

CALIFORNIA AVOCADO COMMISSION



2021 ANNUAL REPORT



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CHAIRMAN'S LETTER

Fiscal year 2020-21 was a year of adjusted expectations. A June heat wave, a far-reaching drought and strong winds resulted in a 257 million pound crop that was smaller — both in volume and size structure — than originally projected. And the pandemic, which we hoped would recede, continued to strain our operations. But throughout, I have remained bullish about our future. Not simply because as a grower I have weathered plenty of difficult seasons, but because my years with the California Avocado Commission have demonstrated that our staff, marketing team, board and growers make every effort to ensure our industry thrives, no matter the challenges. At the micro level consider this year's smaller-sized, lower volume crop. By increasing the frequency of crop survey data and refining the tools we use to gather that information, we have enabled our marketing team to be better positioned to customize and time promotions to complement fruit size and harvest volume. At the macro level, we have dedicated years of hard work to establishing our premium brand, improving the use of data for everything from research to marketing, and developing partnerships to strengthen our advocacy efforts. With a safety net as robust as this, our industry is — and will continue to be — capable of making nimble adjustments to revised

With GEM avocado acreage increasing in California groves and the fruit a popular discussion point with retailers, the Commission added the fruit to its popular avocado variety browser and GEM assets to its online pressroom.

expectations.

I'm also bullish about our future because this year the statewide grower referendum, which represented the first vote since the Commission exempted smaller growers, approved the continued operation of the Commission for the next five years. The referendum, which passed with overwhelming support (75%), will ensure we can continue efforts to refine our industry and constructively solve problems. Just as we adapted our crop survey tools to provide us with more accurate data to fuel our marketing decisions, we will continue to search for the next big challenge on the horizon so we can adapt our production research and industry affairs programs and proactively address issues before they spiral out of control. Further, we will continue to develop robust programs to help growers improve on-farm practices that drive higher productivity and profitability.



Rob Grether
Chairman

A screenshot of the California Avocado Commission website. The top navigation bar includes links for Retail, Foodservice, Media, FAQ, and FIND STORES. Below this is a secondary menu with Recipes, Lifestyle, Nutrition, How-To, Avocado 101, and Shop. The main content area is titled "LEARN MORE ABOUT EACH VARIETY" and features a row of nine avocado varieties: Bacon, Fuerte, GEM, Green, Hass, Lamb Hass, Pinkerton, Reed, and Zutano. The GEM variety is highlighted with a larger image and a description: "A thick skinned and easily peeled avocado with rich, nutty flavor and similar ripening characteristics of the popular Hass Avocado, available spring through summer." Below the description are four icons representing GEM's characteristics: OVAL SHAPE, PEELY SKIN, MEDIUM SEED, and M-L (Medium-Large).

Perceived Threats to Future Profitability



	Very/Somewhat Serious	No Opinion	Not Very/Not at All Serious	Mean Rating
Cost Factors				
Water costs	93.4%	1.2%	5.4%	4.62
Cost of complying with govt. regulations	74.7%	14.2%	11.1%	4.02
Cost of labor	79.1%	9.2%	11.7%	4.00
Other Factors				
Availability of water	91.5%	3.7%	4.9%	4.57
Imported avocados	80.2%	12.3%	7.4%	4.23
Environmental regulations	79.2%	13.8%	6.9%	4.15

Data from the Commission’s grower profitability study indicated that while irrigation costs remain significant, other major cost factors play a critical role in the profitability of an operation.

This year, the Commission conducted a study to collect concrete data on the profitability of the California avocado industry and the operating characteristics of our diverse avocado enterprises. We are grateful to the growers who participated in the State-of-the-Industry survey and provided us with 2018-20 production, crop value, gross income, total expenses, water source and irrigation cost data, as well as their feedback concerning the most serious threats to their profitability. Ultimately, their active participation provided the Commission with a more representative spectrum of profitability and a more accurate picture of profit and loss within our industry. Data indicated that while yields are declining slightly, crop values are holding steady. Respondents also reported continued growth in revenues, but it is clear expenses are growing at a faster rate and applying pressure on growers’ net margins. Findings from the survey indicated irrigation costs remain significant, but are not the single major cause of increasing total expenses — rather, growers indicated costs associated with labor and compliance play a significant role in profitability. Although the survey data indicates many of our growers remain profitable, the pace at which operational costs are rising is a clear call-to-action and the Commission will use the findings from this report to assess growers’ most pressing challenges and develop strategies to help growers optimize their yields.

For the past several years, the Commission has made concerted efforts to address increasing consumer and trade interest in sustainability by identifying the California avocado industry’s sustainability practices and the hundreds of laws our growers must comply with. This year, the Commission launched a sustainability webpage on the CaliforniaAvocado.com consumer website showcasing our environmentally friendly farming methods, our commitment to worker well-being, and the role California groves play in supporting healthy communities and economic viability. To build awareness of our sustainability practices, the Commission invited Assemblyman Robert Rivas, chair of the Assembly Agriculture Committee, to visit Jason Mraz’s California avocado grove and witness first-hand our sustainable growing practices and discuss how our groves

help protect the environment during wildfires, contribute to local economies and improve surrounding communities by reducing urban sprawl. We also shared the challenges our growers face and advocated for recognizing and incentivizing growers’ existing contributions to a healthy climate. As a result, the Commission

was invited to work with Rivas on an avocado pilot program to preserve and expand the ecosystem benefits of avocado grove practices, and Jason Mraz was provided the opportunity to testify at an Assembly informational meeting on Environmental Farming as our industry ambassador.

With an eye to protecting our industry, the Commission remains diligent about identifying potential pest infestations caused by global avocado imports. To that end, the Commission submitted extensive comments to the Animal and Plant Health Inspection Service concerning the major threat the avocado seed moth, associated with Ecuadorian avocado imports, posed to quarantine security. In addition, CAC staff met with APHIS staff in Washington, D.C. to call for mandatory surveys of Ecuadorian production areas. As a result, APHIS revised the 2018 proposed rule to include the Commission’s recommended surveillance protocols, ensuring sites with detected pests are prohibited from exporting avocados to the U.S. until the risk has been mitigated.

On the labor front, the Commission continued to advocate for access to a secure and reliable workforce by signing a letter of support for passage of the

Farm Workforce Modernization Act and maintained its active role as a member of the Agriculture Coalition for Immigration Reform.

To support interest from California growers, the Commission expanded research and outreach efforts on the GEM variety. Favorable tree and fruit characteristics of the GEM variety — a compact tree structure well-suited to high-density planting, robust foliage that protects from sunburn and early-season, high yields of large fruit — have led it to become a popular choice with growers in recent years and is gaining attention from retailers. Given this increasing interest in GEM, the Commission established a multiyear (4-5 years) research trial to evaluate the feasibility of increasing GEM avocado grove productivity through high density planting. The Commission also reported findings from a GEM scarring trial, which indicated that windbreaks and windscreens could be useful in minimizing fruit scarring. In response to grower questions about the variety, the Commission also shared GEM observations and recommendations from a local nursery. To address consumer interest in the variety, CAC added information on GEMs to the consumer website and online pressroom to improve search engine results and establish CAC as a go-to source for GEM information.

