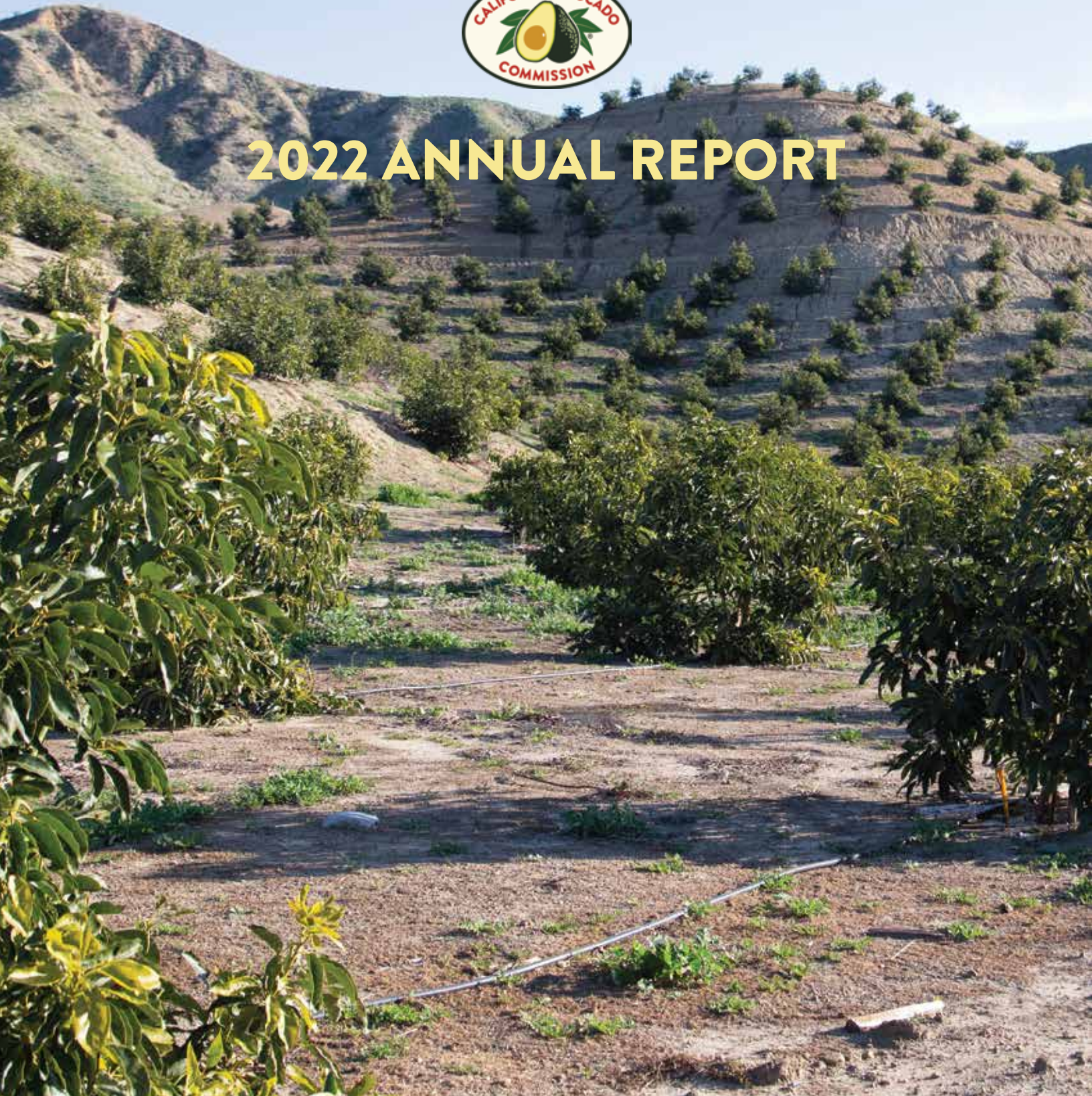


# CALIFORNIA AVOCADO COMMISSION



## 2022 ANNUAL REPORT



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## CHAIRMAN'S LETTER

All signs seem to indicate we are pressing forward into a post-pandemic future after two-plus years of global uncertainty and lifestyle and economic upheavals fueled by the virus. And while I — like most of you — am eager to put all pandemic-related thoughts behind me, I believe it is worth briefly reflecting on the lessons learned, challenges faced and accomplishments earned during this unprecedented global event because they are the result of decades of foundational work. We discovered:

- The California Avocado Commission and its growers are considered the gold standard in leadership — and members of the industry look to us for solutions
- Our growers' dedication to responsible growing practices and sustainability have built trust with, and loyalty from, our consumers
- Our nimble marketing programs and prescient focus on digital platforms were even more adaptable than we could have imagined
- The years we've dedicated to building a premium California Avocados brand showcasing the versatility and nutritional value of the fruit have built sound demand for the fruit even in the most trying of times
- The long-lasting relationships we've developed across the industry provide a valuable support network for our growers and the agricultural industry as a whole
- Our commitment to perennial challenges like affordable and safe water, access to a reliable workforce and coping with the extremes of climate change will be even more important as we move forward

In other words, all of the blood, sweat and tears our growers, handlers and California Avocado Commission have put into our industry, our fruit and our brand have constructed a nimble, adaptable, solutions-focused network of people and programs capable of moving the California avocado industry forward no matter the challenge.

The 2021-22 California avocado season is reflective of every one of the above bullet points. Our solutions-based leadership, our growers' faithful stewardship, our agile marketing, our premium brand, our collaborative advocacy and our proactive research helped us wring success from an earlier-than-usual season while pressing forward on long-term sustainable goals. Despite a smaller than expected California crop volume, an earlier than expected start to the season and the entrance of a new global competitor into the U.S. market, the average in-season selling price per unit this year was more than 27% higher than the previous year. Collaborative efforts



**Rob Grether**  
Chairman



*This on-trend decorous and delicious charcuterie board featuring California avocados was demonstrated during the Commission's cooking class hosted by LA-based food stylist and charcuterie board expert Meg Quinn.*



CAC Vice President of Industry Affairs Ken Melban joined International Fresh Produce Association CEO Cathy Burns in discussing the Farm Workforce Modernization Act with congressional members.

between California avocado growers, handlers and the Commission ensured the majority of our fruit made it to market when prices were optimal, our promotions were in alignment with demand and volume, and our targeted consumers could easily find the Golden State fruit at local retailers. Following are highlights illustrative of the agile and proactive network of people and programs that are — and will remain — critical to our success.

### **A TRUSTED, ENTERTAINING AND RESPONSIVE PREMIUM BRAND**

As communities began to rebound from the pandemic and embrace more opportunities to travel, entertain and come together, the Commission continued to monitor the interests and trends associated with targeted Premium Californians. Ready to re-emerge into post-pandemic life, consumers retained their interest in health, wellness, where their food comes from and how it's grown. In response, the Commission developed a consumer campaign that melded the uplifting mood of recovery and togetherness with the inquisitive interest in wellbeing — pairing informative content with engaging imagery that both educated and entertained its targeted audiences. Utilizing all the tools at hand — digital and social channels, in-person events, public relations and ads — the

Commission showcased local California avocado growers as good stewards; touted the health benefits of the premium fruit, its versatility and appeal across a wide range of dietary lifestyles; evoked the spirited California lifestyle associated with the fruit; and ensured consumers could find the fruit when and where it was available. In total, the Commission's consumer marketing activity generated nearly 1.3 billion impressions.

For the past two years, the Commission's uplifting "The best avocados have California in them" ad campaign has artistically immersed the fruit in playful imagery capturing the California lifestyle. Mindful of this award-winning campaign's success and its unique ability to inform and engage consumers during this pivotal era, the Commission reprised the campaign once again with fresh creative. Ultimately, the campaign generated 325.5 million impressions across a variety of platforms carefully selected based upon Premium Californians' preferences.

Streaming video and digital music and content channels, for example, continue to be popular with our targeted audiences. The Commission paired pre-roll video ads with trending content on Hulu, Tremor and YouTube, and circulated video and audio ads on iHeart radio, Spotify and Pandora. Ads on audio channels continued to resonate with targeted consumers, generating more than 33.2 million impressions and 11.5 million video views. Custom branded content was distributed on popular foodies sites like Food52 and The Kitchn, and five influencers on Instagram and TikTok — platforms favored by a younger consumer base — shared original California avocado videos with their expansive fan base. Ads also were placed on Waze to direct consumers to stores along their route where fresh California avocados were available. Overall, digital brand ads generated a marked uptick in engage-

ment garnering 107 million impressions, with 62 million of those impressions generated by ads directing consumers to local retailers promoting California avocados.

Rounding out consumer advertising, outdoor ad creative was featured in high-visibility locations that resonate with Premium Californians. High-impact billboards and wallsapes throughout Los Angeles, San Francisco, San Diego and Orange County, premium dining and shopping center kiosks and high-traffic Volta charging station ads generated more than 42 million impressions.

