CALIFORNIA AVOCADO COMMISSION

2023 ANNUAL REPORT

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2023 CALIFORNIA AVOCADO COMMISSION ANNUAL REPORT

By all accounts, 2022-23 was a challenging season. Increased global competition, fickle pricing and unpredictable weather — perennial factors that can make or break a season — coalesced to bring about a shaky start to the early season. And yet the California Avocado Commission — through precision timing, a tightening of the fiscal belt, and informed administrative and marketing transitions— was able to nurse the season to a successful conclusion.

This year, timing was especially critical to growers. Seasonal expectations predicted a crop size similar to the year before, but robust crops by global competitors outpaced demand and depressed FOB prices during the early season. Growers were initially buoyed by rains that seemed to promise sizing opportunities, but those expectations were foiled by excessive rains that made harvesting difficult and a crop that simply didn't size as expected. Growers held off on harvesting as long as they could — balancing the pressure of getting fruit off the trees to protect next year's crop with depressed market pricing in early June. For those who could abstain from harvesting, they were rewarded with premium pricing in late June and July.

Cognizant of a modest crop size and expanded global market pressures, in advance of the season the California Avocado Commission tightened its belt by reducing the assessment rate to 1.5%, managing a projected shortfall of revenues with a planned modest dip into CAC's cash reserves, reducing staff and realigning its streamlined marketing budget to a 52/48 consumer/trade allocation.

To address the avocado market oversupply and downward pressure on grower revenue, in June the CAC board unanimously approved formation of a Government Affairs Taskforce composed of growers from across the state with various scales of agricultural operations. The taskforce immediately set to work researching existing federal/state government programs, with a focus on trade, to identify the most impactful programs for growers and explored potential remedies to support grower viability. These administrative transitions helped streamline legislative advocacy, optimize operational efficiencies, develop crucial communication pathways to weave growers' sustainability practices into marketing promotions, and further integrate responsible financial management of marketing, production research and industry affairs in service to California avocado growers.

The Commission's 2023 bagged avocado study showed that household spend per trip for bagged avocados was 14% higher during the California season.

CONSUMER MARKETING

Fiscal year 2022-23 was a transitional year for California avocado consumer marketing as well. With a reduced budget, cost saving was paramount — thus, CAC continued to use the already-developed and successful "The best avocados have California in them" advertising creative. However, based on consumer data from IRI Sustainability and the Consumer 2022, which indicated 71% of Millennials and 75% of Gen Z say sustainability is more important than a brand name, marketing communications also added in newly approved sustainability messaging. The messaging — which clearly differentiates California avocados from fruit sourced elsewhere — reinforced the care California growers take with their growing practices noting the fruit is "ethically sourced" and that growers use "environmentally friendly farming practices." The Commission also created cost-effective grower-themed marketing assets representing California's varied avocado growing regions to help consumers put a face and a place to the local fruit they purchase. Twenty-three grower profiles were added to or updated on the consumer website, and where appropriate bringing to life growers' sustainability-oriented growing practices and their families' historic ties to the land. These assets were used in digital and social consumer marketing campaigns and made available to retailers.

The Commission navigated the later-than-usual start of the harvesting season with well-timed advertising, public relations and social media programs that inserted California avocados into cultural moments and on-trend conversations. These efforts, as summarized

Super Duper prominently featured CAC's sustainability messaging on its Instagram channel.

below, garnered a combined 352.1 million impressions online, offline and on social platforms.

Mindful of the compressed budget, the team leveraged the equity built with "The best avocados have California in them" creative while weaving in new sustainability messaging. Ads were strategically placed across of variety of outdoor and digital channels popular with targeted consumers, known as Premium Californians. Early season video ads on Hulu, YouTube, Tremor and Video Amp, and digital ads on GumGum showcased Big Game and Valentine's Day promotions and were supplemented by recipe videos featuring State and National Parks in California. Audio ads on iHeart, Spotify and Pandora focused on locally grown freshness and secured more than 25 million impressions, nearly 14,000 clicks and more than 6.6 million video views. Branded content on popular foodie platforms like Food 52 featured California avocado recipes such as influencer Gaby Dalkin's *Wild-caught Salmon and California Avocado Lettuce Wraps* while a four-course California meal concept was paired with the Commission's California-based National Parks recipe videos on Tastemade.

To reach those traveling by vehicle or on foot, the outdoor campaign featured billboards and wallboards in high-traffic locations around Los Angeles, Orange County, San Diego and San Francisco — as well as a full BART train wrap on display in San Francisco. In addition, 149 Volta charging stations in busy locales and supermarket parking lots showcased California avocado ads, garnering nearly 114 million impressions.

Social media platforms remain one of the most effective means of reaching and engaging targeted consumers via messaging and imagery that embeds California avocados in relevant cultural moments, trends or events, while showcasing the availability of the fruit. Fourth of July messaging encouraging consumers to purchase the "now-in-season" fruit resulted in strong performances, as did retailer-specific posts that helped consumers locate California avocados where they were locally available. Waze ads on social platforms directed consumers to local California avocado retailers and resulted in 126,000 Waze navigations through sponsored search and branded pins. With the aim of reaching younger audiences, CAC focused on further developing its TikTok platform with short-form entertaining videos. As a result, the platform reported a 91% increase in subscribers/followers. CAC's Facebook audience remained stable, while Pinterest and YouTube followers grew by 9%, Instagram by 5% and Twitter (which the Commission did not use as often this year) grew by 2%.

To launch its public relations program, CAC celebrated International Women's Day with a March press release followed by an April press release (which secured 304 million impressions) sharing "five things to know about California avocados". Now a decade-plus tradition, California Avocado Month garnered nearly 359 million PR impressions. As part of the month-long celebration in June, CAC partnered with California-based celebrity chef Brooke Williamson who created *Braised Shorts Ribs on California Avocado Tahini Puree* and a *California Avocado Chocolate Mousse Layer Cake*. Third party reporters were invited to Chef Williamson's Playa Provisions restaurant to feast on a California avocado-centric menu and share images from the event with their followers. The June promotions also included an email newsletter and social posts. In total, the Commission's PR campaigns resulted in 1.3 billion impressions across print, broadcast and online media outlets.

To provide consumers with trusted, relevant and informative content from third-party contributors, the Commission continued its partnerships with advocates noted for their storytelling, photography and culinary expertise. The Brand Advocate program garnered nearly 2.3 million impressions from March – June, showcasing eight unique and on-trend California avocado-centric recipes. Ewa and Jeremy Ko of NomLife served as CAC's TikTok partner and created a *California Avocado Coffee* inspired by the Vietnamese Sinh to bo avocado smoothie. Remy Park, of Veggie Kins, showcased California avocados on Instagram and her blog, including her popular *Vegan Avocado Ice Cream on the Half Shell*. CAC's website contributor — Elizabeth Van Lierde of The College Housewife — created informative and engaging blog posts that were shared across her social channels and engaged followers with California avocado tips and tricks, recipes and eye-catching images. In total, she secured nearly 188,000 views and 9,000 engagements on her Instagram channel. The Living Well Brand Advocate program — which included long-time partners Mascha Davis, MR, RD; Bonnie Taub Dix, MA, RDN, CDN; and Manuel Villacorta, MS, RDN — remained influential with audiences interested in integrating California avocados with a healthy lifestyle.

Rounding out consumer marketing, the CA GROWN partnership with the Buy California organization garnered more than 46 million impressions through online, social and retailer campaigns showcasing the connection between California and avocados. The fruit was featured in multi-product in-store and digital programs with local retailers including Albertson's, Bristol Farms, Costco, Gelson's, Ralphs, Save Mart and Stater Bros. The success of the program, which included a retailer nutrition kit, resulted in recommitments with numerous retailers. California avocados also were featured in the California Recipes program with Visit California and California Wines and an avocado ranch tour for more than 50 influencers.

Finally, as the Commission began to evolve its marketing strategies — shifting more focus toward retail and right-sizing the budget — the marketing team initiated a search for a single agency that could replace and efficiently manage most of the work of both CAC's consumer advertising agency and consumer public relations agency. The Board of Directors partnered with the marketing team in this agency search, culminating in the selection of Curious Plot near the end of the season, and opted to take some activities in-house for cost savings.

TRADE RELATIONS

The Commission reinforced its industry leadership position and kept California avocados and growers top-of-mind with decision makers by sharing relevant data through social posts on LinkedIn, in-person meetings at industry events and targeted advertising. Informative ads placed in respected trade publications showcased the high consumer demand for California avocados — emphasizing the 7% volume lift — and the support the Commission provides its partners. CAC ran a first-of-its-kind two-page spread in the Snack magazine with a gatefold hero image of a California avocado expanding to a picturesque panoramic grove photo. Full page ads also were strategically placed in The Produce News, The Packer, Fresh Digest and Produce Business during peak season while digital ads featured a "maximize sales" call-to-action button that linked to an industry-friendly infographic on the retail trade webpage of CaliforniaAvocado.com.

