference at 1:00 p.m. with the following people present:

#### COMMITTEE MEMBERS PRESENT

Dave Fausset, Committee Chair  
Andy Bruno  
Charley Wolk  
Jeff Dickinson  
Elizabeth Ayala  
Jorge Hernandez, ex officio

#### COMITTEE MEMBERS ABSENT

Bob Schaar - Excused

#### OFFICIALLY PRESENT

Sue Coleman, USDA  
Stacy Jones King, USDA

#### STAFF PRESENT

Emiliano Escobedo  
Robert Rumph

#### BOARD MEMBERS PRESENT

Kimberlin Pelzer

#### GUESTS PRESENT

N/A

#### CALL TO ORDER /ROLL CALL / ESTABLISH QUORUM

Fausset called the meeting to order at 1:01 p.m. He proceeded with roll call and established a quorum making a note of the excused and non-excused committee member absences.

#### ANNOUNCEMENTS

Fausset asked the participants to mute their phones when not speaking to aid others in hearing. Fausset acknowledged the attendance of Sue Coleman from USDA and asked the guests to introduce themselves. Fausset then read Article 14 Section 2 of the HAB Bylaws.

#### APPROVE MINUTES

**MOTION:** *The Hass Avocado Board Finance Committee approves the December 1, 2020, meeting minutes.  
(Wolk) Motion Adopted*

## FINANCIAL UPDATE

Rumph directed the Committee to page 5 of the Finance packet and informed the committee that he was on the audit entrance conference call earlier that day with Davis Farr, Dave Fausset, Emiliano Escobedo, Jorge Hernandez, and Sue Coleman in attendance. Rumph then presented the December un-audited results.

### Twelve Months Ending December 31, 2020- UN-AUDITED

- HAB revenues = \$66.1 M dollars — up \$3.7 M from the same period prior year amount of \$62.4 M.
- HAB net revenues = \$9.9 M dollars — up \$0.3 M from the same period prior year amount of \$9.6 M.
- HAB reserves as of December 31, 2020 = \$3.5 M up \$1.3 M from the \$2.2 M December 2019 ending amount.

### Schedule of Cash & Investments as of December 31, 2020

- Cash in bank — checking account = \$3,515,272
- TOTAL CASH and INVESTMENTS = \$3,515,272

### Statement of Net Assets, Revenue, and Expenditures as of December 31, 2020

- Total assets \$9,216,982
- Total liabilities = \$5,675,761
- Total net assets = \$3,541,221
- Total revenues = \$66,161,600
- Total expenditures = \$64,782,531
- YTD excess revenues over/(under) expenditures = \$1,379,069

Rumph stated in December when the 2020 budget was amended to reflect the reduced volume and projected savings, he had presented estimated 2020 year-end reserves to be approximately \$3.2 million. Rumph stated that the results exceeded the previous estimate by \$300,000 resulting in \$3.5 million in reserves.

Rumph also explained that in budget amendment 2020 #3, he had thought he could close out the Strategy Development budget in Sustainability but there were some late research invoices that were missed. He explained that line item was \$200,000 in the previous version of the budget but was reduced to \$120,000 in amendment #3 when the actual expense came in at \$209,000 for that line item. Rumph further explained that 2 additional invoices were stuck in the e-signature application and that they will reduce the excess revenues over expenditures by approximately \$41,000, resulting in reserves ending closer to \$3.5 million for 2020.

### Reserve Analysis

Rumph presented a reserve target level analysis and explained that the current \$850,000 target was insufficient. He explained that revenue, staff, and HAB operations had grown significantly since the old target was established and that a prior government shutdown had resulted in HAB's reserves briefly falling below the \$850,000 target. He also expressed his concern about the occurrence of more detrimental events like COVID-19, border weather conditions, border shutdowns, and unforeseen political events, etc.

*MOTION: The Hass Avocado Board Finance Committee recommends to the Board approval of the HAB target ending reserve to be \$2,250,000 as presented. (Bruno) Motion Adopted*

### **Cyber Liability Insurance Discussion**

Fausset explained that at the last finance committee meeting Rumph was directed to obtain quotes for Cyber Liability Policy. In doing the research for the quote Rumph thought it was premature to purchase a policy at this time. Rumph instead asked for \$6,000 to have a third-party security assessment done and then remediate any potential security risks that they find. He suggested we could re-visit the need for a policy once the assessment was complete.

*MOTION: The Hass Avocado Board Finance Committee recommends to the Board approving an increase to the 2021 Professional Services and Consulting budget by \$6,000 for HAB staff to engage a third-party security assessment firm to perform a security assessment of HAB's IT infrastructure. (Dickinson) Motion Adopted*

### **NEW BUSINESS**

There was no new business.

### **ADJOURN**

*MOTION: The Hass Avocado Board Finance Committee approves adjournment of the February 22, 2021, Finance Committee meeting. (Bruno) Motion Adopted*

Mr. Fausset adjourned the meeting at 1:36 p.m.

Respectfully submitted,  
Robert M. Rumph



## MEMORANDUM

Date: May 24, 2021  
To: HAB Finance Committee  
From: Robert Rumph  
Subject: Revisions to Accounting and Internal Controls  
Policies and Procedures

The 2020 audit report identified that HAB had no procedure to track employee flight credits that were for canceled flights due to COVID-19. The following language is proposed to be added to the policy:

### **4.11 CREDITS FOR CANCELLED TRAVEL, EVENTS, RETURNS, CANCELLED SERVICES, AND RETURNED PURCHASES**

#### **RESPONSIBILITIES:**

- Purchaser or their Designee will notify the Senior Director of Finance and Administration of the credit due to HAB when they have received notice of a credit for cancelled travel, events, services, returns, or other purchases.
- The Senior Director of Finance and Administration will record the credit due and work with the Purchaser to utilize the credit for future HAB projects or if appropriate, seek a refund.

In 2014, the board adopted a plan to allocate staff costs to programs, versus having all staff expenses classified as administration. Since 2014, those costs have been allocated to the program management line of each program. The following language is proposed to be added to the policy under Section 7.02 Payroll Submission and Approval:

Payroll and related staff costs are allocated in the programs where the work is performed. The Executive Director works with program managers and the Senior Director of Finance and Administration to determine the allocation percentage by program and adjusts the allocations on an annual basis based upon each program's requirements.

Respectfully submitted,

Robert Rumph  
Senior Director of Finance and Administration



## MEMORANDUM

DATE: May 24, 2021  
TO: HAB Finance Committee  
FROM: Robert M. Rumph  
SUBJECT: Assessment Policy Revisions

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In reviewing the existing HAB Assessment Policy, HAB staff discovered the existing policy had missing language from the The federal Hass Avocado Promotion, Research and Information Act 7 U.S.C. 7801-7813 (“Act”) and the Hass Avocado Promotion, Research and Information Order 7 CFR 1219 (“Order”) and was overly complicated. HAB staff has worked with USDA to align the policy to reflect the Act and Order.



## HASS AVOCADO BOARD (HAB)

### ASSESSMENT POLICY<sup>1</sup>

#### 1. GENERAL OBLIGATIONS

The federal Hass Avocado Promotion, Research and Information Act 7 U.S.C. 7801-7813 (hereinafter referred to as "Act") and the Hass Avocado Promotion, Research and Information Order 7 CFR 1219 (hereinafter referred to as "Order") requires ~~handler~~first handlers ~~to deduct the payment of~~ assessments ~~from monies paid or credited producers from whom Hass or Lamb Hass, Hass-like, or GEM (hereinafter referred to as "Hass") avocados were received, and to pay such monies (which are held in trust) to the Hass Avocado Board.~~ The Order provides in §1219.54(e) that the Hass Avocado Board may charge a late payment and interest charges. The Act provides for civil penalties for violations in §7807(c).~~(7 U.S.C. 7804).~~

#### 2. DEFINITIONS

~~—The following definitions apply to this Policy:~~

~~"First Handler" ). The term "first handler" means a person operating in the Hass avocados marketing system that sells domestic or imported Hass avocados for United States domestic consumption, and who is responsible for remitting assessments to the Board. The term includes an importer or producer who sells directly to consumers Hass avocados that the importer or producer has imported into the United States or produced, respectively. means a person operating in the Hass avocado marketing system that sells domestic or imported Hass avocados for consumption in the United States and who is responsible for remitting assessments of the Hass Avocado Board.~~

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<sup>1</sup> Act Section 1205(h), 1208, 1210.60; Order Section 1219.54, 1219.55, 1219.64, 1219.65

~~For purposes of the federal Hass Avocado Promotion, Research, and Information Order (hereinafter referred to as “Order”), the term means the first person who handles Hass avocados for sale (except a common or contract carrier of Hass avocados owned by another person), including a producer who handles Hass avocados for sale of the producer’s own production. “Handler~~First handler” does not include a person who has purchased Hass avocados where all such avocados have already been subject to assessments under the Order (“Exempt Handler”).

~~“Producer” means any person who is engaged in the business of producing Hass avocados in the United States for commercial use, who owns, or shares the ownership and risk of loss, of such Hass avocados.~~

~~“Importer” means any person who imports Hass avocados into the United States.~~

~~“Exempt Handler” means a person who would otherwise be considered a first handler, except that all avocados purchased by the person have already been subject to the assessment under the Act section (7 U.S.C. 7804)(h).~~

### ~~3. ASSESSMENT RATE~~

~~—The initial rate of assessment shall be 2.5 cents per pound on fresh Hass avocados produced and handled in the United States (U.S.) and on fresh Hass avocados imported into the U.S. The rate of assessment may be increased or decreased as recommended by the Hass Avocado Board and approved by the Secretary of Agriculture. The Act allows a maximum assessment rate of 5 cents per pound.~~

### ~~4. REPORTING AND PAYMENT~~

~~Assessment reports are to be filled out monthly, reporting the monthly volume received for handling. Assessment reports and payments are to be received within 30 days after the end of the month in which avocados were received for handling. The assessment rate applied shall be that rate which was in effect at the time avocados were received for handling.~~

### ~~5. IMPORTER REBATE CLAIMS~~

Organic import claims may be made in accordance with the HAB Organic Import Protocol and HAB Organic Import Policy.

## **56. PENALTY AND INTEREST**

- A. Assessments which are not received by the last day of the month following the month in which avocados were received for handling are considered delinquent and a one-time TEN (10) PERCENT (10%) late payment penalty will be added at that time. Due to inconsistencies in US postal delivery times, a seven (7) calendar day grace period for receipt of funds will be allowed as long as the payment is postmarked on or before the due date.
- B. In addition to the late payment penalty, an interest charge at the rate of 18% per annum will be charged. Therefore, ONE AND A HALF PERCENT (1.50%) per month will be charged on the unpaid balance. Interest begins accruing on the first day after the assessment payment is delinquent.
- C. If assessments are remitted past the due date, calculate the mandatory penalty and interest and apply to the assessment payment.
- D. The timeliness of a payment to the Hass Avocado Board shall be based on the date the payment is actually received by the Board.

## **7. PRODUCER OBLIGATIONS**

~~—The producer is obligated to pay the assessments and determine that appropriate amounts have been deducted from payments made or credited to him or her by the handler~~First handler.

## **8. HANDLERFIRST HANDLER OBLIGATIONS**

~~The handler is required to:~~

- ~~A. Collect assessments and hold such funds as a trustee;~~
- ~~B. File assessment reports and remit collected assessments to the Hass Avocado Board in a timely manner;~~
- ~~C. Keep complete and accurate reports (as described below in Section 9) of all avocados received, which shall be retained for at least two years beyond the~~

~~fiscal period of their applicability and made available on demand for inspection by the employees and agents of the Hass Avocado Board and U.S. Department of Agriculture; and~~

- ~~D. All assessments shall be paid to the Hass Avocado Board by the handler~~First handler ~~first handling the avocados. Every handler~~First handler ~~shall be primarily and personally liable for the payment of any such assessment, and failure of a handler~~First handler ~~to collect the assessment from any producer shall not exempt a handler~~First handler ~~from liability.~~

### **89. PRODUCERS ACTING AS HANDLERFIRST HANDLERS**

~~A producer who sells his avocados directly to a buyer who is not a handler~~first handler ~~is a handler~~first handler ~~and must also fulfill the assessment collection and reporting obligations of a handler~~first handler~~. When the producer is also the handler~~first handler~~, the assessment is based on the pounds sold, marketed, or distributed by the producer to buyers who are not handler~~first handlers~~.~~

### **910. RECORDS TO BE MAINTAINED BY HANDLERFIRST HANDLERS**

- ~~A. The Order states that the “handler~~first handler ~~shall maintain a separate record of domestic Hass avocados of each producer whose domestic Hass avocados are handled, including the domestic Hass avocados owned by the handler~~first handler ~~and domestic Hass avocados that are exported.”~~
- ~~B. Each first handler of domestic Hass avocados shall report to the administrative staff of the Hass Avocado Board, at such times and in such manner as the Board may prescribe, such information as may be necessary for the Board to perform its duties.~~
- ~~C. First handler reports shall include, but shall not be limited to, the following:~~
- ~~a. Number of pounds of domestic Hass avocados received during the reporting period;~~
  - ~~b. Number of pounds on which assessments were collected;~~
  - ~~c. Assessment collected during the reporting period;~~

- ~~d. Name and address of person(s) from whom the first handler collected the assessments on each pound handled;~~
- ~~e. Date collection was made on each pound handled;~~
- ~~f. Record of assessments paid, including a statement from the handler first handler that assessments have been paid on all domestic Hass avocados handled during the reporting period; and~~
- ~~g. Number of pounds exported during the reporting period.~~

## **119. PENALTIES**

You may, by law, be fined up to \$10,000, imprisoned up to five years or both for knowingly or willfully making false statements within the Monthly Report and Remittance of Amounts Due for Avocados Assessed and Collected (18 U.S.C. 1001).

[Civil penalty for violation of an order or regulation issued under the Hass Avocado Promotion, Research, and Information Act of 2000, codified at 7 U.S.C. 7807\(c\)\(1\)\(A\)\(i\), has a minimum of \\$1,417 and a maximum of \\$14,177 for each violation.](#)

[Civil penalty for failure to obey a cease and desist order under the Hass Avocado Promotion, Research, and Information Act of 2000, codified at 7 U.S.C. 7807\(e\)\(1\), has a maximum of \\$14,177 for each offense. Each day the violation continues is a separate violation.](#)

## **124. QUESTIONS**

In the event you have any questions regarding the payment of assessments, submission of assessment reports or other obligations under the Hass Avocado Promotion, Research, and Information Act and Order, please contact the Hass Avocado Board office [\(949\) 341-3250](tel:9493413250).



