

NOURISHING THE FUTURE

HASS AVOCADO BOARD
2023 ANNUAL REPORT



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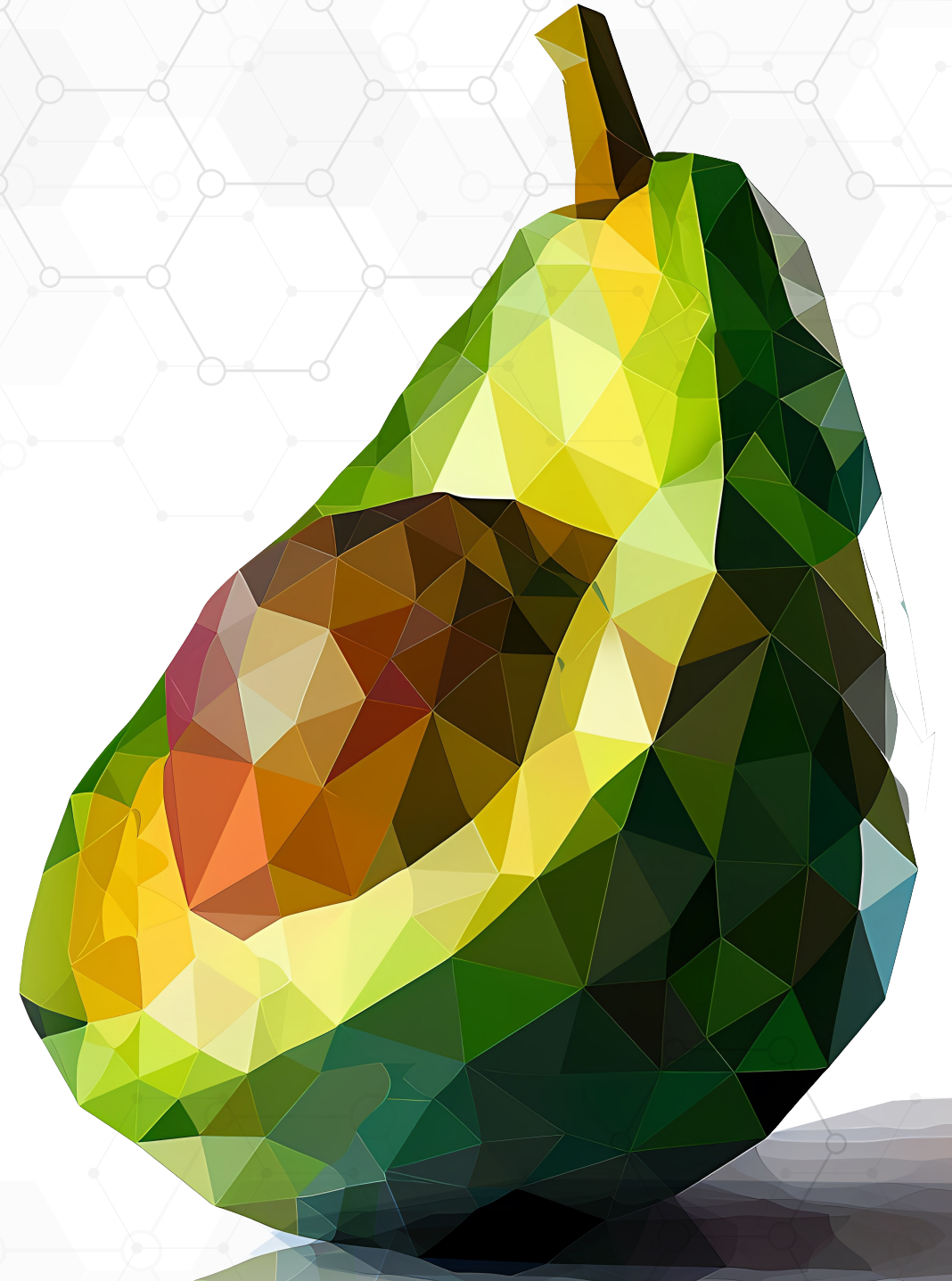
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OFFICERS



