



AGENDA

California Avocado Commission Board of Directors Meeting

Meeting Information

Date: February 24, 2022

Time: 10:00 a.m.

Location: Web/Teleconference

Web/Teleconference URL:

<https://californiaavocado.zoom.us/j/83403655378?pwd=amF4VzZkR2MrQWE1bGZNbGo4K0JuQT09>

Conference Call Number: (669) 900-6833

Meeting ID: 834 0365 5378

Passcode: 756563

Meeting materials will be posted online at least 24 hours prior to the meeting at:

<https://www.californiaavocadogrowers.com/commission/meeting-agendas-minutes>

Board Member and Alternate Attendance

As of Friday, February, 18, 2022, the following individuals have advised the Commission they will participate in this meeting via web/teleconference:

Will Carleton, *Alternate*

Jason Cole, *Member*

John Cornell, *Member*

Maureen Cottingham, *Alternate*

Rob Grether, *Member*

Jessica Hunter, *Member*

Connor Huser, *Alternate*

Ohannes Karaoghlanian, *Member*

Catherine Keeling, *Alternate*

Rachael Laenen, *Member*

John Lloyd-Butler, *Member*

Daryn Miller, *Member*

Michael Perricone, *Member*

Andrew Prechtl, *Member*

Peter Shore, *Member*

Time	Item
10:00 a.m.	1. Call to Order <ol style="list-style-type: none"> a. Roll Call/Quorum b. Introductions
10:05 a.m.	2. Opportunity for Public Comment Any person may address the Board at this time on any subject within the jurisdiction of the California Avocado Commission.
10:15 a.m.	3. Consent Calendar Consent Calendar items are expected to be routine and non-controversial, to be acted upon by the Board at one time without discussion. If any Board member, staff member, or interested person requests that an item be removed from the Consent Calendar, it shall be removed so that it may be acted upon separately. <ol style="list-style-type: none"> a. Consider approval of Board of Director’s meeting minutes of November 18, 2021 b. 2021-22 Financial and crop update c. Consider Approval of Committee Appointments d. Consider Approval of CAC as provider of Avocado Inspection Program Administrative Services for the CDFR for the period from July 2022 through June 2023 e. Production Research Update
10:20 a.m.	4. Treasurer’s Report <ol style="list-style-type: none"> a. Consider Acceptance of 2020-21 Audited Financial Statements
10:40 a.m.	5. Marketing Report <ol style="list-style-type: none"> a. Consumer Tracking Study – Temra Wald b. Consumer PR Plans c. Living Well Brand Advocates Report d. Merch Shop Update
12:00 p.m.	6. Chairman’s Report <ol style="list-style-type: none"> a. Consider Sponsorship of Participant(s) in HAB BOLD Program b. Succession Update c. GEM Update
12:20 p.m.	7. Adjourn Meeting

Disclosures

The times listed for each agenda item are estimated and subject to change. It is possible that some of the agenda items may not be able to be discussed prior to adjournment. Consequently, those items

will be rescheduled to appear on a subsequent agenda. All meetings of the California Avocado Commission are open to the public and subject to the Bagley-Keene Open Meeting Act.

All agenda items are subject to discussion and possible action. For more information, or to make a request regarding a disability-related modification or accommodation for the meeting, please contact April Aymami at 949-341-1955, California Avocado Commission, 12 Mauchly, Suite L, Irvine, CA 92618, or via email at aaymami@avocado.org. Requests for disability-related modification or accommodation for the meeting should be made at least 48 hours prior to the meeting time. For individuals with sensory disabilities, this document is available in Braille, large print, audiocassette or computer disk. This meeting schedule notice and agenda is available on the internet at <https://www.californiaavocadogrowers.com/commission/meeting-agendas-minutes> and <http://it.cdfa.ca.gov/igov/postings/detail.aspx?type=Notices>.

If you have questions on the above agenda, please contact April Aymami at aaymami@avocado.org or 949-341-1955.

Summary Definition of Conflict of Interest

It is each member's and alternate's responsibility to determine whether they have a conflict of interest and whether they should excuse themselves from a particular discussion or vote during a meeting. To assist you in this evaluation, the following *Summary Definition of Conflict of Interest* may be helpful.

A Commission *member or employee* has a conflict of interest in a decision of the Commission if it is reasonably foreseeable that the decision will have a material effect, financial or otherwise, on the member or employee or a member of his or her immediate family that is distinguishable from its effect on all persons subject to the Commission's jurisdiction.

No Commission member or employee shall make, or participate in making, any decision in which he or she knows or should know he or she has a conflict of interest.

No Commission member or employee shall, in any way, use his or her position to influence any decision in which he or she knows or should know he or she has a conflict of interest.



BOARD ACTION

ITEM 3.A: CONSIDER APPROVAL OF BOARD OF DIRECTORS' MEETING MINUTES
OF NOVEMBER 18, 2021

SUMMARY:

The minutes of the Board of Directors' regular meeting of November 18, 2021 are attached for the Board's review and approval.

FISCAL ANALYSIS:

- Not applicable

BOARD OPTIONS:

- Adopt minutes as presented
- Amend minutes
- Take no action

STAFF RECOMMENDATION:

- Approve minutes as presented

EXHIBITS / ATTACHMENTS:

- Minutes of the Board of Directors' regular meeting of November 18, 2021

**CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
November 18, 2021**

A web/teleconference meeting of the California Avocado Commission (CAC) Board was held on Thursday, November 18, 2021 with the following people present:

MEMBERS PRESENT

Gary Caloroso
Jason Cole
John Cornell
Rob Grether
Jessica Hunter
Ohannes Karaoghlanian
Rachael Laenen
John Lloyd-Butler
Daniella Malfitano
Daryn Miller
Michael Perricone
Andrew Prechtl
Peter Shore

ALTERNATES PRESENT

Will Carleton
Maureen Cottingham
Connor Huser
Catherine Keeling
Ryan Rochefort
Charley Wolk

MEMBERS ABSENT

None

ALTERNATES ABSENT

Connor Huser

ITEM #1 CALL TO ORDER

Ben Kardokus, representing the California Department of Food and Agriculture (CDFA), called the meeting to order at 9:03 a.m.

Announcement of Election Results and Introduction of New Members and Alternates - Item 1.a.

Mr. Kardokus announced that results from the recently concluded 2021 CAC General Election had been tallied and the following individuals had been elected to the CAC Board for two-year terms ending October 31, 2023:

District 1 Member: Michael Perricone
District 1 Alternate: Ryan Rochefort

District 2 Member: Ohannes Karaoghlanian
District 2 Alternate: Charley Wolk

District 3 Member: Rob Grether
District 3 Alternate: Maureen Cottingham

District 4 Member: Jason Cole
District 4 Alternate: Catherine Keeling

District 5 Member: Daryn Miller
District 5 Alternate: Will Carleton

Handler Member: Peter Shore
Handler Alternate: Connor Huser

OFFICIALLY PRESENT

Victoria Carpenter, *USDA*
Candace Hollar, *MullenLowe*
Ben Kardokus, *CDFA*
Tyler Kirsch, *MullenLowe*
Bryan Reugebrink,
MullenLowe
Sam Schaitberger,
MullenLowe
Dr. Dennis Tootelian, *The*
Tootelian Company

STAFF PRESENT

Monica Arnett
April Aymami
Tom Bellamore
Zac Benedict
David Cruz
Jan DeLyser
Angela Fraser
Stacia Kierulff
Miriam Martinez
Ken Melban
Cristina Wede

GUESTS PRESENT

David Anderson
Carolyn Becker
Brittany Ferrant
Anneliese Harrison
Kathleen Johnson
Lauren Kelley
Kim Kurata
John Lamb
John McGuigan
Jillian McMenamin
Marji Morrow
Steven Muro
Jill Netzel
Barb Peirce
Lecia Rdzak
Erica Sanchez
Bob Schaar
Matt Schraut
Kevin Simek
Catie Stoneberg

Roll Call – Item 1.b.

Mr. Kardokus conducted roll call attendance and determined that a quorum was present.

Introductions

April Aymami, CAC industry affairs director, announced the United States Department of Agriculture (USDA), CDFR, CAC staff, CAC agency personnel and known guests participating in the web/teleconference call. She asked for all other guests to announce themselves and recorded all participants in attendance.

ITEM # 2 OPPORTUNITY FOR PUBLIC COMMENT

There was no public comment.

ITEM # 3 ELECTION OF OFFICERS

Instruction on How Nominations and Voting for Board Officers will be Conducted – Item 3.a.

Mr. Kardokus provided a brief overview of Commission law as it pertains to the nomination and election of Board officers. He stated that CAC staff had recently conducted a review of policies and procedures, as well as Robert's Rules of Order, to establish the process to be used during the election of officers and asked Ms. Aymami to explain the process that would be used. Ms. Aymami provided the following details for the nomination and election of CAC Executive Officers:

- A call for nominations for the stated position will be made and all nominations, regardless of whether or not they receive a second, shall be accepted.
- There should be no motion to close nominations. Once all names have been submitted, and hearing no more, it will be stated that nominations are closed.
- There should not be a motion to appoint or elect a particular person for a position, instead:
 - A roll-call vote shall be taken for each position, with members voting for the name of the person they wish to elect to the seat.
- Due to the meeting being held as a teleconference, members shall send a message via private chat to Ms. Aymami with their vote, then she shall read each member's vote aloud and record into the minutes

Nominations and Election of Chairperson – Item 3.b.

Following the instructions on nominations and voting for board officers, Mr. Kardokus called for nominations for the seat of Chairperson. Rob Grether was nominated for the position of Chairperson by Rachael Laenen. There were no further nominations for the position of Chairperson.

ACTION:

An Election was conducted for the position of Chairperson resulting in a unanimous vote for Rob Grether.

MOTION 21-11-18-1

ITEM #4 CHAIRPERSON TAKES GAVEL AND PRESIDES

Nominations and Election of Vice-Chairperson, Secretary, and Treasurer – Item 4.a.

Vice Chairperson

Mr. Grether assumed the position of Chairperson and requested nominations for the position of Vice-Chairperson. Rachael Laenen was nominated for the position of Vice-Chairperson by Jason Cole. There were no further nominations for the position of Vice-Chairperson.

ACTION:

An Election was conducted for the position of Vice-Chairperson resulting in a unanimous vote for Rachael Laenen.

MOTION 21-11-18-2

Secretary

Mr. Grether requested nominations for the position of Secretary. Jessica Hunter was nominated for the position of Secretary by Rachael Laenen. There were no further nominations for the position of Secretary.

ACTION:

An Election was conducted for the position of Secretary resulting in a unanimous vote for Jessica Hunter.

MOTION 21-11-18-3

Treasurer

Mr. Grether requested nominations for the position of Treasurer. Jason Cole was nominated for the position of Treasurer by Andrew Prechtel. There were no further nominations for the position of Treasurer.

ACTION:

An Election was conducted for the position of Treasurer resulting in a unanimous vote for Jason Cole.

MOTION 21-11-18-4

Chairperson's Opening Remarks – Item 4.b.

Mr. Grether thanked the Board for their support and electing him to the position of Chairperson for another term. He congratulated the new members to the board and welcomed back those who were reelected.

ITEM # 5 CONSENT CALENDAR

Mr. Grether introduced the consent calendar items and asked for questions or comments. Mr. Grether requested to remove Item 5.b, the proposed 2021-22 calendar, for further discussion.

MOTION:

The CAC Board of Directors approves the Consent Calendar, Items 5.a and 5.c as presented.

(Cole/Karaoghlanian) MSC Unanimous

MOTION 21-11-18-5

Mr. Grether stated that the goal for this coming year was to return to a five-meeting schedule, and not have to schedule extra or special board meetings. Due to Tom Bellamore's notice of resignation effective January 31, 2022, however, he noted that the Board would likely need to convene for a brief one item teleconference meeting in December to address any gap in management that may occur before a successor for President/CEO is named. It was requested that if a Board meeting was needed, that it take place prior to the holidays.

MOTION:

The CAC Board of Directors approves the Consent Calendar, Item 5.b, with the potential addition of a December teleconference meeting (Date TBD).

(Karaoghlanian/Cole) MSC Unanimous

MOTION 21-11-18-6

The Consent Calendar is included in the November 2021 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Items 5.a through 5.c.

ITEM #6 CONSIDER SUCCESSION TASK FORCE RECOMMENDATION REGARDING EXECUTIVE SEARCH FIRM

Mr. Grether reported that at the last meeting the CAC Board unanimously approved retaining an executive search firm to fill the Commission's President/CEO position. Since this time, the Succession Task Force had developed a plan, timeline and reviewed three executive search firms. Mr. Grether reminded the Board that the members of the Task Force were Rob Grether, Jason Cole, Rachael Laenen, Charley Wolk, Ryan Rochefort, John Lamb and Rick Shade. He stated that the Task Force was bringing forward a unanimous recommendation to the CAC Board to move forward with the executive search firm Boyden, specifically Boyden principals Jeff Hodge and Gwen Sabo. Mr. Grether noted that Boyden's retainer was one-third of the President/CEO's first year compensation, capped at \$100,000, plus Boyden travel expenses up to \$25,000, for a total budgeted cost not to exceed \$125,000.

