



FY'12 Annual Report

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Letter from the Chairman



Dear Stakeholders:

It's a pleasure to present you with MHAIA's annual report for fiscal year 2011-2012; another record breaking year for Avocados from Mexico.

As the Hass avocado supply leader in the United States, Mexico exported almost 780 million lbs. of fresh avocados to the United States; a 19% increase over the previous season accounting for over 61% of the total U.S. market. I would describe this past season as the year of consistency; consistent supply, consistent quality and consistent demand. This consistency coupled with a robust yet nimble marketing and promotion effort that was strong enough to pull this record volume of AFM through the pipeline yet flexible and responsive enough to adapt to the changing marketplace. Additionally, consistent administrative support for MHAIA from our sister agency, APEAM, allowed virtually 100% of your marketing dollars to be spent on marketing. Here are some of the highlights of our marketing efforts this past season:

- Our Consumer Campaign included 52 media insertions for a total circulation of 102,620,000 and 274,668,000 media impressions in 23 popular magazine publications.
- We continued to leverage "The Big Hit" name and success from 2009 and 2010 to drive product trial and versatility during the Major League Baseball playoff season in October in partnership with Turner Sports.
- MHAIA launched our first Holiday promotion program aimed to inspire holiday recipe creativity with an all-star chef holiday sweepstakes and new usage ideas for your family's holiday meal.
- Our Taste the Wow Tour wrapped up its 3rd season, visiting 13 cities, giving out more than 112,000 samples at food and wine, health and lifestyle events highlighting the various ways to use Avocados from Mexico.
- We continued to support our retailers with more than 14,000 displays and 30,000 recipe pads at shopper marketing events. For Cinco de Mayo, Corona Beer contacted us to join them in more than 5,000 supermarket displays in key markets around the country.
- Avocados from Mexico invited an exclusive group of corporate research and development chefs from the nation's leading chain restaurants including Au Bon Pain, Applebee's, and Chipotle, as well as foodservice trade editors from *Flavor & The Menu*, *Plate*, and *Restaurant Hospitality*, to attend the premiere food and wine festival in Mexico. The event, called Morelia en Boca, honors the heritage of Mexican cuisine and the tradition and origin of avocados from Mexico.



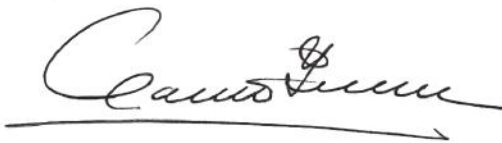
Letter from the Chairman

- And finally throughout all of these programs, MHAIA leveraged the support of important celebrity chefs and nutritionists such as: Rick Bayless Bravo's "Top Chef Masters", Cheryl Forberg, author and nutritionist for seasons 1-12 of NBC's "Biggest Loser," Suvir Saran, contestant from Bravo's "Top Chef Masters", Master Chef and award winning author Roberto Santibañez, celebrity chef and instructor at the Culinary Institute of America, Illiana de la Vega, and dietician duo Julie Upton and Katherine Brooking who continue to tout health and nutrition aspects of Avocados from Mexico.

The rewards from the hard work of all AFM stakeholders are reflected in profitability and total dollar sales and returns from the grower to the retailer. For example, our calculations show a \$0.97 per pound return to the farm gate in Mexico during calendar year 2011. That's 38% of total Mexican sales which measures out to a \$685 million return to Mexican growers. Looking at these numbers, it's easy to understand why avocados are such an important part of the economy in Mexico and how MHAIA does more than just help to sell fruit. It also helps to fuel a major economic engine that spurs job creation for thousands, sparks development and underpins the economy in Michoacán. As a grower I have the opportunity and the privilege to see this first hand.

Finally, this past year MHAIA and APEAM hammered-out a strategic plan / road map for the future that will leverage each other's combined resources and create synergies to ensure efficient and effective performance in the market place to grow demand and consumption for Avocados from Mexico. Our aim is to create a joint entity to develop and sustain a single marketing message, common brand and one tagline. I look forward to working this coming year to do everything possible to make sure this goal is achieved.

In closing, I would like to thank the board members who volunteer their valuable time and attention to MHAIA's board and committee activities. This year was truly a team effort and it showed in the results. But if the forecasts are correct, (and they usually are) we are going to be looking at another ground breaking season next year, so there is no time rest. Again, thanks to all of you who helped in this season's success and I look forward to your help and support as we take on the challenges of 2013.

A handwritten signature in black ink, appearing to read "Adrian Iturbide", with a horizontal line underneath.

Adrian Iturbide
Chairman



Marketing Review

FY'12 (July 2011-June 2012) Marketing Strategy

As we entered into FY'12, MHAIA looked to grow its relationships and maintain strong marketing programs that would continue to create momentum. Representing the growers and packers of fresh avocados in Michoacán, MHAIA and its sister organization, APEAM, signed a Memorandum of Understanding focused on the goal of creating one marketing entity to approach the market place with one voice. In that spirit both organizations embarked upon a brand and logo review to establish a single brand positioning that will differentiate Avocados from Mexico from other brands and allow MHAIA and APEAM to go to market not just with the same logo, but also with the same messaging and creative concepts.