Bob Schaar
Chairperson



Jamie Johnson
Vice Chairperson



Chris Henry
Treasurer



Gwen Jackimek
Secretary

DIRECTORS

ALTERNATES

26



Doug O'Hara
P



Will Carleton
P



Jeff Dickinson
P



Gwen Jackimek
I



LeighAnne Neary
I



Elizabeth Flores
P



Ben Van Der Kar
P



Hillary DeCarl
P



Elizabeth Ayala
I



Rigo Perez Jr.
I

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Elaine Bannatyne
P



Bob Schaar
P



Debbie Willmann
I



Rocco Fiore II
P



Daniel Harte
P

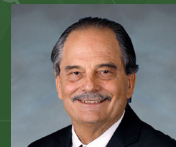


Juan Monsalve
I

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Jamie Johnson
P



Mark Vawter
P



Aaron Acosta
I



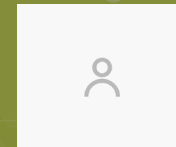
Chris Henry
I



Byron Talley
P



Ivor Van Wingerden
P



Vacant
I



Dave Billings
I

P = PRODUCER | I = IMPORTER

2024 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
Sr. Director of Marketing and Communications

EXECUTIVE DIRECTOR'S LETTER

2023 brought ups and downs for the Hass Avocado industry in the United States, as we faced various challenges and opportunities along the supply chain. In this letter, I will share some of the key numbers and highlights from 2023, as well as the results of an independent evaluation of our research and promotion program for the years 2018 to 2022. I will also reflect on how we have worked together as an industry to overcome the difficulties and grow demand for our product.

One of the positive outcomes of 2023 was that American consumers enjoyed lower prices for avocados, which dropped from \$1.29 per unit in 2022 to \$1.04 in 2023. This made avocados more affordable and appealing to many people, especially in the last quarter of the year when consumption increased significantly.

Another positive outcome was that fresh Hass avocados continued to be one of the most popular and preferred fruits in the United States. Our product matched the consumers' expectations for fresh, nutritious, and healthy food for themselves and their families. Our industry also benefited from the strong collaboration of the many stakeholders who make up our complex supply chain, from growers to importers to retailers. Moreover, we had the opportunity to assess the impact and value of our research and promotion program, which has been running for 20 years under the Hass Avocado Board, the California Avocado Commission, and the importer associations. The evaluation, conducted by economists at UC Davis, confirmed that our program has played a key role in expanding the demand for Hass avocados in the United States, without lowering the prices received by growers and importers. The evaluation also showed that our program has delivered a 2.47 to 1 benefit-to-cost ratio to the California producers and importers of Hass avocados. The evaluation also suggested that there is still room for growth in the U.S. market, given the regional, seasonal, and demographic variations in consumption.

Looking specifically at 2023, it was not a year without its challenges. We faced some unpredictable and disruptive weather events that affected our supply chain in different ways. These weather events raised some questions about the future of our growing regions and the seasonality of our product. Some of the challenges we had to deal with included:

- The sizing of the avocados from many of our growing areas did not match the demand throughout the year. The delayed or altered crop timing in many growing areas, which created uncertainty and instability in the market.
- An example of this timing issue was the April-June shipping period, when Mexico's late season crop was prolonged by heat and drought. Our industry shipped 793 million pounds in this period in 2023, compared with only 615 million pounds a year earlier. This increase, along with an unusual size curve, put pressure on the pricing levels.

Let's take a closer look at the overall numbers for the calendar year. In 2022, assessable volume dropped to the lowest level since 2019, to 2.588 billion pounds of conventional Hass and Hass-like avocados. In 2023, the volume bounced back 9.6% higher than 2022, to a record high of 2.837 billion pounds. This increase in volume also boosted our Per Capita Consumption (PCC), which went up to 8.7 pounds per capita, from 8 pounds in 2022.

However, the higher volume also meant lower prices. While consumers enjoyed lower retail prices for avocados this came at a cost to our growers, and everyone involved in the supply chain.

These numbers show the challenges we faced as an industry, but also the resilience and adaptability of our industry, and our ability to make changes as our supply side shifts. Both 2023 and the period from 2018-2022 indicate one thing: we are fulfilling the mission we set for ourselves when we created the Hass Avocado Board, which is to grow the demand for Hass avocados - no matter the challenges.



Emiliano Escobedo
Executive Director



CHAIRMAN'S LETTER

As a long time California producer of avocados and the Chairman of the Hass Avocado Board (HAB), I am always thinking about the future of our industry and our organization. I want to make sure that we are not only working hard in the present but also planning for our future goals and achievements. That is why I am very happy with the theme of this year's Annual Report: "Nourishing the Future". This theme captures exactly what I want our organization, which I have been a part of for more than a decade, to focus on. When I think of Nourishing the Future, I think of avocados as a great food for babies, I think of the research on how avocados and their nutrients can help young people stay healthy, and I think of the future of food, and how nutrition, sustainability, and human health are connected.

