

***MEXICAN HASS AVOCADO IMPORTERS’
ASSOCIATION
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
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, 2020, 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, 2020, 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, 2020, Mexican Hass Avocado Importers' Association and subsidiary implemented Accounting Standards Update (ASU) 2018-08 *Not-for-Profit Entities* (Topic 958) – *Contributions Received and Made*. 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 10, 2020 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 10, 2020

MEXICAN HASS AVOCADO IMPORTERS' ASSOCIATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS

Current assets:	
Cash and cash equivalents	\$ 13,865,892 *
Contributions receivable - HAB assessments	3,528,418
Contributions receivable - APEAM	82,403
Accounts receivable - other	52,500
Prepaid expenses and deposits	<u>103,891</u>
Total current assets	<u>17,633,104</u>
Restricted cash held for long-term purposes	939,561
Property and equipment	1,780,217
Less: accumulated depreciation	<u>(1,260,048)</u>
Net property and equipment	<u>520,169</u>
Total non-current assets	<u>1,459,730</u>
TOTAL ASSETS	<u>\$ 19,092,834</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable - trade	\$ 2,961,076
Credit payable - APEAM	10,147
Accrued liabilities	1,974,968
Accrued salaries and vacation	<u>326,017</u>
Total current liabilities	<u>5,272,208</u>
Non-current liabilities:	
Deferred compensation	<u>928,670</u>
TOTAL LIABILITIES	<u>6,200,878</u>
NET ASSETS	
Without donor restrictions	-
With donor restrictions	<u>12,891,956</u>
TOTAL NET ASSETS	<u>12,891,956</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,092,834</u>

* MHAIA's goal is to reserve 15% of HAB assessments in cash and cash equivalents which amounts to \$ 6,390,841

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND OTHER SUPPORT			
Contributions from HAB	\$ -	42,605,604	42,605,604
Contributions from APEAM	7,720,308	12,679,482	20,399,790
Investment income	-	30,076	30,076
TOTAL OPERATING REVENUE AND OTHER SUPPORT	7,720,308	55,315,162	63,035,470
NET ASSETS RELEASED FROM RESTRICTIONS	54,585,026	(54,585,026)	-
TOTAL REVENUE	62,305,334	730,136	63,035,470
EXPENSES			
Program services:			
Direct marketing and promotional expenses:			
Consumer branding, digital, food service , market development & other events	41,451,369	-	41,451,369
Retail and trade - seasonal programs, exhibits & other events	6,060,617	-	6,060,617
Total direct marketing and promotional expenses	47,511,986	-	47,511,986
Marketing and promotional administrative expenses:			
Marketing administrative- salaries, benefits, travel, consulting, other	6,742,208	-	6,742,208
AMS program fees	330,832	-	330,832
Total marketing and promotional administrative expenses	7,073,040	-	7,073,040
Total program services	54,585,026	-	54,585,026
Support services - management and general:			
Administrative salaries and benefits and related travel	1,095,426	-	1,095,426
Bank service charges and other fees	71,115	-	71,115
Office expense, telephone, web, and small equipment	176,481	-	176,481
Accounting, legal, and other professional fees	1,128,583	-	1,128,583
Insurance - directors and officers	101,480	-	101,480
Postage, licenses, taxes, dues, and miscellaneous	307,203	-	307,203
Rent, building and utilities	493,247	-	493,247
(Gain) Loss on disposal of assets	(450)	-	(450)
Board of director meetings, training, and related expenses	416,930	-	416,930
APEAM project	3,500,000	-	3,500,000
Depreciation	430,293	-	430,293
Total support services - management and general	7,720,308	-	7,720,308
TOTAL EXPENSES	62,305,334	-	62,305,334
CHANGE IN NET ASSETS	-	730,136	730,136
NET ASSETS - BEGINNING OF PERIOD (as restated - Note 10)	-	12,161,820	12,161,820
NET ASSETS - END OF PERIOD	\$ -	12,891,956	12,891,956