During discussion one member asked what made Boyden stand out over the other two firms. Mr. Grether commented that all firms had experience in agriculture and/or fresh produce of varying size in operations, but Boyden had a proven track record in placing candidates specifically within the California agricultural industry. He noted that the Task Force was very pleased with Boyden's process and their ability to dig deep in researching CAC and understanding the needs of the President/CEO position, as well as the California avocado industry as a whole.

MOTION:

Move to approve the Succession Task Force recommendation to hire the executive search firm Boyden, specifically the principals Jeff Hodge and Gwen Sabo.

(Lloyd-Butler/Perricone) MSC Unanimous

MOTION 21-11-18-7

ITEM #7 CONSIDER BUDGET AMENDMENT NO.1

Monica Arnett, CAC vice president of finance and administration, provided an overview of the proposed Budget Amendment No. 1 which included an increase in expenses of \$125,000 to retain Boyden. Additionally, CAC had been successful in securing \$100,000 in USDA grant funds for the purpose of facilitating a market development program in China, which is reflected in both revenue and expenditures of Budget Amendment No. 1, with a net zero effect to the budget.

MOTION:

Move to approve Budget Amendment No. 1 resulting in a net increase to expenses of \$125,000.

(Karaoghlanian/Cornell) MSC Unanimous

MOTION 21-11-18-8

ITEM #8 MARKETING REPORT

Jan DeLyser, CAC vice president marketing, called the Board's attention to the year-end dashboard included in the Board Packet, stating that the metrics and key performance indicators covered the full fiscal year of November 2020 through October 2021.

The California Avocado Commission Dashboard, November 2020 – October 2021 is included in the November 2021 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 8.

2021 Media Results and Key Learning - Item 8.a.

Candance Hollar, of MullenLowe, presented an overview of the 2021 media results and shared preliminary plans for 2022, noting CAC would continue with outdoor, audio, digital, social and retail media. It was noted that in 2022 the goal would be to maximize reach and efficiencies in a conservative budget year while balancing proven partnerships and testing new ones to reach the Premium Californians and Super Users.

There was a question about running promotions with foodservice delivery apps, to which Ms. Hollar stated that they have looked into those options, however at this time there is no way to guarantee the restaurant is carrying California fruit. She also noted that those apps do not yet offer geo-targeted options, so it would have to be a nationwide buy, which is very costly. Ms. DeLyser addressed another question about how much of the marketing budget was directed at point-of-sale, to which she indicated about \$2 million was budgeted toward merchandising, with the bulk of that for customized point-of-sale materials.

The 2021 Media Campaign presentation is attached to the permanent copy of these Minutes and identified as EXHIBIT B.

Campaign Creative Update - Item 8.b.

Shop.CaliforniaAvocado.com Update - Item 8.c.

Representatives of MullenLowe provided a sneak peek at the 2022 campaign creative, which featured a hybrid approach of optimizing current assets while incorporating new, natural creative improvements. It was reported that updates incorporated 2021 Instapanel learnings and key takeaways, which helped to identify the top performing assets. In addition, improvements to messaging will incorporate the tagline “the best avocados have California in them” for all assets.

MullenLowe then presented key learnings and observations after one year of having CAC’s online merchandise store up and running. Utilizing these observations, it was reported that the store would focus on influencer buzz, evergreen social and e-comm collections to launch new items and sustain momentum in 2021-22.

During discussion, the profitability of the online store was reviewed. It was noted that overall program revenue and expenses were detailed in the financials in the board packet and that CAC management reviews individual item purchases to determine their level of performance, discontinuing or increasing inventory levels as needed to ensure the shop is stocked with the most highly desired products. Ms. DeLyser and her team were commended on their ability to find creative ways to optimize the lower budget in the coming year.

The Campaign Creative & Shop.CaliforniaAvocado.Com Updates presentation is attached to the permanent copy of these Minutes and identified as EXHIBIT C.

ITEM #9 INDUSTRY AFFAIRS REPORT

California Avocado Grower Profitability Study - Item 9.a.

Ken Melban, CAC vice president industry affairs, provided the background leading to the creation of the grower profitability study, noting that the Board had delegated the responsibility to develop the study to CAC’s production research committee, in collaboration with CAC management. The study sought to gather producer data to address assumptions regarding the overall health and profitability of California avocado growers. Mr. Melban reported that the survey was mailed out to approximately 1,700 assessment paying producers, and received about a 10% response rate. He stated that while there were no smoking guns in the final report, with growers of all sizes showing varying levels of profitability, he was hopeful this survey was an initial first step to understanding the health of the California avocado industry and where opportunities may exist for improvement.

Dr. Dennis Tootelian, who was retained by CAC to help develop, administer and analyze the profitability survey, presented a summary of the results, as well as the objectives, methodology and findings. The survey looked at factors such as CAC District, acreage, grove size, net margins, water sources and future threats, which resulted in the following conclusions from Dr. Tootelian:

- Growth in acreage is mostly in non-bearing acres
- Pounds per bearing acre is declining slightly, crop values are holding steady
- Revenues are growing, but expenses are growing faster; it appears the primary issue is expense management
- Overall, irrigation costs declined on a cost-per-acre basis and as a percent of gross income
- The implication is that while irrigation costs are still very significant, they do not appear to be the only major cause of the increasing total expenses experienced by avocado farms

In-depth Board discussion ensued, where multiple comments were made regarding the decline in irrigation costs seemingly not consistent with what industry members have seen personally or heard from constituents. It was noted that perhaps this could be a result of growers becoming more efficient, applying less water than what is required, or the fact that 2019 experienced a significant amount of rainfall. A comment was made that perhaps a future survey could ask about how much acre feet of water is applied to get an idea of average usage efficiency. CAC management was praised for crafting a survey that growers felt comfortable to provide sensitive details about their business operations. The Board was commended on getting the word out to growers, leading to the higher-than-expected response rate.

The *State of the Industry Survey Results* presentation is attached to the permanent copy of these Minutes and identified as EXHIBIT D.

ITEM #10 RECOMMEND TWO MEMBERS TO SERVE ON THE HASS AVOCADO BOARD AVOCADO SUSTAINABILITY ADVISORY

Mr. Grether reported that in October he had received a request from the Hass Avocado Board to provide a recommendation of two individuals to serve as the CAC representatives on the HAB Avocado Sustainability Advisory (ASA).

John McGuigan, HAB director of industry affairs, provided background on HAB's work to address sustainability, leading to the creation of the Avocado Sustainability Center (ASC) and establishment of the ASA. He noted that moving forward the ASA, comprised of voting members from associations that receive HAB assessments, will govern the ASC to help guide the strategic direction, mission, vision and purpose. Mr. McGuigan said that for the ASA members, HAB's hope was that associations would select representatives who are proficient and passionate about sustainability.

Two CAC Board members, Rachael Laenen and Peter Shore, who served on the task force that led to the creation of the ASA, provided comments on their experience, noting that ASA member recommendations should be an opportunity to engage the wider industry and not be limited to existing board members. It was also noted that the ASC is a great way to promote the sustainability practices already in place throughout our industry.

MOTION:

***Move to recommend Ken Melban and Connor Huser as CAC members for the HAB Avocado Sustainability Advisory.
(Laenen/Cole) MSC Unanimous***

MOTION 21-11-18-9

Mr. Bellamore noted that while Connor Huser was not in attendance at the meeting, Mr. Huser had already expressed an interest and willingness to serve on the ASA. Mr. Melban also confirmed his willingness to represent CAC on the ASA.

The HAB Avocado Sustainability Advisory board packet write-up is included in the November 2021 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 10.

INDUSTRY UPDATE

Mr. Melban provided a brief update on a virtual grower webinar being held on November 30, 2021 to help facilitate discussion among growers regarding the GEM variety. He noted that this would be a peer-to-peer format, featuring growers who have established GEM production willing to share their knowledge and address questions from other producers interested in the variety.

ADJOURN MEETING

Mr. Grether adjourned the meeting at 12:00 p.m. The next regularly scheduled Board meeting will be held on February 24, 2022.

Respectfully submitted,

April Aymami, CAC Industry Affairs Director

I certify that the above is a true statement of the Minutes of November 18, 2021 approved by the CAC Board of Directors on February 24, 2022.

Jessica Hunter, CAC Board Secretary

EXHIBITS ATTACHED TO THE PERMANENT COPY OF THESE MINUTES

EXHIBIT A November 2021 Board Packet
EXHIBIT B 2021 Media Campaign Presentation
EXHIBIT C Campaign Creative & Shop.CaliforniaAvocado.Com Updates Presentation
EXHIBIT D State of the Industry Survey Results Presentation
EXHIBIT E November 18, 2021 Board Meeting AB 2720 Roll Call Vote Tally Summary



CALIFORNIA AVOCADO COMMISSION
AB 2720 Roll Call Vote Tally Summary
To be attached to the Meeting Minutes

Meeting Name: <i>California Avocado Commission Regular Board Meeting</i>	Meeting Location: <i>Zoom Web/Teleconference</i>	Meeting Date: <i>November 18, 2021</i>
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<i>Attendees Who Voted</i>	<u>MOTION</u> <u>20-11-19-1</u>	<u>MOTION</u> <u>20-11-19-2</u>	<u>MOTION</u> <u>20-11-19-3</u>	<u>MOTION</u> <u>20-11-19-4</u>	<u>MOTION</u> <u>20-11-19-5</u>	<u>MOTION</u> <u>20-11-19-6</u>	<u>MOTION</u> <u>20-11-19-7</u>	<u>MOTION</u> <u>20-11-19-8</u>	<u>MOTION</u> <u>20-11-19-9</u>
Michael Perricone	Rob Grether	Rachael Laenen	Jessica Hunter	Jason Cole	Yea	Yea	Yea	Yea	Yea
Jessica Hunter	Rob Grether	Rachael Laenen	Jessica Hunter	Jason Cole	Yea	Yea	Yea	Yea	NOT PRESENT
Ryan Rochefort									Yea
Ohannes Karaoghlanian	Rob Grether	Rachael Laenen	Jessica Hunter	Jason Cole	Yea	Yea	Yea	Yea	Yea
John Cornell	Rob Grether	Rachael Laenen	Jessica Hunter	Jason Cole	Yea	Yea	Yea	Yea	Yea
Rob Grether	Rob Grether	Rachael Laenen	Jessica Hunter	Jason Cole	Did Not Vote	Did Not Vote	Did Not Vote	Did Not Vote	Did Not Vote
John Lloyd-Butler	Rob Grether	Rachael Laenen	Jessica Hunter	Jason Cole	Yea	Yea	Yea	Yea	Yea
Jason Cole	Rob Grether	Rachael Laenen	Jessica Hunter	Jason Cole	Yea	Yea	Yea	Yea	Yea
Rachael Laenen	Rob Grether	Rachael Laenen	Jessica Hunter	Jason Cole	Yea	Yea	Yea	Yea	Yea
Daryn Miller	Rob Grether	Rachael Laenen	Jessica Hunter	Jason Cole	Yea	Yea	Yea	Yea	Yea
Andrew Prechtl	Rob Grether	Rachael Laenen	Jessica Hunter	Jason Cole	Yea	Yea	Yea	Yea	Yea
Peter Shore	Rob Grether	Rachael Laenen	Jessica Hunter	Jason Cole	Yea	Yea	Yea	Yea	Yea
Gary Caloroso	Rob Grether	Rachael Laenen	Jessica Hunter	Jason Cole	Yea	Yea	Yea	Yea	Yea
Daniella Malfitano	Rob Grether	Rachael Laenen	Jessica Hunter	Jason Cole	Yea	Yea	Yea	Yea	NOT PRESENT
Outcome	Unanimous Rob Grether	Unanimous Rachael Laenen	Unanimous Jessica Hunter	Unanimous Jason Cole	Unanimous	Unanimous	Unanimous	Unanimous	Unanimous



BOARD INFORMATION

ITEM 3.B: 2021-22 FINANCIAL & CROP UPDATE

SUMMARY:

Financial Position and Operational Indicators

The following are highlights taken from the Commission’s Statement of Net Position (Balance Sheet & Reserves) as of January 31, 2022 and Statement of Revenues, Expenses & Changes in Net Position (Income Statement) for the period then ended, with comparison to prior year’s figures:

	1/31/22	1/31/21
Assets		
Petty Cash	\$200	\$200
Cash in Bank–Checking Accounts	113,558	1,989,626
Investments (LAIF & MMA)	8,256,611	10,487,460
Subtotal CAC Cash & Investment	8,370,369	12,477,286
Cash & Investments held for AIP	909,489	813,895
Total Cash & Investment	9,279,858	13,291,181
Assessment Receivable	475,636	43,913
Other (Other Receivables, Prepaids and Fixed Assets)	657,162	423,254
Total Assets	10,412,656	13,758,348
Liabilities & Net Reserves		
Accounts Payable and Accrued Expenses	328,585	329,933
Due to AIP	909,489	813,895
Other	252,693	221,399
Total Liabilities	1,490,767	1,365,227
Total Revenues	521,536	395,844
Total Expenditures	2,012,070	2,345,165
YTD Surplus (Deficit)	(1,490,534)	(1,949,321)
Net Reserves–Prior Periods	10,412,423	14,342,442
Total Net Reserves	8,921,890	12,393,121
Total Liabilities & Net Reserves	\$10,412,656	\$13,758,348

Crop Statistics

Handlers reported 137 thousand pounds of California avocados were harvested through December 2021 with an average price (per pound) reported at 1.31 dollars. An estimated 9.1 million pounds were harvested in January 2022 with an average price (per pound) of 1.47 dollars. This would bring the total harvested through January 2022 to 9.2 million pounds at an average price (per pound) of 1.46 dollars.