This theme reflects all the strategic areas that we have been working on to get to this point in our 21-year journey, and it also guides us for the future. As we approach 2025, we will be reviewing and updating our strategic plan for the organization, and in that spirit, let's look at the key areas of the current plan, and I believe the next plan as well.

NUTRITION:

Nutrition is one of our main priorities, and our efforts have changed the way people see avocados. We've overcome misconceptions and people now understand that avocados provide good monosaturated fat, healthy fiber and nearly 20 vitamins and minerals. Thanks to HAB's focus on exploring and sharing the nutritional benefits of avocados, we have overcome those misunderstandings and shown people that avocados are a delicious and healthy-for-you treat. We have committed to spending at least 15% of our annual net revenue on nutritional research so that we can continue to discover new and powerful reasons for consumers to "Love One Today."

COMMUNICATIONS:

Our communication strategy is to target health care professionals who can recommend avocados to their clients and patients. We want to provide them with the latest and most relevant information about our product and how it nourishes us. We also want to reach our target audience through different media channels, and deliver engaging, informative, and fun messages about avocados. Communications is a key element of who we are, and how we grow awareness and demand for fresh Hass avocados in the U.S., and we are committed to being creative and effective in our messaging.

BUSINESS SUPPORT TOOLS AND INFORMATION:

HAB provides high-quality data and tools for our industry stakeholders to help them make better decisions for their businesses. We help them understand how the category is performing, and how it is changing to meet the needs and preferences of new and existing shoppers. We also provide them with actionable insights to share with their customers and help them lead the market, not follow the trends of others. We also have a reliable Avocado Volume Inventory System (AVIS), and we are committed to keeping this source of information

accurate and timely, to make sure that our industry sells with the best information and data available.

SUSTAINABILITY:

Sustainability is one of our most important areas of focus for the future. Our efforts over the past four years have shown us that our future depends on how we can meet the needs of today's generation, without compromising the ability of future generations to meet their needs as well. We are committed to understanding and reducing our impact, and we have an obligation to do so whenever and wherever we can. Our creation of the Avocado Sustainability Center (ASC) shows that commitment, and our commitment to research, data, and information is a vital part of that future responsibility.

INDUSTRY ENGAGEMENT AND LEADERSHIP:

At HAB, we know that working together as a large and complex industry is not easy, and keeping everyone informed and involved in the work we do is essential to gain support for our collective efforts. We promise to keep people updated and knowledgeable about the work we do and make sure they are also supported and trusted by the organization. The other aspect of this strategic area is our commitment to developing future leaders for our industry. Our Board Leadership Development Program (BOLD) is a concrete effort in this area and has exceeded our expectations of creating opportunities for future leaders to join industry boards and committees.

We are very optimistic about our future. As nutrition and sustainability become more intertwined, we believe that if we look ahead and prepare for the future with information, commitment, forward-thinking, and planning, we can keep our healthy, delicious fruit at the forefront of our avocado-loving community and be a big part of "Nourishing the Future"!

It has been an honor being your chairman this year

Thank You,



Bob Schaar
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.

SUSTAINABILITY

NUTRITION

**BUSINESS SUPPORT
TOOLS AND
INFORMATION**

**INDUSTRY
ENGAGEMENT &
LEADERSHIP**

COMMUNICATIONS

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%.

The background of the page is a repeating pattern of hexagons. Some hexagons are solid light gray, while others are white with a thin gray outline. The hexagons are arranged in a staggered grid.

FINANCIAL STATEMENTS

HASS AVOCADO BOARD

Basic Financial Statements

Year ended December 31, 2023

(With Independent Auditor's Report Thereon)

HASS AVOCADO BOARD
Basic Financial Statements
Year ended December 31, 2023

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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, 2023 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, 2023, 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 the 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.

Report on Summarized Comparative Information

We have previously audited the Board's financial statements for the year ended December 31, 2022, and we expressed an unmodified opinion on those financial statements in our report dated March 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all

material respects, with the audited financial statements from which it has been derived.

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 Schedule 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 Schedule 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 24, 2024 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.



Irvine, California
May 24, 2024

HASS AVOCADO BOARD
Management's Discussion and Analysis
Year Ended December 31, 2023

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, 2023. It has been prepared by management and should be read in conjunction with the audited financial statements for the period ended December 31, 2023.