## MEMORANDUM

DATE: May 24, 2021  
TO: HAB Finance Committee  
FROM: Robert M. Rumph  
SUBJECT: Re-Export Policy Changes

In reviewing the existing HAB Re-Export Policy, HAB staff requests the board approve a change in the policy to align the Re-Export Policy claim “tail period” with the HAB Organic Import Exemption Policy. This change will create a deadline for claims from re-exporters and prevent claims from closed fiscal years being processed. The addition of the following language to the existing policy is proposed:

*HAB will accept re-export refund requests on assessments up until the end of the marketing year in which the assessments were collected. HAB will accept valid refund requests from the prior marketing year (January to December) until February 15<sup>th</sup> of the following marketing year. Refund requests made after February 15 for the preceding marketing year will not be processed.*



**HASS AVOCADO BOARD**  
**RE-EXPORT POLICY AND OVERPAYMENT CREDIT PROCEDURES**

The federal Hass Avocado Promotion, Research, and Information Order (hereinafter referred to as “Order”) provides that “Overpayments shall be credited to the account of the person remitting the overpayment and shall be applied against any amounts due in succeeding months”. A re-export overpayment occurs when an importer pays an assessment for fruit that is imported into the United States and is later re-exported and sold in a third country.

**2. DEFINITIONS**

The following definitions apply to these procedures

“**Importer**” the term Importer means any person who imports Hass avocados into the United States. The term includes a person who holds title to Hass avocados produced outside of the United States immediately upon release by Customs, as well as any person who acts on behalf of others, as an agent, broker, or consignee, to secure the release of Hass avocados from Customs and the introduction of the released Hass avocados into the current of commerce and who is listed in the import records of Customs as the importer of record for such Hass avocados.

“**Hass Avocado Board or Board**” means the administrative body established pursuant to 1219.40 of the Order.

**3. OVERPAYMENT REQUEST**

Overpayment (refund) requests should be sent to the Board no later than 10 days following the close of the month re-export occurred. HAB will accept re-export refund requests on assessments up until the end of the marketing year in which the assessments were collected. HAB will accept valid refund requests from the prior marketing year (January to December) until February 15<sup>th</sup> of the following marketing year. Refund requests made after February 15 for the preceding marketing year will not be processed.

#### **4. SUPPORTING DOCUMENTATION**

In order to process the re-export overpayment requests, the following must be submitted:

- A. Copies of signed Bills of Lading for every shipment that clearly states the foreign destination, country of origin of fruit and number of packages for each shipment.
- B. Monthly summary spreadsheet, separated by country of origin, to include:
  - Re-export date
  - Customer
  - Destination
  - Order #
  - Number of packages
  - Type of package
  - Pounds per package
  - Requested Month pound summary
  - Requested Month credit amount
- C. Importer affidavit that acknowledges the accuracy of the submitted documentation signed by a corporate officer.
- D. Note Hass Avocados that are eligible to be labeled as “organic” or “100 percent organic” under the National Organic Program (NOP) (7 CFR part 205), or certified as “organic” or “100 percent organic” under a U.S. equivalency arrangement established under the NOP are not ineligible for re-export refunds because the deductions should be taken when the fruit is imported into the United States initially.

#### **5. REQUEST SUBMISSION AND DOCUMENTATION FORMATS**

The Board will only process those monthly requests that are sent via email and include the following three (3) attached files.

- One (1) PDF file that includes copies of all Bills of Lading for that month
- One (1) Excel Spreadsheet that includes the information required on Section 4. B (downloadable on [www.hassavocadoboard.com](http://www.hassavocadoboard.com))
- One (1) PDF file that includes copy of the signed Importer Affidavit Downloadable on [www.hassavocadoboard.com](http://www.hassavocadoboard.com))

The request should be sent to [robert@hassavocadoboard.com](mailto:robert@hassavocadoboard.com)

#### **6. IMPORTER OBLIGATIONS**



The importer is required to:

- A. File re-export overpayment requests to the Hass Avocado Board in a timely manner as described in Section 3 and 4.
- B. Keep complete and accurate reports and records of all re-exported avocados, which shall be retained for at least two years beyond the fiscal period of their applicability and made available on demand for inspection by the employees and agents of the Hass Avocado Board and U.S. Department of Agriculture.

## **7. QUESTIONS**

In the event you have any questions regarding these procedures please contact the Hass Avocado Board office at 949-341-3250.

**THESE PROCEDURES CAN CHANGE AT ANY TIME AT THE DISCRETION OF THE HASS AVOCADO BOARD.**



## REQUEST FOR PROPOSAL

JUNE 14, 2021

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## **REQUEST FOR PROPOSAL GAGAS AUDITS**

The Hass Avocado Board (HAB) is soliciting bids from GAS certified CPA's to provide Generally Accepted Government Auditing Standards (GAGAS) auditing services for the Hass Avocado Board. The Request for Proposal timeline, description of the Hass Avocado Board, the services needed, and other pertinent information are included below. Your response will be held in the strictest of confidence.

### **REQUEST FOR PROPOSAL TIMELINE**

We look forward to receiving your Bid pursuant to this Request for Proposal for GAGAS auditing services by **5:00 PM, Friday JULY 2, 2021**. Please return your comprehensive response to:

Robert Rumph  
Senior Director of Finance and Administration  
Hass Avocado Board  
25212 Marguerite Parkway, Suite 250  
Mission Viejo, CA 92692  
[robert@hassavocado.com](mailto:robert@hassavocado.com)  
949-341-3250

Once all proposals are received and reviewed, the HAB may request a limited number of GAS certified CPA's to interview with management on a selected date. The final selection for the CPA engagement will be selected and announced **September 24, 2021**.

### **GENERAL DESCRIPTION OF THE HASS AVOCADO BOARD**

The Hass Avocado Board (HAB) is a non-profit 501-C1 (Federal instrumentality), established in 2002 to promote the consumption of Hass avocados in the United States. Authorized under the Hass Avocado Promotion, Research, and Information Act of 2000 (7 U.S.C. 7801-7813) and administered under the Hass Avocado Promotion, Research, and Information Order (Order) (7 CFR part 1219).

The HAB is Headquartered in Mission Viejo, California, a 12-member board representing domestic producers and importers of Hass avocados directs HAB's promotion, research and information programs under supervision of the United States Department of Agriculture (USDA). Hass avocados are grown in California and imported into the U.S. from Mexico, Chile, Peru, Dominican Republic, Colombia, Spain, and New Zealand. After years of unprecedented growth and success, HAB has established itself as one of the leading trade associations in the fresh produce industry.

Funding comes from a mandatory assessment of 2.5¢ per pound of domestically produced and imported avocados sold in the U.S. Revenues in 2020 were approximately \$66.2 million. HAB manages marketing, research and industry information programs funded by 15% of the revenue (approximately \$10 million in 2020). The remaining 85% of revenue is remitted by HAB to

organizations that represent importers, handlers and producers from their respective growing regions.

HAB board members are appointed by the USDA Secretary of Agriculture and serve three-year terms. Board members that serve on HAB are not compensated for their service.

## **USDA AUDIT REQUIREMENTS**

In accordance with the authorizing legislation for the Hass Avocado Board and the *Guidelines for the Agricultural Marketing Service Oversight of Commodity Research and Promotion Programs*, all research and promotion programs are required to have an annual audit conducted by a certified public accountant.

All audits need to be conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS) as issued by the Comptroller General of the United States, commonly referred to as the “Yellow Book.”

The GAGAS audits prescribe additional reporting standards that go beyond the requirements contained in the American Institute of Certified Public Accountants Statements of Audit Standards. A GAGAS audit requires a report on internal controls and compliance with laws, regulations, and provisions of contracts or grant agreements. If deficiencies are found, the audit firm is required to report violations and abuse.

## **SCOPE OF AUDITING SERVICES REQUESTED**

The Hass Avocado Board (HAB) is requesting proposals for auditing services from qualified Certified Public Accounting (CPA) firms. The term of service will be for the fiscal period ending December 31, 2022, with the option of providing the same service for subsequent fiscal years.

### **I. NATURE OF SERVICES REQUIRED**

#### **A. General**

The HAB is soliciting bids for three separate audit proposals (explained in section I.C. of this RFP) from qualified CPA Firms to perform an examination of the financial statements of the HAB and other related audit services for the 12 month period ending December 31, 2022, with the option of providing the same service for subsequent fiscal years.

#### **B. Auditing Standards**

Each audit is to be performed in accordance with auditing standards generally accepted in the United States (U.S.) of America and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### **C. Proposals - Objectives and Reports**

## Proposal #1 – Financial Statement Audit

The objective of the audit is the expression of an opinion as to whether the HAB's financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional/supplementary information when considered in relation to the financial statements taken as a whole. The audit firm will prepare all audit work papers necessary for expressing an opinion on the fairness of the presentation of the HAB's financial statements. The audit will also include tests of the accounting records of the HAB and other procedures considered necessary to enable the audit firm to express an opinion. Auditors will be required to present the results of the annual meeting to the Finance Committee and Board.

Upon completion of the Fiscal Year 2022 audit, the auditor shall provide the following:

1. A printed annual Financial Report that includes the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, and Supplementary Information.
2. If applicable, reports that include comments and recommendations (but not opinions) on the HAB's internal control and accounting procedures related to the financial statements and compliance with laws, regulations, and the provisions, noncompliance with which could have a material effect on the financial statements as required by the Government Auditing Standards.
3. If applicable, a listing of audit adjusting journal entries in a format that shows the lowest level of posting detail necessary for the HAB to enter the audit adjusting journal entries into the General Ledger. These should be discussed with appropriate HAB staff prior to recording.

In the audit work regarding internal controls, the Auditor shall communicate any significant deficiencies found during the audit.

## Proposal #2 – Handler Assessment Audit (Agreed-upon Procedures)

A separate bid is being solicited to perform an agreed-upon procedure engagement to audit the HAB's receipt of California First Handler assessments. The procedures performed relate to certain records of selected handlers for avocados handled during the 2022 calendar year. The engagement usually occurs three to four months after the calendar year end. The HAB's auditor will test approximately 12 California based avocado handlers for the accuracy, completeness and compliance of their assessment records and reporting. The HAB seeks a lump sum or hourly fee proposal for this work separate from the Financial Statement Audit proposal but included in the same package.

## Proposal #3 – Elections/Nominations Audit (Agreed-upon Procedures)

A separate bid is being solicited to perform an agreed-upon procedure engagement to assist the HAB in ensuring the accuracy of their annually /nomination process of producers and importers running for a board seat. The bid should include setting up a dedicated U.S. Post Office Box for

receiving ballots and gaining an understanding of the HAB Nomination policies and Procedures. HAB will need an independent report of the tabulated results of the spring 2022 election. The HAB seeks a lump sum or hourly fee proposal for this work separately from the Financial Statement Audit and the Handler Assessment Audit proposals but included in the same package.

D. Special Considerations

I. It is expected that the auditor selected will be available throughout the year for general consultation regarding matters of accounting, and will keep HAB management abreast of new developments and reporting requirements affecting the HAB. The auditor will also advise the HAB about appropriate accounting principles and their application. No additional compensation should be contemplated unless explicitly negotiated by the HAB.

**Estimated Staff Level**

**Hours by Task**

**ANNUAL AUDIT**

Partner	11.00
Manager	46.50
Senior Auditor	81.00
Staff Auditor	<u>65.50</u>
Total	204.00

**AUP - HANDLER**

Partner	4.5
Manager	38.25
Senior Auditor	280.5
Staff Auditor	<u>2</u>
Total	325.25

**AUP -  
ELECTION/NOMINATION**

Partner	1.5
Manager	10.5
Senior Auditor	0
Staff Auditor	<u>51.25</u>
Total	63.25

Grand Total 592.50

A. Background Financial Information

The following summarizes key information from the year ending December 31, 2020:

<b>REVENUES:</b>	<b>2020</b>
ASSESSMENT REVENUES	\$66,148,676
OTHER INCOME	\$12,924
<b>TOTAL REVENUES</b>	<b>\$ 66,161,600</b>
<b>EXPENSES:</b>	
<b>85% REBATE PROGRAM</b>	
REBATES	\$56,174,116
<b>REBATE SUB-TOTAL</b>	<b>\$56,174,116</b>
<b>NET REVENUE</b>	<b>\$9,987,484</b>
<b>PROMOTION, RESEARCH, AND INFORMATION PROGRAMS</b>	
COMMUNICATIONS	\$3,371,325
NUTRITION	\$2,327,974
BUSINESS SUPPORT TOOLS AND INFORMATION	\$628,797
INDUSTRY ENGAGEMENT AND LEADERSHIP	\$661,754
SUSTAINABILITY	\$283,027
PROMOTION, RESEARCH, AND INFORMATION PROGRAMS SUBTOTAL	<b>\$7,272,876</b>
<b>ADMINISTRATION OF HAPRIO</b>	
ADMINISTRATION OF HAPRIO SUB-TOTAL	<b>\$1,052,982</b>
<b>OVERSIGHT</b>	
USDA/OGC/PROGRAM REVIEW	\$196,028
OVERSIGHT SUB-TOTAL	<b>\$196,028</b>
<b>TOTAL EXPENDITURES</b>	<b>\$64,696,002</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$1,465,598</b>

B. Budgetary Basis of Accounting

Budgets are adopted annually by the HAB by board resolution and are prepared on an accrual basis of accounting. The HAB is responsible for preparing the budget and for its implementation after adoption. The HAB has the authority to amend the budget during the year. The USDA is required to review and approve all board approved budgets and budget amendments before funds can be expended.

C. Pension Plan

The HAB has a profit sharing/pension plan managed by Sentinel Benefits Group. The HAB's full-time employees participate in the plan based on eligibility criteria set by the Board.

D. Long-term Debt

The HAB is precluded by law from borrowing and has no long-term debt.

E. Treasury/Investment of Funds

The HAB's investment of funds is administered by the HAB Senior Director of Finance and Administration pursuant to the USDA AMS Investment Policy adopted by the Board. As of December 31, 2020, the HAB's portfolio consisted of \$3,515,272 in demand deposits. During periods of favorable interest rates, the HAB may invest in short-term securities as that comply with the USDA and HAB investment policy.

F. Administrative Department

The HAB's administrative department encompasses the general accounting, treasury, risk management, payroll, personnel, general administration, and information technology functions. It consists of a vice president, an accounting manager, an accounts receivable/accounts payable specialist, a human resources administrator, a receptionist, and a part-time accounting assistant.