The attached year-to-date 2021-22 U.S. Aggregate Avocado Volume by Month Chart shows the actual crop volume for all countries of origin with prior year comparison.

FISCAL ANALYSIS:

- Not applicable

BOARD OPTIONS:

- Discussion item only

STAFF RECOMMENDATION:

- Not applicable

EXHIBITS / ATTACHMENTS:

- Balance Sheet and Reserves as of January 31, 2022
- Statement of Revenues and Expenses for the three months ending January 31, 2022
- 2021-22 Pounds & Dollars by Variety Report (November – December 2021)
- 2021-22 U.S. Aggregate Avocado Volume by Month Chart (November – December 2021)
- PY 2020-21 Pounds & Dollars by Variety Report (November 2020 – October 2021)
- PY 2020-21 U.S. Aggregate Avocado Volume by Month Chart (November 2020 – October 2021)

California Avocado Commission
Statement of Net Position
As of January 31, 2022 (with Comparison to Prior Year)

	Current Year		Prior Year		Variance	
	Balance	%	Balance	%	Amount	%
ASSETS						
Cash and Short Term Investments:						
Petty Cash	200	0.00%	200	0.00%	-	0.00%
Cash in Bank	113,558	1.09%	1,989,626	14.46%	(1,876,068)	-94.29%
Cash in Bank-LAIF & Money Market	8,256,611	79.29%	10,487,459	76.23%	(2,230,849)	-21.27%
Total CAC Cash and Short Term Investments	8,370,369	80.39%	12,477,286	90.69%	(4,106,917)	-32.92%
Cash in Bank, LAIF & Money Market (held for .	909,489	8.73%	813,895	5.92%	95,593	11.75%
Total Cash and Short Term Investments	9,279,857	89.12%	13,291,181	96.60%	(4,011,323)	-30.18%
Other Current Assets:						
Assessment Receivable	475,636	4.57%	43,913	0.32%	431,723	983.13%
Other Receivable	366,415	3.52%	170,111	1.24%	196,304	115.40%
Prepays	146,226	1.40%	102,225	0.74%	44,001	43.04%
Merchandise Shop Inventory	70,610	0.68%	30,535	0.22%	40,075	131.24%
Total Other Current Assets	1,058,888	10.17%	346,785	2.52%	712,103	205.34%
Total Current Assets	10,338,745	99.29%	13,637,965	99.13%	(3,299,220)	-24.19%
Fixed Assets:						
Furniture	53,915	0.52%	86,264	0.63%	(32,349)	-37.50%
Software	-	0.00%	-	0.00%	-	#DIV/0!
Land Improvements	19,996	0.19%	34,119	0.25%	(14,123)	-41.39%
Total Fixed Assets	73,911	0.71%	120,383	0.87%	(46,472)	-38.60%
Net Fixed Assets	73,911	0.71%	120,383	0.87%	(46,472)	-38.60%
Total Assets	10,412,656	100.00%	13,758,348	100.00%	(3,345,692)	-24.32%
LIABILITIES AND NET RESERVES						
Current Liabilities:						
Accounts Payable & Accrued Expenses	328,585	22.04%	329,933	24.17%	(1,348)	-0.41%
Due to AIP	909,489	61.01%	813,895	59.62%	(95,593)	-11.75%
Other Payable (Vacation/Payroll/Sec. 125)	234,693	15.74%	200,205	14.66%	34,488	17.23%
Research Contract Payable	-	0.00%	3,194	0.23%	(3,194)	0.00%
Total Current Liabilities	1,472,767	98.79%	1,347,227	98.68%	125,539	9.32%
Long Term Liabilities:						
Deposit Due to CDFA/AIP	18,000	1.21%	18,000	1.32%	-	0.00%
Total Long Term Liabilities	18,000	1.21%	18,000	1.32%	-	0.00%
Total Liabilities	1,490,767	100.00%	1,365,227	100.00%	125,539	9.20%
Net Reserves:						
Net Reserves-Prior Periods	10,412,423	116.71%	14,342,442	115.73%	(3,930,019)	-27.40%
Surplus (Deficit)-Current Period	(1,490,533)	-16.71%	(1,949,321)	-15.73%	458,787	-23.54%
Total Net Reserves	8,921,890	100.00%	12,393,121	100.00%	(3,471,231)	-28.01%
Total Liabilities and Net Reserves	10,412,656	100.00%	13,758,348	100.00%	(3,345,692)	-24.32%

California Avocado Commission
Statement of Revenues, Expenses & Changes in Net Position (Surplus/Deficit)
For the three months ending January 31, 2022 (with Comparison to Prior Year)

	2021/2022		2020/2021		Current Year Vs Prior Year	
	Actual	%	Actual	%	Var-Fav(Unfav)	% of Change
Revenues						
Assessment Revenues						
CAC Assessment Revenue	298,269	57.2%	139,336	35.20%	158,933	114.1%
HAB Assessment Revenue	180,345	34.6%	207,532	52.43%	(27,187)	-13.1%
Subtotal Assessment Revenue	478,614	91.8%	346,868	87.63%	131,746	38.0%
Other Revenues						
Admin & Accounting Fee Revenue (AIP)	15,249	2.9%	15,249	3.85%	-	0.0%
Grant Funding	-	0.0%	-	0.00%	-	0.0%
Pine Tree Ranch Crop Income	-	0.0%	-	0.00%	-	0.0%
Interest and Other Income	24,294	4.7%	26,587	6.72%	(2,292)	-8.6%
Merch Shop Income	3,379	0.6%	7,141	1.80%	(3,762)	-52.7%
Subtotal Other Revenues	42,922	8.2%	48,976	12.37%	(6,054)	-12.4%
Total Revenue	521,536	100.0%	395,844	100.00%	125,692	31.8%
Expenses						
Marketing Expenses						
Consumer Marketing	510,908	26.2%	759,855	33.32%	248,946	32.8%
Merchandising	202,214	10.4%	197,199	8.65%	(5,015)	-2.5%
Foodservice	39,885	2.0%	56,405	2.47%	16,520	29.3%
Consumer Public Relations	113,848	5.8%	129,206	5.66%	15,358	11.9%
Consumer/Trade Living Well	36,557	1.9%	56,012	2.46%	19,455	34.7%
Marketing Activities Support	11,863	0.6%	24,330	1.07%	12,467	51.2%
Merch Shop	62,504	3.2%	64,371	2.82%	1,867	2.9%
Subtotal Marketing Expenses	977,779	50.2%	1,287,377	56.44%	309,598	24.0%
Non-Marketing Expenses						
Industry Affairs & Production Research	115,193	5.9%	219,725	9.63%	104,532	47.6%
Grant Programs	116,750	6.0%	-	0.00%	(116,750)	0.0%
Administration	802,347	41.2%	838,063	36.74%	35,715	4.3%
Subtotal Non-Marketing Expenses	1,034,290	53.1%	1,057,787	46.38%	23,497	2.2%
Total Expenses	2,012,069	100.0%	2,345,165	100.00%	333,095	14.2%
Surplus (Deficit)	(1,490,533)	100.0%	(1,949,321)	100.00%	458,787	23.5%

California Avocado Commission
Statement of Revenues, Expenses & Changes in Net Position (Surplus/Deficit) - Actual vs. Budget
For the three months ending January 31, 2022 (with Comparison to Budget)

	YTD		YTD Budget	YTD Actual Vs YTD Budget		Annual Budget	YTD Actual Vs Annual Budget	
	Actual	%		Var-Fav(Unfav)	% of Budget		Var-Fav(Unfav)	% of Budget
Revenues								
Assessment Revenues								
CAC Assessment Revenue	298,269	57.19%	14,160	284,109	2006.42%	6,398,440	(6,100,171)	-95.34%
HAB Assessment Revenue	180,345	34.58%	17,540	162,805	928.19%	5,928,750	(5,748,405)	-96.96%
Subtotal Assessment Revenue	478,614	91.77%	31,700	446,914	1409.82%	12,327,190	(11,848,576)	-96.12%
Other Revenues								
Admin & Accounting Fee Revenue (AIP)	15,249	2.92%	15,249	-	0.00%	61,000	(45,751)	-75.00%
Grant Funding	-	0.00%	-	-	0.00%	475,000	(475,000)	-100.00%
Pine Tree Ranch Crop Income	-	0.00%	-	-	0.00%	112,500	(112,500)	-100.00%
From The Grove Income	19,600	3.76%	16,250	3,350	20.62%	65,000	(45,400)	-69.85%
Interest and Other Income	4,694	0.90%	3,750	944	25.18%	15,000	(10,306)	-68.70%
Merchandise Shop Income	3,379	0.65%	13,405	(10,027)	-74.80%	53,621	(50,242)	-93.70%
Subtotal Other Revenues	42,922	8.23%	48,654	(5,732)	-11.78%	782,121	(739,199)	-94.51%
Total Revenue	521,536	100.00%	80,354	441,182	549.05%	13,109,311	(12,587,775)	-96.02%
Expenses								
Marketing Expenses								
Consumer Marketing	510,908	25.39%	691,609	180,701	26.13%	5,375,000	4,864,092	90.49%
Merchandising	202,214	10.05%	225,961	23,747	10.51%	2,194,035	1,991,821	90.78%
Foodservice	39,885	1.98%	34,400	(5,485)	-15.95%	772,500	732,615	94.84%
Consumer Public Relations	113,848	5.66%	157,150	43,302	27.55%	785,000	671,152	85.50%
Consumer/Trade Living Well	36,557	1.82%	40,510	3,953	9.76%	145,000	108,443	74.79%
Marketing Activities Support	11,863	0.59%	11,950	87	0.73%	112,500	100,637	89.46%
Merchandise Shop	62,504	3.11%	78,575	16,071	20.45%	147,330	84,826	57.58%
Subtotal Marketing Expenses	977,779	48.60%	1,240,155	262,376	21.16%	9,531,365	8,553,586	89.74%
Non-Marketing Expenses								
Industry Affairs & Production Research	115,193	5.73%	218,648	103,455	47.32%	1,465,412	1,350,219	189.70%
Grants	116,750	5.80%	116,750	-	0.00%	475,000	358,250	75.42%
Administration	802,347	39.88%	874,983	72,636	8.30%	3,577,725	2,775,378	77.57%
Subtotal Non-Marketing Expenses	1,034,290	51.40%	1,210,381	176,090	14.55%	5,518,137	4,483,847	81.26%
Total Expenses	2,012,069	100.00%	2,450,535	438,466	17.89%	15,049,502	13,037,433	86.63%
Surplus (Deficit)	(1,490,533)	100.00%	(2,370,181)	879,648	-37.11%	(1,940,191)	449,658	23.18%

California Avocado Commission
Statement of Revenues, Expenses & Changes in Net Position (Surplus/Deficit) - Actual vs. Budget
For the three months ending January 31, 2022 (with Comparison to Budget)