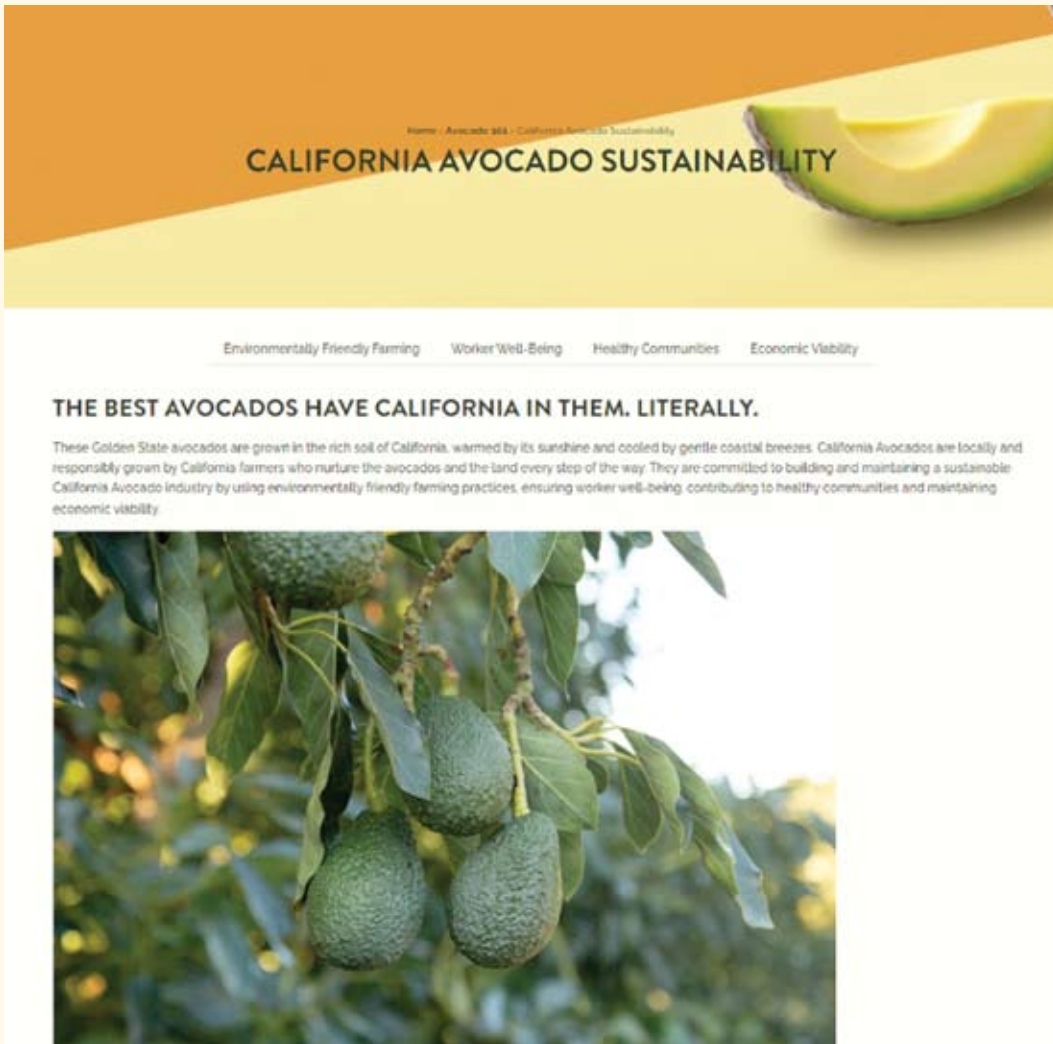
On the pest management front, the

Commission adopted a proactive management approach to the large avocado seed weevil by launching a three-year project designed to develop management tools in advance of the pest becoming a threat. The new study seeks to identify pheromones that attract the pest to feeding and mating sites, determine the weevil's natural enemies and examine biological characteristics — such as flight patterns and avocado preferences — that could provide researchers with effective mitigation strategies.



The Commission also devoted significant efforts to continued research concerning avocado branch canker, which has become increasingly common. This year the Commission shared findings identifying *Botryosphaeria* as the primary causal agent of Avocado Branch Canker, confirmed wounds are the primary infection sites for the disease and outlined the best ABC disease management strategies when pruning. In the coming years, CAC will investigate optimal fungicides that

The Commission invited Assembly Ag Committee Chair Robert Rivas to tour Jason Mraz's California avocado grove to learn more about how groves protect the environment and make positive impacts on local economies and communities. Jason also testified before the Assembly Informational Hearing on Environmental Farming on behalf of the California avocado industry.



The new California Avocado Sustainability webpage shares California avocado growers' commitment to environmentally-friendly farming, worker well-being, healthy communities and economic viability.

protect from ABC during pruning.

Findings from the Commission's State-of-the-Industry Survey indicated the biggest factor to mitigating increasing production costs is increasing California avocado yields. The Commission remains committed not only to conducting research to address potential and current challenges faced by California avocado growers, but also ensuring growers have access to information that can help them improve their yields. To that end, throughout the year CAC shared critical cultural management information via the bi-weekly *GreenSheet* and on the California avocado grower website including articles to help growers interpret soil/leaf/water analyses, best harvesting practices, and methods of coping with the extremes of climate change. In addition, the Commission

hosted both in-person field days and virtual seminars to address some of the most pressing topics. Growers were invited to learn about the insights gleaned from the Commission's Pine Tree Ranch fertility program, as well as the California avocado rootstocks and GEM avocado trials being conducted at Pine Tree Ranch. CAC collaborated with experts from New Zealand and UC-Riverside to produce an avocado nitrogen and fertility webinar, and hosted its own heat mitigation strategies session for growers. To help growers cope with the continued pressures placed on their operations by COVID, the Commission consistently shared information about COVID protocols and funding resources for operations impacted by the

pandemic. Further, CAC gathered and shared information regarding organic certification, mandated FSMA produce training sessions, disaster assistance, and drought, water conservation and irrigation system evaluation resources.

As we move forward, I am encouraged by the opportunities ahead. As diverse as our California avocado operations are, every one of our growers is committed to growing premium fruit that represents the best this state has to offer. And we are backed by a strong support network of expert Commission staff, dedicated board members, and committed industry partners and advocates who will help us continually pursue opportunities to improve our industry and support our vision to grow and market the most-desired avocados in the world.

PRESIDENT'S LETTER

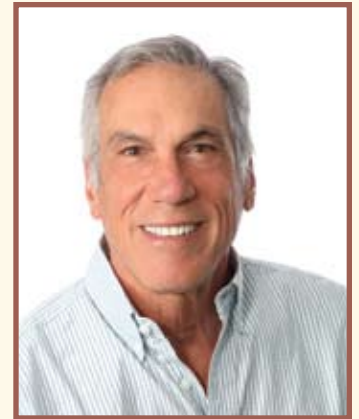
Throughout history, California avocado growers have been subject to the whims of Mother Nature and have had to adapt to shifts in labor and resource availability, the ebb and flow of pests and diseases, and the perpetual tides of the market. For the second year in a row, however, those variables were compounded by two additional factors. The extremes of climate change — resulting in a lower-than-projected California avocado crop volume and smaller-sized fruit. And the uncertainties of a variable pandemic, which contributed to supply chain issues and labor shortages impacting a food service and retail industry already strained by the previous year. And yet, across the board we secured higher average lug prices for all sizes as compared to last year, procured a respectable average \$1.14 in-season selling price, reported a continued increase in usage and sales of bagged avocados that helped move a smaller-sized crop, and ran successful promotions with 13 foodservice chains and 11 retail partners.