Typical transaction volume for the Hass Avocado Board is estimated as follows:

Number of bank checking accounts - 1  
Average Number of cash disbursements per month - 83  
Average Number of purchase orders issued per month – 2.5  
Average Number of cash receipts per month - 22  
Number of payrolls processed per month - 2

G. Computer System

The HAB utilizes cloud-based applications and storage for all data processing. HAB staff utilize approximately 12 workstations operating mostly Microsoft Windows applications.

For accounting, the HAB uses Sage Software. Payroll services are administered on-line through an outside payroll service. The payroll service provider files all required tax payments and notices.



## H. Internal Audit Function

Due to its small size, the HAB does not have an internal audit function. Within the constraints of available staffing, the HAB attempts to maintain segregation of key duties and responsibilities.

## III. TIME REQUIREMENTS

### A. Financial Statement Audit

The fieldwork for the Financial Statement Audit usually begins in the third week of February. In the last two years, the audit fieldwork lasted 3 to 5 days. This schedule/timing has worked well in the past allowing enough time for the HAB to close its fiscal year and for the financial statements and audit report to be presented to the HAB Board in May. This schedule may be altered only by mutual agreement between HAB management and the auditor.

The auditor shall provide the HAB with a complete draft of the Financial Report, including footnotes and supplementary schedules (in PDF format) by the final week of March or earlier. The auditor is required by USDA Guidelines to present the final Financial Report, as described in section I.C. of this RFP, at a HAB Board meeting usually scheduled in May.

### B. Handler Assessment Audit (Agreed-upon Procedures)

For the Handler Assessment Audit, the auditor shall prepare the final reports for the Board in time for inclusion in the Summer HAB board meeting materials (August or September). Consequently, the auditor must provide complete draft reports a few weeks prior to the Summer Board meeting. This schedule may be altered only by mutual agreement between HAB management and the auditor.

## IV. ASSISTANCE TO BE PROVIDED TO THE AUDITOR

### A. Administrative Department and Clerical Assistance

HAB Staff members will be made available to assist in the audit. Staff will provide documents (invoices, disbursements, board meeting minutes, purchase orders, budgets, sub ledgers, etc.) and prepare all confirmations. In addition, staff will be available to respond to any questions that may arise during the audit.

### B. Report Preparation

For the Financial Statement Audit, the auditor is responsible for preparation of the Financial Report that includes the Independent Auditor's Report the Basic Financial Statements (including footnotes) and applicable Supplementary Schedules. The Management's Discussion and Analysis section of the Financial Report are prepared by HAB staff. These reports, together with other

reports described in Section I.C., are to be completed and delivered to the HAB as described in Section III.A

For the Handler Assessment Audit, the auditor is responsible for preparation of the Independent Accountants' Reports on Applying Agreed-Upon Procedures that enumerate the audit procedures, findings and recommendations.

C. Other

HAB will provide the auditors with suitable workspace with internet access and access to a photocopier.

V. PROPOSAL REQUIREMENTS

A. Inquiries

Inquiries concerning this request for proposal must be made to:

Robert Rumph  
Senior Director of Finance and Administration  
25212 Marguerite Parkway, Suite 250  
Mission Viejo, CA 92692  
Email: robert@hassvocadoboard.com  
Phone: 949/341-3250

B. Proposals

Proposals must be submitted VIA EMAIL in PDF format with "Hass Avocado Board Audit Proposal" in the subject line and must include the proposer's name, email, and physical address. The proposer shall submit the completed proposal and other pertinent information, including the firms most recent "Peer Review" letter to the above address no later than 5:00 p.m. on Friday, July 2, 2021. It is the responsibility of the proposer to ensure that the proposal is delivered on time. Any proposal received after the deadline will be disqualified. The HAB will not reimburse firms for any expenses incurred in the preparation of proposals in response to this RFP.

VI. MINIMUM QUALIFICATIONS

Firm's bidding shall meet the following minimum qualifications:

A. Firm shall have successfully completed audits of a minimum of two government entities in the preceding twelve months.

B. Managers or supervisors assigned to the engagement shall have a minimum of two years of experience in the audit of government entities. Partners assigned to the engagement shall have a minimum of five years of experience in the audit of government entities.

## VII. SELECTION PROCESS AND CRITERIA

### A. Selection Process

The selection process will involve the review of the proposal for compliance with the requirements of the RFP, qualifications of the firm and references.

Based upon the HAB's review of the proposals, interviews may be scheduled via Zoom or Microsoft Teams.

### B. Contents of Proposal

Proposals shall contain the following information:

1. A general summary of the audit engagement plan including nature of year-end testing procedures and the extent of support which will be required from HAB Staff (i.e. providing invoices, disbursements, schedules, etc.)

2. A discussion of your firm's qualifications and relevant experience including recent experience in government auditing based on standards as adopted by the American Institute of Certified Public Accountants (AICPA) and the standards set forth for Financial Audits in the Government Accountability Office's (GAO) Government Auditing Standards.

3. A discussion of educational background and relevant experience of the Partner, Supervisor(s) and Staff which will be assigned to this engagement.

4. A summary of recent audit engagements of other similarly sized governmental agencies, including individuals from three recent engagements whom we may contact for reference.

5. A preliminary schedule including tentative dates for completion of year-end field work, preparation of financial statements, footnotes, opinion letters and other reports described in Section I.C.

6. A proposed budget including estimated hours for each level of the engagement team, hourly billing rates, out-of-pocket expenses and a total proposed cost including breakdowns by each Proposal Number in Section I of this Request for Proposal. The budget must include an all-inclusive maximum price (including out-of-pocket expenses) for all services outlined in Section I. of this Request for Proposal.

7. A listing of billing rates, by staffing level, which would apply to any supplemental services which may be requested by the HAB during the term of this contract.

#### C. Criteria for Selection

Selection of the auditor shall be based upon the following criteria:

1. Technical qualifications and experience of key members of the engagement team and the firm.
2. Experience with similarly sized governmental agencies in providing the types of services outlined in this Request for Proposal.
3. Capability of handling all aspects of the engagement and providing ongoing support and technical assistance throughout the year.
4. Ability to provide continuity of staff from year to year.
5. Thoroughness of auditors proposed scope of work.
6. Clearly defined schedule of work to be performed and ability to meet required completion dates for key parts of the audit.
7. Reasonableness and competitiveness of cost budget.

The award of the contract will not be based on the lowest fee proposed, but on a combination of all of the above factors. The HAB reserves the right to request additional information and allow for corrections of errors or omissions. The HAB reserves the right to reject all proposals.

#### D. Conflict of Interest

The HAB considers the following circumstances as a potential conflict of interest and therefore requires the proposing firm to disclose to the HAB if any of the following are true:

1. The firm is also an auditor of any avocado packing houses, importers, growers, or related avocado associations.
2. The firm or any of its employees or partners has a financial interest in the avocado industry.

Failure to disclose any of the above two items will void any agreement made between the HAB and the proposing firm in the future.

### VIII. TIME SCHEDULE

The HAB anticipates using the following time schedule:

June 14, 2021	Mail RFP's to bidders
July 2, 2021	Written proposals due by 5:00 p.m.
July 5 – July 30, 2021	Review of proposals
August 2 – August 13, 2021	Firm virtual interviews, if necessary
September 20, 2021	Present proposal and bids to the Board
September 24, 2021	Notify bidders

#### IX. Terms and Conditions

The HAB reserves the right to revise the Request for Proposal (RFP) and/or issue addenda to the RFP. The HAB reserves the right to cancel and/or revise the RFP in whole or in part, prior to the execution of a contract.

The HAB reserves the right to reject any and all proposals without penalty and to not issue a contract as a result of this RFP.

The HAB will not be liable for any costs incurred by the respondent in preparing a proposal, presenting a proposal, or any other activities related to responding to this proposal. All work performed under the contract becomes the property of and belongs solely to the HAB.

Based upon the scope of work negotiated in the contract, the respondent may be asked to sign a conflict-of-interest statement.

**HASS AVOCADO BOARD**

**Basic Financial Statements**

Year ended December 31, 2020

(With Independent Auditor's Report Thereon)

**HASS AVOCADO BOARD**  
**Basic Financial Statements**  
**Year ended December 31, 2020**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Hass Avocado Board  
Mission Viejo, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Hass Avocado Board (the "Board") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### ***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.



## ***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, 2020 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 financial statements for the year ended December 31, 2019, and we expressed an unmodified audit opinion on those financial statements in our report dated March 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 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.

### **Other Reporting Requirements by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated April 2, 2021 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.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California  
April 2, 2021

**HASS AVOCADO BOARD**  
**Management's Discussion and Analysis, Continued**  
**Year Ended December 31, 2020**

**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, 2020. It has been prepared by management and should be read in conjunction with the audited financial statements for the period ended December 31, 2020.

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 the Hass Avocado Promotion, Research, and Information Order (Order), 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.

The board employs an Executive Director who is responsible for employing, contracting, supervision, and discharge of all Board employees, agencies, consultants, and other suppliers. The Board has 12 staff members who implement the various research and promotion programs.

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 assessment 2.5 cents per pound on fresh Hass avocados produced in the U.S. and on fresh Hass avocados imported into the United States.

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.

Producers and importers of certified organic Hass avocados can apply for an exemption from paying assessments (§ 1219.202 Exemption for organic Hass avocados). The Board is responsible for the efficient implementation of the process that issues organic exemption certificates and calculates and processes assessment refunds for those certified organic avocados.

**FINANCIAL HIGHLIGHTS**

- The assets of the Board exceeded its liabilities as of December 31, 2020 by \$3,502,312 (net position). Of this amount, 100% totaling \$3,502,312, is unrestricted net assets and may be used for Board promotions, research and information obligations.
- The Board's 2020 total net position of \$3,502,312 increased by \$1,340,160 from the December 31, 2019 amount of \$2,162,152. Of this amount, net position invested in capital assets, net of related debt, decreased to \$0 from \$9,273 in 2019. Net position unrestricted for promotions, research and information increased from \$2,152,879 to \$3,502,312

**HASS AVOCADO BOARD**  
**Management's Discussion and Analysis, Continued**  
**Year Ended December 31, 2020**

**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 Budget and Actual; and Statement of Cash Flows. These *basic financial statements* are designed to present a broad overview of the financial data for the Board, in a manner similar to a private-sector business.

**Fund Financial Statements:**

The *Statement of Net 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, 2019 has been presented in the accompanying supplemental schedules to facilitate financial analysis for the current year ended December 31, 2020.

**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 (100%) of the Board's total assets were current assets, consisting primarily of cash, investments, and accounts receivable, and prepaid expenses totaling \$9,216,982; up \$1,889,520 from the prior year amount of \$7,327,462. This increase was mainly attributable to a increase in and cash on hand, and increases of accounts receivable from U.S. Customs and avocado handlers. Total current assets to liabilities ratio is 1.61 to 1 and indicates adequate liquidity.

Liabilities totaled \$5,714,670 at December 31, 2020, which increased \$540,087 from \$5,174,583 from the prior year. The increase is mainly due to increased amounts owed to avocado importer associations and other vendors and an increase in accrued vacation balances. Liabilities were primarily assessment rebates payable and vendor accounts payable and are considered current liabilities.

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

**HASS AVOCADO BOARD**  
**Management's Discussion and Analysis, Continued**  
**Year Ended December 31, 2020**

(net of accumulated depreciation) total \$0 down from the prior year amount of \$9,273. The decrease was due to additional accumulated depreciation of information technology equipment and assessment system software.

Unrestricted net position for promotions, research, and information activities are subject to imposed restrictions by federal statute governing their use. Unrestricted net position total \$3,502,312, an increase of \$1,340,160 over the prior year amount of \$2,162,152 mainly due to a increase in revenues due to domestic and imported avocado volume. Unrestricted net assets are 100% of total net assets and are subject to restrictions on how they can be used.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Key highlights and financial analysis are as follows:

- Actual operating revenues of \$66,148,676 in 2020 were \$3,782,287 higher than the \$62,366,389 in 2019. The increase was mainly attributable a significant increase in volume of domestically grown avocados. Of the operating revenue, the majority \$57,595,249 (approximately 87%) reflects assessments from imported volume; \$8,529,557 (approximately 13%) is generated from domestic volume and the remainder of \$23,870 is from late fees, and interest.
- Actual operating expenses totaled \$64,821,440 in 2020, which was an increase of \$2,415,605 or approximately 3.9% from the prior year amount of \$62,405,835. The increase was due to a rise in domestic assessable Hass volume resulting in higher assessment rebate expense to the domestic avocado association and increased business plan expenditures.
- At the end of the 2020 year, the Board reported ending net position of \$3,502,312, which was an increase of \$1,340,160 from the prior year of \$2,162,152. The increase was primarily due to increased volume in the marketplace, which boosted HAB's revenue. As the Board is statutorily barred from taking on debt, the Board considers its net position (reserves) an important indicator of the Board's financial strength and maintains a cash reserve. The Board's stakeholders expect funds to be expended responsibly during the year to grow consumer demand and maintain a reserve that supports continued operations through unforeseen potential market and/or government disruptions. The Order limits the Board to a operational reserve that does not exceed one fiscal period's budget (7CFR 1219.54(n)).

**BUDGETARY HIGHLIGHTS**

The 2020 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. All staff salaries and benefits are allocated to the various departments under research and promotion programs where the work is performed. The departmental allocation percentages for staff costs under research and promotion programs are updated on an annual basis. Three budget amendments were approved and passed by the board during 2020. The first amendment increased expenditures by \$18,000 for Financial Oversight. A second budget amendment increased revenue and rebates by \$2,500,000 and \$2,125,000, respectively. The second budget amendment recognized the final audited results from 2019 and increased beginning reserves by \$311,245 from \$1,850,908 to \$2,162,153. In addition, the second budget amendment increased nutrition research by \$10,000, increased office related expenses by \$5,000, and USDA Oversight by \$17,087. Additionally, there were some funds moved between subcategories under Nutrition Marketing that resulted in \$0 overall change. A third budget decreased revenue and rebates by \$2,400,000 and \$2,040,000, respectively. The third and final budget amendment decreased administration expenses by \$234,406, decreased Nutrition Marketing expenses by \$383,465, decreased target audience

**HASS AVOCADO BOARD**  
**Management's Discussion and Analysis, Continued**  
**Year Ended December 31, 2020**

research by \$48,000, decreased Nutrition Research by \$755,836, increased Nutrition Affairs by \$53,926, decreased Supply and Demand Information by \$40,364, decreased Industry Engagement by \$260,300, decreased Sustainability by \$80,000 and lastly decreased the Program Implementation Fee by \$1,000.