As FY'12 began MHAIA continued to build on the platform of a nutrition/versatility strategy, yet also challenged itself to look for new ways to connect with consumers and to provide a stronger call to action message driving them directly to retail. Key seasonal promotions such as Super Bowl and Cinco de Mayo were successful in making Avocados from Mexico a routine purchase for households across the country- 78% of consumers now say they want to serve them more often!*

The following channel breakdown details the FY'12 marketing achievements:

National Print Media

FY'12 concluded the third full year and took us into a fourth promoting our national print advertising campaign— a continuation of the Amazing Avocado campaign. This series of impactful avocado visuals focused on nutrition, versatility and simplicity, with an ultimate goal of category growth and consumer education.

A total of 52 insertions in 23 Women's, Food/Cooking and Health/Fitness publications such as *Ladies Home Journal*, *Cooking Light* and *Self* were placed. The FY'12 initiative achieved over 274,668,000 impressions with the primary target, women 25-54.

By continually building relationships with vendors, MHAIA received prime media positioning and added-value opportunities. Special features like the *Cooking Light* Super Bowl promotion reinforced both versatility and nutrition during game day parties.



*Research obtained from: The Mexican Hass Avocado Tracking Study, Spring 2012



Spot Radio with Retailer Specific Tags and In-Store Demos

New to the media mix this year was the introduction of two radio spots focused on ease of use, versatility and the health benefits of eating avocados.

“Have a Taste” focused on an office lunch scenario and how easy it is to dress up your everyday tuna salad by adding avocado. “Cooking with Mom” brought you into a family’s kitchen where mom is having some fun pretending to have her own cooking show and is taking last night’s grilled chicken up a notch by turning it into an avocado on the half shell with grilled chicken.

The spots debuted on February 27th in key MHAIA markets: NYC, Chicago, Washington D.C, Boston, Baltimore, Cincinnati, Milwaukee, Louisville, Buffalo, Rochester, Albany, Syracuse and Ithaca and ran through May 7th.

- Total of 7,547 spots, generating more than 54 million impressions - 13% over goal
- Added value :05 tags brought in an additional 486k impressions
- 17 retailers participated in the tagging program



54 Million Impressions

MHAIA came back Memorial Day weekend to the end of June for an extended radio buy with retailer specific tags and incorporated an in-store demo component available for participating retailers.



Markets consisted of NYC, Chicago, Cincinnati, Milwaukee, Louisville, Buffalo, St. Louis, Pittsburgh, Memphis, Columbus and Roanoke.

- Delivered more than 40 million impressions
- 21 participating retailers
- More than 400 in-store demos delivered avocado samples and information to an estimated 100k consumers.

Taste the Wow Tour

The Taste the Wow Tour wrapped up its third season, with the addition of a second Wow Tour Van, which in turn gave Avocados from Mexico exposure in 17 cities throughout the East and Midwest markets during Fall of 2011-Spring 2012.



MHAIA had a total of 23 events and 52 activation days- a combination of women's, food & wine, health & lifestyle and professional baseball stadiums events.

More than 125,000 samples were distributed at the events. Hot Dog bites with Zesty *Guasacado* Sauce, Tomato Basil Soup topped with Avocado, Citrus Arugula Salad and Pineapple Guacamole were among the recipes served.

Joining the tour on three separate stops were Cheryl Forberg, nutritionist for seasons 1-12 of NBC's "Biggest Loser" and Suvir Saran, contestant from Bravo's "Top Chef Masters." Cheryl signed copies of her newest book Flavor First and explained how avocados can be a great addition to a healthy diet, and Suvir demonstrated an easy classic guacamole and a summer slaw with avocados. Cheryl also conducted a supermarket tour at an area Kroger store during the Kentucky stop, where she provided tips on how to pick the perfect avocado. The tour helped support and generate entries for the "Pantry Pointers and Prep with Cheryl and Suvir" Sweepstakes, which resulted in 15,925 entries.



The Big Hit 2011

MHAIA continued to show a successful year three partnership with Turner Sports/MLB on TBS. With our existing :30 spot and a new :15 spot version the media schedule delivered more than 56,936,000 impressions and generated 27,756,498 impressions online.

The Big Hit sweepstakes delivered more than 180,000 entries and 370,000 page views.

The program continued to include retail support with more than 3,600 tower displays distributed. Displays promoted the Big Hit sweepstakes as well as four new game day entertaining recipes.

Taste the Wow tour stops at baseball stadiums came together with social media efforts. New fans were received on Facebook and Twitter after each tour stop, and 75% of fans that checked in on Foursquare shared on Facebook. Traditional PR efforts supported by regional dietitians in key markets also drove local media interest in key markets, including Atlanta.



Holiday 2011

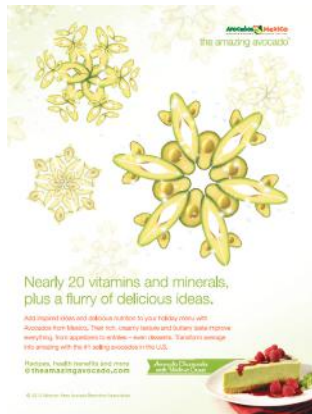
To promote increased usage of avocados during the holiday entertaining season, MHAIA partnered with award-winning chefs, Rick Bayless, Roberto Santibañez and Iliana de la Vega to host the Personal Holiday Chef Sweepstakes.