This year's IFPA Global Produce and Floral Show hosted in Anaheim, California provided the Commission with a unique opportunity to introduce Vice President of Marketing Terry Splane and Marketing

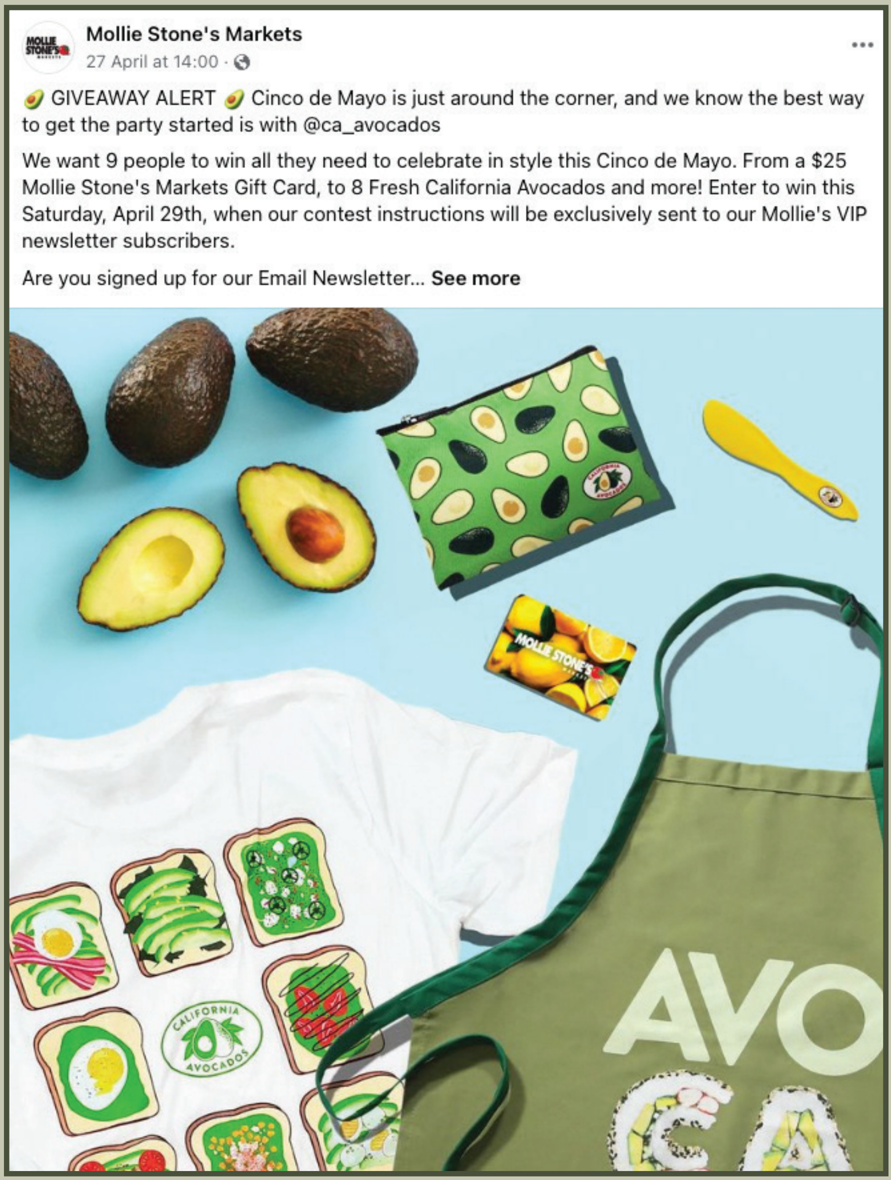
Manager Lori Small to the industry while the Organic Produce Summit and International Foodservice Editorial Council Annual Conference venues presented opportunities to showcase California avocado growers as stewards of the land. An avocado grove tour hosted by Rick and CJ Shade was a memorable stop on the IFEC California ag food tour, and brought the sustainability messaging to life for attendees.

Overall, trade media and PR impressions topped 42.3 million. LinkedIn, a social platform focused on industry relations, garnered nearly 363,000 impressions and secured a 4.8% engagement rate (above the average 3.1%) with retail, wholesale and foodservice professionals, as well as growers, buyers and shippers.

RETAIL PROMOTIONS

To demonstrate its continued command of the category, CAC hosted in-person meetings with retail partners, showcased the California Avocados brand at specially chosen industry events and hosted outreach tours. Each of these in-person opportunities provided the Commission with the chance to get in front of key decision makers and provide them with a data-backed reason to choose California avocados. In preparation for one-on-one meetings with targeted retailers CAC created customized California Avocado Retail Resource decks showcasing industry highlights, retailer-specific data, California avocado-branded messaging and inspirational themes and giveaways designed specifically for each retail team. The Commission remains an important source of data that helps retailers better understand sales trends and shopper purchase behaviors. By utilizing and sharing retail sales reports and research studies (such as Circana's household purchase data) CAC provides beneficial insights to its tiered account retail partners while also monitoring their sales performance within and outside of the California region. Further, to coordinate successful distribution and promotion of the fruit, CAC hosted AMRIC handler webinars to showcase the Commission's customized marketing promotions for targeted retail and foodservice partners.

Through its tiered marketing program, CAC ran 48 promotions with carefully selected retail partners. During the early season, the Commission usually relies on significant partnerships with local and regional retailers and foodservice



Mollie Stone's and CAC showcased a giveaway where one winner was selected from each store and won a gift pack with California avocados, an apron, t-shirt, carryall pouch and avocado spreader.

The Commission booth team for the Global Produce and Floral Show

operators who can move fruit prior to the large volumes associated with the peak season. This was the case again in 2023, especially considering the late start to the season. CAC partnered with its strongest retail partners (Albertsons-Vons, Bristol Farms, Draeger's, Gelson's, Mollie Stone's, New Seasons Markets, Nugget Markets, Raley's, Ralphs, Safeway NorCal, Sprouts and Supermercado mi Tierra) and secured a sales and brand awareness boost with Cinco de Mayo promotions in 1,408 stores. For example, Mollie Stone's Cinco de Mayo sales contest boasted a 29% sales lift over the previous month.

Digital and social programs built a sense of purchase urgency by showcasing the fruit's limited seasonal availability and a direct link to the online store locator. Pairing these posts with the Waze application made it easy for consumers to act in real-time to a social post and easily locate their closest California avocado retailer. In some instances, the posts encouraged consumers to celebrate an event with fresh California avocados, such as Save Mart's Mother's Day Instagram and Facebook video reels showcasing California avocado grower Rachel Laenen. The chain's "best of fresh" grower spotlight/recipes and monthly ads resulted in a 30 – 73% increase in unit movement in June and July.

Digital promotions were supplemented with California avocado-branded POS assets in stores. Bristol Farms' GEM and organic promotions showcased the locally grown nature of the fruit, resulting in a 39% volume increase while Gelson's Fourth of July demos featuring locally grown organic and large California avocados secured a 113% volume lift average in 27 stores. Unique Hatch chile-California avocado promotions in the Morro Bay area, which included in-store demos and California avocado giveaways, led to a 78% average lift across 27 stores. And large chains including Walmart, Sam's Club, Kroger, Target and Costco, reported gains secured with a combination of California-avocado branded POS in-store assets and digital promotions.

The Commission also encouraged retailers to promote bagged avocados based on recent findings that indicated bagged sales have increased by 82% during the past four years, drove average weekly in-season 2022 sales with a +86% increase in average weekly dollars and a +93% jump in average weekly units as compared to 2019. Further, bagged avocados sales generate a higher market basket ring with a +$59 spend and a doubling of the total value of the retail market basket. The CAC Tracking Study confirmed this trend indicating 63% of western shoppers were more likely to purchase bagged avocados from California. Safeway, just one of several retailers who promoted bagged avocado sales, reported a 58% volume increase in its Arizona locations during June and July.

