

ANNUAL REPORT



2012-2013

CALIFORNIA AVOCADO COMMISSION





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Mission Statement



To maximize grower returns
by maintaining premium brand positioning
for California avocados
and improving grower sustainability.



PRESIDENT'S MESSAGE

Tom Bellamore
President
California Avocado
Commission



This year we made significant progress toward our Vision 2025 goal of premium positioning for California avocados despite the challenges of an increasingly competitive marketplace.

Consider this: in 2004 the U.S. Department of Agriculture (USDA) predicted the price of avocados would fall 26 percent at the producer level based on projected increases in import volume over the next decade. In reality, and despite a 200 percent growth in avocado supplies – much larger than the USDA projected –

the inflation-adjusted price of avocados during that period remained relatively stable. According to a study conducted by two prominent University of California, Davis economists, the steady increase in sales and stable pricing can be attributed, in large part, to California Avocado Commission expenditures on marketing and promotion. The economists opined that without the demand expansion produced by the industry's promotion programs, increased imports would have reduced avocado prices to levels that would have made California production unprofitable. Further, they concluded that for every dollar invested in CAC advertising and promotion, growers have realized a return of \$2.12 to \$9.28, and a 2.3 percent boost in per capita sales in designated marketing areas.

Without a doubt, our ability to build demand for California avocados is the key to our industry's longevity and stability. Consumer research results indicate our brand awareness is growing, but so is that of our largest competitor, Mexico.

Vision 2025 Statement



California avocados are highly sought after by discriminating consumers who appreciate the fruit's freshness, exceptional taste, consistently superior quality, and healthfulness.

These consumers look forward to the California avocado season and understand that supplies may be limited. Consequently, they are willing to pay a price commensurate with the premium attributes of the product, and to choose California avocados over those from all other origins.

California avocado growers are highly productive, profitable, and well organized. Their production practices focus on providing the highest quality product possible to a discerning market.



PRESIDENT'S MESSAGE

As consumers' interest in avocados' place of origin increases, we must leverage this awareness and distinguish California avocados as a premium fruit, worthy of the price paid, that provides a superior culinary experience for the consumer and a higher return on investment for foodservice, retailers and growers.

Recent consumer research also points to the success of specific marketing initiatives aimed at underscoring the premium nature of California avocados.

More than ever, consumers in our designated market areas associate California avocados with the very attributes we have emphasized in our marketing campaigns: freshness, quality, reliability, taste, nutrition and safety. Our target consumers are eating more avocados than ever, they're eating them more often and they're expanding how they prepare avocados. As an example, the 4th of July campaign resulted in double-digit growth in dollars and volume over last year, spurred sales for the entire summer and led to consumers using avocados in ways we promoted them.

The premium message that is at the heart of our Vision 2025 strategy is resonating with consumers and steps taken in 2013 have firmly advanced us

toward our long-term objectives. We have completed a labeling research project that has affirmed our beliefs about the importance of connecting our advertising directly with the product at point of sale and provided us with metrics needed to prepare for implementation in 2014. Next year, we will capitalize on the success of our 4th of July promotions by integrating other summer-themed events into the mix. And as we look to increase consumption and expand

usage, we will build on the equity of our breakfast campaign with snacking promotions in the upcoming year.

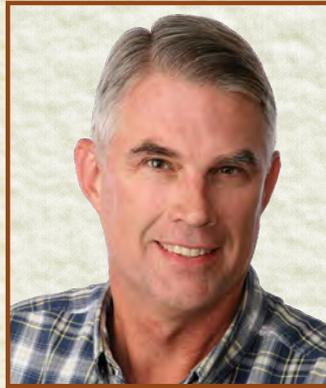
Most importantly, we have a strong base upon which we have built this premium promise: a new demonstration grove in which to explore and

share cultural management best practices; a robust research program dedicated to our sustainability and productivity; a new northern field office to solidify our connection with growers and stakeholders; and strong advocacy efforts to ensure we have a stable workforce, research funds, resources and legislation to support us.

**“We must distinguish
California avocados
as a premium fruit”**



CHAIRMAN'S MESSAGE



Ed McFadden
Commissioner –
District 3, CAC Chair

It is my pleasure as your California Avocado Commission (CAC) Chair to introduce the 2012–13 Annual Report.

We are living and farming in a very special time for our industry. In spite of a dramatic increase in supply to the United States market, our returns have remained stable or have strengthened – a condition that is unprecedented in the world of produce. Under the direction of your Board and the strong leadership of CAC President Tom Bellamore and his groundbreaking Vision 2025 plan for the future of our industry, the CAC staff has been working hard on our behalf to bring growers a viable and profitable future.

Please take a few minutes to read through the California Avocado Commission Annual Report and the following state of the industry highlights prepared by your CAC staff.

California Avocado Commission Board of Directors Fiscal Year 2012–13		
District	Affiliation	Name
1	Member	Carol Steed
1	Alternate	Bill Rice
1	Member	Shane Tucker
1	Alternate	Jerome Stehly
2	Member	Charley Wolk
2	Alternate	Joanne Robles
2	Member	Ohannes Karaoghlanian
2	Alternate	Thomas Caudhill
3	Member	Ed McFadden
3	Alternate	Keith Reeder
3	Member	Doug O'Hara
3	Alternate	J. Michael Lanni
4	Member	John Lamb
4	Alternate	Robert Grether
4	Member	Art Bliss
4	Alternate	Larry Rose
5	Member	Gabe Filipe
5	Member	Will Carleton
5	Member	Bradley Miles
5	Alternate	Jim Swoboda
Handler	Member	Rueben Hofshi
Handler	Alternate	VACANT SEAT
Handler	Member	Steve Taft
Handler	Alternate	John Dmytriw
Handler	Member	Egidio "Gene" Carbone
Handler	Alternate	Ron Araiza
Handler	Member	Scott Bauwens
Handler	Alternate	Gary Caloroso
Public	Member	Andria Pontello



STATE OF THE INDUSTRY HIGHLIGHTS

The import market share of avocados has risen from 30 percent in 2000 to 67 percent in 2012. Despite increasing competition, the California avocado crop size in 2012-13 – just over 500 million pounds – was valued at \$435 million. This denotes the third time in California avocado history – and the third time in the last four years – that the California avocado crop value was over \$400 million. The average return per pound was 87 cents.

