

Making Avocados America's Favorite Fruit

HASS AVOCADO BOARD
ANNUAL REPORT

2019



HASS
AVOCADO
BOARD





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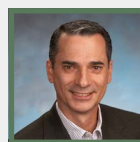
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2020 BOARD ROSTER

P = Producer | I = Importer

OFFICERS



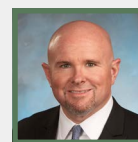
Jorge Hernandez

Chairman



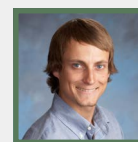
Salvador Dominguez

Vice Chairman



Dave Fausset

Treasurer



Ben Van Der Kar

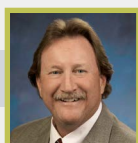
Secretary

DIRECTORS



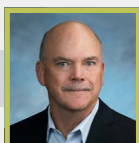
Salvador Dominguez

P



Bob Schaar

P



Jim Donovan

I

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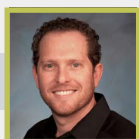
Scott Bauwens

P



Charley Wolk

P



Gahl Crane

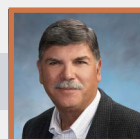
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Dave Fausset

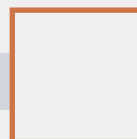
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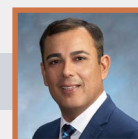
Paul Romero

P



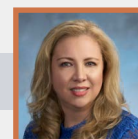
Vacant

P



Aaron Acosta

I



Elizabeth Ayala

I

20



Laurie Luschei

P



Ben Van Der Kar

P



Susan Pinkerton

P



Sergio Chavez

I



Jorge Hernandez

I



Jeff Dickinson

P



CJ Shade

P



Will Carleton

P



Jose Antonio Gomez

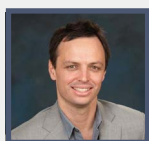
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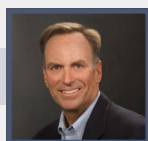
Dave Billings

I

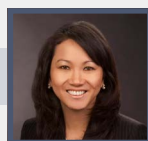
STAFF MEMBERS



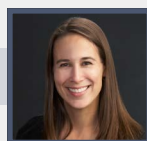
Emiliano Escobedo
Executive Director



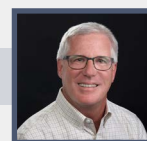
Robert Rumph
Sr. Director of Finance & Administration



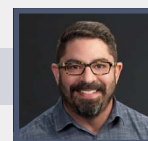
Gina Widjaja
Director of Marketing & Communications



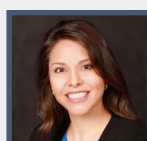
Dr. Nikki Ford
Sr. Director of Nutrition



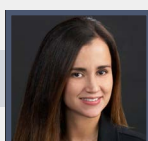
John McGuigan
Director of Industry Affairs



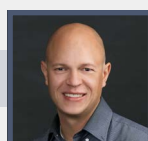
Alejandro Gavito
Sr. Business Insights & Data Services Manager



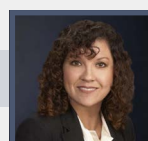
Natalia Arias
Digital Marketing & Communications Manager



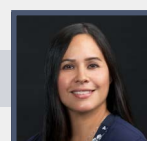
Ivonne Gomez
Bilingual Content Manager



Jason Garthoffner
Web & Graphic Designer



Silvia Standke
Sr. Executive Assistant



Monica Acosta
Office Assistant

EXECUTIVE DIRECTOR'S LETTER

The Hass Avocado Board's job is to make avocados America's most popular fruit — and it's working.

This year's volume of fresh Hass avocados sold in the United States capped out at an astounding 2.576 billion pounds or 7.8 pounds per capita. Despite this volume being relatively close to volumes sold in 2018, consumption levels in dollars increased by more than \$400 million dollars in total versus the prior year which is \$1.32 more per capita for a total of \$20.17 per capita in 2019.

The work of the Hass Avocado Board (HAB) continued to give consumers across America reasons to *Love One Today*. That work focused on our strategic priorities, carried on, and for a good reason. Most industry experts predict supply to reach 3 billion pounds in the very near future, so the need to continue our efforts to create demand goes undiminished.

Our focus on the avocado's nutritional benefits resonates with consumers. They keep reaching for healthier food options for themselves and their families, and by continuing to invest in our Love One Today® campaign, we are helping consumers and health professionals by reminding them just how good avocados are for health and nutrition. On www.LoveOneToday.com, we provide avocado nutrition information, recipes, and inspiration on how to include avocados in meals every day.



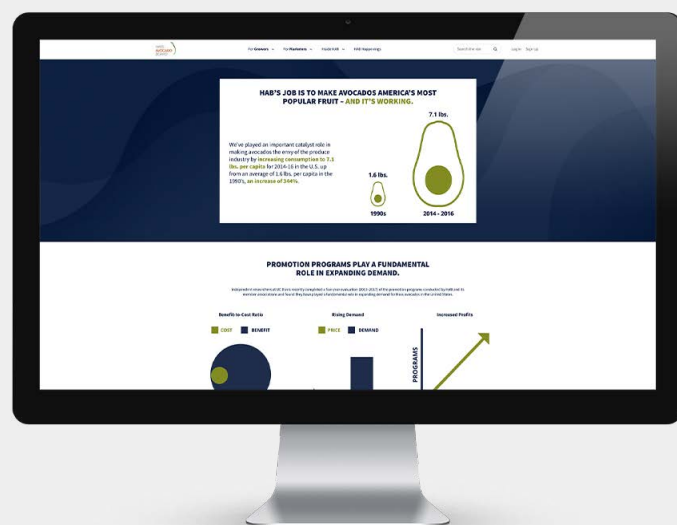
“

Most industry experts predict supply to reach 3 billion pounds in the very near future, so the need to continue our efforts to create demand goes undiminished.”

