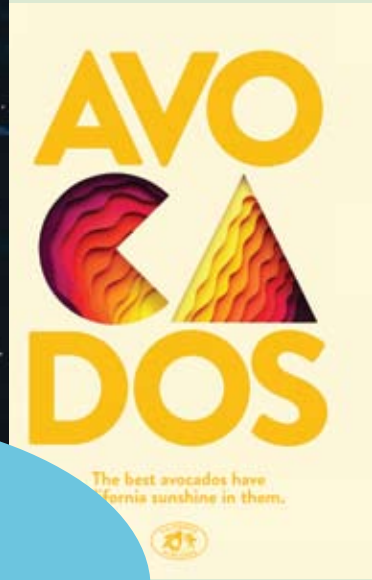
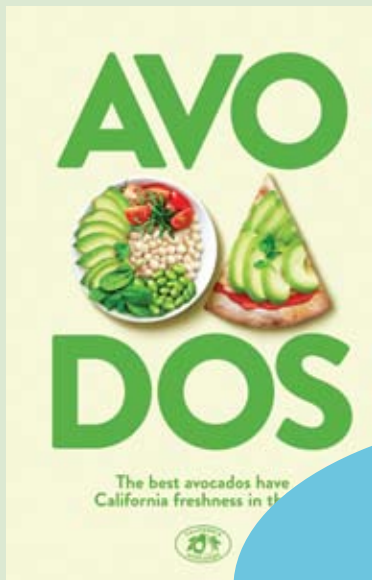


CALIFORNIA AVOCADO COMMISSION



2020 ANNUAL REPORT

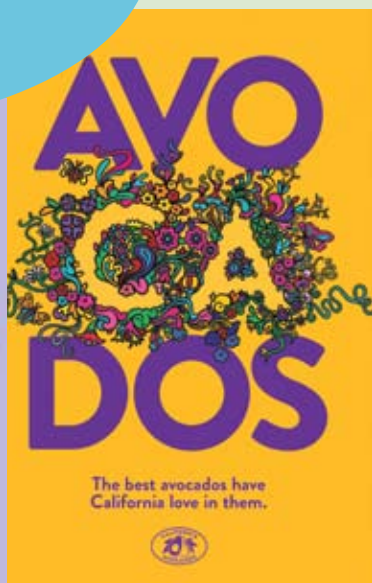
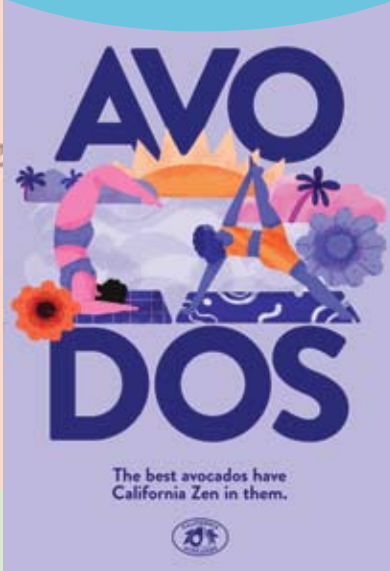
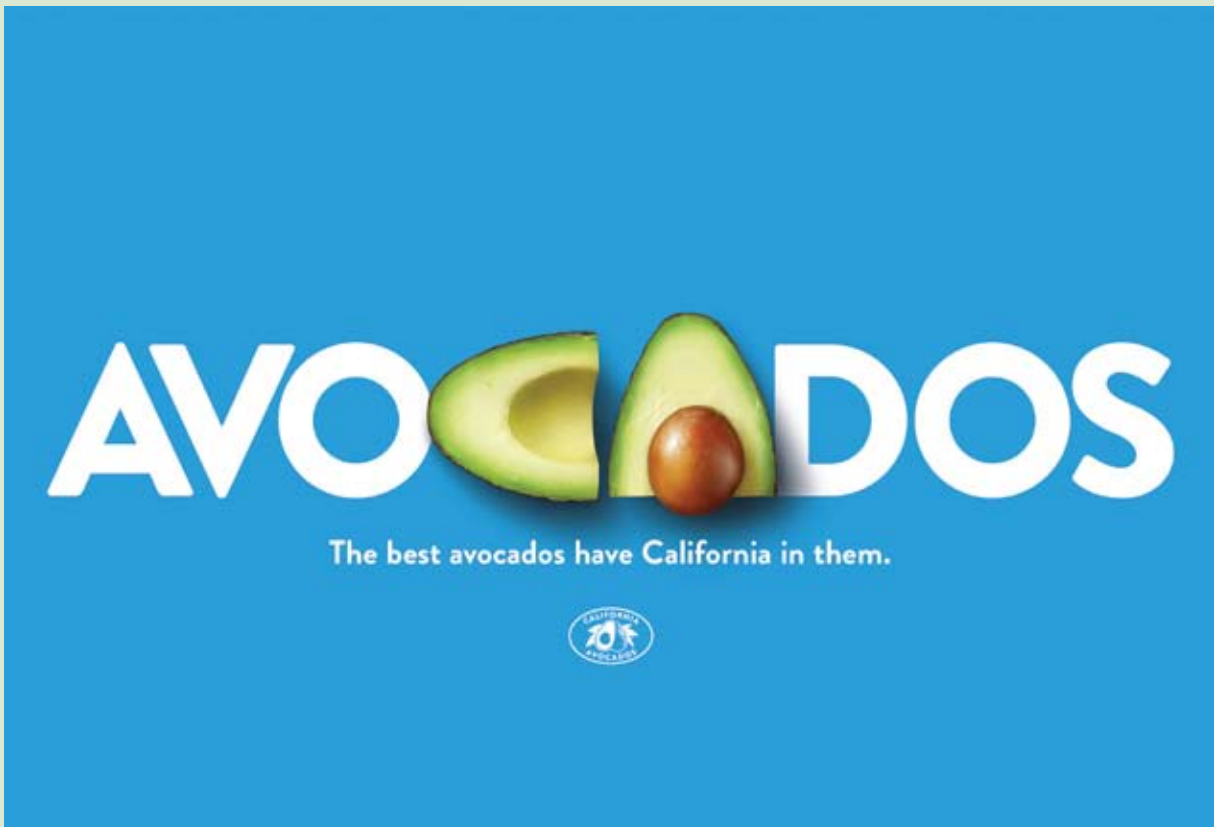


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OUTGOING CHAIRMAN'S LETTER

I have faced many challenges in my years as a California avocado grower, and during my 15 years of service on the California Avocado Commission I have witnessed countless behind-the-scenes adjustments made mid-season to secure the best possible outcome for growers. But nothing compares to 2020.

Our ability to move such a high volume of fruit, to adapt our growing operations to a pandemic and still advance advocacy and research efforts that are critically important to our industry is something to be admired. It is a testament to the spirit of dedication and collaboration with which we operate — partnering with industry members within our state and around the globe to ensure our growers are informed, competitive and represented.

Prior to the start of the season and before the spread of COVID-19 it was business as usual with CAC's Industry Affairs team reaching out to legislative members to address growers' top-of-mind concerns. For example, Commission board members and staff met with Congresswoman Julia Brownley to discuss immigration reforms, express support for the Farm Workforce Modernization Act and address the impact of Public Safety Power Shutoffs. These initial discussions led to collaborative sessions with Southern California Edison to address PSPS concerns and helped us, as an active member of the Agriculture Coalition for Immigration Reform, secure a House bill to stabilize our current workforce and outline steps to ensure future reliable labor.

As industry operations began to face intermittent, and often stark, labor shortages due to the pandemic, we joined the agricultural industry in voicing the importance of limiting disruptions to the

H2-A workforce. This united front helped us encourage the State Department to increase H2-A processing through consults and expand interview waiver eligibility. We also worked with California legislators to advocate on behalf of growers for relief measures that would minimize the effects of agricultural overtime laws slated to begin in the near future.

With the Transitional Agricultural Water Rate set to expire at the end of 2020, we joined forces with the San Diego County Farm Bureau and San Diego County agricultural water agencies to secure approval of the Permanent Special Agricultural Water Rate. As a result, growers in this region who opt in now permanently receive a 27% wholesale rate savings in exchange for lower water supply and reliability. Throughout the year the Commission continued to engage with local water agencies concerning the importance of delivering low salinity water and kept growers informed of water quality concerns impacted by the State Water Supply.



John Lamb
Outgoing Chairman

Prior to the pandemic, the Commission met in person with Congresswoman Brownley to discuss immigration reforms, the challenges of Public Safety Power Shutoffs and support for the Farm Workforce Modernization Act.





Dr. Liz Dann, Principal Research Fellow with the Queensland Alliance for Agriculture and Food Innovation at the University of Queensland, Australia, shared her expertise with hundreds of attendees during the Commission's Avocado Branch Canker Virtual Field Day.

After 15 years of dedicated advocacy on behalf of growers, the Commission was pleased to announce the signing of a Phase I trade agreement between the U.S. and China on January 15, 2020 in which California avocados was one of only four products listed. In April, with the California Avocado Protocol signed, the Commission worked collaboratively to prepare a list of California packers for final approval and established plans to assist packers with the timing of marketing and promotional opportunities.

With sustainability increasingly on the minds of consumers and our retail partners, the Commission hosted two grower sustainability focus groups to assess current practices and determine what, if any, changes were needed to our current growing practices. Based on these discussions, our growers' experience operating under strict state and federal laws and our historical commitment to food safety, we determined our growers will not be excessively burdened by current sustainability standards and put into place plans to expand sustainability initiatives in the near future.

It quickly became apparent the Coronavirus Food Assistance Program would not be applicable to California avocado growers because the impacts to our growers occurred after the April 30 deadline for reported losses eligibility. The Commission

immediately reached out to congressional members and U.S. Department of Agriculture and administration staff to press for cash relief for our growers, and successfully secured \$14 billion in additional funding for farmers that included eligibility for avocado farmers through the CFAP2.

Because of the pandemic, growers had to quickly adapt operational practices across the board to protect the health and wellbeing of their staff. As part of its grower outreach and education mission, the Commission launched a COVID-19 resource page and provided weekly — often daily — updates on the latest COVID-19 protocols and resources.

