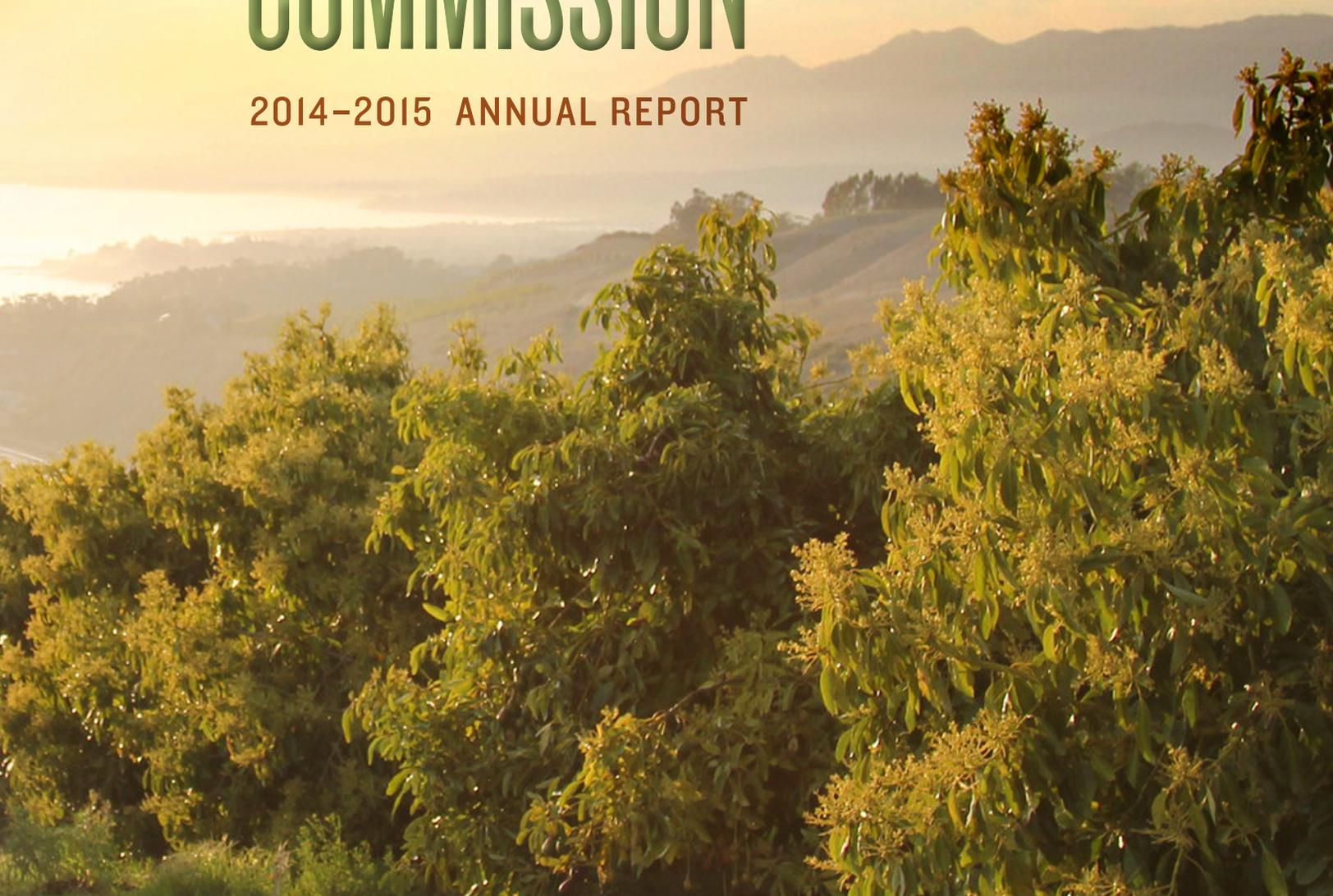




# CALIFORNIA AVOCADO COMMISSION

2014-2015 ANNUAL REPORT



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## VISION

.....  
To be  
recognized  
as the  
most-desired  
avocado  
in the world  
by fostering  
a vibrant  
industry.

## MISSION

.....  
To maximize  
grower returns  
by enhancing  
premium  
brand  
positioning  
for California  
Avocados  
and improving  
grower  
sustainability.

## Chairman’s Message



**Doug O’Hara**  
Commissioner –  
District 3,  
CAC Chair

As Chairman of the California Avocado Commission (CAC), it is my distinct pleasure to introduce to you the 2014-2015 Annual Report.

This report provides a snapshot of a year that was both challenging and invigorating. When I look back at our 2014-2015 season, it’s not the drought or new reports of polyphagous shot hole borer (PSHB) and Kuroshio shot hole borer (KSHB) in our territories that stick with me — it is the impressive array of resources and people the Commission brought together to make this year a success.

When we were faced with a crop that was maturing ahead of schedule, our marketing team turned this into an opportunity and found retailers eager to promote and sell our early-season fruit. When we inspected our groves for signs of PSHB/ KSHB or drought-affected trees, we did so fully armed with insights from the globe’s leading researchers. And every time we read about our ever-expanding California avocado fan base, we could take heart that our long days in the grove were worth it. One hundred million impressions during California Avocado Month. A consumer blog site with 78,000 hits in one month alone. A grove tour with media representatives that lit up the social media sphere with 1.2 million impressions. This level of engagement gives me hope; it demonstrates that people value our efforts in growing premium California avocados.

Yes, I count myself lucky to be a California avocado grower because as I walk my groves,

## CALIFORNIA AVOCADO COMMISSION BOARD OF DIRECTORS FISCAL YEAR 2014- 15

DISTRICT	AFFILIATION	NAME
1	MEMBER	CAROL STEED
1	ALTERNATE	SUZY THOMAS
1	MEMBER	JEROME STEHLY
1	ALTERNATE	ALEX GONZALEZ
2	MEMBER	CHARLEY WOLK
2	MEMBER	KELLEN NEWHOUSE
2	MEMBER	LEO MCGUIRE
2	ALTERNATE	CRISTINA LEON
3	MEMBER	ED MCFADDEN
3	ALTERNATE	KEITH REEDER
3	MEMBER	DOUG O’HARA
3	ALTERNATE	MARIO MARTINEZ
4	MEMBER	JOHN LAMB
4	ALTERNATE	ROBERT GREETHER
4	MEMBER	ART BLISS
4	ALTERNATE	JASON COLE
5	MEMBER	WILL CARLETON
5	ALTERNATE	LEO MURILLO
5	MEMBER	RICK SHADE
5	ALTERNATE	JIM SWOBODA
HANDLER	MEMBER	STEVE TAFT
HANDLER	ALTERNATE	DONNY LUCY
HANDLER	MEMBER	JOHN DMYTRIW
HANDLER	ALTERNATE	GARY CALOROSO
HANDLER	MEMBER	WAYNE BRYDON
HANDLER	ALTERNATE	JESSICA HUNTER
HANDLER	MEMBER	EGIDIO “GENE” CARBONE
HANDLER	ALTERNATE	ROBB BERTELS
PUBLIC	MEMBER	LEESA EICHBERGER

I realize that I am not alone. And neither are you. The Commission will continue to bring the world’s resources to our door so that our industry can produce the most-desired avocado in the world — premium fresh California avocados with exceptional taste, consistent superior quality and healthfulness.



## President's Letter



**Tom Bellamore**  
 President  
 California Avocado Commission

When we look back at the past year, I imagine a large number of us do so with a big sigh of relief — we are happy the 2014-2015 season is behind us. Freak snowstorms, a fourth drought-stricken year, the spread of PSHB and KSHB, and global competitors making inroads in the realm of brand awareness. Frankly, when you consider those factors, it was a year in which our industry could have fallen flat on its face.

And yet — we did not.

Instead, our fruit commanded a premium and stable price. More than 50 percent of our fruit displayed a California avocado label at point of purchase. And we solidified our leadership position in the produce industry with a series of trade ad placements that changed the face of advertising and caused others in the industry to wonder, “Why didn’t I think of this?”

How did we wring success out of such a difficult year? Robust engagement with our targeted audiences.

Now, more than ever, our planet is “shrinking.” Despite the great physical distances that separate

people, socially we are closer than ever before because of our ever-increasing connectedness. In both the “real” and digital worlds, our engagement — our connections — hold more potential and can have a greater impact because they provide us with the opportunity to expand our awareness and broaden our influence.

As an industry, we have long relied on relationship-building — growers sharing their experiences with one another, the Commission networking with industry peers and legislators, the marketing team collaborating with media and industry partners. But this year we made a concerted effort to improve our “real” and digital engagement with others — and it was the driving force behind our accomplishments.