I have long touted the importance of the California avocado industry's ability to pull together — to face challenges as a diverse, but united-in-purpose whole. As I look back on this tumultuous year, it is clear my faith in our core operating principle — teamwork — has never been better placed. Over the past decades we have worked relentlessly to bring together and partner with talented, dedicated, knowledgeable individuals — California Avocado Commission staff, growers, handlers, researchers, agencies — to produce, distribute and market the best fruit on the planet.

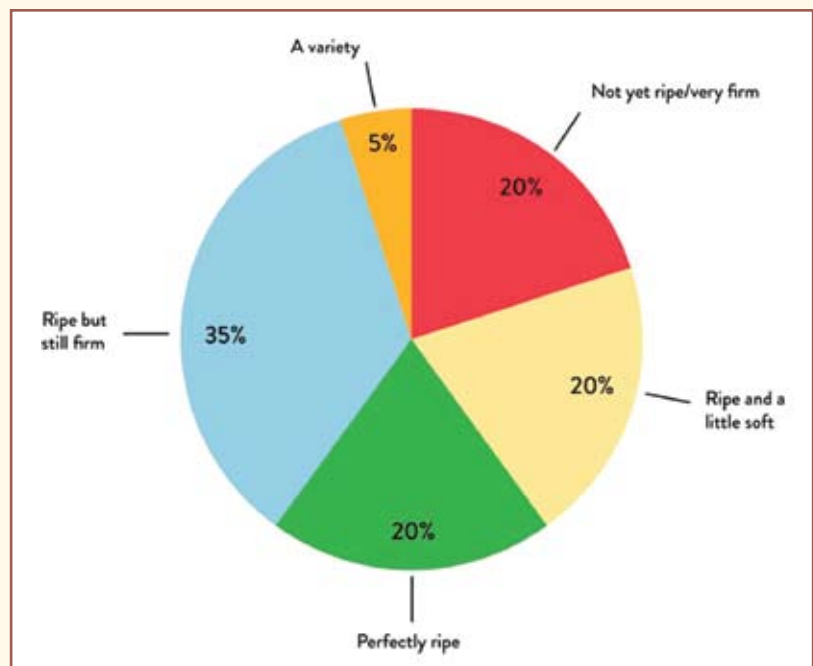
Further, we have extended those partnerships to carefully selected brand advocates, chefs, and retail/foodservice

partners who are committed to and representative of a premium brand we have so painstakingly established. Collectively, we pair promotions with availability, provide relevant and informative content that engages our consumers and empowers our trade partners, and showcase our premium fruit with unique retail/foodservice promotions that suit the needs of our partners without sacrificing our brand integrity.

The groundwork we have laid by establishing these partnerships and gathering this talent has provided us with a keen understanding of our targeted consumers and data-driven marketing strategies nimble enough to adapt to swift changes in sentiment and harvest volume — even in years such as this. The following highlights are representative of the robust partnerships, data-driven decisions and adept adjustments that remain central to our success.



Tom Bellamore
President



The Commission's Avocado Ripeness Study indicates that today consumers look to purchase avocados they can enjoy the day of purchase as well as later in the week — indicating retailers can encourage sales of the fruit by displaying avocados of varying levels of ripeness.



The return to in-person industry events provided the Commission with opportunities to showcase unique flavor profiles by using spice pairings and California avocado concept dishes for targeted foodservice industry decision makers.

CONSUMER MARKETING — LIGHT-HEARTED, INFORMATIVE, INSPIRATIONAL AND RELEVANT

The Commission has long committed itself to gaining a better understanding of our targeted consumers and their changing needs and interests. In a year marked with equal parts hope and uncertainty as the world endeavored to adapt to a “new normal,” the Commission developed a marketing plan focused on providing both information and inspiration. Noting consumers’ interest in health and wellness, sustainability and food safety, at-home meal preparation, and dining options that combine flavor with well-being, the Commission produced relevant and engaging content paired with uplifting imagery evoking the California lifestyle. As a result, the Commission’s consumer marketing activity produced impressive levels of engagement, garnering more than

1 billion impressions, and achieving brand awareness of 89% in our home state.

Recognizing the light-hearted and uplifting “The best avocados have California in them” consumer campaign remained uniquely suited to this moment in time, the Commission continued the campaign and adopted fresh attributes — California colors, creativity, culture, drives, hope, kindness, sights, skies, taste, waves and wonder — representative of the California lifestyle. For year two of this award-winning campaign, the Commission partnered with 10 new artists to showcase inspirational artwork, including a custom “creativity” design in Venice, California by renowned street artist Shepard Fairey and his design team.

Data indicates video spots showcasing this campaign clearly resonated with the California avocado audience and served to differentiate our brand. The 2021 Instapanel study reported 87% of consumers who viewed the spots said they were more willing to pay a premium price and 81% indicated California avocados were different than those from other origins. Similarly, the 2021 Spotify Nielsen Brand Effect Study indicated the ads exceeded benchmarks across the board, including ad recall, brand awareness, brand preference, favorability and purchase intent. Overall, the campaign garnered 333 million impressions.

With recent data indicating California avocado targeted consumers spend most of their time on streaming video and digital channels, the Commission increased its use of videos in both public relations and ads. The Commission built upon its strong showing last year with video ads appearing as pre-roll on foodie and trending content available on YouTube, Hulu, POPSUGAR, and Viant, and paired video with audio ads on Spotify. Overall, the video advertising program produced a noticeable uptick in engagement with 93

million impressions on digital streaming channels and 16 million views on audio platforms.

One of the clear advantages to content creation is the ability to repurpose and share that content across a variety of traditional, digital, social and streaming channels. Take, for example, CAC's partnership with chef and health food enthusiast Oliver English who filmed three road-trip videos preparing California avocado recipes amongst some of the state's most stunning backdrops. In a nod to changes in lifestyle and travel brought about by the pandemic, the videos provided travelers with easy-to-prepare recipes. The videos were then shared across the Commission's social media platforms, on content partner sites and used in pre-roll ad placements on Spotify, Hulu, YouTube and the Food Network, a channel that reported more than 25% growth in minutes watched during the pandemic era. In total, this activity garnered 3 million impressions. Similarly, the new "California Avocados — History, Growers and Culture" video, which showcased the fruit's influence on California culture and cuisine while providing an up-close-and-personal tour of picturesque groves, was used throughout the season for public relations purposes and on digital channels including the CaliforniaAvocado.com site and CAC's social platforms.