The Commission also ensured growers were kept abreast of the latest advances in research and cultural management practices, including heat damage, weed management, cover crops, climate change impacts, soil health, root rot, laurel wilt, pollinators and avocado branch canker. Cover crops are an increasingly cost-effective and impactful cultural management tool, so we hosted two field days at Pine Tree Ranch where growers could explore the Commission's cover crop demonstration areas. We partnered with Dr. Jonathan Dixon, Chief Technical Officer Seeka Limited in New Zealand, to share information about the potential of growing GEM avocados in California. Dr. Tim Spann, Danny Klittich (Redox) and Doug O'Hara (Somis Pacific) hosted a Pine Tree Ranch Grower Open House and recorded their discussions concerning fertility, ranch management and on-site research, which were shared in video format with growers. We also collaborated with global subject-matter experts and hosted an avocado branch canker virtual field day with Dr. Tim Spann, Dr. Themis Michalidies, Professor of Plant Pathology at the University of California Davis Kearney Agricultural Research and Extension Center, and Dr. Liz Dann, Principal Research Fellow with

the Queensland Alliance for Agriculture and Food Innovation at the University of Queensland, Australia.

To assess the efficacy of gibberellic acid and growers' experience with the plant growth regulator, we distributed a survey to our growers. According to the results, the use of GA is a growing trend in our industry with no growers reporting any negative effects and 86% noting they were satisfied with GA's performance and will use it again.

Commission-funded production research projects also led to new and important developments. CAC released new optimum avocado leaf nutrient concentration ranges based on research conducted by Drs. David Crowley and Carol Lovatt. Dr. Patricia Manosalva's rootstock breeding program chose the most promising rootstock candidates, began running seven trials across California avocado growing regions and firmed up its plans to commercially release the best rootstocks within five years. Research findings were shared from the collaborative Avocado Tissue Culture research and cryopreservation project at Huntington Botanical Gardens designed to reduce propagation costs and time. Although COVID-19 hampered pesticide research related to the avocado lace bug, advances were made in tracking the pests' spread. In addition, the Commission's proactive efforts to address the threat of laurel wilt advanced with researchers making progress on identifying natural enemies that could play a role in mitigating the pest.

It is amazing to me that we were able to accomplish so much on all these fronts — finding new ways to collaborate and make progress in the midst of a pandemic. It has been an honor to serve on behalf of our growers and to work with Commission staff, even during a season as challenging as this. I have faith the Commission will continue to press for what is in the best

interests of our growers, that our partnerships will help us negotiate from a position of strength and respect, and our growers' dedication to producing the very best avocados will carry us through any turmoil we may face.

Dr. Patricia Manosalva's rootstock breeding program is in the process of running rootstock field trials for the most promising candidates in monitored locations across California avocado growing regions.



The collaborative Avocado Tissue Culture research and cryopreservation project at Huntington Botanical Gardens could lead to reductions in propagation costs and time. (Photo by Raquel Folgado, The Huntington)

INCOMING CHAIRMAN'S LETTER



Rob Grether
Incoming Chairman

While it is most likely any semblance of “normality” won't return until deep into our 2021 season, as a California avocado grower and the incoming 2020-21 Chairman I have every confidence in our future. That confidence is rooted in our core strengths — the leadership of our Commission, the art and science of our marketing programs, the experience of our diverse board and the commitment of our growers.

The California Avocado Commission's ability to communicate, collaborate, advocate, identify potential threats and press forward on opportunities to expand our markets will serve us well into the future. This year, the welfare of our staff and agricultural enterprises was dependent upon a complete restructuring of how we did business — and the information guiding those decisions changed at warp speed. The Commission did an exceptional job of weeding through near constant industry and government bulletins and sharing critical information with growers as soon as it was available so we could make informed decisions and protect the well-being of our families, staff and

operations. And they did so while advancing important research projects, gaining access to markets in China, and advocating strongly for COVID-19 relief, a stabilized workforce and fair agricultural water rates.

With nine consecutive *Produce Business* Marketing Excellence awards under our belts, we clearly have mastered the art of marketing. But it is the data-driven science behind the campaigns that will continue to drive our success in this realm. On the trade side, we have developed a precise tiered marketing system by which we identify ideal retail and foodservice partners, craft customized promotions, track their effectiveness and utilize that data to determine whom we will partner with and how we will proceed the following season. On the consumer side, we are able to make nimble, swift, cost-effective adjustments to marketing campaigns throughout the season by monitoring trends and social media conversations, tracking engagement and generating rich new content that is engaging and relevant to our targeted audiences.

With a wide range of professional and personal experience, our board is well situated to address the challenges of this industry across diverse sectors. Our board members are committed individuals with high standards who will utilize their experience to work together constructively on behalf of our industry. It also is reassuring we have welcomed younger members to our board, establishing a line of succession that will help ensure the sustainability of our industry. I also am confident our Production Research, Marketing and Finance committees will utilize their experience to make informed decisions on technical and fiduciary issues, continuing our history of fiscal responsibility, use of cost-effective marketing tools and prudent management of assessment dollars

The California Avocado Commission earned its eighth consecutive Produce Business Marketing Excellence award.





CALIFORNIA AVOCADO GROWER STATEWIDE ECONOMIC IMPACT

EXPENDITURES: \$ 681 million*

ECONOMIC ACTIVITY: \$ 1.4 billion

JOBS: 12,700

LABOR INCOME: \$ 581.8 million

INDIRECT BUSINESS TAXES: \$ 35.5 million

*The analysis focused on conventional production due to insufficient data for organic production.

California avocado growers generate \$1.4 billion of overall business activity in our state annually, more than \$581.8 million per year in labor income and another \$35.5 million in additional indirect business taxes.

that will serve us well in the future.

As for our growers, we come from all walks of life but have one thing in common — our commitment to producing the best avocados across the globe. In an era in which consumers increasingly care where their food comes from, how it is produced and who is behind that production, we are fortunate our growers are willing to engage with the community. Whether it is attending avocado festivals, hosting avocado grove tours or sharing our stories in publications and marketing materials — that level of accessibility resonates with our targeted consumers.

Our growers also are engaged in the growing process itself — attending field days and seminars, opening their groves to research trials, providing crop survey data critical to the timing and reach of marketing and collaborating with the Commission to identify issues and gaps in cultural management that need to be addressed.

As growers, we are humbled by, and respectful of, our role in the state’s economy — generating business activity, creating jobs, producing labor income and indirect business taxes that fund local, regional and state programs. According to the CAC-commissioned *Economic Impact of Avocado Growers and Handlers in the State of California*, we generate \$1.4 billion of overall business activity in our state annually, more than \$581.8 million per year in labor income and another \$35.5 million in additional indirect business taxes. All of this is possible because we have the support of the Commission, award-winning marketing programs that drive demand, a knowledgeable board steeped in the challenges and opportunities of our industry and growers who will not compromise on quality.

I look forward to serving our grower community, representing one of the most respected brands in our industry, helping forge partnerships and advocating for thoughtful legislation as we move forward — together — on a slow but steady path back to normality.

**Chairman
Rob Grether**



**Vice-Chairman
Ryan Rochefort**



**Treasurer
Jason Cole**



**Secretary
Jessica Hunter**

The Commission is proud to welcome its new Executive Committee members, dedicated individuals who will work tirelessly on behalf of California avocado growers.

PRESIDENT'S LETTER



Tom Bellamore
President

With a projected 370 million pounds of fruit sizing nicely on our trees, the early 2020 California avocado season began with a sense of optimism and robust early-season activity as Big Game promotions were rolled out in January at small, local retailers and February shipment volume proceeded at a pace well ahead of prior years.

And then in March, as the California Avocado Commission's marketing team prepared to segue from early season activity to vigorous California avocado prime season promotions, the landscape of American life changed drastically as COVID-19 began to make swift progress across the United States. As a nation, we wrestled with economic instability, social justice and disruptions to our way of life as industries scrambled to find new ways of doing business.

While the entirety of the season may not have lived up to our pre-season expectations, rather than dwell on "what could have been," we are better served by recognizing what we accomplished and how we did so. We harvested 376 million pounds of fruit and generated \$411.5 million — the fourth highest crop value in the industry's history — with a pandemic

raging and social unrest simmering.

Further, the Hass Avocado Board recorded 2.8 billion pounds of total volume in the U.S. — outpacing the 2.6 billion pounds of the previous season. That 200-million-pound gain was largely attributed to the increased volume of more than 150 million pounds from California. It is no small accomplishment that we were able to move that extra volume during an extremely volatile and uncertain year at a price per pound reflective of similarly sized crop years: \$1.10 in 2020 (376 million pounds), \$1.13 in 2018 (338 million pounds) and \$1.09 in 2016 with 401 million pounds harvested.

Our ability to do so was not mere happenstance. In the most unpredictable of years, the strength of our brand, the Commission's keen understanding of Premium Californian consumers, the depth of our partnerships with targeted retailers and foodservice chains as well as our ability to adapt swiftly and soundly are what carried us through.

Delivering on Our Brand Promise

Since its inception, the Commission has worked diligently to define and refine our brand, to identify our targeted

The Commission's breakthrough "the best avocados have California in them" advertising campaign showcased quintessential California imagery across outdoor, digital and social media platforms.



consumers (now referred to as Premium Californians) and to cultivate an understanding of them that allows us to fully engage with one another. In the bleakest of years the very attributes we tout — premium quality, fresh-to-market, locally grown by California farmers — resonated deeply with our targeted consumers.

As COVID-19 stay-at-home orders were put into place across the state in March, volume shifted to retail amidst panic buying and mandatory restrictions on restaurants. Despite the pause placed on foodservice volume and promotions, we exhibited strong returns with California avocado growers harvesting nearly 46.7 million pounds through March 22 as compared to 5.1 million pounds for the same time period during the prior year. Demand remained strong with harvesting through April representing nearly 31% of the 2020 total crop at nearly 117 million pounds.

In April, as the pandemic flared and the nation struggled to get a toehold on this new reality, an article in *Bloomberg* confirmed what our strong returns were showing — Americans in need of comfort were choosing avocados. “The pandemic has totally transformed the way the world eats,” observed *Bloomberg*. “There is no trend, exactly, other than this: People want comfort. They also want to eat their way to stronger immune systems... eating healthier than they would have at restaurants. Avocados are in.”