	YTD		YTD Budget	YTD Actual Vs YTD Budget		Annual Budget	YTD Actual Vs Annual Budget	
	Actual	%		Var-Fav(Unfav)	% of Budget		Var-Fav(Unfav)	% of Budget
Consumer Advertising								
Media	22,134	1.10%	30,000	7,866	26.22%	3,200,000	3,177,866	99.31%
Production	5,738	0.29%	130,000	124,262	95.59%	197,305	191,567	97.09%
Online Marketing	91,585	4.55%	140,158	48,573	34.66%	411,890	320,305	77.76%
Program Administration	391,451	19.46%	391,451	-	0.00%	1,565,805	1,174,354	75.00%
Subtotal Consumer Advertising	510,908	25.39%	691,609	180,701	26.13%	5,375,000	4,864,092	90.49%
Merchandising Promotions								
Trade Relations	134,557	6.69%	128,145	(6,412)	-5.00%	1,001,500	866,943	86.56%
Retail/Consumer Promotions	28,290	1.41%	28,570	280	0.98%	813,835	785,545	96.52%
Data, Research & Analysis	34,674	1.72%	64,426	29,752	46.18%	293,700	259,026	88.19%
Administration & Other	4,693	0.23%	4,820	127	2.63%	85,000	80,307	94.48%
Subtotal Merchandising Promotions	202,214	10.05%	225,961	23,747	10.51%	2,194,035	1,991,821	90.78%
Foodservice								
Media	4,300	0.21%	8,600	4,300	50.00%	79,300	75,000	94.58%
Public Relations & Collateral Materials	8,078	0.40%	5,350	(2,728)	-50.99%	56,800	48,722	85.78%
Foodservice Events	6,825	0.34%	1,000	(5,825)	-582.50%	279,700	272,875	97.56%
Chain Promotions	11,925	0.59%	13,000	1,075	8.27%	300,700	288,775	96.03%
Education Programs	200	0.01%	450	250	55.56%	2,000	1,800	90.00%
Program Administration Fees	8,557	0.43%	6,000	(2,557)	-42.62%	54,000	45,443	84.15%
Subtotal Foodservice	39,885	1.98%	34,400	(5,485)	-15.95%	772,500	732,615	94.84%
Consumer Public Relations								
Brand Advocates	35,519	1.77%	54,850	19,331	35.24%	339,800	304,281	89.55%
Public Relations	49,291	2.45%	73,500	24,209	32.94%	321,700	272,409	84.68%
Program Administration	29,038	1.44%	28,800	(238)	-0.82%	123,500	94,463	76.49%
Subtotal Public Relations	113,848	5.66%	157,150	43,302	27.55%	785,000	671,152	85.50%
Consumer/Trade Living Well								
RDN Ambassadors	19,124	0.95%	23,110	3,986	17.25%	113,700	94,576	83.18%
Industry Partnerships	15,033	0.75%	15,000	(33)	-0.22%	21,300	6,267	29.42%
Program Administration	2,400	0.12%	2,400	-	0.00%	10,000	7,600	76.00%
Subtotal Consumer/Trade Living Well	36,557	1.82%	40,510	3,953	9.76%	145,000	108,443	74.79%
Marketing Activities Support								
Marketing Planning	11,863	0.59%	11,950	87	0.73%	87,500	75,637	86.44%
Center for Produce Safety	-	0.00%	-	-	0.00%	-	-	0.00%
"Buy California" Marketing Campaign	-	0.00%	-	-	0.00%	25,000	25,000	0.00%
Festivals	-	0.00%	-	-	0.00%	-	-	0.00%
Subtotal Marketing Activities Support	11,863	0.59%	11,950	87	0.73%	112,500	100,637	89.46%
Merchandise Shop								
Cost of Goods Sold	(5,778)	-0.29%	-	5,778	0.00%	13,000	18,778	144.45%
Expenses - Variable	4,173	0.21%	4,812	639	13.28%	19,275	15,102	78.35%
Expenses - Fees	64,109	3.19%	73,763	9,654	13.09%	115,055	50,946	44.28%
Subtotal Merchandise Shop	62,504	3.11%	78,575	16,071	20.45%	147,330	84,826	57.58%
Subtotal Marketing Expenses	977,779	48.60%	1,240,155	262,376	21.16%	9,531,365	8,553,586	89.74%

California Avocado Commission
Statement of Revenues, Expenses & Changes in Net Position (Surplus/Deficit) - Actual vs. Budget
For the three months ending January 31, 2022 (with Comparison to Budget)

	YTD		YTD Budget	YTD Actual Vs YTD Budget		Annual Budget	YTD Actual Vs Annual Budget	
	Actual	%		Var-Fav(Unfav)	% of Budget		Var-Fav(Unfav)	% of Budget
Industry Affairs								
AMRIC Operation	16,712	0.83%	14,300	(2,412)	-16.87%	86,500	69,788	80.68%
Crop Forecasting & Analysis	3,063	0.15%	54,613	51,549	94.39%	145,000	141,937	97.89%
Grower Database	533	0.03%	3,500	2,967	84.76%	5,000	4,467	89.33%
Grove ID GIS Project Dmnt	-	0.00%	-	-	0.00%	20,000	20,000	100.00%
Online Information (Grower Web Site)	3,708	0.18%	12,850	9,142	71.15%	46,000	42,292	91.94%
Publications	24,185	1.20%	23,205	(980)	-4.22%	104,000	79,816	76.75%
Annual Meeting	-	0.00%	20,000	20,000	100.00%	20,000	20,000	100.00%
Annual Report	2,420	0.12%	4,000	1,580	39.50%	12,000	9,580	79.83%
Water Issues	-	0.00%	-	-	0.00%	25,000	25,000	100.00%
Field/Technical Support	15,287	0.76%	15,300	13	0.09%	65,000	49,713	76.48%
Research Program Coordination & Outre	24,000	1.19%	24,000	-	0.00%	120,000	96,000	80.00%
Legislative & Regulatory Advocacy	-	0.00%	-	-	0.00%	125,000	125,000	100.00%
Product Registrations	-	0.00%	-	-	0.00%	4,000	4,000	100.00%
Sustainability Project	-	0.00%	-	-	0.00%	50,000	50,000	100.00%
Elections	-	0.00%	1,000	1,000	100.00%	10,000	10,000	100.00%
Legal Support	3,770	0.19%	9,750	5,980	61.33%	40,000	36,230	90.57%
Governance Support	-	0.00%	-	-	0.00%	20,000	20,000	100.00%
Field Meetings, Seminars & Workshops	-	0.00%	-	-	0.00%	23,500	23,500	100.00%
Pine Tree Ranch Field Days	-	0.00%	-	-	0.00%	2,000	2,000	100.00%
Grower Outreach	-	0.00%	-	-	0.00%	13,500	13,500	100.00%
Coalition Dues, Sponsorship & Reports	5,120	0.25%	6,870	1,750	25.47%	20,000	14,880	74.40%
Grant Writing	-	0.00%	-	-	0.00%	2,500	2,500	100.00%
Travel	591	0.03%	9,000	8,409	93.44%	40,000	39,409	98.52%
Office Expense	5,102	0.25%	6,050	948	15.67%	16,500	11,398	69.08%
Committee Meeting Expense	-	0.00%	-	-	0.00%	5,000	5,000	100.00%
Demonstration Grove								
Pine Tree - Rent	6,030	0.30%	6,030	-	0.00%	24,384	18,354	75.27%
Pine Tree - Grove Management	5,341	0.27%	6,200	859	13.86%	40,000	34,659	86.65%
Pine Tree - Utilities	(44)	0.00%	1,350	1,394	103.27%	5,400	5,444	100.82%
Pine Tree - Property Tax & Insurance	(625)	-0.03%	630	1,255	199.13%	2,500	3,125	124.98%
Pine Tree - Misc Expenses	-	0.00%	-	-	0.00%	5,000	5,000	100.00%
Pine Tree - Crop Harvesting	-	0.00%	-	-	0.00%	16,200	16,200	100.00%
Pine Tree - Crop Hauling	-	0.00%	-	-	0.00%	500	500	100.00%
Pine Tree - CAC Assessment	-	0.00%	-	-	0.00%	1,969	1,969	100.00%
Pine Tree - HAB Assessment	-	0.00%	-	-	0.00%	2,250	2,250	100.00%
Subtotal Pine Tree Demonstrati	10,702	0.53%	14,210	3,508	24.69%	98,203	87,501	89.10%
Subtotal Industry Affairs	115,193	5.73%	218,648	103,455	47.32%	1,118,703	1,003,510	89.70%
Production Research								
Proactive Mgmt of Avocado Seed and St	-	0.00%	-	-	0.00%	50,000	50,000	100.00%
Phenology and Ecology of Avocado Lace	-	0.00%	-	-	0.00%	50,845	50,845	100.00%
Commercial-Scale Field Testing of Advan	-	0.00%	-	-	0.00%	135,000	135,000	100.00%
Safety and Efficacy of Herbicides in Bear	-	0.00%	-	-	0.00%	10,864	10,864	100.00%
Development of Chloride Mitigation Strat	-	0.00%	-	-	0.00%	74,600	74,600	100.00%
PLACEHOLDER	-	0.00%	-	-	0.00%	25,400	25,400	100.00%
Subtotal Production Research	-	0.00%	-	-	0.00%	346,709	346,709	100.00%
Grants								
USDA Grant-FAS MAP South Korea	-	0.00%	-	-	0.00%	200,000	200,000	100.00%
USDA Grant-FAS MAP China	116,750	5.80%	116,750	-	0.00%	275,000	158,250	57.55%
Subtotal Grants	116,750	5.80%	116,750	-	0.00%	475,000	358,250	75.42%

California Avocado Commission
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For the three months ending January 31, 2022 (with Comparison to Budget)

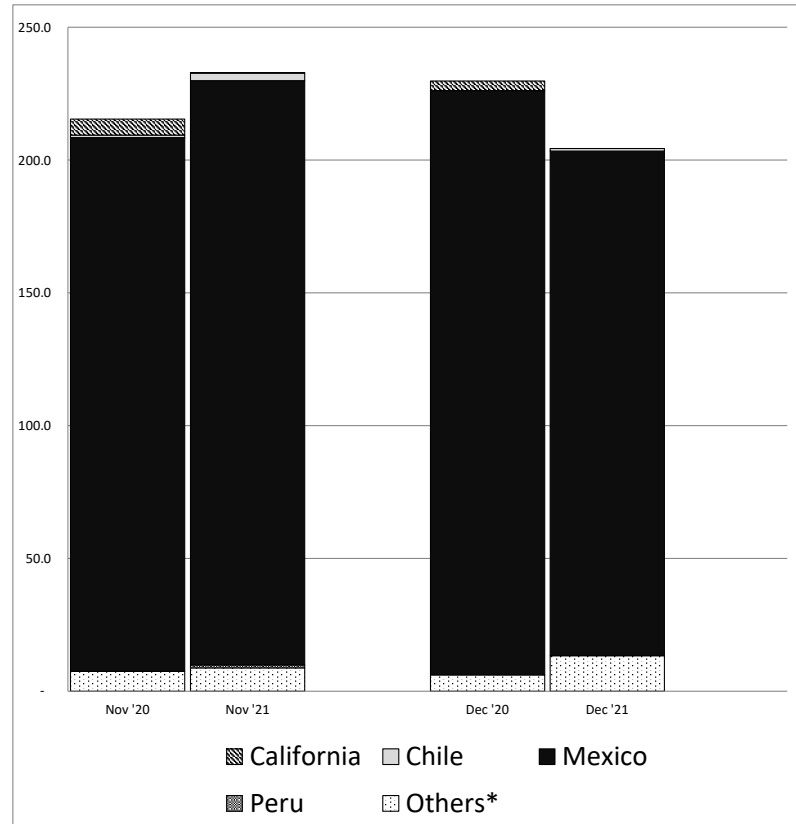
	YTD		YTD Budget	YTD Actual Vs YTD Budget		Annual Budget	YTD Actual Vs Annual Budget	
	Actual	%		Var-Fav(Unfav)	% of Budget		Var-Fav(Unfav)	% of Budget
Administration								
Rent-Office-CAM, Ins, Prop Tax-Mauchly	35,393	1.76%	35,479	86	0.24%	142,790	107,397	75.21%
Rent-Offsite Storage	1,755	0.09%	1,755	-	0.00%	7,137	5,382	75.41%
Corporate Insurance	4,029	0.20%	5,000	971	19.42%	98,050	94,021	95.89%
Office Expense, Supplies & Janitorial	2,525	0.13%	5,585	3,060	54.79%	38,835	36,310	93.50%
Utilities	1,609	0.08%	3,135	1,526	48.67%	16,540	14,931	90.27%
Bank Fees	4,513	0.22%	4,515	2	0.05%	15,860	11,347	71.55%
Equip Maint. & Exp. and Capital Lease Ir	4,561	0.23%	6,600	2,039	30.90%	27,600	23,039	83.48%
Telephone & Postage	3,973	0.20%	7,540	3,567	47.31%	30,410	26,437	86.94%
CPA-Financial Audits	12,828	0.64%	13,000	172	1.32%	31,500	18,672	59.28%
CPA-Assessment Audits	-	0.00%	-	-	0.00%	20,738	20,738	100.00%
CDFA-Fiscal and Compliance Audit	-	0.00%	-	-	0.00%	8,715	8,715	100.00%
California Dept. of Food & Agriculture	16,661	0.83%	19,050	2,389	12.54%	76,200	59,539	78.13%
U.S. Dept. of Agriculture (AMS)	9,534	0.47%	18,900	9,366	49.55%	75,600	66,066	87.39%
Legal & Other Professional	-	0.00%	-	-	0.00%	5,000	5,000	100.00%
Salaries/Wages	442,801	22.01%	468,750	25,949	5.54%	1,875,000	1,432,199	76.38%
Pension, Payroll Tax & Benefits	191,962	9.54%	200,830	8,868	4.42%	646,392	454,430	70.30%
Board Member District Meetings & Exper	-	0.00%	-	-	0.00%	3,000	3,000	100.00%
Board Member Entertainment	-	0.00%	-	-	0.00%	2,000	2,000	100.00%
Board Member Travel, Lodging, Mileage,	-	0.00%	-	-	0.00%	38,000	38,000	100.00%
Board Meeting Expenses	642	0.03%	8,000	7,358	91.97%	30,500	29,858	97.89%
Network Maint., Hardware, Software & Li	12,442	0.62%	12,780	338	2.65%	48,610	36,168	74.40%
IT Support & Consulting and Other Servi	4,123	0.20%	6,720	2,597	38.64%	55,000	50,877	92.50%
Accounting & Assessment System	285	0.01%	-	(285)	0.00%	7,910	7,625	96.40%
Administration Staff Travel	-	0.00%	2,250	2,250	100.00%	9,000	9,000	100.00%
Depreciation Expense	11,618	0.58%	11,619	1	0.01%	46,463	34,845	75.00%
Pension Admin & Legal	8,848	0.44%	11,225	2,377	21.18%	52,300	43,452	83.08%
Dues, Reg, Education, Recruitment & Otl	32,245	1.60%	32,250	5	0.01%	143,575	111,330	77.54%
Temporary Help	-	0.00%	-	-	0.00%	25,000	25,000	100.00%
Subtotal Administration	802,347	39.88%	874,983	72,636	8.30%	3,577,725	2,775,378	77.57%
Total Expenses	2,012,069	100.00%	2,450,535	438,466	17.89%	15,049,502	13,037,433	86.63%
Surplus (Deficit)	(1,490,533)	100.00%	(2,370,181)	879,648	-37.11%	(1,940,191)	449,658	23.18%