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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 730,136
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	430,293
(Gain) Loss on disposal of assets	(450)
(Increase) decrease in operating assets:	
Contributions receivable - HAB assessments	(1,157,264)
Contributions receivable - APEAM	2,802
Contributions receivable - MHAIA	3,271,014
Accounts receivable - others	(52,500)
Prepaid expenses and deposits	64,009
Restricted cash held for long term purposes	(376,253)
Increase (decrease) in operating liabilities:	
Accounts payable - trade	(1,976,644)
Accounts payable - intercompany and APEAM	(4,689,394)
Accrued liabilities	7,192
Deferred compensation	380,467
Total adjustments	<u>(4,096,728)</u>
NET CASH FROM (USED BY) OPERATING ACTIVITIES	<u>(3,366,592)</u>
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES	
Purchase of furniture, leasehold improvements, software and equipment	<u>(130,288)</u>
NET CASH FROM (USED BY) INVESTING ACTIVITIES	<u>(130,288)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,496,880)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>17,362,772</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 13,865,892</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, 2020, and have issued our report thereon dated August 10, 2020, 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 10, 2020

MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION

COMBINING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2020

	<u>MHAIA</u>	<u>AFM</u>	<u>Intercompany Eliminations</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 9,081,145 *	4,784,747	-	13,865,892
Contributions receivable - HAB assessments	3,528,418	-	-	3,528,418
Accounts receivable - intercompany	-	399,269	(399,269)	-
Contributions - APEAM	82,403	-	-	82,403
Accounts receivable - other	-	52,500	-	52,500
Refunds receivable	-	-	-	-
Prepaid expenses and deposits	49,924	53,967	-	103,891
Total current assets	<u>12,741,890</u>	<u>5,290,483</u>	<u>(399,269)</u>	<u>17,633,104</u>
Non-current assets:				
Restricted cash held for long-term purposes	8,062	931,499	-	939,561
Property and equipment	261,643	1,518,574	-	1,780,217
Less: accumulated depreciation	(242,326)	(1,017,722)	-	(1,260,048)
Net property and equipment	<u>19,317</u>	<u>500,852</u>	<u>-</u>	<u>520,169</u>
Total non-current assets	<u>27,379</u>	<u>1,432,351</u>	<u>-</u>	<u>1,459,730</u>
TOTAL ASSETS	<u>\$ 12,769,269</u>	<u>6,722,834</u>	<u>(399,269)</u>	<u>19,092,834</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable - trade	\$ 21,495	2,939,581	-	2,961,076
Accounts payable - intercompany	399,269	-	(399,269)	-
Credit payable - APEAM	-	10,147	-	10,147
Accrued liabilities	47,173	1,927,795	-	1,974,968
Accrued salaries, benefits, and vacation	-	326,017	-	326,017
Total current liabilities	<u>467,937</u>	<u>5,203,540</u>	<u>(399,269)</u>	<u>5,272,208</u>
Non-current liabilities:				
Deferred compensation	-	928,670	-	928,670
TOTAL LIABILITIES	<u>467,937</u>	<u>6,132,210</u>	<u>(399,269)</u>	<u>6,200,878</u>
NET ASSETS				
Without donor restrictions	-	-	-	-
With donor restrictions	<u>12,301,332</u>	<u>590,624</u>	<u>-</u>	<u>12,891,956</u>
TOTAL NET ASSETS	<u>12,301,332</u>	<u>590,624</u>	<u>-</u>	<u>12,891,956</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,769,269</u>	<u>6,722,834</u>	<u>(399,269)</u>	<u>19,092,834</u>

* MHAIA's policy is to reserve 15% of HAB assessments in cash and cash equivalents which amounts to \$ 6,390,841

MEXICAN HASS AVOCADO IMPORTERS' ASSOCIATION
COMBINING SCHEDULE OF ACTIVITIES, FUNCTIONAL EXPENSES,
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