The sweepstakes was promoted in six of our November national print ad publications- capturing a circulation of more than 13 million. News of the sweepstakes was picked up by 198 outlets, including *The Packer*, *Progressive Grocer* and *FreshPlaza.com*, reaching more than 53 million readers. The holiday sweepstakes drove 4,697 new Facebook likes to our channels, as well as 49 new Twitter followers.

Three winners were selected and their parties were captured on film for distribution via our PR and social media channels. This resulted in coverage in 248 outlets, such as Hispanic Kitchen and Latino LA, as well as local media coverage in the *Manalapan Patch*, *La Vision* and the *Lake Havasu News Herald*, featuring the contest events and our special chefs.



Expanding our holiday reach even further, MHAIA hosted a satellite media tour and Twitter party featuring tips from chef Roberto Santibañez. 342 television airings reached 42 out of the 50 TV markets and seven of the eight MHAIA markets, as well as national hits on the Daily Buzz, Daytime, WGN and Metro Network. Roberto's took his avocado-friendly holiday tips to Twitter, where he tweeted with 596 attendees and helped drive 5.3 million Twitter impressions.



In store Point Of Sale (POS) cards featuring our holiday avocado cheesecake recipe reinforced holiday usage, driving consumers to the website to get the recipe and additional holiday entertaining ideas.



Super Bowl 2012

Retail tower displays were placed in 4,620 stores. A 23% increase over last year's record results and a 150% increase over Super Bowl 2009.

- 9,240 recipe take-one pads distributed

PR efforts brought in a partnership with registered dietitians Julie Upton and Katherine Brooking on a nationally syndicated segment and 10 in-studio local market segments.



Messaging focused on versatility and ease of use (“Slice, Twist and Pop”) which also tied in with the February retail program. “Slice, Twist and Pop” joined a drumbeat of avocado-themed social cues during the week leading up to the Super Bowl, where our Facebook posts focused on providing fans with fun, new ways to amplify the avocado in their feast. The five posts were seen by nearly 5,800 fans nationwide.

Shopper Marketing Support- February

To continue our retail support during this key volume time period- “Slice, Twist & Pop” POS was distributed to 4,700 participating stores.

The POS included take home tear pads that gave lighter Eastern US users an easy, memorable way to cut an Avocado from Mexico (and increase purchase frequency in the process). They also educated new, younger users for a lifetime of increased consumption frequency.



Cinco De Mayo 2012

For this year’s Cinco De Mayo, MHAIA partnered with Corona, the #1 selling imported beer, and the most popular Mexican beer worldwide to create the “Add a Dash of Amazing” display event. This event provided new co-branding and cross-merchandising opportunities.

- Featured 1.3 million Avocado/Corona coupons on their front-of-store displays (Corona funded coupon redemption)
- Two display versions were created to meet retailer requirements – a Non-Corona version and a Corona version
- 5,310 displays placed in stores! (1,800 were Non-Corona)
- 7500 take one cards featured recipes courtesy of Roberto Santibañez as well as tips on how to enhance existing recipes with avocados and how to use the Slice, Twist, Pop method.



MHAIA also partnered with Chef Roberto Santibañez and Corona to host a media event at Chef Roberto’s new restaurant, FONDA Manhattan, to celebrate Cinco de Mayo with a complimentary three-course dinner and specialty cocktails while learning about Avocados from Mexico.

Invitees got the opportunity to enjoy dishes that included avocados, while Roberto gave them a lesson on “The Avocado Cinco”: 5 Ways to Eat Avocados from Mexico, 5 Things You Didn’t Know about Avocados from Mexico, and 5 Essential Avocado Tips.



There were 12 media attendees, representing nutrition, print and online media and resulted in 12 placements and 16.7 million media impressions, including five online articles and four broadcast segments, including nationally broadcast “Fox & Friends.” As a result of the Avocado Cinco and related Cinco de Mayo activities, the MHAIA Facebook page grew by 1% and there was a 5% increase in Twitter followers.

Conferences

Avocados from Mexico partnered with the Culinary Institute of America on Worlds of Healthy Flavors, Produce First, and the Healthy Flavors, Healthy Kids invitational leadership summit. MHAIA was particularly proud to support the Healthy Kids national initiative to improve the health of children and young people through food education, culinary strategy, and flavor insight. Key menu decision makers from leading chain restaurants and school foodservice programs were in attendance and sampled many healthy, kid-friendly concepts featuring avocados.



Morelia en Boca Experience

Avocados from Mexico invited an exclusive group of corporate research and development chefs from the nation’s leading chain restaurants including Au Bon Pain, Applebee’s, and Chipotle, as well as foodservice trade editors from Flavor & The Menu, Plate, and Restaurant Hospitality, to attend the premiere food and wine festival in Mexico, Morelia en Boca. During this once-in-a-lifetime experience, guests participated in this festival that honors the heritage of Mexican cuisine through tasting events, dinners and a gourmet marketplace. The group also toured an avocado grove to learn more about the tradition and origin of avocados from Mexico. Attendees walked away from the trip with a deeper understanding and appreciation for Mexican cuisine and the amazing avocado!

