

***MEXICAN HASS AVOCADO IMPORTERS’
ASSOCIATION
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023
WITH INDEPENDENT AUDITORS’ REPORT***

INDEPENDENT AUDITORS' REPORT

Board of Directors
Mexican Hass Avocado Importers' Association and Subsidiary
Fallston, Maryland

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Mexican Hass Avocado Importers' Association and Subsidiary (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mexican Hass Avocado Importers' Association and Subsidiary as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated financial statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mexican Hass Avocado Importers' Association and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated financial statements

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

Board of Directors
Mexican Hass Avocado Importers' Association and Subsidiary
Fallston, Maryland
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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2023, on our consideration of Mexican Hass Avocado Importers' Association and Subsidiary'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 Mexican Hass Avocado Importers' Association and Subsidiary'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 Mexican Hass Avocado Importers' Association and Subsidiary's internal control over financial reporting and compliance.

Gruber and Lopez, Inc.

Gruber and Lopez, Inc.

Newport Beach, CA
August 31, 2023

MEXICAN HASS AVOCADO IMPORTERS' ASSOCIATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

ASSETS

Current assets:	
Cash and cash equivalents	\$ 14,292,973 *
Contributions receivable - HAB assessments	3,933,404
Contributions receivable - APEAM	1,362,331
Prepaid expenses and deposits	<u>147,839</u>
Total current assets	<u>19,736,547</u>
Non-current assets:	
Restricted cash held for long-term purposes (Note 8)	1,294,492
Property and equipment	8,987,937
Less: accumulated depreciation	<u>(2,358,359)</u>
Net property and equipment	<u>6,629,578</u>
Total non-current assets	<u>7,924,070</u>
TOTAL ASSETS	<u><u>\$ 27,660,617</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable - trade	\$ 2,867,349
Credit payable - APEAM	-
Accrued liabilities	5,184,640
Leases payable - current (Note 4)	346,312
Accrued salaries, benefits, and vacation	<u>233,594</u>
Total current liabilities	<u>8,631,895</u>
Non-current liabilities:	
Leases payable (Note 4)	5,698,693
Deferred compensation (Note 8)	<u>1,294,492</u>
TOTAL LIABILITIES	<u>15,625,080</u>
NET ASSETS (Note 10)	
Without donor restrictions	-
With donor restrictions	<u>12,035,537</u>
TOTAL NET ASSETS	<u>12,035,537</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 27,660,617</u></u>

* MHAI's goal is to reserve 15% of HAB assessments in cash and cash equivalents which amounts to \$ 7,614,176

See accompanying notes to financial statements and independent auditors' report.

MEXICAN HASS AVOCADO IMPORTERS' ASSOCIATION

CONSOLIDATED STATEMENT OF ACTIVITIES, FUNCTIONAL EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND OTHER SUPPORT			
Contributions from HAB assessments	\$ -	50,761,171	50,761,171
Contributions from APEAM	5,605,529	16,744,365	22,349,894
Interest income	-	11,974	11,974
TOTAL OPERATING REVENUE AND OTHER SUPPORT	5,605,529	67,517,510	73,123,039
NET ASSETS RELEASED FROM RESTRICTIONS (Note 10)	64,765,568	(64,765,568)	-
TOTAL REVENUE	70,371,097	2,751,942	73,123,039
EXPENSES			
Program services (Note 3):			
Direct marketing and promotional expenses:			
Consumer branding, digital, food service , market development & other events	45,439,595	-	45,439,595
Retail and trade - seasonal programs, exhibits & other events	10,298,846	-	10,298,846
Total direct marketing and promotional expenses	55,738,441	-	55,738,441
Marketing and promotional administrative expenses:			
Marketing administrative- salaries, benefits, travel, consulting, other	8,757,655	-	8,757,655
AMS program fees	269,472	-	269,472
Total marketing and promotional administrative expenses	9,027,127	-	9,027,127
Total program services	64,765,568	-	64,765,568
Support services - management and general:			
Administrative salaries and benefits and related travel	1,465,827	-	1,465,827
Bank service charges and other fees	121,093	-	121,093
Office expense, telephone, web, and small equipment	182,549	-	182,549
Accounting, legal, and other professional fees	1,636,569	-	1,636,569
Insurance - directors and officers	142,471	-	142,471
Postage, licenses, taxes, dues, and miscellaneous	509,845	-	509,845
Rent, building and utilities	413,422	-	413,422
Rent- interest expense	109,408	-	109,408
(Gain) Loss on disposal of assets	(5,150)	-	(5,150)
Board of director meetings, training, and related expenses	420,757	-	420,757
Amortization	385,133	-	385,133
Depreciation	223,605	-	223,605
Total support services - management and general	5,605,529	-	5,605,529
TOTAL EXPENSES	70,371,097	-	70,371,097
CHANGE IN NET ASSETS	-	2,751,942	2,751,942
NET ASSETS - BEGINNING OF PERIOD (as restated - Note 9)	-	9,283,595	9,283,595
NET ASSETS - END OF PERIOD	\$ -	12,035,537	12,035,537

See accompanying notes to financial statements and independent auditors' report.

