

A NUTRIENT POWERHOUSE

2021 ANNUAL REPORT

creamy 
**naturally
good fats**

I like you almost as much as I like avocados

good source of fiber

sodium and cholesterol free 250mg of potassium
(6%DV) per serving

keep calm it's good fat

nutrient-dense You can't please everyone
- you're not an avocado

#LoveOneToday Heart-Healthy

6% of the Daily Value for
Vitamin E per serving

Yes, I know it's extra!

avocado + spoon = happiness

cholesterol-free

avocados can help
you meet the diet
recommendations
of the American
Heart Association

**80 calories
per serving**

Good source of copper

sugar-free

nature's butter

#superfood

weight
management

**type 2 diabetes
management**

fresh avocados per serving = 50g

LOVE ONE TODAY®

nutrient-dense • heart-healthy

healthy living at every age

**cardiovascular
health**

Fiber-licious

avo nice day

Healthy

4% of the Daily Value for
Magnesium per serving

Good source of vitamin K

nutrient booster

I just Hass to have you

sodium-free

#avolove

Contributes nearly 20 nutrients, including vitamins and minerals

good source of folate

Yesterday, I really wanted avocado toast. Now, I'm

eating avocado toast. Follow your dreams.

helps provide a feeling of fullness but with fewer calories

avocado is cheaper than therapy

friends are the avocados in the salad bowl of life

You're the avocado to my toast



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OFFICERS



SAL DOMINGUEZ
CHAIRPERSON



BEN VAN DER KAR
VICE CHAIRPERSON



AARON ACOSTA
TREASURER



SERGIO CHAVEZ
SECRETARY

P = PRODUCER | **I** = IMPORTER

DIRECTORS

ALTERNATES



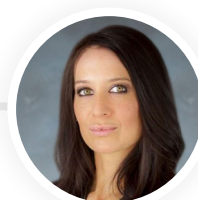
JAMIE JOHNSON
P



MARK VAWTER
P



AARON ACOSTA
I



MARIA DE SARBO
I

24



BYRON TALLEY
P



IVOR VAN WINGERDEN
P



ELIZABETH AYALA
I



VACANT
I



BEN VAN DER KAR
P



SUSAN PINKERTON
P



CJ SHADE
P



SERGIO CHAVEZ
I



JORGE HERNANDEZ
I

23



JEFF DICKINSON
P



WILL CARLETON
P



KIMBERLIN BROWN PELZER
P



ANDY BRUNO
I



PETER SHORE
I

22



SAL DOMINGUEZ
P



BOB SCHAAR
P



JACQUELINE SOLARES
I



JIM SWOBODA
P



JOHN CORNELL
P



CHRIS HENRY
I

2022 STAFF MEMBERS



MONICA ACOSTA
ASSOCIATE MANAGER OF
FINANCE AND ADMINISTRATION



NATALIA ARIAS
SR. DIGITAL
MARKETING STRATEGIST



ELLA BAUER, PHD
NUTRITION RESEARCH
ASSOCIATE MANAGER



FEON CHENG, PHD, RDN
NUTRITION
EPIDEMIOLOGIST



EMILIANO ESCOBEDO
EXECUTIVE
DIRECTOR



NIKKI A. FORD, PHD
SR. DIRECTOR
OF NUTRITION



JASON GARTHOFFNER
WEB AND
GRAPHIC DESIGNER



ALEJANDRO GAVITO
SR. BUSINESS INSIGHTS AND
DATA SERVICES MANAGER



IVONNE GOMEZ
CONTENT AND
COMMUNITY MANAGER



AMANDA IZQUIERDO, MPH, RD, LDN
PR & ADVERTISING
MANAGER



JOHN MCGUIGAN
DIRECTOR OF
INDUSTRY AFFAIRS



PAM ORTEGA
EXECUTIVE ASSISTANT
OF OPERATIONS



ROBERT M. RUMPH
SR. DIRECTOR OF FINANCE
AND ADMINISTRATION



SILVIA STANDKE
SR. MANAGER OF
OPERATIONS



GINA WIDJAJA
DIRECTOR OF MARKETING
AND COMMUNICATIONS



EXECUTIVE DIRECTOR'S LETTER

As we look back at 2021, we have to admire the grit and determination it took to pull off the historic accomplishment of moving more fresh avocado fruit in the United States than any other year in history.