The Commission's consumer public relations campaign secured nearly 977 million impressions this year, sharing engaging and informative content evocative of the California lifestyle, immersed in cultural moments, enmeshed in consumer trends and responsive to consumers' nutritional concerns. For example, to kick off the season and ramp up interest in the larger volume of California avocados headed to market, the Commission embedded the fruit in an immensely popular food trend — charcuterie boards — by hosting a virtual cooking class for media and influencers. Charcuterie expert and food stylist Meg Quinn demonstrated easy-to-prepare options for a variety of dietary lifestyles while Erica Domesek, founder of the do-it-yourself lifestyle brand P.S.-I made this... answered questions and shared California avocado tips. This event alone generated 213 million impressions through a combination of media outreach and social posts shared by the participants.

Crafting and sharing recipe content that piques consumer interest and sparks demand provides another avenue for engaging with consumers while sharing key California Avocados brand messaging. The Commission routinely monitored consumer dietary and lifestyle trends and then partnered with carefully selected chefs, influencers, dietitians, nutritionists and

bloggers to craft recipes around selected on-trend themes. Mindful of consumers' continued interest in health and wellness, the Commission leveraged the passion of its well-known and respected Brand Advocates and Living Well Brand Advocates to share compelling stories, photos, and short-form videos that paired recipes with nutrition information, preparation tips, California avocado seasonal availability messaging and store locator links. CAC's Brand Advocates — chosen for their vibrant content creation and significant following — shared easy-to-make recipes on their social channels and blogs, tagging CAC to gain broader awareness for the brand and securing more than 1.7 million impressions from March – June. CAC's Living Well Brand Advocates — registered dietitians and trusted health and wellness influencers — shared their own unique California avocado healthy lifestyle stories and recipes while touting the fruit's superiority and availability on digital and social channels, regional television shows and in-person events.

Over the past decade-plus, the Commission has strategically shifted its consumer engagement efforts to the digital

*While celebrating the 10<sup>th</sup> Annual California Avocado Month at a grove open house, media members and influencers learned about the California avocado growing and grafting process and shared their experiences on social media.*





*The Commission continued its successful “the best avocados have California in them” with refreshed graphics and new campaigns shared on high-traffic Volta charging stations to reach shoppers on their way into the grocery store.*

sphere, building a collection of branded social media channels that have become a powerful means of engaging with consumers at home, on the road or out in the community. Content was carefully cultivated to immerse the California Avocados brand in key cultural moments (e.g., the Big Game, Cinco de Mayo) with on-trend recipes, how-to videos, links to CAC’s store locator landing page and lifestyle posts shared on its Facebook, Instagram, Pinterest and Twitter channels. Facebook re-emerged as an impactful means of engaging with consumers, reporting a 45% increase in impressions versus last season. Twitter and Instagram followers remained steady, while YouTube video views saw a 13% increase over the previous year. CAC also launched a TikTok channel to engage with a younger consumer base that flocks to the video-centric social network. The Commission partnered with Kelz, an influencer cherished for his candid and entertaining recipe assessments, on a Cali-

fornia avocado fajita recipe review. He also crafted a duet of CAC’s “Redwoods” Road Trip recipe video that secured more than 106,000 views.

Ten years ago, the Commission successfully advocated for June to be recognized as California Avocado Month, launching an annual month-long celebration of all things avocado that elevates consumers’ awareness of peak seasonal availability. Over the past decade, the campaign’s visibility has skyrocketed — this year alone it secured 695 million impressions. The Commission launched the 10th anniversary campaign by hosting a celebratory grove open house where local media, influencer and trade PR guests mingled with CAC staff and growers. Participants learned about growing and picking the fruit, grafting, sustainability practices, packing house processes and avocado varieties, while sharing photos and stories with their social media followers. The Commission also secured four proclamations and one scroll officially recognizing June as California avocado month from San Diego and Los Angeles Counties and the cities of Santa Paula and San Luis Obispo.

## **SOLUTIONS-FOCUSED LEADERSHIP SECURES TRADE LOYALTY**

As I noted in the introduction, the challenges of the past two years brought into sharp focus the Commission’s leadership position and the value we bring to our retail partners as problem solvers. This year, our industry faced a unique challenge. The excitement generated this season by a return to normalcy was tempered by a rise in the cost of living and continued labor shortages, particularly in the service industries. To further complicate matters, the California avocado season shifted to a high-volume earlier-than-usual start. With prices at an all-time high, and consumer dollars stretched thin, it was crucial we

move our early season crop volume while demand was hot. California avocado growers — motivated by the strong early-season demand, a robust rain-fed crop and all-time-high market prices — harvested ahead of estimates and sent large volumes of fruit to market in January and February. By the first week of June, 63% of California avocados had been harvested. To ensure promotions were paired with the fruit's availability, the Commission swiftly adjusted its marketing plans shifting consumer and trade campaigns forward and canceling late summer retail and foodservice promotions.

Here is where our years of hard work — and collaboration — paid off. We have long positioned California avocados as a locally-grown fruit that doesn't have to travel far to market, that ships well and has a superior flavor profile worthy of a premium price. We have the data to back up the value of those differentiator brand positions. And we have been able to provide promotional support that builds demand and sales without placing undue burden on short-staffed units. Thus, when faced with an atypical start to the season, handlers and loyal retail and foodservice partners were willing and able to swiftly adjust promotions and timing accordingly.

For example, some of CAC's most loyal retail partners launched promotions from the end of January to mid-February designed to move the early season fruit prior to and during one of the nation's most popular sporting events. The later-than-usual championship game, record-high prices and robust volume of fruit

helped fuel Big Game promotions that provided a decided early season boost for growers and built demand leading into the peak season. Mollie Stone's Big Game display contest, for example, generated an 18-31% unit volume increase from last year.

In total, the Commission partnered with 38 retail chains to promote California avocados. Gelson's early season March Madness sales contest drove 3 – 13% unit volume increases over the previous year and Walmart's use of CAC marketing



*CAC Living Well Brand Advocate Ashley Hankins of Eat Figs, Not Pigs, artfully crafted a California Avocado Pesto Pizza for May's date-night theme.*

creative on digital channels led to \$1.5 million in traceable sales. The vast majority of retail promotions supported all California avocado varieties. In addition, Nugget Markets and Albertsons/Safeway units ran successful GEM promotions, notable in light of the increased interest in and volume of the fruit in California. And California grower-focused promotions paired with CAC's online store location tool reported strong returns, including the 36 – 53% sales lift across SaveMart units in



The Commission's California avocado flavor pairing sessions were in high demand at foodservice industry events.

comparison to the previous season.

The Commission's partnerships with ten western foodservice chains also effectively promoted a heavy-volume early-season crop. Some of the most effective promotions included 400 western region Del Taco units, and 27 Erik's DeliCafé Mixt/Split locations whose programs

included Cinco de Mayo celebrations. Mixt/Split promoted California avocados in 18 locations in late May through July 1. All three restaurant chains used more than 1,000 pounds of California avocados per location.

This season also marked a return to in-person events where the Commission could broaden awareness of its role as an industry leader, trusted resource and valuable partner. Piggybacking off the success of the previous year's virtual flavor pairing sessions, the Commission

hosted in-person sessions at FoodOvation where culinary teams flocked to attend the popular one-on-one flavor profile events. CAC also hosted sold-out tasting sessions featuring California Avocado Neapolitan Pizza and the California Avocado Roll Bowl at the National Restaurant Association's Marketing Executive Group gather-

With increased interest in and volume of GEM avocados (just over 5 million pounds this season), CAC hosted an industry-wide webinar about the increasingly popular variety and produced custom GEM avocado promotional materials for Tier 1 retailers.



ing. Ever mindful of expanding its influence with younger targeted consumers, CAC met with decision makers at the National Association of College and University Food Services event to discuss how the fruit can be adapted to meal plan offerings for a variety of dietary restrictions.

To demonstrate the Commission's expertise and resources in the trade sector, CAC utilized a combination of informative ads, PR campaigns and its LinkedIn channel to showcase the value of California avocados and share facts, industry trends, news and ideas with targeted thought leaders and audiences. The Commission's proactive outreach afforded us the opportunity to showcase California avocados with unique menu innovations that inspired decision makers to incorporate the fruit into their menus, share compelling grower stories and pitch articles that featured the fruit in on-trend applications. Likewise, the Commission demonstrated its alignment with retail audiences by sharing relevant news concerning the crop, the Commission and its growers, highlighting our industry's commitment to sustainable and safe growing practices and verifying the value of "locally grown" promotions in generating demand. Together, trade PR and advertising yielded nearly 88 million impressions.

The Commission also expanded its presence on LinkedIn, reporting a 44% increase in its fan base and an engagement rate double the platform's average. CAC's business-to-business-minded posts — including California avocado history, sales trends and staff updates — garnered nearly 570,00 impressions and 5,200 engagements.