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, 2023, by \$2,850,123 (net position). Of this amount, 99 % totaling \$2,816,952 is unrestricted net assets and may be used for Board promotions, research, and information obligations.
- The Board's 2023 total net position of \$2,850,123 increased by \$546,935 from the December 31, 2022 amount of \$2,303,188. Of this amount, net position invested in capital assets, net of related debt, decreased to \$33,171 from \$68,469 in 2023. Net position unrestricted for promotions, research and information increased from \$2,303,188 to \$2,850,123

HASS AVOCADO BOARD
Management's Discussion and Analysis, Continued
Year Ended December 31, 2023

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Board's financial reports. The Board's financial reports include three basic financial statements: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows. These *basic financial statements* are designed to present a broad overview of the financial data for the Board, in a manner similar to a private-sector business.

FUND FINANCIAL STATEMENTS:

The *Statement of Net Position* presents information on all assets and liabilities of the Board using the accrual basis of accounting, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the current financial condition of the Board. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation and amortization.

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, 2022, has been presented in the accompanying supplemental schedules to facilitate financial analysis for the current year ended December 31, 2023.

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 \$8,727,810; up \$1,502,736 from the prior year amount of \$7,225,074. This increase was mainly attributable to a increase in cash on hand and increases of accounts receivable from U.S. Customs. Total current assets to liabilities ratio is 1.38 to 1 and indicates adequate liquidity.

Liabilities totaled \$6,294,919 as of December 31, 2023, which increased by \$787,253 from \$5,507,666 from the prior year. The increase is mainly attributable 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, represents 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 \$33,171 down from the prior year amount of \$68,469.

HASS AVOCADO BOARD
Management's Discussion and Analysis, Continued
Year Ended December 31, 2023

Unrestricted net position for promotions, research, and information activities are subject to imposed restrictions by federal statute governing their use. Unrestricted net position total \$2,816,952, an increase of \$582,233 over the prior year amount of \$2,234,719 mainly due to a planned increase in expenditures for budgeted and approved research and promotion activities and an unanticipated revenue shortfall. Unrestricted net assets are 99% of total net assets and are subject to restrictions on how they can be used.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Key highlights and financial analysis are as follows:

- Actual operating revenues of \$70,965,808 in 2023 were \$6,253,411 higher than the \$64,712,397 in 2022. The increase was attributable to a decrease in volume of locally grown avocados offset by an increase in imported avocados. Of the operating revenue, the majority \$65,653,074 (approximately 92%) reflects assessments from imported volume; \$5,303,770 (approximately 7%) is generated from domestic volume.
- Actual operating expenses totaled \$70,733,061 in 2023, which was an increase of \$4,883,482 or approximately 7% from the prior year amount of \$65,849,579. The increase was mainly due to an increase in imported assessable Hass volume resulting in higher assessment rebate expense offset slightly by lower rebate expense paid to the domestic avocado association and budgeted and approved business plan expenditures.
- At the end of the 2023 year, the Board reported ending net position of \$2,850,123, which was an increase of \$546,935 from the prior year of \$2,303,188. The increase was primarily due to increased imported avocado volume partially offset by planned budgeted and approved research and promotion expenditures. 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 2023 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. One budget amendment was approved and passed by the board during 2023. The amendment recognized the final audited results from 2022 and decreased beginning reserves by \$210,504 from \$2,513,692 to \$2,303,188.

During the year, the Board was involved in developing, analyzing, and implementing current and long-range financial goals. A 2024 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, 2023, total \$33,171 (net of accumulated depreciation and amortization), which is a \$35,298 decrease from December 31, 2022 year-end amount of \$68,469 (net of accumulated depreciation). The Board is prohibited from borrowing money and had no debt as of December 31, 2023.

HASS AVOCADO BOARD
Management's Discussion and Analysis, Continued
Year Ended December 31, 2023

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, 2023
(with comparative information for prior year)

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 3,430,570	2,216,425
Receivables:		
Customs	5,243,738	4,948,837
Other	35,675	7
Deposits	13,217	13,217
Prepaid expenses	4,610	46,588
Total current assets	8,727,810	7,225,074
Noncurrent assets:		
Capital assets (note 4):		
Depreciable	1,115,505	1,115,505
Accumulated depreciation/amortization	(698,273)	(529,725)
Total noncurrent assets	417,232	585,780
Total assets	9,145,042	7,810,854
Liabilities		
Current liabilities:		
Accounts payable and other liabilities	5,730,821	4,837,045
Compensated absences (note 5)	180,037	153,310
Lease liability, current (note 7)	141,771	133,250
Total current liabilities	6,052,629	5,123,605
Noncurrent liabilities:		
Lease liability, net of current (note 7)	242,290	384,061
Total noncurrent liabilities	242,290	384,061
Total liabilities	6,294,919	5,507,666
Net Position		
Net investment in capital assets	33,171	68,469
Unrestricted	2,816,952	2,234,719
Total net position	\$ 2,850,123	2,303,188

See accompanying notes to the basic financial statements.