CALIFORNIA AVOCADO COMMISSION POUNDS & DOLLARS BY VARIETY

November 2021 Through December 2021

Month	Hass Pounds	Lamb Pounds	Gem Pounds	Others Pounds	Total Pounds	Hass Dollars	Lamb Dollars	Gem Dollars	Others Dollars	Total Dollars	Avg \$/Lb
Nov 2021	25,432	3,582	0	73,789	102,803	\$35,115	\$6,113	\$	\$102,366	\$143,594	\$1.397
Dec 2021	8,018		0	26,052	34,070	\$15,742	0	\$	\$20,361	\$36,103	\$1.060
1st QTR	33,450	3,582	0	99,841	136,873	\$50,857	\$6,113	0	\$122,727	\$179,697	\$1.313
1st Half	33,450	3,582	0	99,841	136,873	\$50,857	\$6,113	0	\$122,727	\$179,697	\$1.313
Total	33,450	3,582	0	99,841	136,873	\$50,857	\$6,113	0	\$122,727	\$179,697	\$1.313
Year-to-Date % of Crop	24.44%	2.62%	.00%	72.94%	100.00%	28.30%	3.40%	.00%	68.30%	100.00%	
Year-to-Date Average \$/lb						\$1.520	\$1.707	\$0.000	\$1.229	\$1.313	

**2020-21 FISCAL YEAR
WITH PRIOR YEAR COMPARISON
U. S. AGGREGATE AVOCADO VOLUME BY MONTH
All Varieties (million lbs.)**



	Actual Nov '20	Actual Nov '21	Actual Dec '20	Actual Dec '21	YTD Total 2020-21	YTD Total 2021-22	Total 2020-21
California	6.0	0.1	3.6	-	9.6	0.1	269.6
Chile	1.0	3.0	-	1.0	1.0	4.0	4.0
Mexico	201.0	220.0	220.0	190.0	421.0	410.0	2,337.0
Peru	-	1.0	-	-	-	1.0	176.0
Others*	7.4	8.8	6.1	13.3	13.5	22.1	100.7
TOTAL	215.4	232.9	229.7	204.3	445.1	437.2	2,887.3

* Others = Florida and Dominican Republic

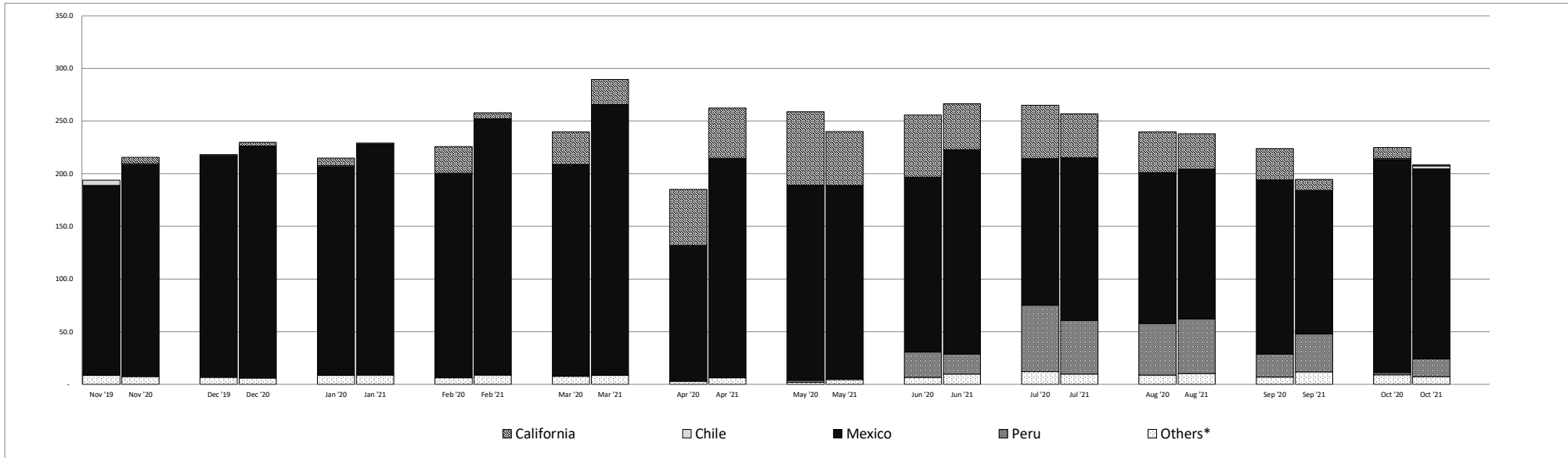
Source(s): CA = California Avocado Commission
Chile = Hass Avocado Board
Mexico = Hass Avocado Board
Peru = Hass Avocado Board
Others = USDA AMS and FATUS databases

CALIFORNIA AVOCADO COMMISSION POUNDS & DOLLARS BY VARIETY

November 2020 Through October 2021

Month	Hass Pounds	Lamb Pounds	Gem Pounds	Others Pounds	Total Pounds	Hass Dollars	Lamb Dollars	Gem Dollars	Others Dollars	Total Dollars	Avg \$/Lb
Nov 2020	5,977,035	1,567	0	24,345	6,002,947	\$4,620,733	\$3,821	\$	\$21,353	\$4,645,907	\$0.774
Dec 2020	3,476,394	51	0	94,434	3,570,879	\$2,539,032	\$203	\$	\$54,342	\$2,593,577	\$0.726
Jan 2021	884,650		0	39,095	923,745	\$438,382	0	\$	\$25,474	\$463,856	\$0.502
1st QTR	10,338,079	1,618	0	157,874	10,497,571	\$7,598,147	\$4,024	0	\$101,169	\$7,703,340	\$0.734
Feb 2021	5,692,407		0	75,852	5,768,259	\$5,481,457	0	\$	\$35,721	\$5,517,178	\$0.956
Mar 2021	23,588,570		87,218	33,952	23,709,740	\$29,024,828	0	\$115,019	\$20,061	\$29,159,908	\$1.230
Apr 2021	46,595,937	637	824,926	554,068	47,975,568	\$56,227,241	0	\$1,033,152	\$667,781	\$57,928,174	\$1.207
2nd QTR	75,876,914	637	912,144	663,872	77,453,567	\$90,733,526	0	\$1,148,171	\$723,563	\$92,605,260	\$1.196
1st Half	86,214,993	2,255	912,144	821,746	87,951,138	\$98,331,673	\$4,024	\$1,148,171	\$824,732	\$100,308,600	\$1.141
May 2021	50,000,458		1,216,612	20,832	51,237,902	\$58,890,048	0	\$1,397,560	\$7,261	\$60,294,869	\$1.177
Jun 2021	42,877,391	174,219	275,966	168,306	43,495,882	\$49,043,369	\$215,105	\$299,742	\$184,921	\$49,743,137	\$1.144
Jul 2021	35,516,919	6,342,322	0	61,832	41,921,073	\$42,173,327	\$7,266,162	\$	\$74,393	\$49,513,882	\$1.181
3rd QTR	128,394,768	6,516,541	1,492,578	250,970	136,654,857	\$150,106,744	\$7,481,267	\$1,697,302	\$266,575	\$159,551,888	\$1.168
Aug 2021	29,534,500	3,751,463	82,408	142,738	33,511,109	\$43,327,333	\$4,962,694	\$125,506	\$199,975	\$48,615,508	\$1.451
Sep 2021	10,223,109	306,720	12,809	45,713	10,588,351	\$16,934,477	\$496,238	\$18,895	\$75,594	\$17,525,204	\$1.655
Oct 2021	909,763	7,299	747	50,736	968,545	\$1,504,023	\$15,833	\$1,262	\$83,460	\$1,604,578	\$1.657
4th QTR	40,667,372	4,065,482	95,964	239,187	45,068,005	\$61,765,833	\$5,474,765	\$145,663	\$359,029	\$67,745,290	\$1.503
2nd Half	169,062,140	10,582,023	1,588,542	490,157	181,722,862	\$211,872,577	\$12,956,032	\$1,842,965	\$625,604	\$227,297,178	\$1.251
Total	255,277,133	10,584,278	2,500,686	1,311,903	269,674,000	\$310,204,250	\$12,960,056	\$2,991,136	\$1,450,336	\$327,605,778	\$1.215
Year-to-Date % of Crop	94.66%	3.92%	.93%	.49%	100.00%	94.69%	3.96%	.91%	.44%	100.00%	
Year-to-Date Average \$/lb						\$1.215	\$1.224	\$1.196	\$1.106	\$1.215	

**2020-21 FISCAL YEAR
WITH PRIOR YEAR COMPARISON
U. S. AGGREGATE AVOCADO VOLUME BY MONTH
All Varieties (million lbs.)**



	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	YTD Total	YTD Total	Total	
	Nov '19	Nov '20	Dec '19	Dec '20	Jan '20	Jan '21	Feb '20	Feb '21	Mar '20	Mar '21	Apr '20	Apr '21	May '20	May '21	Jun '20	Jun '21	Jul '20	Jul '21	Aug '20	Aug '21	Sep '20	Sep '21	Oct '20	Oct '21	2019-20	2020-21	2019-20
California	-	6.0	0.1	3.6	7.1	0.9	25.3	5.8	31.1	23.7	53.2	48.0	69.8	51.2	59.0	43.5	50.8	41.9	38.7	33.5	29.8	10.5	10.5	1.0	375.4	269.6	375.4
Chile	5.0	1.0	1.0	-	1.0	-	1.0	-	1.0	-	-	-	-	-	-	-	-	-	-	-	-	-	1.0	3.0	9.0	4.0	9.0
Mexico	180.0	201.0	210.0	220.0	198.0	219.0	193.0	243.0	201.0	257.0	128.0	208.0	185.0	183.0	166.0	194.0	139.0	154.0	143.0	142.0	165.0	136.0	202.0	180.0	2,110.0	2,337.0	2,110.0
Peru	-	-	-	-	-	-	-	-	-	-	1.0	-	2.0	1.0	24.0	19.0	63.0	51.0	49.0	52.0	22.0	36.0	2.0	17.0	163.0	176.0	163.0
Others*	8.8	7.4	6.9	6.1	8.6	9.0	6.4	9.0	7.7	8.7	2.9	6.4	2.0	4.7	6.7	9.8	12.2	9.9	9.0	10.3	7.0	12.0	9.2	7.4	87.4	100.7	87.4
TOTAL	193.8	215.4	218.0	229.7	214.7	228.9	225.7	257.8	239.8	289.4	185.1	262.4	258.8	239.9	255.7	266.3	265.0	256.8	239.7	237.8	223.8	194.5	224.7	208.4	2,744.8	2,887.3	2,744.8

* Others = Florida and Dominican Republic

Source(s): CA = California Avocado Commission
Chile = Hass Avocado Board
Mexico = Hass Avocado Board
Peru = Hass Avocado Board
Others = USDA AMS and FATUS databases



ITEM 3.C: CONSIDER APPROVAL OF COMMITTEE APPOINTMENTS

SUMMARY:

Under Commission law, CAC has the power to appoint committees composed of both members and non-members of the Commission to advise the Commission in carrying out Chapter 5 of Division 22 of the Food and Agricultural Code. (§67058). During the 2018 Board Orientation, it was emphasized that the Board delegates assignments to committees, while retaining final authority on all program, projects, activities and policies adopted by any committee of the Commission. CAC Bylaws specify:

The Chairperson of the Commission shall appoint all committee chairpersons and shall appoint all members of each committee after consultation with the committee Chairperson affected. Appointments are subject to approval by the Commission and may be changed from time to time as determined by the Chairperson and concurred in by the Commission. (Article IV, 1.b).