Our multi-year efforts to expand our brand presence in South Korean markets also gained traction with CAC promotions exceeding benchmarking goals across the board. Celebrity chef cooking sessions hosted in person, virtually and on

YouTube, as well as in-store verbal demos showcasing the fruit's nutritional value and versatility helped spur a 128% leap in volume growth and 105% sales growth as compared to the previous year.

## COLLABORATIVE ADVOCACY

We've long relied on collaboration to advocate on behalf of our growers — after all, there is power in common interests and large numbers. This year the Commission made a concerted effort to expand its collaborative advocacy, partnering with commodity groups to raise the visibility of the agricultural industry and encourage decision makers to consider how their decisions impact the California avocado industry and agriculture as a whole. CAC met with elected officials and policy makers throughout the year to discuss a broad range of issues, demonstrate growers' commitment to sustainability and highlight the role of groves in protecting the environment.

CAC participated in the International Fresh Produce Association's Public Policy Forum in Washington, D.C. and joined IFPA CEO Cathy Burns to meet with congressional staff concerning the Farm Workforce Modernization Act and the critical importance of an established guest worker program. CAC also met with the Specialty Crop Farm Bill Alliance Steering Committee, discussing how the current Farm Bill had benefitted growers and advocating that extreme heat be specifically addressed in the next iteration of the Tree Assistance Program. We also engaged with U.S. Department of Agriculture and Animal and Plant Health Inspection Services personnel concerning the suspension of fruit imported from Mexico, advocating for a stable supply of fruit to meet U.S. demand and strict phytosanitary requirements to ensure the California avocado industry is not put at risk.

During the past three years, GEM av-

The industry continues to recognize the influence, leadership, innovation and stewardship of our Commission and California avocado growers.

**Zac Benedict, CAC online marketing director,** was named to Produce Business magazine’s 40 Under Forty list spotlighting an international pool of rising entrepreneurs and leaders shaping the produce industry.

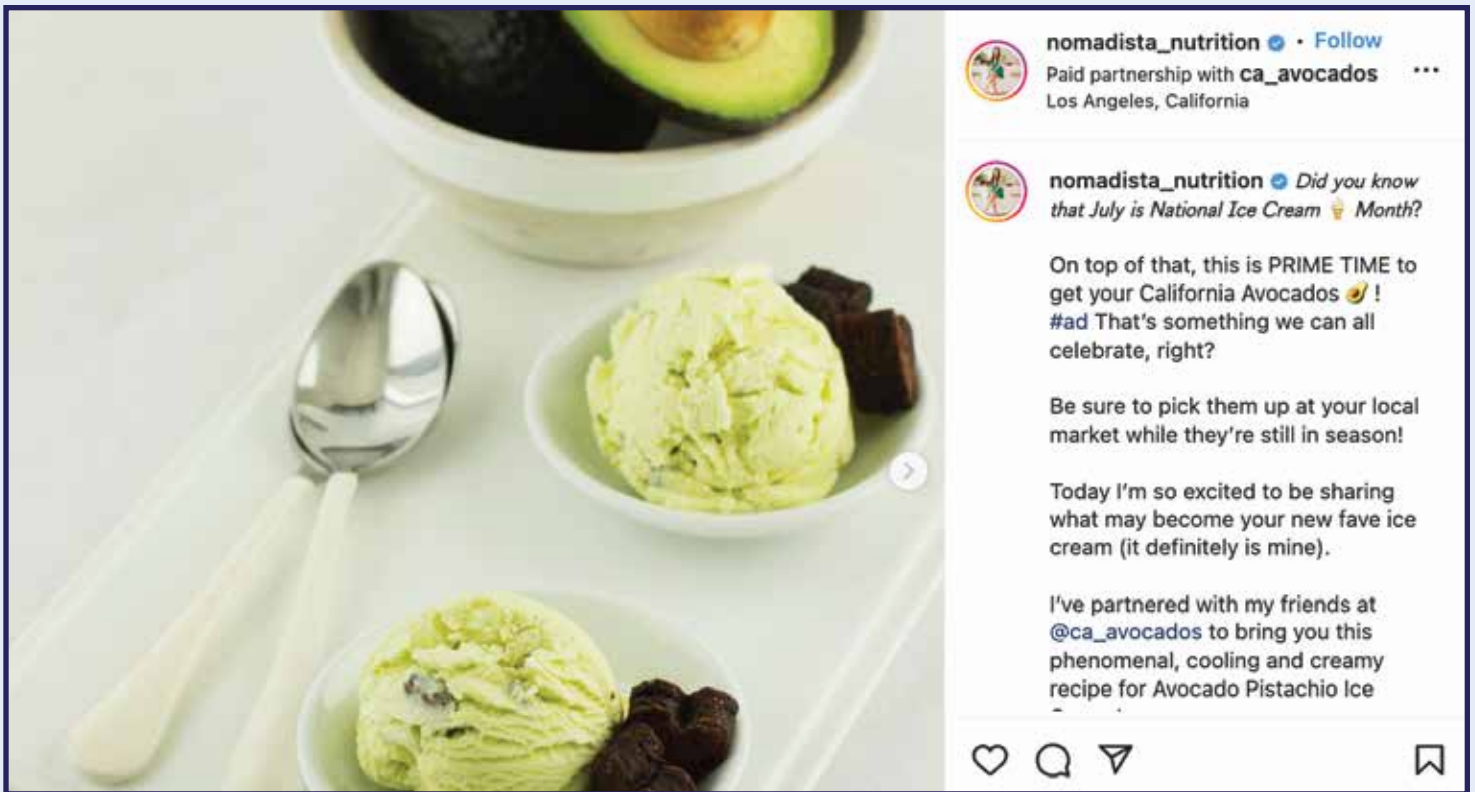


**Jan DeLyser, CAC vice president marketing,** earned the Hass Avocado Board’s “Making It Happen” award for her role in establishing HAB’s marketing programs.



**California avocado growers Sal Dominguez, Scott Bauwens, Jamie Johnson, Bob Schaar, and Charley Wolk** were named “Making It Happen” honorees for their service on the HAB Board of Directors.





*Living Well Brand Advocate Mascha Davis' California Avocado Pistachio Ice Cream is perfect for summer occasions.*

ocado volume in California has expanded from 1 million pounds in 2020, to 2.5 million pounds in 2021 and 5 million pounds this season. In response to expanded interest in the variety and to help growers make informed decisions, the Commission hosted an industry-wide GEM webinar, including a discussion with participating handlers. CAC also shared informational articles concerning the trees' characteristics, recommended cultural management practices and data comparing the potential economic returns of Hass and GEM.

To share the latest developments and address the most pressing concerns of growers, we hosted field days discussing CAC's GEM high density trial, the use of Oronodis® to control Phytophthora root rot and the Pine Tree Ranch rootstock trials. We also issued a series of articles to raise awareness of produce safety training and funds available to assist growers coping with heat damage, drought, wildfires, pandemic aftereffects, FSMA-related expenses and transitioning to organic growing practices.

## PROACTIVE RESEARCH

As California avocado growers, coping with the perennial challenges of weather, water and pests is a given. Fortunately, our production research program adopts a proactive approach that mitigates the likelihood of unforeseen crises and continues to press for advanced cultural management research to drive productivity and profitability.

Avocado Branch Canker is increasingly recognized as a major issue with reports of graft union failure and the death of young trees within the first year(s) of planting of particular concern. Therefore the Commission funded research with a plant pathology group at the University of California, Kearney Agricultural Research and Extension center to examine phytosanitary conditions at California avocado propagation nurseries and newly established groves and to develop disease management strategies for nurseries, young plantings and grafting.

In light of reports of new and more aggressive Avocado Lace Bug infestations,



Top tier retailers integrated digital and social campaigns showcasing California avocado growers and linking to CAC's online store locator tool garnered more than 700,000 impressions.

we resurrected ALB research to examine the phenology of the pest, identify natural predators, study the effects of temperature on the pest and complete molecular studies to help us identify its geographical origin. The Commission also is developing early detection tools for the avocado seed weevil.

Always on the lookout for new opportunities to increase plant availability at decreased cost, the Commission has funded several micropropagation, varietal and rootstock projects in recent years. The Huntington Botanical Gardens released the final report for its three-year clonal micropropagation research and started its first U.S. avocado in vitro repository stocked with more than 15 genotypes. Field trials of five selected rootstocks progressed this year with patents for PP35 and PP40 in progress. And the Commission began, and will continue, discussions with UC-Riverside's Office of Technology Part-

nerships and Eurosemillas to ensure scions and rootstocks are released to California growers in a fair and equitable manner.

As concerns water quality, CAC partnered with Dr. Haizhou Liu at UCR to review existent chloride mitigation technologies and determine whether any are worthy of further research. And Dr. Ali Montazar at UCCE began re-evaluating the avocado crop coefficient in an effort to develop a new model that accounts for seasonal and locational variation.