MEXICAN HASS AVOCADO IMPORTERS' ASSOCIATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 2,751,942
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Amortization	385,133
Depreciation	223,605
Lease interest expense	109,408
(Gain) Loss on disposal of assets	(5,150)
(Increase) decrease in operating assets:	
Contributions receivable - HAB assessments	(1,622,237)
Contributions receivable - APEAM	(370,698)
Contributions receivable - MHAIA	(843,709)
Accounts receivable - others	-
Prepaid expenses and deposits	(37,858)
Increase (decrease) in operating liabilities:	
Accounts payable - trade	(340,027)
Accounts payable - intercompany and APEAM	885,413
Accrued liabilities	2,222,860
Deferred compensation	501,324
Total adjustments	<u>1,108,064</u>
NET CASH PROVIDED BY (USED FROM) OPERATING ACTIVITIES	<u>3,860,006</u>
CASH FLOWS FROM (USED FROM) INVESTING ACTIVITIES	
Purchase of furniture, leasehold improvements, software and equipment	<u>(778,367)</u>
NET CASH PROVIDED BY (USED FROM) INVESTING ACTIVITIES	<u>(778,367)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,081,639
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>12,505,826</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$ 15,587,465</u></u>
Cash and cash equivalents have been presented in the Combined Statement of Financial Position as follows:	
Cash and cash equivalents	\$ 14,292,973
Restricted cash held for long-term purposes	1,294,492
	<u><u>\$ 15,587,465</u></u>

There were no nocash investing or financing activites for fiscal year ended June 30, 2023.

See accompanying notes to financial statements and independent auditors' report.

SUPPLEMENTARY INFORMATION



Independent Auditors' Report on Supplementary Information

To the Board of Directors of
Mexican Hass Avocado Importers Association

We have audited the consolidated financial statements of Mexican Hass Avocado Importers Association and Subsidiary (a nonprofit organization) as of and for the year ended June 30, 2023, and our report thereon dated August 31, 2023, which expressed an unmodified opinion on those consolidated financial statements, appears on Page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gruber and Lopez, Inc.

Gruber and Lopez, Inc.

Newport Beach, CA

August 31, 2023

MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION

COMBINING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2023

	<u>MHAIA</u>	<u>AFM</u>	<u>Intercompany Eliminations</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 9,519,110 *	4,773,863	-	14,292,973
Contributions receivable - HAB assessments	3,933,404	-	-	3,933,404
Accounts receivable - intercompany	-	2,206,725	(2,206,725)	-
Contributions receivable - APEAM	149,742	1,212,589	-	1,362,331
Prepaid expenses and deposits	62,587	85,252	-	147,839
	<u>13,664,843</u>	<u>8,278,429</u>	<u>(2,206,725)</u>	<u>19,736,547</u>
Non-current assets:				
Restricted cash held for long-term purposes	-	1,294,492	-	1,294,492
Property and equipment	266,589	8,721,348	-	8,987,937
Less: accumulated depreciation	(266,589)	(2,091,770)	-	(2,358,359)
Net property and equipment	-	6,629,578	-	6,629,578
	<u>-</u>	<u>7,924,070</u>	<u>-</u>	<u>7,924,070</u>
TOTAL ASSETS	<u>\$ 13,664,843</u>	<u>16,202,499</u>	<u>(2,206,725)</u>	<u>27,660,617</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable - trade	\$ 34,692	2,832,657	-	2,867,349
Accounts payable - intercompany	2,206,725	-	(2,206,725)	-
Credit payable - APEAM	-	-	-	-
Accrued liabilities	23,671	5,160,969	-	5,184,640
Leases payable - current	-	346,312	-	346,312
Accrued salaries, benefits, and vacation	-	233,594	-	233,594
	<u>2,265,088</u>	<u>8,573,532</u>	<u>(2,206,725)</u>	<u>8,631,895</u>
Non-current liabilities:				
Leases payable - long-term	-	5,698,693	-	5,698,693
Deferred compensation	-	1,294,492	-	1,294,492
	<u>-</u>	<u>6,993,185</u>	<u>-</u>	<u>6,993,185</u>
TOTAL LIABILITIES	<u>2,265,088</u>	<u>15,566,717</u>	<u>(2,206,725)</u>	<u>15,625,080</u>
NET ASSETS				
Without donor restrictions	-	-	-	-
With donor restrictions	11,399,755	635,782	-	12,035,537
TOTAL NET ASSETS	<u>11,399,755</u>	<u>635,782</u>	<u>-</u>	<u>12,035,537</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,664,843</u>	<u>16,202,499</u>	<u>(2,206,725)</u>	<u>27,660,617</u>

* MHAIA's policy is to reserve 15% of HAB assessments in cash and cash equivalents which amounts to \$ 7,614,176

