

Growth Toward 3 Billion Pounds

HASS AVOCADO BOARD ANNUAL REPORT

2020

HASS
AVOCADO
BOARD

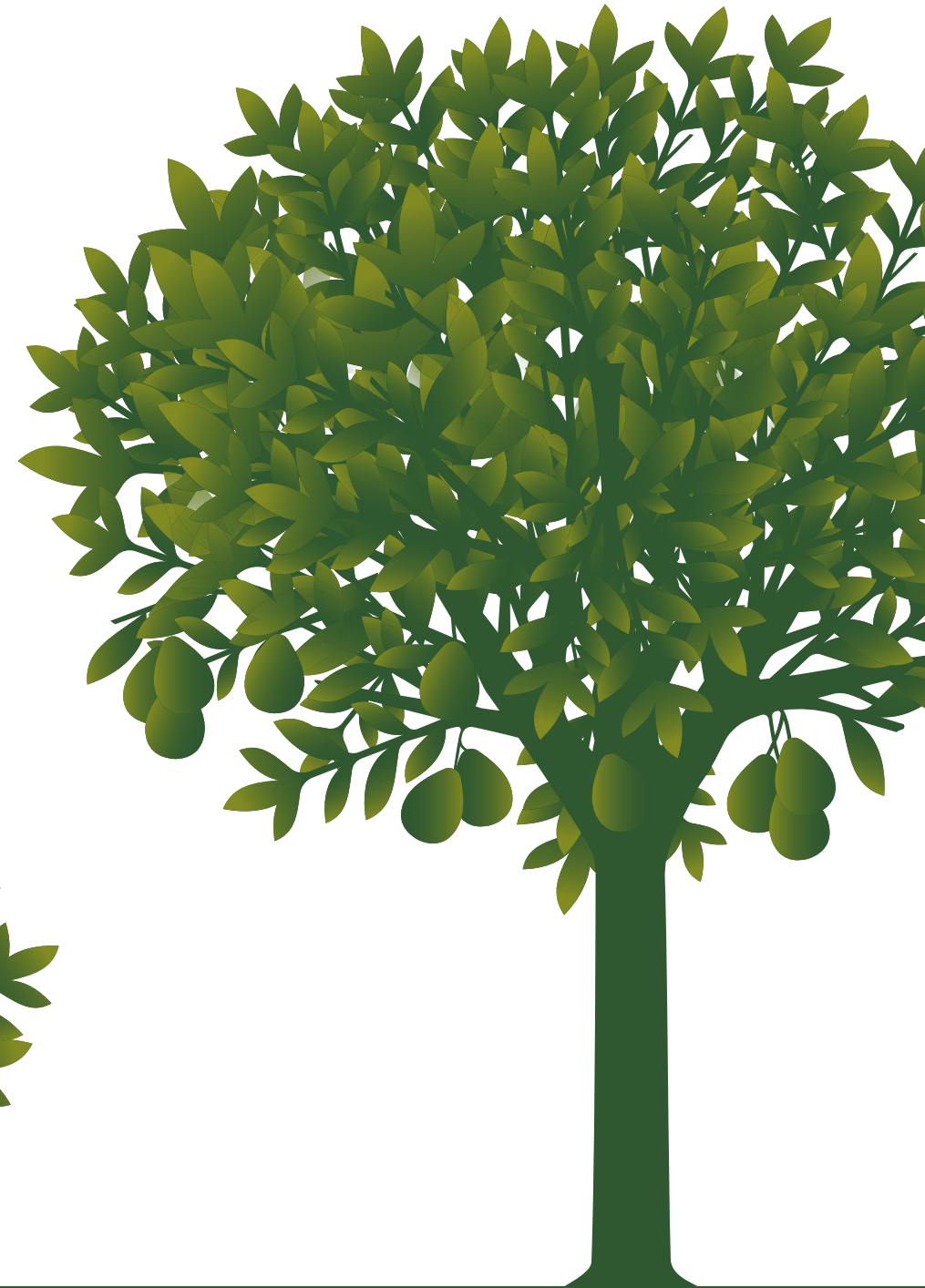