Avocados from Mexico Category Leadership Presentations

MHAIA was represented at the New England Produce Council in Boston, the Southeastern Produce Council in Tampa and the Eastern Produce Council in New Jersey. Presentations were given on the avocado category, trends and relevant research, showcasing the leadership MHAIA has within the category.

Research

- Avocado penetration (past year purchase) is now at its highest recorded level- 79%.
- More consumers are giving their retailers higher grades. There was a significant increase in “A” grades this year in terms of avocado displays and selection.
- Perceptions of “health,” “simple and easy to prepare” and “versatile” have increased significantly over previous waves. We have seen the greatest increase in “simple and easy to prepare”.
- 78% of users agree that avocados are a food they want to try and serve more often.
- 61% of users said that their opinions of avocados have become more positive over the past year.
- With regards to the new MHAIA radio campaign- message awareness nearly doubled and radio as a source went from 33% to 59%.
- 94% of respondents gave positive feedback of the new radio spots when asked about them via an open ended question.



Independent Auditors' Report

To the Board of Directors of
Mexican Hass Avocado Importers Association

We have audited the financial statements of Mexican Hass Avocado Importers Association (a non-profit organization) as of June 30, 2012 and for the year then ended, as listed in the foregoing table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mexican Hass Avocado Importers Association as of June 30, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report September 1, 2012, on our consideration of Mexican Hass Avocado Importers Association'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

David L. Gruber and Associates, Inc.

David L. Gruber and Associates, Inc.
Huntington Beach, CA
September 1, 2012



STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

Current assets:	
Cash and cash equivalents	\$7,933,445
Accounts receivable - assessments from HAB	1,290,444
Accounts receivable - others	603,346
Accounts receivable - contributions from APEAM	7,590
Prepaid expenses	206,541
Total current assets	10,041,366
Property and equipment:	
Equipment	3,667
Less: accumulated depreciation	(2,423)
Net property and equipment	1,244
TOTAL ASSETS	\$10,042,610
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	\$1,628,068
Accrued liabilities	362,130
TOTAL LIABILITIES	1,990,198
NET ASSETS	
Unrestricted	-
Restricted	8,052,412
TOTAL NET ASSETS	8,052,412
TOTAL LIABILITIES AND NET ASSETS	\$10,042,610



STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE AND OTHER SUPPORT			
Assessments from HAB	\$-	16,560,079	16,560,079
Contributions from APEAM	122,136	-	122,136
Other Revenue		600,000	600,000
Investment income	-	13,475	13,475
TOTAL OPERATING REVENUE AND OTHER SUPPORT	122,136	17,173,554	17,295,690
NET ASSETS RELEASED FROM RESTRICTIONS	14,366,388	(14,366,388)	-
TOTAL REVENUE	14,488,524	2,807,166	17,295,690
EXPENSES			
Program services:			
AMS program fees	63,424	-	63,424
Brand and logo review	180,054	-	180,054
Board of director meetings and related expenses	15,461	-	15,461
Consumer, retail and web campaigns	10,287,142	-	10,287,142
Co-op funds	1,429,583	-	1,429,583
Crop report	80,000	-	80,000
Executive director contract and related expenses	143,977	-	143,977
Legal	98,432	-	98,432
Marketing director contract and related expenses	218,411	-	218,411
Other program related expenses	45,269	-	45,269
Public relation campaigns	1,334,941	-	1,334,941
Strategic meeting consulting fee	24,953	-	24,953
Trade advertising and events	444,741	-	444,741
Total program services	14,366,388	-	14,366,388
Support services:			
Accounting fees	7,596	-	7,596
Bank service charges	4,575	-	4,575
Finance director contract and related expenses	99,532	-	99,532
Insurance - Directors and Officers	9,211	-	9,211
Depreciation	1,222	-	1,222
Total support services	122,136	-	122,136
TOTAL EXPENSES	14,488,524	-	14,488,524
CHANGE IN NET ASSETS	-	2,807,166	2,807,166
NET ASSETS - BEGINNING OF PERIOD		5,245,246	5,245,246
NET ASSETS - END OF PERIOD	\$-	8,052,412	8,052,412



STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in unrestricted net assets	\$-
Change in temporarily restricted net assets	2,807,166
Total change in net assets	2,807,166
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	1,222
(Increase) decrease in operating assets:	
Accounts receivable - assessments from HAB	(411,245)
Accounts receivable - others	(603,346)
Accounts receivable - contributions from APEAM	72,737
Prepaid expenses	(204,126)
Increase (decrease) in operating liabilities:	
Accounts payable	1,504,249
Accrued liabilities	117,785
Total adjustments	477,276
NET CASH (USED) BY OPERATING ACTIVITIES	3,284,442
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,284,442
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,649,003
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$7,933,445



Notes to Financial Statements

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS

The significant accounting policies of the Mexican Hass Avocado Importers Association (MHAIA) are presented to assist in the understanding of MHAIA's financial statements. The financial statements and notes are representations of MHAIA's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization

MHAIA, a not-for-profit voluntary membership organization, was incorporated in December 2002 in Washington, D.C.