FOODSERVICE PROMOTIONS

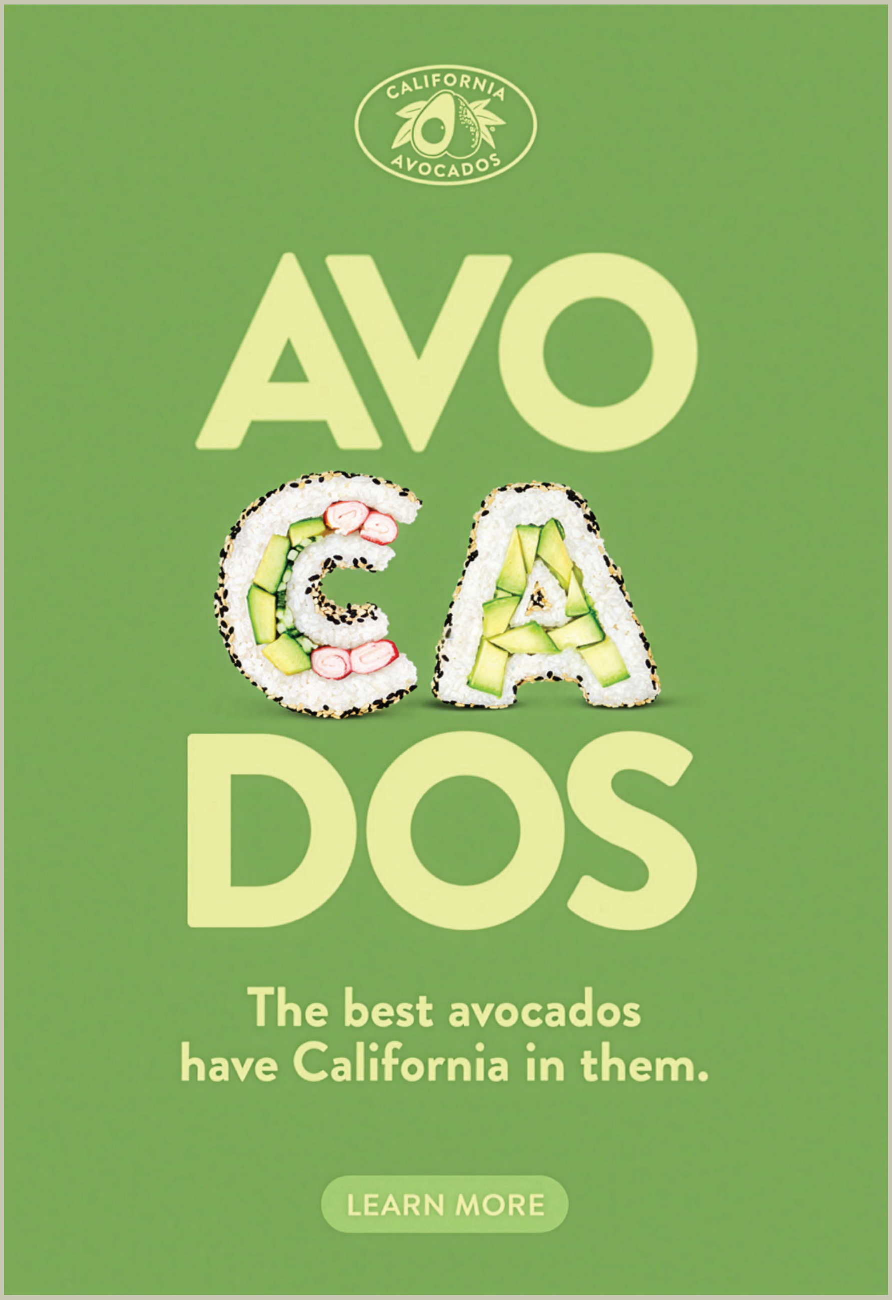
Prior to and throughout the season, the Commission showcased the California Avocados brand at a series of industry events with samplings of unique flavor pairings that demonstrated the value California avocados bring to the menu. The events also provided an opportunity to showcase CAC's unique support of foodservice partners, including menu ideation sessions, custom POS and digital promotions. At the Flavor Experience Conference, West Coast-based multi-unit operators explored emerging flavor trend menu items featuring California avocados. At the invitation only Foodovation event, CAC hosted a food pairing demonstration creating California avocado dishes so memorable that by the second day, word about the sessions had traveled among attendees generating additional excitement for the fruit. CAC met with purchasing and supply chain decision makers at the Kinetic 12 Emergence Operator-Supplier Roundtable and sponsored and participated in the California Restaurant Association Regional Chapter Mixers in Orange and Los Angeles Counties. Further, CAC invited current and future chain partners to its AvoGrove Open House at the Pinkerton grove. Attendees enjoyed the rich history of the multi-generational family business, learned how to graft an avocado tree and discovered first-hand what constitutes Good Agricultural Practices. Further, they enjoyed California avocado pairings that demonstrated how different spices interact with the fruit and what sets the locally grown fruit apart from avocados sourced elsewhere.

Early season promotions always play an important role in building momentum headed into the peak season. With the delayed start to this season, the Commission relied heavily on the successful promotions of its loyal, local foodservice partners. Working together, the Commission was able to structure promotions at Erik's DeliCafe that successfully moved more than 860 pounds per location at 27 units in the Northern California and Bay Areas. Wahoo's Fish Taco, a partner since 2020, transitioned to an early season six-week 26-unit promotion and reported an 11% increase in average pounds moved as compared to the prior year.

Peak season foodservice promotions began in earnest with California Avocado Month. Eighty-eight Nordstrom Restaurant units showcased a Farm-to-Fork thematic that resulted in a 38% increase in volume, and 400 Buckhorn Grill units in Arizona and California moved an average

654 pounds per location. Three peak-season chain partners reported impressive gains with Mixt/Split moving 960 pounds/location, Robeks moving 260 pounds/location and Super Duper Burger moving 550 pounds/location. All three chains expanded awareness of the fruit's availability by prominently placing the California Avocados brand logo on their foodservice chain website menu pages, hosting branded merchandise giveaways on their social channels, sharing a unique array of email blasts and in-app messages, and mentioning, tagging and promoting California avocados on their Instagram and Facebook platforms. To round out mid- to late-season promotions, the Commission focused its efforts on foodservice partner websites as data indicates 70% of diners peruse these webpages before selecting a dining location.

Ultimately, foodservice ads secured 207,000 print impressions, 37,000 digital impressions and 3.3 million public relations impressions with messaging that focused on avocados, California style, plant-based meal options and local produce.



CAC's playful "the best avocados have CA in them" creative artistically evoked the California lifestyle.

INDUSTRY AFFAIRS

California avocado growers have long served as good stewards of the land and community, complying with more than 100 laws and regulations related to worker health, safety, wages and environmental protection. But those efforts have not been widely known and often misperceptions exist. This year, CAC made a concerted effort to ensure growers receive credit for their good stewardship by sharing the industry's sustainability story, grower family histories and grower legacies that are intimately tied to respecting and preserving the land they farm. Beyond heightened sustainability messaging in its marketing materials, the Commission built industry awareness around the benefits of California avocado groves as productive green spaces that help to sequester carbon while buttressing local economies with jobs. Further, the industry learned more about California avocado growers' dedication to Good Agricultural Practices, worker welfare and contributions to the state's future sustainability. CAC also worked with a third-party program to identify Beneficial Management Practices within our industry and develop a certification process demonstrating environmentally friendly farming,

Chef Jason Hernandez speaking with a Del Taco representative during the Monday evening reception at the Flavor Experience Conference.

worker wellbeing, contributions to building healthy communities and maintaining economic viability.

To showcase both the opportunities presented by the California avocado industry and the challenges faced by its growers, CAC leveraged regulatory tours to demonstrate grower stewardship, discuss integrated pest management and elaborate on the costs associated with production, regulatory compliance and increasing global competition. In May, the Commission partnered with the Citrus Quality Council for Ventura County and invited members of the Environmental Protection Agency, the U.S. Department of Agriculture Animal and Plant Health Inspection Service, the Foreign Agriculture Service and the California Department of Agriculture to tour groves. CAC also partnered with the Crop Protection Action Coalition for Trade and brought members of the above-noted agencies, as well as state and national commodity representatives to Escondido region groves.

Always on the lookout for opportunities to strengthen the California avocado industry, CAC boosted its efforts around GEM avocados in response to the fruit's volume doubling from 2.5 million pounds in 2021 to 5.1 million in 2023. Keeping in mind that CAC promotes California avocados, not Hass avocados, the Commission examined how to market GEM fruit without negatively impacting Hass (which still represents 94.3% of the California market) and to do so effectively considering its low volume and limited availability. To assist growers interested in exploring the variety's potential, CAC hosted an industry-wide GEM webinar and Dr. Mary Lu Arpaia led a UC Riverside GEM field day at Lindcove Research and Extension Center. To address cultural management topics of greatest concern to growers, CAC hosted additional field days concerning

NomLife's unique California Avocado Ice Cream on the Half Shell offers a refreshing summer dessert.

freeze/frost protection and how to prevent alternate bearing patterns.

Water availability and pricing remains a perennial concern for our industry, and therefore a top advocacy priority for the Commission. When District 1 and 2 growers asked for assistance, within a week CAC completed a comprehensive analysis that determined detachment would provide significant benefits to Rainbow and Fallbrook growers and have a negligible impact on CWA growers. CAC developed comments and a letter in support of detachment that were delivered at the San Diego Local Agency Formation Commission board hearings where CAC Vice President of Industry Affairs Ken Melban also testified. The Commission also supported Rainbow Municipal Water District and Fallbrook Public Utility District's reorganization and annexation to the Eastern Municipal Water District. Throughout the three-year process, the Commission collected data to support this effort and help stabilize customer costs for a region that represents 20% of California avocado growers and 10% of the crop volume.

When the marked increase of fruit flies in California raised concerns and threatened to burden California avocado growers with significant costs and unnecessary regulations, the Commission took swift action. In September, the USDA APHIS and CDFA established an Oriental Fruit Fly quarantine in San Bernardino and Riverside Counties that included California avocado growing regions and listed Hass as a host. CAC immediately pointed out the inconsistency with USDA's Mediterranean Fruit Fly and Mexican Fruit Fly hosts lists and Hass was removed from the list in October providing significant savings for growers in these regions. When the same issue arose with the Queensland Fruit Fly Quarantine in November, CAC again acted and Hass was removed from the quarantine list impacting growers in Los Angeles and Ventura Counties.

PRODUCTION RESEARCH

Working within a more confined budget, production research refocused its efforts on one- to three-year projects that could result in a production advantage that would have a direct impact on growers.

The avocado rootstock development project, which had identified five rootstocks with the most promise for phytophthora root rot and salinity tolerance, advanced those options to commercial scale trials in groves from San Diego County to San Luis Obispo. As of this year, two of the rootstocks — PF35 and 40 — are in the process of being patented with others to be released later.

Since 2017, CAC has monitored the presence and threat of the avocado lace bug in partnership with Dr. Mark Hoddle. With

Grower stories were incorporated into consumer marketing, including those highlighting California avocado grower families transitioning operations to the next generation.

The Commission hosted regulatory tours to elaborate on the challenges growers face and to demonstrate growers' stewardship of the land.

data indicating expanded movement of the aggressive pest, this year the project conducted quarterly surveys monitoring its population, identified potential predators, worked to identify the pest's origins and studied the effect of temperature on the bug. Dr. Hoddle also assisted with researching early detection tools and testing aggregate pheromones related to the avocado seed weevil.