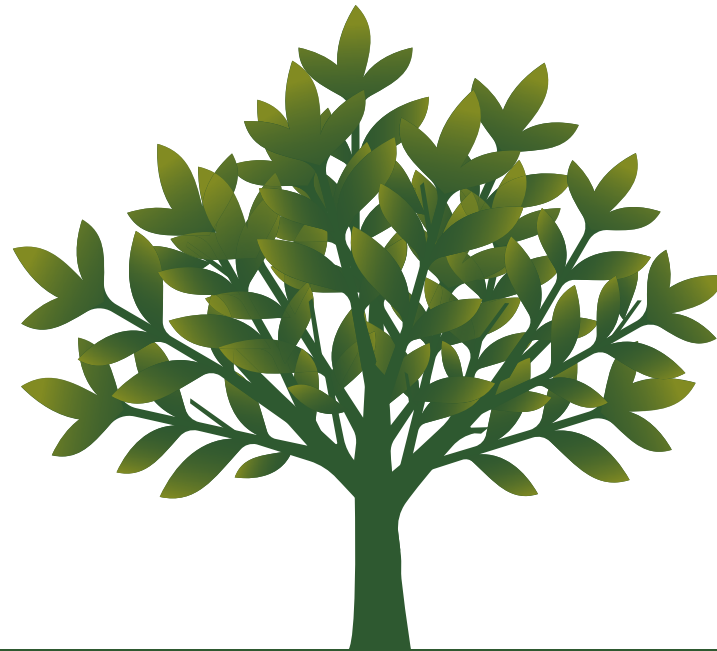
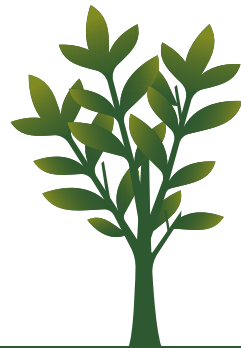
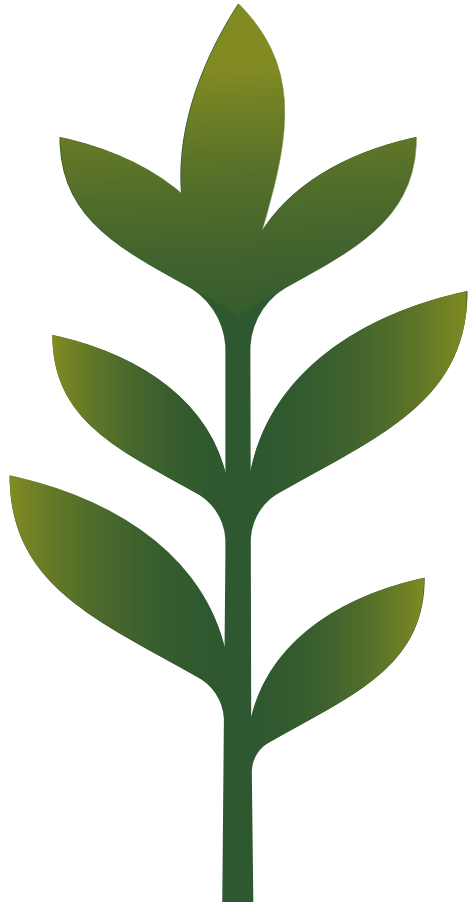