Indeed, California avocados remained “in” throughout the season. According to data from the California Avocado Tracking Study, which included a section on COVID-19, 65% of Californians surveyed continued to consistently purchase the fruit during the pandemic and 18% bought more because they perceived the fruit to be satisfying (48%) and healthy (47%). Further, data clearly demonstrated our brand differentiators — freshness, reliability and grown by California farmers

— remained very important to consumers when selecting avocados at retail and figured into their perception that the fruit’s “premium quality” is “worth paying more for.”

Understanding and Engaging with Our Premium Californians

The Commission has long sought to better understand its targeted consumers — commissioning studies, tracking impressions and monitoring social media conversations to help us refine our marketing and engagement strategies. This year, as our nation faced multiple crises, our willingness to listen to Premium Californians and address their concerns was paramount to driving demand across the season.

In March, cognizant that consumers were adapting to major changes in their lifestyles — telecommuting, preparing more meals at home, tending to the needs of children being schooled at home, making less frequent trips to the store — the Commission swiftly adjusted marketing plans and shifted budget allocations to digital. Another key component was a shift in messaging — our goal was to serve as a trusted information resource capable of addressing their unease and meeting their needs. One of our first steps was to reassure consumers our fruit was safe by showcasing our long history of safe growing and handling practices. We also provided direction on the safe washing, handling and preparation



The Commission’s Blogger Advocates combined their compelling storytelling talents with vibrant imagery to inspire consumers to venture out and support a local restaurant by enjoying a delivery or takeout California avocado meal.



Rubio's foodservice promotion, which features the California Avocados brand logo and fresh slices of the fruit, capitalizes on consumers' interest in healthy out-of-home dining options.

of California avocados. With consumers preparing more meals at home and making less frequent trips to the grocery store, we provided them with a wide range of at-home California avocado usage ideas that were easy to prepare, required few ingredients and demonstrated how avocados could be safely frozen for later use. We continued to monitor social conversations and as the season progressed with people adjusting to COVID-19 restrictions as the “new normal,” the Commission shifted to inspirational recipe and usage ideas to help consumers cope with the fatigue of preparing more meals than usual at home.

The Commission's social media strategies have always been adapted to the unique character and style of a particular channel and the consumers who flock to them. But this year, as social unrest began to take hold, what an organization did or did not say and where they chose to advertise on social media became particularly sensitive. Having assessed the character of conversations taking place within the various social media environments, the Commission prioritized Pinterest and Instagram channels where uplifting, educational and lifestyle-focused content suited to the California Avocados brand resided — sharing striking California avocado photos, helpful information and at-home recipe ideas. With more consumers eager to learn how to prepare meals at home, the Commission's YouTube channel had a

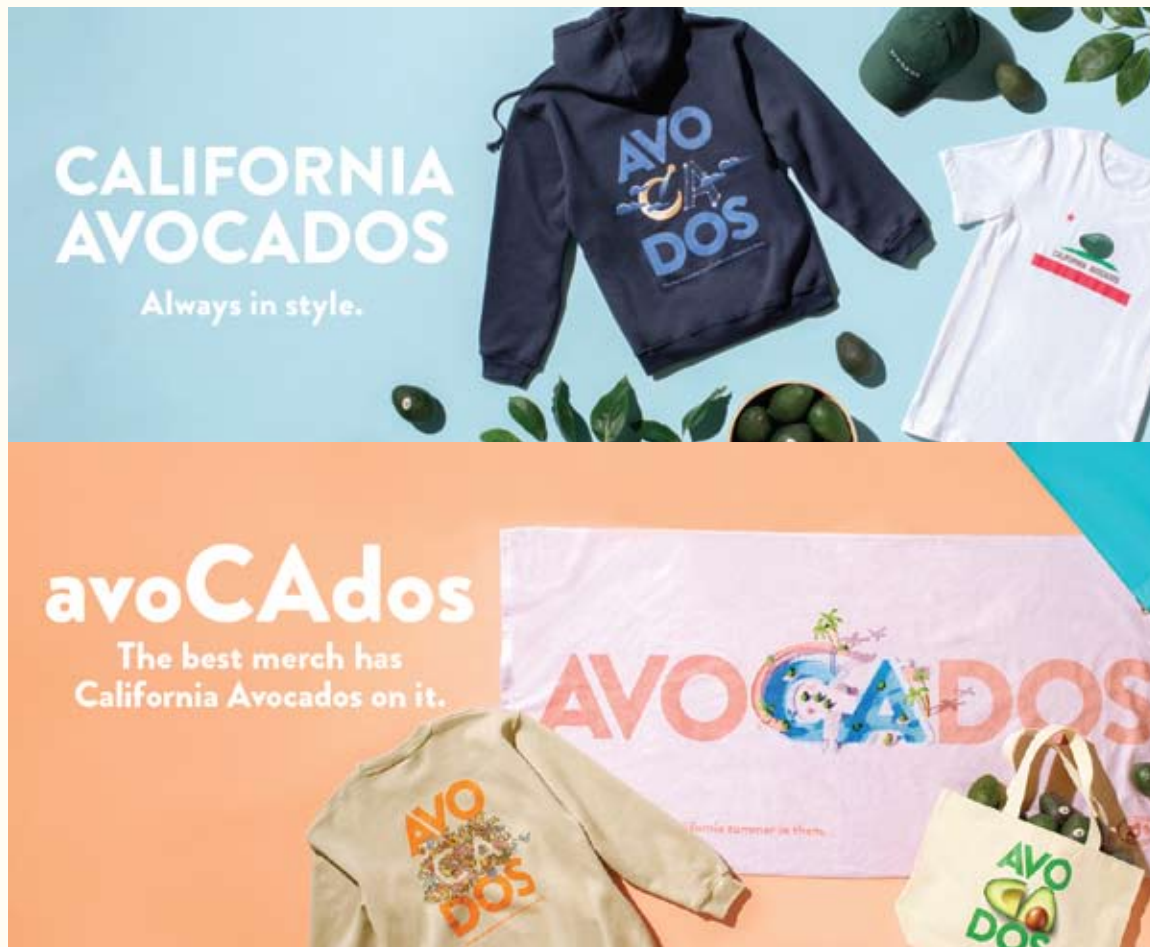
particularly strong showing this year with a 60% increase in subscribers and 11.1 million video views — a 270% increase from the prior year. In addition, the Commission expanded its LinkedIn channel with 526 new followers and a 6% engagement rate well over the 2% average for the platform. LinkedIn viewers demonstrated a particular

interest in our growing process, with one California avocado grower video garnering nearly 31,000 impressions. The Commission continued to monitor the conversations happening on social media and by the end of June resumed to all our social media platforms with positive, inspiring recipe content and self-care posts.

Media play a key role in helping us expand the reach of our messaging. Typically, the Commission's public relations program involves a series of in-person media/influencer events where Commission staff and select chef partners showcase the advantages of California avocados with lively preparation demonstrations and robust discussions over a shared meal. This year, the Commission found creative new ways to connect with media as in-person events were cancelled across the state. For example, the planned California Avocado Month event at Vespertine in Los Angeles was converted to a special at-home meal delivery from Chef Jordan Kahn — named “best new chef” in 2017 by *Food & Wine* magazine. Likewise, the Summer at Home program was reworked so members of the media received hand-delivered California avocado meals from three-award winning chefs in Seattle, Portland and Sacramento. These meals were supplemented with Commission talking points to help the media address the top-of-mind concerns and interests of their audiences.

The Commission also worked closely

with its 13 Blogger Advocates and seven Living Well Brand Advocates, tweaking recipe themes, photography and content based on surging consumer trends driven by pandemic-adjusted lifestyles. CAC's Blogger Advocates utilized their compelling storytelling talents and luscious photography to compose inspiring California-avocado-themed posts suited to at-home meal occasions and shared them across their blogs, social media channels and the Commission's consumer website. The Living Well Brand Advocates, chosen for their unique culinary passions and health and wellness expertise, served as a critical source of information for consumers and retailers during a year in which healthful recipes were of particular interest. Their expertise was shared across social media, on YouTube, in Facebook Live events, in television appearances and was integrated into custom retail dietitian programs.



Inspired by fans seeking California avocado-branded merchandise, the Commission launched ShopCaliforniaAvocado.com in September.

California avocado fans can share their love of the fruit by sporting American-made California avocado gear.

Together, the advocates garnered a solid 54.2 million impressions.

While many brand websites saw steep drops to their unpaid traffic during the pandemic, visits to the CaliforniaAvocado.com recipe page grew 36% year over year with nearly 2.3 million visits. Our ability to buck this trend was aided by the relaunch of the consumer website on a new platform that allowed us to streamline navigation, improve accessibility on mobile devices and make it easier for staff to generate and upload a constant stream of fresh content. In addition, the marketing team's long history of engaging with avocado lovers on social media, monitoring current trends and responding to consumer inquiries had provided us with a library of high value content that we deftly repurposed for the moment at hand.

Although the Commission's marketing and content plans changed across the spectrum, CAC was able to launch the new breakthrough advertising campaign, "the best avocados have California in them" and showcase the compelling creative in both the consumer and trade realms. The new campaign, with its playful quintessential California imagery, contributed to significant lift in California avocado awareness and positive product perception.

Consumer advertising included outdoor advertising with billboards in Los Angeles and San Diego, as well as a BART train wrap in the Bay Area. As COVID-19 restrictions went into place, advertising shifted to videos and custom content on digital platforms such as Tastemade, Viant and YouTube. Hulu, a digital television platform, emerged as the best performing media site of the season, while audio advertising on the digital Spotify and Pandora music channels secured millions of additional video views.

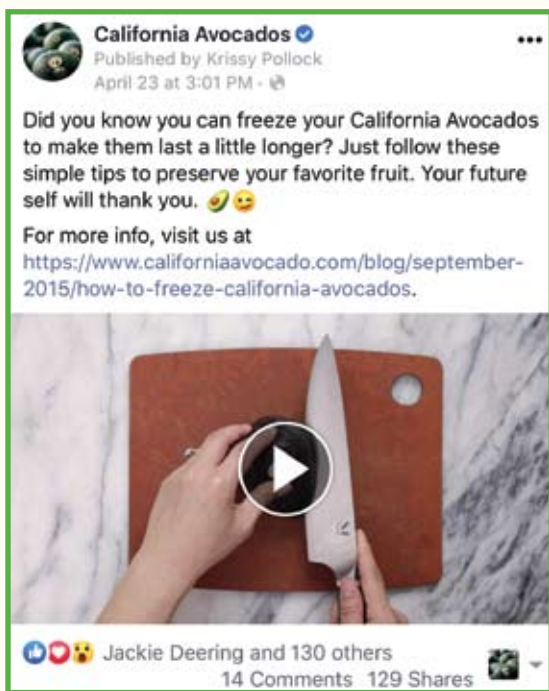
With a robust California avocado crop on the trees, digital ads played a critical role in ensuring consumers could easily locate the fruit at local retailers when they ventured out. Digital brand ads secured 89 million video views and digital retail ads garnered another 9 million video views. Across the season, additional advertising across top social media platforms earned 5.5 million engagements.