MHAIA receives 85% of the assessments collected by the Hass Avocado Board (HAB) derived from assessments on importers of Hass avocados from Mexico. Such funds are to be used for promotion, research and consumer information purposes set forth in the provisions of the federal Hass Avocado Promotion, Research, and Information Act of 2000 (7 U.S.C. §7801) and the related federal Hass Avocado Promotion Order (7 CFR Part 1219) (Order).

The corporation has three classes of members: Members of Class A shall be importers of Mexican Hass avocados into the United States, in fresh, frozen or processed form, who pay assessments under the Hass Avocado Promotion, Research and Information Act of 2000 and the Hass Avocado Promotion Order. Members of Class B shall be exporters of Mexican Hass avocados in fresh, frozen or processed form, to the United States market. Members of Class C shall be producers (owners of approved orchards) of Hass avocados exported to the United States. Each class of members shall have the right to vote, as a class, for Directors, any amendments to the By-Laws, and on such other matters as provided for in the By-Laws.

Cash and Cash Equivalents

MHAIA considers all unrestricted short-term investments with an original maturity of three months or less to be cash equivalents. The holdings comply with the authorized investment options acceptable under USDA's provisions and guidelines (Note 2). Cash and cash equivalents at June 30, 2012 consisted of the following:

Collateralized and FDIC Insured deposits	\$6,982,034
Collateralized and FDIC Insured time deposit	8,062
Collateralized and FDIC Insured money market funds	943,349
Total	\$7,933,445



Sources of Revenues and Revenue Recognition

All revenues, gains, and other support are categorized as unrestricted or temporarily restricted funds, depending on the designation of the payor. All of the assessments received from HAB, and the related interest income, are specifically restricted for promotion, research, and consumer information relating to Hass avocados.

Producers and importers of Hass avocados pay an assessment to HAB under the program, with first handlers involved in the domestic assessment collection process and U.S. Customs responsible for assessment collections on imported Hass avocados. The rate of assessment was mandated at 2.5 cents per pound on fresh Hass avocados produced and handled in the United States and on fresh Hass avocados imported into the United States. MHAIA is eligible to receive an amount of assessment funds equal to 85% of the assessments paid to HAB on Hass avocados imported from Mexico. Funds received must be used to finance promotion, research, consumer and/or industry information programs, plans or projects in the U.S.

MHAIA recognizes revenues from assessments at the time the funds are received by HAB. At June 30, 2012, \$1,290,444 was due to MHAIA for assessments received by HAB. This amount was received by MHAIA subsequent to June 30, 2012.

Other Support

MHAIA also receives contributions from *Asociacion de Productores y Empacadores Exportadores de Aguacate de Michoacán, A.C (APEAM)*. APEAM is a Mexican promotional organization, some of whose members are also members of MHAIA. Contributions received from APEAM are unrestricted and are used to pay for support services expenses incurred by MHAIA. There was \$7,590 in contributions receivable from APEAM as of June 30, 2012. This amount was received by MHAIA subsequent to June 30, 2012.

Income Taxes

MHAIA is exempt from federal income tax under Code Section 501(c)(6) of the Internal Revenue Code and files all federal information returns required by law. MHAIA's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending in years 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

Management 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Practices

The budget is prepared on the accrual basis of accounting. Management prepares and submits a proposed budget to the Board of Directors (Board) for approval. After reviewing the budget, the Board shall further consider the proposed budget and make any revisions it may deem necessary. The budget is then legally enacted by means of a budget resolution passed by the Board and approved by the U.S. Department of Agriculture – Agricultural Marketing Services (AMS). Upon final adoption, the budget shall be in effect for the ensuing reporting period.



Salaries and Benefits

MHAIA contracts out for administrative and marketing expenses and, accordingly, had no employees for the year ended June 30, 2012.

Property and Equipment

It is MHAIA's policy to capitalize long-lived assets over \$1,000. Lesser amounts are expensed. Property and equipment are capitalized at cost. Donations of long-lived assets are recorded as contributions at their estimated fair values. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose in which case they are recorded as restricted contributions until such restriction expires. Property and equipment are depreciated on the straight-line method, using estimated useful lives of three to ten years for equipment. Depreciation expense for the year ended June 30, 2012 was \$1,222.

Impairment of Long-Lived Assets

MHAIA evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash-flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

Fair Value of Financial Instruments

The Organization's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities are carried at cost, which approximates fair value because of the short-term nature of these instruments.