For the industry, we continue to be the only independent-avocado organization in the world that equips the entire avocado industry with data, market research, and insight to help the industry run a successful business. We do qualitative and quantitative research and share the results openly and freely to industry stakeholders on www.HassAvocadoBoard.com. This research allows stakeholders to get the insights they need to be successful in the marketplace and for avocados to be a winner in the produce business.

HAB is also focused on quality. Even with a large and complex supply chain, we can manage the quality and consistency of our offering to customers and consumers alike. With our newly released, first-of-its-kind avocado quality manual, the industry now has a comprehensive tool to help increase avocado quality, reduce waste in the supply chain and raise consumer confidence in choosing avocados for their grocery baskets.

In summary, the work that we do continues to focus on the priorities that drive demand in the U.S. marketplace and support better grower returns. We are focused on making sure our investments create demand with higher returns. We know with certainty that the economic well-being of our industry is the key to ensure that avocados are here and available to enjoy and nourish all of us.



As we look back at 2019, consistency is the term that summed up the year: consistent supply, consistent value, consistent quality, and a consistent passion from HAB for all things avocado.

HAB is here helping this industry work collaboratively — with transparency and with a forward-thinking mindset — meeting our vision of making avocados America's most popular fruit. You can count on us to be the catalyst for action and a reason to be confident.



Emiliano Escobedo
EXECUTIVE DIRECTOR

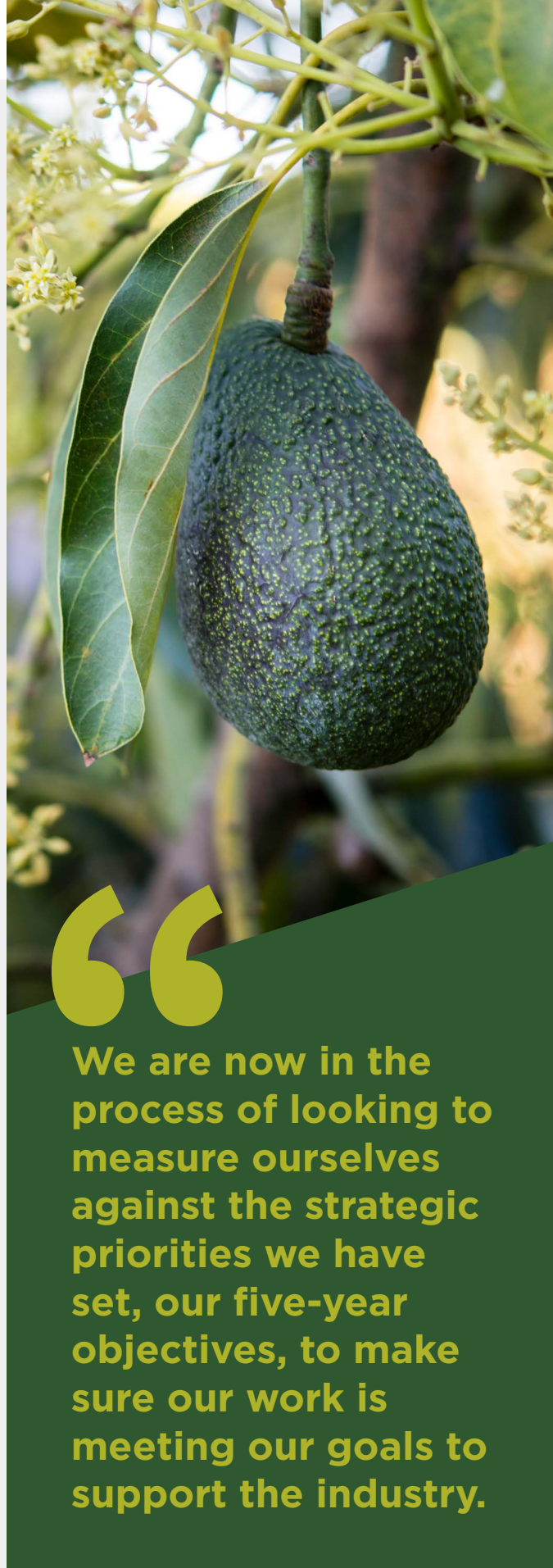
CHAIRMAN'S LETTER

As Chairman of the Hass Avocado Board, I am pleased to report that the state of our organization is strong. In my role, I see the industry through our stakeholders' eyes, making sure we are preparing ourselves for a future that is as vibrant and as economically beneficial as the past while ensuring we are focused on foreseeing both issues and opportunities on the horizon.

In 2019, we achieved progress toward many goals, including writing new policy that has improved our visibility and our transparency to our stakeholders. These operating procedures are just as important as the advances we have made with our strategic priorities. They make sure that the fine work that is being done by the Board, and by our staff, is not diminished in any capacity.

We have a strong and engaged board of directors who are passionate about the work we do, the worth we create for the industry, and working collaboratively with the many organizations and individuals who make up this extraordinary industry. I appreciate the work they do and the passion they bring to their roles. The Board is a fine group of volunteer leaders, and we should all value the hard and tireless work they do for us all.

We are now in the process of looking to measure ourselves against the strategic priorities we have set, our five-year objectives, to make sure our work is meeting our goals to support the industry. Moving forward, we will go through yet another strategic planning process to make certain we are focused on the right priorities to help keep the industry strong, economically fit, and sustainable for the long term.



“

We are now in the process of looking to measure ourselves against the strategic priorities we have set, our five-year objectives, to make sure our work is meeting our goals to support the industry.