HASS AVOCADO BOARD
Statement of Revenues, Expenses and Changes in Net Position
Year ended December 31, 2023
(with comparative information for prior year)

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Assessments:		
Customs	\$ 65,636,296	58,368,437
California	5,303,770	6,336,371
Other income	<u>25,742</u>	<u>7,589</u>
Total operating revenues	<u>70,965,808</u>	<u>64,712,397</u>
Operating expenses:		
Rebate program:		
Mexican Hass Avocado Import Association	51,283,685	42,755,937
California Avocado Commission	4,507,114	5,385,572
Peruvian Avocado Commission	3,351,035	5,430,566
Colombia Avocado Board	633,899	888,444
Chilean Avocado Import Association	<u>235,991</u>	<u>339,025</u>
Total rebate program	<u>60,011,724</u>	<u>54,799,544</u>
Promotion, Research, and Information program:		
Communications	4,206,623	4,560,663
Nutrition	2,007,265	2,681,472
Supply and demand information	844,795	879,737
Industry engagement	959,715	869,862
Sustainability	<u>729,315</u>	<u>303,592</u>
Total promotion, research, and information program	<u>8,747,713</u>	<u>9,295,326</u>
Other expenses:		
USDA oversight	192,213	149,189
Depreciation/amortization (note 4)	<u>168,548</u>	<u>168,548</u>
Total other expenses	<u>360,761</u>	<u>317,737</u>
Administration:		
Administration expenses	<u>1,612,863</u>	<u>1,436,972</u>
Total administration	<u>1,612,863</u>	<u>1,436,972</u>
Total operating expenses	<u>70,733,061</u>	<u>65,849,579</u>
Operating income (loss)	232,747	(1,137,182)
Non-operating revenues:		
Investment income	<u>314,188</u>	<u>21,677</u>
Total non-operating revenues	<u>314,188</u>	<u>21,677</u>
Increase (decrease) in net position	546,935	(1,115,505)
Net position, at the beginning of year	<u>2,303,188</u>	<u>3,418,693</u>
Net position, at the end of year	<u>\$ 2,850,123</u>	<u>2,303,188</u>

See accompanying notes to the basic financial statements.

HASS AVOCADO BOARD
Statement of Cash Flows
Year ended December 31, 2023
(with comparative information for prior year)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from producers and importers	\$ 70,656,168	64,810,336
Cash paid to employees	(2,713,994)	(2,534,133)
Cash rebate payments	(58,756,467)	(54,971,366)
Payments to suppliers for goods and services	<u>(8,135,149)</u>	<u>(8,115,426)</u>
Net cash provided by (used for) operating activities	<u>1,050,558</u>	<u>(810,589)</u>
Cash flows from capital and related financing activities:		
Principal paid on lease	(133,250)	(95,979)
Interest paid on lease	<u>(17,351)</u>	<u>(17,351)</u>
Net cash provided by (used for) financing activities	<u>(150,601)</u>	<u>(113,330)</u>
Cash flows from investing activities:		
Interest income	314,188	21,677
Purchase of capital assets	<u>-</u>	<u>(82,061)</u>
Net cash provided by (used for) investing activities	<u>314,188</u>	<u>(60,384)</u>
Net increase (decrease) in cash and cash equivalents	1,214,145	(984,303)
Cash and cash equivalents at beginning of year	<u>2,216,425</u>	<u>3,200,728</u>
Cash and cash equivalents at end of year	<u>\$ 3,430,570</u>	<u>2,216,425</u>
Reconciliation of operating income (loss) to net cash provided by (used for) for operating activities:		
Operating income (loss)	\$ 232,747	(1,137,182)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation/amortization	168,548	168,548
(Increase) decrease in receivables	(330,569)	97,940
(Increase) decrease in prepaid expenses	41,978	(35,521)
Increase (decrease) in accounts payable and other liabilities	<u>937,854</u>	<u>95,626</u>
Net cash provided by (used for) operating activities	<u>\$ 1,050,558</u>	<u>(810,589)</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, 2023 and 2022.

See accompanying notes to the basic financial statements.

HASS AVOCADO BOARD

Notes to the Basic Financial Statements

Year ended December 31, 2023

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, 2023

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
Right to use asset	Estimated life of the leased asset or the contracted term, whichever is shorter

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.

Leases

The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

HASS AVOCADO BOARD

Notes to the Basic Financial Statements

Year ended December 31, 2023

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

Leases

Key estimates and judgments include how the Board determines the discount rate it uses to discount the expected lease receipts to present value, lease term and lease receipts.

