

***MEXICAN HASS AVOCADO IMPORTERS’
ASSOCIATION
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019
WITH INDEPENDENT AUDITORS’ REPORT***



An Independent CPA Firm

INDEPENDENT AUDITORS' REPORT

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

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, 2019, and the related consolidated statements of activities, functional expenses, and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Managements' 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.

Auditors' 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.

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, 2019, 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.

Emphasis of Matters

As described further in note one to the financial statements, during the year ended June 30, 2019, Mexican Hass Avocado Importers' Association and subsidiary implemented Accounting Standards Update (ASU) 2016-14 *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Board of Directors
Mexican Hass Avocado Importers' Association and Subsidiary
Fallston, Maryland
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Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2019 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.

Gruber and Associates, Inc.
Gruber and Associates, inc.
Newport Beach, CA
August 30, 2019

MEXICAN HASS AVOCADO IMPORTERS' ASSOCIATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

Current assets:	
Cash and cash equivalents	\$ 17,362,772 *
Accounts receivable - assessments from HAB	2,371,154
Accounts receivable - contributions from APEAM	85,205
Accounts receivable - other	-
Prepaid expenses and deposits	<u>167,900</u>
Total current assets	<u>19,987,031</u>
Restricted cash held for long-term purposes	563,308
Property and equipment	1,654,090
Less: accumulated depreciation	<u>(833,766)</u>
Net property and equipment	<u>820,324</u>
Total non-current assets	<u>1,383,632</u>
 TOTAL ASSETS	 <u><u>\$ 21,370,663</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable - trade	\$ 4,938,319
Credit payable - APEAM	1,563,749
Accrued liabilities	2,084,144
Accrued salaries and vacation	<u>209,650</u>
Total current liabilities	<u>8,795,862</u>
Non-current liabilities:	
Deferred compensation	<u>548,203</u>
 TOTAL LIABILITIES	 <u>9,344,065</u>
NET ASSETS	
Without donor restrictions	-
With donor restrictions	<u>12,026,598</u>
 TOTAL NET ASSETS	 <u>12,026,598</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 21,370,663</u></u>

* MHAIA's goal is to reserve 15% of HAB assessments in cash and cash equivalents which amounts to \$6,357,650.

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

MEXICAN HASS AVOCADO IMPORTERS' ASSOCIATION

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

FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND OTHER SUPPORT			
Assessments from HAB	\$ -	42,384,330	42,384,330
Contributions from APEAM	6,958,924	13,416,440	20,375,364
Contributions from APEAM - market reports	-	175,231	175,231
Investment income	-	27,742	27,742
TOTAL OPERATING REVENUE AND OTHER SUPPORT	6,958,924	56,003,743	62,962,667
NET ASSETS RELEASED FROM RESTRICTIONS	55,324,528	(55,324,528)	-
TOTAL REVENUE	62,283,452	679,215	62,962,667
EXPENSES			
Program services:			
Direct marketing and promotional expenses:			
Consumer branding, digital, food service , market development & other events	42,705,336	-	42,705,336
Retail and trade - seasonal programs, exhibits & other events	5,247,568	-	5,247,568
Total direct marketing and promotional expenses	47,952,904	-	47,952,904
Marketing and promotional administrative expenses:			
Marketing administrative- salaries, benefits, travel, consulting, other	7,083,923	-	7,083,923
AMS program fees	287,701	-	287,701
Total marketing and promotional administrative expenses	7,371,624	-	7,371,624
Total program services	55,324,528	-	55,324,528
Support services - management and general:			
Administrative salaries and benefits and related travel	1,049,850	-	1,049,850
Bank service charges and other fees	25,822	-	25,822
Office expense, telephone, web, and small equipment	130,978	-	130,978
Accounting, legal, and other professional fees	840,541	-	840,541
Insurance - directors and officers	91,368	-	91,368
Postage, licenses, taxes, dues, and miscellaneous	249,201	-	249,201
Rent, building and utilities	407,670	-	407,670
(Gain) Loss on disposal of assets	821	-	821
Board of director meetings, training, and related expenses	267,966	-	267,966
APEAM project	3,500,000	-	3,500,000
Depreciation	394,707	-	394,707
Total support services - management and general	6,958,924	-	6,958,924
TOTAL EXPENSES	62,283,452	-	62,283,452
CHANGE IN NET ASSETS	-	679,215	679,215
NET ASSETS - BEGINNING OF PERIOD (as restated - Note 10)	-	11,347,383	11,347,383
NET ASSETS - END OF PERIOD	\$ -	12,026,598	12,026,598