In addition, the Bylaws allow the Chairperson to appoint committee members from among the Board members and alternates, as well as the industry in general. (Article IV, 1.d).

Chairman Rob Grether has acted in accordance with the above and appointed Chairpersons for several functional committees. Chairman Grether and the committee Chairpersons then conferred regarding committee members. The attached list has been prepared for Board approval.

FISCAL ANALYSIS:

- Not applicable

BOARD OPTIONS:

- Approve the committee appointments, as recommended by the Chairman
- Modify the committee appointments
- Take no action

STAFF RECOMMENDATION:

- Staff supports the appointments as proposed

EXHIBITS / ATTACHMENTS:

- 2021-22 Committee Appointments



2021-22 COMMITTEE APPOINTMENTS

EXECUTIVE COMMITTEE

- Rob Grether, Chair
- Rachael Laenen, Vice Chair
- Jason Cole, Treasurer
- Jessica Hunter, Secretary

FINANCE COMMITTEE

- Jason Cole, Chair
- John Cornell
- John Lloyd-Butler
- Kellen Newhouse
- Andrew Prechtl

MARKETING COMMITTEE

- Gary Caloroso, Giumarra Companies, Chair
- Peter Shore, Calavo Growers, Vice Chair
- Dave Fausset, Westfalia Fruit Americas
- Denise Junqueiro, Mission Produce
- Rachael Laenen
- Patrick Lucy, Del Rey Avocado
- Andy Lyall
- Carson McDaniel, McDaniel Fruit Company
- Ed McFadden
- Hayden McIntyre
- Doug Meyer, West Pak Avocado
- Steve Taft, Eco Farms
- Chris Varvel, Henry Avocado
- Debbie Willmann, Index Fresh

PRODUCTION RESEARCH COMMITTEE

- Leo McGuire, Chair
- Bryce Bannatyne
- John Burr
- Jason Cole
- Jim Davis
- Consuelo Fernandez (Brokaw Nursery)
- Darren Haver (UC)
- Catherine Keeling
- Ryan Larken
- Ed McFadden
- Ryan Rochefort

HASS AVOCADO COMMITTEE

REPRESENTATIVES

- Rachael Laenen, Member
- Ohannes Karaoghlanian, Alternate

NOTE: Chairman Grether is an ex-officio member of all CAC committees, task forces and teams



BOARD ACTION

ITEM 3.D: CONSIDER APPROVAL OF CAC AS PROVIDER OF AVOCADO INSPECTION PROGRAM ADMINISTRATIVE SERVICES FOR THE CDFA FOR THE PERIOD FROM JULY 2022 THROUGH JUNE 2023

SUMMARY:

Each year a Memorandum of Understanding (MOU) must be renewed with the California Department of Food and Agriculture (CDFA) to allow CAC to continue as administrator of the Avocado Inspection Program (AIP). The AIP oversees avocado variety maturity standards, weight certification, uniformity of size, and ensures correct labeling of avocado cartons to conform with applicable regulations.

CAC staff handles the collection and disbursement of certification fees from California avocado handlers with oversight by the Avocado Inspection Committee (AIC). CAC also is responsible for retention of AIP personnel. Annual approval by the Board is required for CAC to continue administration of the funds. The item is scheduled for consideration early each fiscal year to allow time for the CDFA approval process.

FISCAL ANALYSIS:

CAC has provided this administration service for AIP since 1986, resulting in industry savings of approximately \$175,000 annually for a cumulative avocado industry savings of over six million dollars due to the minimization of state government overhead expenses. CAC is reimbursed by AIP for providing administrative services. In 2021-22, this amount will be \$61,000, of which \$50,300 is for personnel costs and \$10,700 is for liability insurance.

BOARD OPTIONS:

- Approve CAC as Provider of Administrative Services of CDFA's Avocado Inspection Program
- Consider alternative forms of providing administrative services to AIP
- Take no action

STAFF RECOMMENDATION:

- Staff recommends approval of CAC as Provider of Administrative Services to AIP

EXHIBITS / ATTACHMENTS:

- None



BOARD INFORMATION

ITEM 3.E: PRODUCTION RESEARCH UPDATE

SUMMARY:

The Production Research Committee met via teleconference on Wednesday December 8, 2021. The Committee was given a presentation by Dr. Ali Montazar, Irrigation and Water Management Farm Advisor, University of California Cooperative Extension, about a project titled, "Improving avocado resource use efficiency through updated crop water use information and irrigation management strategies." Dr. Montazar has received USDA funding for this project and wanted to provide information about the project's goal and objectives to the Committee as well as ask for the Committee's assistance in helping to find grower-cooperators. The Committee was impressed by the presentation and agreed that updated crop water use information for avocados is needed. The Committee agreed to help with finding grower-cooperators and to offer CAC's grower outreach services to Dr. Montazar to help disseminate the project's results to the California avocado grower community.

The Committee then reviewed three research proposals that were before them for funding consideration. The first of these was a proposal titled, "Understanding the effects of soil microbial community enhancement on avocado stress tolerance" from the company Great Crops. Although there was general agreement that there was merit to the proposed research and that understanding the soil microbiome is a cutting-edge area of research with great potential, the Committee was uncomfortable with funding research with a private company for the development of proprietary products. The Committee voted against recommending this proposal for funding.

The second proposal that was discussed was for a project titled, "Development of chloride mitigation strategies for Californian avocado growers: Technology review and treatment prediction." This proposal was from Dr. Haizhou Liu, Associate Professor of Chemical Engineering at UC Riverside and owner of Water Illumination, Inc. Dr. Liu's proposal is to conduct an in-depth review of what technologies exist or are under development for the treatment of chlorides in water and conduct initial feasibility studies of the various technologies to work in an avocado grove setting. The Committee agreed that chlorides are major issue for virtually all California avocado growers and there is a definite need for this research. The Committee voted in favor of funding Dr. Liu's proposal for a total of \$74,600.

The final proposal reviewed by the Committee was titled, "A survey of cadmium concentrations in California avocado orchards: The possible role of rootstock, variety and geographical location." This proposal was from Dr. Mary Lu Arpaia, Extension Specialist at UC Riverside. The Committee understood that cadmium is a metal that naturally occurs in some California soils, which can present the potential for uptake by avocados.

However, the Committee believed that this proposal would only provide more details about the known issue (i.e., data for cadmium levels in specific groves that would be sampled) and not offer any real potential mitigation measures. There was general agreement among the Committee members that we already know a problem exists, and we need solutions not more data about the problem. In addition, a group at the University of Missouri was recently awarded Federal TASK funding to study the molecular mechanisms of cadmium uptake in avocado and investigate potential methods to prevent uptake. The Committee felt it would be best for this research to be completed before exploring other cadmium research. Thus, the Committee voted against recommending this proposal for funding.

FISCAL ANALYSIS:

- The funding of \$74,600 for the chloride proposal will be split over the 2021-22 (\$49,734) and 2022-23 (\$24,866) fiscal years. The 2021-22 Production Research budget approved by the board included \$75,000 of placeholder funding for this project. Thus, there is no change to the 2021-22 PR budget.

BOARD OPTIONS:

- Informational item only

STAFF RECOMMENDATION:

- Not applicable

EXHIBITS / ATTACHMENTS:

- None



ITEM 4.A: CONSIDER ACCEPTANCE OF 2020-21 AUDITED FINANCIAL STATEMENTS

SUMMARY:

Macias Gini & O'Connell (MGO) has completed its audit of CAC's financial statements for the fiscal year ended October 31, 2021 and has issued an unmodified (clean) opinion on the statements. In relation to the audit, MGO has also issued the following reports:

1. Annual Financial Report for the years ended October 31, 2021 and 2020, which includes CAC's financial statements and supplemental information required by USDA.
2. Independent Auditor's Report on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. Independent Auditor's Report on Compliance Performed in Accordance with the *Guidelines for Agricultural Marketing Service (AMS) Oversight of Commodity Research and Promotion Programs*.
4. Required Communications to the Board of Directors for the year ended October 31, 2021.
5. CDFA Compliance Audit Report for the year ended October 31, 2021.

FISCAL ANALYSIS:

- Not applicable.

BOARD OPTIONS:

- Accept the CAC 2020-21 Audited Financial Statements as presented.
- Do not accept the CAC 2020-21 Audited Financial Statements as presented.
- Take no action.

STAFF RECOMMENDATION:

- Accept the CAC 2020-21 Audited Financial Statements as presented.

EXHIBITS / ATTACHMENTS:

- Annual Financial Report for the years ended October 31, 2021 and 2020.
- Independent Auditor's Report on Internal Controls over Financial Reporting.
- Independent Auditor's Report on Compliance with AMS Guidelines.
- Required Communications to the Board of Directors for the year ended October 31, 2021.
- CDFA Compliance Audit Report for the year ended October 31, 2021.

CALIFORNIA AVOCADO COMMISSION

Annual Financial Report
and Independent Auditor's Report

For the Years Ended October 31, 2021 and 2020



Certified
Public
Accountants

CALIFORNIA AVOCADO COMMISSION

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Independent Auditor's Report

Board of Directors
California Avocado Commission
Irvine, California

Report on the Financial Statements

We have audited the accompanying financial statements of the California Avocado Commission (Commission), as of and for the years ended October 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California Avocado Commission, as of October 31, 2021 and 2020, and changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Irvine, California
January 28, 2022

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

INTRODUCTION

Management's Discussion and Analysis (MD&A) provides an overview and analysis of the financial activities of the California Avocado Commission (Commission) for the years ended October 31, 2021 and 2020. It has been prepared by management and is required supplementary information to the financial statements. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

FINANCIAL HIGHLIGHTS

- The Commission's 2021 assets exceeded its liabilities as of October 31, 2021 by \$14,342,442 (total net position). This amount decreased \$3,930,020 or 27% from the prior year amount of \$14,342,442.
- Of the total net position at the end of fiscal year 2021, net investment in capital assets decreased \$47,306 to \$85,529 or 36% from the prior year amount of \$132,835.
- Net position restricted for marketing at the end of fiscal year 2021 decreased \$514,377 to \$4,263,018 or 11% from the prior year amount of \$4,777,395.
- Unrestricted net position at the end of fiscal year 2021 decreased \$3,368,337 to \$6,063,875 or 36% from the prior year amount of \$9,432,212. This amount made up 58% of total net position.
- The Commission's 2020 assets exceeded its liabilities as of October 31, 2020 by \$14,342,442 (total net position). This amount increased \$358,654 or 3% from the prior year amount of \$13,983,788.
- Of the total net position at the end of fiscal year 2020, net investment in capital assets decreased \$51,479 to \$132,835 or 28% from the prior year amount of \$184,314.
- Net position restricted for marketing at the end of fiscal year 2020 increased \$450,348 to \$4,777,395 or 10% from the prior year amount of \$4,327,047.
- Unrestricted net position at the end of fiscal year 2020 decreased \$40,215 to \$9,432,212 or 0.4% from the prior year amount of \$9,472,427. This amount made up 66% of total net position.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

The *Statements of Net Position* present information on all assets and liabilities of the Commission, using the accrual basis of accounting, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the current financial condition of the Commission.

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

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

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

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

Other Information:

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

FINANCIAL ANALYSIS

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

STATEMENTS OF NET POSITION:

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

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

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The largest portion (99%) of the Commission's assets are current assets consisting primarily of cash and cash equivalents, restricted cash, receivables and fiduciary cash amounts held for the Avocado Inspection Program (AIP). Current assets at the end of fiscal year 2021 totaled \$12,469,197, decreasing \$4,191,269 from the prior year amount of \$16,660,466. This increase is primarily due to higher total production value which is reflected in the increased assessment receivable balance. Total current assets cover current liabilities 6.2 times, indicating good liquidity.

