



FY'13 Annual Report





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Letter from the Chairman



Dear MHAIA Members and Avocados From Mexico Stakeholders:

It is with great pleasure that I bring you this year's annual report for fiscal year 2012 / 2013.

Avocados from Mexico continues to transform the industry bringing record breaking volumes to the consumer while maintaining consistent value to all who participate in the supply chain.

An incredible 1.1 billion lbs. was imported into the United States from Mexico this past year; an amount that would have been considered overwhelming to the marketplace just a few short years ago. However, because of MHAIA's consistent, harmonized and integrated marketing efforts in partnership with the growers and packers who make up APEAM A.C., we were able to meet this challenge head on.

Mexico's dependable 12 month supply required a yearlong national campaign across all regimens which is outlined in this report. For example, some of MHAIA's efforts included:

- A national consumer campaign with 52 insertions in 25 magazine titles and cable TV with Spanish TV integration that focused a strong preference across light and medium users while showcasing avocados in a food environment.
- English and Spanish radio that localized and tied-in key retailers.
- An online effort that enhanced the overall campaign by leveraging relationships with print partners.

This marketing push has paid off. The record sales of avocados in the United States this past year has translated to record profits for our growers, packers, importers and retailers and AFM will continue to build upon the foundation for sustained growth to ensure superior results for our stakeholders.



Letter from the Chairman

Finally, the new strategic partnership forged between MHAIA and APEAM A.C., the two largest avocado associations in the world, achieved its ultimate goal this year with the creation of our own agency, Avocados From Mexico, which opened its doors officially on July 1, 2013. This new company will effectively leverage the human and capital resources from both APEAM A.C. and MHAIA to bring a single brand, logo and marketing message to the consumer and the retailer. With the creation of AFM, we have positioned ourselves strategically, to be the number one avocado marketing entity on the planet and our constant focus will be continued enhancement of our marketing efforts to sustain enduring value.

2013 marks the end of my term as Chairman of MHAIA and I want to thank everyone for their confidence and support. We have a great team and an even better future as a result of the hard work, dedication and commitment of our members and stakeholders. I take pride in the work that has been accomplished and I'm confident that the new leadership will carry the industry to even greater heights.

Thank you again for allowing me the distinction of this Chairmanship for the past two and a half years to help avocados from Mexico to continue down this path to success.

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

Adrian Iturbide

Chairman



Marketing Review

FY'13 (July 2012-June 2013) Marketing Review

The following program breakdown details the FY'13 marketing achievements:

National Advertising

The FY'13 marketing program featured an integrated national advertising campaign to build preference for avocados across light and medium users, by showcasing their versatility and health benefits. Advertising ran on TV, print, online and local radio mediums. The total campaign generated over 714 million impressions with presence throughout the year. This is an increase of 128% over FY'12.

National magazine advertising was used to reach light and medium avocado users. A total of 52 insertions in 25 publications were placed to utilize the broad to niche targeting capabilities and align with relevant editorial.

Cable TV advertising complemented the print campaign and helped deliver strong appetite appeal. A new TV campaign launched featuring three 15 second TV spots to coincide with both Fall and Spring usage occasions. The "Get out of the cold" spot promoted Fall/Winter avocado usage on warm dishes and aired in October through December. The "Skinny Jeans" ad ran in the early Spring and promoted 50 calories per serving and how avocados can make you look your best. The "Hammock" ad ran later in the Spring to tie into the start of grilling season and highlight the good fats message.

National online advertising enhanced the overall campaign by leveraging relationships with print partners. The online advertising ran on 3 websites for a 12-week period during the Holidays, January and Spring.

Local radio ads were also featured on English and Spanish speaking radio stations. Radio served as the ideal promotional tie-in and provided the ability to localize the message and incorporate key retailers where possible. English radio advertising ran in 16 markets during key timeframes throughout the year including Fall, Awards Season, Spring and Summer. The Spanish radio efforts were focused on 8 markets during Hispanic Heritage month.