	MHAIA	AFM	Intercompany Eliminations	Total
OPERATING REVENUE AND OTHER SUPPORT				
Contributions from HAB assessments	\$ 42,605,604	-	-	42,605,604
Contributions from APEAM	700,104	19,699,686	-	20,399,790
Contributions from MHAIA	-	40,799,581	(40,799,581)	-
Interest income	19,281	10,795	-	30,076
TOTAL OPERATING REVENUE AND OTHER SUPPORT	<u>43,324,989</u>	<u>60,510,062</u>	<u>(40,799,581)</u>	<u>63,035,470</u>
EXPENSES				
Program services:				
Direct marketing and promotional expenses:				
Consumer branding, digital, food service , market development & other events	31,549,692	41,451,369	(31,549,692)	41,451,369
Retail and trade - seasonal programs, exhibits & other events	4,623,521	5,945,783	(4,508,687)	6,060,617
Total direct marketing and promotional expenses	<u>36,173,213</u>	<u>47,397,152</u>	<u>(36,058,379)</u>	<u>47,511,986</u>
Marketing and promotional administrative expenses:				
Marketing administrative- salaries, benefits, travel, consulting, other	5,220,537	6,262,873	(4,741,202)	6,742,208
AMS program fees	330,832	-	-	330,832
Total marketing and promotional administrative expenses	<u>5,551,369</u>	<u>6,262,873</u>	<u>(4,741,202)</u>	<u>7,073,040</u>
Total program services	<u>41,724,582</u>	<u>53,660,025</u>	<u>(40,799,581)</u>	<u>54,585,026</u>
Support services - management and general:				
Administrative salaries and benefits and related travel	-	1,095,426	-	1,095,426
Bank service charges and other fees	7,796	63,319	-	71,115
Office expense, telephone, web, and small equipment	-	176,481	-	176,481
Accounting, legal, and other professional fees	568,254	560,329	-	1,128,583
Insurance - directors and officers	21,817	79,663	-	101,480
Postage, licenses, taxes, dues, and miscellaneous	82,599	224,604	-	307,203
Rent, building and utilities	-	493,247	-	493,247
(Gain) Loss on disposal of assets	-	(450)	-	(450)
Board of director meetings, training, and related expenses	-	416,930	-	416,930
APEAM project	-	3,500,000	-	3,500,000
Depreciation	75,269	355,024	-	430,293
Total support services - management and general	<u>755,735</u>	<u>6,964,573</u>	<u>-</u>	<u>7,720,308</u>
TOTAL EXPENSES	<u>42,480,317</u>	<u>60,624,598</u>	<u>(40,799,581)</u>	<u>62,305,334</u>
CHANGE IN NET ASSETS	844,672	(114,536)	-	730,136
NET ASSETS - BEGINNING OF PERIOD (as restated - Note 10)	<u>11,456,660</u>	<u>705,160</u>	<u>-</u>	<u>12,161,820</u>
NET ASSETS - END OF PERIOD	<u>\$ 12,301,332</u>	<u>590,624</u>	<u>-</u>	<u>12,891,956</u>

**MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION
 DETAIL SCHEDULE OF CASH FLOWS - MHAIA
 FOR THE YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Total change in net assets	\$	<u>844,672</u>
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation		75,269
(Increase) decrease in operating assets:		
Accounts receivable - HAB		(1,157,264)
Accounts receivable - Intercompany-APEAM		2,802
Prepaid expenses		(17,626)
Increase (decrease) in operating liabilities:		
Accounts payable - trade		(106,273)
Accounts payable - Intercompany-to and from AFM		(3,135,792)
Accrued liabilities		<u>18,957</u>
Total adjustments		<u>(4,319,927)</u>
NET CASH (USED) BY OPERATING ACTIVITIES		<u>(3,475,255)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, leasehold improvements, software and equipment		<u>(2,013)</u>
NET CASH USED BY INVESTING ACTIVITIES		<u>(2,013)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		(3,477,268)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		<u>12,558,413</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$	<u><u>9,081,145</u></u>

AVOCADOS FROM MEXICO
DETAIL SCHEDULE OF CASH FLOWS - AFM
FOR THE YEAR ENDED JUNE 30, 2020

	Total
CASH FLOWS FROM OPERATING ACTIVITIES	
Total change in net assets	\$ (114,536)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	355,024
(Gain) loss on disposal of fixed assets	(450)
(Increase) decrease in operating assets:	
Accounts receivable - others	(52,500)
Accounts receivable - Intercompany-APEAM	-
Accounts receivable - Intercompany-MHAIA	3,271,014
Prepaid expenses	81,635
Restricted cash held for long term purposes	(376,253)
Accounts payable - trade	(1,870,371)
Accounts payable - Intercompany-MHAIA/APEAM	(1,553,602)
Accrued liabilities	(11,765)
Executive program, compensation package and payroll tax payable	380,467
Total adjustments	223,199
NET CASH (USED) BY OPERATING ACTIVITIES	108,663
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of furniture, leasehold improvements, software and equipment	(128,275)
NET CASH USED BY INVESTING ACTIVITIES	(128,275)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(19,612)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,804,359
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 4,784,747