Avocado consumption in the U.S. has increased over 200 percent – from 1.51 pounds per capita in the 1990s, to 5.10 pounds per capita in 2012 – and the importance of avocados being grown in the U.S. has steadily climbed since 2006 in California ad markets and significantly increased in outer ad markets.



38% EAT **120+** AVOCADOS/YEAR

SUPER USERS



83% EAT AT LEAST **37** AVOCADOS/YEAR

HEAVY USERS

WAYS MORE LIKELY TO SERVE AVOCADOS VS. LAST SUMMER



44% BURGERS



21% TOAST



15% POTATO SALAD

USAGE INCREASE IN LINE WITH CAC PROMOTIONS

As U.S. consumption grows, with a shift toward heavier usage, consumers in CAC's ad markets are expanding when and how they eat avocados.

AVOCADO CONSUMPTION INCREASED AT DINNER AND AS A SNACK

% Eating Avocados at Each Meal Monthly



38% DINNER



31% SNACKING

Source: Bovitz Research Fall 2013 Tracking Study



STATE OF THE INDUSTRY HIGHLIGHTS

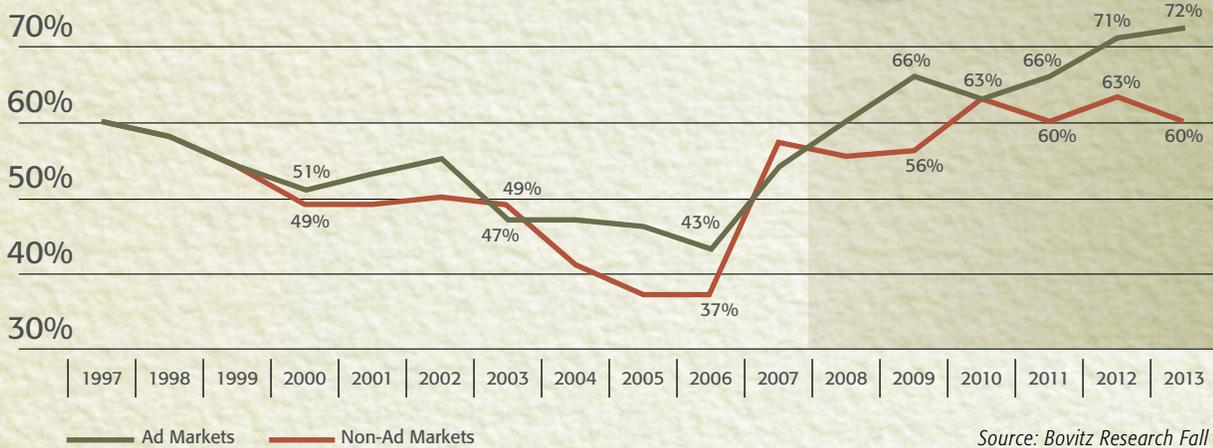
AVOCADO CONSUMPTION IN AD MARKETS ON THE RISE

Importance of being grown in the U.S. has been steadily climbing since 2006 and significantly increased in the Outer Ad Markets this year.

Importance Rating: U.S. Grown Avocados



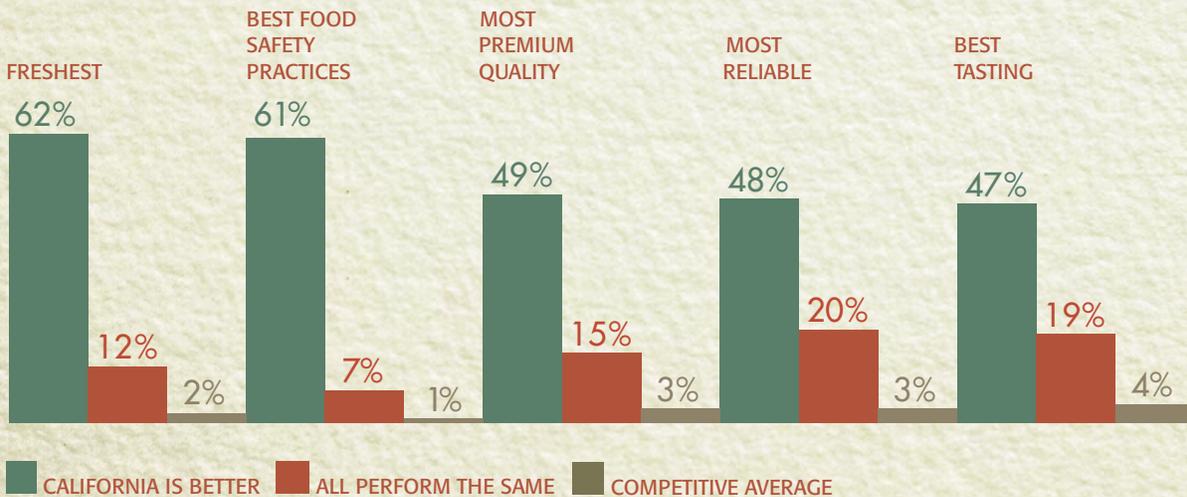
Ad campaign begins 2008



Source: Bovitz Research Fall 2013 Tracking Study

California Avocados continue to be perceived as superior to other growing regions and widened the gap over "all performed the same."

2013 California Region is better at...



Source: Bovitz Research Fall 2013 Tracking Study



MARKETING REPORT

All avocados are not created equal. That message, woven into CAC's integrated marketing campaign, was a clear success this year.