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.

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, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and cash equivalents	<u>\$ 3,430,570</u>
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Cash and cash equivalents as of December 31, 2023 consist of the following:

Demand deposits	<u>\$ 3,430,570</u>
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HASS AVOCADO BOARD

Notes to the Basic Financial Statements

Year ended December 31, 2023

3. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Board's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by the state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Board deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The Board's deposits were collateralized as of December 31, 2023.

4. Capital Assets

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

	January 1, 2023	Additions	Deletions	December 31, 2023
Capital assets:				
Office equipment	\$ 92,075	-	-	92,075
Software	82,914	-	-	82,914
Tradeshow booth	154,916	-	-	154,916
Leasehold improvements	172,310	-	-	172,310
Right-to-use asset - office space	613,290	-	-	613,290
Total capital assets	<u>1,115,505</u>	<u>-</u>	<u>-</u>	<u>1,115,505</u>
Accumulated depreciation and amortization:				
Office equipment	(81,194)	(10,881)	-	(92,075)
Software	(82,914)	-	-	(82,914)
Tradeshow booth	(154,916)	-	-	(154,916)
Leasehold improvements	(76,889)	(23,855)	-	(100,744)
Right-to-use asset - office space	(133,812)	(133,812)	-	(267,624)
Total accumulated depreciation and amortization	<u>(529,725)</u>	<u>(168,548)</u>	<u>-</u>	<u>(698,273)</u>
Total capital assets, net	<u>\$ 585,780</u>	<u>(168,548)</u>	<u>-</u>	<u>417,232</u>

Depreciation and amortization expense was \$168,548 for the year ended December 31, 2023.

HASS AVOCADO BOARD

Notes to the Basic Financial Statements

Year ended December 31, 2023

5. Compensated Absences

The following is a summary of changes in compensated absences, included in current liabilities, for the year ended December 31, 2023. All amounts are considered due within one year.

	January 1, 2023	Additions	Deletions	December 31, 2023
Compensated absences	\$ 153,310	181,213	(154,486)	180,037

6. Revenue Concentration

Approximately 57% of total operating revenue was derived from assessments collected from eight Hass avocado handlers/importers.

7. Lease Liability

The changes in long-term liabilities for the year ended December 31, 2023, were as follows:

	Balance at January 1, 2023	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Office Space Lease	\$ 517,311	-	(133,250)	384,061	141,771

On November 9, 2014, the Hass Avocado Board entered into a 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 increasing to \$11,745 when the Board took possession of the additional office space in May 2022. Monthly rent increases by 3% each year on anniversary of amendment. The lease liability is calculated using a discount rate of 3%.

Future lease payable requirements as of December 31, 2023, are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 141,771	9,600	151,371
2025	150,687	5,225	155,912
2026	91,603	918	92,521
	\$ 384,061	15,743	399,804

HASS AVOCADO BOARD

Notes to the Basic Financial Statements

Year ended December 31, 2023

8. Contract Commitments

The Board has significant active nutrition research agreements as of December 31, 2023 in the amount of \$5,536,490. At December 31, 2023, \$1,770,298 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, 2023 was \$247,942.

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, 2023, forfeitures reduced the Board's pension expense by \$8,255.

SUPPLEMENTARY INFORMATION

HASS AVOCADO BOARD
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year ended December 31, 2023
(with comparative information for prior year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual 2022
Operating revenues:				
Assessment revenues	\$ 75,000,000	70,940,066	(4,059,934)	64,704,808
Other income	-	25,742	25,742	7,589
Total operating revenues	<u>75,000,000</u>	<u>70,965,808</u>	<u>(4,034,192)</u>	<u>64,712,397</u>
Operating expenses:				
Rebate program:				
Rebates	63,750,000	60,011,724	3,738,276	54,799,544
Total rebate program	<u>63,750,000</u>	<u>60,011,724</u>	<u>3,738,276</u>	<u>54,799,544</u>
Promotion, Research, and Information program:				
Communications	4,275,722	4,206,623	69,099	4,560,663
Nutrition	2,407,139	2,007,265	399,874	2,681,472
Supply and demand information	919,662	844,795	74,867	879,737
Industry engagement	1,016,756	959,715	57,041	869,862
Sustainability	940,373	729,315	211,058	303,592
Total promotion, research, and information program	<u>9,559,652</u>	<u>8,747,713</u>	<u>811,939</u>	<u>9,295,326</u>
Other expenses:				
USDA oversight	260,000	192,213	67,787	149,189
Depreciation/amortization	-	168,548	(168,548)	168,548
Total other expenses	<u>260,000</u>	<u>360,761</u>	<u>(100,761)</u>	<u>317,737</u>
Administration:				
Administration expenses	1,835,090	1,612,863	222,227	1,436,972
Total administration	<u>1,835,090</u>	<u>1,612,863</u>	<u>222,227</u>	<u>1,436,972</u>
Total operating expenses	<u>75,404,742</u>	<u>70,733,061</u>	<u>4,671,681</u>	<u>65,849,579</u>
Net operating income (loss)	(404,742)	232,747	637,489	(1,137,182)
Non-operating revenues:				
Investment income	-	314,188	314,188	21,677
Total non-operating revenues	<u>-</u>	<u>314,188</u>	<u>314,188</u>	<u>21,677</u>
Operating income (loss)	(404,742)	546,935	951,677	(1,115,505)
Net position, at beginning of year	2,303,188	2,303,188	-	3,418,693
Net position, at the end of year	<u>\$ 1,898,446</u>	<u>2,850,123</u>	<u>951,677</u>	<u>2,303,188</u>