As the calendar hit January, and the large-scale impacts of the pandemic still had supply chains bending under the pressures, avocados somehow continued their historical growth pattern in 2021. In another year of tremendous performance by the industry, despite significant impacts from pandemic restrictions, ongoing supply chain challenges, shoppers moving amongst multi-channel options, as well as large production capability from every source of supply that brings fruit to the U.S., the industry thrived. It showed that years of work building a stabilized, efficient, and well-run distribution chain had what it took to keep fruit moving to market even under the most challenging conditions.

In the end, the industry moved a new record volume of 2.837 billion pounds of conventional and organic avocados through the chain, up from 2.726 billion in 2020. That was an increase of 4%, despite the challenges noted above. These numbers show the resiliency and dogged determination of an industry that will not let a little roadblock or three or four get in the way of providing our tasty, healthy, and nutritious product to market and into the waiting mouths of avocado lovers everywhere.

This performance drove per capita consumption (PCC) levels to the highest ever, coming in nationally at 8.55 pounds per capita in the U.S. The largest PCC level increases were recorded in South Central region at 7.9%, Southeast region at 7.1%, and California at 4%, pushing their nation-leading PCC to 18.6 pounds – remarkable. The Northeast numbers also continued to grow by over 4% in this population-rich area, a good sign for future opportunities with new and existing customers.

Retail pricing was relatively flat year-on-year, moving from \$1.09 per fruit in 2020 to \$1.11 per fruit in 2021, but any increase in line with increased volume is a good sign indeed.

As consumers continue to focus on their health and well-being, we have every reason to believe that this performance is not an aberration but one in a continuing trend for Hass avocados. Foods that are naturally healthy and delicious; Foods that give our families the nutrition they need in a fresh and delightful package; Diets that are fresh, tasty, versatile, and easy to prepare. As avocados meet all these needs, we are quite positive about our future as a special nutritious treat for U.S. consumers.

Year-on-year sales increases are great, and the 2021 performance is one for the record book. However, it is even better to focus on the long term. To make commitments to improve our work, our engagement in nutrition, sustainability, data and information, and our communication as we deliver for the industry's long-term growth.

Our new strategic plan assures that the Hass Avocado Board will do just that and be known as an industry that wants to focus on Healthy Food, Healthy People, and a Healthy Planet.

Emiliano Escobedo
EXECUTIVE DIRECTOR



CHAIRMAN'S LETTER

2021 began with one key objective - to actively start working on the new 2021-2025 strategic plan, developed in 2020. Being a purpose-driven organization, the Hass Avocado Board (HAB) has always had a role in assuring that the industry thrives. Making investments into the industry's future and ensuring that we have the resources necessary to keep our past growth sustained. It is why this new strategic plan was developed, to be the tool that ensured we looked not to our high-growth past but instead moved us to look into the future, prepare for the challenges, and seize the opportunities.

Following that plan meant a board-confirmed long-term commitment to nutrition research. A minimum of 15% of our annual revenue will be focused solely on nutrition research programs, highlighting our commitment to continue to blaze the trail for understanding the nutrition value of this high-density powerhouse. This commitment meant that the industry knew that HAB would continue to do the work. The hard research work that had improved the opinion of this once barely known fruit as it became the nutrient powerhouse it is today – and will continue to be tomorrow. We believe that nutrition is our game-changer, and that HAB will continue its focus on the nutrition benefits of our product and deliver those to our consumers every day.