NOTE 2 - INVESTMENTS

Under provision of the United States Department of Agriculture (USDA) Guidelines for Agricultural Marketing Service Oversight of Commodity Research and Promotions Programs investment policy, adopted by the Board, authorized investments include the following:

- U.S. Government securities and other obligations
- California state and local government securities
- Commercial paper
- Bankers' acceptances
- Non-negotiable certificates of deposit
- Bonds, debentures, and notes issued by corporations organized and operating within the United States. Such securities shall be within the top three ratings of a nationally recognized rating service
- Money market funds (broker accounts)



NOTE 3 - MARKETING AND PROMOTION CONTRACT EXPENSES

MHAIA's marketing, promotion, and consumer information programs were carried out pursuant to contracts with various vendors. Expenses incurred for services provided by these vendors for the year ended June 30, 2012 were as follows:

Vendor	
The Botsford Group	1,261,309
C+CG Partnership	4,098,396
Encircle Marketing	4,748,660
Ketchum, Inc.	1,431,186
Red Urban	125,754
Westmark Group	24,953
Importer and other program contracts	2,798,266
Total program services	14,488,524

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Marketing and Promotion Commitments:

MHAIA entered into contracts with C+CG and Ketchum Inc. to carry out the majority of the marketing, promotion, and consumer information programs for the subsequent six month period beginning July 1, 2012 through December 31, 2012, for total contract fees not to exceed \$7,559,818 and \$821,400, respectively. These contracts may be cancelled at any time, however, if cancelled, the contractors are entitled to receive payment for costs and fees incurred to date of cancellation.

AMS also charges MHAIA a monthly fee which average approximately \$56,000 annually. Fees may be changed periodically by AMS and will continue as long as assessment revenues are received from HAB.

Other Commitments:

Other commitments of MHAIA include contracts with its Executive Director, Marketing Director, and Finance Director providing for annual contract amounts of \$142,992, \$191,080, and \$110,000, respectively, for the year ending June 30, 2012. Annual discretionary bonuses may also be available to the Executive Director and Marketing Director upon Board of Director approval, and if certain milestones are achieved. All bonuses are also contingent upon available funds.



NOTE 5 – COMPLIANCE WITH LAWS AND REGULATIONS

By accepting assessments from HAB, MHAIA is required to comply with certain laws and regulations provided for in the *Code of Federal Regulations (7 CFR Part 1219) – Hass Avocado Promotion Research, and Information Order*, issued by the United States Department of Agriculture (USDA) and as interpreted in the *Guidelines for Agricultural Marketing Service Oversight of Commodity Research and Promotion Programs*, issued by the USDA Management believes that it has complied with such laws and regulations.

NOTE 6 – CONCENTRATION

Assessments received from HAB represent 96% of MHAIA's revenues. If federal laws effecting import duties and assessments paid to HAB and, in turn to MHAIA, are significantly changed, such changes could have an adverse impact on MHAIA and such impact could be material. Management is not aware of any changes in assessment policies.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 1, 2012, the date the financial statements were available to be issued.

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SUPPLEMENTARY SCHEDULE

Independent Auditors' Report on Supplementary Schedules

To the Board of Directors of
Mexican Hass Avocado Importers Association

We have audited the financial statements of Mexican Hass Avocado Importers Association (a non-profit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 1, 2012, which contained an unqualified opinion on those financial statements appears on page 1. Our audit was performed for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary schedule of revenues, support, and expenses-budget to actual, and schedule of property and equipment are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that portion marked "unaudited", on which we express no opinion, 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.

David L. Gruber and Associates, Inc.

David L. Gruber and Associates, Inc.
Huntington Beach, CA
September 1, 2012



SUPPLEMENTARY SCHEDULE OF REVENUES, SUPPORT AND EXPENSES

BUDGET TO ACTUAL FOR THE YEAR ENDED JUNE 30, 2012

	Final Budget \$	Actual \$	Variance with Final Budget
	(Unaudited)		Positive (Negative) \$
			(Unaudited)
OPERATING REVENUE AND			
OTHER SUPPORT			
Assessments received from HAB	16,362,649	16,560,079	197,430
Contributions from APEAM	127,731	122,136	(5,595)
Other Revenue	-	600,000	600,000
Interest income	12,881	13,475	594
TOTAL OPERATING REVENUE			
AND OTHER SUPPORT	16,503,261	17,295,690	792,429
EXPENSES			
Program services:			
AMS program fees	62,409	63,424	(1,015)
Brand and logo review	200,000	180,054	19,946
Board of director meetings and related expenses	47,134	15,461	31,673
Consumer, retail and web campaigns	12,842,247	10,287,142	2,555,105
Co-op funds	2,000,000	1,429,583	570,417
Crop reports	80,000	80,000	-
Executive director contract and related expenses	173,750	143,977	29,773
Legal	162,265	98,432	63,833
Marketing director contract and related expenses	229,238	218,411	10,827
Other program related expenses	82,790	45,269	37,521
Public relation campaigns	1,358,000	1,334,941	23,059
Strategic meeting consulting fee	30,000	24,953	5,047
Trade advertising and events	500,000	444,741	55,259
Total program services	17,767,833	14,366,388	3,401,445
Support services:			
Accounting fees	10,595	7,596	2,999
Bank service charges	4,812	4,575	237
Finance director services and related fees	101,802	99,532	2,270
Insurance - Directors and Officers	9,300	9,211	89
Depreciation	1,222	1,222	-
Total support services	127,731	122,136	5,595
TOTAL EXPENSES	17,895,564	14,488,524	3,407,040
CHANGE IN NET ASSETS	\$(1,392,303)	\$2,807,166	\$4,199,469