Based on grower feedback, the Commission also began examining heat mitigation strategies, including the potential for overhead irrigation protocols, and shared best practices to help growers cope with a megadrought, more intense heat waves, higher temperatures and greater climate variability.

In the California avocado industry, we have come to expect the unexpected — it's the nature of agriculture. Which is precisely why we have spent decades constructing programs, establishing a brand, demonstrating leadership and building relationships to help our growers mitigate risk, optimize productivity and enhance profitability. Uncertainty, you say? We're ready. This season, once again, we've converted something unpredictable into something manageable, productive and advantageous. We may have harvested a lower-than-expected volume of fruit and we harvested much earlier than usual, but timing is everything and together our growers, handlers, loyal trade partners and marketing team helped move our premium fruit when it was most advantageous. Ultimately we recorded the third highest average price in 10 years and the fifth highest average price in 25 years. Which brings us back to the beginning of my address— solutions-based leadership, dedicated growers, nimble marketing, collaborative outreach and proactive problem-solving will always carry the day.

## PRESIDENT'S LETTER

It is an honor for me to lead the California Avocado Commission and advocate on behalf of our growers and industry. While I may serve as the head of this storied organization, I am well aware the heart and soul of our industry is the people — the growers and CAC staff — who together have built one of the most respected and trusted brands in the industry. In fact, the success of the California Avocados brand begins with our growers' commitment to producing the best avocados on the planet and a Commission dedicated to providing marketing resources, research and advocacy to maximize grower viability. Over the decades, per capita consumption of avocados in the U.S. has skyrocketed and numerous global competitors have entered the market. Despite what economists may have predicted given those conditions, demand for California avocados has remained robust and drives premium pricing in the marketplace. All of that is a direct result of the painstaking work the Commission, handlers and growers have put into producing an exceptional fruit consumers are willing to pay a premium for, building a loyal following for our brand and establishing a collaborative supply chain process that pairs promotions with harvest volume. I look forward to rolling up my sleeves and working side-by-side with our dedicated people to move our brand forward.

I am keenly aware the Commission and our growers are loathe to sit on their laurels so I am encouraged by the insights from the most recent California Avocado Tracking study that pinpoint our successes and illuminate new paths for expanding brand awareness. Clearly, our California avocado marketing continues to “hit the mark” with consumer audiences. Among

those with a preference for avocado origin, California is the preferred growing region in the West (66%) and in California (74%). Respondents indicated the most important purchasing factors in addition to price and ripeness are safe growing conditions and the expected taste of the fruit. California avocados continue to be viewed as superior versus Mexico and as “being the best” and “worth paying more for” in most Western states. Further, with respondents in the West indicating sustainability factors are extremely/very important in choosing their fruit — “growers protect water supply” (78%), harvesters/workers treated fairly (79%), growers use water responsibly (78%) — we are working to expand awareness of California avocado growers' sustainability practices.

At the International Fresh Produce Association's Global Produce and Floral Show, I had the opportunity to witness first-hand the respect the Commission and our growers garner across the industry while building upon and establishing new



**Jeff Oberman**  
President



*Early season Big Game promotions helped secure distribution of a high volume of early season fruit and build demand leading into the peak season.*

relationships to help drive value for our growers. It was remarkable to take part in the celebrations honoring the Commission for 50 years of dedication to the industry and exhibiting at the show's precursor event — the Produce Marketing Association's Fresh Summit — and meet with industry members whose history is so tightly woven with our own. In addition, I joined our Commission team on fact-finding missions: gaining insights about new trends, including export markets, and outlining how this data will help us engage with consumers and meet the needs of our industry partners. One of my takeaways from the IFPA event was that I have a lot to learn — and that's a positive. After all, it is clear to me that both our growers and Commission are committed to learning and asking questions — it's the impetus for improving what we do and how we do it.

And that is how I have begun my term as CAC president — by asking questions and participating in discussions. My tenure began at the close of this season, providing me with the perfect opportunity to meet with our growers and stakeholders throughout the supply chain and acquire insights into their unique operations, challenges, opportunities, and expectations. I have enjoyed meeting with the unique individuals that comprise our industry to gain important perspectives and share them with customers, consumers and government officials. As I stated at the outset — our success begins in the groves with the people dedicated to nurturing a fruit worthy of the California Avocados brand and a Commission team capable of telling our stories. Ultimately, I am hopeful for our future because of our collective history and our penchant for improvement. Our strong foundation, outstanding people, acknowledged industry leadership, collaborative relationships and the promise of our premium brand will carry us into the future. I look forward to the journey.



## Board of Directors

### District 1

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

### District 2

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

### District 3

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

### District 4

Member/Rachael Laenen-**Vice Chair**  
Member/Jason Cole-**Treasurer**  
Alternate/Catherine Keeling

### District 5

Member/Andrew Prechtl  
Member/Daryn Miller  
Alternate/Will Carleton

### 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](http://CaliforniaAvocadoGrowers.com/Commission/your-representatives)



Report of Independent Auditors and Financial Statements with  
Supplementary Information

**California Avocado Commission**

October 31, 2022 and 2021

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## Report of Independent Auditors

The Board of Directors  
California Avocado Commission

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of the California Avocado Commission as of and for the year ended October 31, 2022, and the related notes to the financial statements, which collectively comprise the California Avocado Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the California Avocado Commission as of October 31, 2022, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Emphasis of Matter – Prior Year Financial Statements**

The financial statements of the California Avocado Commission for the year ended October 31, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on January 28, 2022.

#### **Emphasis of Matter – Adoption of a New Accounting Pronouncement**

As discussed in Note 1 to the financial statements, effective November 1, 2021, the California Avocado Commission adopted new accounting guidance, Governmental Accounting Standards Board Statement Number 87, *Leases*. The guidance requires lessees to recognize right-to-use assets and corresponding lease liabilities and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. The financial statements have been retroactively restated in accordance with the requirements of the new accounting standard. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the California Avocado Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the California Avocado Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the California Avocado Commission's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the California Avocado Commission's basic financial statements. The budgetary comparison schedule, combining statement of revenues, expenses, and changes in net position, and the schedule of program expenses ("Supplementary Schedules") are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary 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 June 20, 2023 on our consideration of California Avocado 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 California Avocado 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 California Avocado Commission's internal control over financial reporting and compliance.



Irvine, California  
June 20, 2023

# **Management's Discussion and Analysis**

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# California Avocado Commission Management's Discussion and Analysis Years Ended October 31, 2022 and 2021

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## 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, 2022 and 2021. 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 2022 assets exceeded its liabilities as of October 31, 2022, by \$11,613,549 (total net position). This amount increased \$1,207,030 or 12% from the prior year restated amount of \$10,406,519.
- Of the total net position at the end of fiscal year 2022, net investment in capital assets decreased \$54,204 to \$25,422 or 68% from the prior year restated amount of \$79,626.
- Net position restricted for marketing at the end of fiscal year 2022 decreased \$128,407 to \$4,134,611 or 3% from the prior year amount of \$4,263,018.
- Unrestricted net position at the end of fiscal year 2022 increased \$1,389,641 to \$7,453,516 or 23% from the prior year amount of \$6,063,875. This amount made up 64% of total net position.
- The Commission's restated 2021 assets exceeded its restated liabilities as of October 31, 2021, by \$10,406,519 (total net position). This amount decreased \$3,935,923 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 \$53,209 to \$79,626, or 40% 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.

## Overview of the 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 financial statements: Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. The Commission's financial statements also include notes to the 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.

# California Avocado Commission Management's Discussion and Analysis Years Ended October 31, 2022 and 2021

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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.

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, noncapital financing, capital financing, and investing activities.

The notes to the 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*.

## **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.

## **Financial Analysis**

Comparative data for the prior year ended October 31, 2021, has been presented in the accompanying financial statements (including MD&A) to facilitate financial analysis for the current year ended October 31, 2022. A comparative analysis of fiscal year 2021 with fiscal year 2020 is also presented in the MD&A. The fiscal year 2021 financial statements have been restated for the adoption of Governmental Accounting Standards Board (GASB) Statement Number 87, *Leases*, effective November 1, 2020. The fiscal year 2020 financial statements were not restated because all of the information available to restated prior year amounts were not readily available.

**California Avocado Commission  
Management's Discussion and Analysis  
Years Ended October 31, 2022 and 2021**

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**Statements of Net Position**

	2022	As restated* 2021	2020
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 13,457,580	\$ 12,469,197	\$ 16,660,466
Capital assets, net	461,285	652,590	132,835
	<u>13,918,865</u>	<u>13,121,787</u>	<u>16,793,301</u>
<b>Total assets</b>			
Current liabilities	1,955,954	2,169,303	2,364,891
Noncurrent liabilities	349,362	545,965	85,968
	<u>2,305,316</u>	<u>2,715,268</u>	<u>2,450,859</u>
<b>Total liabilities</b>			
Net position			
Net investment in capital assets	25,422	79,626	132,835
Restricted for marketing	4,134,611	4,263,018	4,777,395
Unrestricted	7,453,516	6,063,875	9,432,212
	<u>11,613,549</u>	<u>10,406,519</u>	<u>14,342,442</u>
<b>Total net position</b>			

\*The fiscal year 2021 financial statements have been restated for the adoption of GASB 87, Leases, effective November 1, 2020.