In an effort to expand herbicidal ingredients useful to California avocado growers, herbicide efficacy trials in Ventura and Riverside Counties continued under the guidance of Dr. Peggy Mauk with the testing of products registered for California citrus use. As a result, CAC requested registration for sclethodim and rimsulfuron and completed IR-4program residue trials. CAC also is working to determine why glufonsinate, already in the IR-4 program, was not included in recent registrations. On the herbicide front, CAC did successfully renew registration for ProGibb LV Plus Plant Growth Regulator Solution.

Other projects included a study by Dr. Haizhou Liu concerning chloride mitigation in saline irrigation water and potential chloride removal technologies. Dr. Ali Montazar conducted research to determine an avocado crop coefficient optimized for irrigation that considers variable geography, seasons and irrigation water quality. Dr. Montazar also monitored a dozen mature avocado sites in various climates, row orientations, tree spacings, slopes, soil types, elevations and irrigated by different water sources to catalogue the variability of water needs based on location, season and grove location.

Ultimately, by tightening its fiscal belt, carefully timing promotions to coincide with optimal fruit availability and pricing, transitioning to a streamlined administrative structure and leaning into sustainability messaging that shines a brighter light on a key differentiator of California avocados and the tireless efforts of its growers, the California avocado industry ended the season on a stable note with a robust 2023-24 crop sizing on the trees.

Board of Directors

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Member/Michael Perricone
Alternate/Robert Jackson

District 2

Member/John Cornell
Member/Ohannes Karaoghlanian
Alternate/Charley Wolk

District 3

Member/Maureen Cottingham
Member/Robert Grether-**Chair**
Alternate/Jamie Shafer

District 4

Member/Rachael Laenen-**Vice Chair**
Member/Jason Cole-**Treasurer**
Alternate/Hayden McIntyre

District 5

Member/Will Carleton
Member/Daryn Miller
Alternate/James Johnson

Handlers

Member/Vacant Seat
Member/Peter Shore
Alternate/Connor Huser

Public Member

Member/Quinn Cotter
Alternate/Maddie Cook

To contact a CAC representative, please visit: CaliforniaAvocadoGrowers.com/Commission/your-representatives

Report of Independent Auditors and Financial Statements with Supplementary Information

California Avocado Commission

October 31, 2023 and 2022

MOSSADAMS

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MOSSADAMS

Report of Independent Auditors

The Board of Directors
California Avocado Commission

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the California Avocado Commission as of and for the years ended October 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the California Avocado Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the California Avocado Commission as of October 31, 2023 and 2022, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the California Avocado Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the California Avocado Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance, and, therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the basic financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 California Avocado Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the California Avocado Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

U.S. GAAP require that the management's discussion and analysis on pages 5 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the California Avocado Commission's basic financial statements. The budgetary comparison schedule, combining statement of revenues, expenses, and changes in net position, and the schedule of restricted marketing program expenses ("Supplementary Schedules") are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2024, on our consideration of California Avocado Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of California Avocado Commission's 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 California Avocado Commission's internal control over financial reporting and compliance.

Moss Adams LLP

Irvine, California
February 22, 2024

Management's Discussion and Analysis (Unaudited)

Introduction

Management's Discussion and Analysis (MD&A) provides an overview and analysis of the financial activities of the California Avocado Commission ("Commission") for the years ended October 31, 2023 and 2022. It has been prepared by management and is required supplementary information to the financial statements. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Financial Highlights

- The Commission's 2023 assets exceeded its liabilities as of October 31, 2023, by $7,435,404 (total net position). This amount decreased $4,178,145, or 36% from the prior year amount of $11,613,549.

- Net position restricted for marketing at the end of fiscal year 2023 decreased $1,183,496 to $2,951,115, or 29% from the prior year amount of $4,134,611.This amount made up 40% of total net position.

- Unrestricted net position at the end of fiscal year 2023 decreased $2,969,227 to $4,484,289, or 40% from the prior year amount of $7,453,516. This amount made up 60% of total net position.

- The Commission's 2022 assets exceeded its restated liabilities as of October 31, 2022, by $11,613,549 (total net position). This amount decreased $1,027,030, or 12% from the prior year amount of $10,406,519.

- Of the total net position at the end of fiscal year 2022, net investment in capital assets decreased $54,204 to $25,422, or 68% from the prior year amount of $79,626.

- Net position restricted for marketing at the end of fiscal year 2022 decreased $128,407 to $4,134,611, or 3% from the prior year amount of $4,263,018.

- Unrestricted net position at the end of fiscal year 2022 increased $1,389,641 to $7,453,516, or 23% from the prior year amount of $6,063,875. This amount made up 64% of total net position.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Commission's financial report. The Commission's financial report includes three financial statements: Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. The Commission's financial statements also include notes to the financial statements. Financial statements are designed to present a broad overview of the financial data for the Commission, in a manner similar to a private-sector business.

The *Statements of Net Position* present information on all assets and liabilities of the Commission, using the accrual basis of accounting, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the current financial condition of the Commission.

The *Statements of Revenues, Expenses, and Changes in Net Position* present information showing how the Commission's net position varied during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *Statements of Cash Flows* present changes in cash and cash equivalents resulting from operating, noncapital financing, capital financing, and investing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements.

Other Information

In addition to the MD&A, the financial statements also present the following supplementary information: Budgetary Comparison Schedule; Combining Statement of Revenues, Expenses, and Changes in Net Position (broken down by Restricted and Unrestricted); and Schedule of Program Expenses (Restricted). Also included in the financial statements is the Independent Auditor's Report in accordance with *Government Auditing Standards*.

Contacting the Commission's Financial Management

This financial report is designed to provide a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to California Avocado Commission, 12 Mauchly, Suite L, Irvine, California 92618; phone number: 949-341-1955.

Financial Analysis

Comparative data for the prior year ended October 31, 2022, has been presented in the accompanying financial statements (including MD&A) to facilitate financial analysis for the current year ended October 31, 2023. A comparative analysis of fiscal year 2022 with fiscal year 2021 is also presented in the MD&A.

Statements of Net Position

	2023	2022	As restated* 2021
Current assets	$ 9,104,558	$ 13,457,580	$ 12,469,197
Capital assets, net	288,634	461,285	652,590
Total assets	9,393,192	13,918,865	13,121,787
Current liabilities	1,799,393	1,955,954	2,169,303
Noncurrent liabilities	158,395	349,362	545,965
Total liabilities	1,957,788	2,305,316	2,715,268
Net position			
Net investment in capital assets	-	25,422	79,626
Restricted for marketing	2,951,115	4,134,611	4,263,018
Unrestricted	4,484,289	7,453,516	6,063,875
Total net position	$ 7,435,404	$ 11,613,549	$ 10,406,519

**The fiscal year 2021 financial statements have been restated for the adoption of Governmental Accounting Standards Board (GASB) 87, Leases, effective November 1, 2020.*

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The largest portion of the Commission's assets are current assets consisting primarily of cash and cash equivalents, restricted cash, receivables, and fiduciary cash amounts held for the Avocado Inspection Program (the "AIP").

Current assets at the end of fiscal year 2023 totaled $9,104,558 and represented 97% of total assets. Current assets decreased $4,353,022 from the prior year amount of $13,457,580. This decrease is due to lower total cash and cash equivalents at year end due to a reduction in the assessment rate of a quarter percent, coupled with lower production volume and value, leading to a decrease in assessment revenue. Total current assets cover current liabilities 5.1 times, indicating good liquidity.

Current assets at the end of fiscal year 2022 totaled $13,457,580 and represented 97% of total assets. 2022 current assets increased $988,383 from the 2021 year amount of $12,469,197. This increase was primarily due to an increase in cash and cash equivalents at year end due to operating revenues exceeding operating expenses. Total current assets covered current liabilities 6.9 times, also indicating good liquidity.

The Commission's liabilities primarily consist of current liabilities including accounts payable, accrued liabilities, deposits due, fiduciary liability amounts held for AIP, and current amounts due for lease liabilities and compensated absences. Liabilities at the end of fiscal year 2023 totaled $1,957,788, decreasing from a balance of $2,305,316 in 2022. This decrease was due to lower non-marketing obligations owed to vendors, a decrease in compensated absences, a reduced fiduciary balance held for AIP, and payments made against long-term leases. Liabilities at the end of fiscal year 2022 totaled $2,305,316, decreasing from a restated balance of $2,715,268 in 2021.

Net position consists of three categories: net investment in capital assets, restricted for marketing, and unrestricted. Net investment in capital assets represents the Commission's capital assets and right-of-use (ROU) assets net of accumulated depreciation and amortization and outstanding principal balances of debt attributable to the acquisition, construction, lease commitment, or improvement of those assets.

At the end of fiscal year 2023, the Commission had no net investment in capital assets decreasing from the prior year amount of $25,422. This decrease is due to the depreciation and amortization of capital assets and ROU assets.

At the end of fiscal year 2022, net investment in capital assets totaled $25,422, decreasing $54,204 from the prior year amount of $79,626. This decrease is due to the depreciation and amortization of capital assets and ROU assets. Net investment in capital assets represented 0.2% of total net position at October 31, 2022.

Restricted net position for marketing activities is subject to imposed restrictions by federal statutes governing their use. Restricted net position totaled $2,951,115 at the end of 2023, decreasing $1,183,496 from the prior year amount of $4,134,611, and decreasing $128,407 between 2021 and 2022. Restricted net position represented approximately 42% and 41% of total net position or the years ended October 31, 2023 and 2022, respectively.