Take, as just one example, our new tiered-marketing approach. This year our marketing team launched customer-specific communications programs to help targeted retailers directly engage with their consumers via tightly-focused in-store, traditional and social media campaigns. Customized

“THIS YEAR WE MADE A CONCERTED EFFORT TO IMPROVE OUR ‘REAL’ AND DIGITAL ENGAGEMENT WITH OTHERS.”

early-season promotions allowed us to move a large volume of fruit, command premium prices and differentiate our brand. Retailers who merchandised California avocados reported Big Game sales well over the previous year. Ultimately, these early-season successes spurred retailer demand throughout the season and the continued marketing support we provided spurred

## “ENGAGEMENT AND INTERACTION ARE THE PATH TO OUR VISION.”

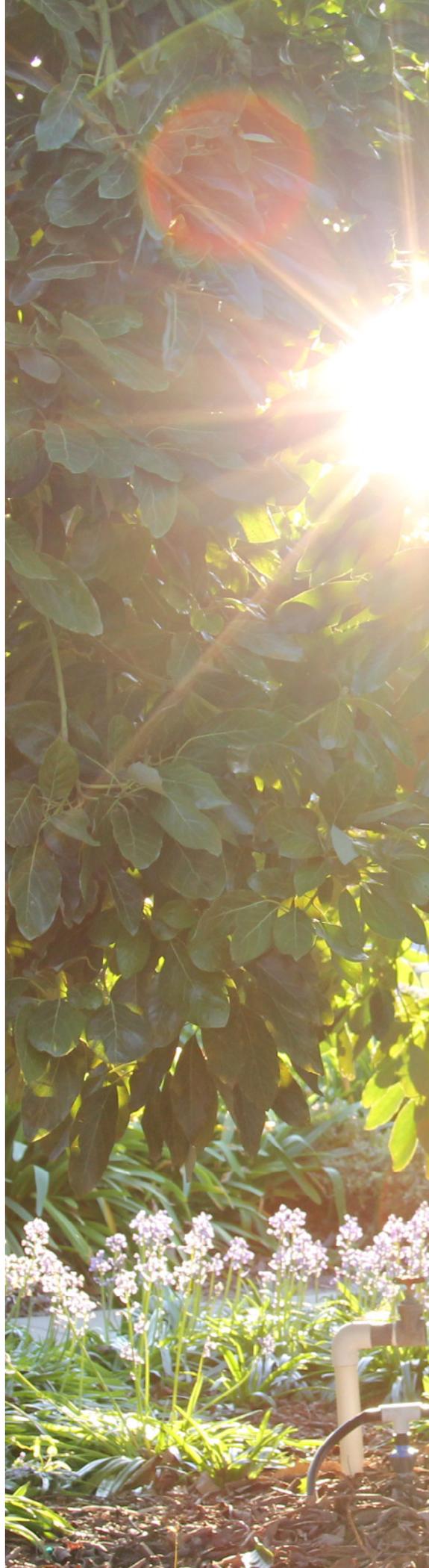
consumer preference and demand for California avocados. The result? As one handler put it, “An amazingly consistent market.” By strengthening connections with our top-tier retailers, we built new connections with their customers that drove brand awareness, volume and stability.

That is the beauty of this interconnectedness — the better we engage with our targeted audiences,

the better we engage with the world at large. That is where our opportunities lie.

So we will continue to invite Chinese dignitaries to visit our California avocado groves, collaborate with the world’s foremost entomologists and plant pathologists, rally agricultural industry partners to advocate for fair water pricing, bring home new marketing perspectives from international trade fairs, provide legislators and media with behind-the-scenes tours of our lands, schedule individual menu-ideation sessions with restaurateurs, partner with influential artisan chefs and registered dietitians, customize California avocado labels for handlers and showcase unique California avocado recipes for consumers, bloggers, supermarket registered dietitians, menu planners and other influencers.

Engagement and interaction are the path to our Vision. The building blocks are in place — a premium brand that resonates with our audiences, a strong industry leadership position, productive and profitable growers, respected researchers, prolific industry relationships and compelling social media and digital platforms. It’s time to connect.



## Year in Review

FROM THE START, IT WAS CLEAR THE EXTENDED DROUGHT WOULD PRESENT CHALLENGES TO OUR GROWERS AND THE MID-SUMMER INFLUX OF FRUIT FROM OTHER NATIONS WOULD, MOST LIKELY, NEGATIVELY IMPACT THE MARKET PRICE WHILE MAKING IT MORE DIFFICULT TO DIFFERENTIATE OUR PREMIUM FRUIT FROM ITS COMPETITORS. BUT WE HAD ONE CRITICAL VARIABLE WORKING TO OUR ADVANTAGE — OUR FRUIT WAS MATURING AHEAD OF SCHEDULE. THAT, IT TURNED OUT, WOULD BE THE LAUNCHING POINT FOR A SUCCESSFUL — AND REMARKABLE — CALIFORNIA AVOCADO SEASON.

### BIG GAME DAY PROMOTIONS PROVIDE MOMENTUM

With California avocados maturing nearly a month ahead of schedule, the marketing team identified select retailers eager for the premium fruit, willing to pay a premium price and interested in promoting it. Working in conjunction with handlers, the team designed customized Big Game Day promotions for the targeted retailers, providing the tools and resources

they needed — be it ad support, display contests, in-store demos, social media and website content or geotargeted Commission posts on social media — to engage with their specific consumers.

Participating retailers reported improved Big Game sales over the previous year and the California avocado brand reinforced its premium spot in the marketplace. This early-season momentum and premium pricing lasted throughout the season.

### COMMUNICATION CRITICAL TO DROUGHT MANAGEMENT

Faced with a fourth year of drought, the Commission provided growers with information concerning proposed regional water rate decisions, steps growers could take to represent their own interests in decision-making forums, and necessary procedures to ensure their operations were certified for agricultural water use. In addition to providing these resources to growers, Commission staff attended various water district meetings across the state to represent and advocate on behalf of the California avocado industry.

The Commission also partnered with industry stakeholders to initiate irrigation technology and drought management research at Pine Tree Ranch Demonstration Grove. In June, Crop Production Services donated and installed a weather station and soil moisture sensors at Pine Tree Ranch. Dr. Stuart Styles, Director of the



BIG GAME DISPLAYS OF CALIFORNIA AVOCADOS, LIKE THIS ONE FROM GELSON'S IN DANA POINT, CALIFORNIA, LED TO EXCELLENT SALES THAT WERE WELL OVER LAST YEAR'S BIG GAME SALES.

DR. STYLES ADVISED ON PROPER IRRIGATION TECHNIQUES AT CAC'S DEMONSTRATION GROVE.





“ULTIMATELY,  
DESPITE THE  
DROUGHT...  
OUR GROWERS  
PRODUCED A  
PREMIUM  
CROP.”

Irrigation Training and Research Center at Cal Poly San Luis Obispo, presented a seminar concerning proper irrigation techniques at a Pine Tree Ranch Field Day.

In September, a second soil moisture sensor system was donated and installed at Pine Tree Ranch by Decagon Devices and Anything Weather. The Commission supplemented these developments by distributing articles detailing how to use soil moisture sensors to improve irrigation management techniques.

As the severity of the drought progressed and an increasing number of California communities

were subjected to mandated water-use restrictions, the media began to question agriculture’s use of water. The Commission worked diligently to build awareness around the importance and benefits of the agricultural industry while disassociating the price of California avocados from the drought and thus reinforcing the premium messaging of our brand. Throughout the season, Industry Affairs activities emphasized the California avocado industry’s efficient use of water and advanced irrigation technologies, and showcased our high-density grove and salinity-tolerant rootstock

research initiatives.

Ultimately, despite the drought, declining acreage and a smaller crop, our growers produced a premium crop that garnered a stable, premium price throughout the season. The Commission will continue to support its growers with research and grower outreach efforts focused on drought management and irrigation technologies that can help growers increase productivity in the most trying of times. Together, our resilient California avocado growers and the committed resources of the Commission ensure a vibrant future for the California avocado industry.



## PSHB/KSHB COLLABORATIVE RESEARCH GAINS GROUND

The Commission began funding PSHB/KSHB research and collaborating with experts from around the globe in 2012. This year, the California avocado industry started to reap the benefits of that foresight.

Although the new reports of PSHB and KSHB were disheartening, they also were indicative of the effectiveness of the trapping grid CAC established in cooperation with the University of California – Riverside (UCR), the University of California Cooperative Extension (UCCE) and other industry members. These trapping grids are, and will continue to be, critical in our fight against PSHB/KSHB.

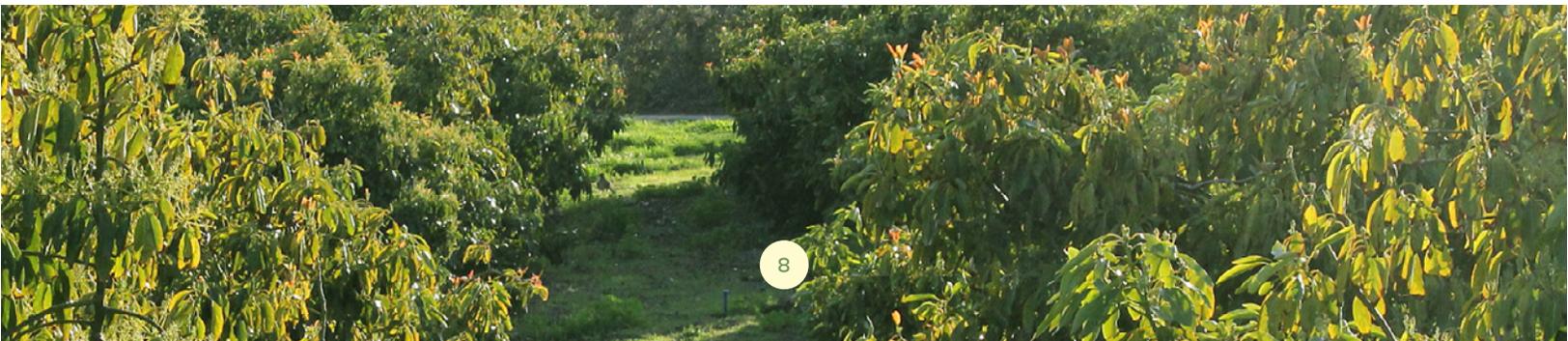
Our efforts to collaborate with the world’s leading entomologists and plant pathologists also led to gains. Field chemical trials based on lists developed by our research and industry partners allowed us to identify one potential insecticide — Hero® — and one potential fungicide — Tilt® that may be helpful in controlling the distribution of this pest-disease complex. The Commission submitted a Section 18 application for Hero® and will



evaluate field trial data gathered this year for the potential to submit a Section 18 for Tilt® in early 2016.

Another highlight from this year was the successful development of the mass rearing of PSHB and KSHB in quarantine. The ability to rear these pests in quarantine provides researchers with the opportunity to study large quantities of the pest in isolation in order to better understand their biology. In addition, researchers identified an effective lure that is half the cost of previous lures.