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

MEXICAN HASS AVOCADO IMPORTERS' ASSOCIATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 679,215
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	394,707
(Gain) Loss on disposal of assets	821
(Increase) decrease in operating assets:	
Accounts receivable - assessments from HAB	1,035,302
Accounts receivable - contributions from APEAM	695,343
Accounts receivable - others	(2,362,023)
Prepaid expenses and deposits	(59,436)
Restricted cash held for long term purposes	(194,166)
Increase (decrease) in operating liabilities:	
Accounts payable - trade	1,920,303
Accounts payable - intercompany and APEAM	4,063,778
Accrued liabilities	786,234
Deferrred compensation	179,061
Total adjustments	<u>6,064,396</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>7,139,139</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of furniture, leasehold improvements, software and equipment	<u>(321,456)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(321,456)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,817,683
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>10,545,089</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 17,362,772</u>

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



An Independent CPA Firm

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, 2019, and have issued our report thereon dated August 30, 2019, 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 supplementary schedules as listed in the table of contents are 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.

Gruber and Associates, Inc.
Gruber and Associates, Inc
Newport Beach, CA
August 30, 2019

MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION

COMBINING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2019

	<u>MHAIA</u>	<u>AFM</u>	<u>Intercompany Eliminations</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 12,558,413 *	4,804,359	-	17,362,772
Accounts receivable - assessments from HAB	2,371,154	-	-	2,371,154
Accounts receivable - intercompany	-	3,670,283	(3,670,283)	-
Accounts receivable - contributions from APEAM	85,205	-	-	85,205
Accounts receivable - other	-	-	-	-
Refunds receivable	-	-	-	-
Prepaid expenses and deposits	32,298	135,602	-	167,900
	<u>15,047,070</u>	<u>8,610,244</u>	<u>(3,670,283)</u>	<u>19,987,031</u>
Non-current assets:				
Restricted cash held for long-term purposes	8,062	555,246	-	563,308
Property and equipment	259,630	1,394,460	-	1,654,090
Less: accumulated depreciation	<u>(167,056)</u>	<u>(666,710)</u>	-	<u>(833,766)</u>
Net property and equipment	<u>92,574</u>	<u>727,750</u>	-	<u>820,324</u>
	<u>100,636</u>	<u>1,282,996</u>	-	<u>1,383,632</u>
TOTAL ASSETS	<u>\$ 15,147,706</u>	<u>9,893,240</u>	<u>(3,670,283)</u>	<u>21,370,663</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable - trade	\$ 127,768	4,810,551	-	4,938,319
Accounts payable - intercompany	3,670,283	-	(3,670,283)	-
Credit payable - APEAM	-	1,563,749	-	1,563,749
Accrued liabilities	28,217	2,055,927	-	2,084,144
Accrued salaries, benefits, and vacation	-	209,650	-	209,650
	<u>3,826,268</u>	<u>8,639,877</u>	<u>(3,670,283)</u>	<u>8,795,862</u>
Non-current liabilities:				
Deferred compensation	-	548,203	-	548,203
TOTAL LIABILITIES	<u>3,826,268</u>	<u>9,188,080</u>	<u>(3,670,283)</u>	<u>9,344,065</u>
NET ASSETS				
Without donor restrictions	-	-	-	-
With donor restrictions	<u>11,321,438</u>	<u>705,160</u>	-	<u>12,026,598</u>
TOTAL NET ASSETS	<u>11,321,438</u>	<u>705,160</u>	-	<u>12,026,598</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,147,706</u>	<u>9,893,240</u>	<u>(3,670,283)</u>	<u>21,370,663</u>

*MHAIA's goal is to reserve 15% of HAB assessments in cash and cash equivalents which amounts to \$6,357,650.