Speaking of sustainability, we think it is time for the entire industry to take a stand on it. We should be proactive in telling our stories of stewardship, of both land and economy, of our continual improvement, and our love of creating a lasting legacy, to both the planet and to our families. We know that more and more of our customers and our consumers are waiting for us to detail these stories, and it is time that the industry speaks for itself in this important area of work for all growers and localities.

I will close by saying that the past year has been one of the best in my professional life.

To be able to help an industry that I have been passionate about for most of my professional life is rewarding, and it has been a labor of love. However, as we all know, now is no time to rest on our collective accomplishments but to continue to keep this industry moving forward, looking ahead to a future that is bright and promising. Our job is to make avocados America's favorite fruit – and we are well on our way to making that a reality.

Thank you for your support, and your support of the Hass Avocado Board.



Jorge Hernandez
CHAIRMAN

STRATEGIC PRIORITY UPDATE

1) BUILD DEMAND

2) NUTRITION

3) SUPPLY & DEMAND

4) QUALITY

5) INDUSTRY ENGAGEMENT

6) SUSTAINABILITY





1) BUILD DEMAND

Annual per capita consumption of fresh avocados in the United States will be:

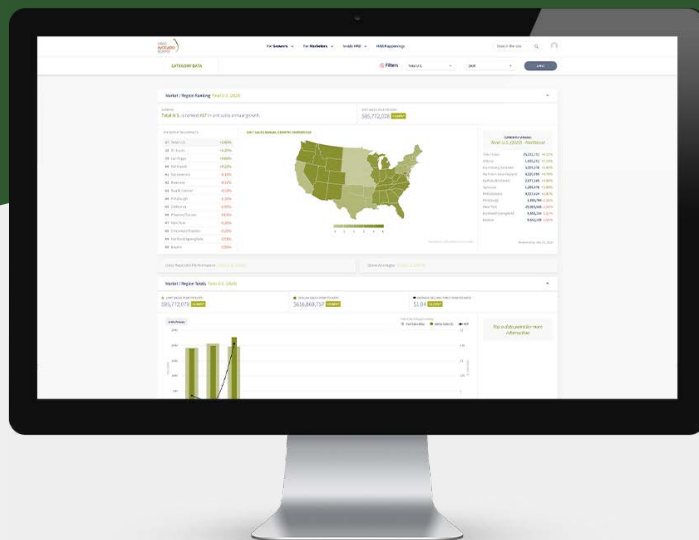
(A) 9.1 pounds or (B) \$23 by 2021.

Demand remained relatively flat in 2019, as supply from multiple countries of origin was either flat or down for the year. However, value continued to increase as avocado prices at retail increased in most regions and many markets. Per capita consumption was flat at 7.8 pounds per capita, the same figure from the previous year. However, retail sales per capita jumped up substantially, to \$20.17 per consumer, up from \$18.85 the previous year in 2018.



The growing scientific body of evidence will be relevant, translational, and credible to support health benefits associated with consuming more avocados.

[illegible]



3) SUPPLY & DEMAND

Goal 1: Research and obtain industry information about where Hass or Hass-like avocados are **produced**, how much and when.

Our ongoing relationship with the French Agricultural Research Centre for International Development (CIRAD) has proven to be a favorite of most industry stakeholders, as the value from these production profiles helps all in the supply chain with insights into the ongoing volume evolutions in each country of origin. During 2019, the team visited and reported on Peru, Mexico and the California industry. All country profiles are available to review for free at www.HassAvocadoBoard.com.

Goal 2: Research and obtain industry information about where Hass or Hass-like avocados are **sold**, how much and when.

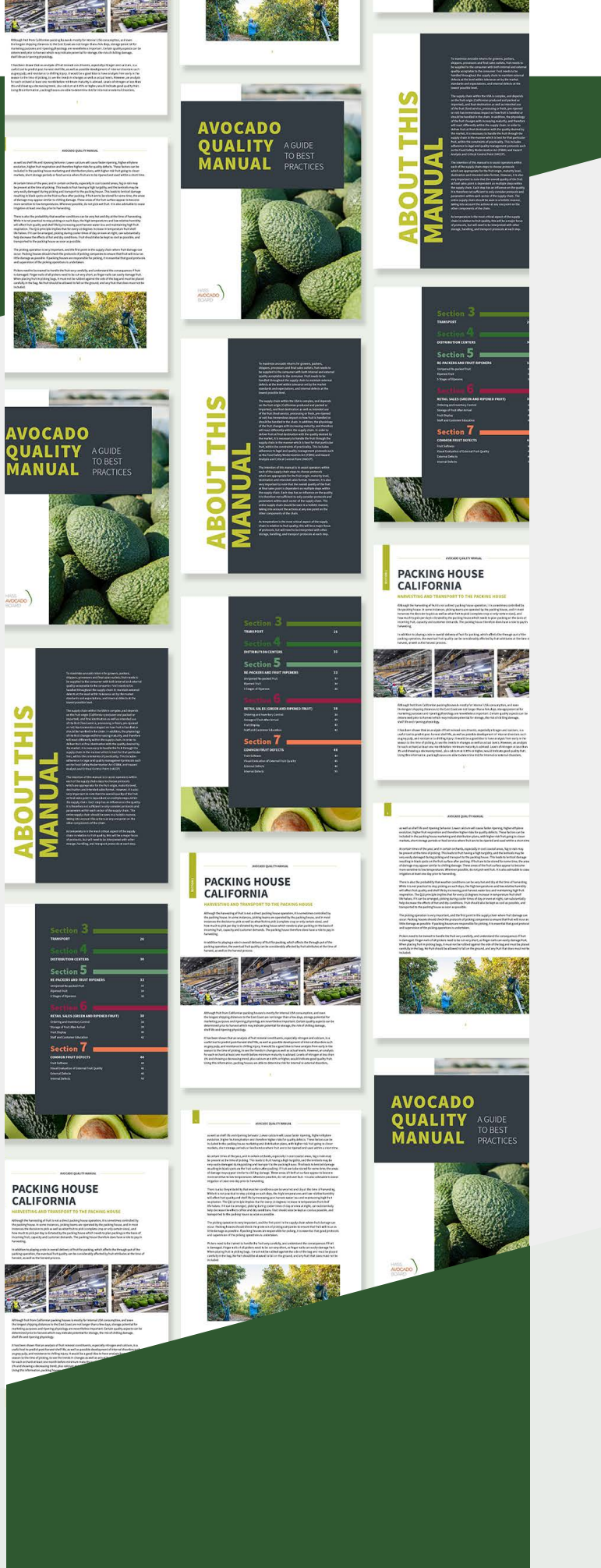
We continue to develop and create some of the best category data in all of produce. As a result, associations and marketers alike have a clear picture of our customers, where and how they shop, and the reasons for selecting avocados. This data drives good decision making at every turn of the supply chain, all provided by HAB for the benefit of the entire industry.