As more avocado imports enter the U.S., the Commission must continue to distinguish California avocados from the competition. CAC's premium campaign successfully concentrates on product attributes of California avocados that, in the mind of the consumer, set California avocados above all the rest. Consumers are taking a greater interest in their food's country of origin — and in CAC's ad markets, they're looking for premium California avocados. In fact, 72 percent of consumers say it is important the avocados they buy are grown in the United States. Among shoppers who are aware of CAC's advertising that number jumps to 84 percent, an indication of how well the advertising is working. Of those surveyed in CAC's ad markets who remember seeing CAC's advertising, the majority (83 percent) rate California avocados significantly higher for CAC's key attributes — premium quality and most reliable taste, texture and appearance.¹

A successful evolution of the California grower campaign, premium messaging was

¹ Bovitz Research
Fall 2013 Tracking Study

woven into CAC's marketing and promotion outreach with retailers and foodservice operators in 2013. CAC's

retail merchandising team secured strong retail support through the use of season-long ad and display contests as well as creative retail-specific promotional programs.

CAC garnered branded promotions in 25 restaurant chains, including promotions at Applebee's,

El Pollo Loco, Which Wich, Shari's, zpizza, Habit Burger and Denny's. Promotions such as these are critical because they encourage diners to select featured avocado items at restaurants and provide usage ideas for consumers who purchase fresh avocados and prepare them at home. The Commission also increased awareness and demand for fresh California avocados with foodservice operators by hosting grove tours, sponsoring industry events, and providing avocado menu concepts/consultation and marketing support that reinforced nutritional and premium messages.

The premium campaign is also a perfect complement to CAC's 4th of July and breakfast initiatives, supporting category growth throughout the California avocado season and setting the stage for the 2014 marketing campaign.

CAC's advertising campaign reinforced the premium attributes of California avocados.



MARKETING REPORT

4TH OF JULY CAMPAIGN



For continuity, the 4th of July campaign utilized the 1950s/60s thematic to reinforce California avocados as a long-standing holiday tradition. Premium messaging was integrated into new print and online advertising in epicurean publications, online display banners, recipe site sponsorships and in-store radio ads.

In just two years, the campaign has successfully associated avocados with the 4th of July in the minds of consumers, and during that same time frame has shown marked improvement. In 2012, 37 percent of consumers in all ad markets associated avocados

with the holiday; in 2013, that number rose to 43 percent. In California, 50 percent associated avocados with the 4th of July (2013) as compared to 45 percent (2012). Indicative of the campaign's success, the 4th of July period realized double-digit growth in volume (19 percent) and dollars (24 percent) over 2012, and the ads resulted in a positive impact on avocado usage throughout the remainder of summer. In 2014, CAC will look to expand upon this increase in avocado usage with other summer holiday-related events.

Patriotic Retail Display Winner

CAC secured strong 4th of July retailer support by shipping nearly 1,800 California avocado display bins and securing feature ads, custom POS, in-store demos, and social media support.





MARKETING REPORT

BREAKFAST CAMPAIGN



While the 4th of July campaign expanded summer usage of avocados, CAC embarked on an initiative to expand avocado usage over the course of the day – encouraging consumers to add fresh California avocados to the most important meal of the day – breakfast. According to the *Fall 2013 Tracking Study*, about 21 percent of respondents eat avocados at breakfast on a monthly basis – a clear opportunity to increase usage.

To that end, CAC launched an integrated consumer and retailer breakfast marketing campaign. CAC created a breakfast landing page for the consumer website, launched a Pinterest contest, hosted a media/blogger event, initiated online promotions and released avocado-centric breakfast recipes from partner chefs Neal Fraser, Mary Sue Milliken and Susan Feniger. As a result, there was a significant increase in shared breakfast recipes on CAC's social media platforms, including more than 1,360 pins for consumers' favorite avocado breakfast recipe on Pinterest.

On the retail side, CAC's breakfast initiative was a key component of marketing's ongoing nutrition communications program. Besides distributing a *Wake Up to Breakfast* recipe booklet to consumers and retailers, CAC developed a Supermarket Registered Dietitian (SRD) tool kit featuring newly developed breakfast recipes. CAC continues to engage SRDs as they are increasingly influential in the retail communications arena, with many who appear on local radio and television shows, host in-store events, contribute to publications, and are active on social media.

Denny's Avocado-Branded Campaign

Denny's California avocado-branded campaign is an example of CAC's exceptional efforts in foodservice promotions. Looking to upgrade the quality of its menus, Denny's (CA) changed its avocado spec to fresh, introduced Huevos Rancheros with avocado, promoted adding fresh avocado to any item on the menu for \$1, and utilized the Hand Grown in California logo in marketing materials.

America's favorite flavor trip is back.
Come in and try our NEW Tour of America menu. With seven delicious entrées to choose from, it's America's time to shine.
FOR A LIMITED TIME ONLY

TOUR OF America

NEW! Huevos Rancheros

NEW! Malibu Fish Tacos

Hand Grown in California
Denny's now proudly serves Fresh California Avocados.

Denny's
America's diner is always open.

15% Off
ENTREE GUEST CHECK

\$5.00 Off
ANY CHECK OF \$20 OR MORE

99¢ Entrée
WITH PURCHASE OF AN ENTRÉE AND TWO BEVERAGES

One coupon per check, per visit. Not valid with any other coupon or promotional offer. Coupon has no cash value. No change returned. Taxes and gratuity not included. Alcohol beverages not included. Valid at participating Denny's restaurants. Selection and prices may vary. Only valid coupon accepted. Participating and limited printed or purchased coupons are not valid. No substitution. © 2013 D.D. Inc. Printed in U.S.A. Offer ends 8.31.13



MARKETING RESEARCH

PREMIUM POSITIONING



CAC's Premium campaign is an evolutionary build upon the equity of the Grower campaign,

reinforcing the superiority of California avocados in the mind of the consumer.