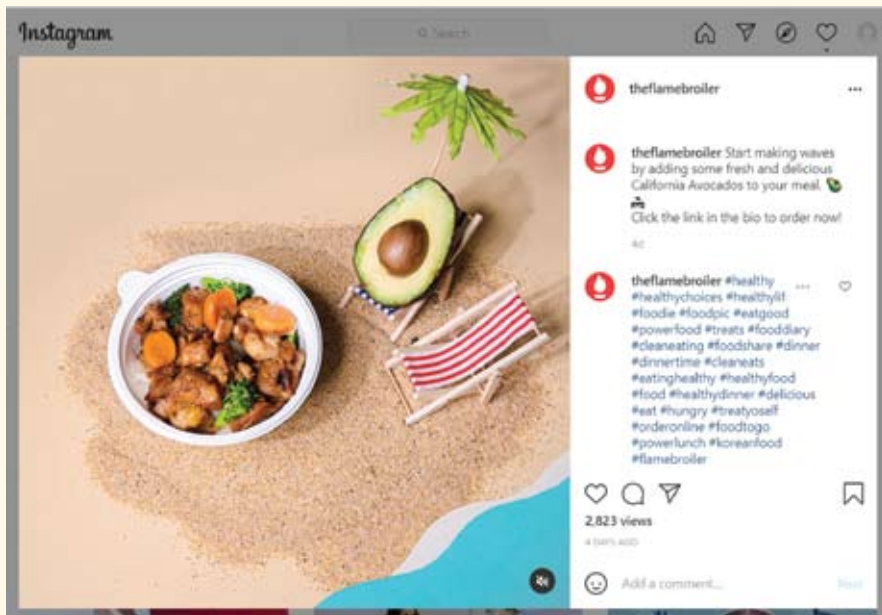
By partnering with trusted and respected third-party advocates, the Commission created another avenue by which we can engage, inform and entertain our targeted consumers. Our advocates are talented storytellers and photographers who demonstrate the ease and joy of preparing on-trend California avocado recipes that appeal to a variety of lifestyles, share time-saving tips and tricks, and relay easy-to-understand nutrition information. The Commission developed recipe and content themes that paired consumers' health, wellness and lifestyle interests with



the individual talents and specialties of our six Brand Advocates and six Living Well Brand Advocates. Themes included no/low waste meals for budget-conscious families, vegan recipes with a California coastal theme, on-trend multicooker recipes, meals that incorporate immune-boosting foods and meals families could prepare together. Advocates shared their California avocado content across their social media channels, in vlog and blog posts, and in articles and television appearances garnering 134 impressions across digital and traditional media.

With a reported 72% of consumers using social media in some form, consumer engagement on these platforms remains a critical component of the Commission's public relations efforts. This year, CAC reported a 95% increase in Facebook impressions, a 103% increase in retweets on Twitter and a 30% increase in YouTube subscribers. Ultimately, the California avo-

Launched in March, CAC's LinkedIn page reported a 231% follower growth rate thanks to informative posts such as this one, which showcased how the Commission helps retailers promote California avocados in-store and across digital channels.



The Commission's award-winning "The best avocados have California in them" campaign creative received high marks from consumers and was repurposed for consumer and trade purposes, including this Instagram post by foodservice chain partner Flame Broiler.

avocado social media campaigns on Facebook, Instagram, Twitter and Pinterest delivered more than 27 million impressions, 2.6 million engagements and an additional 2.8 million impressions for social posts promoting California avocado availability at local retailers. By sharing relevant, uplifting, informative and inspirational content and imagery, the Commission's consumer public relations campaign secured nearly 918 million impressions.

New recipes, improved accessibility

Acknowledging the penchant for fresh, easy-to-prepare meals as consumers increasingly prepared meals at home two years into the pandemic, the Commission found new ways to engage with its targeted consumers and showcase California avocado meals that appeal to a variety of lifestyles. CAC launched the season with an online cooking class led by celebrity chef Brian Malarkey for local, consumer and trade media, influencers and retail contacts. Chef, cookbook author, culinary personality and CAC Board member, Daniella Malfitano, joined the online session as moderator. Armed with fresh inspiration, the participants shared their experiences and recipes with their followers across various digital channels garnering 157 million impressions.

Welcoming California avocado fans to join us in celebration of California Avocado Month, CAC hosted a California Avocado Recipe Contest via Modern Luxury's premium California magazines. The winning recipe was showcased by chef and wellness influencer Nikki Martin, securing 514 million impressions. In addition, CAC hosted a local drive-in event for consumers, media and influencers featuring a California classic movie, *Angels in the Outfield*, and recipe cards developed by chef E Dubble of the Los Angeles-based Fraiche food truck garnering an additional 76 million impressions.

To make it easier for consumers to find fresh inspiration for at-home meals featuring California avocados, the Commission continued efforts to optimize CaliforniaAvocado.com content and functionality, reaching its primary goal of being ranked first among its competition for site speed on mobile. Further, the recipe section was redesigned so consumers could easily view it on mobile devices, create shopping lists and select recipes based on meal occasions and lifestyle preferences. In addition, 91 new recipes ranging from sandwiches/burgers/wraps, salads and soups to side dishes, salads, beverages and breakfast options were added to the number one most-visited portion of the consumer website, the recipe section.

More options for fans to share their love for California avocados

Having developed a robust social media presence that has established the Commission as a trusted source for "all things avocado" and having expanded that sphere of influence with respected brand advocates, we also were presented with the opportunity to bring consumers into the brand-advocate fold with California avocado-branded merchandise. Launched at the end of 2020, the ShopCaliforniaAvocado.com merchandise shop continues

to grow in popularity. To that end, this fall we introduced new California avocado merchandise options just in time for holiday shopping. The new items featured “The best avocados have California in them” thematic on posters, beach towels, mugs, aprons and t-shirts, while new novelty items included an avo head perfect for sporting and outdoor events and a pit pillow for expectant mothers. Current revenues have offset delivery costs and average orders now value nearly \$90.

TRADE MARKETING — INSPIRATION AND INFORMATION BUILD DEMAND

Having weathered the challenges of 2020, year two of the pandemic placed additional stressors on retailers and food-service operators in 2021 with an increase in supply chain issues and rising concerns about labor shortages. Recognizing the burdens faced by current and potential trade partners, the Commission relied on two of its greatest strengths: data and collaborative creativity, as the tools by which it could help partners drive demand without placing undue stress on partners’ operations.

To broaden awareness of the Commission’s role as an industry leader, trusted resource and valuable partner, CAC utilized informative trade PR campaigns, advertising and a newly established presence on LinkedIn to demonstrate the value of California avocados and the services of the Commission. By sharing content on LinkedIn illustrating key activities, promotions and programs available to retailers and foodservice operations that partner with the Commission, CAC improved engagement with industry members while building brand awareness, loyalty and sales of California avocados. One of CAC’s posts, which shared a video demonstrating how CAC assists retail teams, garnered



78,000 impressions. In addition, CAC’s posts were routinely tagged by trade press, industry blogs, podcasts, executive chefs, industry professionals and avocado packers and handlers, expanding our sphere of influence and awareness. This business-to-business social presence was complemented by trade PR showcasing CAC news, California avocado availability, and key brand messages, advertising and programs. Combined trade PR and advertising yielded nearly 50 million impressions.

Data from the State of the Avocado Category report indicated CAC’s tiered-marketing approach, which aligns customized marketing support with distribution, remains a powerful means of driving sales at the retail level. From 2017-20, the California avocado season averaged more than \$5.2 million more sales per week than the non-California season and that gap is widening. The Commission’s focus on California markets is also validated by the data, which indicates California sales velocity and the average retail price of organic and conventional avocados is consistently higher than the rest of the nation. Further, a California Promotional Retail Study reported a 39% greater weekly average in dollar sales during a California avocado feature week versus a non-California avocado feature week and that dollar sales increased at a faster rate (23%) as compared to other avocados (16%).