**“OUR EFFORTS TO COLLABORATE WITH THE WORLD’S LEADING ENTOMOLOGISTS AND PLANT PATHOLOGISTS ALSO LED TO GAINS.”**



## PSHB/KSHB TIMELINE

### NOVEMBER 2014

CAC and Center for Applied Horticultural Research establish quarantine greenhouse for pesticide/fungicide trials

UCR tests efficacy of chipping infested wood and reports 99 percent of PSHB killed when chips are one inch or smaller

CAC, packers and researchers develop PSHB mitigation harvest and transportation protocols

CAC discusses risks of moving firewood, greenwaste and nursery material with CDFA, county leaders and California Firewood Task Force

Ken Melban, vice president of industry affairs, attends global technical workshop at Instituto de Ecologia in Xalapa, Mexico

UCR, UCCE, CAC and industry members develop trapping grid to monitor infestation and study PSHB behavior

### DECEMBER 2014

Dr. Tom Atkinson, renowned bark beetle expert, visits California avocado groves and discusses field trials with UCR researchers

CAC hosts PSHB grower meetings in Escondido and Ventura

### JANUARY 2015

Drs. Morse, Byrne and Eskalen run second round of trunk injection and infusion pesticide/fungicide trials

CAC releases PSHB Harvest Protocol Fact Sheet

### FEBRUARY 2015

PSHB research team convenes to discuss research progress

### MARCH 2015

CAC releases PSHB FAQs

Dr. Akif Eskalen develops interactive PSHB distribution map

CAC hosts PSHB grower meeting in Escondido with research updates from UCR

Bioassay field lab established in infested grove

Dr. Eskalen identifies *Bacillus* species bacterium that live on avocado tree bark and show antagonism toward PSHB

CAC Research Program Director Tim Spann works with CDFA to request \$30,000 in emergency funding

CAC receives \$225,000 Federal USDA-APHIS grant for "Polyphagous Shot Hole Borer/Fusarium Dieback in Avocado: Survey and Producer Education" project

### APRIL 2015

CAC and California Citrus Quality Council host four-day tour for federal and state regulatory officials and discuss Emergency Section 18 registrations for PSHB and KSHB

UC Irvine issues PSHB campus press release

Drs. Eskalen and Stouthamer return to Southeast Asia to research biocontrol agents

### MAY 2015

Israeli researchers Dr. Zvi Mendel and Dr. Stanley Freeman visit California

- Meet with UCR researchers and CAC board members

- Present at Index Fresh Grower Seminars

- Discuss impact of ambrosia beetle's impact on Israeli avocado groves

- Visit infested California Groves

### JUNE 2015

PSHB detected near Los Angeles/Ventura County border

Tim Spann and Ken Melban meet with Nick Condos, CDFA Director of Plant Protection and Plant Health and Jill Townzen, Department of Pesticide Regulation Senior Environmental Scientist, to discuss application for surplus funds and Emergency Section 18 requests for Hero® and Tilt®

### JULY 2015

PSHB detections increase in Los Angeles County near Ventura County

### SEPTEMBER 2015

UCI hosts workshop to raise awareness and generate a collaborative response to the PSHB threat

CAC submits Emergency Section 18 registration for bifenthrin

### OCTOBER 2015

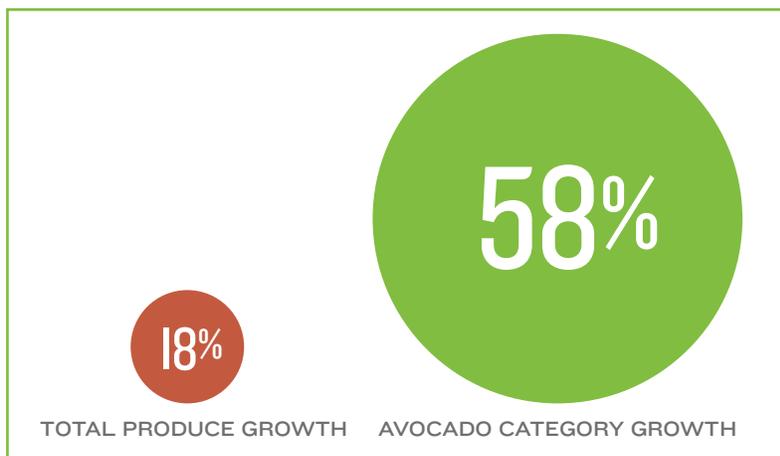
PSHB detected in San Diego and Riverside counties and Ojai and Santa Paula areas of Ventura County

KSHB detected in riparian forest of Tijuana river valley and San Diego and Riverside counties

## CATEGORY GROWTH AND CONSUMER PREFERENCE

More than ever before, Americans are enjoying avocados — category growth for avocados (58 percent) vastly outpaced that of all other fruits and vegetables (18 percent) over the last five years. This expansive growth of the avocado category was clearly an opportunity. Retailers were eager to stock avocados because their popularity could be used to drive sales of other produce or cross-category items.

Data from the *2015 Avocado Tracking Study* indicated that California avocados remain the favorite in targeted ad markets (63 percent). They also continue to be rated the highest on “premiumness” (59 percent, compared to the highest rated import at 32 percent)



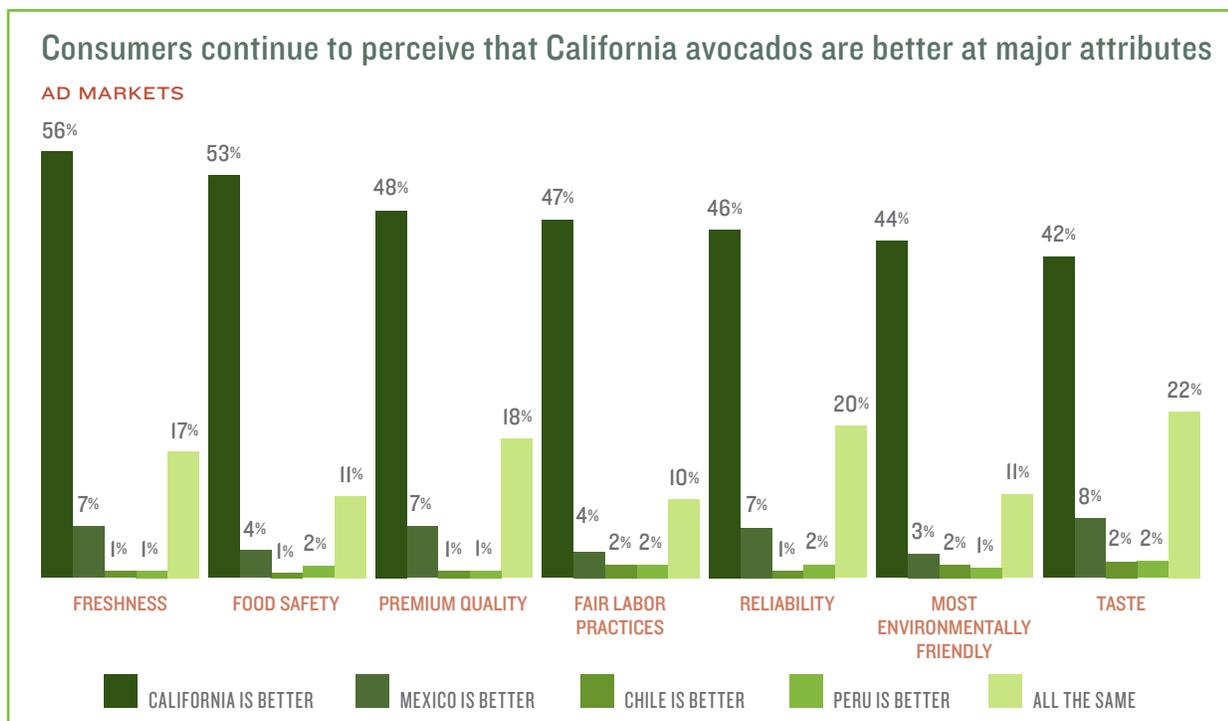
**IN THE U.S., AVOCADO CATEGORY GROWTH SIGNIFICANTLY OUTPACED THAT OF THE ENTIRE PRODUCE DEPARTMENT.**

Source: IRI FreshLook 52 weeks ending 10/14/15 vs. calendar year 2011

and receive the highest marks for freshness, food safety, premium quality, reliability and taste.

At the same time, consumers have more avocados to choose from and in the crowded sphere of brand recognition our competitors, who outspend us 5-to-1, are catching up.

The challenge for the Commission was to ensure that in targeted markets those avocados were from California and that the fruit was clearly differentiated from its competitors. The answer turned out to be tiered marketing.



**AWARENESS OF CALIFORNIA AVOCADOS CONTINUES TO EXCEED ALL OTHER REGIONS, BUT OUR COMPETITORS ARE CLOSING THE GAP.**

Q10. For each phrase below, please choose the region that most describes the phrase.  
Base: Ad Markets aware of growing regions (n=478)

Source: 2015 Avocado Tracking Study, Bovitz, Inc.

## FOCUSING RESOURCES WHERE THEY HAVE THE MOST BENEFIT

CAC’s marketing team developed a tiered marketing approach, targeting select retailers and foodservice operators to focus resources where they would have the most benefit. While each of the customer classifications are important to the success of the California avocado brand, the marketing team developed



THIS STUNNING DISPLAY WAS PART OF A COMMISSION 4TH OF JULY SALES AND DISPLAY CONTEST.



ALBERTSONS HOSTED A “MEET THE GROWER” EVENT WITH CALIFORNIA AVOCADO GROWER CHUCK BANDY AND FEATURED NEW SIGNAGE THROUGHOUT THE SEASON.

more extensive partnerships with targets in “the sweet spot” of available supply, operating location and best mutual fit of customers and positioning. For retailers, this meant customized communication programs throughout the season; for foodservice operators it was individual menu ideation sessions and Limited Time Offer promotions.