Unrestricted net position available for future activities at the end of fiscal year 2023 totaled $4,484,289, decreasing $2,969,227 from the prior year amount of $7,453,516. Unrestricted net position available for future activities at the end of fiscal year 2022 totaled $7,453,516, increasing $1,389,641 from the prior year amount of $6,063,875.

Statements of Revenues, Expenses, and Changes in Net Position

	2023	2022	As restated* 2021
Operating revenues	$ 8,072,696	$ 13,862,474	$ 10,928,909
Operating expenses	12,724,552	13,390,230	15,380,265
Operating income (loss)	(4,651,856)	472,244	(4,451,356)
Nonoperating revenues	473,711	734,786	521,336
Change in net position	(4,178,145)	1,207,030	(3,930,020)
Net position, beginning of year, as originally presented	11,613,549	10,406,519	14,342,442
Cumulative effect of change in accounting principle	-	-	(5,903)
Net position, beginning of year	11,613,549	10,406,519	14,336,539
Net position, end of year	$ 7,435,404	$ 11,613,549	$ 10,406,519

**The fiscal year 2021 financial statements have been restated for the adoption of GASB 87, Leases, effective November 1, 2020.*

Operating revenues totaled $8,072,696 in 2023, decreasing $5,789,778 or 42% from $13,862,474 earned in 2022. This decrease is due to a decrease in assessment revenue received due to a reduction in the assessment rate of a quarter percent, coupled with lower production volume and value; 228 million pounds were reported in 2023 as compared to 276 million pounds in 2022. The majority of operating revenue consisted of assessment revenue, totaling $8,001,336 (or 99.1% of total operating revenues). The remaining portion (0.9%) was from administrative and accounting fees generated from the AIP of $60,996 and online merchandise sales of $10,364.

Operating revenues totaled $13,862,474 in 2022, increasing $2,933,565 or 27% from $10,928,909 earned in 2021. This increase is due to an increase in assessment revenue received due to a larger total crop volume; 276 million pounds were reported in 2022 as compared to 270 million pounds in 2021. The majority of operating revenue consisted of assessment revenue, totaling $13,786,415 (or 99.5% of total operating revenues). The remaining portion (0.5%) of was from administrative and accounting fees generated from AIP of $60,996 and online merchandise sales of $15,063.

Operating expenses totaled $12,724,552 in 2023, decreasing $665,678 or 5% from $13,390,230 in 2022. This decrease was due to a reduction in marketing expenditures in response to anticipated crop volume. Operating expenses totaled $13,390,230 in 2022, decreasing $1,990,035 or 13% from $15,380,265 in 2021. This increase is primarily due to decreased activities in marketing programs in 2022.

At the end of the fiscal year 2023, the Commission reported an ending net position of $7,435,404, a decrease of $4,178,145 from the prior year amount of $11,613,549. This is a result of lower total production value.

At the end of the fiscal year 2022, the Commission reported an ending restated net position of $11,613,549, an increase of $1,207,030 from the prior year amount of $10,406,519. This was due to an increase in assessment revenue received from a larger total crop volume as well as operating revenue exceeding operating expenses with the intent of increasing the Commission's year-end cash balance.

Capital Assets

The Commission had no net investment in capital assets of as of October 31, 2023, decreasing from the prior year amount of $25,422, and from $79,626 between 2021 and 2022 (net of accumulated depreciation and amortization). These decreases represent the depreciation and amortization of capital assets and ROU assets during the respective fiscal year. All capital assets were fully depreciated as of October 31, 2023 and because lease liabilities exceeded ROU assets the difference is reflected in unrestricted net position.

Long-Term Liabilities

At the end of fiscal year 2023, the Commission's long-term liability which consisted of compensated absences and lease liabilities amounted to $158,395, a decrease of $190,967 from the prior year balance of $349,362. This decrease is due to the retirement and turnover of employees as well payments made toward existing leases.

Financial Statements

California Avocado Commission
Statements of Net Position
October 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,797,137	$ 7,809,861
Assessments receivable	37,938	14,894
Other receivables	270,924	333,653
Prepaid expenses and deposits	38,835	51,464
Fiduciary cash and cash equivalents, amounts held for AIP	767,673	948,364
Inventory	-	64,056
Restricted		
Cash and cash equivalents	2,341,414	4,089,590
Assessments receivable	850,637	145,698
Total current assets	9,104,558	13,457,580
NONCURRENT ASSETS		
Capital assets being amortized, net	288,634	422,227
Capital assets being depreciated, net	-	39,058
Total assets	$ 9,393,192	$ 13,918,865
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 538,837	$ 635,382
Accounts payable and accrued liabilities, payable from restricted assets	240,936	100,677
Fiduciary liabilities, amounts held for AIP	767,673	948,364
Deposits	-	18,000
Lease liabilities, due within one year	144,153	151,164
Compensated absences, due within one year	117,244	102,367
Total current liabilities	1,808,843	1,955,954
NONCURRENT LIABILITIES		
Lease liabilities, due in more than one year	158,395	284,699
Compensated absences, due in more than one year	-	64,663
Total noncurrent liabilities	158,395	349,362
Total liabilities	1,967,238	2,305,316
NET POSITION		
Net investment in capital assets	-	25,422
Restricted for marketing	2,951,115	4,134,611
Unrestricted	4,474,839	7,453,516
Net position	$ 7,425,954	$ 11,613,549

See accompanying notes.

California Avocado Commission
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended October 31, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Assessment revenue	$ 3,494,156	$ 8,399,945
HAB rebate assessment revenue (restricted)	4,507,180	5,386,470
Administrative and accounting fees	60,996	60,996
Other operating revenues	10,364	15,063
Total operating revenues	8,072,696	13,862,474
OPERATING EXPENSES		
Marketing	8,106,456	8,905,379
Nonmarketing programs	1,299,998	1,349,570
Administration	3,318,098	3,135,281
Total operating expenses	12,724,552	13,390,230
Operating (loss) income	(4,651,856)	472,244
NONOPERATING REVENUES		
Interest income	14,081	16,492
Interest expense	(2,152)	(1,889)
Grant income	261,056	426,417
Other income	200,726	293,766
Total nonoperating revenues	473,711	734,786
Change in net position	(4,178,145)	1,207,030
NET POSITION, beginning of year	11,613,549	10,406,519
NET POSITION, end of year	$ 7,435,404	$ 11,613,549

See accompanying notes.

California Avocado Commission
Statements of Cash Flows
Years Ended October 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 8,049,652	$ 13,956,381
Cash payments to suppliers for goods and services	(10,304,056)	(10,936,923)
Cash payments to employees for services	(3,033,391)	(2,191,377)
Net cash (used in) provided by operating activities	(5,287,795)	828,081
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from grants	340,977	451,123
Other income	165,534	330,398
Net cash provided by non-capital financing activities	506,511	781,521
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on leases	(172,236)	(154,081)
Interest paid on leases	(2,152)	(1,889)
Net cash used in capital and related financing activities	(174,388)	(155,970)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on demand deposits and LAIF	14,081	16,492
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,941,591)	1,470,124
CASH AND CASH EQUIVALENTS, beginning of year	12,847,815	11,377,691
CASH AND CASH EQUIVALENTS, end of year	$ 7,906,224	$ 12,847,815
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating (loss) income	$ (4,651,856)	$ 472,244
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization expense	211,572	208,285
Changes in assets and liabilities		
Decrease (increase) in assessments receivable	(727,983)	280,953
Decrease (increase) in prepaid expenses and deposits	12,629	138,725
Decrease (increase) in inventory	64,056	725
(Decrease) in accounts payable and accrued liabilities	34,264	(132,582)
(Decrease) increase in accounts payable and fiduciary liabilities	(180,691)	(72,606)
(Decrease) increase in compensated absences	(49,786)	(67,663)
Net cash (used in) provided by operating activities	$ (5,287,795)	$ 828,081

See accompanying notes.

Note 1 – Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed by the California Avocado Commission (the "Commission"):

Activities of the Commission – The Commission is authorized under California law to engage in programs of advertising, promotion, marketing research, and production research related to the sale of California grown avocados. The Commission is authorized to levy an assessment against producers of avocados for the purposes of carrying out its programs. The assessment for the years ended October 31, 2023 and 2022, was 1.50% and 1.75%, respectively of the gross revenues received by producers, respectively. The Commission also receives 85% of the assessments collected by the Federal Hass Avocado Board (HAB) on Hass avocados produced and sold in California, which is restricted for use on marketing activities. HAB is authorized under the United States Department of Agriculture (USDA) to manage research and marketing throughout the United States.

The Commission's Board of Directors is composed of no fewer than eight and no more than 10 producer members who do not handle avocados through the same legal entity under which they were elected as a producer member of the Commission, two handler members, and one public member.

Measurement focus, basis of accounting, and financial statement presentation – The Commission operates as an enterprise activity. An enterprise fund accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Board of Directors is that the costs (expenses, including depreciation) of providing services to the industry on a continuing basis be financed or recovered primarily through assessment revenues.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Commission are assessment revenues and administrative and accounting fees. Operating expenses for enterprise funds include the cost of marketing programs, production research, industry affairs and administrative expenses, including depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Enterprise funds are accounted for on the flow of economic resources measurement focus, and use the accrual basis of accounting, whereby revenues are recognized when earned, and expenses are recognized when incurred, regardless of the timing of related cash flows.