It meant putting a laser focus on our communications program to engage the health care professional industry. This communication pathway gets our nutrition research out into the communities where it can positively impact human health and healthy diets. It can teach consumers about the multiple benefits of daily avocado consumption and increase recommendations from dietitians who daily help people understand the benefits of a diet heavily tilted to fresh fruits & vegetables.

It also means an industry-changing focus on sustainability. This new strategic plan heightened the importance of sustainability to the entire industry as we worked with our industry and board leaders. Sustainability means more today to our customers, consumers, and our planet. That means that our attention, priority, and communications on sustainability must be one of our most important priorities today and into tomorrow. We grow healthy food on trees

that help the environment, passing family farms from one generation to the next. Sustainability has always meant something to us, and now, we need to prioritize it in everything we do.

Our information & data program, which helps so many keep a pulse on the market and helps to maintain a manageable flow of fruit, must bring all the information needed to the industry growers, packers, and marketers. Our information & data program is the envy of the produce industry, but we can't stop there. We need to engage all of the resources at hand to give the industry the best, most straightforward, and most productive information program in fresh foods.

Finally, through our Industry Engagement priority, we will continue to bring the industry together. To find ways to collaborate and bring positive results to all. To work together toward market growth and find ways to create value for all stakeholders. We created the Board Leadership Development Program (BOLD) to develop emerging leaders in the industry who are both motivated and equipped to meet the opportunities and challenges of our future. We commit that we will find ways to ensure that all industry members know HAB's work, fully support our programs, and believe the organization has a long-term positive influence on the industry and will for years to come.

Next year we will celebrate our 20th anniversary. We will have a lot to celebrate. But you can bet that HAB, while looking back at our past, is more interested in our future, a future that is even more compelling than the last 20 years has been.

I extend an invitation to all those that are eligible to serve on the HAB to take an active role in shaping and guiding our efforts to make Avocados the number one consumed fruit in the United States. I assure you that it will be challenging, fulfilling and rewarding.

Salvador Dominguez
CHAIRMAN



FINANCIAL STATEMENTS

HASS AVOCADO BOARD

Basic Financial Statements

Year ended December 31, 2021

(With Independent Auditor's Report Thereon)

HASS AVOCADO BOARD
Basic Financial Statements
Year ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hass Avocado Board
Mission Viejo, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Hass Avocado Board (the "Board") as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Board, as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hass Avocado Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Board's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual, the Schedule of Program Expenditures – Budget and Actual, the Schedule of Administration Expenditures – Budget and Actual, the Schedule of Cash Receipts and Disbursements, and the Schedule of Total Payroll Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual, the Schedule of Program Expenditures – Budget and Actual, the Schedule of Administration Expenditures – Budget and Actual, the Schedule of Cash Receipts and Disbursements, and the Schedule of Total Payroll Expenses are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Board's financial statements for the year ended December 31, 2020, and we expressed an unmodified opinion on those financial statements in our report dated April 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 20, 2022 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Board's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Davis", followed by a stylized flourish or set of initials.

Irvine, California
April 20, 2022

HASS AVOCADO BOARD
Management's Discussion and Analysis
Year Ended December 31, 2021

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, 2021. It has been prepared by management and should be read in conjunction with the audited financial statements for the period ended December 31, 2021.

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 15 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, 2021, by \$3,418,693 (net position). Of this amount, 100% totaling \$3,418,693 is unrestricted net assets and may be used for Board promotions, research and information obligations.
- The Board's 2021 total net position of \$3,418,693 decreased by \$83,619 from the December 31, 2020 amount of \$3,502,312. Of this amount, net position invested in capital assets, net of related debt, increased to \$58,977 from \$0 in 2021. Net position unrestricted for promotions, research and information decreased from \$3,502,313 to \$3,418,692.