California's "Premiumness" (an item of higher quality that a consumer is willing to pay more for) is almost three times more than Mexico



Source: Bovitz Fall 2013 Tracking Study

California avocado advertising continues to influence opinions about the brand positively. Compared to consumers in non-ad markets, consumers in ad markets rated California avocados significantly higher for these factors:



Source: Bovitz Fall 2013 Tracking Study

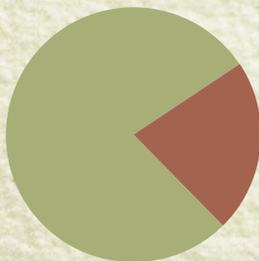
EXPLORATORY WORK ON LABELING



CAC commissioned a branding sticker research project to identify best practices for an improved labeling system in support of California avocados' premium positioning. An online study was conducted to determine consumer preference for one versus two stickers. Consumer focus groups in Phoenix and San Diego were then held to

determine consumer preference on sticker design. Finally, two different retail controlled-stores tests, including variables for an ad week vs. an off-ad week and the addition of displays and point of sale material. In all cases, California specific labels had a positive impact on avocado sales.

78% Consumers preferred two stickers



22% Consumers preferred one sticker*

*91% of the 22% would buy the avocado with two stickers

Reasons Consumers Like California Sticker Design

- Easy to read
- Easy to identify country of origin
- Easy to identify brand
- Identifies and reinforces the premium position



Source: California Avocado Branding Sticker Project



MARKETING RESEARCH

4TH OF JULY CAMPAIGN



In just two years, the 4th of July campaign has successfully established the holiday as a key avocado consumption event resulting in expanded avocado usage throughout the summer.

CAC's ads continue to influence avocado usage throughout the summer. Sixty-five percent served avocados at summer events and holidays in 2013 (58 percent, 2012) – with each event/holiday showing an increase over last year.

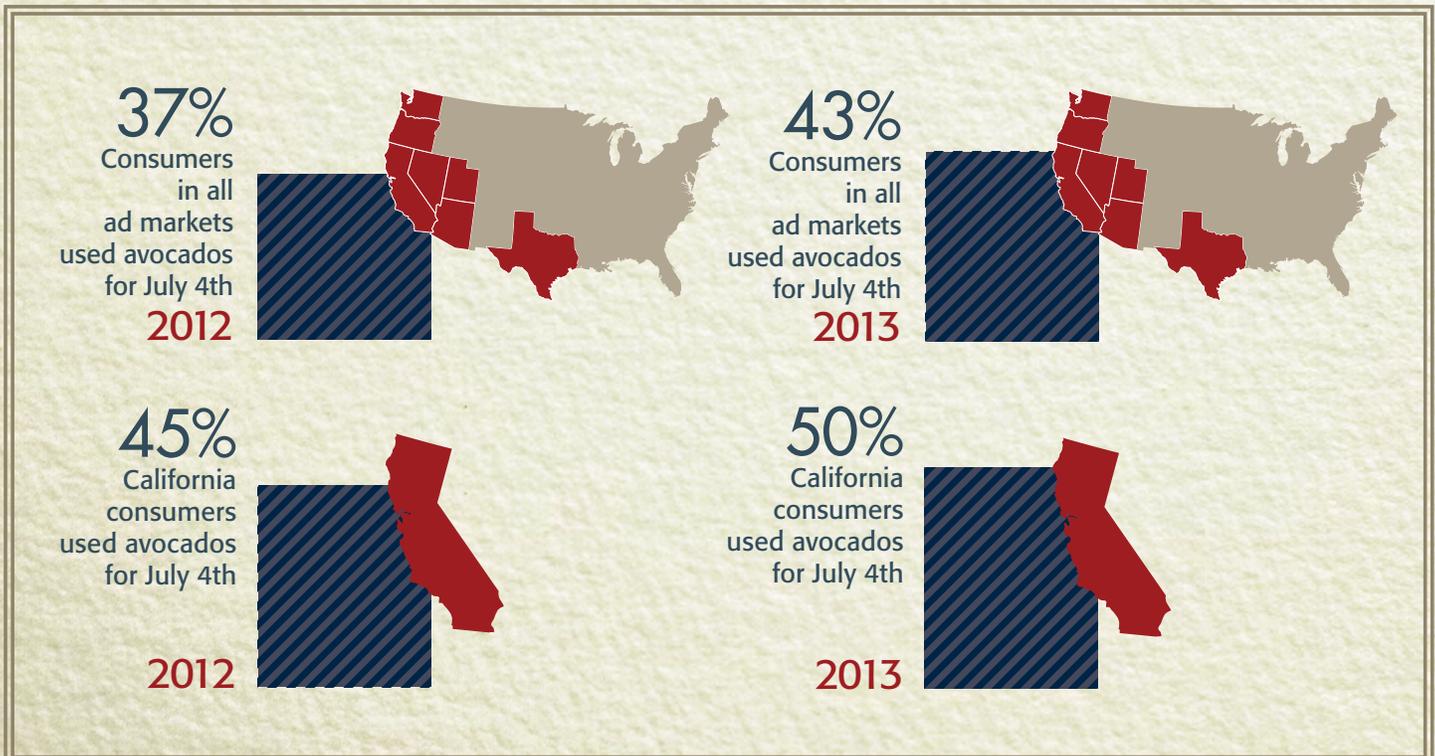


58%
Consumers used avocados for American summer holidays, picnics and parties
2012



65%
Consumers used avocados for American summer holidays, picnics and parties
2013

Source:
UC Davis study:
Analysis of Impacts
of 2013 4th of July
Promotions



Source:
UC Davis study:
Analysis of Impacts
of 2013 4th of July
Promotions



INDUSTRY AFFAIRS REPORT

Industry Affairs plays a critical role in facilitating grower communications and advocating on behalf of growers to ensure their best interests are represented on key issues that could affect the sustainability and productivity of the industry.