When both restricted and unrestricted resources are available for use for marketing, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net position

Cash equivalents – For purposes of the statements of cash flows, the Commission considers cash and funds invested in the Local Agency Investment Fund (LAIF) of the state of California (the "State") for both restricted and unrestricted funds to be cash equivalents. Additionally, investments with original maturities of three months or less at the time of purchase are considered cash equivalents.

Receivables – No allowance for uncollectible accounts has been recorded for the years ended October 31, 2023 and 2022. Management has evaluated the accounts and believes they are all collectible. Management evaluates all accounts receivable, and if it is determined that they are uncollectible, they are written off directly as a bad debt expense.

Capital assets – Capital assets consist of furniture, office equipment, leasehold improvements, software, and land improvements. The Commission capitalizes assets with values of $10,000 or more and useful lives of greater than one year. Capital assets are valued at cost, or estimated historical cost, if actual historical cost is not available. Maintenance and repairs are charged to operations in the period incurred. Contributed assets are recorded at acquisition value on the date donated. Capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Capital assets are depreciated on the straight-line basis, using the following asset lives:

Asset Category	Years
Furniture	5
Office equipment	3
Leasehold improvements	5 (or term of lease, whichever is less)
Software	3
Land improvements	Remaining term of the property lease

Leases – The Commission, as a lessee, recognizes a lease liability and an intangible ROU asset at the commencement of a lease, unless the lease is considered a short-term lease or transfer of ownership of the underlying assets. ROU lease assets are measured based on the net present value of the payment, using the Commission's weighted-average cost of capital, which approximates the Commission's incremental borrowing rate. Remeasurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact to the lease liability.

The Commission calculates the amortization of the discount on the lease liability and reports that amount as outflow of resources in that period. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations and are recognized as outflows of resources in the periods on which the obligations for the payments are incurred.

Compensated absences – Commission employees receive from 10 to 20 days of vacation each year, depending upon length of service. An employee may accumulate earned vacation time to a maximum of 40 days. Once an employee accrues 40 days of unused vacation time, the Commission compensates the employee 10 days of accrued and unused vacation time at the employee's current rate of pay. Upon termination, employees are paid for all accrued but unused vacation at their current rate of pay.

Compensated absences include accrued vacation that is available to employees in future years, either as time off or in cash (upon leaving the employment of the Commission). All compensated absences are accrued when incurred.

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 certain reported amounts and disclosures. Actual results may differ from such estimates.

Fiduciary and restricted assets – Fiduciary assets are held for the AIP and are off-set by fiduciary liabilities. Restricted assets are restricted for marketing-related activities and are subject to restrictions imposed by federal statute governing their use.

Net position – Net position represents the difference between assets less liabilities. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of lease liabilities, bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if any. Net investment in capital assets excludes debt attributable to the unspent related debt proceeds amount. There was no outstanding debt related to capital assets at October 31, 2023 and 2022.

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At October 31, 2023 and 2022, the Commission had restricted net position in the amounts of $2,951,115 and $4,134,611, respectively, for marketing-related activities.

The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

Note 2 – Detailed Notes on Assets and Liabilities

Cash and cash equivalents – Cash and cash equivalents consisted of the following at October 31:

	2023	2022
Petty cash	$ 240	$ 240
Demand deposits	7,895,414	12,837,307
LAIF	10,570	10,268
Total cash and cash equivalents	$ 7,906,224	$ 12,847,815

LAIF – The Commission is a voluntary participant in the Local Agency Investment Fund (LAIF) which is regulated by California Government Code (CGC) Section 16429 under the oversight of the Treasurer of the State. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The Commission considers its investments in the LAIF pool to be a demand deposit account (cash and cash equivalent) where funds may be withdrawn and deposited at any time without prior notice or penalty.

Fair value measurement and application – GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Commission has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Deposits in an external government investment pool, such as LAIF, are not subject to reporting within the level hierarchy.

Investments authorized by the CGC and the Commission's investment policy – The Commission adopted CGC Section 16430 and the USDA Directive 2210.2 as its investment policy. The table below identifies the investment types that are authorized under CGC Section 16430, as well as certain provisions of CGC Section 16430 and USDA Directive 2210.2 that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
State Bonds and Notes	1 year	None	None
U.S. Treasury Obligations	1 year	None	None
U.S. Agency Securities	1 year	None	None
Bank Loans	1 year	None	None
Student Loan Notes	1 year	None	None
Obligations issued for Reconstruction and Development	1 year	None	None
Negotiable Certificates of Deposits	1 year	30%	None
Banker's Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	10%
Corporate Bonds and Notes	1 year	None	None
LAIF	N/A	None	$75 million

Disclosures relating to interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Commission's investments to market interest rate fluctuations is provided by the following table that shows the Commission's investments by maturity:

	Remaining Maturity 12 Months or Less	
	2023	2022
LAIF	$ 10,570	$ 10,268

Disclosures relating to credit risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of credit risk – The investment policy of the Commission contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the CGC 16430. The Commission had no investments in any one issuer (other than external investment pools) that represented 5% or more of total Commission investments at October 31, 2023 and 2022.

Custodial credit risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The first $250,000 of the bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). The remaining balance was collateralized at 100% of the total amount deposited by the Commission in accordance with federal regulations set by the USDA.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Capital Assets

	November 1, 2022	Additions	Deletions	October 31, 2023
Capital assets, being depreciated				
Furniture	$ 187,904	$ -	$ -	$ 187,904
Office equipment	61,002	-	-	61,002
Software	15,022	-	-	15,022
Land improvements	108,559	-	-	108,559
Total capital assets, being depreciated	372,487	-	-	372,487
Less: accumulated depreciation for				
Furniture	158,251	29,653	-	187,904
Office equipment	61,002	-	-	61,002
Software	15,022	-	-	15,022
Land improvements	99,154	9,405	-	108,559
Total accumulated depreciation	333,429	39,058	-	372,487
Capital ROU assets, being amortized				
Buildings	699,397	11,724	-	711,121
Equipment	45,843	27,197	(42,407)	30,633
Total capital ROU assets, being amortized	745,240	38,921	(42,407)	741,754
Less: accumulated amortization for				
Buildings	298,140	125,656	-	423,796
Equipment	24,873	4,451	-	29,324
Total accumulated amortization	323,013	130,107	-	453,120
Capital and ROU assets, net of depreciation and amortization	$ 461,285	$ (130,244)	$ (42,407)	$ 288,634

	November 1, 2021	Additions	Deletions	October 31, 2022
Capital assets, being depreciated				
Furniture	$ 187,904	$ -	$ -	$ 187,904
Office equipment	61,002	-	-	61,002
Software	15,022	-	-	15,022
Land improvements	108,559	-	-	108,559
Total capital assets, being depreciated	372,487	-	-	372,487
Less: accumulated depreciation for				
Furniture	125,903	32,348	-	158,251
Office equipment	61,002	-	-	61,002
Software	15,021	1	-	15,022
Land improvements	85,032	14,122	-	99,154
Total accumulated depreciation	286,958	46,471	-	333,429
Capital ROU assets, being amortized				
Buildings	699,397	-	-	699,397
Equipment	28,863	16,980	-	45,843
Total capital assets, being amortized	728,260	16,980	-	745,240
Less: accumulated amortization for				
Buildings	149,070	149,070	-	298,140
Equipment	12,129	12,744	-	24,873
Total accumulated amortization	161,199	161,814	-	323,013
Capital and ROU assets, net of depreciation and amortization	$ 652,590	$ (191,305)	$ -	$ 461,285

Depreciation expense was $39,058 and $46,471 for the years ended October 31, 2023 and 2022, respectively. Amortization expense was $172,514 and $161,814 for the years ended October 31, 2023 and 2022, respectively.

Long-Term Liabilities

	November 1, 2022	Additions	Deletions	October 31, 2023	Amount Due within One Year
Compensated absences	$ 167,030	$ 140,840	$ (190,626)	$ 117,244	$ 117,244
Lease liabilities	435,863	38,921	(172,236)	302,548	144,153
	$ 602,893	$ 179,761	$ (362,862)	$ 419,792	$ 261,397

	November 1, 2021	Additions	Deletions	October 31, 2022	Amount Due within One Year
Compensated absences	$ 234,693	$ 134,319	$ (201,982)	$ 167,030	$ 102,367
Lease liabilities	572,694	16,980	(153,811)	435,863	151,164
	$ 807,387	$ 151,299	$ (355,793)	$ 602,893	$ 253,531

Lease liabilities – The Commission recognizes a ROU asset and lease liability for all non-short-term leases (contracts of 12 months or less). At the time of commencement or conversion of a lease, the Commission includes all possible extension periods that are deemed to be reasonably certain given all available information in the term of a lease. Unless explicitly stated in the lease agreement, a discount rate is used to calculate the initial lease ROU asset and liability. Variable payments based on the future performance of the lessor or the Commission or usage of the underlying asset are not included in the measurement of lease assets or liabilities. For the fiscal years ended October 31, 2023 and 2022, all Commission leases were based on fixed payments and did not have variable payment components. For the fiscal years ended October 31, 2023 and 2022, the Commission did not have to remeasure any lease liabilities due to (1) early termination of a lease; (2) reduction in the monthly lease payment; or (3) change in the discount rate.