MEXICAN HASS AVOCADO IMPORTERS' ASSOCIATION

COMBINING SCHEDULE OF ACTIVITIES, FUNCTIONAL EXPENSES,
AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2023

	MHAIA	AFM	Intercompany Eliminations	Total
OPERATING REVENUE AND OTHER SUPPORT				
Contributions from HAB assessments	\$ 50,761,171	-	-	50,761,171
Contributions from APEAM	942,307	21,407,587	-	22,349,894
Contributions from MHAIA	-	46,899,786	(46,899,786)	-
Communications and analytics	-	101,961	(101,961)	-
Interest income	6,432	5,542	-	11,974
TOTAL OPERATING REVENUE AND OTHER SUPPORT	51,709,910	68,414,876	(47,001,747)	73,123,039
EXPENSES				
Program services:				
Direct marketing and promotional expenses:				
Consumer branding, digital, food service, market development & other events	33,419,046	45,439,595	(33,419,046)	45,439,595
Retail and trade - seasonal programs, exhibits & other events	7,694,984	10,298,846	(7,694,984)	10,298,846
Total direct marketing and promotional expenses	41,114,030	55,738,441	(41,114,030)	55,738,441
Marketing and promotional administrative expenses:				
Marketing administrative- salaries, benefits, travel, consulting, other	6,740,932	7,904,440	(5,887,717)	8,757,655
AMS program fees	269,472	-	-	269,472
Total marketing and promotional administrative expenses	7,010,404	7,904,440	(5,887,717)	9,027,127
Total program services	48,124,434	63,642,881	(47,001,747)	64,765,568
Support services - management and general:				
Administrative salaries and benefits and related travel	-	1,465,827	-	1,465,827
Bank service charges and other fees	8,433	112,660	-	121,093
Office expense, telephone, web, and small equipment	-	182,549	-	182,549
Accounting, legal, and other professional fees	767,302	869,267	-	1,636,569
Insurance - directors and officers	33,583	108,888	-	142,471
Postage, licenses, taxes, dues, and miscellaneous	124,780	385,065	-	509,845
Rent, building and utilities	-	413,422	-	413,422
Rent- interest expense	-	109,408	-	109,408
(Gain) Loss on disposal of assets	-	(5,150)	-	(5,150)
Board of director meetings, training, and related expenses	7,365	413,392	-	420,757
Amortization	-	385,133	-	385,133
Depreciation	-	223,605	-	223,605
Total support services - management and general	941,463	4,664,066	-	5,605,529
TOTAL EXPENSES	49,065,897	68,306,947	(47,001,747)	70,371,097
CHANGE IN NET ASSETS	2,644,013	107,929	-	2,751,942
NET ASSETS - BEGINNING OF PERIOD (as restated - Note 9)	8,755,742	527,853	-	9,283,595
NET ASSETS - END OF PERIOD	\$ 11,399,755	635,782	-	12,035,537

**MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION
 DETAIL SCHEDULE OF CASH FLOWS - MHAIA
 FOR THE YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Total change in net assets	\$ 2,644,013
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	-
(Increase) decrease in operating assets:	
Accounts receivable - HAB	(1,622,237)
Accounts receivable - Intercompany-APEAM	(27,243)
Prepaid expenses	(843)
Increase (decrease) in operating liabilities:	
Accounts payable - trade	5,154
Accounts payable - Intercompany-to and from AFM	885,413
Accrued liabilities	(108,360)
Total adjustments	(868,116)
NET CASH PROVIDED BY (USED FROM) OPERATING ACTIVITIES	1,775,897
 CASH FLOWS PROVIDED BY (USED FROM) INVESTING ACTIVITIES	
Purchase of furniture, leasehold improvements, software and equipment	-
NET CASH PROVIDED BY (USED FROM) INVESTING ACTIVITIES	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,775,897
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	7,743,213
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 9,519,110

AVOCADOS FROM MEXICO
DETAIL SCHEDULE OF CASH FLOWS - AFM
FOR THE YEAR ENDED JUNE 30, 2023

	Total
CASH FLOWS FROM OPERATING ACTIVITIES	
Total change in net assets	\$ 107,929
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Amortization	385,133
Depreciation	223,605
Lease interest expense	109,408
(Gain) loss on disposal of fixed assets	(5,150)
(Increase) decrease in operating assets:	
Accounts receivable - others	-
Accounts receivable - Intercompany-APEAM	(343,455)
Accounts receivable - Intercompany-MHAIA	(843,709)
Prepaid expenses	(37,015)
Increase (decrease) in operating liabilities:	
Accounts payable - trade	(345,181)
Accounts payable - Intercompany-MHAIA/APEAM	-
Accrued liabilities	2,331,220
Executive program, compensation package and payroll tax payable	501,324
Total adjustments	1,976,180
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	2,084,109
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of furniture, leasehold improvements, software and equipment	(778,367)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(778,367)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,305,742
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,762,613
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,068,355
Cash and cash equivalents have been presented in the Combining Statement of Financial Position as follows:	
Cash and cash equivalents	4,773,863
Restricted cash held for long-term purposes	1,294,492
	6,068,355