The Commission’s retail marketing directors continued to assist their

retail targets with promotional planning, execution and performance tracking. Throughout the season, the Commission’s marketing activities were tightly synchronized with targeted retailers’ social media campaigns, in-store events, signage and sales and display contests.

The CAC marketing team also held individualized menu-ideation strategy sessions with targeted foodservice operators and mapped

out integrated promotions. One of this year’s highlights was Del Taco’s decision to allow customers, in all of its 520 units, to customize menu items by adding slices of fresh California avocados — a first in the chain’s history. The Commission partnered with Del Taco on the campaign, which included in-store marketing items, as well as social media posts for the popular chain’s more than 660,000 fans.

Other highlights included The Egg & I “California Dreamin’” promotion featuring the *Monterey Bacon and Avocado Benedict* — a unique recipe created by the Commission and The Egg & I staff during a menu ideation session — and Johnny Rockets’ “Flavors of Route 66” campaign showcasing the *California BLT Avocado Chicken Sandwich*. Both summer-time Limited Time Offer campaigns celebrated local cuisines in the western states and consisted of chain-wide in-store Point-of-Sale and integrated social media and website promotions.



DEL TACO INTRODUCED FRESH AVOCADO TO ALL 520 UNITS AND FEATURED THE PREMIUM FRUIT IN ITS EPIC GRILLED CHICKEN AVOCADO BURRITO AS PART OF ITS ‘UNFRESHING BELIEVABLE’ SUMMER PROMOTION.

THE MONTEREY BACON & AVOCADO BENEDICT FEATURED ON THE EGG & I WEBSITE WAS A RESULT OF AN IDEATION SESSION WITH CAC.



THE COMMISSION WORKED CLOSELY WITH JOHNNY ROCKETS ON A SUMMER PROMOTION THAT DOVETAILED WITH CAC'S DISTINCTLY CALIFORNIAN AND CALIFORNIA SANDWICH CAMPAIGNS.

## CALIFORNIA AVOCADO LABELS CLOSE THE LOOP

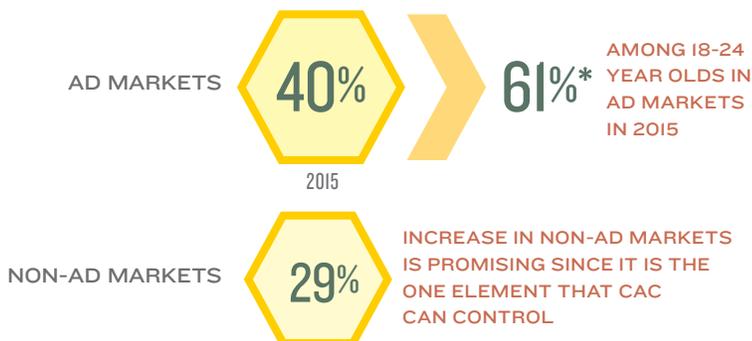
CAC's marketing team continued its work with handlers to ensure the California label was used on California avocados. The label

ensures consumers can identify the premium fruit at point of purchase. The Commission significantly expanded its California avocado label program this year with an increase of on-fruit labels — from 108 million labels in 2013-2014 to nearly 150

million in 2014-2015. Spring and summer in-store audits conducted by a third-party research firm found California branding on more than half of California avocados in both the California and Portland markets.

## Label recall remains similar to last year, but is even higher among the younger consumers

RECALL LABEL ON AVOCADO IN STORE



DATA INDICATED THAT CALIFORNIA AVOCADO LABELS ARE A POWERFUL TOOL FOR BRAND RECALL, ESPECIALLY AMONG CONSUMERS AGES 18-24.

\*Denotes significant difference between 2015 25+ year old and 18-24 year old populations at the 95% level

Source: 2015 Avocado Tracking Study, Bovitz, Inc.

## RETAIL COMMUNICATIONS CAMPAIGN BLAZES NEW TRAILS

The Commission's retail communications campaign certainly made an impression this year

with strong creative, a variety of formats, increased frequency and exclusive placements in key industry publications. As a result, the

Commission set a number of industry firsts that captured the attention of its customers, stakeholders and the produce industry at large.



**FIRST**  
ADVERTISER  
IN THE HISTORY  
OF THE INDUSTRY  
TO GRACE  
THE FRONT PAGE  
OF THE PACKER



**HALF  
PAGE  
AD  
ON THE  
FRONT COVER WRAP  
OF THE PRODUCE NEWS**

**CAG STRIP AD** FEATURED ON  
NEW GLOSSY COVER OF THE SHELBY REPORT



**CALIFORNIA AVOCADO** BELLY BANDS IN  
THE SNACK  
AND  
THE PRODUCE BUSINESS  
MAGAZINES

**FIRST**  
COMMODITY BOARD  
TO SIGN UP  
FOR PARTICIPATION  
IN THE EAT BRIGHTER  
CAMPAIGN



## MAKING AN IMPRESSION

The Commission’s retail and consumer advertising and public relations (PR) campaigns were a blend of “tried and true” and fresh strategies. On the retail side, CAC diversified its use of integrated digital platforms and set a series of industry

“firsts” with its ad placements. On the consumer side, the Commission’s Distinctly Californian campaign showcased how “California” is synonymous with “avocado” in the culinary world — running promotions in everything from popular restaurant

chains and food blogs, to the sides of trollies, wallsapes and social media posts. As a result, the Commission’s retail and consumer advertising and PR campaigns beat expectations and garnered attention from consumer and industry fans alike.

946

.....  
million  
consumer and nutrition  
PR impressions

THE COMMISSION’S  
ADVERTISING AND  
PR CAMPAIGNS  
BEAT  
EXPECTATIONS

12.2

.....  
million  
retail trade advertising  
and PR impressions

CAC’s tiered marketing provides retailers and foodservice operators with customized communications programs that include highly-targeted social media posts and geo-targeted advertising

80

.....  
foodservice chains  
contacted

50+

.....  
retailers  
called upon

23

.....  
foodservice chain  
promotions

712.3

.....  
million  
consumer advertising  
impressions

“CALIFORNIA”  
IS SYNONYMOUS WITH  
“AVOCADO”  
IN THE CULINARY  
WORLD

5.8

.....  
million  
foodservice advertising  
and PR impressions

## MAKING A CONNECTION

Social media and digital platforms provide unprecedented access to consumers, but they are filled with

distracting voices too numerous to count. In order to be heard above the din, the Commission

made concerted effort to improve interaction with California Avocado fans.

Improved the integration of our social media channels with our website and The Scoop blog.

**3** million  
The Scoop blog visits

**614** thousand unique  
The Scoop blog sessions

Redesigned the consumer website to make it more visually appealing no matter what device it is viewed on and our content more shareable.

**3.6** million  
website visits

Partnered with retailers, foodservice operators, artisan chefs, food bloggers and popular Supermarket Registered Dietitians (SRD) to form a cadre of respected California Avocado ambassadors who provide our fans with the recipes and nutritional information they desired.

14 Artisan Chef Partners

**76** million  
impressions

8 Blog Ambassadors  
(6 food bloggers,  
2 wellness bloggers)

**7.8** million  
impressions

5 RD Ambassadors

**6** million impressions

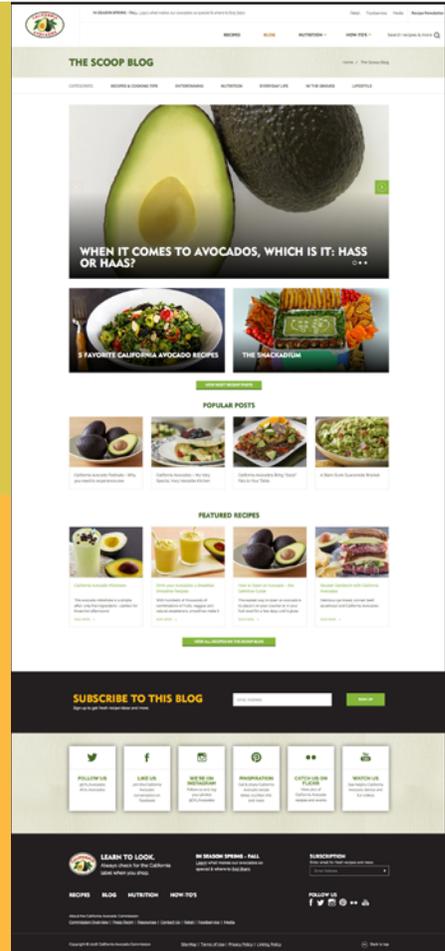
208 SRD placements

**11** million impressions

As a result, our California Avocado fans are engaging with us throughout the year.

**298** thousand  
Facebook fans

**322** thousand  
YouTube views



CALIFORNIA AVOCADO COMMISSION

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## Independent Auditor's Report

Board of Directors  
California Avocado Commission  
Irvine, California

We have audited the accompanying financial statements of the California Avocado Commission (Commission), as of and for the years ended October 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California Avocado Commission as of October 31, 2015 and 2014, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the Commission's basic financial statements. The budgetary comparison schedule, combining statement of revenues, expenses and changes in net position, program expenses, and schedule of property and equipment (Schedules), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated, in all material respects, in relation to the 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 January 19, 2016, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Macias Gini & O'Connell LLP*

Newport Beach, California  
January 19, 2016

**CALIFORNIA AVOCADO COMMISSION**  
Management's Discussion and Analysis  
For the Years Ended October 31, 2015 and 2014  
(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, 2015 and 2014. 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 2015 assets exceeded its liabilities as of October 31, 2015 by \$6,142,160 (total net position). This amount decreased \$1,924,211 or 24% from the prior year amount of \$8,066,371.
- Of the total net position at the end of fiscal year 2015, net invested in capital assets decreased \$10,453 to \$61,546 or 15% from the prior year amount of \$71,999.
- Net position restricted for marketing at the end of fiscal year 2015 increased \$10,545 to \$1,047,151 or 1% from the prior year amount of \$1,036,606.
- Unrestricted net position at the end of fiscal year 2015 decreased \$1,924,303 to \$5,033,463 or 28% from the prior year amount of \$6,957,766. This amount made up 82% of total net position.
- The Commission's 2014 assets exceeded its liabilities as of October 31, 2014 by \$8,066,371 (total net position). This amount decreased \$1,165,101 or 13% from the prior year amount of \$9,231,472.
- Of the total net position at the end of fiscal year 2014, net invested in capital assets increased \$61,971 to \$71,999 or 618% from the prior year amount of \$10,028.
- Net position restricted for marketing at the end of fiscal year 2014 increased \$177,115 to \$1,036,606 or 21% from the prior year amount of \$859,491.
- Unrestricted net position at the end of fiscal year 2014 decreased \$1,404,187 to \$6,957,766 or 17% from the prior year amount of \$8,361,953. This amount made up 86% of total net position.