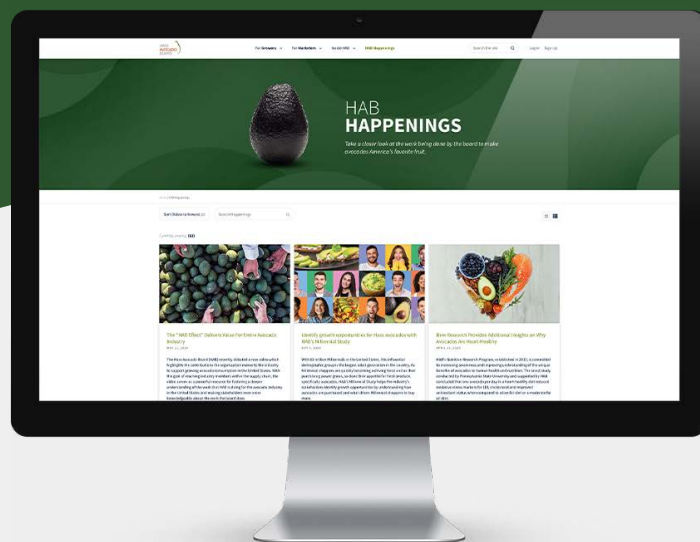


4) QUALITY

HAB's quality-related information pertaining to the proper handling of the fruit in the U.S. supply chain is used by handlers, importers, distributors and marketers that supply the U.S. market. Companies that move 85% of the volume will report having the information available and among them 80% will report finding the information useful.

Our HAB Avocado Quality Manual was finalized in late 2019, and it is being introduced and implemented across the supply chain. This manual will undoubtedly improve handling practices and supply chain knowledge, leading to an even better quality experience for consumers when buying avocados, which will be a necessity as we work to become America's favorite fruit.





5) INDUSTRY ENGAGEMENT

Increase the percentage of Hass avocado producers and importers in the U.S. that are subject to HAB assessments who:

(A) Are familiar with HAB from the 2017 baseline of **64% to 90%**,

(B) Know what HAB does from the 2017 baseline of **67% to 90%** and

(C) Whose overall opinion about the work of the Board is “somewhat satisfied” or “very satisfied” increased from **48% to 75%**.

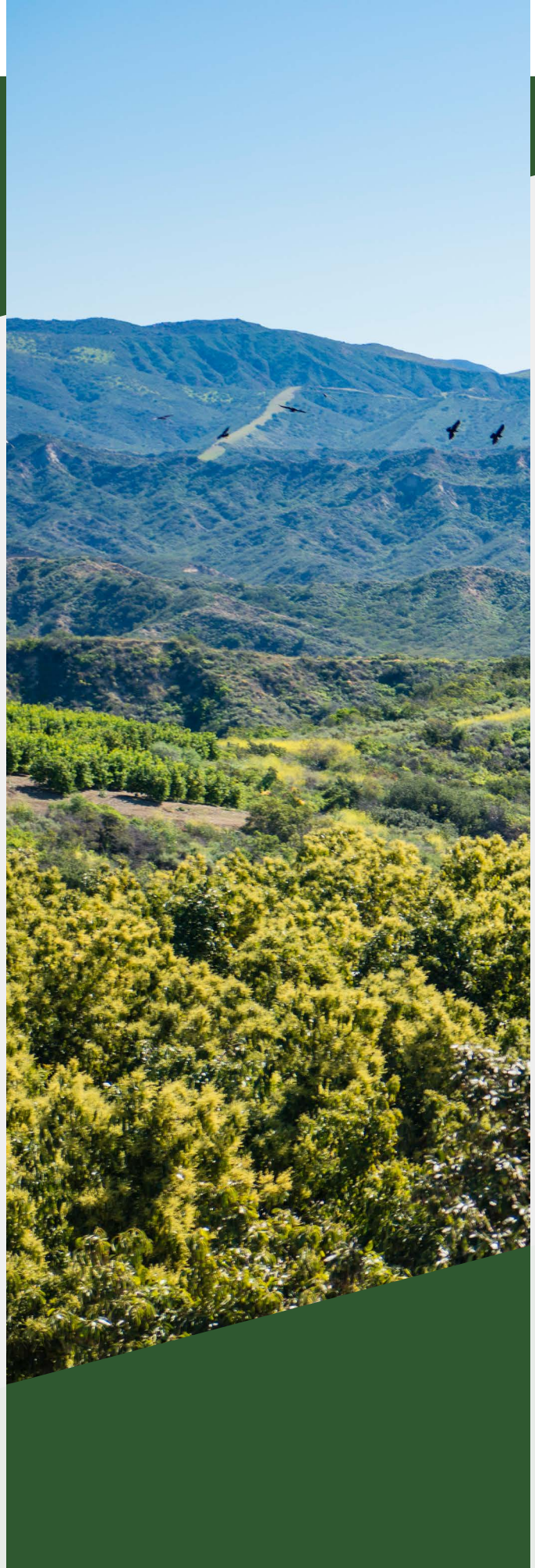
2019 was a very productive year in our outreach efforts at HAB. Our website, www.HassAvocadoBoard.com, was completely redesigned in 2019 and continues to be the industry's supply and demand data hub. The HAB Happenings blog was launched as a new channel on the website to feature updates on the work of the Board. Finally, a new page and video showcasing the Hass Avocado Board was produced to illustrate the story of how we are working to make avocados America's most popular fruit.