In September, the Commission proudly launched an online California avocado merchandise shop — inspired by years of inquiries from fans who frequently asked CAC staff at events and festivals where they could get their own California avocado-branded apparel. Now fans can conveniently choose from an array of USA-made products: everything from avocado-bedecked socks and totes, to beach towels and hoodies. To ensure word reached a wide swath of targeted consumers, a dozen top-tier food and lifestyle reporters and 20 targeted Instagram influencers received California avocado gear and were invited to share their love of the fruit on their digital and social channels.

Building Demand While Addressing Challenges in Retail and Foodservice Sectors

Across the nation, industries had to adapt to the realities of COVID-19 — taking swift action under unprecedented conditions that could very well determine whether or not their operations survived. The Commission focused its energies on providing both its retail and foodservice partners — who faced very different challenges — with promotional opportunities that would provide strong differentiation, drive traffic to their location, build avocado demand and place minimal responsibilities upon their staff.

Rather than implement standard early season display contest promotions that would increase demands on the retail workforce, the Commission initiated goodwill efforts with California avocado-branded thank you kits while giving retailers time to adapt their operations to the pressures placed upon them by the pandemic. We also hosted virtual collaboration sessions with targeted retailers to better understand the challenges they were facing, then armed with that knowledge our teams developed tailored, targeted ready-to-use multifaceted digital marketing and social media assets to drive brand awareness and sales. Social-retail advertising was hyper-targeted and included store location data to direct consumers to grocery stores with California



As COVID-19 lockdowns went into place, the Commission changed its messaging to address consumer concerns about food safety and how they could preserve their food to minimize trips to the grocery store.

avocados. With higher volumes of avocados on hand, the Commission extended customized marketing support into the late season harvest.

With the issuance of stay-at-home orders, the foodservice industry had to adapt — almost overnight — to the cessation of on-premises sales. While the loss of dine-in traffic set the industry back, the Commission adopted the position that online ordering and curbside service opened new promotional opportunities via websites and social media. Thus, we worked with select foodservice partners to create digital promotions that would distinguish them from the competition and encourage consumers who were mainly sheltering at home to enjoy fresh California avocado menu items through takeout, curbside or delivery services.

Playing on the very attributes that most appeal to our targeted consumers, foodservice promotions were designed around common themes — the chance to enjoy premium California avocados as a comfort, an indulgence or a “good for me” respite from meals prepared at home. Menu Matters custom research with foodservice patrons indicated the halo effect of the Golden State fruit remained strong throughout the pandemic with the majority of customers indicating interest in where their fruit comes from and nearly half of respondents willing to pay more for California avocados. Data also indicated CAC’s foodservice themes dovetailed nicely with patrons’ perceptions — avocados were the crop most associated with California and “California” was itself strongly associated with fresh and healthy.

Leadership and Industry Support Builds Strong Future Position

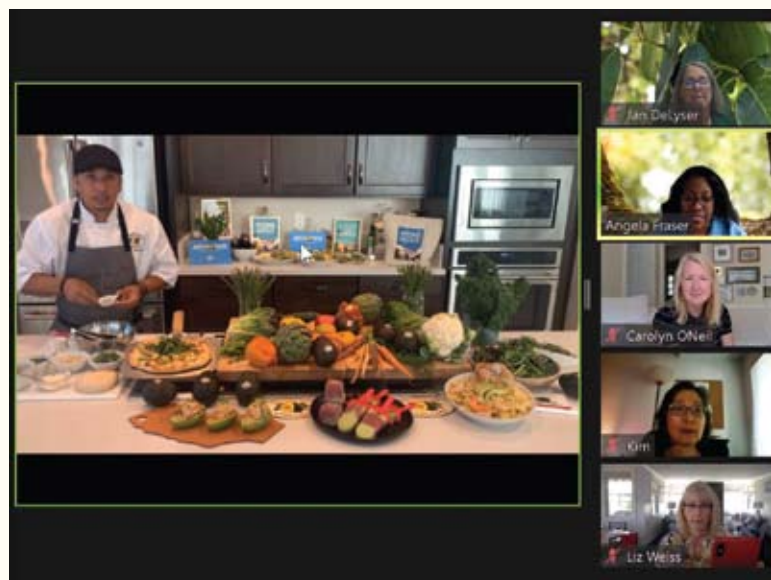
As a leader in the industry, the Commission felt it was critical to demonstrate support and foster goodwill by participating in collaborative initiatives. Although virtual trade shows presented challenges, the Commission found they also presented new opportunities to engage with peers, exchange ideas and showcase the California Avocados brand. Therefore, we sponsored and attended three of the industry’s most widely recognized virtual events — United Fresh LIVE, the Produce Marketing Association Fresh Summit and PMA Foodservice Delivered.

The Commission also pitched the idea of a webinar for foodservice professionals to Food News Media and participated in the resultant “What Matters Most for Your Post-Pandemic Menu” webinar, addressing foodservice operators’ concerns while building brand recognition. Finally, we were honored to take part in a special project —



Always a marketing innovator, the Commission participated in United Fresh 2020 Live!, the produce industry’s first global virtual trade show.

Chef demonstrations during virtual trade shows provided industry decision makers and influencers with the opportunity to discuss the versatility of California avocados and brainstorm ideas with CAC marketing staff.



the Kitchen Collaborative. Five furloughed chain culinary directors crafted recipes that were shared with sponsors, and then donated their proceeds in support of the Children of Restaurant Employees non-profit group.

This wasn't an easy year for any of us. But this year has demonstrated our commitment to producing the best, most-desired avocado on the planet, our diligent efforts to build a premium brand, and our never-ending quest to understand and engage with our consumers and industry partners can sustain grower viability in the most trying of times. The FOB price advantage of California avocados within California averaged +7% over imports March – September 2020, with a high of +29%. And outside California, our avocados delivered an average FOB price advantage of +5% over imports, reaching as high as +19% from March – September 2020.

Although we may have stumbled periodically this year, as a whole our industry took a solid step forward on the path to our future. Seventy-seven percent of the 2020 crop was sold in the Pacific region and the 2020 California Avocado Tracking Study showed improvements vs. 2019 both in-state and beyond. The belief that California has the most premium quality avocados grew significantly in Arizona and Utah, and 80% of U.S. respondents said it's important that the avocados they buy are grown by California farmers, a significant jump from 2019. That bodes well for our future.

Ultimately, to have safely harvested our fruit, generated a respectable crop value, assisted our retail and foodservice partners in dire times, demonstrated support for and leadership within our industry, and launched a breakthrough advertising campaign with a pandemic raging and social unrest simmering gives me every reason to believe we will see even greater gains when we get back to business as usual.



Board of Directors

District 1

Member/Jessica Hunter
Member/ Ryan Rochefort-**Vice Chairman**
Alternate/Michael Perricone

District 2

Member/Charley Wolk
Member/Ohannes Karaoghlanian
Alternate/John Cornell

District 3

Member/John Lamb-**Chairman**
Member/Robert Grether-**Treasurer**
Alternate/John Lloyd-Butler

District 4

Member/Ed McFadden
Member/Jason Cole-**Secretary**
Alternate/Doug O'Hara

District 5

Member/Salvador Dominguez
Member/Randy Douglas
Alternate/Daryn Miller

Handlers

Member/Gary Caloroso
Member/Peter Shore
Alternate/Connor Huser

Public Member
Daniella Malfitano

To contact a CAC representative, please visit:
CaliforniaAvocadoGrowers.com/Commission/your-representatives

CALIFORNIA AVOCADO COMMISSION

Annual Financial Report
and Independent Auditor's Report

For the Years Ended October 31, 2020 and 2019



Certified
Public
Accountants

CALIFORNIA AVOCADO COMMISSION

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Independent Auditor's Report

Board of Directors
California Avocado Commission
Irvine, California

Report on the Financial Statements

We have audited the accompanying financial statements of the California Avocado Commission (Commission), as of and for the years ended October 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California Avocado Commission, as of October 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the Commission's basic financial statements. The budgetary comparison schedule, combining statement of revenues, expenses and changes in net position, and schedule of program expenses (Schedules), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules are the responsibility of management and were derived from and relate 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 Schedules are 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 January 29, 2021, on our consideration of the Commission'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 the Commission's 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 Commission's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Irvine, California
January 29, 2021

CALIFORNIA AVOCADO COMMISSION
Management's Discussion and Analysis
For the Years Ended October 31, 2020 and 2019
(Unaudited)

INTRODUCTION

Management's Discussion and Analysis (MD&A) provides an overview and analysis of the financial activities of the California Avocado Commission (Commission) for the years ended October 31, 2020 and 2019. It has been prepared by management and is required supplementary information to the financial statements. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

FINANCIAL HIGHLIGHTS

- The Commission's 2020 assets exceeded its liabilities as of October 31, 2020 by \$14,342,442 (total net position). This amount increased \$358,654 or 3% from the prior year amount of \$13,983,788.
- Of the total net position at the end of fiscal year 2020, net investment in capital assets decreased \$51,479 to \$132,835 or 28% from the prior year amount of \$184,314.
- Net position restricted for marketing at the end of fiscal year 2020 increased \$450,348 to \$4,777,395 or 10% from the prior year amount of \$4,327,047.
- Unrestricted net position at the end of fiscal year 2020 decreased \$40,215 to \$9,432,212 or 0.4% from the prior year amount of \$9,472,427. This amount made up 66% of total net position.
- The Commission's 2019 assets exceeded its liabilities as of October 31, 2019 by \$13,983,788 (total net position). This amount increased \$1,764,460 or 14% from the prior year amount of \$12,219,328.
- Of the total net position at the end of fiscal year 2019, net investment in capital assets decreased \$51,479 to \$184,314 or 22% from the prior year amount of \$235,793.
- Net position restricted for marketing at the end of fiscal year 2019 increased \$1,136,270 to \$4,327,047 or 36% from the prior year amount of \$3,190,777.
- Unrestricted net position at the end of fiscal year 2019 increased \$679,669 to \$9,472,427 or 8% from the prior year amount of \$8,792,758. This amount made up 68% of total net position.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

The *Statements of Net Position* present information on all assets and liabilities of the Commission, using the accrual basis of accounting, with the difference 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 Commission.