The Commission found unique ways of engaging with consumers during the pandemic, including a family-friendly drive-in event that celebrated California avocados with the Southern California classic Angels in the Outfield and secured 76 million impressions.

Figures like this are an important means of demonstrating to current and future retail partners the value of California avocados and to encourage retailer support that will build demand for the fruit.

Further, our continued efforts to gain insight into shoppers' preferences and the role those preferences play in determining their avocado purchase decisions play a critical role in helping our retail partners successfully engage with consumers and build demand for California avocados. For example, the qualitative Avocado Ripeness Study conducted this year not only gleaned key changes in California consumers' avocado purchasing behaviors it also provided critical insights for best merchandising practices.

Clearly, our data-driven approach is working. Across the board, CAC's retailer partners reported promotional gains. For example, PCC Community Markets hosted a virtual cooking class and posted social media videos that garnered 4.2 million views. PCC Community Markets' bagged avocado promotion resulted in a 70% lift in sales. Natural Grocers hosted a first-

time Father's Day Meal Deal promotion for organic avocados that led to a 21% lift in sales over the previous year. And a CAC-sponsored sales contest at Albertsons/Vons/Pavilions led to more than \$2.5 million in sales and a 3.75% increase in bagged avocado sales. By providing retailer partners with data-backed strategies and CAC-branded materials and inspirational promotional ideas that go beyond advertising, we have been able to build demand for our fruit.

To broaden awareness of the Commission's expertise and resources in the foodservice sector, CAC hosted virtual and on-site sessions demonstrating how to build unique flavors with California avocados. Later in the season, CAC created the California Avocado Academy series consisting of 18 videos created by Chef Jason Hernandez focused on California style, cuisine, seasonal availability and tips and techniques. In addition, CAC launched an newsletter promoting resources available to chain partners that reported an above-average open and click-through rate. CAC staff attended two virtual and six in-person



In light of the pandemic, consumers showed even greater interest in health and well-being and sought recipes they could easily prepare at home. To meet those needs, the Commission partnered with Living Well Brand Advocates like Culinary Dietitian Wendy Jo Peterson, MS, RDN, who flexed her culinary creativity by creating recipes that could be prepared in popular multi-cooker appliances.



The Commission continued to use uplifting and positive messaging paired with imagery emblematic of the California lifestyle in its “The best avocados have California in them” creative to uplift consumers.

California Avocado Commission

Recipes Lifestyle Nutrition How-To Avocado 101 Shop Merch

DUNGENESS CRAB STUFFED CALIFORNIA AVOCADO

Recipe from: [Chef Brian Malarkey](#) ★★★★★ (9) [Leave a comment](#)

Total Time: 20 min LEARN MORE

Nutrition Facts VIEW

This light, yet satisfying appetizer pairs a Pacific seafood delicacy with delicious in-season California Avocados. The sweetness from the crab, the zest from the vinaigrette and the creamy avocado come together to deliver a punch of flavor in every bite.

The newly improved recipe section added 91 new recipes in 2021 along with appealing imagery and makes it easier for visitors to find similar recipes of interest to them.

industry events, including the Virtual Flavor Experience — where the Commission earned the highest score for best demo session — and the World of Flavor where CAC staff demonstrated the halo value of avocados on the menu and, keeping in mind COVID protocols, showcased unique to-go delivery meal ideas. The Commission also hosted both on-site and virtual menu ideation sessions, presenting concepts based on a chain's unique menu strategy and operational setup. As a result, CAC secured 13 foodservice chain promotions that ranged from new California avocado menu items to old favorites.

On the global front, we expanded our brand presence in both Korea and China. In Korea, celebrity food stylist Bouen Lee hosted a virtual cooking class, celebrity chef Young Bin Kim led an in-person cooking class, 16 mothers-and-food influencers shared recipes with their followers and in-store demos were held in 109 South Korean stores. In China, CAC continued efforts to broaden awareness of California avocados with consumer education, a new social media account on Redbook, engaged a celebrity chef to feature the fruit in Chinese cuisine and partnered with influencers focused on cooking, healthy living, fitness and parenting.

Ultimately, it is the commitment of people across this industry that ensures we can adapt to unprecedented challenges and still produce a fruit that lives up to our brand promise, fetches a premium price, satisfies our targeted consumers and sustains an industry committed to quality. If we take away anything from the unprecedented challenges we have faced this past year it is this: our most important asset remains our people. We must continue to work together as a cohesive, focused whole to advance the California Avocados brand — do our research, make informed decisions, time it right and take bold initiatives to ride the shifting winds of the weather, the world and the market.



2020-21

**Board
of
Directors**

District 1

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

District 2

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

District 3

Member/John Lloyd-Butler
Member/Robert Grether-**Chairman**
Alternate/Maureen Cottingham

District 4

Member/Rachael Laenen
Member/Jason Cole-**Treasurer**
Alternate/Doug O'Hara

District 5

Member/Andrew Prechtl
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, 2021 and 2020



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, 2021 and 2020, 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, 2021 and 2020, and 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 28, 2022, 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 28, 2022

CALIFORNIA AVOCADO COMMISSION
Management's Discussion and Analysis
For the Years Ended October 31, 2021 and 2020
(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, 2021 and 2020. 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 2021 assets exceeded its liabilities as of October 31, 2021 by \$14,342,442 (total net position). This amount decreased \$3,930,020 or 27% from the prior year amount of \$14,342,442.
- Of the total net position at the end of fiscal year 2021, net investment in capital assets decreased \$47,306 to \$85,529 or 36% from the prior year amount of \$132,835.
- Net position restricted for marketing at the end of fiscal year 2021 decreased \$514,377 to \$4,263,018 or 11% from the prior year amount of \$4,777,395.
- Unrestricted net position at the end of fiscal year 2021 decreased \$3,368,337 to \$6,063,875 or 36% from the prior year amount of \$9,432,212. This amount made up 58% of total net position.
- 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.

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 (Continued)
For the Years Ended October 31, 2021 and 2020
(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, 2020, has been presented in the accompanying financial statements (including MD&A) to facilitate financial analysis for the current year ended October 31, 2021. A comparative analysis of fiscal year 2020 with fiscal year 2019 is also presented in the MD&A.

STATEMENTS OF NET POSITION:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current assets	\$12,469,197	\$16,660,466	\$15,769,842
Capital assets, net	85,529	132,835	184,314
Total assets	<u>12,554,726</u>	<u>16,793,301</u>	<u>15,954,156</u>
Current liabilities	2,012,216	2,364,891	1,959,923
Noncurrent liabilities	130,088	85,968	10,445
Total liabilities	<u>2,142,304</u>	<u>2,450,859</u>	<u>1,970,368</u>
Net position:			
Net investment in capital assets	85,529	132,835	184,314
Restricted for marketing	4,263,018	4,777,395	4,327,047
Unrestricted	6,063,875	9,432,212	9,472,427
Total net position	<u><u>\$10,412,422</u></u>	<u><u>\$14,342,442</u></u>	<u><u>\$13,983,788</u></u>

CALIFORNIA AVOCADO COMMISSION
Management's Discussion and Analysis (Continued)
For the Years Ended October 31, 2021 and 2020
(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 2021 totaled \$12,469,197, decreasing \$4,191,269 from the prior year amount of \$16,660,466. 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 6.2 times, indicating good liquidity.