SANTA PAULA FIELD OFFICE



For our industry to be successful, we must improve communication, share ideas, foster research, forge ties with legislative and industry leaders, and ensure growers have access to Commission resources. CAC's new Santa Paula field office was established to do just that. The office provides access to staff and board members, is home to the Avocado Inspection Program and the base of operations for the Pine Tree Ranch demonstration grove. Since its opening, several committee and industry meetings have taken place here, helping establish ties between industry stakeholders, local

officials, CAC staff/board members, and key legislative officials.



Congresswoman Julia Brownley, 26th District, presided at the Santa Paula office grand opening ribbon cutting ceremony.

GAP/GHP



While California avocado growers have consistently taken steps to grow safe, quality fruit, the Commission continues to press for industry-wide Good Agricultural Practices (GAP) certification to ensure California avocados maintain their premium positioning by demonstrating a commitment to consumer safety and quality.

CAC hosted English and Spanish-language grower GAP workshops, train-the-trainer sessions for handler field representatives, and harvester Good Harvesting Practices (GHP) seminars. Initial steps were taken to develop a web-based grower GAP education series that will provide greater accessibility to GAP training and certification.



Over 300 industry members attended CAC's GAP grower workshops, and nearly 100 attendees participated in CAC's GHP harvester seminars in the second year of the program.

Again this year CAC assisted growers with GAP certification by providing reimbursement rebates for GAP audit costs, with a total of \$44,791 reimbursed back to growers. A total of 184 GAP rebates were processed, with 138 of those being first-time submissions.

To date, CAC has provided GAP training to growers representing nearly 60 percent of California avocado acreage. Currently, more than 30 percent of avocado acreage and all major California avocado handlers are GAP/GHP certified.



INDUSTRY AFFAIRS REPORT

ADVOCACY/ISSUES



To ensure the sustainability and success of our industry, California avocado growers must have a stable workforce, fair and open access to foreign markets, affordable resources and crop inputs, and the opportunity to fund specialty crop research that helps mitigate pests and optimizes quality and productivity. This year CAC advocated on behalf of California avocado growers concerning all these important issues.

CAC staff members met with congressional leaders and federal agency staff throughout the year to discuss the importance of the Farm Bill and immigration reform to the California avocado industry. As a result of CAC's continued engagement with Congresswoman Julia Brownley, she recognized avocados as one of California's most important agricultural assets and celebrated California Avocado Month in a one-minute speech before the House of Representatives.



Congressman Duncan Hunter, 52nd District, and his staff members toured a Fallbrook avocado grove and packing facility. The tours helped demonstrate the challenges California avocado growers face like immigration and the importance of research programs funded by the Farm Bill.

CAC understands the tremendous burden the cost of water presents for some California avocado growers. In response, the Commission has continued to work with the Metropolitan Water District (MWD) to determine if opportunities to provide more affordable water for agricultural customers exist. CAC also funded a consumer Willingness To Pay survey, a study to quantify the total water use by agricultural water users within the MWD service area, and continued development of a public affairs campaign.

Fair access to foreign markets can provide a new outlet for California avocados. Currently, Japan imposes a 3 percent tariff solely on U.S. avocados. In response to Japan's inclusion in the Trans-Pacific Partnership trade agreement, CAC drafted comments requesting immediate duty-free access for fresh California avocados and the prevention of unjustified phytosanitary measures. In addition, CAC is working with the U.S. government to gain access to China.

CAC also met with the EPA to discuss registration of Uniconazole, a plant growth regulator, for use on California avocados. As part of the product registration process, CAC has secured scientific data from companies that license and manufacture the material and commissioned two efficacy product studies, with results expected in 2014.



Tom Bellamore and Ken Melban discuss trade possibilities with Chinese representatives.



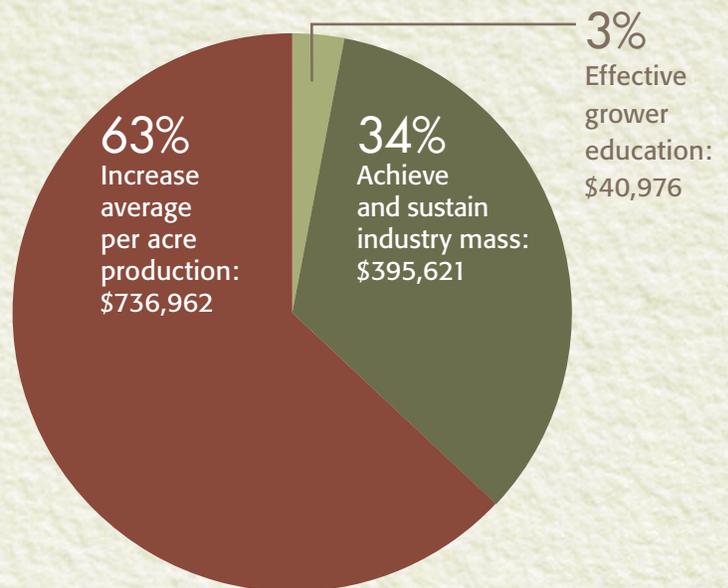
PRODUCTION RESEARCH REPORT

CAC's Production Research Program funds projects intended to increase grower profitability and sustainability by improving productivity and reducing costs. Research also plays a critical role in supporting CAC's premium positioning by developing cultural management practices that help growers deliver consistent, high-quality fruit to market.

Notable gains were made in several CAC-funded production research projects this year. Research examining the use of chemical controls and the potential to develop resistance to these controls in avocado thrips and perseia mite populations has, in some part, helped California avocado growers effectively manage these pest populations. In 2013, Zeal® and Fujimite® were successfully registered for use on avocados—two pesticides that can be used in rotation with abamectin to prevent resistance from developing in these pest populations.

As part of the Decision Support Tools Project, twelve sites around the state utilize the latest sensor technology to measure a number of avocado tree variables. Researchers also collect leaf and soil samples, monitor yields, harvesting techniques and pests. Initial data collected by the project has already begun to reveal trends that will be very useful to California avocado growers. As an example, recent data has provided insights into how irrigation management can affect the tree's response to salinity.