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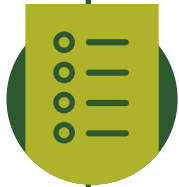
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2021 BOARD ROSTER

P = Producer | I = Importer



OFFICERS



Jorge Hernandez
Chairman



Salvador Dominguez
Vice Chairman



Dave Fausset
Treasurer



Ben Van Der Kar
Secretary

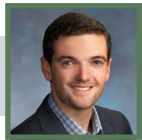
DIRECTORS



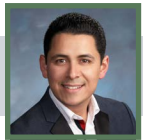
Ben Van Der Kar
P



Susan Pinkerton
P



CJ Shade
P



Sergio Chavez
I

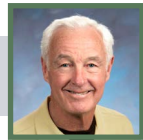


Jorge Hernandez
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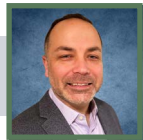
Jeff Dickinson
P



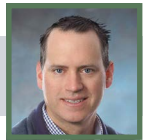
Will Carleton
P



Kimberlin Brown Pelzer
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Andy Bruno
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Peter Shore
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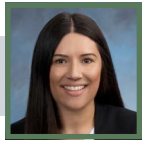
ALTERNATES



Salvador Dominguez
P



Bob Schaar
P



Jacqueline Solares
I

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Jim Swoboda
P



John Cornell
P



Vacant
I



Scott Bauwens
P



Charley Wolk
P

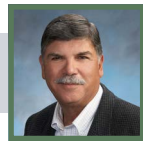


Gahl Crane
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Dave Fausset
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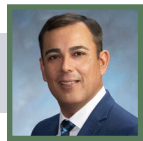
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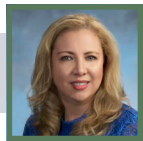
Paul Romero
P



Keith Slattery
P

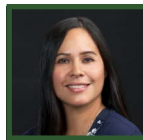


Aaron Acosta
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Elizabeth Ayala
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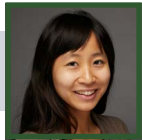
STAFF MEMBERS



Monica Acosta
**Associate Manager
of Finance and
Administration**



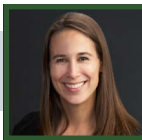
Natalia Arias
**Sr. Digital Marketing
& Communications
Manager**



Feon Cheng, PhD, RDN
**Nutrition
Epidemiologist**



Emiliano Escobedo
**Executive
Director**



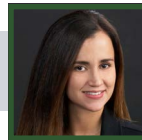
Dr. Nikki Ford
**Sr. Director
of Nutrition**



Jason Garthoffner
**Web & Graphic
Designer**



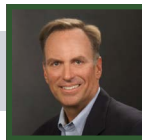
Alejandro Gavito
**Sr. Business
Insights & Data
Services Manager**



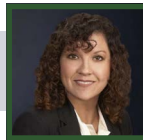
Ivonne Gomez
**Bilingual Content
Manager**



John McGuigan
**Director of
Industry Affairs**



Robert Rumph
**Sr. Director of
Finance &
Administration**



Silvia Standke
**Sr. Executive
Assistant**



Gina Widjaja
**Director of
Marketing &
Communications**

Executive Director's Letter

As we progress forward from the challenges we all faced in 2020, the word that comes to mind for the Hass Avocado Board (HAB) is resiliency.

In the face of supply chain disruptions, restaurant closures, retail shortages, and ever-changing rules and regulations for consumers to understand and navigate, the industry found its footing. HAB continued its work to make avocados America's most popular fruit despite the trials we all met. The total amount of fresh avocados sold in the U.S. in 2020, 2.644 billion pounds, was 6.1% more than the 2.492 billion pounds sold in 2019. A remarkable achievement given the market challenges the industry faced and the complex set of questions the world dealt with in moving food from fields to forks.

At the Hass Avocado Board, amid all the pandemic challenges, we set out to build, define, and execute a new five-year strategic plan (2021-2025). During the trying months of spring and summer of 2020, with both board and staff perseverance, we were able to look toward the future, define the purpose, mission, and vision, and set the objectives and priorities needed to get there. We built a new plan with measurable goals to use as guides to track our progress.

While doing that task, however, the board needed to measure our performance against the former strategic plan. Our strategic priorities and our progress against them in the former plan were:

1. Our goal was to build consumption to 9.1 pounds or \$23.00 per person by 2021. Consumption reached 8.3 pounds and \$19.00 per person respectively in 2020, and we are on track to meet the goal by 2021.
2. In nutrition, we supported 20 new projects over five years. We are in line with our goal of ensuring that the scientific body of evidence will be relevant, translational, and credible to support the health benefits associated with consuming avocados.
3. In the priority of supply & demand, our goal was to research and obtain industry information about where Hass or Hass-like avocados are produced and sold, how much and when. We met this goal with solid participation and use of HAB's Avocado Volume and Inventory System and four country profiles published on hassavocado.com.
4. For the priority of quality, our goal was for HAB's quality-related information about the proper handling of the fruit in the U.S. supply chain to be used by stakeholders that supply the U.S. market. We specifically aimed for companies that move 85 percent of the volume to report having the information available, and 80 percent among them to report finding the information to be useful. We produced the first comprehensive bilingual quality manual in the industry and made it available at no cost to every stakeholder in the industry. The response has been overwhelmingly positive, and the manual has become the most downloaded resource from our website.