CALIFORNIA AVOCADO COMMISSION
Management's Discussion and Analysis
For the Years Ended October 31, 2020 and 2019
(Unaudited)

The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how the Commission's net position varied during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *Statements of Cash Flows* present changes in cash and cash equivalents resulting from operating, non-capital financing, capital financing and investing activities.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements.

Other Information:

In addition to the MD&A, the financial statements also present the following supplementary information: Budgetary Comparison Schedule; Combining Statement of Revenues, Expenses and Changes in Net Position (broken down by Restricted and Unrestricted); and Schedule of Program Expenses (Restricted). Also included in the financial statements is the Independent Auditor's Report in accordance with *Government Auditing Standards*.

FINANCIAL ANALYSIS

Comparative data for the prior year ended October 31, 2019, has been presented in the accompanying financial statements (including MD&A) to facilitate financial analysis for the current year ended October 31, 2020. A comparative analysis of fiscal year 2019 with fiscal year 2018 is also presented in the MD&A.

STATEMENTS OF NET POSITION:

	2020	2019	2018
Current assets	\$16,660,466	\$15,769,842	\$14,047,999
Capital assets, net	132,835	184,314	235,793
Total assets	16,793,301	15,954,156	14,283,792
Current liabilities	2,364,891	1,959,923	1,991,645
Noncurrent liabilities	85,968	10,445	72,819
Total liabilities	2,450,859	1,970,368	2,064,464
Net position:			
Net investment in capital assets	132,835	184,314	235,793
Restricted for marketing	4,777,395	4,327,047	3,190,777
Unrestricted	9,432,212	9,472,427	8,792,758
Total net position	\$14,342,442	\$13,983,788	\$12,219,328

CALIFORNIA AVOCADO COMMISSION
Management's Discussion and Analysis
For the Years Ended October 31, 2020 and 2019
(Unaudited)

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The largest portion (99%) of the Commission's assets are current assets consisting primarily of cash and cash equivalents, restricted cash, receivables and fiduciary cash amounts held for the Avocado Inspection Program (AIP). Current assets at the end of fiscal year 2020 totaled \$16,660,466, increasing \$890,624 from the prior year amount of \$15,769,842. This increase is primarily due to higher total production value which is reflected in the increased assessment receivable balance. Total current assets cover current liabilities 7.0 times, indicating good liquidity.

At the end of fiscal year 2019, the largest portion (99%) of the Commission's assets are current assets consisting primarily of cash and cash equivalents, restricted cash, receivables and fiduciary cash amounts held for the AIP. Current assets at the end of fiscal year 2019 totaled \$15,769,842, increasing \$1,721,843 from the prior year amount of \$14,047,999. This increase is primarily due to higher total production value along with decreased activities in marketing programs which is reflected in the increased cash balance. Total current assets cover current liabilities 8.0 times, indicating good liquidity.

The Commission's liabilities primarily consist of current liabilities including accounts payable, accrued liabilities, deposits due and fiduciary liability amounts held for AIP. Liabilities at the end of fiscal year 2020 totaled \$2,450,859 increasing from a balance of \$1,970,368 in 2019. This increase was due to higher non-marketing obligations owed to vendors. Liabilities at the end of fiscal year 2019 totaled \$1,970,368 decreasing from a balance of \$2,064,464 in 2018. This decrease was due to lower marketing and non-marketing obligations owed to vendors.

Net position consists of three categories: Net investment in capital assets, restricted for marketing and unrestricted.

Net investment in capital assets represents the Commission's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets totaled \$132,835 at the end of fiscal year 2020, decreasing \$51,479 from the prior year amount of \$184,314. This decrease is due to the depreciation of capital assets. Net investment in capital assets represents 1% of total net position.

At the end of fiscal year 2019, net investment in capital assets totaled \$184,314, decreasing \$51,479 from the prior year amount of \$235,793. This decrease is due to the depreciation of capital assets. Net investment in capital assets represents 1% of total net position.

Restricted net position for marketing activities is subject to imposed restrictions by federal statute governing their use. Restricted net position totaled \$4,777,395 at the end of 2020, increasing \$450,348 from the prior year amount of \$4,327,047, and increasing \$1,586,618 from 2018. Restricted net position represents 33% of total net position.

Unrestricted net position available for future activities at the end of fiscal year 2020 totaled \$9,432,212, decreasing \$40,215 from the prior year amount of \$9,472,427. Unrestricted net position available for future activities at the end of fiscal year 2019 totaled \$9,472,427, increasing \$679,669 from the prior year amount of \$8,792,758.

CALIFORNIA AVOCADO COMMISSION
Management's Discussion and Analysis
For the Years Ended October 31, 2020 and 2019
(Unaudited)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$15,153,319	\$12,561,835	\$15,107,394
Operating expenses	15,110,511	11,160,339	14,390,030
Operating income	<u>42,808</u>	<u>1,401,496</u>	<u>717,364</u>
Nonoperating revenues	315,846	362,964	385,190
Change in net position	<u>358,654</u>	<u>1,764,460</u>	<u>1,102,554</u>
Net position – beginning of year	13,983,788	12,219,328	11,116,774
Net position – end of year	<u>\$14,342,442</u>	<u>\$13,983,788</u>	<u>\$12,219,328</u>

Operating revenues totaled \$15,153,319 in 2020, increasing \$2,591,484 or 21% from \$12,561,835 earned in 2019. This increase is due to an increase in assessment revenue received due to a larger total crop volume; 375 million pounds were reported in 2020 as compared to 220 million pounds in 2019. The majority of operating revenue consisted of assessment revenue, totaling \$15,083,036 (99.5%). The remaining portion (0.5%) was from administrative fees generated from AIP of \$60,996 and online merchandise sales of \$9,287.

Operating revenues totaled \$12,561,835 in 2019, decreasing \$2,545,559 or 17% from \$15,107,394 earned in 2018. This decrease is due to a decrease in assessment revenue received due to a smaller total crop volume; 220 million pounds were reported in 2019 as compared to 338 million pounds in 2018. The majority of operating revenue consisted of assessment revenue, totaling \$12,500,839 (99.5%). The remaining portion of \$60,996 (0.5%) was from administrative fees generated from AIP.

Operating expenses totaled \$15,110,511 in 2020, increasing \$3,950,172 or 35% from \$11,160,339 in 2019. This increase is primarily due to increased activities in marketing programs as a result of a larger total crop volume in 2020. Operating expenses totaled \$11,160,339 in 2019, decreasing \$3,229,691 or 22% from \$14,390,030 in 2018. This decrease is primarily due to decreased activities in marketing programs as a result of smaller total crop volume in 2019.

At the end of the fiscal year 2020, the Commission reported an ending net position of \$14,342,442, an increase of \$358,654 from the prior year amount of \$13,983,788. This is due to an increase in assessment revenue received due to a larger total crop volume.

At the end of the fiscal year 2019, the Commission reported an ending net position of \$13,983,788, an increase of \$1,764,460 from the prior year amount of \$12,219,328. This is primarily due to a decrease in marketing expenses as a result of a small total crop volume in 2019.

CALIFORNIA AVOCADO COMMISSION
Management's Discussion and Analysis
For the Years Ended October 31, 2020 and 2019
(Unaudited)

CAPITAL ASSETS

The Commission's net investment in capital assets totaled \$132,835 as of October 31, 2020, decreasing \$51,479 from the prior year amount of \$184,314, and decreasing \$51,479 from \$235,793 in 2018 (net of accumulated depreciation). These decreases represent the depreciation of capital assets during the respective fiscal year.

COMPENSATED ABSENCES

At the end of fiscal year 2020, the Commission accumulated an accrued compensated absences balance of \$200,205; an increase of \$27,245 from the prior year balance of \$172,960. This increase is due to unused vacation time by employees. At the end of fiscal year 2019, the Commission accumulated an accrued compensated absences balance of \$172,960; a decrease of \$25,888 from the prior year balance of \$198,848. This decrease is due to vacation time being utilized by employees and also accrued vacation time being paid out to a terminated employee.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Commission's finances and to show the Commission'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 California Avocado Commission, 12 Mauchly, Suite L, Irvine, California 92618; phone number 949-341-1955.

BASIC FINANCIAL STATEMENTS

CALIFORNIA AVOCADO COMMISSION

Statements of Net Position

October 31, 2020 and 2019

	2020	2019
Current assets:		
Cash and cash equivalents	\$ 9,932,702	\$ 9,978,475
Assessments receivable	444,328	112,506
Other receivables	161,206	171,923
Prepaid expenses	107,913	142,908
Fiduciary cash and cash equivalents, amounts held for AIP	965,868	795,510
Inventory	30,535	-
Restricted:		
Cash and cash equivalents	4,066,788	4,296,269
Assessments receivable	951,126	272,251
Total current assets	16,660,466	15,769,842
Noncurrent assets:		
Capital assets being depreciated, net	132,835	184,314
Total assets	16,793,301	15,954,156
Current liabilities:		
Accounts payable and accrued liabilities	1,026,267	742,425
Accounts payable and accrued liabilities, payable from restricted assets	240,519	241,473
Fiduciary liabilities, amounts held for AIP	965,868	795,510
Deposits	18,000	18,000
Compensated absences, due within one year	114,237	162,515
Total current liabilities	2,364,891	1,959,923
Noncurrent liabilities:		
Compensated absences, due in more than one year	85,968	10,445
Total noncurrent liabilities	85,968	10,445
Total liabilities	2,450,859	1,970,368
Net position:		
Net investment in capital assets	132,835	184,314
Restricted for marketing	4,777,395	4,327,047
Unrestricted	9,432,212	9,472,427
Net position	\$ 14,342,442	\$ 13,983,788

See accompanying notes to basic financial statements.