CAC funded twenty avocado research projects that met the following strategic imperatives:



The Diagnosing Phytophthora Research Initiative made strides in developing a polymerase chain reaction field test to help identify different Phytophthora species, determine which species affect specific growing regions, and allow growers to determine whether specific tree decline issues in their grove are a result of Phytophthora or other factors.

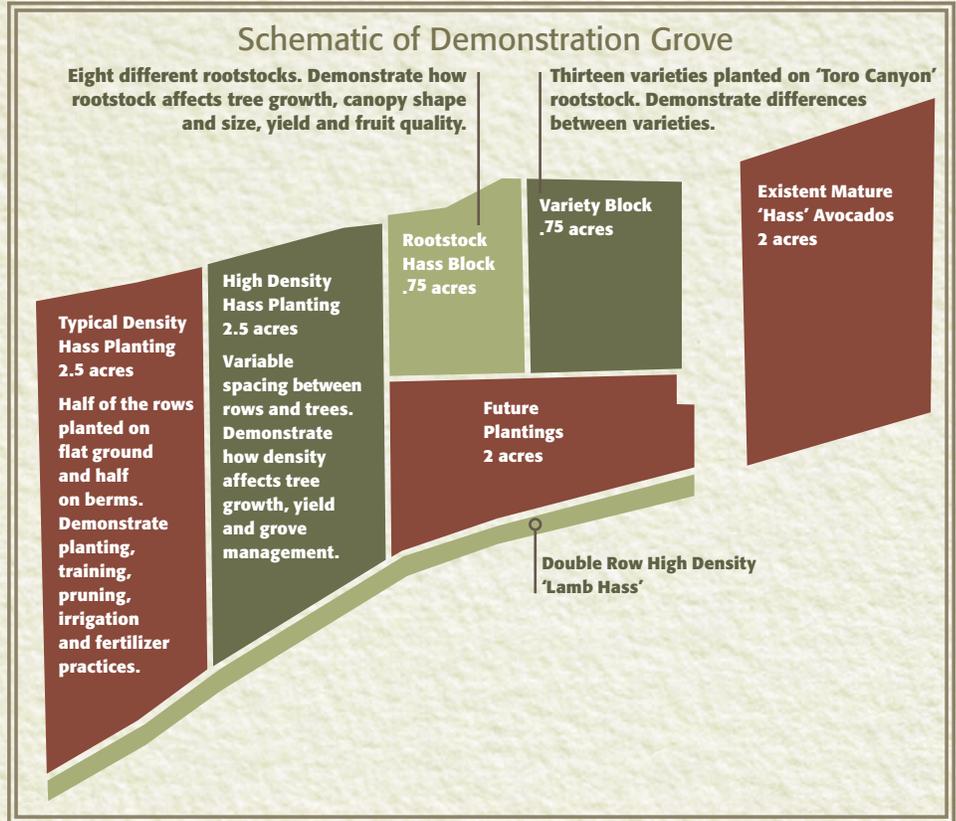


PRODUCTION RESEARCH REPORT

DEMONSTRATION GROVE



This year, CAC leased eleven acres on the historic Pine Tree Ranch in Santa Paula that will be developed into a demonstration grove utilized for field days, to test and demonstrate best practices, and to foster the next generation of industry leaders through its partnership with California State Polytechnic University (Cal Poly), Pomona. The existent two-acre Hass grove will be utilized for pruning and irrigation management demonstrations. Research Project Manager Tim Spann and an advisory group consisting of Ventura County growers, grove managers and a representative from Cal Poly Pomona have completed a business plan outlining the development of the remaining nine-acre demonstration grove plantings.



INDUSTRY OUTREACH



CAC funds a variety of polyphagous shot hole borer (PSHB) and fusarium dieback research projects to develop control methods for this pest/disease complex. At the same time, initiatives that raise awareness concerning this threat to avocados are another critical means of controlling its impact on the industry. To that end, CAC leveraged USDA funds to supplement CAC funding to develop a PSHB and fusarium dieback outreach initiative targeted toward nursery and landscape industries, greenwaste companies, arborists and homeowners. As part of this initiative, CAC established partnerships with County Ag Commissioners from avocado producing counties and the California

Firewood Task Force, and developed a PSHB-specific seminar series for pest control advisors.

CAC research staff also visited experts in avocado genetics, plant breeding and avocado horticulture at the USDA lab in Miami and the University of Florida. The researchers discussed the potential of the avocado genome sequencing project in Mexico, the current red bay ambrosia beetle and laurel wilt situation, and shared developments in new avocado varieties and genetic tools used for plant breeding. By sharing research, strategies and ideas among industry experts, the Commission hopes to spur collaboration and new ideas that improve the avocado industry.

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, 2013 and 2012, 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, 2013 and 2012, 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 opinions 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) 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 17, 2014, 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 audits.

Macias Jini & O'Connell LLP

Newport Beach, California
January 17, 2014

CALIFORNIA AVOCADO COMMISSION
Management's Discussion and Analysis
For the Years Ended October 31, 2013 and 2012
(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, 2013 and 2012. 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 2013 assets exceeded its liabilities as of October 31, 2013 by \$9,231,472 (total net position). This amount increased \$1,254,968 or 16% from the prior year amount of \$7,976,504.
- Of the total net position at the end of fiscal year 2013, net invested in capital assets decreased \$5,232 to \$10,028 or 34% from the prior year amount of \$15,260.
- Net position restricted for marketing at the end of fiscal year 2013 decreased \$116,707 to \$859,491 or 12% from the prior year amount of \$976,198.
- Unrestricted net position at the end of fiscal year 2013 increased \$1,376,907 to \$8,361,953 or 20% from the prior year amount of \$6,985,046. This amount made up 91% of total net position.
- The Commission's 2012 assets exceeded its liabilities as of October 31, 2012 by \$7,976,504 (total net position). This amount decreased \$2,399,708 or 23% from the prior year amount of \$10,376,212.
- Of the total net position at the end of fiscal year 2012, net investment in capital assets decreased \$7,790 to \$15,260 or 34% from the prior year amount of \$23,050.
- Net position restricted for marketing at the end of fiscal year 2012 decreased \$539,902 to \$976,198 or 36% from the prior year amount of \$1,516,100.
- Unrestricted net position at the end of fiscal year 2012 decreased \$1,852,016 to \$6,985,046 or 21% from the prior year amount of \$8,837,062. This amount made up 88% 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.