SUPPLEMENTARY SCHEDULE OF PROPERTY AND EQUIPMENT

BUDGET TO ACTUAL FOR THE YEAR ENDED JUNE 30, 2012

PROPERTY AND EQUIPMENT:	\$
Computer and accessories	2,772
Monitor	449
Printer	268
Work station	178
Total property and equipment	3,667
Less: accumulated depreciation	(2,423)
Net property and equipment	1,244

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SUPPLEMENTARY SCHEDULE TRIAL BALANCE

BUDGET TO ACTUAL FOR THE YEAR ENDED JUNE 30, 2012

	Jul '11 - Jun 12	Budget	\$ Over Budget
Ordinary Income/Expense			
Income			
4000 · Contributed support			
4010 · Assessment Revenues	16,560,079.46	16,362,648.75	197,430.71
4030 · Membership Revenues/Support	122,136.18	127,730.77	-5,594.59
4040 · Other Revenue	600,000.00		
Total 4000 · Contributed support	17,282,215.64	16,490,379.52	791,836.12
5000 · Earned revenues			
5010 · Interest-Dividend Earnings	13,474.90	12,881.46	593.44
5000 · Earned revenues - Other	0.00	0.00	0.00
Total 5000 · Earned revenues	13,474.90	12,881.46	593.44
Total Income	17,295,690.54	16,503,260.98	792,429.56
Gross Profit	17,295,690.54	16,503,260.98	792,429.56
Expense			
6000 · Expenses			
6020 · AMS Program Fees	63,424.32	62,409.00	1,015.32
6025 · Brand and Logo Review	180,054.22	200,000.00	-19,945.78
6040 · Consumer campaigns			
6040200 · Advertising and Media	7,244,405.65	9,341,651.52	-2,097,245.87
6040300 · Research	31,808.80	32,000.00	-191.20
6040400 · Seasonal Promotions	1,369,666.50	1,402,963.55	-33,297.05
6040600 · Administrative Expenses/Oops	33,708.01	56,865.72	-23,157.71
6040700 · Agency Fees	330,527.00	330,527.00	0.00
Total 6040 · Consumer campaigns	9,010,115.96	11,164,007.79	-2,153,891.83
6050 · Co-op funds	1,429,582.82	2,000,000.00	-570,417.18
6056 · Crop Report	80,000.00	80,000.00	0.00
6060 · Executive director cont.(100%)	124,999.92	143,750.03	-18,750.11
6070 · Executive director exp.(100%)	18,978.39	30,000.00	-11,021.61
6080 · Legal	98,432.89	162,265.76	-63,832.87
6090 · Marketing director contract	199,237.44	199,237.56	-0.12
6100 · Marketing director expenses	19,174.83	30,000.00	-10,825.17
6130 · Public relations campaigns			
6130100 · Spokespeople & News Bureau	479,739.50	488,000.00	-8,260.50
6130170 · Facebook/Twitter Strategy	197,934.05	199,000.00	-1,065.95
6130180 · Food service	26,452.00	26,500.00	-48.00
6130190 · Agency Fees	596,128.50	604,500.00	-8,371.50
6130200 · Administrative Expenses/Oops	34,687.39	40,000.00	-5,312.61
Total 6130 · Public relations campaigns	1,334,941.44	1,358,000.00	-23,058.56
6140 · Retail campaigns			
6140240 · Retail Shelf Talkers/TOOLS PROG	582,366.81	619,000.00	-36,633.19
6140260 · Program Fulfillment	126,581.24	166,000.00	-39,418.76
6140265 · Administrative Expenses /Oops	9,496.81	20,000.00	-10,503.19
6140270 · In-store Radio	125,311.19	400,000.00	-274,688.81
6140280 · Agency Fees	245,000.00	245,000.00	0.00
Total 6140 · Retail campaigns	1,088,756.05	1,450,000.00	-361,243.95
			(continued)



SUPPLEMENTARY TRIAL BALANCE

BUDGET TO ACTUAL FOR THE YEAR ENDED JUNE 30, 2012

(CONTINUED)