5. In industry engagement, we set out to increase the familiarity, understanding, and overall satisfaction of HAB's role and work among assessment payers. An industry survey conducted in 2020 demonstrated that we moved the needle on each of these metrics. Familiarity with HAB increased from the 2017 baseline of 64% to 88%. Understanding of HAB's work increased from 67% by 11 points to 78% in the latest survey, and overall satisfaction about the work of the board improved from the 2017 baseline of 48% up to 61%.
6. Finally, we recognized the integral importance of sustainability. We moved the industry to agree that one of the most critical aspects of our future is our ability to sustain. Sustain the incredible growth, economic benefits, groves, environment, workers, and social obligations.

None of this work was easy. We overcame several unforeseen challenges, including mourning the loss of several industry friends and colleagues who played pivotal roles in advancing our industry over their lifetimes. But given the pain and suffering the world experienced in 2020 and our resilience as a team and industry, I have nothing but greater confidence in our ability to come together and succeed in overcoming the threats we face and to seize the opportunities that will make us stronger and more sustainable in the future.

Looking forward, we do so with purpose and responsibility. We are focused on executing a more collaborative and engaging future-looking plan for the industry. Our new five-year plan puts sustainability front and center by embedding it in our purpose, mission, guiding values, and strategic priorities. Sustainability will touch everything else we do across our strategic priorities,

including nutrition, business support tools and information, industry engagement and leadership, and communications.

HAB is the only avocado organization that equips the entire industry for success. We enable industry members to do things they wouldn't be able to do without the collective power of the Hass Avocado Board. In addition to the 15 percent of the assessments that we invest into the success of the industry, we also enable programs funded by 85 percent of the assessments we collect. Those investments are carried out by the California Avocado Commission (CAC) and the importer associations representing each country of origin. Those programs continue to push the boundaries of demand for each country of origin, which collectively helps us all.

In closing, we believe that this industry's future is bright. We embrace the future and our part in it to provide the U.S. market with healthy, nutritious, and sustainable avocados and earn the trust and preference of consumers of our product.

Resiliency, the capacity to recover quickly from difficulties, was certainly the word for 2020. But given our collective vision to look past 2020, to help build our future in a sustainable manner, to continue the trajectory we have been on over the past 20 years, well, that's progress.



Emiliano Escobedo
EXECUTIVE DIRECTOR





Chairman's Letter

I hope you are doing well and feeling positive as you read this report. As the Chairman of the Hass Avocado Board, my job is to look forward to the future of this industry, as well as to help the board set policies and plans for the years ahead. So, as it came time to write our next strategic plan, covering the years of 2021-2025, I relished in being positive, looking forward, and engaging my fellow board members to do the same.

We went through a very information-driven, forward-looking evaluation process. We created a plan that builds on the successful, demand-increasing programs and priorities that worked in the past. We pushed the near-term challenges brought by the pandemic to the side and focused on the big-picture ideals to ensure our success in the next five years. We built on the equities we have developed, mainly around nutrition and creating value for our stakeholders and the greater avocado industry and by listening to the changing dynamics of both markets and consumers.

Our strategic priorities needed to be based on the things that are important to the industry, but just as important to consumers who see our product as something more than healthy and delicious, but also sustainable. So, our five strategic priorities for the 2021-2025 plan include Sustainability, Nutrition, Business Support Tools & Information, Industry Engagement & Leadership, and Communications to support our efforts. We have established goals & objectives for these priorities and will make a concerted effort to achieve these lofty goals and continue to propel this industry forward. At the end of the

day, we want HAB to be a driver of increased consumption of avocados in the U.S. and a reason for people to be confident in the industry, and a catalyst for action and positive momentum.