CALIFORNIA AVOCADO COMMISSION
 Statements of Revenues, Expenses and Changes in Net Position
 For the Years Ended October 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Assessment revenue	\$ 8,077,521	\$ 8,364,916
HAB rebate assessment revenue (restricted)	7,005,515	4,135,923
Administrative and marketing fees	60,996	60,996
Other operating revenues	9,287	-
Total operating revenues	<u>15,153,319</u>	<u>12,561,835</u>
Operating expenses:		
Marketing	10,661,812	6,731,188
Nonmarketing programs	1,231,672	1,022,239
Administration	3,217,027	3,406,912
Total operating expenses	<u>15,110,511</u>	<u>11,160,339</u>
Operating income	<u>42,808</u>	<u>1,401,496</u>
Nonoperating revenues:		
Interest income	27,853	31,380
Grant income	151,613	135,174
Other income	136,380	196,410
Total nonoperating revenues	<u>315,846</u>	<u>362,964</u>
Change in net position	358,654	1,764,460
Net position, beginning of year	<u>13,983,788</u>	<u>12,219,328</u>
Net position, end of year	<u><u>\$ 14,342,442</u></u>	<u><u>\$ 13,983,788</u></u>

See accompanying notes to basic financial statements.

CALIFORNIA AVOCADO COMMISSION
 Statements of Cash Flows
 For the Years Ended October 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from customers	\$ 14,293,164	\$ 12,953,772
Cash payments to suppliers for goods and services	(12,202,369)	(8,558,897)
Cash payments to employees for services	(2,511,535)	(2,694,359)
	(420,740)	1,700,516
Cash flows from non-capital financing activities:		
Proceeds from grants	151,613	135,174
Other income	136,162	196,409
	287,775	331,583
Cash flows from capital and related financing activities:		
Purchases of capital assets	216	-
	216	-
Cash flows from investing activities:		
Interest on investments	27,853	31,380
	(104,896)	2,063,479
Cash and cash equivalents, beginning of year	15,070,254	13,006,775
Cash and cash equivalents, end of year	\$ 14,965,358	\$ 15,070,254
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 42,808	\$ 1,401,496
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense	51,479	51,478
Changes in assets and liabilities:		
(Increase) decrease in assessments receivable	(1,010,697)	454,594
(Increase) decrease in other receivables	10,717	(31,083)
(Increase) decrease in prepaid expenses	34,995	(81,875)
(Increase) decrease in inventory	(30,535)	-
Increase (decrease) in accounts payable and accrued liabilities	282,888	(36,633)
Increase (decrease) in fiduciary liabilities	170,358	(31,575)
Increase (decrease) in compensated absences	27,247	(25,886)
	\$ (420,740)	\$ 1,700,516

See accompanying notes to basic financial statements.

CALIFORNIA AVOCADO COMMISSION

Notes to Basic Financial Statements

October 31, 2020 and 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the California Avocado Commission (Commission):

(a) *Activities of the Commission*

The California Avocado Commission is authorized under California law to engage in programs of advertising, promotion, marketing research, and production research related to the sale of California grown avocados. The Commission is authorized to levy an assessment against producers of avocados for the purposes of carrying out its programs. The assessment for the years ended October 31, 2020 and 2019, was 2.00% and 2.30%, respectively, of the gross revenues received by producers. The Commission also receives 85% of the assessments collected by the Federal Hass Avocado Board (HAB) on Hass avocados produced and sold in California, which is restricted for use on marketing activities.

The Commission's Board of Directors is composed of no fewer than eight and no more than ten producer members who do not handle avocados through the same legal entity under which they were elected as a producer member of the Commission, two handler members and one public member.

(b) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The Commission operates as an enterprise activity. An enterprise fund accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Board of Directors is that the costs (expenses, including depreciation) of providing services to the industry on a continuing basis be financed or recovered primarily through assessment revenues.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Commission are assessment revenues and administrative and marketing fees. Operating expenses for enterprise funds include the cost of marketing programs, production research, industry affairs and administrative expenses, including depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recognized when earned, and expenses are recognized when incurred, regardless of the timing of related cash flows.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2020 and 2019

(c) *Assets, Liabilities, and Net Position*

1. Cash Equivalents

For purposes of the statements of cash flows, the Commission considers cash and funds invested in the Local Agency Investment Fund (LAIF) of the State of California for both restricted and unrestricted funds to be cash equivalents. Additionally, investments with original maturities of three months or less at the time of purchase are considered cash equivalents.

2. Investments

The Commission values its investment in accordance with the provision of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which requires entities to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool. Restricted and unrestricted cash are pooled for investment purposes.

3. Receivables

No allowance for uncollectible accounts has been recorded for the years ended October 31, 2020 and 2019. Management has evaluated the accounts and believes they are all collectible. Management evaluates all accounts receivable, and if it is determined that they are uncollectible, they are written off directly as a bad debt expense.

4. Capital Assets

Capital assets consist of furniture, office equipment, leasehold improvements, software, and land improvements. The Commission capitalizes assets with values of \$10,000 or more and useful lives of greater than one year. Capital assets are valued at cost, or estimated historical cost, if actual historical cost is not available. Contributed assets are recorded at acquisition value on the date donated. Capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Capital assets are depreciated on the straight-line basis, using the following asset lives:

<u>Asset Category</u>	<u>Years</u>
Furniture	5
Office equipment	3
Leasehold improvements	5 (or term of lease, whichever is less)
Software	3
Land Improvements	Remaining term of the property lease

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2020 and 2019

5. Compensated Absences

Commission employees receive from 10 to 20 days of vacation each year, depending upon length of service. An employee may accumulate earned vacation time to a maximum of 40 days. Once an employee accrues 40 days of unused vacation time, the Commission compensates the employee 10 days of accrued and unused vacation time at the employee's current rate of pay. Upon termination, employees are paid for all accrued, but unused vacation at their current rate of pay.

Compensated absences include accrued vacation that is available to employees in future years, either as time off or in cash (upon leaving the employment of the Commission). All compensated absences are accrued when incurred.

6. 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 certain reported amounts and disclosures. Actual results may differ from such estimates.

7. Fiduciary and Restricted Assets

Fiduciary assets are held for the Avocado Inspection Program (AIP) and are off-set by fiduciary liabilities. Restricted assets are restricted for marketing-related activities and are subject to restrictions imposed by federal statute governing their use.

8. Net Position

Net position represents the difference between assets less liabilities. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if any. Net investment in capital assets, excludes debt attributable to the unspent related debt proceeds amount. At October 31, 2020 and 2019, the Commission had net investment in capital assets in the amounts of \$132,835 and \$184,314, respectively. There was no outstanding debt related to capital assets at October 31, 2020 and 2019.

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At October 31, 2020 and 2019, the Commission had restricted net position in the amounts of \$4,777,395 and \$4,327,047, respectively, for marketing-related activities.

The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2020 and 2019

(2) DETAILED NOTES ON ASSETS AND LIABILITIES

(a) Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at October 31:

	2020	2019
Petty cash	\$ 200	\$ 200
Demand deposits	14,954,799	15,059,906
Local Agency Investment Fund	10,359	10,148
Total cash and cash equivalents	\$ 14,965,358	\$ 15,070,254

Investment in State Investment Pool

The Commission is a voluntary participant in LAIF, which is regulated by CGC Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The Commission considers its investments in the LAIF pool to be a demand deposit account (cash and cash equivalent) where funds may be withdrawn and deposited at any time without prior notice or penalty.

The total amount invested by all public agencies in LAIF as of October 31, 2020, was \$32.3 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at October 31, 2020, had a balance of \$101.4 billion. Of that amount, 3.76% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 177 days as of October 31, 2020.

The total amount invested by all public agencies in LAIF as of October 31, 2019, was \$24.8 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at October 31, 2019, had a balance of \$91.4 billion. Of that amount, 2.26% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 203 days as of October 31, 2019.

Fair Value Measurement and Application

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2020 and 2019

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Commission has the ability to access.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Investments in an external government investment pool, such as LAIF, are not subject to reporting within the level hierarchy.

Investments Authorized by the California Government Code and the Commission’s Investment Policy

The Commission adopted California Government Code (CGC) Section 16430 and the United States Department of Agriculture (USDA) Directive 2210.2 as its investment policy. The table below identifies the investment types that are authorized under CGC Section 16430, as well as certain provisions of CGC Section 16430 and USDA Directive 2210.2 that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
State of California Bonds and Notes	1 year	None	None
U. S. Treasury Obligations	1 year	None	None
U. S. Agency Securities	1 year	None	None
Bank Loans	1 year	None	None
Student Loan Notes	1 year	None	None
Obligations issued for Reconstruction and Development	1 year	None	None
Negotiable Certificates of Deposits	1 year	30%	None
Banker’s Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	10%
Corporate Bonds and Notes	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$65 million

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2020 and 2019

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Commission’s investments to market interest rate fluctuations is provided by the following table that shows the Commission’s investments by maturity:

Investment Type	Remaining Maturity 12 Months or Less	
	2020	2019
Local Agency Investment Fund	\$ 10,359	\$ 10,148

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the Commission contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the CGC 16430. The Commission had no investments in any one issuer (other than external investment pools) that represented 5% or more of total Commission investments at October 31, 2020 and 2019.