During the year, the Board was involved in developing, analyzing and implementing current and long-range financial goals. 2021 budget and programs were developed, reviewed and approved by the board and USDA for implementation.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The Board's investment in capital assets for its business type activities as of December 31, 2020, total \$0 (net of accumulated depreciation), which is a \$9,273 decrease from December 31, 2019 year amount of \$9,273 (net of accumulated depreciation). The Board had no debt as of December 31, 2020.

**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 Rumph, Senior Director of Finance and Administration, Hass Avocado Board, 25212 Marguerite Parkway Suite 250, Mission Viejo, California 92692.

**HASS AVOCADO BOARD**  
**Statement of Net Position**  
**December 31, 2020**  
**(with comparative information for prior year)**

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 2)	\$ 3,515,272	1,848,168
Receivables:		
Customs	5,569,698	5,451,931
Other	109,970	5,224
Deposits	6,051	6,051
Prepaid expenses	15,991	16,088
Total current assets	9,216,982	7,327,462
Noncurrent assets:		
Capital assets (note 4):		
Depreciable	350,296	350,296
Accumulated depreciation	(350,296)	(341,023)
Total noncurrent assets	-	9,273
Total assets	9,216,982	7,336,735
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and other liabilities	5,588,149	5,095,027
Compensated absences (note 5)	126,521	79,556
Total current liabilities	5,714,670	5,174,583
<b>Net Position</b>		
Investment in capital assets	-	9,273
Unrestricted	3,502,312	2,152,879
Total net position	\$ 3,502,312	2,162,152

See accompanying notes to the basic financial statements.

**HASS AVOCADO BOARD**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year ended December 31, 2020**  
**(with comparative information for prior year)**

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Assessments:		
Customs	\$ 57,595,249	57,492,191
California	8,529,557	4,846,601
Other income	<u>23,870</u>	<u>27,597</u>
Total operating revenues	<u>66,148,676</u>	<u>62,366,389</u>
Operating expenses:		
Rebate program:		
Mexican Hass Avocado Import Association	45,253,730	44,166,322
California Avocado Commission	7,268,445	4,119,359
Peruvian Avocado Commission	3,427,127	3,769,212
Columbian Avocado Board	149,043	-
Chilean Avocado Import Association	<u>75,772</u>	<u>781,608</u>
Total rebate program	<u>56,174,117</u>	<u>52,836,501</u>
Marketing/Research/Communications program:		
Nutrition marketing	3,371,325	3,101,562
Target audience research	163,419	273,364
Nutrition research	2,135,916	2,974,511
Nutrition affairs	192,057	249,624
Supply and demand information	575,105	610,044
Industry engagement	661,755	745,377
Quality	38,073	82,370
Sustainability	<u>260,666</u>	<u>100,177</u>
Total marketing/research/communications program	<u>7,398,316</u>	<u>8,137,029</u>
Other expenses:		
USDA oversight	196,028	247,456
Depreciation (note 4)	<u>9,273</u>	<u>14,011</u>
Total other expenses	<u>205,301</u>	<u>261,467</u>
Administration:		
Administration expenses	<u>1,043,706</u>	<u>1,170,838</u>
Total administration	<u>1,043,706</u>	<u>1,170,838</u>
Total operating expenses	<u>64,821,440</u>	<u>62,405,835</u>
Operating income (loss)	1,327,236	(39,446)
Non-operating revenues:		
Investment income	<u>12,924</u>	<u>72,160</u>
Total non-operating revenues	<u>12,924</u>	<u>72,160</u>
Increase in net position	1,340,160	32,714
Net position, at the beginning of year	<u>2,162,152</u>	<u>2,129,438</u>
Net position, at the end of year	<u>\$ 3,502,312</u>	<u>2,162,152</u>

See accompanying notes to the basic financial statements.



**HASS AVOCADO BOARD**  
**Statement of Cash Flows**  
**Year ended December 31, 2020**  
**(with comparative information for prior year)**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from producers and importers	\$ 65,926,166	62,833,158
Cash paid to employees	(1,759,614)	(1,590,259)
Cash rebate payments	(55,812,642)	(53,231,069)
Payments to suppliers for goods and services	<u>(6,699,730)</u>	<u>(8,069,844)</u>
Net cash provided by (used for) operating activities	<u>1,654,180</u>	<u>(58,014)</u>
Cash flows from investing activities:		
Interest income	<u>12,924</u>	<u>72,160</u>
Net cash provided by (used for) investing activities	<u>12,924</u>	<u>72,160</u>
Net increase (decrease) in cash and cash equivalents	1,667,104	14,146
Cash and cash equivalents at beginning of year	<u>1,848,168</u>	<u>1,834,022</u>
Cash and cash equivalents at end of year	<u>\$ 3,515,272</u>	<u>1,848,168</u>
Reconciliation of operating income (loss) to net cash provided by (used for) for operating activities:		
Operating income (loss)	\$ 1,327,236	(39,446)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	9,273	14,011
(Increase) decrease in receivables	(222,513)	462,029
(Increase) decrease in prepaid expenses	97	(10,798)
Increase (decrease) in accounts payable and other liabilities	<u>540,087</u>	<u>(483,810)</u>
Net cash provided by (used for) operating activities	<u>\$ 1,654,180</u>	<u>(58,014)</u>

Non-cash investing, capital and financing activities:

There were no significant non-cash investing, capital or financing activities during the years ended December 31, 2020 and 2019.

See accompanying notes to the basic financial statements.

## HASS AVOCADO BOARD

### Notes to the Basic Financial Statements

Year ended December 31, 2020

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 objective is to increase the consumption of Hass Avocado in the United States. The Board is authorized to levy an assessment against producers and importers 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 may be 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. Organic refunds are recorded net of assessment revenue.

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 the Basic Financial Statements**  
**Year ended December 31, 2020**  
**(Continued)**

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

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 acquisition 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

Compensated Absences

The Board permits employees to accumulate earned but unused vacation and sick leave benefits. Earned vacation hours accrue and may be paid out to a maximum of 240 hours. Accrued sick leave is not paid out upon termination and is not recorded as a liability. Compensated absences are accrued and reported as a liability in the period earned.

Tax Exemption

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

**HASS AVOCADO BOARD**  
**Notes to the Basic Financial Statements**  
**Year ended December 31, 2020**  
**(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. In addition, certain minor reclassifications of the prior year data have been made to enhance their comparability to the current year.

2. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and cash equivalents	<u>\$ 3,515,272</u>
---------------------------	---------------------

Cash and cash equivalents as of December 31, 2020 consist of the following:

Demand deposits	<u>\$ 3,515,272</u>
-----------------	---------------------

3. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Board's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by the state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public

**HASS AVOCADO BOARD**

**Notes to the Basic Financial Statements**

**Year ended December 31, 2020**

**(Continued)**

3. Custodial Credit Risk (Continued)

agencies. California law also allows financial institutions to secure Board deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The Board's deposits were collateralized as of December 31, 2020.

4. Capital Assets

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

	January 1, 2020	Additions	Deletions	December 31, 2020
Capital assets:				
Office equipment	\$ 59,433	-	-	59,433
Software	82,914	-	-	82,914
Tradeshaw booth	154,916	-	-	154,916
Leasehold improvements	<u>53,033</u>	-	-	<u>53,033</u>
Total capital assets	350,296	-	-	350,296
Accumulated depreciation:				
Office equipment	(59,433)	-	-	(59,433)
Software	(82,914)	-	-	(82,914)
Tradeshaw booth	(154,916)	-	-	(154,916)
Leasehold improvements	<u>(43,760)</u>	<u>(9,273)</u>	-	<u>(53,033)</u>
Total accumulated depreciation	<u>(341,023)</u>	<u>(9,273)</u>	-	<u>(350,296)</u>
Total capital assets, net	<u>\$ 9,273</u>	<u>(9,273)</u>	-	<u>-</u>

Depreciation expense was \$9,273 for the year ended December 31, 2020.

5. Compensated Absences

The following is a summary of changes in compensated absences, included in current liabilities, for the year ended December 31, 2020. All amounts are considered due within one year.

	January 1, 2020	Additions	Deletions	December 31, 2020
Compensated absences	\$ 79,556	123,189	(76,224)	126,521

6. Revenue Concentration

Approximately 45% of total operating revenue was derived from assessments collected from six Hass avocado handlers/importers.

**HASS AVOCADO BOARD**

**Notes to the Basic Financial Statements**

**Year ended December 31, 2020**

**(Continued)**

7. Lease Commitments

On November 9, 2014, the Hass Avocado Board entered into an operating lease for office space located in Mission Viejo, California. The lease commenced on March 1, 2016 and is a 6 year, 3-month lease with payments ranging from \$0 a month to \$6,136 a month. Office space lease expense was \$73,635 for the year ended December 31, 2020. The Board entered into lease agreement on January 1, 2017 for a printer/copier. This lease is for 63 months at a rate of \$532 a month, expiring on March 31, 2022. Equipment lease expense was \$6,384 for the year ended December 31, 2020.

Future lease commitments under these agreements are as follows:

2021	\$ 43,202
2022	<u>1,596</u>
Total	<u>\$ 44,798</u>

8. Contract Commitments

The Board has significant active nutrition research agreements as of December 31, 2020 in the amount of \$11,722,701. At December 31, 2020, \$3,165,947 of such contract commitments had not yet been incurred.

9. Pension Plan

The Board contributes to the Hass Avocado Board Profit Sharing Plan (PSP), a defined contribution pension plan, for eligible Board employees. The PSP is administered by a third-party administrator. Due to the Board's limited administrative involvement, the investments of the PSP are not recorded in the Board's financial statements in accordance with the accounting standards.

Benefit terms, including contribution requirements, for PSP are established and may be amended by the Board. The plan limits contributions strictly from the Board. For each employee in the pension plan, 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 pension expense for the year ended December 31, 2020 were \$189,317.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Board contributions and earnings on Board contributions after completion of 3 years of creditable service with the Board. Non-vested Board contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses and to offset future contributions. For the year ended December 31, 2020, forfeitures reduced the Board's pension expense by \$0.

SUPPLEMENTARY INFORMATION

**HASS AVOCADO BOARD**  
**Statement of Revenues, Expenses and Changes in Net Position - Budget and Actual**  
**Year ended December 31, 2020**  
**(with comparative information for prior year)**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual 2019
Operating revenues:				
Assessment revenues	\$ 66,350,000	66,124,806	(225,194)	62,338,792
Other income	-	23,870	23,870	27,597
Total operating revenues	<u>66,350,000</u>	<u>66,148,676</u>	<u>(201,324)</u>	<u>62,366,389</u>
Operating expenses:				
Rebate program:				
Rebates	<u>56,397,500</u>	<u>56,174,117</u>	<u>223,383</u>	<u>52,836,501</u>
Total rebate program	<u>56,397,500</u>	<u>56,174,117</u>	<u>223,383</u>	<u>52,836,501</u>
Marketing/Research/Communications program:				
Nutrition marketing	3,460,060	3,371,325	88,735	3,101,562
Target audience research	117,000	163,419	(46,419)	273,364
Nutrition research	2,143,675	2,135,916	7,759	2,974,511
Nutrition affairs	303,126	192,057	111,069	249,624
Supply and demand information	676,073	575,105	100,968	610,044
Industry engagement	664,667	661,755	2,912	745,377
Quality	32,834	38,073	(5,239)	82,370
Sustainability	<u>170,515</u>	<u>260,666</u>	<u>(90,151)</u>	<u>100,177</u>
Total marketing/research/ communications program	<u>7,567,950</u>	<u>7,398,316</u>	<u>169,634</u>	<u>8,137,029</u>
Other expenses:				
USDA oversight	233,087	196,028	37,059	247,456
Depreciation	<u>9,274</u>	<u>9,273</u>	<u>1</u>	<u>14,011</u>
Total other expenses	<u>242,361</u>	<u>205,301</u>	<u>37,060</u>	<u>261,467</u>
Administration:				
Administration expenses	<u>1,074,207</u>	<u>1,043,706</u>	<u>30,501</u>	<u>1,170,838</u>
Total administration	<u>1,074,207</u>	<u>1,043,706</u>	<u>30,501</u>	<u>1,170,838</u>
Total operating expenses	<u>65,282,018</u>	<u>64,821,440</u>	<u>460,578</u>	<u>62,405,835</u>
Net operating income (loss)	1,067,982	1,327,236	259,254	(39,446)
Non-operating revenues:				
Investment income	-	12,924	12,924	72,160
Total non-operating revenues	<u>-</u>	<u>12,924</u>	<u>12,924</u>	<u>72,160</u>
Operating income (loss)	1,067,982	1,340,160	272,178	32,714
Net position, at beginning of year	<u>2,162,152</u>	<u>2,162,152</u>	<u>-</u>	<u>2,129,438</u>
Net position, at the end of year	<u>\$ 3,230,134</u>	<u>3,502,312</u>	<u>272,178</u>	<u>2,162,152</u>



**HASS AVOCADO BOARD**  
**Schedule of Program Expenditures - Budget and Actual**  
**Year ended December 31, 2020**  
**(with comparative information for prior year)**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual 2019
<b>Nutrition marketing:</b>				
Program management	\$ 706,359	725,810	(19,451)	662,802
Message testing and approval	-	-	-	54,357
Creative content	401,145	360,313	40,832	215,330
Events	24,131	24,131	-	239,371
Online/website/social media	308,000	308,895	(895)	185,927
Nutrition and research promotion	1,753,094	1,666,231	86,863	1,458,025
Strategic partnerships	45,891	61,291	(15,400)	18,783
Strategy, issues radar and reporting	221,440	224,654	(3,214)	266,967
<b>Total nutrition marketing</b>	<b>3,460,060</b>	<b>3,371,325</b>	<b>88,735</b>	<b>3,101,562</b>
<b>Target audience research:</b>				
Research insights and tracking	117,000	163,419	(46,419)	273,364
<b>Total target audience research</b>	<b>117,000</b>	<b>163,419</b>	<b>(46,419)</b>	<b>273,364</b>
<b>Nutrition research:</b>				
Program management	291,160	366,887	(75,727)	288,651
Science pipeline	1,852,515	1,769,029	83,486	2,685,860
<b>Total nutrition research</b>	<b>2,143,675</b>	<b>2,135,916</b>	<b>7,759</b>	<b>2,974,511</b>
<b>Nutrition affairs:</b>				
Events	115,213	16,409	98,804	79,630
Strategy/issues radar and reporting	187,913	175,648	12,265	169,994
<b>Total nutrition affairs</b>	<b>303,126</b>	<b>192,057</b>	<b>111,069</b>	<b>249,624</b>
<b>Supply and demand information:</b>				
Program management	295,337	300,920	(5,583)	285,457
Communications	125,000	26,191	98,809	82,545
Data services	121,236	119,644	1,592	74,273
Avis	39,000	45,166	(6,166)	38,901
Track and monitor	70,500	62,212	8,288	87,053
Research and information	25,000	20,972	4,028	41,815
<b>Total supply and demand information</b>	<b>676,073</b>	<b>575,105</b>	<b>100,968</b>	<b>610,044</b>
<b>Industry engagement:</b>				
Program management	481,967	471,275	10,692	377,803
Annual report	6,000	6,000	-	-
HAB promotional materials	6,000	4,860	1,140	2,227
Industry meetings and events	40,500	50,630	(10,130)	51,812
Industry website	51,200	47,303	3,897	206,312
Outreach	15,000	8,000	7,000	-
Communications	64,000	73,687	(9,687)	107,223
<b>Total industry engagement</b>	<b>664,667</b>	<b>661,755</b>	<b>2,912</b>	<b>745,377</b>
<b>Quality:</b>				
Program management	22,834	22,361	473	61,049
Research and information	10,000	15,712	(5,712)	21,321
<b>Total quality</b>	<b>32,834</b>	<b>38,073</b>	<b>(5,239)</b>	<b>82,370</b>
<b>Sustainability:</b>				
Program management	50,515	51,339	(824)	100,177
Strategy and development	120,000	209,327	(89,327)	-
<b>Total sustainability</b>	<b>170,515</b>	<b>260,666</b>	<b>(90,151)</b>	<b>100,177</b>
<b>Total marketing/research/communications</b>	<b>\$ 7,567,950</b>	<b>7,398,316</b>	<b>169,634</b>	<b>8,137,029</b>