We never want to diminish what we have all lived through this past year, and if anything, we need to reinforce that we are all in this together and when we work collaboratively, we can find solutions that are good for us all. We have learned through our efforts that there is nothing we can't achieve through working together. It is an ongoing strength of the avocado industry when we collaborate to find effective solutions for our industry. As I look forward to the next five years, I see a reason for having confidence in our mission, for thinking we can achieve our vision through our demand increasing programs, and at the same time think about future generations and their needs and making sure we leave room for their dreams as well.

Thank you for your support and your continued confidence in the Hass Avocado Board.



Jorge Hernandez
CHAIRMAN

Strategic Priorities

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.



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%.

[Click here to view the full 2021-2025 Strategic Plan](#)

Financial Statements

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".

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 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)

	<u>2020</u>	<u>2019</u>
Assets		
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	<u>15,991</u>	<u>16,088</u>
Total current assets	<u>9,216,982</u>	<u>7,327,462</u>
Noncurrent assets:		
Capital assets (note 4):		
Depreciable	350,296	350,296
Accumulated depreciation	<u>(350,296)</u>	<u>(341,023)</u>
Total noncurrent assets	<u>-</u>	<u>9,273</u>
Total assets	<u>9,216,982</u>	<u>7,336,735</u>
Liabilities		
Current liabilities:		
Accounts payable and other liabilities	5,588,149	5,095,027
Compensated absences (note 5)	<u>126,521</u>	<u>79,556</u>
Total current liabilities	<u>5,714,670</u>	<u>5,174,583</u>
Net Position		
Investment in capital assets	-	9,273
Unrestricted	<u>3,502,312</u>	<u>2,152,879</u>
Total net position	<u>\$ 3,502,312</u>	<u>2,162,152</u>

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

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

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
Tradeshow booth	154,916	-	-	154,916
Leasehold improvements	53,033	-	-	53,033
Total capital assets	350,296	-	-	350,296
Accumulated depreciation:				
Office equipment	(59,433)	-	-	(59,433)
Software	(82,914)	-	-	(82,914)
Tradeshow booth	(154,916)	-	-	(154,916)
Leasehold improvements	(43,760)	(9,273)	-	(53,033)
Total accumulated depreciation	(341,023)	(9,273)	-	(350,296)
Total capital assets, net	\$ 9,273	(9,273)	-	-

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	<u>-</u>	<u>23,870</u>	<u>23,870</u>	<u>27,597</u>
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	<u>-</u>	<u>12,924</u>	<u>12,924</u>	<u>72,160</u>
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
Nutrition marketing:				
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
Total nutrition marketing	3,460,060	3,371,325	88,735	3,101,562
Target audience research:				
Research insights and tracking	117,000	163,419	(46,419)	273,364
Total target audience research	117,000	163,419	(46,419)	273,364
Nutrition research:				
Program management	291,160	366,887	(75,727)	288,651
Science pipeline	1,852,515	1,769,029	83,486	2,685,860
Total nutrition research	2,143,675	2,135,916	7,759	2,974,511
Nutrition affairs:				
Events	115,213	16,409	98,804	79,630
Strategy/issues radar and reporting	187,913	175,648	12,265	169,994
Total nutrition affairs	303,126	192,057	111,069	249,624
Supply and demand information:				
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
Total supply and demand information	676,073	575,105	100,968	610,044
Industry engagement:				
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
Total industry engagement	664,667	661,755	2,912	745,377
Quality:				
Program management	22,834	22,361	473	61,049
Research and information	10,000	15,712	(5,712)	21,321
Total quality	32,834	38,073	(5,239)	82,370
Sustainability:				
Program management	50,515	51,339	(824)	100,177
Strategy and development	120,000	209,327	(89,327)	-
Total sustainability	170,515	260,666	(90,151)	100,177
Total marketing/research/communications	\$ 7,567,950	7,398,316	169,634	8,137,029

HASS AVOCADO BOARD
Schedule of Administration 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
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.

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

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".

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.

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

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".

Irvine, California
April 2, 2021