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 custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. At October 31, 2020, the bank balance of the deposit was \$14,984,334. \$250,000 of the bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). The remaining balance of \$14,734,334 was collateralized at 100% of the total amount deposited by the Commission in accordance with the federal regulation under US Department of Agriculture. At October 31, 2019, the bank balance of the deposit was \$15,140,619. \$250,000 of the bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). The remaining balance of \$14,890,619 was collateralized at 100% of the total amount deposited by the Commission in accordance with the federal regulation under US Department of Agriculture.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2020 and 2019

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

(b) Capital Assets

	November 1, 2019	Additions	Deletions	October 31, 2020
Capital assets, being depreciated:				
Furniture	\$ 187,904	\$ -	\$ -	\$ 187,904
Office equipment	61,002	-	-	61,002
Software	15,022	-	-	15,022
Land improvements	108,559	-	-	108,559
Total capital assets, being depreciated	<u>372,487</u>	<u>-</u>	<u>-</u>	<u>372,487</u>
Less accumulated depreciation for:				
Furniture	61,205	32,349	-	93,554
Office equipment	61,002	-	-	61,002
Software	9,180	5,007	-	14,187
Land improvements	56,786	14,123	-	70,909
Total accumulated depreciation	<u>188,173</u>	<u>51,479</u>	<u>-</u>	<u>239,652</u>
Capital assets, net of depreciation	<u>\$ 184,314</u>	<u>\$ (51,479)</u>	<u>\$ -</u>	<u>\$ 132,835</u>
	November 1, 2018	Additions	Deletions	October 31, 2019
Capital assets, being depreciated:				
Furniture	\$ 187,904	\$ -	\$ -	\$ 187,904
Office equipment	61,002	-	-	61,002
Software	15,022	-	-	15,022
Land improvements	108,559	-	-	108,559
Total capital assets, being depreciated	<u>372,487</u>	<u>-</u>	<u>-</u>	<u>372,487</u>
Less accumulated depreciation for:				
Furniture	28,856	32,349	-	61,205
Office equipment	61,002	-	-	61,002
Software	4,173	5,007	-	9,180
Land improvements	42,663	14,123	-	56,786
Total accumulated depreciation	<u>136,694</u>	<u>51,479</u>	<u>-</u>	<u>188,173</u>
Capital assets, net of depreciation	<u>\$ 235,793</u>	<u>\$ (51,479)</u>	<u>\$ -</u>	<u>\$ 184,314</u>

Depreciation expense was \$51,479 and \$51,479 for the years ended October 31, 2020 and 2019, respectively.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2020 and 2019

(c) **Long-term Liabilities**

	<u>November 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2020</u>	<u>Amount Due within One Year</u>
Compensated absences	\$ 172,960	\$ 141,481	\$ (114,236)	\$ 200,205	\$ 114,237

	<u>November 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2019</u>	<u>Amount Due within One Year</u>
Compensated absences	\$ 198,848	\$ 136,627	\$ (162,515)	\$ 172,960	\$ 162,515

(3) **OTHER INFORMATION**

(a) **Avocado Inspection Program**

During February 1986, the Commission contracted with the State Department of Food and Agriculture to administer the Avocado Inspection Program (AIP) for the State of California (State). Since the Commission is, in substance, an agent for the State, fiduciary cash and cash equivalents, amounts held for AIP are offset by fiduciary liabilities, amounts held for AIP. As of October 31, 2020 and 2019, \$965,868 and \$795,510, respectively, was held by the Commission for the AIP.

(b) **Line of Credit**

On March 8, 2011, the Commission obtained a revolving line of credit from Bank of the West, in the amount of \$3,000,000, with a variable interest rate at prime rate plus 0.5% and a floor of 4.0%. The original maturity date for the line of credit was February 15, 2013, which was extended to February 28, 2021, under the same terms as the original agreement. At October 31, 2020 and 2019, there was no outstanding balance due on the line of credit.

(c) **Risk Management**

Insurance Programs of the Commission

The Commission utilizes insurance broker Brown & Brown of California, Inc., to obtain its insurance coverage from various insurers. The Commission's coverage is as follows:

Commercial General Liability - insured by Fireman's Fund Insurance – General aggregate coverage of \$2,000,000 and \$1,000,000 for each occurrence.

Automobile Liability - insured by Fireman's Fund Insurance – Coverage is \$1,000,000 per bodily injury or property damage, subject to a \$500 deductible.

Crime Liability - insured by Travelers Casualty & Surety – Coverage is \$1,000,000, subject to a \$5,000 deductible.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2020 and 2019

Umbrella Liability - insured by American Insurance Company – General aggregate coverage of \$5,000,000 and \$5,000,000 for each occurrence.

Travel Accident Liability - insured by Hartford Life Insurance Company – Coverage is \$100,000 per person and \$500,000 per aggregate limit.

Directors and Officers Liability and Employment Practices Liability - insured by Great American Insurance Company – Coverage is \$5,000,000 aggregate limit, with a \$25,000 retention.

Employed Lawyers Professional Liability - insured by Federal Insurance Company – Coverage is \$1,000,000 aggregate limit, with a \$5,000 retention.

Fiduciary Liability - insured by Lloyds of London – Coverage is \$1,000,000 each claim and in aggregate, subject to a \$2,500 deductible.

Media Content/Network Security and Privacy - insured by Lloyds of London – Coverage is \$1,000,000 each claim and in aggregate, with a \$25,000 self insurance retention for each loss.

Foreign Liability - insured by Fireman’s Fund Insurance Company – General aggregate coverage is \$2,000,000 and \$1,000,000 for each occurrence.

International Business Auto - insured by Fireman’s Fund Insurance – Coverage is \$1,000,000 hired or non-owned auto liability and \$10,000 medical payment each person/accident.

International Foreign Voluntary Workers’ Compensation and Employer Liability – insured by Fireman’s Fund Insurance Company – Coverage is \$1,000,000 per occurrence

Workers’ Compensation Coverage – insured by Hartford Casualty Insurance Company – Coverage is \$1,000,000 per occurrence

Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded insured coverage. There have been no significant changes in insurance coverage during fiscal year 2020.

(d) Employee Retirement Plans

The Board of Directors of the Commission implemented a defined contribution plan, California Avocado Commission Profit Sharing Plan (PSP), administered by “The Retirement Plan Company,” for eligible Commission employees effective November 1, 2000. The Commission’s payroll for the twelve employees eligible to participate in the PSP for the plan year ended October 31, 2020, was \$1,883,654. Total payroll for the thirteen employees eligible to participate in the PSP for the plan year ended October 31, 2019, was \$1,986,814. Total contributions for the years ended October 31, 2020 and 2019 were \$212,985 and \$215,766, respectively.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2020 and 2019

The Commission may make annual, discretionary contributions, as determined by the President, to the PSP. With a few exceptions, each eligible employee received an allocation of 10% of compensation, up to a maximum of \$56,000 for the plan year ended October 31, 2020, and \$55,000 for the plan year ended October 31, 2019. To receive an allocation, each employee must meet a minimum service requirement of one year and must be credited with at least 1,000 hours of service.

(e) Operating Leases

On November 5, 2009, the Commission entered into a lease agreement for the current office space, within the City of Irvine, California, under a five-year lease ended November 30, 2014, which was extended to November 30, 2025. During the years ended October 31, 2020 and 2019, the Commission paid \$105,857 and \$74,836, respectively, for office rent, exclusive of operating expenses.

On October 10, 2012 the Commission entered into a lease agreement on behalf of AIP for office space within the City of Escondido, California, under a three-year lease ended September 30, 2015, which was extended to September 30, 2021. During the years ended October 31, 2020 and 2019, the Commission paid \$17,760 and \$17,133, respectively, for office rent subsequently reimbursed by AIP, exclusive of operating expenses.

On May 1, 2013 the Commission entered into a lease agreement on behalf of AIP for office space within the City of Santa Paula, California, under a three-year lease ended April 30, 2016, which was extended to April 30, 2020. During the years ended October 31, 2020 and 2019, the Commission paid \$12,000 and \$12,000, respectively, for office rent subsequently reimbursed by AIP, exclusive of operating expenses.

On September 15, 2011, the Commission entered into an agreement to lease a postage machine under a three-year lease ended on October 1, 2014, which was extended to July 21, 2022, with quarterly payments due at the end of each quarter of \$275. Quarterly payments began January 1, 2012. During the years ended October 31, 2020 and 2019, the Commission paid \$1,564 and \$948, respectively, including tax, for this lease.

On February 9, 2015, the Commission entered into an agreement to lease two printers under a three-year lease agreement ended on January 31, 2018, with monthly payments of \$441 beginning February 1, 2015. The original lease was terminated as of August 31, 2017. On September 1, 2017, the Commission entered into an agreement to lease two new printers under a three-year lease agreement ended on August 31, 2020, with monthly payments of \$575. The lease was renewed on June 1, 2020 for three years ending May 30, 2023, with monthly payments of \$555. During the years ended October 31, 2020 and 2019, the Commission paid \$7,664 and \$7,434, respectively, including tax, for this lease.

On October 19, 2016, the Commission entered into an agreement to lease a printer under a three-year lease agreement ended on November 30, 2019, with monthly payments of \$499 beginning December 1, 2016. On December 1, 2019, the Commission entered into an agreement to lease one printer under a three-year lease agreement ending November 30, 2022, with monthly payments of \$537. During the years ended October 31, 2020 and 2019, the Commission paid \$5,593 and \$6,787, respectively, including tax, for this lease.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2020 and 2019

On July 1, 2013, the Commission entered into a lease agreement for the Pine Tree Ranch property within the City of Santa Paula, California, under a ten-year lease ending June 30, 2023. During the years ended October 31, 2020 and 2019, the Commission paid \$22,836 and \$22,104 for rent, respectively, including rent paid for a garage on the property for \$100 a month.

On January 1, 2019, the Commission entered into an agreement for security alarm services under a three-year lease agreement ending on November 31, 2021, with monthly payments of \$195 beginning January 9, 2019. During the years ended October 31, 2020 and 2019, the Commission paid \$4,309 and \$3,308, including service charges, for this lease.