At the end of fiscal year 2020, the largest portion (99%) of the Commission's assets are current assets consisting primarily of cash and cash equivalents, restricted cash, receivables and fiduciary cash amounts held for the Avocado Inspection Program (AIP). Current assets at the end of fiscal year 2020 totaled \$16,660,466, increasing \$890,624 from the prior year amount of \$15,769,842. This increase is primarily due to higher total production value along with decreased activities in marketing programs which is reflected in the increased cash balance. Total current assets cover current liabilities 7.0 times, indicating good liquidity.

The Commission's liabilities primarily consist of current liabilities including accounts payable, accrued liabilities, deposits due and fiduciary liability amounts held for AIP. Liabilities at the end of fiscal year 2021 totaled \$2,142,304 decreasing from a balance of \$2,450,850 in 2020. This decrease was due to lower non-marketing obligations owed to vendors. Liabilities at the end of fiscal year 2020 totaled \$2,450,850 increasing from a balance of \$1,970,368 in 2019. This increase was due to higher non-marketing obligations owed to vendors.

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

Net investment in capital assets represents the Commission's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets totaled \$85,529 at the end of fiscal year 2021, decreasing \$47,306 from the prior year amount of \$132,835. This decrease is due to the depreciation of capital assets. Net investment in capital assets represents 0.5% of total net position.

At the end of fiscal year 2020, net investment in capital assets totaled \$132,835, decreasing \$51,479 from the prior year amount of \$184,314. This decrease is due to the depreciation of capital assets. Net investment in capital assets represents 1% of total net position.

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

Unrestricted net position available for future activities at the end of fiscal year 2021 totaled \$6,063,875 decreasing \$3,368,337, from the prior year amount of \$9,432,212. Unrestricted net position available for future activities at the end of fiscal year 2020 totaled \$9,432,212, decreasing \$40,215 from the prior year amount of \$9,472,427.

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION:

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

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

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

Operating expenses totaled \$15,382,628 in 2021, increasing \$272,117 or 2% from \$15,110,511 in 2020. This increase is consistent with prior year to maintain marketing programs. Operating expenses totaled \$15,110,511 in 2020, increasing \$3,950,172 or 35% from \$11,160,339 in 2019. This increase is primarily due to increased activities in marketing programs as a result of a larger total crop volume in 2020.

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

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

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

CAPITAL ASSETS

The Commission's net investment in capital assets totaled \$85,529 as of October 31, 2021, decreasing \$47,306 from the prior year amount of \$132,835, and decreasing \$51,479 from \$184,314 in 2019 (net of accumulated depreciation). These decreases represent the depreciation of capital assets during the respective fiscal year.

COMPENSATED ABSENCES

At the end of fiscal year 2021, the Commission accumulated an accrued compensated absences balance of \$234,693; an increase of \$34,488 from the prior year balance of \$200,205. This increase is due to unused vacation time by employees. At the end of fiscal year 2020, the Commission accumulated an accrued compensated absences balance of \$200,205; an increase of \$27,245 from the prior year balance of \$172,960. This increase is due to unused vacation time by employees.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to California Avocado Commission, 12 Mauchly, Suite L, Irvine, California 92618; phone number 949-341-1955.

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BASIC FINANCIAL STATEMENTS

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CALIFORNIA AVOCADO COMMISSION

Statements of Net Position

October 31, 2021 and 2020

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

CALIFORNIA AVOCADO COMMISSION
 Statements of Revenues, Expenses and Changes in Net Position
 For the Years Ended October 31, 2021 and 2020

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

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

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

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CALIFORNIA AVOCADO COMMISSION

Notes to Basic Financial Statements

October 31, 2021 and 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) *Activities of the Commission*

The California Avocado Commission is authorized under California law to engage in programs of advertising, promotion, marketing research, and production research related to the sale of California grown avocados. The Commission is authorized to levy an assessment against producers of avocados for the purposes of carrying out its programs. The assessment for the years ended October 31, 2021 and 2020, was 1.75% and 2.00%, respectively, of the gross revenues received by producers. The Commission also receives 85% of the assessments collected by the Federal Hass Avocado Board (HAB) on Hass avocados produced and sold in California, which is restricted for use on marketing activities.

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

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

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

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

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

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

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

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

1. Cash Equivalents

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

2. Investments

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

3. Receivables

No allowance for uncollectible accounts has been recorded for the years ended October 31, 2021 and 2020. Management has evaluated the accounts and believes they are all collectible. Management evaluates all accounts receivable, and if it is determined that they are uncollectible, they are written off directly as a bad debt expense.

4. Capital Assets

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

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

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

5. Compensated Absences

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

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

6. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from such estimates.

7. Fiduciary and Restricted Assets

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

8. Net Position

Net position represents the difference between assets less liabilities. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if any. Net investment in capital assets, excludes debt attributable to the unspent related debt proceeds amount. At October 31, 2021 and 2020, the Commission had net investment in capital assets in the amounts of \$85,529 and \$132,835, respectively. There was no outstanding debt related to capital assets at October 31, 2021 and 2020.

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At October 31, 2021 and 2020, the Commission had restricted net position in the amounts of \$4,710,935 and \$4,777,395, respectively, for marketing-related activities.

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

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

(2) DETAILED NOTES ON ASSETS AND LIABILITIES

(a) Cash and Cash Equivalents

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

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

Investment in State Investment Pool

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

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

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

Fair Value Measurement and Application

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

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

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

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

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

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

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

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
State of California Bonds and Notes	1 year	None	None
U. S. Treasury Obligations	1 year	None	None
U. S. Agency Securities	1 year	None	None
Bank Loans	1 year	None	None
Student Loan Notes	1 year	None	None
Obligations issued for Reconstruction and Development	1 year	None	None
Negotiable Certificates of Deposits	1 year	30%	None
Banker’s Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	10%
Corporate Bonds and Notes	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75 million

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

Disclosures Relating to Interest Rate Risk

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

Investment Type	Remaining Maturity 12 Months or Less	
	2021	2020
Local Agency Investment Fund	\$ 10,400	\$ 10,359

Disclosures Relating to Credit Risk

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

Concentration of Credit Risk

The investment policy of the Commission contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the CGC 16430. The Commission had no investments in any one issuer (other than external investment pools) that represented 5% or more of total Commission investments at October 31, 2021 and 2020.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. At October 31, 2021, the bank balance of the deposit was \$11,412,786. The first \$250,000 of the bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). The remaining balance of \$11,117,091 was collateralized at 100% of the total amount deposited by the Commission in accordance with the federal regulation under US Department of Agriculture. At October 31, 2020, the bank balance of the deposit was \$14,984,334. The first \$250,000 of the bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). The remaining balance of \$14,734,334 was collateralized at 100% of the total amount deposited by the Commission in accordance with the federal regulation under US Department of Agriculture.

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

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

(b) **Capital Assets**

	November 1, 2020	Additions	Deletions	October 31, 2021
Capital assets, being depreciated:				
Furniture	\$ 187,904	\$ -	\$ -	\$ 187,904
Office equipment	61,002	-	-	61,002
Software	15,022	-	-	15,022
Land improvements	108,559	-	-	108,559
Total capital assets, being depreciated	<u>372,487</u>	<u>-</u>	<u>-</u>	<u>372,487</u>
Less accumulated depreciation for:				
Furniture	93,554	32,349	-	125,903
Office equipment	61,002	-	-	61,002
Software	14,187	834	-	15,021
Land improvements	70,909	14,123	-	85,032
Total accumulated depreciation	<u>239,652</u>	<u>47,306</u>	<u>-</u>	<u>286,958</u>
Capital assets, net of depreciation	<u>\$ 132,835</u>	<u>\$ (47,306)</u>	<u>\$ -</u>	<u>\$ 85,529</u>
	November 1, 2019	Additions	Deletions	October 31, 2020
Capital assets, being depreciated:				
Furniture	\$ 187,904	\$ -	\$ -	\$ 187,904
Office equipment	61,002	-	-	61,002
Software	15,022	-	-	15,022
Land improvements	108,559	-	-	108,559
Total capital assets, being depreciated	<u>372,487</u>	<u>-</u>	<u>-</u>	<u>372,487</u>
Less accumulated depreciation for:				
Furniture	61,205	32,349	-	93,554
Office equipment	61,002	-	-	61,002
Software	9,180	5,007	-	14,187
Land improvements	56,786	14,123	-	70,909
Total accumulated depreciation	<u>188,173</u>	<u>51,479</u>	<u>-</u>	<u>239,652</u>
Capital assets, net of depreciation	<u>\$ 184,314</u>	<u>\$ (51,479)</u>	<u>\$ -</u>	<u>\$ 132,835</u>

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

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

(c) **Long-term Liabilities**

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

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

(3) **OTHER INFORMATION**

(a) **Avocado Inspection Program**

During February 1986, the Commission contracted with the State Department of Food and Agriculture to administer the Avocado Inspection Program (AIP) for the State of California (State). Since the Commission is, in substance, an agent for the State, fiduciary cash and cash equivalents, amounts held for AIP are offset by fiduciary liabilities, amounts held for AIP. As of October 31, 2021 and 2020, \$1,020,970 and \$965,868, respectively, was held by the Commission for the AIP.

(b) **Line of Credit**

On March 8, 2011, the Commission obtained a revolving line of credit from Bank of the West, in the amount of \$3,000,000, with a variable interest rate at prime rate plus 0.5% and a floor of 4.0%. The original maturity date for the line of credit was February 15, 2013, which was extended to February 28, 2023, under the same terms as the original agreement. At October 31, 2021 and 2020, there was no outstanding balance due on the line of credit.

(c) **Risk Management**

Insurance Programs of the Commission

The Commission's coverage is as follows:

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

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

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

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

Umbrella Liability – insured by Fireman’s Fund Insurance – General aggregate coverage of \$5,000,000 and \$5,000,000 for each occurrence.

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

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

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

Fiduciary Liability – insured by U.S. Specialty Insurance Company – Coverage is \$1,000,000 each claim and in aggregate, subject to a \$2,500 deductible.

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

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

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

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

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

Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded insured coverage. There have been no significant changes in insurance coverage during fiscal year 2021.

(d) Employee Retirement Plans

The Board of Directors of the Commission implemented a defined contribution plan, California Avocado Commission Profit Sharing Plan (PSP), administered by “The Retirement Plan Company,” for eligible Commission employees effective November 1, 2000. The Commission’s payroll for the eleven employees eligible to participate in the PSP for the plan year ended October 31, 2021, was \$1,817,541. Total payroll for the twelve employees eligible to participate in the PSP for the plan year ended October 31, 2020, was \$1,883,654. Total contributions for the years ended October 31, 2020 and 2019 were \$181,754 and \$212,985, respectively.

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

The Commission may make annual, discretionary contributions, as determined by the President, to the PSP. With a few exceptions, each eligible employee received an allocation of 10% of compensation, up to a maximum of \$58,000 for the plan year ended October 31, 2021, and \$56,000 for the plan year ended October 31, 2020. To receive an allocation, each employee must meet a minimum service requirement of one year and must be credited with at least 1,000 hours of service.

(e) Operating Leases

On November 5, 2009, the Commission entered into a lease agreement for the current office space, within the City of Irvine, California, under a five-year lease ended November 30, 2014, which was extended to November 30, 2025. During the years ended October 31, 2021 and 2020, the Commission paid \$118,301 and \$105,857, respectively, for office rent, exclusive of operating expenses.

On October 10, 2012, the Commission entered into a lease agreement on behalf of AIP for office space within the City of Escondido, California, under a three-year lease ended September 30, 2015, which was extended to September 30, 2023. During the years ended October 31, 2021 and 2020, the Commission paid \$18,588 and \$17,760, respectively, for office rent subsequently reimbursed by AIP, exclusive of operating expenses.

On May 1, 2013, the Commission entered into a lease agreement on behalf of AIP for office space within the City of Santa Paula, California, under a three-year lease ended April 30, 2016, which was extended to April 30, 2024. During the years ended October 31, 2021 and 2020, the Commission paid \$12,000 and \$12,000, respectively, for office rent subsequently reimbursed by AIP, exclusive of operating expenses.

On September 15, 2011, the Commission entered into an agreement to lease a postage machine under a three-year lease ended on October 1, 2014, which was extended to July 21, 2022, with quarterly payments due at the end of each quarter of \$275. Quarterly payments began January 1, 2012. During the years ended October 31, 2021 and 2020, the Commission paid \$1,738 and \$1,564, respectively, including tax, for this lease.

On February 9, 2015, the Commission entered into an agreement to lease two printers under a three-year lease agreement ended on January 31, 2018, with monthly payments of \$441 beginning February 1, 2015. The original lease was terminated as of August 31, 2017. On September 1, 2017, the Commission entered into an agreement to lease two new printers under a three-year lease agreement ended on August 31, 2020, with monthly payments of \$575. The lease was renewed on June 1, 2020, for three years ending May 30, 2023, with monthly payments of \$555. During the years ended October 31, 2021 and 2020, the Commission paid \$7,560 and \$7,664, respectively, including tax, for this lease.