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The largest portion 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 2022 totaled \$13,457,580 and represented 97% of total assets. Current assets increased \$988,383 from the prior year amount of \$12,469,197. This increase is primarily due to higher total cash and cash equivalents at year end due to higher production value leading to an increase in assessment revenue. Total current assets cover current liabilities 6.9 times, indicating good liquidity.

Current assets at the end of fiscal year 2021 totaled \$12,469,197 and represented 95% of total assets. Current assets decreased \$4,191,269 from the prior year amount of \$16,660,466. This decrease is primarily due to a decrease in cash and cash equivalents at year end due to operating expenses exceeding operating revenues with the intent of reducing the Commission's year-end cash balance. Total current assets covered current liabilities 5.7 times, also indicating good liquidity.

## California Avocado Commission Management's Discussion and Analysis Years Ended October 31, 2022 and 2021

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The Commission's liabilities primarily consist of current liabilities including accounts payable, accrued liabilities, deposits due, fiduciary liability amounts held for AIP, and current amounts due for lease liabilities and compensated absences. Liabilities at the end of fiscal year 2022 totaled \$2,305,316, decreasing from a restated balance of \$2,715,268 in 2021. This decrease was due to lower non-marketing obligations owed to vendors, a decrease in compensated absences, a reduced fiduciary balance held for AIP, and payments made against long-term leases. Restated liabilities at the end of fiscal year 2021 totaled \$2,715,268, increasing from a balance of \$2,450,859 in 2020. This increase was due to higher non-marketing obligations owed to vendors and the implementation of GASB 87, *Leases*, which resulted in the recognition of right-of-use (ROU) assets and respective liabilities for ongoing lease commitments.

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 and ROU assets net of accumulated depreciation and amortization and outstanding principal balances of debt attributable to the acquisition, construction, lease commitment, or improvement of those assets. Net investment in capital assets totaled \$25,422 at the end of fiscal year 2022, decreasing \$54,204 from the prior year restated amount of \$79,626. This decrease is due to the depreciation and amortization of capital assets and ROU assets. Net investment in capital assets represents less 0.2% of total net position at October 31, 2022.

At the end of fiscal year 2021, restated net investment in capital assets totaled \$79,626, decreasing \$53,209 from the prior year amount of \$132,835. This decrease is due to the depreciation and amortization of capital assets and ROU assets. Net investment in capital assets represented 0.8% of total net position at October 31, 2021.

Restricted net position for marketing activities is subject to imposed restrictions by federal statutes governing their use. Restricted net position totaled \$4,134,611 at the end of 2022, decreasing \$128,407 from the prior year amount of \$4,263,018, and decreasing \$514,377 between 2020 and 2021. Restricted net position represented approximately 36% and 33% of total net position for the years ended October 31, 2022 and 2021, respectively.

Unrestricted net position available for future activities at the end of fiscal year 2022 totaled \$7,453,516, increasing \$1,389,641 from the prior year amount of \$6,063,875. 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.



**California Avocado Commission  
Management's Discussion and Analysis  
Years Ended October 31, 2022 and 2021**

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**Statements of Revenues, Expenses, and Changes in Net Position**

	2022	As restated* 2021	2020
Operating revenues	\$ 13,862,474	\$ 10,928,909	\$ 15,153,319
Operating expenses	13,390,230	15,380,265	15,110,511
Operating income (loss)	472,244	(4,451,356)	42,808
Nonoperating revenues	734,786	521,336	315,846
Change in net position	1,207,030	(3,930,020)	358,654
Net position, beginning of year, as originally presented	-	14,342,442	13,983,788
Cumulative effect of change in accounting principle	-	(5,903)	-
Net position, beginning of year, as restated	10,406,519	14,336,539	13,983,788
Net position, end of year	<u>\$ 11,613,549</u>	<u>\$ 10,406,519</u>	<u>\$ 14,342,442</u>

\*The fiscal year 2021 financial statements have been restated for the adoption of GASB 87, Leases, effective November 1, 2020.

Operating revenues totaled \$13,862,474 in 2022, increasing \$2,933,565 or 27% from \$10,928,909 earned in 2021. This increase is due to an increase in assessment revenue received due to higher total production value; 276 million pounds were reported in 2022 as compared to 270 million pounds in 2021. The majority of operating revenue consisted of assessment revenue, totaling \$13,786,415 (or 99.5% of total operating revenues). The remaining portion (0.5%) was from administrative and accounting fees generated from the AIP of \$60,996 and online merchandise sales of \$15,063.

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 (or 99.3% of total operating revenues). The remaining portion (0.7%) of was from administrative and accounting fees generated from AIP of \$61,000 and online merchandise sales of \$14,993.

Operating expenses totaled \$13,390,230 in 2022, decreasing \$1,990,035 or 13% from \$15,380,265 in 2021. This decrease was due to a reduction in marketing expenditures in response to anticipated crop volume. Operating expenses totaled \$15,380,265 in 2021, increasing \$269,754 or 2% from \$15,110,511 in 2020. This increase is primarily due to increased activities in marketing programs in 2021.

At the end of the fiscal year 2022, the Commission reported an ending net position of \$11,613,549, an increase of \$1,207,030 from the prior year restated amount of \$10,406,519. This is due to an increase as a result of higher total production value.

## **California Avocado Commission Management's Discussion and Analysis Years Ended October 31, 2022 and 2021**

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At the end of the fiscal year 2021, the Commission reported an ending restated net position of \$10,406,519, a decrease of \$3,935,923 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 as well as operating expenses exceeding operating revenue with the intent of reducing the Commission's year-end cash balance.

### **Capital Assets**

The Commission's net investment in capital assets totaled \$25,422 as of October 31, 2022, decreasing \$54,204 from the prior year restated amount of \$79,626, and decreasing \$53,209 from \$132,835 between 2020 and 2021 (net of accumulated depreciation and amortization). These decreases represent the depreciation and amortization of capital assets and ROU assets during the respective fiscal year.

### **Long-Term Liabilities**

At the end of fiscal year 2022, the Commission's long-term liability which consisted of compensated absences and lease liabilities amounted to \$602,893, a decrease of \$204,764 from the prior year restated balance of \$807,657. This decrease is due to the retirement and turnover of employees as well payments made toward existing leases. At the end of fiscal year 2021, the Commission accumulated a restated accrued long-term liability balance of \$807,657, an increase of \$607,452 from the prior year balance of \$200,205. This increase is due to the adoption of GASB 87, *Leases*, offset by a decrease is due payments made towards existing leases offset by an increase to compensated absences resulting from unused vacation time by employees.

## Financial Statements

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**California Avocado Commission**  
**Statements of Net Position**  
**October 31, 2022 and 2021**

	2022	As Restated* 2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,809,861	\$ 6,348,950
Assessments receivable	14,894	108,801
Other receivables	333,653	394,991
Prepaid expenses and deposits	51,464	190,189
Fiduciary cash and cash equivalents, amounts held for AIP	948,364	1,020,970
Inventory	64,056	64,781
Restricted		
Cash and cash equivalents	4,089,590	4,007,771
Assessments receivable	145,698	332,744
Total current assets	13,457,580	12,469,197
<b>NONCURRENT ASSETS</b>		
Capital assets being amortized, net	422,227	567,061
Capital assets being depreciated, net	39,058	85,529
Total assets	\$ 13,918,865	\$ 13,121,787
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 635,382	\$ 788,713
Accounts payable and accrued liabilities, payable from restricted assets	100,677	79,928
Fiduciary liabilities, amounts held for AIP	948,364	1,020,970
Deposits	18,000	18,000
Lease liabilities, due within one year	151,164	157,087
Compensated absences, due within one year	102,367	104,605
Total current liabilities	1,955,954	2,169,303
<b>NONCURRENT LIABILITIES</b>		
Lease liabilities, due in more than one year	284,699	415,877
Compensated absences, due in more than one year	64,663	130,088
Total noncurrent liabilities	349,362	545,965
Total liabilities	2,305,316	2,715,268
<b>NET POSITION</b>		
Net investment in capital assets	25,422	79,626
Restricted for marketing	4,134,611	4,263,018
Unrestricted	7,453,516	6,063,875
Net position	\$ 11,613,549	\$ 10,406,519

\*The fiscal year 2021 financial statements have been restated for the adoption of GASB 87, Leases, effective November 1, 2020.

See accompanying notes.