**OVERVIEW OF THE BASIC 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 basic financial statements: Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; and Statements of Cash Flows. The Commission's basic 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 between the two 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.

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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, non-capital financing, capital financing and investing activities.

The notes to the basic 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 required MD&A, the financial statements also present the following supplementary information: Budgetary Comparison Schedule, Combining Statement of Revenues, Expenses and Changes in Net Position (segmented by Restricted and Unrestricted), Program Expenditures (Restricted), and Schedule of Property.

**FINANCIAL ANALYSIS**

Comparative data for the prior year ended October 31, 2014, has been presented in the accompanying financial statements (including MD&A) to facilitate financial analysis for the current year ended October 31, 2015. A comparative analysis of fiscal year 2014 with fiscal year 2013 also is presented in the MD&A.

**STATEMENTS OF NET POSITION:**

	<b>Net Position October 31:</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current assets	\$8,486,636	\$10,517,659	\$12,578,805
Capital assets (net)	61,546	71,999	10,028
<b>Total assets</b>	<b>8,548,182</b>	<b>10,589,658</b>	<b>12,588,833</b>
Current liabilities	2,359,255	2,472,021	3,314,996
Non-current liabilities	46,767	51,266	42,365
<b>Total liabilities</b>	<b>2,406,022</b>	<b>2,523,287</b>	<b>3,357,361</b>
Net position:			
Net investment in capital assets	61,546	71,999	10,028
Restricted for marketing	1,047,151	1,036,606	859,491
Unrestricted	5,033,463	6,957,766	8,361,953
<b>Total net position</b>	<b>\$6,142,160</b>	<b>\$8,066,371</b>	<b>\$9,231,472</b>

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As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The largest portion (99.3%) of the Commission's assets are current assets consisting primarily of cash and cash equivalents, receivables and fiduciary cash and cash equivalent amounts held for the Avocado Inspection Program (AIP). Current assets at the end of fiscal year 2015 totaled \$8,486,636, decreasing \$2,031,023 from the prior year amount of \$10,517,659. This decrease is primarily due to lower total production volume particularly at the end of the year which is reflected in the reduced assessments receivable balance. Total current assets cover current liabilities 3.6 times, indicating good liquidity.

At the end of fiscal year 2014, the largest portion (99.3%) of the Commission's assets are current assets consisting primarily of cash and cash equivalents, receivables and fiduciary cash and cash equivalent amounts held for Avocado Inspection Program (AIP). Current assets at the end of fiscal year 2015 totaled \$10,517,659, decreasing \$2,061,146 from the prior year amount of \$12,578,805. This decrease is primarily due to lower total production volume particularly at the end of the year which is reflected in the reduced assessments receivable balance. Total current assets cover current liabilities 4.3 times, indicating good liquidity.

Liabilities at the end of fiscal year 2015 totaled \$2,406,022, decreasing from a balance of \$2,523,287 in 2014 and a balance of \$3,357,361 in 2013. These decreases were due to lower total production volume and shortened crop season which in turn reduced marketing activities and obligations owed to vendors. The Commission's liabilities primarily consist of current liabilities including accounts payable, accrued liabilities, deposits, fiduciary liability amounts held for AIP, and compensated absences.

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 net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net position totaled \$61,546 at the end of fiscal year 2015, decreasing \$10,453 from the prior year amount of \$71,999. This decrease is due to the accumulated depreciation of capital assets as a result of current year depreciation expense. Net investment in capital assets represents 1.0% of total net position.

At the end of fiscal year 2014, net position invested in capital assets totaled \$71,999 at the end of fiscal year 2015, increasing \$61,971 from the prior year amount of \$10,028. This increase is due to land improvements associated with the Pine Tree Ranch demonstration grove. Net position invested in capital assets represents 0.9% of total net position.

Restricted net position for marketing activities is subject to imposed restrictions by federal statute governing their use. Restricted net position totaled \$1,047,151 at the end of 2015, increasing \$10,545 from the prior year amount of \$1,036,606. Restricted net position represents 17% of total net position. Restricted net position totaled \$1,036,606 at the end of 2014, increasing \$177,115 from the prior year amount of \$859,491.

Unrestricted net position available for future activities at the end of fiscal year 2015 totaled \$5,033,463, decreasing \$1,924,303 from the prior year amount of \$6,957,766. Unrestricted net position available for future activities at the end of fiscal year 2014 totaled \$6,957,766, decreasing \$1,404,187 from the prior year amount of \$8,361,953

**CALIFORNIA AVOCADO COMMISSION**  
Management's Discussion and Analysis  
For the Years Ended October 31, 2015 and 2014  
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**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION:**

**Changes in Net Position  
For the Years ended October 31:**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$12,628,419	\$13,131,077	\$17,506,396
Operating expenses	14,717,545	14,500,406	16,377,758
Operating income (loss)	<u>(2,089,126)</u>	<u>(1,369,329)</u>	<u>1,128,638</u>
Non-operating revenues	164,915	204,228	126,330
Change in net position	<u>(1,924,211)</u>	<u>(1,165,101)</u>	<u>1,254,968</u>
Net position – beginning of year	8,066,371	9,231,472	7,976,504
<b>Net position – ending of year</b>	<b><u>\$6,142,160</u></b>	<b><u>\$8,066,371</u></b>	<b><u>\$9,231,472</u></b>

Operating revenues totaled \$12,628,419 in 2015, decreasing \$502,658 or 4% from \$13,131,077 earned in 2014. This decrease is primarily due to a reduction in assessment revenue received from the Hass Avocado Board (HAB) assessment. This was due to the total crop volume decreased to 279 million pounds in 2015 as compared to 297 million pounds in 2014. The majority of operating revenue consisted of assessment revenue totaling \$12,542,419 (99%). The remaining portion of \$86,000 (1%) was from administrative and marketing fees generated from the HAB and AIP.

Operating revenues totaled \$13,131,077 in 2014, decreasing \$4,375,319 or 25% from \$17,506,396 earned in 2013. This decrease is primarily due to a reduction in assessment revenue received from the HAB assessment. Although the assessment rate and price per pound increased, total crop volume decreased to 297 million pounds in 2014 as compared to 500 million pounds in 2013. The majority of operating revenue consisted of assessment revenue totaling \$13,045,077 (99%). The remaining portion of \$86,000 (1%) was from administrative and marketing fees generated from the HAB and AIP.

Operating expenses totaled \$14,717,545 in 2015, increasing \$217,139 or 1% from \$14,500,406 in 2014 and \$16,377,758 in 2013. This increase is primarily due to increased activities in non-marketing programs 2015.

At the end of the fiscal year 2015, the Commission reported an ending net position of \$6,142,160, a decrease of \$1,924,211 from the prior year amount of \$8,066,371. This is primarily due to a decrease in assessment revenue received from the HAB assessment, resulting from reduced total volume production, as aforementioned.

**CALIFORNIA AVOCADO COMMISSION**  
Management's Discussion and Analysis  
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At the end of the fiscal year 2014, the Commission reported ending net position of \$8,066,371, a decrease of \$1,165,101 from the prior year amount of \$9,231,472. This is primarily due to a decrease in assessment revenue received from the HAB assessment, resulting from reduced total volume production, as aforementioned.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The Commission's net investment in capital assets totaled \$61,546 as of October 31, 2015, decreasing \$10,453 from the prior year amount of \$71,999 (net of accumulated depreciation). This decrease represents the depreciation expense of capital assets during the fiscal year, which increased accumulated depreciation. As of October 31, 2014, the Commission's net investment in capital assets totaled \$71,999 as of October 31, 2015, increasing \$61,971 from the prior year amount of \$10,028 (net of accumulated depreciation). This increase is due to land improvements associated with the Pine Tree Ranch demonstration grove.

**COMPENSATED ABSENCES**

At the end of fiscal year 2015, the Commission accumulated accrued compensated absences balance of \$149,972; an increase of \$16,570 from the prior year balance of \$133,402. This prior year balance was a \$4,911 increase from the 2013 balance of \$128,491. This increase is due to the addition of an employee in 2014 and another additional employee in 2015.

**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.

## **BASIC FINANCIAL STATEMENTS**

**CALIFORNIA AVOCADO COMMISSION**

Statements of Net Position

October 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 7,217,726	\$ 8,815,327
Assessments receivable	3,516	95,796
Other receivables	76,474	60,562
Prepaid expenses	54,041	58,546
Fiduciary cash and cash equivalents, amounts held for AIP	1,003,776	1,212,218
Restricted:		
Assessments receivable	131,103	275,210
Total current assets	<u>8,486,636</u>	<u>10,517,659</u>
<b>Noncurrent assets:</b>		
Capital assets being depreciated, net	61,546	71,999
Total assets	<u>8,548,182</u>	<u>10,589,658</u>
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	928,245	1,100,661
Accounts payable and accrued liabilities, payable from restricted assets	306,029	59,006
Fiduciary liabilities, amounts held for AIP	1,003,776	1,212,218
Deposits	18,000	18,000
Compensated absences, due within one year	103,205	82,136
Total current liabilities	<u>2,359,255</u>	<u>2,472,021</u>
<b>Noncurrent liabilities:</b>		
Compensated absences, due in more than one year	46,767	51,266
Total liabilities	<u>2,406,022</u>	<u>2,523,287</u>
<b>Net position:</b>		
Net investment in capital assets	61,546	71,999
Restricted for marketing	1,047,151	1,036,606
Unrestricted	5,033,463	6,957,766
Net position	<u>\$ 6,142,160</u>	<u>\$ 8,066,371</u>

See accompanying notes to basic financial statements.