On October 19, 2016, the Commission entered into an agreement to lease a printer under a three-year lease agreement ended on November 30, 2019, with monthly payments of \$499 beginning December 1, 2016. On December 1, 2019, the Commission entered into an agreement to lease one printer under a three-year lease agreement ending November 30, 2022, with monthly payments of \$537. During the years ended October 31, 2021 and 2020, the Commission paid \$7,636 and \$5,593, respectively, including tax, for this lease.

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

On July 1, 2013, the Commission entered into a lease agreement for the Pine Tree Ranch property within the City of Santa Paula, California, under a ten-year lease ending June 30, 2023. During the years ended October 31, 2021 and 2020, the Commission paid \$23,600 and \$22,836 for rent, respectively, including rent paid for a garage on the property for \$100 a month.

On January 1, 2019, the Commission entered into an agreement for security alarm services under a three-year lease agreement ending on November 31, 2021, with monthly payments of \$195 beginning January 9, 2019. During the years ended October 31, 2021 and 2020, the Commission paid \$2,652 and \$4,309, including service charges, for this lease.

The annual requirements to amortize the operating lease obligations as of October 31, 2021, are as follows:

<u>Year Ending October 31,</u>	<u>Office Spaces</u>	<u>Printers</u>	<u>Postage Machine</u>	<u>Alarm System</u>	<u>Pine Tree Ranch</u>	<u>Total</u>
2022	\$ 153,775	\$ 13,098	\$ 826	\$ 522	\$ 24,384	\$ 192,605
2023	156,570	4,421	-	-	16,608	177,599
2024	136,283	-	-	-	-	136,283
2025	133,607	-	-	-	-	133,607
Total	<u>\$ 580,235</u>	<u>\$ 17,519</u>	<u>\$ 826</u>	<u>\$ 522</u>	<u>\$ 40,992</u>	<u>\$ 640,094</u>

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SUPPLEMENTARY INFORMATION

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

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

CALIFORNIA AVOCADO COMMISSION

Note to Supplementary Information

October 31, 2021 and 2020

(1) BUDGETARY INFORMATION:

(a) *Budgets and Budgetary Accounting:*

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

CALIFORNIA AVOCADO COMMISSION
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended October 31, 2021

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

CALIFORNIA AVOCADO COMMISSION

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

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



**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Directors
California Avocado Commission
Irvine, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the California Avocado Commission (Commission), as of and for the year ended October 31, 2021, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated January 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Macias Gini E O'Connell CPA". The signature is written in a cursive style with a vertical line through the letter 'E'.

Irvine, California

January 28, 2022



Independent Auditor's Report

Board of Directors
California Avocado Commission
Irvine, California

We have examined California Avocado Commission's (Commission) compliance with Section V.D. of the *Guidelines for Agricultural Marketing Service (AMS) Oversight of Commodity Research and Promotion Programs* (Guidelines), dated June 2012 applicable to the Commission for the year ended October 31, 2021. The specified compliance requirements are as follows:

1. No funds are used for the purpose of influencing governmental policy or action, per Section 515(d) of the Commodity Promotion Research and Information Act (Act), related to use of assessments for the purpose of influencing legislation, as that term is defined in Section 4911(d) of the Internal Revenue Code and Title 26 of the United States Code.
2. The Commission's investment policy is in compliance with the AMS investment policy, as stated in the Guidelines, Appendix 3 – Directive 2210.2 "Investment of Public Funds" dated February 7, 2011.
3. Funds are used only for projects and other expenses authorized in a budget approved by the USDA, per Section II of the Guide.
4. Funds are used only in accordance with the rules, regulations and policies of the Act, the Guidelines, and the Hass Avocado Promotion, Research, and Information Order.
5. No violations of the Act, Order or Guidelines for Research and Development Programs.

Management of the Commission is responsible for the Commissioner's compliance with the specified requirements. Our responsibility is to express an opinion on the Commission's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Commission complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Commission complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Commission's compliance with specified requirements.

In our opinion, the Commission complied, in all material respects, with specific compliance requirements in the AMS Guidelines applicable to the Commission for the year ended October 31, 2021, as described below:

1. No funds were used for the purpose of influencing governmental policy or action, per Section 515(d) of the Commodity Promotion Research and Information Act (Act), related to use of assessments for the purpose of influencing legislation, as that term is defined in Section 4911(d) of the Internal Revenue Code and Title 26 of the United States Code.
2. The Commission's investment policy is in compliance with the AMS investment policy, as stated in the Guidelines, Appendix 3 – Directive 2210.2 "Investment of Public Funds" dated February 7, 2011.
3. Funds were used only for projects and other expenses authorized in a budget approved by the USDA, per Section II of the Guide.
4. Funds were used only in accordance with the rules, regulations and policies of the Act, the Guidelines, and the Hass Avocado Promotion, Research, and Information Order.
5. We observed no violations of the Act, Order or Guidelines for Research and Development Programs.

Macias Gini & O'Connell LLP

Irvine, California
January 28, 2022



January 28, 2022

Board of Directors
California Avocado Commission
Irvine, California

We have audited the financial statements of the California Avocado Commission (Commission) as of and for the year ended October 31, 2021, and have issued our report thereon dated January 28, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 1, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

We assisted management in preparing the basic financial statements for the year ended October 31, 2021. Management assumed all management responsibilities related to this service. Monica Arnett, Vice President of Finance and Administration was designated as a qualified individual with suitable skill, knowledge, and experience, to oversee this non-attest service, evaluate the adequacy and results of the non-attest service, and accept responsibility for this service.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Commission is included in Note 1 to the basic financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are management's estimate of depreciation of the Commission's capital assets, which is based on the asset's estimated useful life and management's estimate of compensated absences, which is based on the unused leave time for each employee valued at their current pay rate. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. We did not identify any misstatements as a result of our audit procedures.

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management dated January 28, 2022.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

Other Information in Documents Containing Audited Financial Statements

We applied certain limited procedures to management's discussion and analysis (MD&A), which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the budgetary comparison schedule, combining statement of revenues, expenses and changes in net position, and program expenses, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Restriction on Use

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

Macias Gini & O'Connell LLP
Irvine, California



Independent Accountant's Report On Applying Agreed-Upon Procedures

Board of Directors
California Avocado Commission
Irvine, California

We have performed the procedures enumerated below as specified in the Manual for Performing Agreed Upon Procedures for the California Agricultural Marketing Programs, which were agreed to by the California Department of Food & Agriculture (CDFA) and the California Avocado Commission (Commission), solely to assist the Commission (responsible party) in evaluating its compliance with the CDFA (specified party) *Accounting Guidelines and General Rules* (Guidelines), effective October 1, 2009, and the Commission's internal policies and procedures for the year ended October 31, 2021.

The Commission has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting the Commission evaluate its compliance with the CDFA Guidelines and internal policies and procedures. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and results are as follows:

1. Select a haphazard sample of 60 expenditures from the expense accounts listed below for the period of November 1, 2020 to October 31, 2021, to confirm that expenses were made in accordance with Section IV, Purchases and Invoices, and Section V, Travel, Entertainment, and Related Expenses, of the CDFA Guidelines and the Commission's internal policies and procedures.
 - a. Travel and Lodging
 - b. Meals and Entertainment
 - c. Employee use of Program-owned Vehicles
 - d. Financial Transactions between Entities
 - e. Contracts

Finding: No exceptions were noted as a result of applying this procedure.

2. Inquire with Commission management whether the Commission owns or leases any vehicles. If so, confirm that the values of personal use of Commission-owned or leased vehicles are in accordance with IRS regulations. Trace the value to inclusion in taxable income as reported on the employee's W-2.

Finding: Per our inquiries with the Commission's management, we noted that the Commission does not own or lease any vehicles.

3. If Commission staff and office resources are also dedicated to managing other entities on behalf of assessment payers for the period of November 1, 2020 to October 31, 2021, perform the following:
 - a. Identify the mission of each ancillary organization.
 - b. Inspect the accounting systems and procedures to confirm that an adequate firewall exists between the marketing program's books and those for other organizations. Inquire with Commission management that a memorandum of understanding exists between the marketing program and ancillary organizations to share administrative costs and that documentation exists to justify proper proration of such costs.
 - c. Select one sample of financial transactions between related entities to confirm they were made in compliance with the memorandum of understanding.
 - d. Inquire with Commission management whether there are conflicts of interest that exist between management and the ancillary organizations.

Finding: Per our inquiries with the Commission's management, the Commission did not manage other entities on behalf of assessment payers for the period of November 1, 2020 through October 31, 2021.

4. Inquire with Commission management whether the Commission has policies and procedures for purchasing and contracts. Select a sample (1/3 of the total population) of purchase orders to confirm that vendors are selected in accordance with Section IV, Purchases and Invoices, of the CDFA Guidelines and the Commission's internal policies and procedures.

Finding: Per our inquiries with the Commission's management, we selected 30 out of 60 purchase orders and contracts. Exceptions were noted as a result of our procedures. We noted exceptions related to 10 separate purchase orders and contracts over \$5,000 for which the Commission did not obtain 3 bids as required by CDFA Guidelines. Based on our inquiries with management, it is the Commission's policy to obtain bids or complete a Sole Source Procurement form for purchase orders that exceed \$25,000. None of the noted exceptions were for purchase orders that exceeded \$25,000.

5. Identify key controls of each cycle listed below as suggested in the Guidelines, and compare the key controls to the Commission's current internal control procedures as documented in the Commission's Accounting Policies and Procedures Manual. Select one transaction from each process below and observe that each key control was performed.

Finding: Per our inquiries with the Commission's management, we identified the following key controls and our observations:

- a) General ledger and bank reconciliation oversight: We observed the key controls over the bank reconciliation and journal entry processes and noted that the Commission's internal control procedures are consistent with the controls suggested in the CDFA Guidelines. We noted no exceptions during our observation of the selected sample.
- b) Safety of property: We observed the key controls over the safety of property process and noted the Commission's internal control procedures are consistent with the controls suggested in the CDFA Guidelines. We noted no exceptions during our observation of the selected.
- c) Cash receipts: We observed the key controls over the cash receipts process and noted the Commission's internal control procedures are consistent with the controls suggested in the CDFA Guidelines. We noted no exceptions during our observation of the selected sample.

- d) Cash disbursements: We observed the key controls over the cash disbursement process and noted the Commission's internal control procedures are consistent with the controls suggested in the CDFA Guidelines. We noted no exceptions during our observation of the selected sample.
- e) Travel, lodging and meals: We observed the key controls over the travel, lodging, and meals process and noted the Commission's internal control procedures are consistent with the controls suggested in the CDFA Guidelines. We noted no exceptions during our observation of the selected sample.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Commission's compliance with the CDFA's Guidelines and the Commission's internal policies and procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Commission and handlers and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the CDFA, the Commission's Board of Directors, and management of the Commission and is not intended to be and should not be used by anyone other than those specified parties.



Irvine, California
January 28, 2022



BOARD ACTION

ITEM 6.A: CONSIDER SPONSORSHIP OF PARTICIPANTS IN HAB BOLD PROGRAM

SUMMARY:

In 2021 the Hass Avocado Board launched the Hass Avocado Industry Board Leadership Program (BOLD) to develop emerging leaders interested in addressing the opportunities and challenges facing the Hass avocado industry. BOLD is designed to help participants improve profitability, increase the effectiveness of the industry and become board-ready candidates for HAB, the California Avocado Commission and importer associations. In January 2022, the Hass Avocado Board announced that applications for the second Board Leadership Development (BOLD) program were being accepted.

For the inaugural 2021 BOLD Class, the CAC Board had approved participation in and sponsorship of California applicants, with the caveat that they be an existing CAC Board member or alternate. After HAB received applications for the 2021 program, it was determined that two individuals met CAC's requirements and the Board approved sponsorship of Rachael Laenen and Connor Huser. It is CAC's understanding that for 2022, HAB received four applicants that identified as a California producer, however only one, District 3 Board Alternate Maureen Cottingham met requirements approved by the Board in 2021.

CAC management is bringing this item before the Board to discuss and determine whether it will sponsor one or more 2022 BOLD program applicants.

FISCAL ANALYSIS:

- The annual cost per participant is estimated to be up to \$9,000, however with the current COVID situation it is expected that participation in the 2022 program would be around \$4,500 with a combination of virtual and in person sessions. This is not currently a line item in the CAC Budget, however it has been determined that funds are available under the Board Member and Meeting expense line items to cover sponsorship of participants.

BOARD OPTIONS:

- Approve sponsorship of one or more participants in the HAB BOLD program

STAFF RECOMMENDATION:

- Staff defers to the board's judgement in this matter

EXHIBITS / ATTACHMENTS:

- None