HASS AVOCADO BOARD
Management's Discussion and Analysis, Continued
Year Ended December 31, 2021

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, 2020, has been presented in the accompanying supplemental schedules to facilitate financial analysis for the current year ended December 31, 2021.

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 \$8,271,796; down \$945,186 from the prior year amount of \$9,216,982. This decrease was mainly attributable to a decrease in cash on hand and decreases of accounts receivable from U.S. Customs and avocado handlers. Total current assets to liabilities ratio is 1.7 to 1 and indicates adequate liquidity.

Liabilities totaled \$4,912,080 December 31, 2021, which decreased \$802,590 from \$5,714,670 from the prior year. The decrease is mainly due to decreased 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 (net of accumulated depreciation) total \$58,977 up from the prior year amount of \$0. The increase

HASS AVOCADO BOARD
Management's Discussion and Analysis, Continued
Year Ended December 31, 2021

was due to leasehold improvements related to board approved office expansion and information technology investments.

Unrestricted net position for promotions, research, and information activities are subject to imposed restrictions by federal statute governing their use. Unrestricted net position total \$3,418,693, a decrease of \$83,619 over the prior year amount of \$3,502,312 mainly due to a planned increase in expenditures for budgeted and approved research and promotion activities. 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 \$68,689,340 in 2021 were \$2,540,664 higher than the \$66,148,676 in 2020. The increase was mainly attributable a decrease in volume of domestically grown avocados and increase of imported avocados. Of the operating revenue, the majority \$62,930,284 (approximately 92%) reflects assessments from imported volume; \$5,579,056 (approximately 8%) is generated from domestic volume.
- Actual operating expenses totaled \$68,772,959 in 2021, which was an increase of \$3,951,519 or approximately 6.0% from the prior year amount of \$64,821,440. The increase was due to a rise in imported assessable Hass volume resulting in higher assessment rebate expense to the domestic avocado association and increased budgeted and approved business plan expenditures.
- At the end of the 2021 year, the Board reported ending net position of \$3,418,693, which was a decrease of \$83,619 from the prior year of \$3,502,312. The decrease was primarily due to increased planned budgeted and approved research and promotion expenditures, offset by increased revenue and rebate expenses due to increased volume in the marketplace. 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 an operational reserve that does not exceed one fiscal period's budget (7CFR 1219.54(n)).

BUDGETARY HIGHLIGHTS

The 2021 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. Four budget amendments were approved and passed by the board during 2021. The first amendment increased expenditures by \$1,450,000 and recognized the final audited results from 2020 and increased beginning reserves by \$1,389,444 from \$1,840,691 to \$3,230,135. A second budget amendment increased expenditures by \$34,000. A third budget amendment increased revenue by \$5,000,000 and increased rebate expense \$4,250,000. In addition, the third budget amendment increased communications expense by \$703,000, business support tools by \$24,000, industry engagement and leadership by \$134,000. The fourth and final budget amendment for 2021 increased administration expenses by \$52,106, increased communications expense by \$44,521, increased nutrition expenditures \$43,732, increased business support tools expenses by \$5,987, industry engagement and leadership by \$17,564, and sustainability expenditures by \$3,446.

HASS AVOCADO BOARD
Management's Discussion and Analysis, Continued
Year Ended December 31, 2021

During the year, the Board was involved in developing, analyzing, and implementing current and long-range financial goals. A 2022 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, 2021, total \$58,977 (net of accumulated depreciation), which is a \$58,977 increase from December 31, 2020 year-end amount of \$0 (net of accumulated depreciation). The Board is prohibited from borrowing money and had no debt as of December 31, 2021.