HASS AVOCADO BOARD
Schedule of Program Expenditures - Budget and Actual
Year ended December 31, 2023
(with comparative information for prior year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual 2022
Communications				
Program management	\$ 859,222	880,744	(21,522)	910,367
Creative content	238,000	186,422	51,578	267,535
Events	207,000	182,090	24,910	10,083
Online/website/social media	610,000	600,444	9,556	541,539
Nutrition and research promotion	1,715,000	1,709,008	5,992	2,134,841
Strategic partnerships	390,000	364,224	25,776	456,411
Strategy, issues radar and reporting	<u>256,500</u>	<u>283,691</u>	<u>(27,191)</u>	<u>239,887</u>
Total communications	<u>4,275,722</u>	<u>4,206,623</u>	<u>69,099</u>	<u>4,560,663</u>
Nutrition				
Program management	742,139	744,091	(1,952)	655,701
Science pipeline	1,387,940	972,830	415,110	1,835,559
Events	30,000	36,255	(6,255)	7,746
Strategy/issues radar and reporting	<u>247,060</u>	<u>254,089</u>	<u>(7,029)</u>	<u>182,466</u>
Total nutrition	<u>2,407,139</u>	<u>2,007,265</u>	<u>399,874</u>	<u>2,681,472</u>
Business support tools and information				
Program management	383,140	373,796	9,344	312,454
Communications	55,000	52,979	2,021	55,411
Data services	60,022	34,804	25,218	123,411
Avis	74,500	47,156	27,344	49,286
Track and monitor	113,000	114,887	(1,887)	114,724
Research and information	25,000	-	25,000	15,446
Consumer insights and tracking studies	<u>209,000</u>	<u>221,173</u>	<u>(12,173)</u>	<u>209,005</u>
Total business support tools and information	<u>919,662</u>	<u>844,795</u>	<u>74,867</u>	<u>879,737</u>
Industry engagement and leadership:				
Program management	608,556	614,447	(5,891)	525,208
Annual report	2,000	-	2,000	-
HAB promotional materials	8,500	4,607	3,893	7,918
Industry meetings and events	15,000	16,870	(1,870)	15,456
Industry website	42,000	40,859	1,141	40,275
Outreach	15,000	2,533	12,467	-
Communications	275,700	232,488	43,212	242,442
Board leadership development	<u>50,000</u>	<u>47,911</u>	<u>2,089</u>	<u>38,563</u>
Total industry engagement and leadership	<u>1,016,756</u>	<u>959,715</u>	<u>57,041</u>	<u>869,862</u>
Sustainability:				
Program management	240,373	232,508	7,865	195,592
Strategy	475,000	121,195	353,805	108,000
Research	150,000	314,500	(164,500)	-
Avocado Sustainability Center	<u>75,000</u>	<u>61,112</u>	<u>13,888</u>	<u>-</u>
Total sustainability	<u>940,373</u>	<u>729,315</u>	<u>211,058</u>	<u>303,592</u>
Total marketing/research/communications	<u>\$ 9,559,652</u>	<u>8,747,713</u>	<u>811,939</u>	<u>9,295,326</u>