CALIFORNIA AVOCADO COMMISSION
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(Unaudited)

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 and Combining Statement of Revenues, Expenses and Changes in Net Position (broken down by Restricted and Unrestricted), Program Expenditures (Restricted), Schedule of Total General and Administrative Expenditures, Schedule of Property and Equipment and the Independent Auditor's Report on Compliance.

FINANCIAL ANALYSIS

Comparative data for the prior year ended October 31, 2012, has been presented in the accompanying financial statements (including MD&A) to facilitate financial analysis for the current year ended October 31, 2013. A comparative analysis of fiscal year 2012 with fiscal year 2011 also is presented in the MD&A.

STATEMENTS OF NET POSITION:

	Net Position October 31:		
	2013	2012	2011
Current assets	\$12,578,805	\$10,554,879	\$12,581,618
Capital assets (net)	10,028	15,260	23,050
Total assets	12,588,833	10,570,139	12,604,668
Current liabilities	3,314,996	2,576,761	2,166,009
Non-current liabilities	42,365	16,874	62,447
Total liabilities	3,357,361	2,593,635	2,228,456
Net position:			
Net investment in capital assets	10,028	15,260	23,050
Restricted for marketing	859,491	976,198	1,516,100
Unrestricted	8,361,953	6,985,046	8,837,062
Total net position	\$9,231,472	\$7,976,504	\$10,376,212

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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 (99.9%) of the Commission's assets are current assets consisting primarily of cash and cash equivalents, receivables and fiduciary cash amounts held for Avocado Inspection Program (AIP). Current assets at the end of fiscal year 2013 totaled \$12,578,805, increasing \$2,023,926 from the prior year amount of \$10,554,879. This increase is primarily due to an increase in cash and cash equivalents from higher assessment revenue generated in 2013 compared to 2012 due to an increase in the assessment rate, production and average price per pound. Total current assets cover current liabilities 3.9 times, indicating good liquidity.

At the end of fiscal year 2012, the largest portion (99.9%) of the Commission's assets were also current assets consisting primarily of cash and cash equivalents, receivables and fiduciary cash amounts held for AIP. Current assets at the end of fiscal year 2012 totaled \$10,554,879, decreasing \$2,026,739 from the prior year amount of \$12,581,618. This decrease is primarily due to a decrease in cash and cash equivalents from lower assessment revenue generated in 2012 compared to 2011 attributed to a decrease in the assessment rate and average price per pound. Total current assets cover current liabilities 4.0 times, indicating good liquidity.

Liabilities at the end of fiscal year 2013 totaled \$3,357,361, increasing from a balance of \$2,593,635 in 2012 and a balance of \$2,228,456 in 2011. These increases were due to additional obligations owed to vendors as a result of increased activities in marketing and industry affairs activities. The Commission's liabilities primarily consist of current liabilities including accounts payable, accrued liabilities, deposits due and fiduciary liability amounts held for AIP.

Net position 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 \$10,028 at the end of fiscal year 2013, decreasing \$5,232 from the prior year amount of \$15,260. This decrease is primarily due to the annual accumulated depreciation increase and deletion of capital assets. Net position invested in capital assets represents 0.1% of total net position.

At the end of fiscal year 2012, net position invested in capital assets totaled \$15,260, decreasing \$7,790 from the prior year amount of \$23,050. This decrease is primarily due to the annual accumulated depreciation increase and deletion of capital assets. Net position invested in capital assets represent 0.1% 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 \$859,491 at the end of 2013, decreasing \$116,707 from the prior year amount of \$976,198. Restricted net position represents 9% of total net position. Restricted net position at the end of 2012 totaled \$976,198, decreasing \$539,902 from the prior year amount of \$1,516,100.

Unrestricted net position available for future activities at the end of fiscal year 2013 totaled \$8,361,953, increasing \$1,376,907 from the prior year amount of \$6,985,046. Unrestricted net position available for future activities totaled \$6,985,046 at the end of fiscal year 2012, decreasing \$1,852,016 from the prior year amount of \$8,837,062.

CALIFORNIA AVOCADO COMMISSION
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(Unaudited)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION:

	Change in Net Position		
	For the Years ended October 31:		
	2013	2012	2011
Operating revenues	\$17,506,396	\$13,643,570	\$14,058,350
Operating expenses	16,377,758	16,191,448	13,390,992
Operating income (loss)	1,128,638	(2,547,878)	667,357
Non-operating revenues	126,330	148,170	47,132
Change in net position	1,254,968	(2,399,708)	714,490
Net position – beginning of year	7,976,504	10,376,212	9,661,722
Net position – ending of year	\$9,231,472	\$7,976,504	\$10,376,212

Operating revenues totaled \$17,506,396 in 2013, increasing \$3,862,826 or 28% from \$13,643,570 earned in 2012. This was due to an increase in the assessment rate, total crop yield, and average price per pound compared to 2012. In 2013 the assessment rate was 1.75%, total production was 500 million pounds, and average price per pound was \$0.87, whereas in 2012 the assessment rate was 1.10%, total production was 462 million pounds, and the average price per pound was \$0.83. The majority of operating revenue consisted of assessment revenue totaling \$17,400,396 (99%). The remaining portion of \$106,000 (1%) came from administrative and marketing fees generated from Hass Avocado Board (HAB) and AIP.