6) SUSTAINABILITY

2019 was an exploratory year for the Hass Avocado Board in the area of sustainability.

We continually worked with industry stakeholders that supply the U.S. market to find where HAB could add value in this area of growing interest to customers and consumers alike. A strategic framework is being developed and we are certain that sustainability will be a major program effort in the years to come.



FINANCIAL STATEMENTS



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, 2019. 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 February 19, 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 2019. 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material.

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 March 24, 2020.

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".

Irvine, California
March 24, 2020

HASS AVOCADO BOARD

Basic Financial Statements

Year Ended December 31, 2019

(With Independent Auditors' Report Thereon)

HASS AVOCADO BOARD
Basic Financial Statements
Year Ended December 31, 2019

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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, 2019, 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, 2019 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, 2018, and we expressed an unmodified audit opinion on those financial statements in our report dated March 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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 March 24, 2020 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".

Irvine, California
March 24, 2020

HASS AVOCADO BOARD

Management's Discussion and Analysis

INTRODUCTION

This report, Management's Discussion and Analysis (MD&A), provides an overview and analysis of the financial activities of the Hass Avocado Board (Board) for the fiscal year ended December 31, 2019. It has been prepared by management and should be read in conjunction with the audited financial statements for the periods ended December 31, 2019.

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

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

Producers and importers of Hass avocados pay an assessment under the program, with first handlers involved in the domestic assessment collection process and U. S. Customs responsible for assessment collections on imported Hass avocados. The 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.

FINANCIAL HIGHLIGHTS

- The assets of the Board exceeded its liabilities as of December 31, 2019 by \$2,162,152 (net position). Of this amount, 99% totaling \$2,152,879, is unrestricted net assets and may be used for Board promotions, research and Information obligations.
- The Board's 2019 total net position of \$2,162,152 increased by \$32,714 from the December 31, 2018 amount of \$2,129,438. Of this amount, net position invested in capital assets, net of related debt, decreased to \$9,273 from the \$23,284 in 2018. Net position unrestricted for promotions, research and information increased from \$2,106,154 to \$2,152,879.

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

HASS AVOCADO BOARD

Management's Discussion and Analysis

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, 2018 has been presented in the accompanying supplemental schedules to facilitate financial analysis for the current year ended December 31, 2019.

STATEMENT OF NET POSITION

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

The largest portion (99%) of the Board's total assets were current assets, consisting primarily of cash, investments, and accounts receivable, and prepaid expenses totaling \$7,327,462; down \$437,085 from the prior year amount of \$7,764,547. This decrease was mainly attributable to a decrease in and accounts receivable from U.S. Customs. Total current assets to liabilities ratio is 1.42 to 1 and indicates adequate liquidity.

Liabilities totaled \$5,174,583 at December 31, 2019, which decreased \$483,810 from \$5,658,393 from the prior year. The decrease is mainly due to decreased amounts owed to avocado importer associations and other vendors. Liabilities were primarily 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 (net of accumulated depreciation) total \$9,273 down from the prior year amount of \$23,284. 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 \$2,152,879, an increase of \$46,725 over the prior year amount of \$2,106,154 mainly due to a increase in revenues due to imported avocado volume. Unrestricted net assets are 99% 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 \$62,366,389 in 2019 were \$428,040 higher than the \$61,938,349 in 2018. The increase was mainly attributable to higher avocado imported into

HASS AVOCADO BOARD

Management's Discussion and Analysis

the U.S. offset by a significant decrease in volume of domestically grown avocados. Of the operating revenue, the majority \$57,492,191 (approximately 92%) reflects assessments from imported volume; \$4,846,601 (approximately 8%) is generated from domestic volume and the remainder of \$27,597 is from late fees, and interest.

- Actual operating expenses totaled \$62,405,835 in 2019, which was an increase of \$1,322,834 or approximately 2% from the prior year amount of \$61,083,001. The increase was due to a rise in imported assessable Hass volume resulting in higher assessment rebate expense to the importer associations and increased business plan expenditures.
- At the end of the 2019 year, the Board reported ending net position of \$2,162,152, which was an increase of \$32,714 from the prior year of \$2,129,438. 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 to maintain a reserve that supports continued operations.

BUDGETARY HIGHLIGHTS

The 2019 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. Four budget amendments were approved and passed by the board during 2019. The first amendment increased expenditures by \$40,000 for Corporate Governance. A second budget amendment increased revenue and rebates by \$3,125,000 and \$2,656,250 respectively. The second budget amendment recognized the final results from 2018 and increased beginning reserves by \$1,156,033 from \$973,407 to \$2,129,440. In addition, the second budget amendment decreased nutrition marketing by \$66,000, increased nutrition research by \$470,125, nutrition affairs by \$52,500, and industry engagement by \$97,250. A third budget amendment increased administration expenses by \$30,000. The fourth and final 2019 budget amendment decreased nutrition marketing \$29,000, increased the following categories: target audience research \$29,000, nutrition research \$160,736, supply and demand information \$23,805, and industry engagement by \$10,000.