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, 2021
(with comparative information for prior year)

	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 3,200,728	3,515,272
Receivables:		
Customs	5,015,782	5,569,698
Other	31,001	109,970
Deposits	13,217	6,051
Prepaid expenses	<u>11,068</u>	<u>15,991</u>
Total current assets	<u>8,271,796</u>	<u>9,216,982</u>
Noncurrent assets:		
Capital assets (note 4):		
Depreciable	382,938	350,296
Accumulated depreciation	<u>(361,177)</u>	<u>(350,296)</u>
Total noncurrent assets	<u>21,761</u>	<u>-</u>
Total assets	<u>8,293,557</u>	<u>9,216,982</u>
Liabilities		
Current liabilities:		
Accounts payable and other liabilities	4,780,772	5,588,149
Compensated absences (note 5)	<u>131,308</u>	<u>126,521</u>
Total current liabilities	<u>4,912,080</u>	<u>5,714,670</u>
Net Position		
Investment in capital assets	21,761	-
Unrestricted	<u>3,396,932</u>	<u>3,502,312</u>
Total net position	<u>\$ 3,418,693</u>	<u>3,502,312</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, 2021
(with comparative information for prior year)

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Assessments:		
Customs	\$ 62,930,284	57,595,249
California	5,759,001	8,529,557
Other income	<u>55</u>	<u>23,870</u>
Total operating revenues	<u>68,689,340</u>	<u>66,148,676</u>
Operating expenses:		
Rebate program:		
Mexican Hass Avocado Import Association	49,259,872	45,253,730
California Avocado Commission	4,895,151	7,268,445
Peruvian Avocado Commission	3,778,070	3,427,127
Colombia Avocado Board	139,487	149,043
Chilean Avocado Import Association	<u>186,833</u>	<u>75,772</u>
Total rebate program	<u>58,259,413</u>	<u>56,174,117</u>
Promotion, Research, and Information program:		
Communications	4,729,025	3,371,325
Nutrition	2,520,286	2,327,973
Supply and demand information	832,458	738,524
Industry engagement	801,319	661,755
Quality	-	38,073
Sustainability	<u>337,987</u>	<u>260,666</u>
Total marketing/research/communications program	<u>9,221,075</u>	<u>7,398,316</u>
Other expenses:		
USDA oversight	167,292	196,028
Depreciation (note 4)	<u>10,880</u>	<u>9,273</u>
Total other expenses	<u>178,172</u>	<u>205,301</u>
Administration:		
Administration expenses	<u>1,114,299</u>	<u>1,043,706</u>
Total administration	<u>1,114,299</u>	<u>1,043,706</u>
Total operating expenses	<u>68,772,959</u>	<u>64,821,440</u>
Operating income (loss)	(83,619)	1,327,236
Non-operating revenues:		
Investment income	<u>-</u>	<u>12,924</u>
Total non-operating revenues	<u>-</u>	<u>12,924</u>
Increase (decrease) in net position	(83,619)	1,340,160
Net position, at the beginning of year	<u>3,502,312</u>	<u>2,162,152</u>
Net position, at the end of year	<u>\$ 3,418,693</u>	<u>3,502,312</u>

See accompanying notes to the basic financial statements.

HASS AVOCADO BOARD
Statement of Cash Flows
Year ended December 31, 2021
(with comparative information for prior year)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from producers and importers	\$ 69,322,225	65,926,166
Cash paid to employees	(2,107,000)	(1,759,614)
Cash rebate payments	(59,088,406)	(55,812,642)
Payments to suppliers for goods and services	<u>(8,371,505)</u>	<u>(6,699,730)</u>
Net cash provided by (used for) operating activities	<u>(244,686)</u>	<u>1,654,180</u>
Cash flows from investing activities:		
Interest income	-	12,924
Purchase of capital assets	(32,642)	-
Net cash provided by (used for) investing activities	<u>(32,642)</u>	<u>12,924</u>
Net increase (decrease) in cash and cash equivalents	(277,328)	1,667,104
Cash and cash equivalents at beginning of year	<u>3,515,272</u>	<u>1,848,168</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,237,944</u></u>	<u><u>3,515,272</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) for operating activities:		
Operating income (loss)	\$ (83,619)	1,327,236
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	10,881	9,273
(Increase) decrease in receivables	632,885	(222,513)
(Increase) decrease in prepaid expenses	(2,243)	97
Increase (decrease) in accounts payable and other liabilities	<u>(802,590)</u>	<u>540,087</u>
Net cash provided by (used for) operating activities	<u><u>\$ (244,686)</u></u>	<u><u>1,654,180</u></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, 2021 and 2020.