The annual requirements to amortize the operating lease obligations as of October 31, 2020, are as follows:

<u>Year Ending October 31,</u>	<u>Office Spaces</u>	<u>Printers</u>	<u>Postage Machine</u>	<u>Alarm System</u>	<u>Pine Tree Ranch</u>	<u>Total</u>
2021	\$ 119,840	\$ 13,098	\$ 1,101	\$ 3,129	\$ 23,600	\$ 160,768
2022	122,390	13,098	826	-	24,384	160,698
2023	125,895	4,421	-	-	16,608	146,924
2024	130,043	-	-	-	-	130,043
2025	133,607	-	-	-	-	133,607
Total	<u>\$ 631,775</u>	<u>\$ 30,617</u>	<u>\$ 1,927</u>	<u>\$ 3,129</u>	<u>\$ 64,592</u>	<u>\$ 732,040</u>

SUPPLEMENTARY INFORMATION

CALIFORNIA AVOCADO COMMISSION
 Budgetary Comparison Schedule
 For the Year Ended October 31, 2020
 (with comparative actual totals for the year ended October 31, 2019)

	2020			Variance Positive (Negative)	2019 Actual
	Original Budget	Final Budget	Actual		
Revenues:					
Assessment revenue	\$ 8,541,000	\$ 8,541,000	\$ 8,077,521	\$ (463,479)	\$ 8,364,916
HAB rebate assessment revenue (restricted)	7,213,313	7,213,313	7,005,515	(207,798)	4,135,923
Administrative and accounting fees	61,000	61,000	60,996	(4)	60,996
Interest income	15,000	15,000	27,853	12,853	31,380
Grant revenue	38,648	238,648	151,613	(87,035)	135,174
Other income	92,000	217,409	145,667	(71,742)	196,410
Total revenues	15,960,961	16,286,370	15,469,165	(817,205)	12,924,799
Expenses:					
Marketing:					
Consumer marketing	6,601,027	6,601,027	6,488,001	113,026	3,870,353
Merchandising	2,478,918	2,478,918	1,942,642	536,276	1,395,505
Foodservice	934,000	934,000	718,321	215,679	622,529
Consumer public relations	975,000	975,000	944,128	30,872	649,753
Consumer/Trade Living Well Consumer registered dietitian nutritionist program	134,750	134,750	133,733	1,017	-
Ecommerce	-	413,064	308,528	104,536	-
Marketing activities support	145,875	145,875	126,459	19,416	94,142
Total marketing	11,269,570	11,682,634	10,661,812	1,020,822	6,731,188
Non-marketing programs:					
Industry affairs	1,127,677	1,168,677	671,179	497,498	692,622
Production research	379,787	411,430	408,425	3,005	184,443
Grant expenses	38,648	238,648	152,068	86,580	145,174
Total non-marketing programs	1,546,112	1,818,755	1,231,672	587,083	1,022,239
Administration:					
Administration	3,282,795	3,265,764	3,090,562	175,202	3,261,309
Information systems	88,976	88,976	74,986	13,990	94,124
Depreciation	51,480	51,480	51,479	1	51,479
Total administration	3,423,251	3,406,220	3,217,027	189,193	3,406,912
Total expenses	16,238,933	16,907,609	15,110,511	1,797,098	11,160,339
Change in net position	(277,972)	(621,239)	358,654	979,893	1,764,460
Net position, beginning of year	12,219,328	13,983,788	13,983,788	-	12,219,328
Net position, ending of year	\$ 11,941,356	\$ 13,362,549	\$ 14,342,442	\$ 979,893	\$ 13,983,788

See accompanying notes to basic financial statements.

CALIFORNIA AVOCADO COMMISSION

Note to Supplementary Information

October 31, 2020 and 2019

(1) BUDGETARY INFORMATION:

(a) *Budgets and Budgetary Accounting:*

Each year, the California Avocado Commission (Commission) adopts a budget that provides for its general operations. Budgets are prepared on the accrual basis of accounting. Department Heads are responsible for preparing and presenting their departmental budgets. Each Department Head is required to meet with the President and VP of Finance and Administration of the Commission to review each line item. The overall combined budget is prepared by the President and VP of Finance and Administration of the Commission and presented to the Board of Directors. Line item transfers do not need Board of Directors approval. Any increases in a department's budget must be approved by the Board of Directors.

CALIFORNIA AVOCADO COMMISSION
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended October 31, 2020

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Operating revenues:			
Assessment revenue	\$ -	\$ 8,077,521	\$ 8,077,521
HAB rebate assessment revenue (restricted)	7,005,515	-	7,005,515
Administrative and accounting fees	-	60,996	60,996
Other operating revenues	-	9,287	9,287
Total operating revenues	<u>7,005,515</u>	<u>8,147,804</u>	<u>15,153,319</u>
Operating expenses:			
Marketing	6,563,522	4,098,290	10,661,812
Nonmarketing programs	-	1,231,672	1,231,672
Administration	-	3,217,027	3,217,027
Total operating expenses	<u>6,563,522</u>	<u>8,546,989</u>	<u>15,110,511</u>
Operating income (loss)	<u>441,993</u>	<u>(399,185)</u>	<u>42,808</u>
Non-operating revenues (expenses):			
Interest income (expense)	8,355	19,498	27,853
Other income	-	287,993	287,993
Total nonoperating revenues	<u>8,355</u>	<u>307,491</u>	<u>315,846</u>
Change in net position	450,348	(91,694)	358,654
Net position, beginning of year	<u>4,327,047</u>	<u>9,656,741</u>	<u>13,983,788</u>
Net position, ending of year	<u>\$ 4,777,395</u>	<u>\$ 9,565,047</u>	<u>\$ 14,342,442</u>

CALIFORNIA AVOCADO COMMISSION

Program Expenses

For the Year Ended October 31, 2020

	Restricted	Budget
Marketing Programs:		
Media-85% Rebate-Mullen	\$ 2,069,369	\$ 2,069,400
Program Administration Fees-85% Rebate-Mullen	1,695,527	1,695,527
Website & Blog - Mullen	518,951	519,000
Subtotal Consumer Advertising	4,283,847	4,283,927
California Avocado Video Distribution-85% Rebate-Golin	95,751	80,000
California Avocado Month-85% Rebate-Golin	197,871	245,000
News Bureau-85% Rebate-Golin	251,188	255,000
Media Tracking & Reporting-85% Rebate-Golin	67,288	80,000
Blog & Social Media Support-85% Rebate-Golin	94,807	90,000
Program Administration Fees-85% Rebate-Golin	136,114	115,000
Program Administration Expenses-85% Rebate-Golin	2,734	10,000
California Avocado Promotional Items	11,865	10,000
Subtotal Consumer Public Relations	857,618	885,000
Trade Advertising-Media-85% Rebate-Fusion	346,705	350,000
Trade Advertising-Production-85% Rebate-Fusion	24,318	30,000
Conventions-85% Rebate	109,381	201,600
Booth Storage-85% Rebate	10,299	50,000
Key Account Coverage-MW/SE-Anderson-85% Rebate	80,800	90,000
Key Account Coverage-West-Becker-85% Rebate	119,433	142,500
Retail Merchandising Services (POS Placement)-85% Rebate	-	50,000
Premiums-85% Rebate	4,186	20,000
POS Materials-85% Rebate	8,614	20,000
Subtotal Merchandising	703,736	954,100
Media-85% Rebate-KC	104,790	102,000
Production-85% Rebate-KC	27,174	24,000
Public Relations-85% Rebate-KC	63,729	70,700
Foodservice Events-85% Rebate-KC	201,776	307,300
Chain Promotions-85% Rebate-KC	268,738	370,000
Culinary Education Program-85% Rebate-KC	5,279	6,000
Program Administration Fees-85% Rebate-KC	45,450	50,000
Program Administration Expenses-85% Rebate-KC	1,385	4,000
Subtotal Foodservice	718,321	934,000
Total Marketing	6,563,522	7,057,027
Total Program Expenses	\$ 6,563,522	\$ 7,057,027



**Independent Auditor’s 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
California Avocado Commission
Irvine, California

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 California Avocado Commission (Commission), as of and for the year ended October 31, 2020, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated January 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission’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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’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 Commission'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. 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 Commission'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 Commission's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, slightly slanted style.

Irvine, California
January 29, 2021

INDUSTRY STATISTICAL DATA

10 YEAR INDUSTRY STATISTICAL DATA FROM 2010/11 THROUGH 2019/20

YEAR	PRODUCING ACRES	VOLUME	CROP VALUE	PRICE PER POUND (c)	DOLLARS PER PRODUCING ACRE	POUNDS PER PRODUCING ACRE
10/11	57,532	302.5	\$460,209,682	152.1	\$7,999	5,258
11/12	59,629	462.3	\$381,852,467	82.6	\$6,404	7,753
12/13	57,838	500.2	\$435,023,142	87.0	\$7,521	8,648
13/14	57,219	297.5	\$333,216,563	112	\$5,823	5,199
14/15	51,478	279.0	\$303,160,400	108.6	\$5,889	5,420
15/16	51,902	401.4	\$412,332,493	102.7	\$7,944	7,733
16/17	51,249	215.9	\$345,875,896	160.2	\$6,749	4,213
17/18	49,986	337.8	\$383,136,193	113.4	\$7,665	6,758
18/19	47,158	216.6	\$372,285,783	171.8	\$7,894	4,594
19/20	46,078	375.5	\$411,490,578	109.6	\$8,930	8,149

Footnotes:

Producing acres based on CAC's acreage inventory, attrition factors and other sources

Industry statistical data from 1971/72 through 2019/20 are available on CaliforniaAvocadoGrowers.com/industry/industry-statistical-data

CALIFORNIA AVOCADO POUNDS & DOLLARS BY VARIETY

NOVEMBER 2019 THROUGH OCTOBER 2020

Month	Hass Pounds	Lamb Pounds	Others Pounds	Total Pounds	Hass Dollars	Lamb Dollars	Others Dollars	Total Dollars	Avg \$/Lb
1st QTR	6,684,983	1,188	576,236	7,262,407	7,474,124	4,306	217,063	7,695,493	1.060
2nd QTR	109,100,838	1,075	520,221	109,622,134	136,690,266	962	434,131	137,125,359	1.251
3rd QTR	172,677,299	5,470,064	1,400,038	179,547,401	184,700,305	5,012,666	1,120,352	190,833,323	1.063
4th QTR	73,254,126	5,620,356	200,703	79,075,185	70,176,779	5,439,433	220,191	75,836,403	0.959
Total	361,717,246	11,092,683	2,697,198	375,507,127	399,041,474	10,457,367	1,991,737	411,490,578	1.096
Grand Total								411,490,578	1.096
Y-T-D (%)	96.33%	2.95%	72.00%	100.00%	96.97%	2.54%	.48%	100.00%	
Y-T-D AVG \$/LB					1.103	0.943	0.738	1.096	

TOTAL US VOLUME AND CALIFORNIA PRICE PER POUND FROM 2010/11 THROUGH 2019/20

YEAR	CA VOLUME (MM LBS.)	TOTAL US VOLUME (MM LBS.)	CA AVERAGE PRICE PER POUND (c)
10/11	302.5	1,227	152.10
11/12	462.3	1,589	82.60
12/13	500.2	1,684	87.00
13/14	297.5	1,941	112.00
14/15	279.0	2,184	108.60
15/16	401.4	2,348	102.70
16/17	215.9	2,174	160.2
17/18	337.8	2,483	113.4
18/19	216.6	2,632	171.8
19/20	375.5	2,849	109.6

Footnotes:

Total US Volume represents the estimated volume of fresh avocados sold in the US from the November through October time period

2020 ANNUAL REPORT

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