In November 2009, the Commission entered into a lease agreement for the current office space, within the city of Irvine, California, under a five-year lease ended November 30, 2014, which was extended to November 30, 2025. The lease agreement does not contain other renewal periods and management will evaluate extension of the lease closer to its term date. During the years ended October 31, 2023 and 2022, the Commission paid $125,895 and $122,390 respectively for use of the space. The Commission used an incremental borrowing rate of 0.38% as of November 1, 2020, as the discount rate in establishing the initial asset and liability. Subsequent to the 2022 fiscal year end, this office space experienced significant damage due to flooding from a burst pipe, repairs of which were primarily covered by the lessor and/or insurance. No impairments to the remaining asset or liability balance were assessed as a result of this coverage. Certain rent payments were abated by the landlord for the period the space was not available to carry out operations.

On July 1, 2013, the Commission entered into a lease agreement for the Pine Tree Ranch property within the city of Santa Paula, California, under a ten-year lease which ended on June 30, 2023. The original lease allowed for an option to extend for two five-year periods based on the current market rental value of the property at the time of commencement of the option. At the time of this report, management was in negotiations to execute one of the five-year extensions; however, a short-term renewal was executed in the interim until negotiations concluded. During the years ended October 31, 2023 and 2022, the Commission paid $24,912 for rent, respectively, including rent paid for a garage on the property for $100 a month.

The Commission has entered into agreements to lease various printers, scanners, and a postage machine. The average term for each lease is three years with total payments of approximately $1,500 per month. Some agreements allow for continuation of payments until the equipment is returned. None of the terms guarantee a buy-out of the asset. The Commission used the risk-free rates from the U.S. Treasury ranging from 0.16% to 0.20% as of November 1, 2020, as the discount rate in establishing the initial asset and liability. Two of the lease arrangements were entered into during the year ended October 31, 2023. For those leases the Commission used the risk-free rates ranging from 2.49% to 4.52%.

Principal and interest payments to be made under these leases for each of the next three years are as follows:

	Principal	Interest	Total
Years Ending October 31,			
2024	$ 143,894	$ 1,173	$ 145,067
2025	144,068	441	139,177
2026	14,586	4	14,590
	$ 302,548	$ 1,618	$ 298,834

Note 3 – Other Information

Avocado Inspection Program – During February 1986, the Commission contracted with the State Department of Food and Agriculture to administer the AIP for the State. Since the Commission is, in substance, an agent for the State, fiduciary cash and cash equivalents, amounts held for the AIP, are offset by fiduciary liabilities, amounts held for the AIP. As of October 31, 2023 and 2022, $767,673 and $948,364, respectively, was held by the Commission for the AIP.

On October 10, 2012, the Commission entered into a lease agreement on behalf of the AIP for office space within the city of Escondido, California, under a three-year lease ended September 30, 2015, which was extended to September 30, 2023. During the years ended October 31, 2023 and 2022, the Commission paid $20,080 and $19,265, respectively, for office rent subsequently reimbursed by the AIP, exclusive of operating expenses.

On May 1, 2013, the Commission entered into a lease agreement on behalf of the AIP for office space within the city of Santa Paula, California, under a three-year lease ended April 30, 2016, which was extended to April 30, 2024. During the years ended October 31, 2023 and 2022, the Commission paid $12,360 and $12,100, respectively, for office rent subsequently reimbursed by the AIP, exclusive of operating expenses.

As the Commission does not have any right to the use of such lease arrangements, no assets or corresponding liabilities have been recorded by the Commission.

Line of credit – On March 8, 2011, the Commission obtained a revolving line of credit from Bank of the West, in the amount of $3,000,000, with a variable interest rate at prime rate plus 0.5% and a floor of 4.0%. The line of credit matured on May 29, 2023. In February 2024, a new line of credit was entered into with BMO Bank in the amount of $3,000,000 that matures in December 2024. This new line of credit accrues interest at a variable rate set at the prime rate plus 4.0%. At October 31, 2023 and 2022, there was no outstanding balance due on the line of credit.

Risk management – *Insurance Programs of the Commission* – The Commission's coverage is as follows:

Commercial general liability – insured by Fireman's Fund Insurance – General aggregate coverage of $2,000,000 and $1,000,000 for each occurrence.

Automobile liability – insured by Fireman's Fund Insurance – Coverage is $1,000,000 per bodily injury or property damage, subject to a $300 deductible.

Crime liability – insured by Travelers Casualty and Surety – Coverage is $1,000,000, subject to a $5,000 deductible.

Umbrella liability – insured by Fireman's Fund Insurance – General aggregate coverage of $5,000,000 and $5,000,000 for each occurrence.

Travel accident liability – insured by Hartford Life Insurance Company – Coverage is $100,000 per person and $500,000 per aggregate limit.

Directors and officers liability and employment practices liability – insured by Great American Insurance Company – Coverage is $5,000,000 aggregate limit, with a $25,000 retention.

Fiduciary liability – insured by U.S. Specialty Insurance Company – Coverage is $1,000,000 each claim and in aggregate, subject to a $2,500 deductible.

Media content/network security and privacy – insured by Lloyds of London – Coverage is $1,000,000 each claim and in aggregate, with a $25,000 self-insurance retention for each loss.

Foreign liability – insured by Fireman's Fund Insurance – General aggregate coverage of $2,000,000 and $1,000,000 for each occurrence.

International business auto – insured by Fireman's Fund Insurance – Coverage is $1,000,000 hired or non-owned auto liability and $10,000 medical payment each person/accident.

International foreign voluntary workers' compensation and employer liability – insured by Fireman's Fund Insurance – Coverage is $1,000,000 per occurrence.

Workers' compensation coverage – insured by Hartford Casualty Insurance Company – Coverage is $1,000,000 per occurrence.

Cyber – insured by HSB Specialty Insurance Company – Coverage is $1,000,000 per occurrence with a $5,000 self-insurance retention.

Adequacy of protection – During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded insured coverage. There have been no significant changes in insurance coverage during fiscal year 2023.

Employee retirement plans – The Board of Directors of the Commission implemented a defined contribution plan, California Avocado Commission Profit Sharing Plan (PSP), administered by "The Retirement Plan Company," for eligible Commission employees effective November 1, 2000. The Commission's payroll for the employees eligible to participate in the PSP for the plan year ended October 31, 2023, was $1,053,430. Total payroll for the eight employees eligible to participate in the PSP for the plan year ended October 31, 2022, was $1,770,715. Total contributions for the years ended October 31, 2023 and 2022, were $105,343 and $177,081, respectively.

The Commission may make annual contributions to the PSP, with each eligible employee receiving an allocation of 10% of compensation. In addition, the PSP allows for the Commission to establish an additional amount, if any, to be contributed and allocated on behalf of certain designated employees. The PSP stipulates that the Internal Revenue Service Code, Section 415, shall govern limitations on annual PSP contributions, which were $66,000 for the plan year ended October 31, 2023, and $61,000 for the plan year ended October 31, 2022. To receive an allocation, each employee must meet a minimum service requirement of one year and must be credited with at least 1,000 hours of service.

Supplementary Information

California Avocado Commission
Budgetary Comparison Schedule
Year Ended October 31, 2023
(with comparative actual totals for the year ended October 31, 2022)

	Budget	Actual	Variance Favorable (Unfavorable)	2022 Actual
REVENUES				
Assessment revenue	$ 4,935,938	$ 3,494,156	$ (1,441,782)	$ 8,399,945
HAB rebate assessment revenue (restricted)	4,940,625	4,507,180	(433,445)	5,386,470
Administrative and accounting fees	61,000	60,996	(4)	60,996
Interest income	15,000	11,929	(3,071)	16,492
Grant revenue	400,000	261,056	(138,944)	426,417
Merchandise Shop revenue	1,000	10,364	9,364	15,063
Other income	163,750	200,726	36,976	293,766
Total revenues	10,517,313	8,546,407	(1,970,906)	14,599,149
EXPENSES				
Marketing				
Consumer marketing	4,736,549	4,637,963	98,586	5,267,555
Merchandising	2,416,646	2,138,416	278,230	1,867,264
Foodservice	725,000	659,402	65,598	615,454
Consumer/Trade Living Well	88,430	85,494	2,936	144,591
Consumer public relations	440,500	461,128	(20,628)	775,329
Merchandise Shop	10,000	13,146	(3,146)	122,423
Marketing activities support	182,875	110,907	71,968	112,763
Total marketing	8,600,000	8,106,456	493,544	8,905,379
Non-marketing programs				
Industry affairs	1,301,451	778,458	522,993	650,552
Production research	285,609	285,609	-	296,443
Grant expenses	400,000	235,931	164,069	402,575
Total non-marketing programs	1,987,060	1,299,998	687,062	1,349,570
Administration				
Administration	3,311,110	2,989,795	321,315	2,843,121
Information systems	115,990	132,834	(16,844)	85,762
Depreciation/Amortization	39,060	195,469	(156,409)	208,287
Total administration	3,466,160	3,318,098	148,062	3,137,170
Total expenses	14,053,220	12,724,552	1,328,668	13,392,119
Change in net position	(3,535,907)	(4,178,145)	(642,238)	1,207,030
NET POSITION, beginning of year	10,922,229	11,613,549	691,320	10,406,519
NET POSITION, ending of year	$ 7,386,322	$ 7,435,404	$ 49,082	$ 11,613,549

California Avocado Commission
Note to Supplementary Information
October 31, 2023 and 2022

Note 1 – Budgetary Information

Budgets and budgetary accounting – Each year, the California Avocado Commission (the "Commission") adopts a budget that provides for its general operations. Budgets are prepared on the accrual basis of accounting. Department heads are responsible for preparing and presenting their departmental budgets. Each department head is required to meet with the President and Vice President of Industry Affairs and Operations of the Commission to review each line item. The overall combined budget is prepared by the President and Vice President of Industry Affairs and Operations of the Commission and presented to the Board of Directors. Line item transfers do not need Board of Directors approval. Any increases in a department's budget must be approved by the Board of Directors.