See accompanying notes to the basic financial statements.

HASS AVOCADO BOARD

Notes to the Basic Financial Statements

Year ended December 31, 2021

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, 2021

(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
Leasehold improvements	6-7 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, 2021
(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, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and cash equivalents	<u>\$ 3,200,728</u>
---------------------------	---------------------

Cash and cash equivalents as of December 31, 2021 consist of the following:

Demand deposits	<u>\$ 3,200,728</u>
-----------------	---------------------

3. Custodial Credit Risk

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

HASS AVOCADO BOARD

Notes to the Basic Financial Statements

Year ended December 31, 2021

(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, 2021.

4. Capital Assets

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

	January 1, 2021	Additions	Deletions	December 31, 2021
Capital assets:				
Construction in progress	\$ -	37,215	-	37,215
Office equipment	59,433	32,642	-	92,075
Software	82,914	-	-	82,914
Tradeshow booth	154,916	-	-	154,916
Leasehold improvements	53,033	-	-	53,033
Total capital assets	350,296	69,857	-	420,153
Accumulated depreciation:				
Office equipment	(59,433)	(10,880)	-	(70,313)
Software	(82,914)	-	-	(82,914)
Tradeshow booth	(154,916)	-	-	(154,916)
Leasehold improvements	(53,033)	-	-	(53,033)
Total accumulated depreciation	(350,296)	(10,880)	-	(361,176)
Total capital assets, net	\$ -	58,977	-	58,977

Depreciation expense was \$10,880 for the year ended December 31, 2021.

5. Compensated Absences

The following is a summary of changes in compensated absences, included in current liabilities, for the year ended December 31, 2021. All amounts are considered due within one year.

	January 1, 2021	Additions	Deletions	December 31, 2021
Compensated absences	\$ 126,521	133,258	(128,471)	131,308

6. Revenue Concentration

Approximately 51% 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, 2021
(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. On August 23, 2021 the Board amended their lease contract to extend their original lease term and include additional office space. The Board's lease expires on September 30, 2026 with monthly payments starting at \$8,808 and increased to \$11,745 when the Board takes possession of the additional office space. Monthly rent will increase by 3% each year on anniversary of amendment. Office space lease expense was \$92,336 for the year ended December 31, 2021.

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, 2021.

Future lease commitments under these agreements are as follows:

2022	\$ 138,417
2023	146,967
2024	151,373
2025	155,909
2026	<u>105,736</u>
Total	<u>\$ 698,402</u>

8. Contract Commitments

The Board has significant active nutrition research agreements as of December 31, 2021 in the amount of \$11,377,696. At December 31, 2021, \$2,722,049 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, 2021 were \$218,810.

HASS AVOCADO BOARD
Notes to the Basic Financial Statements
Year ended December 31, 2021
(Continued)