Wall Street Journal Coverage (Sept 2012)

Avocados from Mexico kicked off the year with a collaborative piece with the *Wall Street Journal*. MHAIA provided information and expertise for an article titled “Breaking Out of Guacamole to Become a Produce Star.” Featured in the Personal Journal section of the *Wall Street Journal*, Avocados from Mexico was referenced several times throughout the article.

The article mentioned that Mexican imported avocados are available all year round in all 50 states, showing increase in both sales and supply over the past three years. In addition to reaching over 5 million readers with the *Wall Street Journal* article alone, the placement spurred a Today Show segment and sparked over 1,000 tweets and over 90 blog posts. In total, the *Wall Street Journal* article resulted in 166,613,485 impressions.



Hispanic Heritage Month

To kick-off Hispanic Heritage month, MHAIA partnered with leading entertainment television show EXTRA!-TV for two segments highlighting the versatility of Avocados from Mexico.

The first segment featured EXTRA! host Mario Lopez and restaurateur/author Roberto Santibañez and highlighted versatility, year-round availability and nutrition information. The second segment was a recipe competition between EXTRA!-TV hosts Maria Menounos and Mario Lopez utilizing avocados in creative ways.

The PR segments were accompanied with TV, radio and print advertising campaigns. TV advertising featured an integrated program with Univision TV including 4 segments on the highest rated national morning show, Despierta America.

Hispanic Heritage Month was a huge success for Avocados from Mexico, with the PR program resulting in 336 placements reaching more than 132.4 million readers and generating 6,552 entries in sweepstakes.





Big Hit 2012

The Big Hit program aligned Avocados from Mexico with the popular Major League Baseball playoffs. The program included retail, TV and online advertising and a consumer sweepstakes. The retail POS resulted in 3,933 tower displays sold, up from 3,600 in 2011.

TV advertising ran on Turner network including spots in the Wild Card game, which generated the highest viewership to date. Online banner ads ran in October on Yahoo and Yahoo Sports promoting the “Big Hit” sweepstakes and game day recipes. The sweepstakes generated more than 140,000 entries through TheAmazingAvocado.com website.



Holiday

To generate buzz on and offline about the versatility of avocados during the holiday entertaining season, MHAIA launched the “’Tis The Avocado Season” sweepstakes to win a trip to New York for a one-on-one cooking lesson featuring avocados, with Roberto Santibañez at his Manhattan restaurant, Fonda.

MHAIA also partnered with House Party to hold gatherings featuring avocados. The house parties were a fun and inspiring way to get consumers thinking about avocados as essential when entertaining around holiday time.



To support the holiday efforts, MHAIA issued two press releases. One release announcing the ‘Tis The Avocado Season Sweepstakes and the second to announce the efforts to support those affected by Hurricane Sandy. Each release was picked up by more than 200 outlets garnering over 120 million impressions.

Super Bowl Retail Displays

Creative and eye-catching Super Bowl displays were developed to feature the game-day favorite snack at retailers. 4,000 displays were targeted for sell-in starting in mid-November and were sold out in 3 weeks. The creative featured game day entertaining recipes and preparation tips.



Awards Season

Avocados from Mexico made their “green” carpet appearance during award season on national entertainment and television shows – EXTRA!-TV and Anderson Cooper Live. The EXTRA!-TV segment featured Chef Roberto Santibañez and show host Mario Lopez, showcasing recipes with avocados. Nationally renowned registered dietitian Cheryl Forberg joined Anderson Cooper on Anderson Cooper Live to create delicious “Red Carpet Oscar” recipes featuring Avocados from Mexico.

In the days leading up to Hollywood’s big night, the “And the Winner Is” sweepstakes gave participants a chance to enter to win a four day trip to Los Angeles. In total, the partnerships with EXTRA!-TV and Anderson Live, along with the “And the Winner Is” sweepstakes, garnered 3,950,000 impressions.



Public Service Announcement

Host of EXTRA!-TV, actress and *New York Times* best-selling author Maria Menounos partnered with the MHAIA on a public service announcement (PSA) reminding viewers that self-esteem comes from making good decisions – like eating right. Throughout the PSA, Menounos is shown preparing and enjoying a delicious and nutritious meal -- that includes avocados -- with friends.