**California Avocado Commission**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended October 31, 2022 and 2021**

	<u>2022</u>	<u>As Restated*</u> <u>2021</u>
<b>OPERATING REVENUES</b>		
Assessment revenue	\$ 8,399,945	\$ 5,693,840
HAB rebate assessment revenue (restricted)	5,386,470	5,159,076
Administrative and accounting fees	60,996	61,000
Other operating revenues	<u>15,063</u>	<u>14,993</u>
Total operating revenues	<u>13,862,474</u>	<u>10,928,909</u>
<b>OPERATING EXPENSES</b>		
Marketing	8,905,379	10,750,358
Nonmarketing programs	1,349,570	1,484,712
Administration	<u>3,135,281</u>	<u>3,145,195</u>
Total operating expenses	<u>13,390,230</u>	<u>15,380,265</u>
Operating income (loss)	<u>472,244</u>	<u>(4,451,356)</u>
<b>NONOPERATING REVENUES</b>		
Interest income	16,492	19,744
Interest expense	(1,889)	(2,363)
Grant income	426,417	340,558
Other income	<u>293,766</u>	<u>163,397</u>
Total nonoperating revenues	<u>734,786</u>	<u>521,336</u>
Change in net position	<u>1,207,030</u>	<u>(3,930,020)</u>
<b>NET POSITION, beginning of year, as originally presented</b>	-	14,342,442
Cumulative effect of change in accounting principle	<u>-</u>	<u>(5,903)</u>
<b>NET POSITION, beginning of year, as restated</b>	<u>10,406,519</u>	<u>14,336,539</u>
<b>NET POSITION, end of year</b>	<u>\$ 11,613,549</u>	<u>\$ 10,406,519</u>

\*The fiscal year 2021 financial statements have been restated for the adoption of GASB 87, Leases, effective November 1, 2020.

See accompanying notes.

**California Avocado Commission**  
**Statements of Cash Flows**  
**Years Ended October 31, 2022 and 2021**

	2022	As Restated* 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 13,956,381	\$ 11,669,891
Cash payments to suppliers for goods and services	(10,936,923)	(12,999,020)
Cash payments to employees for services	(2,191,377)	(2,384,888)
Net cash provided by (used in) operating activities	828,081	(3,714,017)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from grants	451,123	106,773
Other income	330,398	163,395
Net cash provided by non-capital financing activities	781,521	270,168
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal paid on leases	(154,081)	(161,199)
Interest paid on leases	(1,889)	(2,363)
Net cash used by capital and related financing activities	(155,970)	(163,562)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	16,492	19,744
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,470,124	(3,587,667)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	11,377,691	14,965,358
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 12,847,815	\$ 11,377,691
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 472,244	\$ (4,451,356)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Depreciation and amortization expense	208,285	208,505
Changes in assets and liabilities		
Decrease in assessments receivable	280,953	953,909
Decrease (increase) in prepaid expenses and deposits	138,725	(82,276)
Decrease (increase) in inventory	725	(34,246)
(Decrease) in accounts payable and accrued liabilities	(132,582)	(398,145)
(Decrease) increase in accounts payable and fiduciary liabilities	(72,606)	55,102
(Decrease) increase in compensated absences	(67,663)	34,490
Net cash provided by (used for) operating activities	\$ 828,081	\$ (3,714,017)

\*The fiscal year 2021 financial statements have been restated for the adoption of GASB 87, Leases, effective November 1, 2020.

See accompanying notes.

# California Avocado Commission

## Notes to Financial Statements

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### Note 1 – Summary of Significant Accounting Policies

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

**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, 2022 and 2021, was 1.75% 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. HAB is authorized under the United States Department of Agriculture (USDA) to manage research and marketing throughout the United States.

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.

**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 accounting 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 Financial Statements

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#### *New Accounting Standards*

Issued in June 2017, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was developed to meet the information needs of financial statement users by improving accounting and financial reporting for leases of local governments. The statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operation leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Commission adopted GASB 87, *Leases*, retrospectively as of November 1, 2020, and accordingly the fiscal year 2021 financial statements have been restated as summarized below:

<u>Statement of Net Position</u>	FY 2021 as Previously Reported	Restatement Related to Adoption of GASB 87	FY 2021 as Restated
Capital assets being amortized, net	\$ -	\$ 567,061	\$ 567,061
Lease liabilities, due within one year	-	157,087	157,087
Lease liabilities, due in more than one year	-	415,877	415,877
Net investment in capital assets	85,529	(5,903)	79,626
Total net position	10,412,422	(5,903)	10,406,519
<u>Statement of Revenues, Expenses and Changes in Net Position</u>			
Administration expenses	3,147,558	(2,363)	3,145,195
Operating loss	(4,453,719)	2,363	(4,451,356)
Interest expense	-	(2,363)	(2,363)
Total non-operating revenue	523,699	(2,363)	521,336
Net position, beginning of the year	14,342,442	(5,903)	14,336,539

**Assets, liabilities, and net position – 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.

**Investments** – The Commission values its investment in accordance with the provision of 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 is 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.

**Receivables** – No allowance for uncollectible accounts has been recorded for the years ended October 31, 2022 and 2021. 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.



## California Avocado Commission

### Notes to Financial Statements

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*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. Maintenance and repairs are charged to operations in the period incurred. 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:

Asset Category	Years
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

*Leases* – The Commission, as a lessee, recognizes a lease liability and an intangible ROU asset at the commencement of a lease, unless the lease is considered a short-term lease or transfer of ownership of the underlying assets. ROU lease assets are measure based on the net present value of the payment, using the Commission’s weighted-average cost of capital, which approximates the Commission’s incremental borrowing rate. Remeasurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact to the lease liability.

The Commission calculates the amortization of the discount on the lease liability and reports that amount as outflow of resources in that period. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations and are recognized as outflows of resources in the periods on which the obligations for the payments are incurred.

*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.

*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.

*Fiduciary and restricted assets* – Fiduciary assets are held for the 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.

## California Avocado Commission

### Notes to Financial Statements

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*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 and amortization, reduced by the outstanding balances of lease liabilities, 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, 2022 and 2021, the Commission had net investment in capital assets in the amounts of \$25,422 and \$79,626, respectively. There was no outstanding debt related to capital assets at October 31, 2022 and 2021.

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, 2022 and 2021, the Commission had restricted net position in the amounts of \$4,134,611 and \$4,263,018, 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.

#### Note 2 – Detailed Notes on Assets and Liabilities

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

	2022	2021
Petty cash	\$ 240	\$ 200
Demand deposits	12,837,307	11,367,091
Local Agency Investment Fund	10,268	10,400
Total cash and cash equivalents	\$ 12,847,815	\$ 11,377,691

**Investment in state investment pool** – The Commission is a voluntary participant in LAIF, which is regulated by California Government Code (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.

**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 Financial Statements

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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 CGC Section 16430 and the 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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
LAIF	N/A	None	\$75 million

## California Avocado Commission

### Notes to Financial Statements

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**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:

	Remaining Maturity 12 Months or Less	
	2022	2021
Local Agency Investment Fund	\$ 10,268	\$ 10,400

**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, 2022 and 2021.

**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, 2022 and 2021, the bank balance of deposits was \$12,857,099 and \$11,412,786, respectively. The first \$250,000 of the bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). The remaining balance was collateralized at 100% of the total amount deposited by the Commission in accordance with federal regulations set by the USDA.

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).

## California Avocado Commission

### Notes to Financial Statements

#### Capital Assets

	As Restated* November 1, 2021	Additions	Deletions	October 31, 2022
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	125,903	32,348	-	158,251
Office equipment	61,002	-	-	61,002
Software	15,021	1	-	15,022
Land improvements	85,032	14,122	-	99,154
Total accumulated depreciation	<u>286,958</u>	<u>46,471</u>	<u>-</u>	<u>333,429</u>
Capital ROU assets, being amortized				
Buildings	699,397	-	-	699,397
Equipment	28,863	16,980	-	45,843
Total capital ROU assets, being amortized	<u>728,260</u>	<u>16,980</u>	<u>-</u>	<u>745,240</u>
Less accumulated amortization for				
Buildings	149,070	149,070	-	298,140
Equipment	12,129	12,744	-	24,873
Total accumulated amortization	<u>161,199</u>	<u>161,814</u>	<u>-</u>	<u>323,013</u>
Capital and ROU assets, net of depreciation and amortization	<u>\$ 652,590</u>	<u>\$ (191,305)</u>	<u>\$ -</u>	<u>\$ 461,285</u>

\*The fiscal year 2021 financial statements have been restated for the adoption of GASB 87, Leases, effective November 1, 2020.