9. Pension Plan (Continued)

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, 2021, 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, 2021
(with comparative information for prior year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual 2020
Operating revenues:				
Assessment revenues	\$ 72,500,000	68,689,285	(3,810,715)	66,124,806
Other income	-	55	55	23,870
Total operating revenues	<u>72,500,000</u>	<u>68,689,340</u>	<u>(3,810,660)</u>	<u>66,148,676</u>
Operating expenses:				
Rebate program:				
Rebates	<u>61,625,000</u>	<u>58,259,413</u>	<u>3,365,587</u>	<u>56,174,117</u>
Total rebate program	<u>61,625,000</u>	<u>58,259,413</u>	<u>3,365,587</u>	<u>56,174,117</u>
Promotion, Research, and Information program:				
Communications	5,011,840	4,729,025	282,815	3,371,325
Nutrition	3,142,954	2,520,286	622,668	2,327,973
Supply and demand information	891,216	832,458	58,758	738,524
Industry engagement	1,005,632	801,319	204,313	661,755
Quality	-	-	-	38,073
Sustainability	<u>473,469</u>	<u>337,987</u>	<u>135,482</u>	<u>260,666</u>
Total marketing/research/ communications program	<u>10,525,111</u>	<u>9,221,075</u>	<u>1,304,036</u>	<u>7,398,316</u>
Other expenses:				
USDA oversight	237,600	167,292	70,308	196,028
Depreciation	<u>22,667</u>	<u>10,880</u>	<u>11,787</u>	<u>9,273</u>
Total other expenses	<u>260,267</u>	<u>178,172</u>	<u>82,095</u>	<u>205,301</u>
Administration:				
Administration expenses	<u>1,364,040</u>	<u>1,114,299</u>	<u>249,741</u>	<u>1,043,706</u>
Total administration	<u>1,364,040</u>	<u>1,114,299</u>	<u>249,741</u>	<u>1,043,706</u>
Total operating expenses	<u>73,774,418</u>	<u>68,772,959</u>	<u>5,001,459</u>	<u>64,821,440</u>
Net operating income (loss)	(1,274,418)	(83,619)	1,190,799	1,327,236
Non-operating revenues:				
Investment income	-	-	-	12,924
Total non-operating revenues	-	-	-	12,924
Operating income (loss)	(1,274,418)	(83,619)	1,190,799	1,340,160
Net position, at beginning of year	<u>3,502,312</u>	<u>3,502,312</u>	-	<u>2,162,152</u>
Net position, at the end of year	<u>\$ 2,227,894</u>	<u>3,418,693</u>	<u>1,190,799</u>	<u>3,502,312</u>

HASS AVOCADO BOARD
Schedule of Program Expenditures - Budget and Actual
Year ended December 31, 2021
(with comparative information for prior year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual 2020
Communications				
Program management	\$ 808,340	\$ 770,073	\$ 38,267	725,810
Creative content	477,050	384,820	92,230	360,313
Events	13,000	11,101	1,899	24,131
Online/website/social media	487,000	481,695	5,305	308,895
Nutrition and research promotion	2,792,350	2,673,000	119,350	1,666,231
Strategic partnerships	195,000	184,983	10,017	61,291
Strategy, issues radar and reporting	239,100	223,353	15,747	224,654
Total communications	5,011,840	4,729,025	282,815	3,371,325
Nutrition				
Program management	547,954	523,346	24,608	366,887
Science pipeline	2,314,910	1,734,194	580,716	1,769,029
Events	18,000	-	18,000	16,409
Strategy/issues radar and reporting	262,090	262,746	(656)	175,648
Total nutrition	3,142,954	2,520,286	622,668	2,327,973
Business support tools and information				
Program management	303,016	293,552	9,464	300,920
Communications	44,670	34,211	10,459	26,191
Data services	113,200	108,738	4,462	119,644
Avis	64,000	41,952	22,048	45,166
Track and monitor	88,200	89,772	(1,572)	62,212
Research and information	25,000	-	25,000	20,972
Consumer insights and tracking studies	253,130	264,233	(11,103)	163,419
Total business support tools and information	891,216	832,458	58,758	738,524
Industry engagement and leadership:				
Program management	509,432	453,140	56,292	471,275
Annual report	6,000	6,000	-	6,000
HAB promotional materials	6,000	5,516	484	4,860
Industry meetings and events	15,000	12,875	2,125	50,630
Industry website	142,500	135,492	7,008	47,303
Outreach	15,000	-	15,000	8,000
Communications	281,700	166,764	114,936	73,687
Board leadership development	30,000	21,532	8,468	-
Total industry engagement and leadership	1,005,632	801,319	204,313	661,755
Quality:				
Program management	-	-	-	22,361
Research and information	-	-	-	15,712
Total quality	-	-	-	38,073
Sustainability:				
Program management	173,469	169,987	3,482	51,339
Strategy	200,000	108,000	92,000	209,327
Research	100,000	60,000	40,000	-
Total sustainability	473,469	337,987	135,482	260,666
Total marketing/research/communications	\$ 10,525,111	9,221,075	1,304,036	7,398,316