HASS AVOCADO BOARD
Schedule of Administration Expenditures - Budget and Actual
Year ended December 31, 2023
(with comparative information for prior year)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Actual 2022</u>
Other expenses:				
USDA oversight	\$ 260,000	192,213	67,787	149,189
Depreciation/amortization	<u>-</u>	<u>168,548</u>	<u>(168,548)</u>	<u>168,548</u>
Total other expenses	<u>\$ 260,000</u>	<u>360,761</u>	<u>(100,761)</u>	<u>317,737</u>
Administration expenses:				
Financial oversight - audit	\$ 50,000	32,760	17,240	34,576
Board travel/meetings/elections	342,500	298,561	43,939	212,203
Office related	327,042	177,784	149,258	199,342
Professional services and consulting	42,000	27,564	14,436	41,686
Legal services	48,000	67,501	(19,501)	31,507
Corporate insurance	62,000	54,694	7,306	58,709
Salaries/wages/benefits	865,548	840,423	25,125	781,409
Education/training/conferences/seminars	48,000	71,941	(23,941)	46,440
Corporate governance	<u>50,000</u>	<u>41,635</u>	<u>8,365</u>	<u>31,100</u>
Total administration expenses	<u>\$ 1,835,090</u>	<u>1,612,863</u>	<u>222,227</u>	<u>1,436,972</u>

HASS AVOCADO BOARD
Schedule of Cash Receipts and Disbursements
Year ended December 31, 2023
(with comparative information for prior year)

	<u>2023</u>	<u>2022</u>
Cash receipts:		
California assessments	\$ 5,303,777	6,337,308
Customs assessments	65,352,391	58,473,028
Interest income	<u>314,188</u>	<u>21,677</u>
Total cash receipts	<u>70,970,356</u>	<u>64,832,013</u>
Cash disbursements:		
Rebates	58,756,467	54,971,366
Communications	4,059,347	4,887,068
Nutrition	2,124,207	2,767,827
Business support tools and information	943,348	859,259
Industry engagement	952,639	838,593
Sustainability	764,065	303,592
USDA oversight	166,454	146,345
Administration	<u>1,989,684</u>	<u>1,042,266</u>
Total cash disbursements	<u>69,756,211</u>	<u>65,816,316</u>
Excess of receipts over disbursements	1,214,145	(984,303)
Cash and cash equivalents, at beginning of year	<u>2,216,425</u>	<u>3,200,728</u>
Cash and cash equivalents, at end of year	<u>\$ 3,430,570</u>	<u>2,216,425</u>

HASS AVOCADO BOARD
Schedule of Total Payroll Expenses
Year ended December 31, 2023
(with comparative information for prior year)

	<u>2023</u>	<u>2022</u>
Salaries and wages	\$ 2,740,721	2,552,835
Payroll taxes	161,839	148,015
Pension expenses	274,942	264,409
Benefits (health, life, dental and vision)	<u>324,074</u>	<u>312,516</u>
Total payroll expenses	<u>\$ 3,501,576</u>	<u>3,277,775</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, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated May 24, 2024.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. Such provisions included those provisions of laws and regulations identified in the *Code of Federal Regulations (7 CFR Part 1219) - Hass Avocado Promotion, Research, and Information Order*, issued by the United States Department of Agriculture (USDA) and as interpreted in the *Guidelines for Agricultural Marketing Service Oversight of Commodity Research and Promotion Programs*, issued by the USDA. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

Purpose of this Report

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



Irvine, California
May 24, 2024

**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, 2023. 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, 2023.

- 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 or significant deficiencies 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
May 24, 2024

Board of Directors
Hass Avocado Board
Mission Viejo, California

We have audited the financial statements of the Hass Avocado Board (Board) as of and for the year ended December 31, 2023 and have issued our report thereon dated May 24, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 17, 2022 our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Board solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence under the American Institute of Certified Public Accountants ("AICPA") independence standards, contained in the *Code of Professional Conduct*.

We identified independence threats related to the preparation of the financial statements. We have applied certain safeguards to reduce the threats to an acceptable level, including using an independent party within the firm to perform a quality control review of the financial statements, and obtaining confirmation from the Board's management that their

review of the financial statements included comparing the financial statements and footnotes to the underlying accounting records.

Significant Risks Identified

We have identified the following significant risks:

Compliance with the Hass Avocado Promotion, Research and Information Act of 2000 and Order.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Board is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended December 31, 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is management's estimate of the depreciation expense and accumulated depreciation is based on management's determination of the asset's useful life. We independently reviewed the fixed asset listing, including useful life and annual depreciation expense per each asset listed and considered it to be reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. We noted no disclosures made by management that we consider to be particularly sensitive.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. We noted no transactions made by management that we consider to be unusual.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected misstatements noted as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material misstatements noted as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Board's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated May 24, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Board, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Board's auditors.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that

such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

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

Davis Fan LP

Irvine, California
May 24, 2024