**CALIFORNIA AVOCADO COMMISSION**  
 Statements of Revenues, Expenses and Changes in Net Position  
 For the Years Ended October 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Operating revenues:</b>		
Assessment revenue	\$ 6,972,742	\$ 6,930,317
HAB rebate assessment revenue (restricted)	5,569,677	6,114,760
Administrative and marketing fees	86,000	86,000
	<u>12,628,419</u>	<u>13,131,077</u>
<b>Operating expenses:</b>		
Marketing	9,362,120	9,659,537
Nonmarketing programs	2,440,410	2,196,325
Administration	2,915,015	2,644,544
	<u>14,717,545</u>	<u>14,500,406</u>
Total operating expenses		
	<u>14,717,545</u>	<u>14,500,406</u>
Operating income (loss)	<u>(2,089,126)</u>	<u>(1,369,329)</u>
<b>Nonoperating revenues:</b>		
Interest income	16,675	20,776
Other income	148,240	183,452
	<u>164,915</u>	<u>204,228</u>
Total non-operating revenues		
	<u>164,915</u>	<u>204,228</u>
Change in net position	(1,924,211)	(1,165,101)
Net position, beginning of year	<u>8,066,371</u>	<u>9,231,472</u>
Net position, ending of year	<u>\$ 6,142,160</u>	<u>\$ 8,066,371</u>

See accompanying notes to the basic financial statements.

**CALIFORNIA AVOCADO COMMISSION**  
 Statements of Cash Flows  
 For the Years Ended October 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 12,640,452	\$ 15,849,686
Cash payments to suppliers for goods and services	(12,344,086)	(13,248,551)
Cash payments to employees for services	(2,265,114)	(1,980,352)
Net cash provided (used) by operating activities	<u>(1,968,748)</u>	<u>620,783</u>
<b>Cash flows from non-capital financing activities:</b>		
Proceeds from grants	62,860	126,615
Other	85,355	56,591
Net cash provided by non-capital related financing activities	<u>148,215</u>	<u>183,206</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(2,210)	(69,788)
Proceeds from sale of assets	25	246
Net cash used by capital and related financing activities	<u>(2,185)</u>	<u>(69,542)</u>
<b>Cash flows from investing activities:</b>		
Interest on investments	16,675	20,776
Net increase (decrease) in cash and cash equivalents	(1,806,043)	755,223
Cash and cash equivalents, beginning of year	10,027,545	9,272,322
Cash and cash equivalents, end of year	<u>\$ 8,221,502</u>	<u>\$ 10,027,545</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating loss	\$ (2,089,126)	\$ (1,369,329)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>		
Depreciation expense	12,663	7,817
Changes in assets and liabilities:		
(Increase) decrease in assessments receivable	236,387	2,862,570
(Increase) decrease in other receivables	(15,912)	(44,317)
(Increase) decrease in prepaid expenses	4,505	(1,884)
Increase (decrease) in accounts payable and accrued liabilities	74,607	(739,342)
Increase (decrease) in fiduciary liabilities	(208,442)	(99,644)
Increase (decrease) in compensated absences	16,570	4,912
Net cash provided (used) by operating activities	<u>\$ (1,968,748)</u>	<u>\$ 620,783</u>

See accompanying notes to basic financial statements.

## CALIFORNIA AVOCADO COMMISSION

Notes to Basic Financial Statements

October 31, 2015 and 2014

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### *(a) Activities of the Commission*

The California Avocado Commission is authorized under California law to engage in programs of advertising, promotion, marketing research, and production research related to the sale of California avocados. The Commission is authorized to levy an assessment against producers of avocados for the purposes of carrying out its programs. The assessments for the years ended October 31, 2015 and 2014, were 2.30% and 2.10%, respectively, of the gross revenues received by producers. 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.

#### *(b) 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 marketing 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, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

**CALIFORNIA AVOCADO COMMISSION**  
Notes to Basic Financial Statements (Continued)  
October 31, 2015 and 2014

**(c) Assets, Liabilities, and Net Position**

**1. 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 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.

**2. Investments**

All investments are recorded at fair value, which is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool. Restricted and unrestricted cash are pooled for investment purposes.

**3. Receivables**

No allowance for uncollectible accounts has been recorded for the years ended October 31, 2015 and 2014. 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.

**4. Capital Assets**

Capital assets consist of furniture, office equipment and leasehold 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. Contributed assets are valued at fair 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:

<u>Asset Category</u>	<u>Years</u>
Furniture	5
Office equipment	3
Leasehold improvements	5 (or term of lease, whichever is less)
Software	3
Land Improvements	Term of the property lease

**CALIFORNIA AVOCADO COMMISSION**  
Notes to Basic Financial Statements (Continued)  
October 31, 2015 and 2014

**5. 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.

**6. 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.

**7. Fiduciary and Restricted Assets**

Fiduciary assets are held for the Avocado Inspection Program (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.

**8. 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, reduced by the outstanding balances of 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. At October 31, 2015 and 2014, the Commission had \$61,546 and \$71,999, respectively, net investment in capital assets. There was no outstanding debt related to capital assets at October 31, 2015 and 2014. 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, 2015 and 2014, the Commission had restricted net position in the amounts of \$1,047,151 and \$1,036,606, 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.

**CALIFORNIA AVOCADO COMMISSION**  
Notes to Basic Financial Statements (Continued)  
October 31, 2015 and 2014

**(2) DETAILED NOTES ON ASSETS AND LIABILITIES**

**(a) Cash and Cash Equivalents**

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

	<u>2015</u>	<u>2014</u>
Petty cash	\$ 200	\$ 200
Demand deposits	8,211,688	10,017,763
Local Agency Investment Fund	<u>9,614</u>	<u>9,582</u>
Total cash and cash equivalents	<u>\$ 8,221,502</u>	<u>\$ 10,027,545</u>

***Investments Authorized by the California Government Code and the Commission's Investment Policy***

The Commission adopted California Government Code (CGC) Section 16430 and the United States Department of Agriculture (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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
State of California 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	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	180 days	30%	10%
Corporate Bonds and Notes	5 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$50 million

**CALIFORNIA AVOCADO COMMISSION**  
Notes to Basic Financial Statements (Continued)  
October 31, 2015 and 2014

***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:

	<b>Remaining Maturity 12 Months or Less</b>	
<b>Investment Type</b>	<b>2015</b>	<b>2014</b>
Local Agency Investment Fund	\$ 9,614	\$ 9,582

***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, 2015 and 2014.

**CALIFORNIA AVOCADO COMMISSION**  
Notes to Basic Financial Statements (Continued)  
October 31, 2015 and 2014

***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 CGC and the Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the CGC requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Commission deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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).

***Investment in State Investment Pool***

The Commission is a voluntary participant in LAIF, which is regulated by CGC Section 16429 under the oversight of the Treasurer of the State of California. 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 total amount invested by all public agencies in LAIF as of October 31, 2015, was \$19.7 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at October 31, 2015, had a balance of \$64 billion. Of that amount, 2.31% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 200 days as of October 31, 2015.

The total amount invested by all public agencies in LAIF as of October 31, 2014, was \$19.2 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at October 31, 2014, had a balance of \$57.5 billion. Of that amount, 1.76% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 213 days as of October 31, 2014.

**CALIFORNIA AVOCADO COMMISSION**  
Notes to Basic Financial Statements (Continued)  
October 31, 2015 and 2014

**(b) Capital Assets**

	<b>November 1, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>October 31, 2015</b>
<b>Capital assets, being depreciated:</b>				
Furniture	\$ 26,160	\$ -	\$ -	\$ 26,160
Office equipment	61,002	-	-	61,002
Land Improvements	69,788	2,210	-	71,998
Total capital assets, being depreciated	<u>156,950</u>	<u>2,210</u>	<u>-</u>	<u>159,160</u>
<b>Less accumulated depreciation for:</b>				
Furniture	21,364	4,796	-	26,160
Office equipment	61,002	-	-	61,002
Land Improvements	2,585	7,867	-	10,452
Total accumulated depreciation	<u>84,951</u>	<u>12,663</u>	<u>-</u>	<u>97,614</u>
Capital assets, net of depreciation	<u>\$ 71,999</u>	<u>\$ (10,453)</u>	<u>\$ -</u>	<u>\$ 61,546</u>
	<b>November 1, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>October 31, 2014</b>
<b>Capital assets, being depreciated:</b>				
Furniture	\$ 26,160	\$ -	\$ -	\$ 26,160
Office equipment	61,002	-	-	61,002
Land Improvements	-	69,788	-	69,788
Total capital assets, being depreciated	<u>87,162</u>	<u>69,788</u>	<u>-</u>	<u>156,950</u>
<b>Less accumulated depreciation for:</b>				
Furniture	16,132	5,232	-	21,364
Office equipment	61,002	-	-	61,002
Land Improvements	-	2,585	-	2,585
Total accumulated depreciation	<u>77,134</u>	<u>7,817</u>	<u>-</u>	<u>84,951</u>
Capital assets, net of depreciation	<u>\$ 10,028</u>	<u>\$ 61,971</u>	<u>\$ -</u>	<u>\$ 71,999</u>

Depreciation expense was \$12,663 and \$7,817 for the years ended October 31, 2015 and 2014, respectively.

