

**CALIFORNIA AVOCADO COMMISSION  
FINANCE COMMITTEE MINUTES  
March 17, 2010**

A meeting of the Finance Committee of the California Avocado Commission (CAC) was held on Wednesday, March 17, 2010 at 3:00 p.m. at CAC's headquarters in Irvine, California, with the following people present:

**MEMBERS PRESENT**

Ben Holtz, Chairman  
Gene Carbone  
John Lamb  
Ohannes Karaoghlanian  
Donna Singmaster  
Gary Woodworth

**GOVERNMENT PRESENT**

Dennis Manderfield, CDFCA

**STAFF PRESENT**

Tom Bellamore  
Aria Lukman  
Angie Hanson

**MEMBERS ABSENT**

Ed McFadden

**GUESTS PRESENT**

Tom Pecht  
Don Reeder  
Bob Schaar

**CALL TO ORDER**

Finance Committee Chairman Holtz called the meeting to order at 3:02 p.m. with a quorum present.

**MINUTES**

Chairman Holtz announced that the last meeting preceded the Committee's official formation and was organizational in nature; so there are no official minutes. However, a written account of the meeting will be provided for reference in May.

**2009-10 FINANCIAL UPDATES**

Chairman Holtz started the discussion by stating that some of the Committee members had submitted their questions to Mr. Lukman and received answers prior to the meeting. The Committee directed staff to compare year-to-date actual and projected budget as well as prior-year amounts in the Income Statement. It also directed staff to add "Net Reserves" next to "Net Assets" on the Balance Sheet.

It was noted that the Income Statement for the 4-month period ending February 28<sup>th</sup>, 2010 shows a net loss of \$1,645,335. The committee took note that the fruit sizing was atypical and harvest was behind schedule. There was general concern regarding the current average price coming in lower than the estimate and how it would affect the revenue.

**REPORT ON BUDGET REVISIONS**

Chairman Holtz introduced Budget Revision #1. He explained that budget amendments were changes to the budget that must be approved by the Board whereas budget revisions were necessary changes that would be brought to the attention of the Finance Committee.

These changes were usually due to reallocation of line item budgets within the same category.

### **COMPREHENSIVE RISK ASSESSMENT**

Mr. Lukman provided an explanation of the risk assessment process and benefits. He outlined the material in the packet and suggested that CAC follow the Committee on Sponsoring Organizations of the Treadway Commission (COSO) Framework to help the organization shape its governance, business ethics, internal control, risk management, fraud prevention and financial reporting. He emphasized the need to start with the overall objectives, followed by risk assessment, and internal control development, implementation and monitoring. He also stressed the importance of the Control Environment in the success of implementing internal controls. The Control Environment consists of the integrity, ethical values, and style exhibited by management. Furthermore, it sets the tone of an organization and is a critical factor of an organization's internal control. After the presentation, the discussion centered on policies and procedures.

### **FINANCIAL AND ACCOUNTING POLICIES AND PROCEDURES UPDATE**

The Committee discussed the outline of draft policies and procedures included in the meeting packet. Management developed them with a new approach (structure and format). These draft policies and procedures were also designed to be more in line with the new CDFA Guidelines. Once approved by the Board, they would replace the existing Finance and Accounting policies.

The consensus with respect to policies was that they needed to be more general and broad worded. Mr. Lukman agreed to work with the Committee members to rewrite the policies and present them at the next meeting. The policies would ultimately be presented to the full Board for approval. On the procedures, the Committee directed staff to continue working on them as the detailed manifestation of the policies. Management would be responsible to develop, maintain and implement the procedures. It was generally agreed that the procedure would be reviewed by the Finance Committee.

Chairman Holtz voiced his concerns regarding Purchase Orders and contracts with several vendors. He asked the Committee if there was a need for new policies that would govern the required components of a Purchase Order/Contract and create a consistency among the documents. The discussion ensued. The consensus was that the management would document more details on the deliverables and metrics in the future contracts.

### **REPORT ON HANDLER ASSESSMENT AGREED-UPON PROCEDURES**

Mr. Lukman requested input from the Committee on an effective way to verify the completeness of assessment reporting by handlers. Mr. Carbone suggested a comparison between CAC assessment and AMRIC data.

Mr. Lukman also brought up a concern regarding culls reporting. Currently, no documentation is required for culls. Discussion ensued. The consensus was that since the culls were low in value, the effect of assessment under-reporting would be insignificant.

**PUBLIC COMMENT**

Mr. Carbone stressed the importance of risk assessment to a company's stock price performance. He mentioned that this meeting was a good example of the Board fulfilling its fiduciary duties.

Mr. Lamb suggested and the Committee agreed that management send the monthly financials to the Finance Committee members even for the months when there would be no meeting.

Ms. Singmaster suggested and the Committee agreed that the future Finance Committee packets would be mailed to the Committee members in advanced of scheduled meetings.

*The Finance Committee handout is attached to the permanent copy of these Minutes and identified as Exhibit A.*

**ADJOURN**

Chairman Holtz adjourned the meeting at 5:00 p.m.

Respectfully submitted,

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Aria Lukman, Finance & Accounting Manager