**HASS AVOCADO BOARD**  
**Schedule of Administration Expenditures - Budget and Actual**  
**Year ended December 31, 2020**  
**(with comparative information for prior year)**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)	<u>Actual 2019</u>
Other expenses:				
USDA oversight	\$ 233,087	196,028	37,059	247,456
Depreciation	<u>9,274</u>	<u>9,273</u>	<u>1</u>	<u>14,011</u>
Total other expenses	<u>\$ 242,361</u>	<u>205,301</u>	<u>37,060</u>	<u>261,467</u>
Administration expenses:				
Financial oversight - audit	\$ 57,912	57,912	-	33,796
Board travel/meetings/elections	97,661	78,689	18,972	196,981
Office related	221,775	219,377	2,398	208,673
Professional services and consulting	21,568	21,800	(232)	129,783
Legal services	42,311	38,831	3,480	-
Corporate insurance	58,020	47,350	10,670	37,991
Salaries/wages/benefits	570,342	578,129	(7,787)	500,507
Education/training/conferences/seminars	1,940	1,440	500	16,514
Corporate governance	<u>2,678</u>	<u>178</u>	<u>2,500</u>	<u>46,593</u>
Total administration expenses	<u>\$ 1,074,207</u>	<u>1,043,706</u>	<u>30,501</u>	<u>1,170,838</u>

**HASS AVOCADO BOARD**  
**Schedule of Cash Receipts and Disbursements**  
**Year ended December 31, 2020**  
**(with comparative information for prior year)**

	<u>2020</u>	<u>2019</u>
Cash receipts:		
California assessments	\$ 8,424,814	4,847,248
Customs assessments	57,501,352	57,985,910
Interest income	<u>12,924</u>	<u>72,160</u>
Total cash receipts	<u>65,939,090</u>	<u>62,905,318</u>
Cash disbursements:		
Rebates	55,812,642	53,231,069
Nutrition marketing	3,302,732	3,125,277
Target audience research	202,471	294,809
Nutrition research	2,120,942	2,962,197
Nutrition affairs	191,057	312,201
Supply and demand information	581,317	605,079
Industry engagement	621,750	795,511
Quality	38,073	89,870
Sustainability	247,612	105,177
USDA oversight	203,483	207,742
Administration	<u>949,907</u>	<u>1,162,240</u>
Total cash disbursements	<u>64,271,986</u>	<u>62,891,172</u>
Excess of receipts over disbursements	1,667,104	14,146
Cash and investments, at beginning of year	<u>1,848,168</u>	<u>1,834,022</u>
Cash and investments, at end of year	<u>\$ 3,515,272</u>	<u>1,848,168</u>

**HASS AVOCADO BOARD**  
**Schedule of Total Payroll Expenses**  
**Year ended December 31, 2020**  
**(with comparative information for prior year)**

	<u>2020</u>	<u>2019</u>
Salaries and wages	\$ 1,758,241	1,590,259
Payroll taxes	106,251	94,181
Pension expenses	189,317	167,441
Benefits (health, life, dental and vision)	<u>236,276</u>	<u>216,606</u>
Total payroll expenses	<u>\$ 2,290,085</u>	<u>2,068,487</u>

**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**

Board of Directors  
Hass Avocado Board  
Mission Viejo, California

**Independent Auditor's Report**

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, 2020, 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 2, 2021.

**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*.**

## 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.



Irvine, California  
April 2, 2021

**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**

Board of Directors  
Hass Avocado Board  
Mission Viejo, California

**Independent Auditor's 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, 2020. 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, 2020.

- 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 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 Hass Avocado Promotion, Research and Information Act of 2000 and Order 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 Hass Avocado Promotion, Research and Information Act of 2000 and Order 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 Hass Avocado Promotion, Research and Information Act of 2000 and Order 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.

A handwritten signature in blue ink that reads "Davis Fan LP". The signature is written in a cursive, flowing style.

Irvine, California  
April 2, 2021

To the Board of Directors  
Hass Avocado Board  
Mission Viejo, California

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, 2020 in accordance with auditing standards generally accepted in the United States of America, we considered the Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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 material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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.

However, as a service to you, we identified during our audit certain matters that provide you an opportunity to enhance your existing internal controls. **This matter is provided as a recommendation for your consideration and is not considered to be a material weakness in internal control or significant deficiency in internal control:**

(1) Travel and Entertainment Policy Transactions and Reimbursements

We selected 17 out of 66 Board of Director and employee expense reports submitted during the fiscal year. We noted three instances where employees were reimbursed for flights that were later cancelled due to the Pandemic. The employees were issued a travel credit; however, the Board does not formally track the credits to ensure they are utilized for business purposes. Additionally, we noted two instances where a Board Member incorrectly used the 2019 rate for mileage reimbursement in 2020, one instance where a lost receipt was reimbursed to a Board Member at \$25 instead of the approved \$20, and one instance where a Board Member submitted an expense report 7 days after the due date.

Recommendation

We recommend the Board revise their policy create a procedure to track credits and other refunds issued to employees for previously reimbursed expenses. We also recommend the Board only reimburse expenses according to their policies.

This communication is intended solely for the information and use of management, Board of Directors, and others within the Hass Avocado Board, and is not intended to be and should not be used by anyone other than these specified parties.

*Davis Fan LP*

Irvine, California  
April 2, 2021

To the Board of Directors  
Hass Avocado Board  
Mission Viejo, California

We have audited the financial statements of the Hass Avocado Board (the "Board") for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated August 28, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Board are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Board during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no estimates made by management that we consider particularly sensitive.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were identified during the audit.

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 2, 2021.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Restriction on Use

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

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California  
April 2, 2021

**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

Board of Directors  
Hass Avocado Board  
25212 Marguerite Pkwy #250  
Mission Viejo, CA 92692

We have performed the procedures enumerated below, which were agreed to by the Hass Avocado Board (HAB), solely to assist management with respect to the evaluation of HAB's receipt of handler assessments. The procedures performed related to the review of certain handler's records that have processed Hass avocados during the twelve-month period ended December 31, 2020. The handlers tested were the ten that paid the highest assessments to HAB during the period, representing 97% of California assessments collected. The handlers are responsible for the recordkeeping and reporting of Hass avocado assessments paid to HAB. The sufficiency of the procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures relating to the review of certain handler's records were conducted during March and April 2021 and consisted of the following:

1. We gained an understanding of the Hass avocado assessment policies and procedures (including exemptions from assessments) by reviewing the following documents: (1) Hass Avocado Promotion, Research, and Information Act of 2000, Sections 1205(h), 1208 and 1210 (2) Hass Avocado Promotion, Research and Information Order, 7 CFR Part 1219, sections 1219.8, 1219.9, 1219.11, 1219.2, 1219.54, 1219.55, 1219.56, 1219.60, 1219.61, 1219.63, 1219.64, 1219.65 and 1219.202 (3) Hass Avocado Board Terms and Conditions of Assessment Policy (4) Hass Avocado Board Memos to Handlers regarding exports and culls dated September 8, 2006 and October 2, 2007, respectively and change to fiscal year to calendar year; Federal assessment on Hass and Lamb avocados as amended by the USDA on March 30, 2012; clarification on the HAB assessment policy on culls; Hass Avocado Board organic exemption; Hass Avocado Board export exemption; and Hass avocado re-export overpayment credit procedure dated October 10, 2008; and Federal assessment on Gem avocados approved by the USDA on August 31, 2017.

We noted that a handler means "a person operating in the Hass Avocado Board marketing system that sells domestic or imported Hass avocados for consumption in the United States and who is responsible for remitting assessments to the Hass Avocado Board. For the purposes of the Federal Hass Avocado Promotion, Research, and Information Order (Order), the term means the first person who handles Hass avocados for sale (except a

common or contract carrier of Hass avocados owned by another person), including a producer who handles Hass avocados for sale of the producer's own production. A handler does *not* include a person who has purchased Hass avocados where all such avocados have already been subject to assessments under the order."

We also noted that the handler's obligations are to: (1) collect assessments on all Hass avocados handled and hold such funds as a trustee, (2) file assessment reports and remit collected assessments to HAB in a timely manner, (3) keep complete accurate reports of all avocados received, which shall be retained for at least two years beyond the fiscal period of their applicability and made available on demand for inspection by employees and agents of HAB and the United States Department of Agriculture (USDA), and (4) all assessments shall be paid to HAB by the handler first handling the avocados. Every handler shall be primarily and personally liable for the payment of any such assessment, and failure of a handler to collect the assessment from any producer shall not exempt a handler from liability.

Handlers are also required to maintain a separate record of domestic Hass avocados of each producer whose domestic Hass avocados are handled, including the domestic Hass avocados owned by the handler, domestic Hass avocados that are exported and domestic Hass avocados that are organic.

We noted that to claim an exemption from assessment for a particular year, a handler must: (1) state the basis for such exemption, (2) provide supporting documentation (i.e. system reports), and (3) verify that the exemption has been authorized by the Order.

2. We prepared a Handler Data Sheet and Handler Assessment Summary Form for each handler tested. These documents were provided to the Administrators of the Hass Avocado Board.
3. We tested the monthly summaries of production and assessments paid for mathematical accuracy.
4. We obtained an understanding of the handler's system for the compilation of data related to the calculation and reporting of assessments, including exemptions for organic and exports. Our understanding of this system was based on inquiry and observation of handler personnel.

We performed testwork to determine if all exemptions for organic and exports listed in the assessment reports had adequate supporting documentation. For *organics*, we requested samples of Exemption Certificates from the handler as well as verified each grower appeared on the HAB 2020 exemption list. For *exports*, we requested invoices, shipping documents, etc. We also tested to determine if the growers were not charged an assessment for those pounds that qualified for exemption. For the handlers that reported cull deductions, we requested supporting documentation (i.e. system reports) and inquired if the pounds were returned to the respective growers and not charged an assessment. If they were not returned, we inquired if the culls were dumped or sold. Handlers are required to pay the full assessment to HAB for culls if they are sold. If the culls were claimed to have not been placed into commerce, the Handler is required to maintain documentation to support the claim that the culls were dumped.

5. We reviewed supporting documents and tested each handler's monthly production and assessment data. Our procedures primarily consisted of: agreeing data from a monthly assessment summary to supporting documentation such as sales reports, daily pack out reports and field receipts; selecting a sample of individual growers to recalculate assessments based on weighing scale reports and, if applicable, calculate any refund or assessment and related penalties due; and obtaining an explanation for each finding based on discussion with handler personnel, if applicable.
6. We reviewed findings with a representative from each handler.

The results of our tests of handler records are summarized as follows:

- (a) There were eight (8) handlers with no assessments/penalties due to HAB.
- (b) There were two (2) handlers with assessments (including penalties) due to HAB totaling \$446.
- (c) There was one (1) handler with assessment refunds due from HAB totaling \$15.

During our tests of the ten handlers, the following items came to our attention:

(1) Mathematical Accuracy:

- (a) Assessments paid for one (1) handler were mathematically incorrect based on the number of pounds supported, which resulted in a refund due to the handler of \$15.

(2) Culls:

- (a) Six (6) handlers did not pay assessments on culls and claimed culls were not sold but could not provide evidence that the culls were dumped (i.e. not placed into commerce). We were also informed by the handlers that no culls were sold to third parties. Due to the lack of information provided, we were unable to calculate additional assessments.

- (b) Four (4) handlers paid assessments to HAB for all culls.

Recommendation: The Hass Avocado Board has issued memos to Handlers regarding culls, which informed the handlers that any Hass avocados, including culls, placed into commerce must be assessed at 2.5 cents per pound as well as requiring Handlers to document the disposal of culls/zero value fruit when assessment is not charged for the discarded fruit. We recommend that additional efforts be made to standardize the process to ensure that proper records are being maintained and are available for review.

(3) Organic Exemptions:

- (a) One (1) handler over-claimed organic exemptions during the year, resulting in additional assessment due to HAB of \$297.



(3) Organic Exemptions, (Continued):

- (b) One (1) handler under-claimed organic exemptions during the year resulting in a net refund of \$1; however it will be combined with an export assessment due.
- (c) One (1) handler provided system reports that did not agree month-to-month for organics reported; however, the total amount agreed to total organics reported, and as such, the net effect was \$0 on assessments owed.
- (d) Two (2) handlers were unable to provide the organic certificates for organic growers with exemptions claimed; however, auditor verified that all growers were included in the organic exemption list provided by the Board.

(4) Export Exemptions:

- (a) Four (4) handlers exported avocados this year. All return assessments to growers in a prorated manner based on the amount exported per pool.
- (b) One (1) handler over-claimed export exemptions during the year, resulting in additional assessment due to HAB of \$77.
- (c) One (1) handler provided system reports that did not agree month-to-month for exports reported; however, the total amount agreed to total exports reported, and as such, the net effect was \$0 on assessments owed.

\* \* \* \* \*

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not perform an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the specified elements, accounts, or items. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Hass Avocado Board, and is not intended to be, and should not be, used by anyone other than the specified parties.