The PSA received media coverage on sites including Glamour.com, Fitbie.com and CBSNews.com and in total resulted in 21,009,629 impressions. To date, the PSA has run on 161 stations in 60 markets nationwide, with more than 11,411 telecasts, totaling approximately 104 broadcast hours, and resulting in 90 million viewer impressions. The ad equivalency is estimated to be \$1.3 million.





Cheryl Forberg Supermarket Tour

Avocados from Mexico strengthened key retail relationships by offering customized in-store integrations with Chef Cheryl Forberg, RD. Two retailers, Martin's and Dierbergs, took the opportunity to fully integrate Cheryl into in-store events and traditional and social media.

Martin's dedicated the month of May to Avocados from Mexico, including a cooking class with Cheryl and Martin's customers, a book signing of *Flavor First*, a guacamole cooking demonstration and local NBC broadcast segments. Dierbergs featured Avocados from Mexico tips and recipes in their in-store June circular "Everybody Cooks" and additionally featured Cheryl in a local CBS segment "Healthier Summer BBQ". In-store, Cheryl also held a book signing for *Flavor First* and a cooking demonstration for Asian Avo Mayo.



Cinco de Mayo

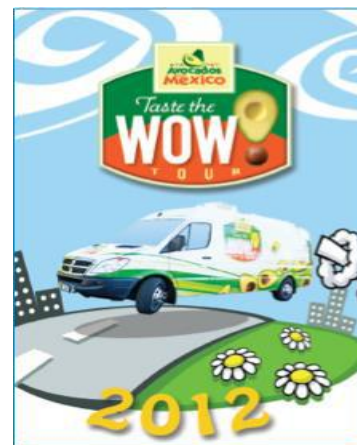
MHAIA celebrated Cinco de Mayo festivities with its own festivities, including a "Most Amazing Cinco Fiesta" Pinterest contest and the "Cinco Style: Discover Your Inner Avo" quiz on Facebook. MHAIA also engaged more than 15 bloggers in a recipe swap and meet-up. The social activations, blogger partnership and media outreach resulted in a total of 6,731,853 impressions.

Retail displays were also created that highlighted recipes promoting Cinco entertaining ideas. 5,000 displays were targeted for sell-in starting in April and sold out in 2 weeks. An additional 2,000 displays were produced to meet demand.



Wow Tour

The MHAIA team hit the road with the Wow Tour, logging over 25,000 van miles. The road tour ensured presence for avocados at key events including Major League Baseball games, marathons and food and wine shows. Overall, the van was featured in 46 events in 15 key markets across the country. The year-long tour resulted in 2.2 million highway impressions, 400,000 on-site impressions and 12,000 sweeps entries.



FOODSERVICE

Conference Sponsorships

Avocados from Mexico attended *Nation's Restaurant News'*(NRN) MUFSO (Multi-Unit Foodservice Operators) annual conference, reaching 100+ C-Suite executives and the nation's top 400+ leading restaurant operators, sponsoring a prominent event meal function and booth.

MHAIA also sponsored the *Culinary Institute of America's* (CIA) Worlds of Healthy Flavors, connecting with primary menu decision makers from leading chain restaurants and nutrition influencers.



In the spring, MHAIA attended MEG (Marketing Executives Group) during the annual NRA show in Chicago, which serves as the nation's leading conference for C-Suite Marketing leaders from top national restaurant brands. Each conference served as key opportunities to network with leading decision makers and promote fresh Avocados from Mexico.



Morelia en Boca: Culinary Immersion

Avocados from Mexico hosted an exclusive group of corporate research and development chefs from the nation's leading chain restaurants, as well as foodservice, retail and consumer trade editors, to attend a premiere food and wine festival, Morelia en Boca and full culinary immersion in the Michoacán region of Mexico. Guests included chefs from *Chili's*, *Q'doba*, *Taco Mac* and *Omni Hotels*, and writers from *Food Arts*, *Serious Eats*, *Pop Sugar*, *Produce News* and *The Packer*.

During this once-in-a-lifetime trip, guests attended the festival, which honors the heritage of Mexican cuisine through tasting events, dinners and a gourmet marketplace. The guests came away from the trip with a deeper understanding and appreciation for Mexican cuisine and the diverse, versatile opportunities with fresh Avocados from Mexico.