## California Avocado Commission Notes to Financial Statements

	As Restated* November 1, 2020	Additions	Deletions	As Restated* 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 ROU assets, being amortized				
Buildings	699,397	-	-	699,397
Equipment	28,863	-	-	28,863
Total capital assets, being amortized	<u>728,260</u>	<u>-</u>	<u>-</u>	<u>728,260</u>
Less accumulated amortization for				
Buildings	-	149,070	-	149,070
Equipment	-	12,129	-	12,129
Total accumulated amortization	<u>-</u>	<u>161,199</u>	<u>-</u>	<u>161,199</u>
Capital and ROU assets, net of depreciation and amortization	<u>\$ 861,095</u>	<u>\$ (208,505)</u>	<u>\$ -</u>	<u>\$ 652,590</u>

\*The fiscal year 2021 financial statements have been restated for the adoption of GASB 87, Leases, effective November 1, 2020.

Depreciation expense was \$46,471 and \$47,306 for the years ended October 31, 2022 and 2021, respectively. Amortization expense was \$161,814 and \$161,199 for the years ended October 31, 2022 and 2021, respectively.

## California Avocado Commission Notes to Financial Statements

### Long-Term Liabilities

	As Restated* November 1, 2021	Additions	Deletions	October 31, 2022	Amount Due within One Year
Compensated absences	\$ 234,693	\$ 134,319	\$ (201,982)	\$ 167,030	\$ 102,367
Lease liabilities	572,964	16,980	(154,081)	435,863	151,164
	<u>\$ 807,657</u>	<u>\$ 151,299</u>	<u>\$ (356,063)</u>	<u>\$ 602,893</u>	<u>\$ 253,531</u>

	As Restated* November 1, 2020	Additions	Deletions	As Restated* October 31, 2021	Amount Due within One Year
Compensated absences	\$ 200,205	\$ 131,157	\$ (96,669)	\$ 234,693	\$ 130,088
Lease liabilities	728,260	-	(155,296)	572,964	157,087
	<u>\$ 928,465</u>	<u>\$ 131,157</u>	<u>\$ (251,965)</u>	<u>\$ 807,657</u>	<u>\$ 287,175</u>

\*The fiscal year 2021 financial statements have been restated for the adoption of GASB 87, Leases, effective November 1, 2020.

**Lease liabilities** – The Commission recognizes a ROU asset and lease liability for all non-short-term leases (contracts of 12 months or less). At the time of commencement or conversion of a lease, the Commission includes all possible extension periods that are deemed to be reasonably certain given all available information in the term of a lease. Unless explicitly stated in the lease agreement, a discount rate is used to calculate the initial lease ROU asset and liability. Variable payments based on the future performance of the lessor or the Commission or usage of the underlying asset are not included in the measurement of lease assets or liabilities. For the fiscal years ended October 31, 2022 and 2021, all Commission leases were based on fixed payments and did not have variable payment components. For the fiscal years ended October 31, 2022 and 2021, the Commission did not have to remeasure any lease liabilities due to (1) early termination of a lease; (2) reduction in the monthly lease payment; or (3) change in the discount rate.

In November 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. The lease agreement does not contain other renewal periods and management will evaluate extension of the lease closer to its term date. During the years ended October 31, 2022 and 2021, the Commission paid \$122,390 and \$118,301, respectively, for use of the space. The Commission used the risk-free rate from the U.S. Treasury of 0.38% as of November 1, 2020, as the discount rate in establishing the initial asset and liability. Subsequent to the 2022 fiscal year end, this office space experienced significant damage due flooding from a burst pipe, repairs of which were primarily covered by the lessor and/or insurance. No impairments to the remaining asset or liability balance were assessed as a result of this coverage. Certain rent payments were abated by the landlord for the period the space was not available to carry out operations.

## California Avocado Commission

### Notes to Financial Statements

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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 on June 30, 2023. The lease allows for an option to extend for two five-year periods based on the current market rental value of the property at the time of commencement of the option. At the time of this report, management was in negotiations to execute one of the five-year extensions. During the years ended October 31, 2022 and 2021, the Commission paid \$24,384 and \$23,600 for rent, respectively, including rent paid for a garage on the property for \$100 a month.

The Commission has entered into agreements to lease various printers, scanners, and a postage machine. The average term for each lease is three years with total payments of approximately \$1,500 per month. Some agreements allow for continuation of payments until the equipment is returned. None of the terms guarantee a buy-out of the asset. The Commission used the risk-free rates from the U.S. Treasury ranging from 0.16% to 0.20% as of November 1, 2020, as the discount rate in establishing the initial asset and liability. Two of the lease arrangements were entered into during the year ended October 31, 2022. For those leases the Commission used the risk-free rates ranging from 2.49% to 4.52%.

Principal and interest payments to be made under these leases for each of the next five years are as follows:

	Principal	Interest	Total
Years Ending October 31,			
2023	\$ 151,164	\$ 1,895	\$ 153,059
2024	134,808	1,173	135,981
2025	138,736	441	139,177
2026	11,155	4	11,159
	\$ 435,863	\$ 3,513	\$ 439,376

### Note 3 – Other Information

**Avocado Inspection Program** – During February 1986, the Commission contracted with the State Department of Food and Agriculture to administer the 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 the AIP, are offset by fiduciary liabilities, amounts held for the AIP. As of October 31, 2022 and 2021, \$948,364 and \$1,020,970, respectively, was held by the Commission for the AIP.

On October 10, 2012, the Commission entered into a lease agreement on behalf of the 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, 2022 and 2021, the Commission paid \$19,265 and \$18,588, respectively, for office rent subsequently reimbursed by the AIP, exclusive of operating expenses.

On May 1, 2013, the Commission entered into a lease agreement on behalf of the 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, 2022 and 2021, the Commission paid \$12,100 and \$12,000, respectively, for office rent subsequently reimbursed by the AIP, exclusive of operating expenses.



## California Avocado Commission

### Notes to Financial Statements

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As the Commission does not have any right to the use of such lease arrangements, no assets or corresponding liabilities have been recorded by the Commission.

**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 line of credit is set to mature on May 29, 2023. Management's intent is to renew. At October 31, 2022 and 2021, there was no outstanding balance due on the line of credit.

**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 \$300 deductible.

*Crime liability* – insured by Travelers Casualty and Surety – Coverage is \$1,000,000, subject to a \$5,000 deductible.

*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.

*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 – General aggregate coverage of \$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 – Coverage is \$1,000,000 per occurrence.

*Workers' compensation coverage* – insured by Hartford Casualty Insurance Company – Coverage is \$1,000,000 per occurrence.

*Cyber* – insured by HSB Specialty Insurance Company – Coverage is \$1,000,000 per occurrence with a \$5,000 self-insurance retention.

## California Avocado Commission

### Notes to Financial Statements

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**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 2022.

**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 employees eligible to participate in the PSP for the plan year ended October 31, 2022, was \$1,770,715. Total payroll for the eleven employees eligible to participate in the PSP for the plan year ended October 31, 2021, was \$1,817,541. Total contributions for the years ended October 31, 2021 and 2020, were \$177,081 and \$181,754, respectively.

The Commission may make annual contributions to the PSP, with each eligible employee receiving an allocation of 10% of compensation. In addition, the PSP allows for the Commission to establish an additional amount, if any, to be contributed and allocated on behalf of certain designated employees. The PSP stipulates that the Internal Revenue Service Code, Section 415, shall govern limitations on annual PSP contributions, which were \$61,000 for the plan year ended October 31, 2022, and \$58,000 for the plan year ended October 31, 2021. 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.

## Supplementary Information

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**California Avocado Commission**  
**Budgetary Comparison Schedule**  
**Year Ended October 31, 2022**  
**(with comparative actual totals for the year ended October 31, 2021)**