California Avocado Commission
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended October 31, 2023

	Restricted	Unrestricted	Total
OPERATING REVENUES			
Assessment revenue	$ -	$ 3,494,156	$ 3,494,156
HAB rebate assessment revenue (restricted)	4,507,180	-	4,507,180
Administrative and marketing fees	-	60,996	60,996
Other operating revenues	-	10,364	10,364
Total operating revenues	4,507,180	3,565,516	8,072,696
OPERATING EXPENSES			
Marketing	5,694,847	2,411,609	8,106,456
Nonmarketing programs	-	1,299,998	1,299,998
Administration	-	3,318,098	3,318,098
Total operating expenses	5,694,847	7,029,705	12,724,552
Operating loss	(1,187,667)	(3,464,189)	(4,651,856)
NONOPERATING REVENUES			
Interest income	4,168	9,913	14,081
Interest expense	-	(2,152)	(2,152)
Grant income	-	261,056	261,056
Other income	-	200,726	200,726
Total nonoperating revenues	4,168	469,543	473,711
Change in net position	(1,183,499)	(2,994,646)	(4,178,145)
NET POSITION, beginning of year, as restated	4,134,611	7,478,938	11,613,549
NET POSITION, ending of year	$ 2,951,112	$ 4,484,292	$ 7,435,404

California Avocado Commission
Schedule of Restricted Marketing Program Expenses
Year Ended October 31, 2023

	Restricted	Budget
Marketing programs		
Media – 85% Rebate-Mullen	$ 2,115,000	$ 2,115,000
Program Administration Fees – 85% Rebate-Mullen	1,361,799	1,361,799
Online Marketing	199,287	200,000
Subtotal consumer advertising	3,676,086	3,676,799
Artisan Chef Program-85% Rebate-Golin	102,601	95,000
News Bureau – 85% Rebate-Golin	46,997	60,000
Program Administration Fees – 85% Rebate-Golin	118,881	100,000
Program Administration Expenses-85% Rebate-Golin	1,426	500
Media Tracking & Reporting-85% Rebate-Golin	39,386	70,000
Subtotal consumer public relations	309,291	325,500
Marketing/Planning Meetings-85% Rebate	532	1,000
Marketing Planning/Special Projects-85% Reb-ROMO	22,875	22,875
Buy California Marketing Agreement-85% Rebate	25,000	25,000
Subtotal marketing activities	48,407	48,875
Marketing Support-85% Reb-ROMO	40,295	39,500
Trade Advertising-Media – 85% Rebate-Fusion	220,822	222,000
Trade Advertising-Production – 85% Rebate-Fusion	27,381	28,000
Trade PR Expenses-85% Rebate	765	5,000
Recipe Development-85% Rebate	6,252	2,500
Recipe Development-85% Rebate-ROMO	3,174	3,000
Dues-85% Rebate	15,005	12,780
Sponsorship-NorCal-85% Rebate	5,220	2,450
Sponsorship-SoCal-85% Rebate	4,059	3,300
Conventions – 85% Rebate	125,637	155,785
Booth Storage – 85% Rebate	1,215	1,215
Key Account Coverage-MW/SE-Anderson – 85% Rebate	94,800	94,800
Key Account Coverage-West-Becker – 85% Rebate	150,000	150,000
Grower Photography/Videography-85% Rebate	46,745	26,500
Planning & Program Administration-85% Rebate-FUSIO	53,017	53,500
Retail Merchandising Services (POS Placement)-85%R	-	25,000
Premiums-85% Rebate	-	3,500
POS Materials – 85% Rebate	25,572	3,500
Storage/Fulfillment-85% Rebate	44,332	40,000
Travel-Marketing Management-85% Rebate	14,905	7,500
Travel-Marketing Staff-85% Rebate	17,637	20,000
Marketing Office Expense-85% Rebate	25,344	35,000
Subtotal trade - retail	$ 922,177	$ 934,830

(continued)

California Avocado Commission
Schedule of Restricted Marketing Program Expenses (continued)
Year Ended October 31, 2023

	Restricted	Budget
Living Well Brand Advocates-85% Rebate	$ 31,279	$ 34,215
Living Well Brand Advocates-85% Rebate-PJ/PR	44,215	44,215
Living Well Pgm Adm Fees-85% Rebate-PJ/PR	10,000	10,000
Subtotal consumer/trade living well sub total	85,494	88,430
Media – 85% Rebate-KC	68,420	73,800
Production – 85% Rebate-KC	18,000	25,000
Public Relations – 85% Rebate-KC	78,568	59,500
Program Administration Fees – 85% Rebate-KC	40,850	53,000
Program Administration Expenses – 85% Rebate-KC	274	1,000
Foodservice Events – 85% Rebate-KC	291,807	296,500
Chain Promotions – 85% Rebate-KC	155,473	210,200
Subtotal foodservice	653,392	719,000
Total marketing	5,694,847	5,793,434
Total program expenses	$ 5,694,847	$ 5,793,434

See accompanying notes.

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Report of Independent Auditors 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*

The Board of Directors
California Avocado Commission

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 financial statements of the California Avocado Commission as of and for the year ended October 31, 2023, and the related notes to the financial statements, which collectively comprise the California Avocado Commission's basic financial statements, and have issued our report thereon dated February 22, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the California Avocado Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the California Avocado Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the California Avocado Commission'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.

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the California Avocado Commission's 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 financial statements. 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*.

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.

Moss Adams LLP

Irvine, California
February 22, 2024

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INDUSTRY STATISTICAL DATA

10 YEAR INDUSTRY STATISTICAL DATA FROM 2013/14 THROUGH 2022/23

YEAR	PRODUCING ACRES	VOLUME	CROP VALUE	PRICE PER POUND (¢)	DOLLARS PER PRODUCING ACRE	POUNDS PER PRODUCING ACRE
13/14	57,219	297.5	$333,216,563	112	$5,823	5,199
14/15	51,478	279.0	$303,160,400	108.6	$5,889	5,420
15/16	51,902	401.4	$412,332,493	102.7	$7,944	7,733
16/17	51,249	215.9	$345,875,896	160.2	$6,749	4,213
17/18	49,986	337.8	$383,136,193	113.4	$7,665	6,758
18/19	47,158	216.6	$372,285,783	171.8	$7,894	4,594
19/20	46,078	375.5	$411,490,578	109.6	$8,930	8,149
20/21	47,334	269.7	$327,605,005	121.5	$6,921	5,698
21/22	47,505	276.1	$486,549,026	176.2	$10,242	5,813
22/23	47,505	233.1	$237,007,667	101.7	$4,989	4,907

Footnotes:
Producing acres based on CAC's acreage inventory, attrition factors and other sources
industry statistical data from 1971/72 through 2022/23 are available on CalifomiaAvocadoGrowers com/industry/industry-statistical-data

CALIFORNIA AVOCADO POUNDS & DOLLARS BY VARIETY
NOVEMBER 2022 THROUGH OCTOBER 2023

Month	Hass Pounds	Lamb Pounds	GEM Pounds	Others Pounds	Total Pounds	Hass Dollars	Lamb Dollars	GEM Dollars	Others Dollars	Total Dollars	Avg $/Lb
1st QTR	145,000	344	-	208,574	353,918	$ 140,181	$ 1,443	-	$ 78,316	$ 219,940	$0.621
2nd QTR	38,594,178	-	1,653,843	122,964	40,370,985	$ 37,011,038	-	$1,345,254	$ 90,231	$ 38,446,523	$0.952
3rd QTR	150,858,693	5,996,164	3,521,222	274,429	160,650,508	$147,707,147	$6,459,542	$2,816,179	$269,597	$157,252,465	$0.979
4th QTR	30,131,469	1,410,981	17,012	187,754	31,747,216	$ 38,903,124	$1,880,684	$ 26,314	$278,617	$ 41,088,739	$1.294
Total	219,729,340	7,407,489	5,192,077	793,721	233,122,627	$223,761,490	$8,341,669	$4,187,747	$716,761	$237,007,667	$1.017
Year-to-Date % of Crop	94.25%	3.18%	2.23%	.34%	100.00%	94.41%	3.52%	1.77%	.30%	100.00%	
Year-to-Date Average $/lb						$ 1.018	$ 1.126	$ 0.807	$ 0.903	$ 1.017	

TOTAL US VOLUME AND CALIFORNIA PRICE PER POUND FROM 2013/14 THROUGH 2022/23

YEAR	CA VOLUME (MM LBS.)	TOTAL US VOLUME (BILLION LBS.)	CA AVERAGE PRICE PER POUND
13/14	297.5	1.941	$1.120
14/15	279.0	2.184	$1.086
15/16	401.4	2.348	$1.027
16/17	215.9	2.174	$1.602
17/18	337.8	2.483	$1.134
18/19	216.6	2.632	$1.718
19/20	375.5	2.849	$1.096
20/21	269.7	2.959	$1.215
21/22	276.1	2.641	$1.762
22/23	233.1	2.926	$1.017

Footnotes:
Total US Volume represents the estimated volume of fresh avocados sold in the US from the November through October time period

2023 ANNUAL REPORT

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