Irvine, California  
May xx, 2021



## MEMORANDUM

DATE: May 24, 2021  
TO: HAB  
FROM: Robert M. Rumph  
SUBJECT: Finance / Administration Report

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### FINANCIAL REPORT

#### Three Months Ending March 31, 2021

HAB revenues = \$18.7 M dollars — up \$2.4 M from the same period prior year amount of \$16.3 M.

HAB net revenues = \$2.9 M dollars — up \$0.1 M from the same period prior year amount of \$2.8 M.

HAB reserves as of March 31, 2020 = \$4.0 M up \$0.5 M from the \$3.5 M December 2020 ending amount.

#### Schedule of Cash & Investments as of March 31, 2021

Cash in bank — checking account = \$3,192,492  
TOTAL CASH and INVESTMENTS = \$3,192,492

#### Statement of Net Assets, Revenue, and Expenditures as of March 31, 2021

Total assets \$10,507,770  
Total liabilities = \$6,450,927  
Total net assets = \$4,056,843  
Total revenues = \$18,669,960  
Total expenditures = \$18,115,428  
YTD excess revenues over/(under) expenditures = \$554,532



**HASS AVOCADO BOARD**  
**2021 STATEMENT OF REVENUES AND EXPENSES**  
**YTD ACTUAL VS. BUDGET AND % OF ANNUAL BUDGET REALIZED**

REVENUES:	MAR 2021 YTD	% of Total	2021 BUDGET	% of Total	% of Annual Budget Realized
ASSESSMENT REVENUES	\$18,669,960	100.0%	\$67,500,000	100.0%	27.7%
OTHER INCOME	\$0	0.0%	\$0	0.0%	N/A
<b>TOTAL REVENUES</b>	<b>\$ 18,669,960</b>	<b>100.0%</b>	<b>\$ 67,500,000</b>	<b>100.0%</b>	<b>27.7%</b>
<b>EXPENSES:</b>					
<b>85% REBATE PROGRAM</b>					
REBATES	\$15,787,533	84.6%	\$57,375,000	85.0%	27.5%
<b>REBATE SUB-TOTAL</b>	<b>\$15,787,533</b>	<b>84.6%</b>	<b>\$57,375,000</b>	<b>85.0%</b>	<b>27.5%</b>
<b>NET REVENUE</b>	<b>\$2,882,427</b>	<b>15.4%</b>	<b>\$10,125,000</b>	<b>15.0%</b>	<b>28.5%</b>
<b>PROMOTION, RESEARCH, AND INFORMATION PROGRAMS</b>					
COMMUNICATIONS	\$1,084,745	6.0%	\$4,264,319	6%	25.4%
NUTRITION	\$654,047	3.6%	\$3,099,222	5%	21.1%
BUSINESS SUPPORT TOOLS AND INFORMATION	\$148,232	0.8%	\$861,229	1%	17.2%
INDUSTRY ENGAGEMENT AND LEADERSHIP	\$146,771	0.8%	\$854,068	1%	17.2%
SUSTAINABILITY	\$57,081	0.3%	\$470,023	1%	12.1%
PROMOTION, RESEARCH, AND INFORMATION PROGRAMS SUBTOTAL	\$2,090,875	11.5%	\$9,548,860	14%	21.9%
<b>ADMINISTRATION OF HAPRIO</b>					
BOARD MEMBERS, OFFICE, STAFF, PROFESSIONAL SERVICES, EQUIPMENT/SUPPLIES	\$212,577	1.2%	\$1,378,315	2%	15.4%
ADMINISTRATION OF HAPRIO SUB-TOTAL	\$212,577	1.2%	\$1,378,315	2%	15.4%
<b>OVERSIGHT</b>					
USDA/OGC/PROGRAM REVIEW	\$24,442	0.1%	\$237,600	0%	10.3%
OVERSIGHT SUB-TOTAL	\$24,442	0.1%	\$237,600	0%	10.3%
<b>TOTAL EXPENDITURES</b>	<b>\$18,115,428</b>	<b>100.0%</b>	<b>\$68,539,775</b>	<b>100.0%</b>	<b>26.4%</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$554,532</b>		<b>(\$1,039,775)</b>		
TOTAL SALARIES AND BENEFITS (INCLUDED & ALLOCATED IN ADMINISTRATION AND PROGRAMS ABOVE)	\$570,599	3.1%	\$2,696,558	3.9%	21.2%



**HASS AVOCADO BOARD**  
**2021 STATEMENT OF REVENUES AND EXPENSES**  
**YTD ACTUAL VS. BUDGET AND % OF ANNUAL BUDGET REALIZED**

<b>EXPENSES</b>	<b>MAR 2021 YTD</b>	<b>% of Total</b>	<b>2021 BUDGET</b>	<b>% of Total</b>	<b>% of Annual Budget Realized</b>
<b>REBATE PROGRAM</b>	\$15,787,533	87.1%	\$57,375,000	85%	27.5%
<b>COMMUNICATIONS</b>					
PROGRAM MANAGEMENT	\$154,223	0.9%	\$763,819	1%	20.2%
CREATIVE CONTENT	\$43,349	0.2%	\$426,050	1%	10.2%
EVENTS	\$6,510	0.0%	\$13,000	0%	50.1%
ONLINE/WEBSITE/SOCIAL MEDIA	\$37,885	0.2%	\$400,000	1%	9.5%
NUTRITION AND RESEARCH PROMOTION	\$807,731	4.5%	\$2,227,350	3%	36.3%
STRATEGIC PARTNERSHIPS	\$28,955	0.2%	\$195,000	0%	14.8%
STRATEGY, ISSUES RADAR AND REPORTING	\$6,093	0.0%	\$239,100	0%	2.5%
COMMUNICATIONS PROGRAM SUB-TOTAL	\$1,084,745	6.0%	\$4,264,319	6%	25.4%
<b>NUTRITION</b>					
PROGRAM MANAGEMENT	\$108,293	0.6%	\$504,222	1%	21.5%
SCIENCE PIPELINE	\$492,795	2.7%	\$2,314,910	3%	21.3%
EVENTS	\$0	0.0%	\$18,000	0%	0.0%
STRATEGY, ISSUES RADAR AND REPORTING	\$52,959	0.3%	\$262,090	0%	20.2%
NUTRITION PROGRAM SUB-TOTAL	\$654,047	3.6%	\$3,099,222	5%	21.1%
<b>BUSINESS SUPPORT TOOLS AND INFORMATION</b>					
PROGRAM MANAGEMENT	\$62,583	0.3%	\$297,029	0%	21.1%
COMMUNICATIONS	\$0	0.0%	\$44,670	0%	0.0%
DATA SERVICES	\$65,028	0.4%	\$113,200	0%	57.4%
AVIS	\$6,762	0.0%	\$64,000	0%	10.6%
TRACK AND MONITOR	\$9,046	0.0%	\$88,200	0%	10.3%
RESEACRH AND INFORMATION	\$0	0.0%	\$25,000	0%	N/A
CONSUMER INSIGHTS AND TRACKING STUDIES	\$4,814	0.0%	\$229,130	0%	2.1%
BUSINESS SUPPORT TOOLS AND INFORMATION PROGRAM SUB-TOTAL	\$148,232	0.8%	\$861,229	1%	17.2%



**HASS AVOCADO BOARD**  
**2021 STATEMENT OF REVENUES AND EXPENSES**  
**YTD ACTUAL VS. BUDGET AND % OF ANNUAL BUDGET REALIZED**

	MAR 2021 YTD	% of Total	2021 BUDGET	% of Total	% of Annual Budget Realized
<b>INDUSTRY ENGAGEMENT AND LEADERSHIP</b>					
PROGRAM MANAGEMENT	\$94,720	0.5%	\$491,868	1%	19.3%
ANNUAL REPORT	\$0	0.0%	\$6,000	0%	0.0%
HAB PROMOTIONAL MATERIALS	\$0	0.0%	\$6,000	0%	0.0%
INDUSTRY MEETINGS AND EVENTS	\$11,570	0.1%	\$15,000	0%	77.1%
INDUSTRY WEBSITE	\$11,951	0.1%	\$82,500	0%	14.5%
OUTREACH	\$0	0.0%	\$15,000	0%	0.0%
COMMUNICATIONS	\$26,030	0.1%	\$207,700	0%	12.5%
BOARD LEADERSHIP DEVELOPMENT	\$2,500	0.0%	\$30,000	0%	8.3%
INDUSTRY ENGAGEMENT AND LEADERSHIP PROGRAM SUB-TOTAL	\$146,771	0.8%	\$854,068	1%	17.2%
<b>SUSTAINABILITY</b>					
PROGRAM MANAGEMENT	\$35,581	0.2%	\$170,023	0%	20.9%
STRATEGY	\$9,000	0.0%	\$100,000	0%	9.0%
RESEARCH	\$12,500	0.1%	\$200,000	0%	6.3%
SUSTAINABILITY PROGRAM SUB-TOTAL	\$57,081	0.3%	\$470,023	1%	12.1%
<b>ADMINISTRATION OF HAPRIO</b>					
FINANCIAL OVERSIGHT - AUDITING	\$0	0.0%	\$50,000	0%	0.0%
BOARD: TRAVEL, MEETINGS, ELECTIONS	\$5,366	0.0%	\$245,000	0%	2.2%
OFFICE RELATED (RENT, NETWORK, COMMUNICATIONS, & EQUIPMENT/SUPPLIES & SERVICES)	\$62,557	0.3%	\$233,417	0%	26.8%
PROFESSIONAL SERVICES AND CONSULTING	\$1,740	0.0%	\$28,800	0%	6.0%
LEGAL SERVICES	\$7,500	0.0%	\$72,000	0%	10.4%
CORPORATE INSURANCE	\$6,457	0.0%	\$62,000	0%	10.4%
SALARIES/WAGES/BENEFITS	\$121,579	0.7%	\$574,098	1%	21.2%
EDUCATION, TRAINING, CONFERENCES, SEMINARS	\$6,130	0.0%	\$48,000	0%	12.8%
CORPORATE GOVERNANCE	\$1,248	0.0%	\$65,000	0%	1.9%
ADMINISTRATION OF HAPRIO EXPENSES SUB-TOTAL	\$212,577	1.2%	\$1,378,315	2%	15.4%
<b>USDA OVERSIGHT</b>					
USDA USER FEE	\$24,442	0.1%	\$237,600	0%	10.3%
USDA OVERSIGHT SUB-TOTAL	\$24,442	0.1%	\$237,600	0%	10.3%



**HASS AVOCADO BOARD**  
**Statement of Net Assets**  
**Previous Year Comparison**  
**As of March 31, 2021**

	<u>3/31/2021</u>	<u>3/31/2020</u>	<u>Variance</u>	<u>% Change</u>
<b>Assets</b>				
Current assets:				
Cash and investments	3,192,492	859,320	2,333,172	272%
Receivables:				
California	584,099	806,453	(222,354)	-28%
Customs	6,658,077	5,211,359	1,446,718	28%
Interest	-	-	-	N/A
Leases	-	-	-	N/A
Miscellaneous	-	-	-	N/A
Prepaid expenses	47,510	47,925	(415)	-1%
Deposits	6,051	6,051	-	0%
Total current assets	<u>10,488,229</u>	<u>6,931,108</u>	<u>3,557,120</u>	<u>51%</u>
Noncurrent assets:				
Capital assets :				
Depreciable	369,839	350,297	19,542	6%
Accumulated depreciation	(350,297)	(341,023)	(9,273)	3%
Total noncurrent assets	<u>19,542</u>	<u>9,273</u>	<u>10,269</u>	<u>111%</u>
<b>Total assets</b>	<u>10,507,770</u>	<u>6,940,382</u>	<u>3,567,389</u>	<u>51%</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	6,450,927	5,189,846	1,261,081	24%
<b>Total liabilities</b>	<u>6,450,927</u>	<u>5,189,846</u>	<u>1,261,081</u>	<u>24%</u>
<b>Net Assets</b>				
Invested in capital assets, net of accumulated depreciation	-	-	-	N/A
Restricted for:				
Promotions, research and information	4,056,843	1,750,535	2,306,308	132%
Total net assets	<u>4,056,843</u>	<u>1,750,535</u>	<u>2,306,308</u>	<u>132%</u>
<b>Total Liabilities and Net Assets</b>	<u>10,507,770</u>	<u>6,940,382</u>	<u>3,567,389</u>	



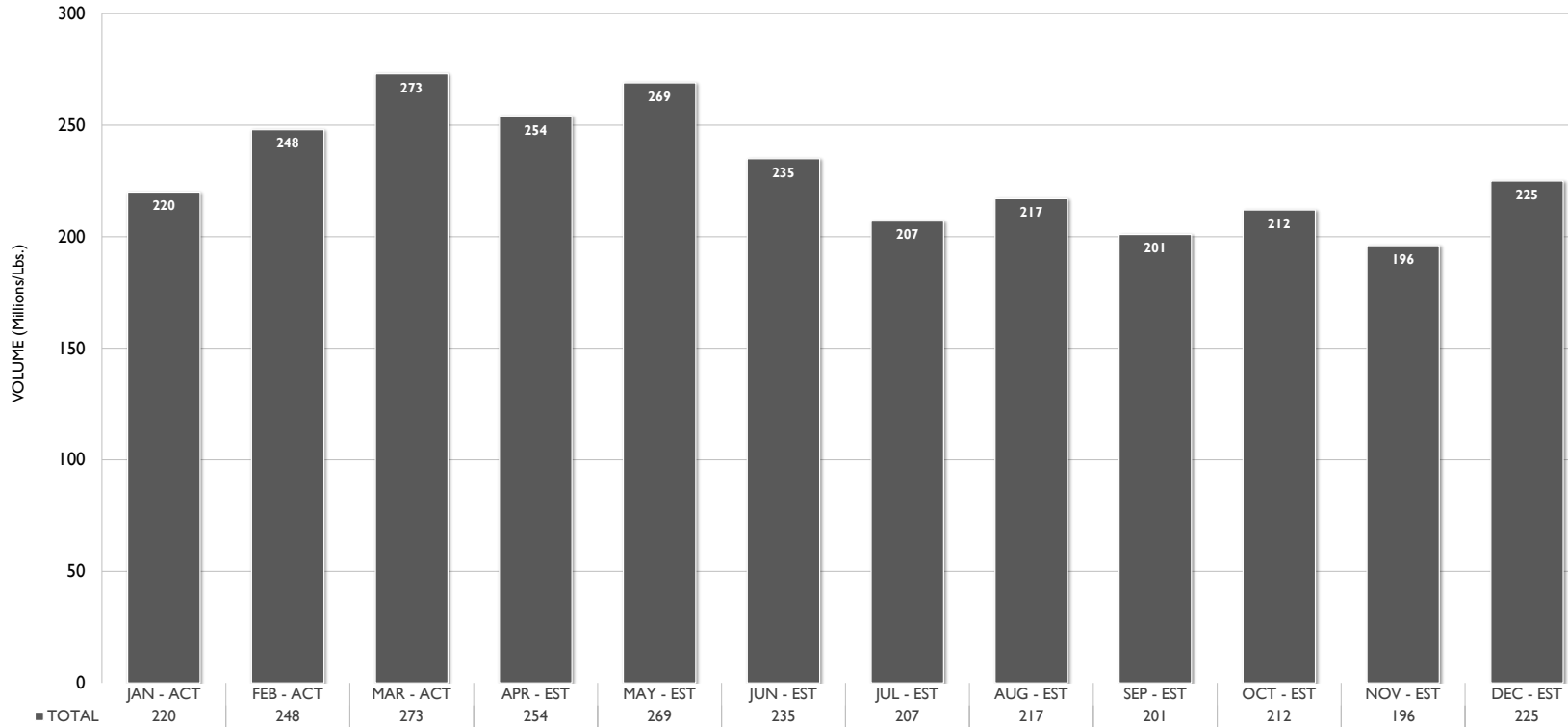
Schedule of Cash & Investments

3/31/2021

Purchase / Settlement Date	Maturity Date	Investment Type*	Institution	Term / Days	Yield	Ledger Balance	Current Market Value	Collateralization
N/A	Cash	<u>Checking Account</u>	Wells Fargo Bank		0.00%	\$3,192,492	\$3,192,492	FDIC/FEDERAL RESERVE BANK