MEXICAN HASS AVOCADO IMPORTERS' ASSOCIATION

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

FOR THE YEAR ENDED JUNE 30, 2019

	MHAIA	AFM	Intercompany Eliminations	Total
OPERATING REVENUE AND OTHER SUPPORT				
Assessments received from HAB	\$ 42,384,330	-	-	42,384,330
Contributions from APEAM	621,352	19,754,012	-	20,375,364
Contributions from APEAM - market reports	-	175,231	-	175,231
Contributions from MHAIA	-	40,750,728	(40,750,728)	-
Interest income	16,880	10,862	-	27,742
TOTAL OPERATING REVENUE AND OTHER SUPPORT	43,022,562	60,690,833	(40,750,728)	62,962,667
EXPENSES				
Program services:				
Direct marketing and promotional expenses:				
Consumer branding, digital, food service, market development & other events	31,954,499	42,705,336	(31,954,499)	42,705,336
Retail and trade - seasonal programs, exhibits & other events	3,969,928	5,138,068	(3,860,428)	5,247,568
Total direct marketing and promotional expenses	35,924,427	47,843,404	(35,814,927)	47,952,904
Marketing and promotional administrative expenses:				
Marketing administrative- salaries, benefits, travel, consulting, other	5,450,378	6,569,346	(4,935,801)	7,083,923
AMS program fees	287,701	-	-	287,701
Total marketing and promotional administrative expenses	5,738,079	6,569,346	(4,935,801)	7,371,624
Total program services	41,662,506	54,412,750	(40,750,728)	55,324,528
Support services - management and general:				
Administrative salaries and benefits and related travel	-	1,049,850	-	1,049,850
Bank service charges and other fees	7,875	17,947	-	25,822
Office expense, telephone, web, and small equipment	-	130,978	-	130,978
Accounting, legal, and other professional fees	526,044	314,497	-	840,541
Insurance - directors and officers	26,104	65,264	-	91,368
Postage, licenses, taxes, dues, and miscellaneous	53,204	195,997	-	249,201
Rent, building and utilities	-	407,670	-	407,670
(Gain) Loss on disposal of assets	-	821	-	821
Board of director meetings, training, and related expenses	-	267,966	-	267,966
APEAM project	-	3,500,000	-	3,500,000
Depreciation	81,188	313,519	-	394,707
Total support services - management and general	694,415	6,264,509	-	6,958,924
TOTAL EXPENSES	42,356,921	60,677,259	(40,750,728)	62,283,452
CHANGE IN NET ASSETS	665,641	13,574	-	679,215
NET ASSETS - BEGINNING OF PERIOD (as restated - Note 10)	10,655,797	691,586	-	11,347,383
NET ASSETS - END OF PERIOD	\$ 11,321,438	705,160	-	12,026,598

**MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION
 DETAIL SCHEDULE OF CASH FLOWS - MHAIA
 FOR THE YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Total change in net assets	\$	665,641
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation		81,188
(Increase) decrease in operating assets:		
Accounts receivable - HAB		1,035,302
Accounts receivable - Intercompany-APEAM		17,715
Prepaid expenses		(11,760)
Restricted cash		(8,062)
Increase (decrease) in operating liabilities:		
Accounts payable - trade		49,708
Accounts payable - Intercompany-to and from AFM		2,500,029
Accrued liabilities		(6,606)
Total adjustments		3,657,514
NET CASH (USED) BY OPERATING ACTIVITIES		4,323,155
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, leasehold improvements, software and equipment		(5,625)
NET CASH USED BY INVESTING ACTIVITIES		(5,625)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,317,530
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		8,240,883
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$	12,558,414

AVOCADOS FROM MEXICO
DETAIL SCHEDULE OF CASH FLOWS - AFM
FOR THE YEAR ENDED JUNE 30, 2019

	Total
CASH FLOWS FROM OPERATING ACTIVITIES	
Total change in net assets	\$ 13,574
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	313,519
(Gain) loss on disposal of fixed assets	821
(Increase) decrease in operating assets:	
Accounts receivable - domestic	
Accounts receivable - Intercompany-APEAM	677,628
Accounts receivable - Intercompany-MHAIA	(2,362,023)
Prepaid expenses	(47,676)
Restricted cash held for long term purposes	(186,104)
Accounts payable - trade	1,870,595
Accounts payable - Intercompany-MHAIA/APEAM	1,563,749
Accrued liabilities	792,840
Executive program, compensation package and payroll tax payable	179,061
Total adjustments	2,488,070
NET CASH (USED) BY OPERATING ACTIVITIES	2,815,984
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of furniture, leasehold improvements, software and equipment	(315,831)
NET CASH USED BY INVESTING ACTIVITIES	(315,831)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,500,153
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,304,206
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 4,804,359