Operator and Sales Promotion

In order to expand and enhance reach to foodservice operators nationwide, a host of materials and assets were developed to support the menuing and promotion of Avocados from Mexico.

Point of sale digital collateral and a handling poster toolkit were designed, including both generic and customizable front-of-house POS collateral. Sales sheets were developed featuring powerful messages and statistics from key 2012 research (primary Technomic operator report), including menuing popularity, menu benefits and more.

A sales presentation was developed to support the sales team to secure promotions and develop relationships with foodservice operators. Finally, a chain database was compiled including hand-crafted contact information from top 400+ chains nationwide for partnership efforts; sourced from sponsorship of MEG conference and dedicated outreach.



Operator Menu Promotions

MHAIA helped secure and support two significant limited time offer (LTO) menu promotions through Taco Mac and Pie Five, both fast-growing regional chain operators. Both LTOs featured fresh Avocados from Mexico on their menus for the summer season, strongly positioning the product and MHAIA through advertising, PR and social media promotion. Both operators are committed to sharing sales and promotion results with MHAIA to leverage in future outreach.



Retail and Produce PR

MHAIA secured both print and online PR placements in 10+ trade publications through the produce, retail and foodservice industries, resulting in over 75,000 overall impressions for the organization. These publications include *Flavor & the Menu*, *Progressive Grocer*, *Produce News*, *The Packer* and more.

Independent Auditors' Report

Board of Directors
Mexican Hass Avocado Importers' Association

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Mexican Hass Avocado Importers' Association (a nonprofit organization) and subsidiary, which comprise the consolidated statement of financial position as of June 30, 2103, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mexican Hass Avocado Importers' Association and subsidiary as of June 30, 2013, 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.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2013 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 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's internal control over financial reporting and compliance.

David L. Gruber and Associates, Inc.

Huntington Beach, CA
August 26, 2013

Consolidated Statement of Financial Position
June 30, 2013



ASSETS	
Current assets:	
Cash and cash equivalents	\$ 7,341,984
Accounts receivable - assessments from HAB	1,634,669
Accounts receivable - others	100,000
Accounts receivable - contributions from APEAM	42,414
	<hr/>
Total current assets	9,119,067
	<hr/>
Property and equipment:	
Equipment	3,667
Less: accumulated depreciation	(3,645)
	<hr/>
Net property and equipment	22
	<hr/>
TOTAL ASSETS	\$ 9,119,089
	<hr/> <hr/>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	\$ 453,312
Accrued liabilities	489,410
	<hr/>
TOTAL LIABILITIES	942,722
	<hr/>
NET ASSETS	
Unrestricted	-
Restricted	8,176,367
	<hr/>
TOTAL NET ASSETS	8,176,367
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 9,119,089
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See accompanying notes to financial statements and independent auditors' report.

Consolidated Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2013



	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE AND OTHER SUPPORT			
Assessments from HAB	\$ -	23,985,350	23,985,350
Contributions from APEAM	308,368	-	308,368
Investment income	-	11,052	11,052
TOTAL OPERATING REVENUE AND OTHER SUPPORT	308,368	23,996,402	24,304,770
NET ASSETS RELEASED FROM RESTRICTIONS	23,872,447	(23,872,447)	-
TOTAL REVENUE	24,180,815	123,955	24,304,770
EXPENSES			
Program services:			
AMS program fees	50,962	-	50,962
Brand and logo review	36,753	-	36,753
Board of director meetings and related expenses	12,041	-	12,041
Consumer, retail, web campaigns, and co-op	20,108,444	-	20,108,444
Crop report	130,973	-	130,973
Executive director contract and related expenses	170,614	-	170,614
Legal	952	-	952
Marketing director contract and related expenses	249,306	-	249,306
Joint promotion	218,652	-	218,652
Other program related expenses	159,877	-	159,877
Public relation campaigns	2,411,101	-	2,411,101
Strategic meeting consulting fees	28,313	-	28,313
Trade advertising and events	294,459	-	294,459
Total program services	23,872,447	-	23,872,447
Support services:			
Accounting fees	7,173	-	7,173
Bank service charges	3,353	-	3,353
Finance director contract and related expenses	126,631	-	126,631
Consultant fee and other expenses	45,476	-	45,476
Professional fees	102,411	-	102,411
Insurance - Directors and Officers	9,423	-	9,423
Joint executive meeting	11,430	-	11,430
Licenses and fees	1,249	-	1,249
Depreciation	1,222	-	1,222
Total support services	308,368	-	308,368
TOTAL EXPENSES	24,180,815	-	24,180,815
CHANGE IN NET ASSETS	-	123,955	123,955
NET ASSETS - BEGINNING OF PERIOD	-	8,052,412	8,052,412
NET ASSETS - END OF PERIOD	\$ -	8,176,367	8,176,367