FDIC - Federal Deposit Insurance Corporation

FEDERAL RESERVE - \$5,000,000 Collateralization secured through USDA

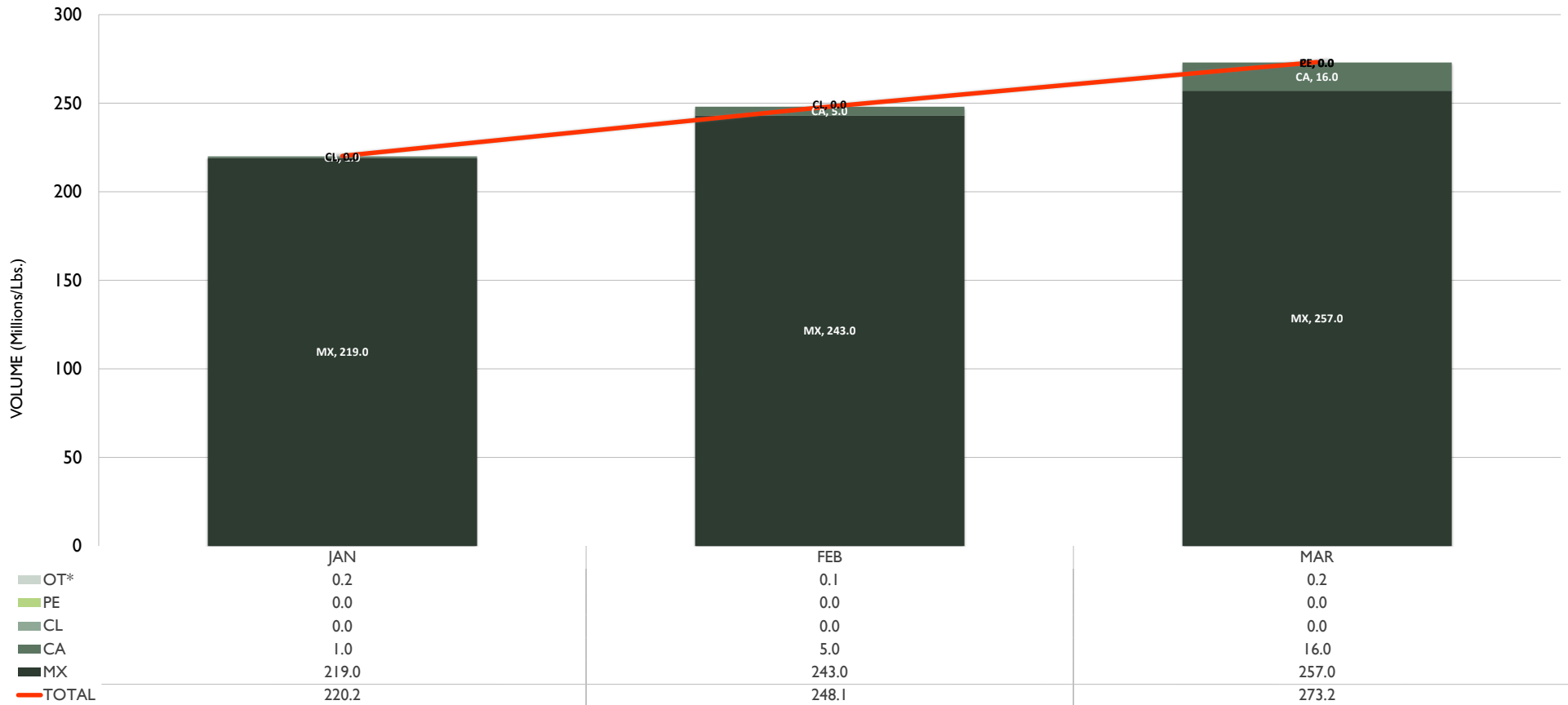


**ASSESSABLE VOLUME**

Country Data	Volume (lb)
Subtotal   California Hass	250,000,000
Subtotal   Imported Hass	2,507,600,000
Mexico	2,269,000,000
Chile	10,000,000
Peru	220,000,000
Others (COL, DR & NZ)	8,600,000
<b>ANNUAL TOTAL</b>	<b>2,757,600,000</b>

The Hass Avocado Board accepts no liability for the content of this report, or for the consequences of any actions taken on the basis of the information provided herein.



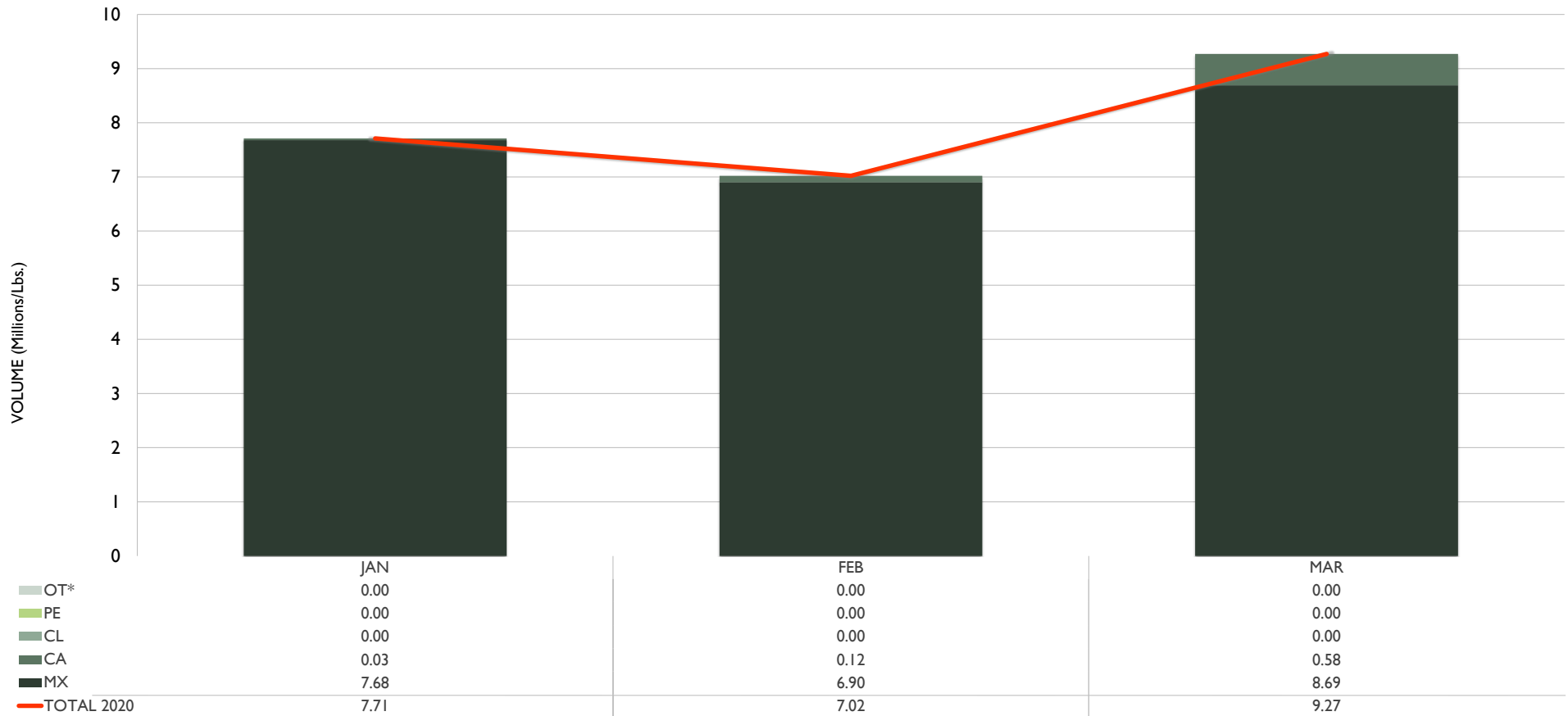


**ASSESSABLE VOLUME**

Country Data	Volume (lb)
Subtotal   California Hass	250,000,000
Subtotal   Imported Hass	2,507,600,000
Mexico	2,269,000,000
Chile	10,000,000
Peru	220,000,000
Others (DR & NZ)	8,600,000
<b>YEAR TO DATE TOTAL</b>	<b>2,757,600,000</b>

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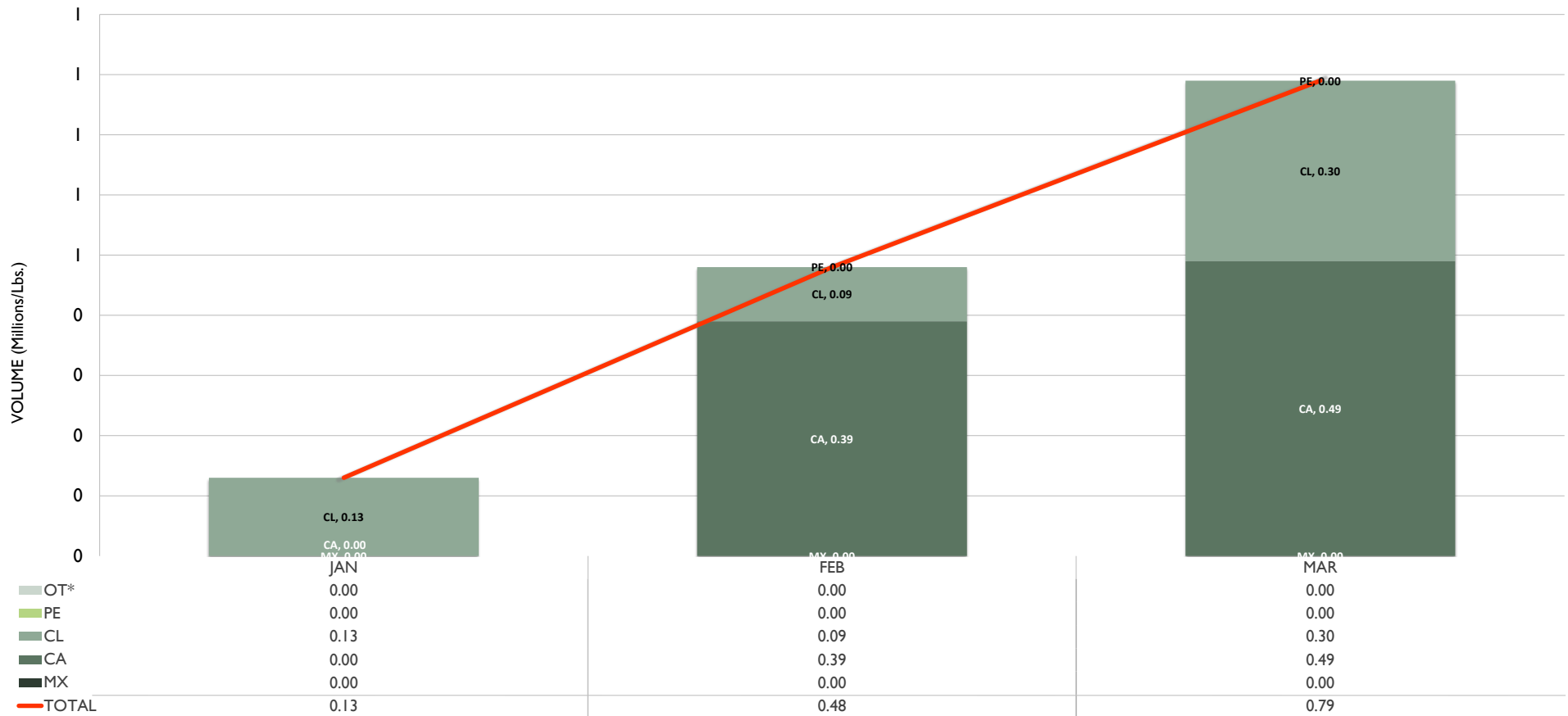
2021 CALENDAR YEAR - ACTUALS



Country Data	2021 YTD	2020
Subtotal   California Hass	700,000	17,300,000
Subtotal   Imported Hass	23,300,000	64,800,000
Mexico	23,300,000	58,000,000
Chile	-	-
Peru	-	6,800,000
Others (DR & NZ)	-	-
<b>TOTAL</b>	<b>24,000,000</b>	<b>82,100,000</b>

\*California organic volume reported by CA handlers, unaudited.

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Country Data	Volume (lb)
Subtotal   California Hass	900,000
Subtotal   Imported Hass	500,000
Mexico	-
Chile	500,000
Peru	-
Others (DR & NZ)	-
<b>TOTAL</b>	<b>1,400,000</b>

\*California export volume reported by CA handlers, unaudited.