**CALIFORNIA AVOCADO COMMISSION**  
Notes to Basic Financial Statements (Continued)  
October 31, 2015 and 2014

**(c) Long-term Liabilities**

	<u>November 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2015</u>	<u>Amount Due within One Year</u>
Compensated absences	\$ 133,402	\$ 114,032	\$ (97,462)	\$ 149,972	\$ 103,205

	<u>November 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2014</u>	<u>Amount Due within One Year</u>
Compensated absences	\$ 128,490	\$ 100,350	\$ (95,438)	\$ 133,402	\$ 82,136

**(3) OTHER INFORMATION**

**(a) Avocado Inspection Program**

During February 1986, the Commission contracted with the State Department of Food and Agriculture to administer the Avocado Inspection Program (AIP) for the State of California (State). Since the Commission is, in substance, an agent for the State, fiduciary cash and cash equivalents, amounts held for AIP are offset by fiduciary liabilities, amounts held for AIP. As of October 31, 2015 and 2014, \$1,003,776 and \$1,212,218, respectively, was held by the Commission for the AIP.

**(b) 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 original maturity date for the line of credit was February 15, 2013, which was extended to February 15, 2016 under the same terms as the original agreement. At October 31, 2015 and 2014, there was no outstanding balance due on the line of credit.

**(c) Risk Management**

**Insurance Programs of the Commission**

The Commission utilizes insurance broker Brown & Brown of California, Inc., to obtain its insurance coverage from various insurers. The Commission's coverage is as follows:

*Commercial General Liability* - insured by Associated Indemnity Corporation – General aggregate coverage of \$2,000,000 and \$1,000,000 for each occurrence.

*Automobile Liability* - insured by Sentinel Insurance Company – Coverage is \$1,000,000 per bodily injury or property damage, subject to a \$500 deductible.

**CALIFORNIA AVOCADO COMMISSION**  
Notes to Basic Financial Statements (Continued)  
October 31, 2015 and 2014

*Crime Liability* - insured by Travelers Casualty & Surety – Coverage is \$1,000,000, subject to a \$5,000 deductible.

*Umbrella Liability* - insured by Associated Indemnity Corporation – 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 accident.

*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.

*Employed Lawyers Professional Liability* - insured by Executive Risk Indemnity, Inc. – Coverage is \$1,000,000 aggregate limit.

*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 Aspen Specialty Insurance Company – Coverage is \$1,000,000 each claim and in aggregate, with a \$25,000 self insurance retention for each loss.

*First Party Network Security and Privacy* - insured by Aspen Specialty Insurance Company – Privacy notification costs limit is \$1,000,000, with a \$25,000 self insurance retention for each loss.

*Foreign Liability* - insured by Fireman’s Fund Insurance Company – General aggregate coverage is \$2,000,000 and \$1,000,000 for each occurrence.

**Workers’ Compensation Coverage**

The Commission is a member of the State Compensation Insurance Fund, a self-supporting, non-profit enterprise that provides workers’ compensation insurance to California employers. The coverage is \$1 million per occurrence.

**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 2015.

**CALIFORNIA AVOCADO COMMISSION**  
Notes to Basic Financial Statements (Continued)  
October 31, 2015 and 2014

**(d) Employee Retirement Plans**

The Board of Directors of the Commission implemented a Profit Sharing Plan (PSP) for eligible Commission employees effective November 1, 2000. The Commission's payroll for the eleven employees eligible to participate in the PSP for the plan year ended October 31, 2015, was \$1,446,376. Total payroll for the eleven employees eligible to participate in the PSP for the plan year ended October 31, 2014, was \$1,378,242. Total contributions for the years ended October 31, 2015, 2014, 2013 and 2012, were \$159,638, \$123,720, \$114,744, and \$145,075, respectively.

The Commission may make annual, discretionary contributions to the PSP. With a few exceptions, each eligible employee received an allocation of 10% of compensation, up to a maximum of \$52,000, for each of the plan years ended October 31, 2015 and 2014. 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.

The Board of Directors of the Commission implemented a 457(b) Deferred Compensation Plan for eligible employees effective January 1, 2014. This plan gives the employees the ability to participate pre-tax elective accounts and Roth elective accounts. As of October 31, 2015, there are thirteen eligible participants in the plan, with a total payroll of \$1,708,690. Total employer contribution for the year ended October 31 2015 and 2014 were \$0 and \$5,750. Total employee contributions for the year ended October 31, 2015 and 2014 were \$108,380 and \$52,397.

**(e) Operating Leases**

On November 5, 2009, the Commission entered into a lease agreement for the current office space, within the City of Irvine, under a five-year lease ending November 30, 2014 which was extended an additional five years ending November 30, 2019. During the years ended October 31, 2015 and 2014, the Commission paid \$49,414 and \$66,307, respectively, for office rent, exclusive of operating expenses.

On September 15, 2011, the Commission entered into an agreement to lease a postage machine under a three-year lease ending on October 1, 2014, which was extended to April 30, 2017 with quarterly payments due at the end of each quarter ranging from \$200 to \$400. Quarterly payments began January 1, 2012. During the years ended October 31, 2015 and 2014, respectively, the Commission paid \$1,343 and \$1,393, respectively, including tax, for this lease.

On February 9, 2015, the Commission entered into an agreement to lease two printers under a three-year lease agreement ending on January 31, 2018, with monthly payments of \$441 beginning February 1, 2015. During the year ended October 31, 2015, the Commission paid \$3,929, including tax, for this lease.

**CALIFORNIA AVOCADO COMMISSION**  
Notes to Basic Financial Statements (Continued)  
October 31, 2015 and 2014

On May 22, 2013, the Commission entered into a lease agreement for the office space within the City of Santa Paula under a three-year lease ending April 30, 2016. During the year ended October 31, 2015 and 2014, the Commission paid \$8,881 and \$8,503, respectively, for office rent, exclusive of operating expenses.

On July 1, 2013, the Commission entered into a lease agreement for the Pine Tree Ranch property within the City of Santa Paula under a ten-year lease ending June 30, 2023. During the year ended October 31, 2015 and 2014, the Commission paid \$19,412 and \$18,800 for rent, respectively, including rent paid for a garage on the property for \$100 a month.

The annual requirements to amortize the operating lease obligations as of October 31, 2015, are as follows:

<b>Year Ending October 31,</b>	<b>Office Spaces</b>	<b>Printers</b>	<b>Postage Machine</b>	<b>Pine Tree Ranch</b>	<b>Total</b>
2016	91,462	12,613	1,101	20,056	125,232
2017	86,496	5,292	550	20,720	113,058
2018	87,781	1,323	-	21,400	110,504
2019	74,836	-	-	22,104	96,940
2020	6,251	-	-	22,836	29,087
2021 - 2023	-	-	-	64,592	64,592
Total	<u>\$ 346,826</u>	<u>\$ 19,228</u>	<u>\$ 1,651</u>	<u>\$ 171,708</u>	<u>\$ 539,413</u>

**(f) Claims and Litigation**

A breach of contract claim was filed against the Commission by an independent contractor. A mediation is scheduled for January 19, 2016. There is a reasonably possible chance of loss to the Commission, however the estimated liability is indeterminable at this time, no amounts have been presently recorded in the financial statement.

**SUPPLEMENTARY INFORMATION**

**CALIFORNIA AVOCADO COMMISSION**  
 Budgetary Comparison Schedule  
 For the Year Ended October 31, 2015  
 (with comparative actual totals for the year ended October 31, 2014)

	<b>2015</b>				<b>2014 Actual</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	
<b>Revenues:</b>					
Assessment revenue	\$ 7,360,000	\$ 7,360,000	\$ 6,972,742	\$ (387,258)	\$ 6,930,317
HAB rebate assessment revenue (restricted)	6,324,000	6,324,000	5,569,677	(754,323)	6,114,760
Administrative and marketing fees	86,000	86,000	86,000	-	86,000
Interest income	14,400	14,400	16,675	2,275	20,776
Grant revenue	-	67,971	62,860	(5,111)	126,615
Other income	55,000	55,000	85,380	30,381	56,837
<b>Total revenues</b>	<b>13,839,400</b>	<b>13,907,371</b>	<b>12,793,334</b>	<b>(1,114,036)</b>	<b>13,335,305</b>
<b>Expenses:</b>					
Marketing:					
Consumer advertising	6,060,896	5,354,796	5,172,194	182,602	5,336,660
Merchandising	1,880,504	1,741,604	1,627,422	114,182	1,655,262
Foodservice	892,000	847,000	827,994	19,006	759,655
Public relations and nutrition communication	920,000	900,000	900,000	-	880,665
Internet marketing	762,100	762,100	667,432	94,668	873,690
Marketing planning and other	184,500	144,500	167,078	(22,577)	153,604
<b>Total marketing</b>	<b>10,700,000</b>	<b>9,750,000</b>	<b>9,362,120</b>	<b>387,881</b>	<b>9,659,537</b>
Non-marketing programs:					
Industry affairs	1,248,145	1,349,186	1,163,290	185,897	889,702
Production research	1,106,690	1,204,587	1,214,260	(9,673)	1,262,971
Grant expenses	-	67,971	62,860	5,111	43,651
<b>Total non-marketing programs</b>	<b>2,354,835</b>	<b>2,621,744</b>	<b>2,440,410</b>	<b>181,335</b>	<b>2,196,325</b>
Administration:					
Administration	2,911,412	2,898,111	2,829,632	68,479	2,570,051
Information systems	98,416	98,416	72,721	25,695	66,676
Depreciation	15,336	15,336	12,662	2,674	7,817
<b>Total administration</b>	<b>3,025,164</b>	<b>3,011,863</b>	<b>2,915,015</b>	<b>96,848</b>	<b>2,644,544</b>
<b>Total expenses</b>	<b>16,079,999</b>	<b>15,383,607</b>	<b>14,717,545</b>	<b>666,064</b>	<b>14,500,406</b>
Change in net position	(2,240,599)	(1,476,236)	(1,924,211)	(447,975)	(1,165,101)
Net position, beginning of year	8,066,371	8,066,371	8,066,371	-	9,231,472
Net position, ending of year	<b>\$ 5,825,772</b>	<b>\$ 6,590,135</b>	<b>\$ 6,142,160</b>	<b>\$ (447,975)</b>	<b>\$ 8,066,371</b>

See accompanying note to supplementary information.