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2013



CASH FLOWS FROM OPERATING ACTIVITIES	
Change in unrestricted net assets	\$ -
Change in temporarily restricted net assets	123,955
	<hr/>
Total change in net assets	123,955
	<hr/>
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 F. B.	(344,225)
Accounts receivable - others	503,346
Accounts receivable - contribution from APEA	(34,824)
Prepaid expenses	206,541
Increase (decrease) in operating liabilities:	
Accounts payable	(1,174,756)
Accrued liabilities	127,280
	<hr/>
Total adjustments	(715,416)
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NET CASH (USED) BY OPERATING ACTIVITIES	(591,461)
	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(591,461)
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CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	7,933,445
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CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 7,341,984
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See accompanying notes to financial statements and independent auditors' report.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013

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 consolidated financial statements. The consolidated financial statements and notes are representations of MHAIA's management, who is responsible for the integrity and objectivity of the consolidated 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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS (CONTINUED)

These consolidated financial statements include its subsidiary “Avocados from Mexico” (AFM), a Nevada non-profit corporation, which was incorporated in October 2012. AFM is wholly owned by MHAIA and is required to follow the same laws and regulations as MHAIA including the Act and Order. All related party transactions have been eliminated in the consolidated process. AFM did not have any financial activity during the year ended June 30, 2013.

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 U.S.D.A.’s provisions and guidelines (Note 2). Cash and cash equivalents at June 30, 2013 consisted of the following:

Collateralized and FDIC Insured deposits	\$1,444,768
Collateralized and FDIC Insured time deposit	8,062
Collateralized and FDIC Insured money market funds	<u>5,889,154</u>
Total	<u>\$7,341,984</u>

Basis of Accounting

MHAIA uses the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS (CONTINUED)

Sources of Revenues and Revenue Recognition (continued)

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, 2013, \$1,634,669 was due to MHAIA for assessments received by HAB. This amount was received by MHAIA subsequent to June 30, 2013.

Other Support

MHAIA also receives contributions from *Asociacion de Productores y Empacadores Exportadores de Aguacate de Michoacan, 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 \$42,414 in contributions receivable from APEAM as of June 30, 2013. This amount was received by MHAIA subsequent to June 30, 2013.

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 2013, 2012, and 2011 are subject to examination by the IRS, generally for three years after they were filed.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS (CONTINUED)

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, 2013.

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, 2013 was \$1,222.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS (CONTINUED)

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 (U.S.D.A.) 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)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013

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, 2013 were as follows:

Vendor

C+CG Partnership	\$16,226,331
Partnering Solutions, Inc.	3,199,091
Ketchum, Inc	2,506,822
Natalia Aria Segura	460,657
Other program contracts	<u>1,479,546</u>
Total program services	<u>\$ 23,872,447</u>

NOTE 4 – COMMITMENTS AND CONTINGENCIES

Marketing and Promotion Commitments:

MHAIA entered into a contract with its subsidiary Avocados from Mexico to carry out the majority of the marketing, promotion, and consumer information programs for the subsequent period beginning July 1, 2013 through June 30, 2014, for total contract fees of approximately \$36 million.

AMS also charges MHAIA a monthly fee which average approximately \$50,000 annually. Fees may be changed periodically by AMS and will continue as long as assessment revenues are received from HAB.