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## 2021 RESERVE ANALYSIS

	<b>BUDGET# A2</b>	<b>BUDGET# A3</b>	<b>Variance</b>
<b>VOLUME (LBS.)</b>	2,700,000,000	2,900,000,000	200,000,000
<b>ACTUAL BEGINNING RESERVES</b>	\$ 3,502,312	\$ 3,502,312	\$ -
REVENUE	\$ 67,500,000	\$ 72,500,000	\$ 5,000,000
REBATES	\$ 57,375,000	\$ 61,625,000	\$ 4,250,000
EXPENSES	\$ 11,164,775	\$ 11,164,775	\$ -
EXCESS REVENUE OVER/(UNDER) EXPENSES	\$ (1,039,775)	\$ (289,775)	\$ 750,000
<b>ESTIMATED ENDING RESERVES</b>	<b>\$ 2,462,537</b>	<b>\$ 3,212,537</b>	<b>\$ 750,000</b>
<b>Reserve Target</b>	<b>\$ 2,225,000</b>	<b>\$ 2,225,000</b>	<b>\$ -</b>
<b>Excess (Under) Reserves</b>	<b>\$ 237,537</b>	<b>\$ 987,537</b>	<b>\$ 750,000</b>



## MEMORANDUM

From: Emiliano Escobedo  
To: Finance Committee, HAC and HAB  
Re: 2021 Budget Amendment  
Date: May 24, 2021

Audited ending reserves for 2020 are \$3,502,312. Volume in 2021 is trending higher to 2.9 billion pounds, up 200 million pounds from the budgeted 2.7 billion pounds. Management is proposing increasing the total revenue in the 2021 budget by 2 \$5,000,000 which will result in \$750,000 in net revenue after rebates of \$4,250,000 to the associations.

To support our strategic plan, management is proposing amending the 2021 budget as follows for each priority.

- Communications - total increase: \$703,000
- Industry engagement and leadership - total increase: \$134,000
- Business support tools and information - total increase: \$24,000
- Administration total - decrease: \$66,381

The details for each priority are below:

### **COMMUNICATIONS PRIORITY TOTAL INCREASE: \$703,000**

- **Nutrition & Research Promotion – \$565,000:** additional media buys targeting general and Hispanic market consumers, and the trade.
- **Creative Content – \$51,000:** develop a new ad to support the incremental media buy listed above.
- **Online/Website/Social Media – \$87,000:** implement enhancements on [www.LoveOneToday.com](http://www.LoveOneToday.com) as a result of user experience testing conducted earlier this year with the goal of improving our website performance. Additional funding for development of e-commerce strategy within the communications priority.

### **INDUSTRY ENGAGEMENT AND LEADERSHIP PRIORITY TOTAL INCREASE: \$134,000**

- **Communications – \$74,000:** Additional budget is needed for crisis communications to cover previously unforeseen issues from activist groups and to address future ones if

needed. We will produce a new video about the Love One Today and Avocado Nutrition Center programs which will be promoted across various digital channels. We will update communication templates and create high impact content to communicate our programs to target audiences

- **Industry Website – \$60,000:** HAB will launch new webinar series to reach our industry target audience with HAB programs that equip the industry for success. Incremental budget will support new content on the website including modifications to HassAvocadoBoard.com to host the webinars. Also, a new page and email template with key retail data about avocado and total produce will be developed.

**BUSINESS SUPPORT TOOLS AND INFORMATION PRIORITY TOTAL INCREASE: \$24,000**

- **Consumer insights and tracking studies – \$24,000:** incremental funds will be needed to modify our tracking study design with the goal of better understanding the behaviors & perception of key health professionals. Using insights from ecommerce research, a new ecommerce leadership toolkit will be developed by HAB to support our industry with winning strategies and best practices to grow the avocado business in this channel.

**ADMINISTRATION TOTAL DECREASE: \$66,381**

- **Office related (rent, network, communications, equipment, supplies, & services) – Option A \$43,619:** Office expansion and lease renewal. See Memo under item 4d of the HAC meeting agenda.
- **Board: travel, meetings, elections – decrease by \$110,000:** Savings from having two virtual board meetings so far this year.



**HASS AVOCADO BOARD  
 CALENDAR YEAR (CY) 2021 BUDGET**

	CY 2021 BUDGET AMENDMENT #2 2/24/2021	CY 2021 BUDGET AMENDMENT #3 5/25/2021	VARIANCE INCREASE/ (DECREASE)	PERCENT CHANGE
<b>REVENUES:</b>				
ASSESSMENT REVENUES	\$67,500,000	\$72,500,000	\$5,000,000	7.41%
OTHER INCOME	\$0	\$0	\$0	0.00%
<b>TOTAL REVENUES</b>	<b>\$67,500,000</b>	<b>\$72,500,000</b>	<b>\$5,000,000</b>	<b>7.41%</b>
<b>85% REBATE PROGRAM</b>				
REBATES	\$57,375,000	\$61,625,000	\$4,250,000	7.41%
REBATE SUB-TOTAL	\$57,375,000	\$61,625,000	\$4,250,000	7.41%
<b>NET REVENUE</b>	<b>\$10,125,000</b>	<b>\$10,875,000</b>	<b>\$750,000</b>	<b>7.41%</b>
<b>PROMOTION, RESEARCH, AND INFORMATION PROGRAMS</b>				
COMMUNICATIONS	\$4,264,319	\$4,967,319	\$703,000	16.49%
NUTRITION	\$3,099,222	\$3,099,222	\$0	0.00%
BUSINESS SUPPORT TOOLS AND INFORMATION	\$861,229	\$885,229	\$24,000	2.79%
INDUSTRY ENGAGEMENT AND LEADERSHIP	\$854,068	\$988,068	\$134,000	15.69%
SUSTAINABILITY	\$470,023	\$470,023	\$0	0.00%
PROMOTION, RESEARCH, AND INFORMATION PROGRAMS SUBTOTAL	\$9,548,860	\$10,409,860	\$861,000	9.02%
<b>ADMINISTRATION OF HAPRIO</b>				
BOARD MEMBERS, OFFICE, STAFF, PROFESSIONAL SERVICES, EQUIPMENT/SUPPLIES	\$1,378,315	\$1,311,934	(\$66,381)	-4.82%
ADMINISTRATION OF HAPRIO SUB-TOTAL	\$1,378,315	\$1,311,934	(\$66,381)	-4.82%
<b>OVERSIGHT</b>				
USDA/OGC/PROGRAM REVIEW	\$237,600	\$237,600	\$0	0.00%
OVERSIGHT SUB-TOTAL	\$237,600	\$237,600	\$0	0.00%
<b>TOTAL EXPENDITURES</b>	<b>\$68,539,775</b>	<b>\$73,584,394</b>	<b>\$5,044,619</b>	<b>7.36%</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(\$1,039,775)	(\$1,084,394)	(\$44,619)	4.29%
EST/BEGINNING RESERVES	\$3,230,135	\$3,502,312	\$272,177	8.43%
<b>EST ENDING RESERVES</b>	<b>\$2,190,360</b>	<b>\$2,417,918</b>	<b>\$227,558</b>	<b>10.39%</b>
SALARIES AND BENEFITS (ALLOCATED IN ADMINISTRATION AND PROGRAMS ABOVE)	\$ 2,696,558	\$ 2,696,558	\$0	0.00%



**HASS AVOCADO BOARD  
 CALENDAR YEAR (CY) 2021 BUDGET**

<b>EXPENSES</b>	<b>CY 2021 BUDGET AMENDMENT #2 2/24/2021</b>	<b>CY 2021 AMENDMENT #3 BUDGET 5/25/2021</b>	<b>VARIANCE INCREASE/ (DECREASE)</b>	<b>PERCENT CHANGE</b>
<b>REBATE PROGRAM</b>	<u>\$57,375,000</u>	<u>\$61,625,000</u>	<u>\$4,250,000</u>	<u>7.41%</u>
<b>COMMUNICATIONS</b>				
PROGRAM MANAGEMENT	\$763,819	\$763,819	\$0	0.00%
CREATIVE CONTENT	\$426,050	\$477,050	\$51,000	11.97%
EVENTS	\$13,000	\$13,000	\$0	0.00%
ONLINE/WEBSITE/SOCIAL MEDIA	\$400,000	\$487,000	\$87,000	21.75%
NUTRITION AND RESEARCH PROMOTION	\$2,227,350	\$2,792,350	\$565,000	25.37%
STRATEGIC PARTNERSHIPS	\$195,000	\$195,000	\$0	0.00%
STRATEGY, ISSUES RADAR AND REPORTING	\$239,100	\$239,100	\$0	0.00%
NUTRITION MARKETING PROGRAM SUB-TOTAL	<u>\$4,264,319</u>	<u>\$4,967,319</u>	<u>\$703,000</u>	<u>16.49%</u>
<b>NUTRITION</b>				
PROGRAM MANAGEMENT	\$504,222	\$504,222	\$0	0.00%
SCIENCE PIPELINE	\$2,314,910	\$2,314,910	\$0	0.00%
EVENTS	\$18,000	\$18,000	\$0	0.00%
STRATEGY, ISSUES RADAR AND REPORTING	\$262,090	\$262,090	\$0	0.00%
NUTRITION RESEARCH PROGRAM SUB-TOTAL	<u>\$3,099,222</u>	<u>\$3,099,222</u>	<u>\$0</u>	<u>0.00%</u>
<b>BUSINESS SUPPORT TOOLS AND INFORMATION</b>				
PROGRAM MANAGEMENT	\$297,029	\$297,029	\$0	
COMMUNICATIONS	\$44,670	\$44,670	\$0	0.00%
DATA SERVICES	\$113,200	\$113,200	\$0	0.00%
AVIS	\$64,000	\$64,000	\$0	0.00%
TRACK AND MONITOR	\$88,200	\$88,200	\$0	0.00%
RESEARCH AND INFORMATION	\$25,000	\$25,000	\$0	0.00%
CONSUMER INSIGHTS AND TRACKING STUDIES	\$229,130	\$253,130	\$24,000	10.47%
SUPPLY AND DEMAND INFORMATION PROGRAM SUB-TOTAL	<u>\$ 861,229</u>	<u>\$ 885,229</u>	<u>\$24,000</u>	<u>2.79%</u>





**HASS AVOCADO BOARD  
 CALENDAR YEAR (CY) 2021 BUDGET**

	CY 2021 BUDGET AMENDMENT #2 2/24/2021	CY 2021 AMENDMENT #3 BUDGET 5/25/2021	VARIANCE INCREASE/ (DECREASE)	PERCENT CHANGE
<b>INDUSTRY ENGAGEMENT AND LEADERSHIP</b>				
PROGRAM MANAGEMENT	\$491,868	\$491,868	\$0	0.00%
ANNUAL REPORT	\$6,000	\$6,000	\$0	0.00%
HAB PROMOTIONAL MATERIALS	\$6,000	\$6,000	\$0	0.00%
INDUSTRY MEETINGS AND EVENTS	\$15,000	\$15,000	\$0	0.00%
INDUSTRY WEBSITE	\$82,500	\$142,500	\$60,000	72.73%
OUTREACH	\$15,000	\$15,000	\$0	0.00%
COMMUNICATIONS	\$207,700	\$281,700	\$74,000	35.63%
BOARD LEADERSHIP DEVELOPMENT	\$30,000	\$30,000	\$0	0.00%
INDUSTRY ENGAGEMENT PROGRAM SUB-TOTAL	<u>\$854,068</u>	<u>\$988,068</u>	<u>\$134,000</u>	<u>15.69%</u>
<b>SUSTAINABILITY</b>				
PROGRAM MANAGEMENT	\$170,023	\$170,023	\$0	0.00%
STRATEGY	\$200,000	\$200,000	\$0	-44.90%
RESEARCH	\$100,000	\$100,000	\$0	18.69%
SUSTAINABILITY PROGRAM SUB-TOTAL	<u>\$470,023</u>	<u>\$470,023</u>	<u>\$0</u>	<u>0.00%</u>
<b>ADMINISTRATION OF HAPRIO</b>				
FINANCIAL OVERSIGHT - AUDITING	\$50,000	\$50,000	\$0	0.00%
BOARD: TRAVEL, MEETINGS, ELECTIONS	\$245,000	\$135,000	(\$110,000)	-44.90%
OFFICE RELATED (RENT, NETWORK, COMMUNICATIONS, EQUIPMENT, SUPPLIES, & SERVICES)	\$233,417	\$277,036	\$43,619	18.69%
PROFESSIONAL SERVICES AND CONSULTING	\$28,800	\$28,800	\$0	0.00%
LEGAL SERVICES	\$72,000	\$72,000	\$0	0.00%
CORPORATE INSURANCE	\$62,000	\$62,000	\$0	0.00%
SALARIES/WAGES/BENEFITS	\$574,098	\$574,098	\$0	0.00%
EDUCATION, TRAINING, CONFERENCES, SEMINARS	\$48,000	\$48,000	\$0	0.00%
CORPORATE GOVERNANCE	\$65,000	\$65,000	\$0	0.00%
ADMINISTRATION OF HAPRIO EXPENSES SUB-TOTAL	<u>\$1,378,315</u>	<u>\$1,311,934</u>	<u>(\$66,381)</u>	<u>-4.82%</u>
<b>USDA OVERSIGHT</b>				
USDA USER FEE	\$237,600	\$237,600	\$0	0.00%
PROGRAM REVIEW	\$0	\$0	\$0	0.00%
OFFICE OF GENERAL COUNSEL (OGC)	\$0	\$0	\$0	0.00%
USDA OVERSIGHT SUB-TOTAL	<u>\$237,600</u>	<u>\$237,600</u>	<u>\$0</u>	<u>0.00%</u>

## 2022 BUDGET PLANNING PARAMETERS

	<b>SCENARIO 1</b>	<b>SCENARIO 2</b>
<b>CONVENTIONAL VOLUME (POUNDS)</b>	3,000,000,000	3,100,000,000
<b>JANUARY 2022 RESERVES</b>	<b>\$ 2,250,000</b>	<b>\$ 2,250,000</b>
REVENUE	\$ 75,000,000	\$ 77,500,000
REBATES	\$ 63,750,000	\$ 65,875,000
NET REVENUE	\$ 11,250,000	\$ 11,625,000
<b>JANUARY 2022 RESERVES + NET REVENUE</b>	<b>\$ 13,500,000</b>	<b>\$ 13,875,000</b>
2022 ENDING RESERVE TARGET	\$ 2,250,000	\$ 2,250,000
<b>NET AVAILABLE FUNDS FOR PLANNING</b>	<b>\$ 11,250,000</b>	<b>\$ 11,625,000</b>
<b>2022 CONVENTIONAL VOLUME ASSUMPTIONS BY COO</b>	<b>Million Pounds</b>	<b>Million Pounds</b>
Mexico	2,425	2,490
California	290	300
Peru	240	250
Chile	30	40
Colombia	15	20
<b>TOTAL</b>	<b>3,000</b>	<b>3,100</b>