During the year, the Board was involved in developing, analyzing and implementing current and long-range financial goals. 2020 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, 2019, total \$9,273 (net of accumulated depreciation), which is a \$14,011 decrease from December 31, 2018 year amount of \$23,284 (net of accumulated depreciation). The Board had no debt as of December 31, 2019.

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, 2019

(With Comparative Data for December 31, 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,848,168	1,834,022
Receivables:		
Customs	5,451,931	5,918,053
Other	5,224	1,131
Deposits	6,051	6,051
Prepaid expenses	<u>16,088</u>	<u>5,290</u>
Total current assets	<u>7,327,462</u>	<u>7,764,547</u>
Noncurrent assets:		
Capital assets (note 4):		
Depreciable	350,296	350,296
Accumulated depreciation	<u>(341,023)</u>	<u>(327,012)</u>
Total noncurrent assets	<u>9,273</u>	<u>23,284</u>
Total assets	<u>7,336,735</u>	<u>7,787,831</u>
Liabilities		
Current liabilities:		
Accounts payable and other liabilities	5,095,027	5,594,107
Compensated absences	<u>79,556</u>	<u>64,286</u>
Total current liabilities	<u>5,174,583</u>	<u>5,658,393</u>
Net Position		
Investment in capital assets	9,273	23,284
Unrestricted	<u>2,152,879</u>	<u>2,106,154</u>
Total net position	<u>\$ 2,162,152</u>	<u>2,129,438</u>

See accompanying notes to basic financial statements.

HASS AVOCADO BOARD
Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2019
(With Comparative Data for December 31, 2018)

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Assessments:		
Customs	\$ 57,492,191	54,415,798
California	4,846,601	7,517,473
Other income	<u>27,597</u>	<u>5,078</u>
Total operating revenues	<u>62,366,389</u>	<u>61,938,349</u>
Operating expenses:		
Rebate program:		
Mexican Hass Avocado Import Association	44,166,322	41,266,459
California Avocado Commission	4,119,359	6,390,177
Peruvian Avocado Commission	3,769,212	3,714,623
Chilean Avocado Import Association	<u>781,608</u>	<u>1,135,899</u>
Total rebate program	<u>52,836,501</u>	<u>52,507,158</u>
Marketing/Research/Communications program:		
Nutrition marketing	3,101,562	2,691,342
Target audience research	273,364	219,464
Nutrition research	2,974,511	2,628,463
Nutrition affairs	249,624	154,150
Supply and demand information	610,044	734,182
Industry engagement	745,377	545,310
Quality	82,370	83,048
Sustainability	<u>100,177</u>	<u>152,762</u>
Total marketing/research/communications program	<u>8,137,029</u>	<u>7,208,721</u>
Other expenses:		
USDA oversight	247,456	208,631
Depreciation (note 4)	<u>14,011</u>	<u>28,716</u>
Total other expenses	<u>261,467</u>	<u>237,347</u>
Administration:		
Administration expenses	<u>1,170,838</u>	<u>1,129,775</u>
Total administration	<u>1,170,838</u>	<u>1,129,775</u>
Total operating expenses	<u>62,405,835</u>	<u>61,083,001</u>
Operating income (loss)	(39,446)	855,348
Non-operating revenues:		
Investment income	<u>72,160</u>	<u>-</u>
Total non-operating revenues	<u>72,160</u>	<u>-</u>
Increase in net position	32,714	855,348
Net position, at the beginning of year	<u>2,129,438</u>	<u>1,274,090</u>
Net position, at the end of year	<u>\$ 2,162,152</u>	<u>2,129,438</u>

See accompanying notes to basic financial statements.

HASS AVOCADO BOARD**Statement of Cash Flows**

Year Ended December 31, 2019
(With Comparative Data for December 31, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from producers and importers	\$ 62,833,158	59,940,589
Cash paid to employees	(1,590,259)	(1,402,039)
Cash rebate payments	(53,231,069)	(50,813,858)
Payments to suppliers for goods and services	<u>(8,069,844)</u>	<u>(6,938,669)</u>
Net cash provided by (used for) operating activities	<u>(58,014)</u>	<u>786,023</u>
Cash flows from investing activities:		
Interest income	<u>72,160</u>	<u>-</u>
Net cash provided by (used for) investing activities	<u>72,160</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	14,146	786,023
Cash and cash equivalents at beginning of year	<u>1,834,022</u>	<u>1,047,999</u>
Cash and cash equivalents at end of year	<u>\$ 1,848,168</u>	<u>1,834,022</u>
Reconciliation of operating income (loss) to net cash provided by (used for) for operating activities:		
Operating income (loss)	\$ (39,446)	855,348
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	14,011	28,716
(Increase) decrease in receivables	462,029	(1,989,780)
(Increase) decrease in prepaid expenses	(10,798)	5,046
Increase (decrease) in accounts payable and other liabilities	<u>(483,810)</u>	<u>1,886,693</u>
Net cash provided by (used for) operating activities	<u>\$ (58,014)</u>	<u>786,023</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, 2019 and 2018.

See accompanying notes to basic financial statements.

HASS AVOCADO BOARD

Notes to Basic Financial Statements

Year Ended December 31, 2019

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 Basic Financial Statements

(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. Amounts payable as of December 31, 2019 are included on the statement of net position.