Other Commitments:

Other commitments include contracts with its Executive Director and Finance Director of MHAIA, and CEO of AFM. The total commitment pertaining to these three contracts was approximately \$400,000 for the year ending June 30, 2014. Annual discretionary bonuses may also be available to the aforementioned contractors upon Board of Director approval, and if certain milestones are achieved. All bonuses are also contingent upon available funds.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013

NOTE 4 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Legal Contingencies:

In the prior year, MHAIA (plaintiff) was found in favor of a litigation matter and agreed to receive a settlement of \$600,000 to be paid by the defendant in three installments. MHAIA has since received \$500,000 and the remaining \$100,000 was recorded in accounts receivable in the statement of financial position as of June 30, 2013. The remaining \$100,000 was collected by MHAIA subsequent to June 30, 2013.

MHAIA is subject to other legal proceedings, claims, and assessments that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect MHAIA's financial position, changes in net assets and cash flows.

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 (U.S.D.A.) and as interpreted in the *Guidelines for Agricultural Marketing Service Oversight of Commodity Research and Promotion Programs*, issued by the U.S.D.A. Management believes that it has complied with such laws and regulations.

NOTE 6 – CONCENTRATION

Assessments received from HAB represent 98% 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 August 26, 2013, the date the financial statements were available to be issued.



SUPPLEMENTARY SCHEDULES

Independent Auditors' Report On Supplementary Schedules

To the Board of Directors of
Mexican Hass Avocado Importers Association

We have audited the consolidated financial statements of Mexican Hass Avocado Importers Association (a nonprofit organization) and subsidiary as of and for the year ended June 30, 2013, and have issued our report thereon dated August 26, 2013, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of: revenues, support, and expenses-budget to actual; property and equipment; and profit and loss- budget to actual presented for the purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

David L. Gruber and Associates, Inc.

Huntington Beach, CA
August 26, 2013

Supplementary Schedule of Revenues, Support and Expenses – Budget to Actual

For the Year Ended June 30, 2013



	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative) (Unaudited)
OPERATING REVENUE AND OTHER SUPPORT			
Assessments received from HAB	\$ 23,472,787	23,985,350	512,563
Contributions from APEAM	326,637	308,368	(18,269)
Interest income	11,451	11,052	(399)
TOTAL OPERATING REVENUE AND OTHER SUPPORT	23,810,875	24,304,770	493,895
EXPENSES			
Program services:			
AMS program fees	62,184	50,962	11,222
Brand and logo review	50,000	36,753	13,247
Board of director meetings and related expenses	19,000	12,041	17,959
Consumer, retail, web campaigns and co-op	20,575,000	20,108,444	349,056
Crop reports	130,000	130,973	19,027
Executive director contract and related expenses	185,000	170,614	14,886
Legal	50,000	952	49,048
Marketing director contract and related expenses	258,379	249,306	9,073
Joint promotion	250,000	218,652	31,348
Other program related expenses	388,094	159,877	228,217
Public relation campaigns	2,515,000	2,411,101	103,899
Strategic meeting consulting fee	45,000	28,313	16,687
Trade advertising and events	330,000	294,459	35,541
Total program services	24,771,657	23,872,447	899,210
Support services:			
Accounting fees	10,700	7,173	3,527
Bank service charges	3,595	3,353	242
Finance director services and related fees	130,200	126,631	3,569
Consultant fee and other expense	53,171	45,476	7,695
Professional fees	105,000	102,411	2,589
Insurance - Directors and Officers	9,500	9,423	77
Joint executive meeting	12,000	11,430	570
Licenses and fees	1,249	1,249	-
Depreciation	1,222	1,222	-
Total support services	326,637	308,368	18,269
TOTAL EXPENSES	25,098,294	24,180,815	917,479
CHANGE IN NET ASSETS	\$ (1,287,419)	\$ 123,955	\$ 1,411,374



Supplementary Schedule of Property & Equipment

June 30, 2013

PROPERTY AND EQUIPMENT:

Computer and accessories	\$	2,772
Monitor		449
Printer		268
Work station		<u>178</u>
Total property and equipment		3,667
Less: accumulated depreciation		<u>(3,645)</u>
Net property and equipment	\$	<u><u>22</u></u>