6150 · Trade advertising	287,071.86	300,000.00	-12,928.14
6160 · Trade events/Associations	157,669.35	200,000.00	-42,330.65
6170 · Web/internet campaigns			
6170320 · Website updates/new cont/maint	79,894.34	83,240.00	-3,345.66
6170330 · Consumer, Trade and Co-Op site	45,000.00	45,000.00	0.00
6170340 · On-line media	63,372.50	100,000.00	-36,627.50
6170350 · Administrative Expenses/Oops	0.00	0.00	0.00
Total 6170 · Web/internet campaigns	188,266.84	228,240.00	-39,973.16
6540 · Board of Director/ Committee Me			
6540100 · BOD Travel (Board Meeting)	15,461.31	47,134.15	-31,672.84
6540200 · BOD Travel (Strategic Meeting)	0.00	0.00	0.00
Total 6540 · Board of Director/ Committee Me	15,461.31	47,134.15	-31,672.84
6550 · StrategicMtg-Consultant Fee/Oth	24,953.00	30,000.00	-5,047.00
6555 · Meeting Facilitator/Interpreter	7,923.00	7,789.00	134.00
6900 · Out of Pocket	37,344.70	75,000.00	-37,655.30
Total 6000 · Expenses	14,366,388.34	17,767,833.29	-3,401,444.95
7000 · Administrative expenses			
7020 · Bank Service Charges	4,575.39	4,812.90	-237.51
7085 · Finance Director Contract	90,000.00	90,000.00	0.00
7086 · Finance Director Exp			
7086100 · Misc/Supp/Phone/Web/Postage	4,970.83	5,800.00	-829.17
7086110 · Travel-Finance Director	4,561.41	6,000.00	-1,438.59
Total 7086 · Finance Director Exp	9,532.24	11,800.00	-2,267.76
7090 · Insurance - D&O	9,210.68	9,300.00	-89.32
7100 · Legal fees	0.00	0.00	0.00
7180 · Tax preparation other acctng			
7180100 · Tax Prep/Audit/Other Acctg Fee	7,595.67	7,595.67	0.00
7180200 · Election Fee (BOD)	0.00	3,000.00	-3,000.00
Total 7180 · Tax preparation other acctng	7,595.67	10,595.67	-3,000.00
7200 · Depreciation expense	1,222.20	1,222.20	0.00
Total 7000 · Administrative expenses	122,136.18	127,730.77	-5,594.59
Total Expense	14,488,524.52	17,895,564.06	-3,407,039.54
Net Ordinary Income	2,807,166.02	-1,392,303.08	4,199,469.10
Net Income	2,807,166.02	-1,392,303.08	4,199,469.10



Independent Auditors' 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*

To the Board of Directors of
Mexican Hass Avocado Importers Association

We have audited the financial statements of Mexican Hass Avocado Importers Association (a non-profit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 1, 2012. 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.

Internal Control over Financial Reporting

Management of Mexican Hass Avocado Importers Association is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Mexican Hass Avocado Importers Association's internal control over financial reporting as a basis for designing our auditing procedures 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 Mexican Hass Avocado Importers Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mexican Hass Avocado Importers Association's financial statements are free of 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 determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Code of Federal Regulations* (7 CFR Part 1219) – *Hass Avocado Promotion Research, and Information Order*, issued by the United States Department of Agriculture (USDA) and as interpreted in the *Guidelines for Agricultural Marketing Service Oversight of Commodity Research and Promotion Programs (AMS Guidelines)*, issued by the USDA, including whether the Mexican Hass Avocado Importers Association: (1) has complied with applicable laws and regulations and the provisions of the Order and AMS Guidelines; (2) Complied with Section 575, Subsection (g) of the Hass Avocado Promotion, Research and Consumer Information Act of 2000 and Section 1219.42, Subsection (b) of the Order, relating to the use of assessment funds for the purpose of influencing governmental policy or action; (3) Expended assessment funds for purposes authorized by the Hass Avocado Promotion, Research and Consumer Information Act and Order; (4) Expended or obligated assessment funds only for projects in the fiscal year authorized to be expended by the Board's approved budget and marketing plan; (5) Funds were used only for projects and other expenses in a budget approved by the USDA; (6) Obtained a written contact or agreement with any person or entity providing goods or services to the Board; (7) Complied with the Agriculture Marketing Service (AMS) investment policy as interpreted by Direction 2210.2 and the Research and Promotion Branch paper, "Securing Research and Promotion Brand Funds," relating to the limitations on the types of investments which may be purchased by the Board and the insurance or collateral that must be obtained for all Board deposits and investments; (8) Complied with the by-laws of the Board or any other policy of the Board, specifically as they relate to all financial matters, including time and attendance and travel. 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*.

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

David L. Gruber and Associates, Inc.
Huntington Beach, CA
September 1, 2012



SUPPLEMENTARY SCHEDULE

MHAIA COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Directors of the
The Mexican Hass Avocado Importers Association
1103 Old Fallston Rd
Fallston, Maryland 21047
To the Board of Directors:

We have audited the financial statements of the Mexican Hass Avocado Importers Association (a non-profit organization) for the six months ended June 30, 2012, and have issued our report thereon dated September 1, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 19, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Mexican Hass Avocado Importers Association are described in Note 1 to the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. We were not aware of any significant accounting estimates affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure of Concentration in Note 6 to the financial statements concerning the potential adverse financial impact on MHAIA should assessments from HAB be reduced. As of the date of this letter, Management is not aware of any changes in assessment policies with HAB or the USDA that would adversely affect MHAIA's statement of position, changes in net assets, or cash flows.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.



Corrected and Uncorrected Misstatements.

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted no adjustments as a result of audit procedures.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 31, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations.

Other Audit Findings or Issues

During our fieldwork for the 2012 audit, we presented management with our formal audit plan and we discussed the matters concerning internal control over financial reporting. The results of those discussions were not a condition to our retention.

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

David L. Gruber and Associates, Inc.

David L. Gruber and Associates, Inc.
Huntington Beach, CA
September 1, 2012





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