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 Basic Financial Statements

(Continued)

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Board's prior year financial statements, from which this selected financial data was derived. 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, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and cash equivalents	<u>\$ 1,848,168</u>
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Cash and cash equivalents as of December 31, 2019 consist of the following:

Demand deposits	<u>\$ 1,848,168</u>
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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 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, 2019.

HASS AVOCADO BOARD

Notes to Basic Financial Statements

(Continued)

4. Capital Assets

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

	January 1, 2019	Additions	Deletions	December 31, 2019
Capital assets:				
Office equipment	\$ 59,433	-	-	59,433
Software	82,914	-	-	82,914
Tradeshow booth	154,916	-	-	154,916
Leasehold improvements	53,033	-	-	53,033
Accumulated depreciation:				
Office equipment	(59,433)	-	-	(59,433)
Software	(78,176)	(4,738)	-	(82,914)
Tradeshow booth	(154,916)	-	-	(154,916)
Leasehold improvements	(34,487)	(9,273)	-	(43,760)
Total capital assets, net	<u>\$ 23,284</u>	<u>(14,011)</u>	<u>-</u>	<u>9,273</u>

Depreciation expense was \$14,011 for the year ended December 31, 2019.

5. Compensated Absences

The following is a summary of changes in compensated absences, included in current liabilities, for the year ended December 31, 2019. All amounts and considered due within one year.

	January 1, 2019	Additions	Deletions	December 31, 2019
Compensated absences	\$ 64,286	106,384	(91,114)	79,556

6. Revenue Concentration

Approximately 33% of total operating revenue was derived from assessments collected from four Hass avocado handlers/importers.

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 \$73,278 for the year ended December 31, 2019. 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, 2019.

HASS AVOCADO BOARD

Notes to Basic Financial Statements

(Continued)

7. Lease Commitments (continued)

Future lease commitments under these agreements are as follows:

2020	\$ 80,019
2021	43,202
2022	<u>1,596</u>
Total	<u>\$124,817</u>

8. Contract Commitments

The Board has significant active nutrition research agreements as of December 31, 2019 in the amount of \$8,543,241. At December 31, 2019, \$2,698,952 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, 2019 were \$167,441.

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, 2019, 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, 2019
(With Comparative Data for December 31, 2018)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual 2018
Operating revenues:				
Assessment revenues	\$ 64,375,000	62,338,792	(2,036,208)	61,933,271
Other income	-	27,597	27,597	5,078
Total operating revenues	<u>64,375,000</u>	<u>62,366,389</u>	<u>(2,008,611)</u>	<u>61,938,349</u>
Operating expenses:				
Rebate program:				
Rebates	<u>54,718,750</u>	<u>52,836,501</u>	<u>1,882,249</u>	<u>52,507,158</u>
Total rebate program	<u>54,718,750</u>	<u>52,836,501</u>	<u>1,882,249</u>	<u>52,507,158</u>
Marketing/Research/Communications program:				
Nutrition marketing	3,224,488	3,101,562	122,926	2,691,342
Target audience research	224,836	273,364	(48,528)	219,464
Nutrition research	3,062,468	2,974,511	87,957	2,628,463
Nutrition affairs	181,000	249,624	(68,624)	154,150
Supply and demand information	747,388	610,044	137,344	734,182
Industry engagement	819,358	745,377	73,981	545,310
Quality	91,864	82,370	9,494	83,048
Sustainability	<u>300,580</u>	<u>100,177</u>	<u>200,403</u>	<u>152,762</u>
Total marketing/research/ communications program	<u>8,651,982</u>	<u>8,137,029</u>	<u>514,953</u>	<u>7,208,721</u>
Other expenses:				
USDA oversight	206,000	247,456	(41,456)	208,631
Depreciation	14,074	14,011	63	28,716
Program implementation fee	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Total other expenses	<u>221,074</u>	<u>261,467</u>	<u>(40,393)</u>	<u>237,347</u>
Administration:				
Administration expenses	<u>1,256,268</u>	<u>1,170,838</u>	<u>85,430</u>	<u>1,129,775</u>
Total administration	<u>1,256,268</u>	<u>1,170,838</u>	<u>85,430</u>	<u>1,129,775</u>
Total operating expenses	<u>64,848,074</u>	<u>62,405,835</u>	<u>2,442,239</u>	<u>61,083,001</u>
Net operating income (loss)	<u>(473,074)</u>	<u>(39,446)</u>	<u>433,628</u>	<u>855,348</u>
Non-operating revenues:				
Investment income	<u>-</u>	<u>72,160</u>	<u>72,160</u>	<u>-</u>
Total non-operating revenues	<u>-</u>	<u>72,160</u>	<u>72,160</u>	<u>-</u>
Operating income (loss)	<u>(473,074)</u>	<u>32,714</u>	<u>505,788</u>	<u>855,348</u>
Net Position, at beginning of year	<u>2,129,438</u>	<u>2,129,438</u>	<u>-</u>	<u>1,274,090</u>
Net Position, at the end of year	<u>\$ 1,656,364</u>	<u>2,162,152</u>	<u>505,788</u>	<u>2,129,438</u>