Profit and Loss Budget to Actual

July 2012 through June 2013

	Jul '12 - Jun 13	Budget	\$ Difference
Ordinary Income/Expense			
Income			
4000 · Contributed support			
4010 · Assessment Revenues	23,985,349.73	23,472,786.81	512,562.92
4030 · Membership Revenues/Support	308,368.49	326,637.35	-18,268.86
Total 4000 · Contributed support	24,293,718.22	23,799,424.16	494,294.06
5000 · Earned revenues			
5010 · Interest-Dividend Earnings	11,052.03	11,451.35	-399.32
Total 5000 · Earned revenues	11,052.03	11,451.35	-399.32
Total Income	24,304,770.25	23,810,875.51	493,894.74
Gross Profit	24,304,770.25	23,810,875.51	493,894.74
Expense			
6000 · Expenses			
6020 · AMS Program Fees	10,961.68	62,184.00	-11,222.32
6025 · Brand Logo/Agency Review Fee	5,753.41	50,000.00	-13,246.59
6040 · Consumer campaigns			
6040200 · Advertising and Media	13,917,863.78	13,936,000.00	-18,133.22
6040300 · Research	99,986.75	100,000.00	-13.25
6040400 · Seasonal Promotions	1,515,619.27	1,730,000.00	-214,380.73
6040600 · Administrative Expenses/Oops	10,295.83	35,000.00	-24,704.17
6040700 · Agency Fees	3,060.19	10,000.00	-6,939.81
Total 6040 · Consumer campaigns	15,546,828.82	15,811,000.00	-264,171.18
6056 · Crop Report	130,972.97	150,000.00	-19,027.03
6060 · Executive director cont.(100%)	155,500.04	155,500.04	0.00
6070 · Executive director exp (100%)	15,113.55	30,000.00	-14,886.45
6080 · Legal	952.44	50,000.00	-49,047.56
6090 · Marketing director contract	228,379.33	228,379.34	-0.01
6100 · Marketing director expenses	20,927.07	30,000.00	-9,072.93
6130 · Public relations campaigns			
6130100 · Spokesperson/News Bureau	1,566,543.17	1,575,000.00	-8,456.83
6130170 · Food Book/Twitter Strategy	461,692.63	465,000.00	-3,307.37
6130180 · Food Service	382,864.87	475,000.00	-92,135.13
Total 6130 · Public relations campaigns	2,411,100.67	2,515,000.00	-103,899.33
6140 · Retail campaigns			
6140200 · Retail Shelf Talkers/TOOLS PROG			
6140201 · Retail/Marketing-Service Fee	56,250.00	56,250.00	0.00
6140202 · Retail/Marketing-OOPS	13,821.46	13,494.52	326.94
6140240 · Retail Shelf Talkers/TOOLS PROG/ Co-Op - Other	3,900,623.76	3,980,255.48	-79,631.72
Total 6140200 · Retail Shelf Talkers/TOOLS PROG/ Co-Op	3,970,695.22	4,050,000.00	-79,304.78
6140260 · Program Fulfillment	24,945.89	25,000.00	-54.11
6140265 · Administrative Expenses /Oops	27,152.48	30,000.00	-2,847.52
6140280 · Agency Fees	74,988.00	75,000.00	-12.00
Total 6140 · Retail campaigns	4,097,781.59	4,180,000.00	-82,218.41
6150 · Trade advertising	196,913.00	230,000.00	-33,087.00
6160 · Trade events/Associations	97,545.53	100,000.00	-2,454.47
6170 · Web/internet campaigns			
6170320 · Website updates/new cont/maint			
6170321 · Website Service Fee	73,054.00	73,054.00	0.00
6170322 · Website Update	49,994.38	50,000.00	-5.62
6170323 · Webiste Cloud Hosting	864.00	864.00	0.00
6170324 · Website Cloud Hosting-SLayer	2,312.00	2,312.00	0.00
Total 6170320 · Website updates/new cont/maint	126,224.38	126,230.00	-5.62
6170340 · On-line media	337,609.51	340,270.00	-2,660.49
Total 6170 · Web/internet campaigns	463,833.89	466,500.00	-2,666.11