	2022			Variance Positive (Negative)	2021 Actual
	Original Budget	Final Budget	Actual		
<b>REVENUES</b>					
Assessment revenue	\$ 6,398,438	\$ 6,398,438	\$ 8,399,945	\$ 2,001,507	\$ 5,693,840
HAB rebate assessment revenue (restricted)	5,928,750	5,928,750	5,386,470	(542,280)	5,159,076
Administrative and accounting fees	61,000	61,000	60,996	(4)	61,000
Interest income	15,000	15,000	16,492	1,492	19,744
Grant income	375,000	475,000	426,417	(48,583)	340,558
Merchandise shop revenue	53,621	53,621	15,063	(38,558)	14,993
Other income	177,500	177,500	293,766	116,266	163,397
Total revenues	<u>13,009,309</u>	<u>13,109,309</u>	<u>14,599,149</u>	<u>1,489,840</u>	<u>11,452,608</u>
<b>EXPENSES</b>					
<b>Marketing</b>					
Consumer marketing	5,375,000	5,375,000	5,267,555	107,445	6,483,244
Merchandising	2,194,035	2,194,035	1,867,264	326,771	2,015,422
Foodservice	772,500	772,500	615,454	157,046	807,573
Consumer/Trade Living Well	145,000	145,000	144,591	409	182,047
Consumer public relations	785,000	785,000	775,329	9,671	917,953
Merchandise shop	147,330	147,330	122,423	24,907	162,747
Marketing activities support	112,500	112,500	112,763	(263)	181,372
Total marketing	<u>9,531,365</u>	<u>9,531,365</u>	<u>8,905,379</u>	<u>625,986</u>	<u>10,750,358</u>
<b>Non-marketing programs</b>					
Industry affairs	1,118,703	1,118,703	650,552	468,151	779,764
Production research	346,709	346,709	296,443	50,266	364,390
Grant expenses	375,000	475,000	402,575	72,425	340,558
Total non-marketing programs	<u>1,840,412</u>	<u>1,940,412</u>	<u>1,349,570</u>	<u>590,842</u>	<u>1,484,712</u>
<b>Administration</b>					
Administration	3,294,742	3,419,742	2,843,121	576,621	3,023,512
Information systems	111,520	111,520	85,762	25,758	76,740
Depreciation	46,463	46,463	208,287	(161,824)	47,306
Total administration	<u>3,452,725</u>	<u>3,577,725</u>	<u>3,137,170</u>	<u>440,555</u>	<u>3,147,558</u>
Total expenses	<u>14,824,502</u>	<u>15,049,502</u>	<u>13,392,119</u>	<u>1,657,383</u>	<u>15,382,628</u>
Change in net position	<u>(1,815,193)</u>	<u>(1,940,193)</u>	<u>1,207,030</u>	<u>(167,543)</u>	<u>(3,930,020)</u>
<b>NET POSITION, beginning of year, as originally presented</b>					
	-	-	-	-	14,342,442
<b>Cumulative effect of change in accounting principle</b>					
	-	-	-	-	(5,903)
<b>NET POSITION, beginning of year, as restated</b>					
	<u>10,406,519</u>	<u>10,406,519</u>	<u>10,406,519</u>	-	<u>14,336,539</u>
<b>NET POSITION, ending of year</b>					
	<u>\$ 8,591,326</u>	<u>\$ 8,466,326</u>	<u>\$ 11,613,549</u>	<u>\$ 3,147,223</u>	<u>\$ 10,406,519</u>

**California Avocado Commission**  
**Note to Supplementary Information**  
**October 31, 2022 and 2021**

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**Note 1 – Budgetary Information**

**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 Vice President of Finance and Administration of the Commission to review each line item. The overall combined budget is prepared by the President and Vice President 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**  
**Year Ended October 31, 2022**

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Assessment revenue	\$ -	\$ 8,399,945	\$ 8,399,945
HAB rebate assessment revenue (restricted)	5,386,470	-	5,386,470
Administrative and marketing fees	-	60,996	60,996
Other operating revenues	-	15,063	15,063
	<u>5,386,470</u>	<u>8,476,004</u>	<u>13,862,474</u>
<b>OPERATING EXPENSES</b>			
Marketing	5,517,387	3,387,992	8,905,379
Nonmarketing programs	-	1,349,570	1,349,570
Administration	-	3,135,281	3,135,281
	<u>5,517,387</u>	<u>7,872,843</u>	<u>13,390,230</u>
Operating (loss) income	<u>(130,917)</u>	<u>603,161</u>	<u>472,244</u>
<b>NONOPERATING REVENUES</b>			
Interest income	2,510	13,982	16,492
Interest expense	-	(1,889)	(1,889)
Grant income	-	426,417	426,417
Other income	-	293,766	293,766
	<u>2,510</u>	<u>732,276</u>	<u>734,786</u>
Change in net position	(128,407)	1,335,437	1,207,030
NET POSITION, beginning of year, as restated	<u>4,263,018</u>	<u>6,143,501</u>	<u>10,406,519</u>
NET POSITION, ending of year	<u>\$ 4,134,611</u>	<u>\$ 7,478,938</u>	<u>\$ 11,613,549</u>

**California Avocado Commission**  
**Schedule of Restricted Marketing Program Expenses**  
**Year Ended October 31, 2022**

	<u>Restricted</u>	<u>Budget</u>
Marketing programs		
Media – 85% Rebate-Mullen	\$ 1,826,649	\$ 1,840,000
Program Administration Fees – 85% Rebate-Mullen	1,565,805	1,565,805
Website & Blog – Mullen	<u>251,249</u>	<u>252,140</u>
Subtotal consumer advertising	<u>3,643,703</u>	<u>3,657,945</u>
California Avocado Video Distribution – 85% Rebate-Golin	65,082	69,200
California Avocado Month – 85% Rebate-Golin	-	3,500
News Bureau – 85% Rebate-Golin	168,351	167,500
Media Tracking & Reporting – 85% Rebate-Golin	69,769	70,000
Website Contributors & Social Support – 85% Rebate-Golin	172,285	175,500
Program Administration Fees – 85% Rebate-Golin	<u>118,293</u>	<u>120,000</u>
Subtotal consumer public relations	<u>593,780</u>	<u>605,700</u>
Trade Advertising-Media – 85% Rebate-Fusion	263,329	265,000
Trade Advertising-Production – 85% Rebate-Fusion	16,943	25,000
Conventions – 85% Rebate	152,038	186,600
Booth Storage – 85% Rebate	1,068	3,000
Key Account Coverage-MW/SE-Anderson – 85% Rebate	88,000	88,000
Key Account Coverage-West-Becker – 85% Rebate	144,539	136,000
Premiums – 85% Rebate	9,858	15,000
POS Materials – 85% Rebate	<u>-</u>	<u>15,000</u>
Subtotal merchandising	<u>675,775</u>	<u>733,600</u>
Media – 85% Rebate-KC	69,010	71,800
Production – 85% Rebate-KC	16,375	7,500
Public Relations – 85% Rebate-KC	36,429	46,500
Program Administration Fees– 85% Rebate-KC	41,500	50,000
Program Administration Expenses – 85% Rebate-KC	23	4,000
Foodservice Events – 85% Rebate-KC	274,702	279,700
Chain Promotions – 85% Rebate-KC	<u>166,090</u>	<u>300,700</u>
Subtotal foodservice	<u>604,129</u>	<u>760,200</u>
Total marketing	<u>5,517,387</u>	<u>5,757,445</u>
Total program expenses	<u>\$ 5,517,387</u>	<u>\$ 5,757,445</u>

## **Report of Independent Auditors 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***

The Board of Directors  
California Avocado Commission

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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the California Avocado Commission as of and for the year ended October 31, 2022, and the related notes to the financial statements, which collectively comprise the California Avocado Commission's basic financial statements, and have issued our report thereon dated June 20, 2023.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the California Avocado 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 California Avocado Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the California Avocado 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 or significant deficiencies may exist that were not identified.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the California Avocado 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Irvine, California  
June 20, 2023

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# INDUSTRY STATISTICAL DATA

## 10 YEAR INDUSTRY STATISTICAL DATA FROM 2012/13 THROUGH 2021/22

YEAR	PRODUCING ACRES	VOLUME	CROP VALUE	PRICE PER POUND (¢)	DOLLARS PER PRODUCING ACRE	POUNDS PER PRODUCING ACRE
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
21/22	47,505	276.1	\$486,549,026	176.2	\$10,242	5,813

**Footnotes:**

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

Industry statistical data from 1971/72 through 2021/22 are available on [CaliforniaAvocadoGrowers.com/Industry/Industry-statistical-data](http://CaliforniaAvocadoGrowers.com/Industry/Industry-statistical-data)

## CALIFORNIA AVOCADO POUNDS & DOLLARS BY VARIETY NOVEMBER 2021 THROUGH OCTOBER 2022

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	7,681,204	3,582	0	297,085	7,981,871	12,107,451	6,118	0	254,984	12,368,548	1.550
2nd QTR	108,570,090	8	2,319,678	168,105	110,827,881	176,797,026	42	4,051,947	197,487	181,087,697	1.634
3rd QTR	133,159,384	6,755,244	2,661,391	467,934	143,043,953	258,489,210	14,808,635	4,122,834	359,853	278,237,532	1.945
4th QTR	10,882,171	3,038,945	14,564	348,941	14,284,621	11,135,948	3,247,942	13,002	438,157	14,835,049	1.038
<b>Total</b>	<b>260,042,851</b>	<b>9,797,779</b>	<b>4,995,433</b>	<b>1,302,065</b>	<b>276,138,128</b>	<b>458,169,635</b>	<b>18,142,732</b>	<b>8,789,178</b>	<b>1,447,461</b>	<b>486,549,026</b>	<b>1.762</b>
Y-T-D (%)	94.17%	3.55%	1.81%	.47%	100.00%	94.17%	3.79%	1.81%	.30%	100.00%	
Y-T-D AVG \$/lb						1.762	1.852	1.759	1.112	1.762	

## TOTAL US VOLUME AND CALIFORNIA PRICE PER POUND FROM 2012/13 THROUGH 2021/22

YEAR	CA VOLUME (MM LBS.)	TOTAL US VOLUME (MM LBS.)	CA AVERAGE PRICE PER POUND (¢)
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
21/22	276.1	2,641	176.2

**Footnotes:**

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

# 2022 ANNUAL REPORT

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