**CALIFORNIA AVOCADO COMMISSION**  
Note to Supplementary Information  
October 31, 2015 and 2014

**(1) BUDGETARY INFORMATION:**

***(a) Budgets and Budgetary Accounting:***

Each year, the California Avocado Commission (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 Finance and Accounting Manager of the Commission to review each line item. The overall combined budget is prepared by the President and Finance and Accounting Manager of the Commission and presented to the Board of Directors. Line item transfers do not need Board of Directors approval, but require notification to the Finance Committee of the Board of Directors. Any increases or decreases 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  
For the Year Ended October 31, 2015

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
<b>Operating revenues:</b>			
Assessment revenue	\$ -	\$ 6,972,742	\$ 6,972,742
HAB rebate assessment revenue (restricted)	5,569,677	-	5,569,677
Administrative and marketing fees	-	86,000	86,000
Total operating revenues	<u>5,569,677</u>	<u>7,058,742</u>	<u>12,628,419</u>
<b>Operating expenses:</b>			
Marketing	5,552,540	3,809,580	9,362,120
Nonmarketing programs	-	2,440,410	2,440,410
Administration	-	2,915,015	2,915,015
Total operating expenses	<u>5,552,540</u>	<u>9,165,005</u>	<u>14,717,545</u>
Operating income (loss)	<u>17,137</u>	<u>(2,106,263)</u>	<u>(2,089,126)</u>
<b>Non-operating revenues (expenses):</b>			
Interest income (expense)	(6,592)	23,267	16,675
Other income	-	148,240	148,240
Total nonoperating revenues	<u>(6,592)</u>	<u>171,507</u>	<u>164,915</u>
Change in net position	10,545	(1,934,756)	(1,924,211)
Net position, beginning of year	<u>1,036,606</u>	<u>7,029,765</u>	<u>8,066,371</u>
Net position, ending of year	<u>\$ 1,047,151</u>	<u>\$ 5,095,009</u>	<u>\$ 6,142,160</u>

**CALIFORNIA AVOCADO COMMISSION**

Program Expenses

For the Year Ended October 31, 2015

	<u>Restricted</u>	<u>Budget</u>
<b>Marketing Programs:</b>		
Program Administration Fees-DGWB	\$ 497,757	\$ 746,636
Media-DGWB	3,797,388	3,894,740
Media-Mullen	169,313	-
<b>Subtotal Consumer Advertising</b>	<u>4,464,458</u>	<u>4,641,376</u>
Public Relations & Collateral Mat-MMM	82,887	77,000
Media-MMM	92,495	95,000
Chain Promotions-MMM	12,700	-
<b>Subtotal Foodservice</b>	<u>188,082</u>	<u>172,000</u>
Artisan Chef Program-85% Rebate-Golin	152,972	162,000
California Avocado Grove Tour-85% Rebate-Golin	49,194	46,000
American Summer Holidays-85% Rebate-Golin	42,047	43,000
News Bureau-85% Rebate-Golin	202,505	212,000
Media Tracking & Reporting-85% Rebate-Golin	71,450	70,000
Recipe Development & Photography-85% Rebate-Golin	27,575	31,000
Nutrition Communication-85% Rebate-Golin	121,579	119,500
Media RD Engagement-85% Rebate-Golin	108,623	101,500
Blog & Social Media Support-85% Rebate-Golin	38,632	40,000
Program Administration Fees-85% Rebate-Golin	81,360	68,000
Program Administration Expenses-85% Rebate-Golin	4,064	7,000
<b>Subtotal Public Relations</b>	<u>900,000</u>	<u>900,000</u>
<b>Total Marketing</b>	<u>5,552,540</u>	<u>5,713,376</u>
<b>Total Program Expenses</b>	<u>\$ 5,552,540</u>	<u>\$ 5,713,376</u>

**CALIFORNIA AVOCADO COMMISSION**  
Schedule of Property and Equipment  
For the Year Ended October 31, 2015

**Furniture**

Booth Signage	\$	26,160
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**Land Improvements**

Irrigation		44,576
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Land Preparation		8,611
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Trees		18,811
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**Office Equipment**

Exchange Clusters-2HP DL380G3 servers PX/3.06GHz & 1GB Memory, HP StorageWorks Modular Smart Array 500		20,563
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Sharp MX-M950 Copier		25,089
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EMC AX4-5I SAN Dual SP DPE ISCSI (10x400GB 10K SAS, 2 SPS)		15,350
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		<u><u>\$ 159,160</u></u>
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## Independent Auditor's Report

Board of Directors  
California Avocado Commission  
Irvine, California

### Compliance

We have audited the California Avocado Commission's (Commission) compliance with Section V.D. of the *Guidelines for AMS Oversight of Commodity Research and Promotion Programs* (Guidelines), dated June 2012 applicable to the Commission for the year ended October 31, 2015.

### Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the Commission's management.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Guidelines. Those standards and Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Commission occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements, as listed below:

1. No funds were used for the purpose of influencing governmental policy or action, per Section 515(d) of the Commodity Promotion Research and Information Act (Act), related to use of assessments for the purpose of influencing legislation, as that term is defined in Section 4911(d) of the Internal Revenue Code and Title 26 of the United States Code.
2. The Commission's investment policy was in compliance with the AMS investment policy, as stated in the Guidelines, Appendix 3 – Directive 2210.2 "Investment of Public Funds" dated February 7, 2011.
3. Funds were used only for projects and other expenses authorized in a budget approved by the USDA, per Section II of the Guide.
4. Funds were used only in accordance with the rules, regulations and policies of the Act, the Guidelines, and the Hass Avocado Promotion, Research, and Information Order.

5. We observed no violations of the Act, Order or Guidelines for Research and Development Programs.

***Opinion***

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that are applicable to the Commission for the year ended October 31, 2015.

*Macias Gini & O'Connell LLP*

Newport Beach, California

January 19, 2016

## INDUSTRY STATISTICS

### 10 YEAR INDUSTRY STATISTICAL DATA FROM 2005-06 THROUGH 2014-15

YEAR	BEARING ACRES	VOLUME (MM/LBS.)	CROP VALUE (\$)	PRICE PER POUND (¢)	DOLLARS PER BEARING ACRE (\$)	POUNDS PER BEARING ACRE
05/06	62,093	600.9	\$341,175,673	56.78	\$5,495	9,677
06/07	64,999	259.3	\$244,911,167	94.45	\$3,768	3,989
07/08	65,497	328.8	\$327,141,689	99.50	\$4,995	5,020
08/09	64,555	174.5	\$199,625,988	114.40	\$3,092	2,703
09/10	58,268	534.5	\$402,770,893	75.35	\$6,912	9,173
10/11	57,532	302.5	\$460,209,682	152.10	\$7,999	5,258
11/12	59,629	462.3	\$381,852,467	82.60	\$6,404	7,753
12/13	57,838	500.2	\$435,023,142	87.00	\$7,521	8,648
13/14	57,219	297.5	\$333,216,563	112.00	\$5,823	5,199
14/15	51,478	279.0	\$303,160,400	108.60	\$5,889	5,420

FOOTNOTES: Bearing acres based on CAC's acreage inventory, attrition factors and other sources.

Industry statistical data from 1971-72 through 2014-15 are available on [CaliforniaAvocadoGrowers.com/Industry/Industry-statistical-data](http://CaliforniaAvocadoGrowers.com/Industry/Industry-statistical-data)

### CALIFORNIA AVOCADO COMMISSION POUNDS & DOLLARS BY VARIETY November 2014 Through October 2015

MONTH	HASS POUNDS	LAMB POUNDS	OTHERS POUNDS	TOTAL POUNDS	HASS DOLLARS	LAMB DOLLARS	OTHERS DOLLARS	TOTAL DOLLARS	AVG \$/LB
1st QTR	11,179,647	5,661	557,807	11,743,115	10,960,935	2,636	274,811	11,238,382	0.957
2nd QTR	111,338,877	3,090	648,683	111,990,650	121,207,539	1,727	236,989	121,446,255	1.084
3rd QTR	119,430,431	10,294,928	734,380	130,459,739	133,350,372	10,573,000	370,399	144,293,771	1.106
4th QTR	21,157,793	3,326,717	356,514	24,841,024	22,947,779	2,980,208	254,005	26,181,992	1.054
TOTAL	263,106,748	13,630,396	2,297,384	279,034,528	288,466,625	13,557,571	1,136,204	303,160,400	1.086
GRAND TOTAL								303,160,400	1.086
Y-T-D (%)	94.29%	4.88%	.82%	100.00%	95.15%	4.47%	.37%	100.00%	
Y-T-D AVG \$/LB					1.096	0.995	0.495	1.086	

### TOTAL U.S. VOLUME AND CALIFORNIA PRICE PER POUND 2005-2006 to 2014-2015

YEAR	CA VOLUME (MM/LBS.)	TOTAL US VOLUME (MM/LBS.)	CA AVERAGE PRICE PER POUND (¢)
05/06	600.9	1,040	56.78
06/07	259.3	1,055	94.45
07/08	328.8	1,065	99.50
08/09	174.5	1,145	114.40
09/10	534.5	1,350	75.35
10/11	302.5	1,227	152.10
11/12	462.3	1,589	82.60
12/13	500.2	1,684	87.00
13/14	297.5	1,941	112.00
14/15	279.0	2,184	108.60



## 2014-2015 ANNUAL REPORT

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