At the end of fiscal year 2020, 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 along with decreased activities in marketing programs which is reflected in the increased cash balance. Total current assets cover current liabilities 7.0 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 2021 totaled \$2,142,304 decreasing from a balance of \$2,450,850 in 2020. This decrease was due to lower non-marketing obligations owed to vendors. Liabilities at the end of fiscal year 2020 totaled \$2,450,850 increasing from a balance of \$1,970,368 in 2019. This increase was due to higher 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 \$85,529 at the end of fiscal year 2021, decreasing \$47,306 from the prior year amount of \$132,835. This decrease is due to the depreciation of capital assets. Net investment in capital assets represents 0.5% of total net position.

At the end of fiscal year 2020, net investment in capital assets totaled \$132,835, 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.

Restricted net position for marketing activities is subject to imposed restrictions by federal statute governing their use. Restricted net position totaled \$4,263,018 at the end of 2021, decreasing \$514,377 from the prior year amount of \$4,777,395, and decreasing \$450,348 from 2019. Restricted net position represents 41% of total net position.

Unrestricted net position available for future activities at the end of fiscal year 2021 totaled \$6,063,875 decreasing \$3,368,337, from the prior year amount of \$9,432,212. 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.

CALIFORNIA AVOCADO COMMISSION
Management's Discussion and Analysis (Continued)
For the Years Ended October 31, 2021 and 2020
(Unaudited)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$10,928,909	\$15,153,319	\$12,561,835
Operating expenses	15,382,628	15,110,511	11,160,339
Operating income (loss)	<u>(4,453,719)</u>	<u>42,808</u>	<u>1,401,496</u>
Nonoperating revenues	523,699	315,846	362,964
Change in net position	<u>(3,930,020)</u>	<u>358,654</u>	<u>1,764,460</u>
Net position – beginning of year	14,342,442	13,983,788	12,219,328
Net position – end of year	<u>\$10,412,422</u>	<u>\$14,342,442</u>	<u>\$13,983,788</u>

Operating revenues totaled \$10,928,909 in 2021, decreasing \$4,224,410 or 28% from \$15,153,319 earned in 2020. This decrease is due to a decrease in assessment revenue received due to a smaller total crop volume; 270 million pounds were reported in 2021 as compared to 375 million pounds in 2020. The majority of operating revenue consisted of assessment revenue, totaling \$10,852,916 (99.3%). The remaining portion (0.7%) was from administrative fees generated from AIP of \$61,000 and online merchandise sales of \$14,993.

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%) of was from administrative fees generated from AIP of \$60,996 and online merchandise sales of \$9,287.

Operating expenses totaled \$15,382,628 in 2021, increasing \$272,117 or 2% from \$15,110,511 in 2020. This increase is consistent with prior year to maintain marketing programs. 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.

At the end of the fiscal year 2021, the Commission reported an ending net position of \$10,412,422, a decrease of \$3,930,020 from the prior year amount of \$14,342,442. This is due to a decrease in assessment revenue received from a smaller total crop volume.

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 primarily due to an increase in assessment revenue received due to a larger total crop volume.

CALIFORNIA AVOCADO COMMISSION
Management's Discussion and Analysis (Continued)
For the Years Ended October 31, 2021 and 2020
(Unaudited)

CAPITAL ASSETS

The Commission's net investment in capital assets totaled \$85,529 as of October 31, 2021, decreasing \$47,306 from the prior year amount of \$132,835, and decreasing \$51,479 from \$184,314 in 2019 (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 2021, the Commission accumulated an accrued compensated absences balance of \$234,693; an increase of \$34,488 from the prior year balance of \$200,205. This increase is due to unused vacation time by employees. 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.

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, 2021 and 2020

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 6,348,950	\$ 9,932,702
Assessments receivable	108,801	444,328
Other receivables	394,991	161,206
Prepaid expenses	190,189	107,913
Fiduciary cash and cash equivalents, amounts held for AIP	1,020,970	965,868
Inventory	64,781	30,535
Restricted:		
Cash and cash equivalents	4,007,771	4,066,788
Assessments receivable	332,744	951,126
Total current assets	12,469,197	16,660,466
Noncurrent assets:		
Capital assets being depreciated, net	85,529	132,835
Total assets	12,554,726	16,793,301
Current liabilities:		
Accounts payable and accrued liabilities	788,713	1,026,267
Accounts payable and accrued liabilities, payable from restricted assets	79,928	240,519
Fiduciary liabilities, amounts held for AIP	1,020,970	965,868
Deposits	18,000	18,000
Compensated absences, due within one year	104,605	114,237
Total current liabilities	2,012,216	2,364,891
Noncurrent liabilities:		
Compensated absences, due in more than one year	130,088	85,968
Total noncurrent liabilities	130,088	85,968
Total liabilities	2,142,304	2,450,859
Net position:		
Net investment in capital assets	85,529	132,835
Restricted for marketing	4,263,018	4,777,395
Unrestricted	6,063,875	9,432,212
Net position	\$ 10,412,422	\$ 14,342,442

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Assessment revenue	\$ 5,693,840	\$ 8,077,521
HAB rebate assessment revenue (restricted)	5,159,076	7,005,515
Administrative and marketing fees	61,000	60,996
Other operating revenues	<u>14,993</u>	<u>9,287</u>
Total operating revenues	<u>10,928,909</u>	<u>15,153,319</u>
Operating expenses:		
Marketing	10,750,358	10,661,812
Nonmarketing programs	1,484,712	1,231,672
Administration	<u>3,147,558</u>	<u>3,217,027</u>
Total operating expenses	<u>15,382,628</u>	<u>15,110,511</u>
Operating income (loss)	<u>(4,453,719)</u>	<u>42,808</u>
Nonoperating revenues:		
Interest income	19,744	27,853
Grant income	340,558	151,613
Other income	<u>163,397</u>	<u>136,380</u>
Total nonoperating revenues	<u>523,699</u>	<u>315,846</u>
Change in net position	(3,930,020)	358,654
Net position, beginning of year	<u>14,342,442</u>	<u>13,983,788</u>
Net position, end of year	<u><u>\$ 10,412,422</u></u>	<u><u>\$ 14,342,442</u></u>

See accompanying notes to basic financial statements.

CALIFORNIA AVOCADO COMMISSION
 Statements of Cash Flows
 For the Years Ended October 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from customers	\$ 11,669,891	\$ 14,293,164
Cash payments to suppliers for goods and services	(13,396,367)	(12,202,369)
Cash payments to employees for services	(2,384,888)	(2,511,535)
Net cash provided by (used for) operating activities	<u>(4,111,364)</u>	<u>(420,740)</u>
Cash flows from non-capital financing activities:		
Proceeds from grants	340,558	151,613
Other income	163,395	136,162
Net cash provided by non-capital financing activities	<u>503,953</u>	<u>287,775</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	-	216
Net cash used by capital and related financing activities	<u>-</u>	<u>216</u>
Cash flows from investing activities:		
Interest on investments	19,744	27,853
Net increase (decrease) in cash and cash equivalents	(3,587,667)	(104,896)
Cash and cash equivalents, beginning of year	14,965,358	15,070,254
Cash and cash equivalents, end of year	<u><u>\$ 11,377,691</u></u>	<u><u>\$ 14,965,358</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (4,453,719)	\$ 42,808
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense	47,306	51,479
Changes in assets and liabilities:		
(Increase) decrease in assessments receivable	953,909	(1,010,697)
(Increase) decrease in other receivables	(233,785)	10,717
(Increase) decrease in prepaid expenses	(82,276)	34,995
(Increase) decrease in inventory	(34,246)	(30,535)
Increase (decrease) in accounts payable and accrued liabilities	(398,145)	282,888
Increase (decrease) in fiduciary liabilities	55,102	170,358
Increase (decrease) in compensated absences	34,490	27,247
Net cash provided by (used for) operating activities	<u><u>\$ (4,111,364)</u></u>	<u><u>\$ (420,740)</u></u>

See accompanying notes to basic financial statements.