HASS AVOCADO BOARD
Schedule of Program Expenditures - Budget and Actual

Year Ended December 31, 2019
(With Comparative Data for December 31, 2018)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual 2018
Nutrition marketing:				
Program management	\$ 725,412	662,802	62,610	567,490
Message testing and approval	57,500	54,357	3,143	25,640
Creative content	216,930	215,330	1,600	208,478
Events	227,500	239,371	(11,871)	271,236
Online/website/social media	231,863	185,927	45,936	299,560
Research publication announcements/promotions	1,468,033	1,458,025	10,008	998,218
Strategic partnerships	20,000	18,783	1,217	22,913
Strategy/issues radar and reporting	277,250	266,967	10,283	297,807
Total nutrition marketing	3,224,488	3,101,562	122,926	2,691,342
Target audience research:				
Research insights and tracking	224,836	273,364	(48,528)	219,464
Total target audience research	224,836	273,364	(48,528)	219,464
Nutrition research:				
Program management	310,568	288,651	21,917	302,408
Science pipeline	2,751,900	2,685,860	66,040	2,326,055
Total nutrition research	3,062,468	2,974,511	87,957	2,628,463
Nutrition affairs:				
Events	5,500	79,630	(74,130)	52,107
Strategy/issues radar and reporting	175,500	169,994	5,506	102,043
Total nutrition affairs	181,000	249,624	(68,624)	154,150
Supply and demand information:				
Program management	323,619	285,457	38,162	305,900
Communications	158,017	82,545	75,472	178,336
Data services	72,900	74,273	(1,373)	117,578
Cyclical research	-	-	-	17,500
Avis	56,000	38,901	17,099	44,239
Track and monitor	96,852	87,053	9,799	70,629
Research and information	40,000	41,815	(1,815)	-
Total supply and demand information	747,388	610,044	137,344	734,182
Industry engagement:				
Program management	412,958	377,803	35,155	257,616
Annual report	6,000	-	6,000	5,675
HAB promotional materials	6,000	2,227	3,773	2,905
Industry meetings and events	85,000	51,812	33,188	51,193
Industry website	187,400	206,312	(18,912)	162,488
Communications	122,000	107,223	14,777	65,433
Total industry engagement	819,358	745,377	73,981	545,310
Quality:				
Program management	61,864	61,049	815	69,048
Research and information	30,000	21,321	8,679	14,000
Total quality	91,864	82,370	9,494	83,048
Sustainability:				
Program management	100,580	100,177	403	136,949
Research and information	200,000	-	200,000	15,813
Total sustainability	300,580	100,177	200,403	152,762
Total marketing/research/communications	\$ 8,651,982	8,137,029	514,953	7,208,721

HASS AVOCADO BOARD**Schedule of Administration Expenditures - Budget and Actual**

Year Ended December 31, 2019
(With Comparative Data for December 31, 2018)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Actual 2018</u>
Other expenses:				
USDA oversight	\$ 206,000	247,456	(41,456)	208,631
Depreciation	14,074	14,011	63	28,716
Program implementation fee	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Total other expenses	<u>221,074</u>	<u>261,467</u>	<u>(40,393)</u>	<u>237,347</u>
Administration expenses:				
Financial oversight - audit	\$ 33,500	33,796	(296)	34,116
Board travel/meetings/elections	192,500	196,981	(4,481)	240,335
Office related	213,014	208,673	4,341	217,681
Professional services and consulting	184,800	129,783	55,017	82,145
Corporate insurance	50,004	37,991	12,013	56,231
Salaries/wages/benefits	507,450	500,507	6,943	472,567
Education/training/conferences/seminars	20,000	16,514	3,486	10,001
Corporate governance	<u>55,000</u>	<u>46,593</u>	<u>8,407</u>	<u>16,699</u>
Total administration expenses	<u>\$ 1,256,268</u>	<u>1,170,838</u>	<u>85,430</u>	<u>1,129,775</u>

HASS AVOCADO BOARD
Schedule of Cash Receipts and Disbursements
Year Ended December 31, 2019
(With Comparative Data for December 31, 2018)

	<u>2019</u>	<u>2018</u>
Cash receipts:		
California assessments	\$ 4,847,248	7,533,143
Customs assessments	57,985,910	52,407,446
Interest income	<u>72,160</u>	<u>-</u>
Total cash receipts	<u>62,905,318</u>	<u>59,940,589</u>
Cash disbursements:		
Rebates	53,231,069	50,813,858
Nutrition marketing	3,125,277	2,672,211
Target audience research	294,809	187,282
Nutrition research	2,962,197	2,617,089
Nutrition affairs	312,201	128,030
Supply and demand information	605,079	739,879
Industry engagement	795,511	449,762
Quality	89,870	75,548
Sustainability	105,177	147,762
USDA oversight	207,742	208,631
Administration	<u>1,162,240</u>	<u>1,114,514</u>
Total cash disbursements	<u>62,891,172</u>	<u>59,154,566</u>
Excess of receipts over disbursements	14,146	786,023
Cash and investments, at beginning of year	<u>1,834,022</u>	<u>1,047,999</u>
Cash and investments, at end of year	<u>\$ 1,848,168</u>	<u>1,834,022</u>

HASS AVOCADO BOARD

Schedule of Total Payroll Disbursements

Year Ended December 31, 2019
(With Comparative Data for December 31, 2018)

	<u>2019</u>	<u>2018</u>
Salaries and wages	\$ 1,590,259	1,402,039
Payroll taxes	94,181	82,365
Pension expenses	167,441	149,877
Benefits (health, life, dental and vision)	<u>216,606</u>	<u>217,734</u>
Total payroll disbursements	<u>\$ 2,068,487</u>	<u>1,852,015</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, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 24, 2020.

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.

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

Irvine, California
March 24, 2020

**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 Auditors' Report

Compliance

We have audited the Hass Avocado Board's (the "Board"), compliance with the compliance requirements of the Hass Avocado Promotion, Research and Information Act of 2000 and Order that are indicated below for the year ended December 31, 2019. 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, 2019.

- 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 a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control

over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

A handwritten signature in blue ink that reads "Davis Lauer".

Irvine, California
March 24, 2020