HASS AVOCADO BOARD
Schedule of Administration Expenditures - Budget and Actual
Year ended December 31, 2021
(with comparative information for prior year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual 2020
Other expenses:				
USDA oversight	\$ 237,600	167,292	70,308	196,028
Depreciation	<u>22,667</u>	<u>10,880</u>	<u>11,787</u>	<u>9,273</u>
Total other expenses	<u>\$ 260,267</u>	<u>178,172</u>	<u>82,095</u>	<u>205,301</u>
Administration expenses:				
Financial oversight - audit	\$ 50,000	28,993	21,007	57,912
Board travel/meetings/elections	135,000	38,411	96,589	78,689
Office related	297,036	260,859	36,177	219,377
Professional services and consulting	28,800	36,747	(7,947)	21,800
Legal services	72,000	37,260	34,740	38,831
Corporate insurance	62,000	51,579	10,421	47,350
Salaries/wages/benefits	606,204	591,754	14,450	578,129
Education/training/conferences/seminars	48,000	48,000	-	1,440
Corporate governance	<u>65,000</u>	<u>20,696</u>	<u>44,304</u>	<u>178</u>
Total administration expenses	<u>\$ 1,364,040</u>	<u>1,114,299</u>	<u>249,741</u>	<u>1,043,706</u>

HASS AVOCADO BOARD
Schedule of Cash Receipts and Disbursements
Year ended December 31, 2021
(with comparative information for prior year)

	<u>2021</u>	<u>2020</u>
Cash receipts:		
California assessments	\$ 5,863,284	8,424,814
Customs assessments	63,458,941	57,501,352
Interest income	<u>-</u>	<u>12,924</u>
Total cash receipts	<u>69,322,225</u>	<u>65,939,090</u>
Cash disbursements:		
Rebates	59,088,406	55,812,642
Communications	4,784,709	3,302,732
Nutrition	2,556,779	2,311,999
Business support tools and information	778,667	783,788
Industry engagement	821,594	621,750
Quality	-	38,073
Sustainability	351,041	247,612
USDA oversight	170,948	203,483
Administration	<u>1,084,625</u>	<u>949,907</u>
Total cash disbursements	<u>69,636,769</u>	<u>64,271,986</u>
Excess of receipts over disbursements	(314,544)	1,667,104
Cash and cash equivalents, at beginning of year	<u>3,515,272</u>	<u>1,848,168</u>
Cash and cash equivalents, at end of year	<u>\$ 3,200,728</u>	<u>3,515,272</u>

HASS AVOCADO BOARD
Schedule of Total Payroll Expenses
Year ended December 31, 2021
(with comparative information for prior year)

	<u>2021</u>	<u>2020</u>
Salaries and wages	\$ 2,107,104	1,758,241
Payroll taxes	121,837	106,251
Pension expenses	218,810	189,317
Benefits (health, life, dental and vision)	<u>273,997</u>	<u>236,276</u>
Total payroll expenses	<u>\$ 2,721,748</u>	<u>2,290,085</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 business-type activities of Hass Avocado Board (the "Board"), as of and for the year ended December 31, 2021, 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 20, 2022.

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) as a basis for designing 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 financial statement. 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 20, 2022

**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

Report on 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, 2021. 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, 2021.

- 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.

Report on 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" followed by a stylized flourish.

Irvine, California
April 20, 2022