CALIFORNIA AVOCADO COMMISSION

Notes to Basic Financial Statements

October 31, 2021 and 2020

(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, 2021 and 2020, was 1.75% and 2.00%, 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, 2021 and 2020

(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, 2021 and 2020. 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, 2021 and 2020

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, 2021 and 2020, the Commission had net investment in capital assets in the amounts of \$85,529 and \$132,835, respectively. There was no outstanding debt related to capital assets at October 31, 2021 and 2020.

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, 2021 and 2020, the Commission had restricted net position in the amounts of \$4,710,935 and \$4,777,395, 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, 2021 and 2020

(2) DETAILED NOTES ON ASSETS AND LIABILITIES

(a) Cash and Cash Equivalents

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

	2021	2020
Petty cash	\$ 200	\$ 200
Demand deposits	11,367,091	14,954,799
Local Agency Investment Fund	10,400	10,359
Total cash and cash equivalents	\$ 11,377,691	\$ 14,965,358

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, 2021, was \$35.4 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at October 31, 2021, had a balance of \$174.8 billion. Of that amount, 1.77% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 335 days as of October 31, 2021.

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.

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, 2021 and 2020

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	\$75 million

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2021 and 2020

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	
	2021	2020
Local Agency Investment Fund	\$ 10,400	\$ 10,359

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, 2021 and 2020.

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, 2021, the bank balance of the deposit was \$11,412,786. The first \$250,000 of the bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). The remaining balance of \$11,117,091 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, 2020, the bank balance of the deposit was \$14,984,334. The first \$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.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2021 and 2020

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, 2020	Additions	Deletions	October 31, 2021
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	93,554	32,349	-	125,903
Office equipment	61,002	-	-	61,002
Software	14,187	834	-	15,021
Land improvements	70,909	14,123	-	85,032
Total accumulated depreciation	<u>239,652</u>	<u>47,306</u>	<u>-</u>	<u>286,958</u>
Capital assets, net of depreciation	<u>\$ 132,835</u>	<u>\$ (47,306)</u>	<u>\$ -</u>	<u>\$ 85,529</u>
	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>

Depreciation expense was \$47,306 and \$51,479 for the years ended October 31, 2021 and 2020, respectively.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2021 and 2020

(c) **Long-term Liabilities**

	<u>November 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2021</u>	<u>Amount Due within One Year</u>
Compensated absences	\$ 200,205	\$ 131,157	\$ (96,669)	\$ 234,693	\$ 130,088

	<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

(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, 2021 and 2020, \$1,020,970 and \$965,868, 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, 2023, under the same terms as the original agreement. At October 31, 2021 and 2020, there was no outstanding balance due on the line of credit.

(c) **Risk Management**

Insurance Programs of the Commission

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, 2021 and 2020

Umbrella Liability – insured by Fireman’s Fund Insurance – 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 U.S. Specialty Insurance Company – 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 2021.

(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 eleven employees eligible to participate in the PSP for the plan year ended October 31, 2021, was \$1,817,541. Total payroll for the twelve employees eligible to participate in the PSP for the plan year ended October 31, 2020, was \$1,883,654. Total contributions for the years ended October 31, 2020 and 2019 were \$181,754 and \$212,985, respectively.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2021 and 2020

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 \$58,000 for the plan year ended October 31, 2021, and \$56,000 for the plan year ended October 31, 2020. 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, 2021 and 2020, the Commission paid \$118,301 and \$105,857, 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, 2023. During the years ended October 31, 2021 and 2020, the Commission paid \$18,588 and \$17,760, 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, 2024. During the years ended October 31, 2021 and 2020, 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, 2021 and 2020, the Commission paid \$1,738 and \$1,564, 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, 2021 and 2020, the Commission paid \$7,560 and \$7,664, 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, 2021 and 2020, the Commission paid \$7,636 and \$5,593, respectively, including tax, for this lease.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2021 and 2020

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, 2021 and 2020, the Commission paid \$23,600 and \$22,836 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, 2021 and 2020, the Commission paid \$2,652 and \$4,309, including service charges, for this lease.

The annual requirements to amortize the operating lease obligations as of October 31, 2021, 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>
2022	\$ 153,775	\$ 13,098	\$ 826	\$ 522	\$ 24,384	\$ 192,605
2023	156,570	4,421	-	-	16,608	177,599
2024	136,283	-	-	-	-	136,283
2025	133,607	-	-	-	-	133,607
Total	<u>\$ 580,235</u>	<u>\$ 17,519</u>	<u>\$ 826</u>	<u>\$ 522</u>	<u>\$ 40,992</u>	<u>\$ 640,094</u>

SUPPLEMENTARY INFORMATION

CALIFORNIA AVOCADO COMMISSION
 Budgetary Comparison Schedule
 For the Year Ended October 31, 2021
 (with comparative actual totals for the year ended October 31, 2020)

	2021			Variance Positive (Negative)	2020 Actual
	Original Budget	Final Budget	Actual		
Revenues:					
Assessment revenue	\$ 6,931,641	\$ 6,931,641	\$ 5,693,840	\$ (1,237,801)	\$ 8,077,521
HAB rebate assessment revenue (restricted)	6,422,813	6,422,813	5,159,076	(1,263,737)	7,005,515
Administrative and accounting fees	61,000	61,000	61,000	-	60,996
Interest income	15,000	15,000	19,744	4,744	27,853
Grant revenue	-	375,000	340,558	(34,442)	151,613
Merchandise Shop revenue	190,358	190,358	14,993	(175,365)	
Other income	102,500	102,500	163,397	60,897	145,667
Total revenues	<u>13,723,312</u>	<u>14,098,312</u>	<u>11,452,608</u>	<u>(2,645,704)</u>	<u>15,469,165</u>
Expenses:					
Marketing:					
Consumer marketing	6,713,665	6,713,665	6,483,244	230,421	6,488,001
Merchandising	2,848,488	2,848,488	2,015,422	833,066	1,942,642
Foodservice	970,000	970,000	807,573	162,427	718,321
Consumer/Trade Living Well	202,000	202,000	182,047	19,953	133,733
Consumer public relations	1,000,000	1,000,000	917,953	82,047	944,128
Merchandise Shop	304,854	304,854	162,747	142,107	308,528
Marketing activities support	201,375	201,375	181,372	20,003	126,459
Total marketing	<u>12,240,382</u>	<u>12,240,382</u>	<u>10,750,358</u>	<u>1,490,024</u>	<u>10,661,812</u>
Non-marketing programs:					
Industry affairs	1,280,300	1,280,300	779,764	500,536	671,179
Production research	355,919	360,919	364,390	(3,471)	408,425
Grant expenses	-	375,000	340,558	34,442	152,068
Total non-marketing programs	<u>1,636,219</u>	<u>2,016,219</u>	<u>1,484,712</u>	<u>531,507</u>	<u>1,231,672</u>
Administration:					
Administration	3,418,314	3,418,314	3,023,512	394,802	3,090,562
Information systems	90,776	90,776	76,740	14,036	74,986
Depreciation	51,480	51,480	47,306	4,174	51,479
Total administration	<u>3,560,570</u>	<u>3,560,570</u>	<u>3,147,558</u>	<u>413,012</u>	<u>3,217,027</u>
Total expenses	<u>17,437,171</u>	<u>17,817,171</u>	<u>15,382,628</u>	<u>2,434,543</u>	<u>15,110,511</u>
Change in net position	(3,713,859)	(3,718,859)	(3,930,020)	(211,161)	358,654
Net position, beginning of year	<u>14,342,442</u>	<u>14,342,442</u>	<u>14,342,442</u>	<u>-</u>	<u>13,983,788</u>
Net position, ending of year	<u>\$ 10,628,583</u>	<u>\$ 10,623,583</u>	<u>\$ 10,412,422</u>	<u>\$ (211,161)</u>	<u>\$ 14,342,442</u>