(continued)

Profit and Loss Budget to Actual

July 2012 through June 2013



(continued)

	Jul '12 - Jun 13	Budget	\$ Difference
6200 · Joint Promotion	218,651.58	250,000.00	-31,348.42
6210 · Consultant Fee (2/3)	71,817.02	89,201.68	-17,384.66
6220 · Consultant Other Exp (2/3)	8,583.04	10,000.00	-1,416.96
6230 · Consultant Fee-Retail	60,000.00	60,000.00	0.00
6540 · Board of Director/ Committee Me			
6540100 · BOD Travel (Board/Mktg/Strat)	12,040.98	30,000.00	-17,959.02
Total 6540 · Board of Director/ Committee Me	12,040.98	30,000.00	-17,959.02
6550 · StrategicMtg-Consultant Fee/Oth	28,313.40	45,000.00	-16,686.60
6555 · Meeting Facilitator/Interpreter	8,360.00	8,000.00	360.00
6900 · Out of Pocket	7,851.40	30,891.99	-23,040.59
6910 · Interim Marketing Expenses	3,265.15	190,000.00	-186,734.85
Total 6000 · Expenses	23,446.56	24,771,657.05	-899,210.49
7000 · Administrative expenses			
7020 · Bank Service Charges	3,353.20	3,594.61	-241.41
7035 · Consultant Fee (1/3)	35,908.51	44,600.85	-8,692.34
7036 · Consultant Other Exp (1/3)	9,567.43	8,570.42	997.01
7085 · Finance Director Contract	118,200.00	118,200.00	0.00
7086 · Finance Director Exp			
7086100 · Misc/Supp/Phone/Webstage	5,347.38	5,400.00	-52.62
7086110 · Travel-Finance Director	3,083.74	6,600.00	-3,516.26
Total 7086 · Finance Director Exp	8,431.12	12,000.00	-3,568.88
7090 · Insurance - D	9,423.48	9,500.00	-76.52
7105 · Licenses & Fees	1,249.00	1,249.00	0.00
7160 · Professional fees - other	102,411.26	105,000.00	-2,588.74
7180 · Tax preparation other			
7180100 · Tax prep/audit/Other Acctg Fee	6,997.00	7,200.00	-203.00
760200 · Section 501(c)(3) (BOD)	175.00	3,500.00	-3,325.00
7180 · Tax preparation other acctng	7,172.00	10,700.00	-3,528.00
7200 · Depreciation expense	1,222.20	1,222.20	0.00
7410 · Joint Executive Meeting	11,430.29	12,000.27	-569.98
Total 7000 · Administrative expenses	308,368.49	326,637.35	-18,268.86
Total Expenses	24,180,815.05	25,098,294.40	-917,479.35
Net Ordinary Income	123,955.20	-1,287,418.89	1,411,374.09
Net Income	123,955.20	-1,287,418.89	1,411,374.09



SUPPLEMENTARY SCHEDULES

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, 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 consolidated financial statements of the Mexican Hass Avocado Importer's Association (a nonprofit organization) and subsidiary, as of and for the year ended June 30 2013, and the related notes to the financial statements, which collectively comprise Mexican Hass Avocado Importer's Association's consolidated financial statements, and have issued our report thereon dated August 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Mexican Hass Avocado Importer's Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mexican Hass Avocado Importer's Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Mexican Hass Avocado Importer's Association'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.



SUPPLEMENTARY SCHEDULES

To the Board of Directors of
Mexican Hass Avocado Importers Association
Page Two

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 Mexican Hass Avocado Importer's Association's consolidated 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 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 (U.S.D.A.) and as interpreted in the *Guidelines for Agricultural Marketing Service Oversight of Commodity Research and Promotion Programs (AMS Guidelines)*, issued by the U.S.D.A., including whether the Mexican Hass Avocado Importer's 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*.



SUPPLEMENTARY SCHEDULES

To the Board of Directors of
Mexican Hass Avocado Importers Association
Page Three

Purpose of this Report

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

David L. Gruber and Associates, Inc.

Huntington Beach, CA
August 26, 2013

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