See accompanying notes to basic financial statements.

CALIFORNIA AVOCADO COMMISSION

Note to Supplementary Information

October 31, 2021 and 2020

(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, 2021

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Operating revenues:			
Assessment revenue	\$ -	\$ 5,693,840	\$ 5,693,840
HAB rebate assessment revenue (restricted)	5,159,076	-	5,159,076
Administrative and accounting fees	-	61,000	61,000
Other operating revenues	-	14,993	14,993
Total operating revenues	<u>5,159,076</u>	<u>5,769,833</u>	<u>10,928,909</u>
Operating expenses:			
Marketing	5,681,808	5,068,550	10,750,358
Nonmarketing programs	-	1,484,712	1,484,712
Administration	-	3,147,558	3,147,558
Total operating expenses	<u>5,681,808</u>	<u>9,700,820</u>	<u>15,382,628</u>
Operating income (loss)	<u>(522,732)</u>	<u>(3,930,987)</u>	<u>(4,453,719)</u>
Non-operating revenues (expenses):			
Interest income (expense)	8,355	11,389	19,744
Other income	-	503,955	503,955
Total nonoperating revenues	<u>8,355</u>	<u>515,344</u>	<u>523,699</u>
Change in net position	<u>(514,377)</u>	<u>(3,415,643)</u>	<u>(3,930,020)</u>
Net position, beginning of year	<u>4,777,395</u>	<u>9,565,047</u>	<u>14,342,442</u>
Net position, ending of year	<u>\$ 4,263,018</u>	<u>\$ 6,149,404</u>	<u>\$ 10,412,422</u>

CALIFORNIA AVOCADO COMMISSION

Schedule of Program Expenses
For the Year Ended October 31, 2021

	Restricted	Budget
Marketing Programs:		
Media-85% Rebate-Mullen	\$ 1,788,534	\$ 1,792,640
Program Administration Fees-85% Rebate-Mullen	1,746,465	1,746,465
Website & Blog - Mullen	311,883	313,450
Subtotal Consumer Advertising	3,846,882	3,852,555
California Avocado Video Distribution-85% Rebate-Golin	8,950	25,000
California Avocado Month-85% Rebate-Golin	257,712	265,000
News Bureau-85% Rebate-Golin	53,987	85,000
Media Tracking & Reporting-85% Rebate-Golin	64,050	80,000
Website Contributors & Social Support-85% Rebate -Golin	185,527	180,000
Program Administration Fees-85% Rebate-Golin	116,674	120,000
Program Administration Fees-85% Rebate-Golin	-	5,000
Subtotal Consumer Public Relations	686,900	760,000
Trade Advertising-Media-85% Rebate-Fusion	346,484	365,000
Trade Advertising-Production-85% Rebate-Fusion	30,362	35,000
Conventions-85% Rebate	155	6,600
Booth Storage-85% Rebate	14,362	270,000
Key Account Coverage-MW/SE-Anderson-85% Rebate	78,000	90,000
Key Account Coverage-West-Becker-85% Rebate	121,440	142,500
Premiums-85% Rebate	16,526	20,000
POS Materials-85% Rebate	500	20,000
Subtotal Merchandising	607,829	949,100
Foodservice Events-85% Rebate-KC	237,779	355,900
Chain Promotions-85% Rebate-KC	302,418	335,000
Subtotal Foodservice	540,197	690,900
Total Marketing	5,681,808	6,252,555
Total Program Expenses	\$ 5,681,808	\$ 6,252,555



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, 2021, 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 28, 2022.

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.

Macias Gini & O'Connell LLP

Irvine, California
January 28, 2022

INDUSTRY STATISTICAL DATA

10 YEAR INDUSTRY STATISTICAL DATA FROM 2011/12 THROUGH 2020/21

YEAR	PRODUCING ACRES	VOLUME	CROP VALUE	PRICE PER POUND (¢)	DOLLARS PER PRODUCING ACRE	POUNDS PER PRODUCING ACRE
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
20/21	47,334	269.7	\$327,605,005	121.5	\$6,921	5,698

Footnotes:

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

Industry statistical data from 1971/72 through 2020/21 are available on CaliforniaAvocadoGrowers.com/industry/industry-statistical-data

CALIFORNIA AVOCADO POUNDS & DOLLARS BY VARIETY NOVEMBER 2020 THROUGH OCTOBER 2021

Month	Hass Pounds	Lamb Pounds	GEM Pounds	Others Pounds	Total Pounds	Hass Dollars	Lamb Dollars	GEM Dollars	Others Dollars	Total Dollars	Avg \$/Lb
1st QTR	10,338,079	1,618	0	157,874	10,497,571	7,598,147	4,024	0	101,169	7,703,340	0.734
2nd QTR	75,876,914	657	912,144	663,872	77,453,567	90,733,526	0	1,148,171	723,563	92,605,260	1.196
3rd QTR	128,394,768	6,516,541	1,492,578	250,970	136,654,857	150,106,744	7,481,267	1,697,302	266,575	159,551,888	1.168
4th QTR	40,667,372	4,065,482	95,964	238,414	45,067,232	61,765,833	5,474,765	145,663	358,236	67,744,517	1.505
Total	255,277,133	10,584,278	2,500,686	1,311,130	269,673,227	\$10,204,250	12,960,056	2,991,136	1,449,563	\$27,605,005	1.215
Y-T-D (%)	94.66%	3.92%	.93%	.49%	100.00%	94.69%	3.96%	.91%	.44%	100.00%	
Y-T-D AVG \$/Lb						1.215	1.224	1.196	1.106	1.215	

TOTAL US VOLUME AND CALIFORNIA PRICE PER POUND FROM 2011/12 THROUGH 2020/21

YEAR	CA VOLUME (MM LBS.)	TOTAL US VOLUME (MM LBS.)	CA AVERAGE PRICE PER POUND (¢)
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
20/21	269.7	2,959	121.5

Footnotes:

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

2021 ANNUAL REPORT

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