Operating revenues totaled \$13,643,570 in 2012, decreasing \$414,780 or 3% from the \$14,058,350 earned in 2011. This reduction was due to a decrease in the assessment rate and average price per pound compared to 2011. In 2012 the average price per pound was \$0.826 and the assessment rate was 1.10%, whereas in 2011 the average price per pound was \$1.521 and the assessment rate was 1.60%. The majority of operating revenue consisted of assessment revenue totaling \$13,420,070 (98%). The remaining portion of \$223,500 (2%) came from administrative and marketing fees generated from HAB and AIP.

Operating expenses totaled \$16,377,758 in 2013, increasing \$186,310 or 1% from \$16,191,448 in 2012 and \$13,390,992 in 2011. This increase is primarily due to new activities in marketing and industry affairs in 2012 and 2013.

At the end of the fiscal year 2013, the Commission reported an ending net position of \$9,231,472, an increase of \$1,254,968 from the prior year amount of \$7,976,504. This is primarily due to an increase in assessment revenue received from the CAC assessment, resulting from higher production, average price and assessment rate, as aforementioned.

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(Unaudited)

At the end of the fiscal year 2012, the Commission reported an ending net position of \$7,976,504, a decrease of \$2,399,708 from the prior year amount of \$10,376,212. This is primarily due to a decrease in assessment revenue received from the CAC assessment, resulting from a lower average price and assessment rate, as aforementioned.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Commission's net investment in capital assets totaled \$10,028 as of October 31, 2013, decreasing \$5,232 from the prior year amount of \$15,260 (net of accumulated depreciation). As of October 31, 2012, the Commission's investment totaled \$15,260, decreasing \$7,790 from the prior year amount of \$23,050. The decreases represent depreciation of capital assets used for program activities of the Commission during the fiscal year.

COMPENSATED ABSENCES

At the end of fiscal year 2013, the Commission accumulated an accrued compensated absences balance of \$128,490; an increase of \$3,865 from the prior year balance of \$124,626. This prior year balance was a \$14,360 decrease from the 2011 balance of \$138,986.

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 7,960,460	\$ 7,660,867
Assessments receivable	462,542	209,997
Other receivables	16,245	38,201
Prepaid expenses	56,662	54,884
Fiduciary cash and cash equivalents, amounts held for AIP	1,311,862	1,171,774
Restricted:		
Assessments receivable	<u>2,771,034</u>	<u>1,419,156</u>
Total current assets	12,578,805	10,554,879
Non-current assets:		
Capital assets being depreciated, net	<u>10,028</u>	<u>15,260</u>
Total assets	<u>12,588,833</u>	<u>10,570,139</u>
Current liabilities:		
Accounts payable and accrued liabilities	1,087,450	1,020,340
Accounts payable and accrued liabilities, payable from restricted assets	811,559	258,895
Fiduciary liabilities, amounts held for AIP	1,311,862	1,171,774
Deposits	18,000	18,000
Compensated absences, due within one year	<u>86,125</u>	<u>107,752</u>
Total current liabilities	3,314,996	2,576,761
Non-current liabilities:		
Compensated absences, due in more than one year	<u>42,365</u>	<u>16,874</u>
Total liabilities	<u>3,357,361</u>	<u>2,593,635</u>
Net position:		
Net investment in capital assets	10,028	15,260
Restricted for marketing	859,491	976,198
Unrestricted	<u>8,361,953</u>	<u>6,985,046</u>
Net position	<u>\$ 9,231,472</u>	<u>\$ 7,976,504</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Assessment revenue	\$ 7,626,903	\$ 4,170,252
HAB rebate assessment revenue (restricted)	9,773,493	9,249,818
Administrative and marketing fees	<u>106,000</u>	<u>223,500</u>
Total operating revenues	<u>17,506,396</u>	<u>13,643,570</u>
Operating expenses:		
Marketing	11,389,666	11,631,799
Non-marketing programs	2,356,921	1,957,353
Administration	<u>2,631,171</u>	<u>2,602,296</u>
Total operating expenses	<u>16,377,758</u>	<u>16,191,448</u>
Operating income (loss)	<u>1,128,638</u>	<u>(2,547,878)</u>
Non-operating revenues:		
Interest income	16,741	37,177
Other income	<u>109,589</u>	<u>110,993</u>
Total non-operating revenues	<u>126,330</u>	<u>148,170</u>
Change in net position	1,254,968	(2,399,708)
Net position, beginning of year	<u>7,976,504</u>	<u>10,376,212</u>
Net position, ending of year	<u><u>\$ 9,231,472</u></u>	<u><u>\$ 7,976,504</u></u>

See accompanying notes to the basic financial statements.

CALIFORNIA AVOCADO COMMISSION
Statements of Cash Flows
For the Years Ended October 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from customers	\$ 16,064,017	\$ 12,284,354
Cash payments to suppliers for goods and services	(13,746,148)	(14,254,126)
Cash payments to employees for services	<u>(2,004,518)</u>	<u>(1,650,417)</u>
Net cash provided by (used in) operating activities	<u>313,351</u>	<u>(3,620,189)</u>
Cash flows from non-capital financing activities:		
Proceeds from grants	62,360	57,956
Other	<u>46,607</u>	<u>52,871</u>
Net cash provided by non-capital related financing activities	<u>108,967</u>	<u>110,827</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of assets	<u>622</u>	<u>166</u>
Net cash provided by capital and related financing activities	<u>622</u>	<u>166</u>
Cash flows from investing activities:		
Interest on investments	<u>16,741</u>	<u>37,177</u>
Increase (decrease) in cash and cash equivalents	439,681	(3,472,019)
Cash and cash equivalents, beginning of year	<u>8,832,641</u>	<u>12,304,660</u>
Cash and cash equivalents, end of year	<u>\$ 9,272,322</u>	<u>\$ 8,832,641</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 1,128,638	\$ (2,547,878)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	5,232	7,790
Changes in assets and liabilities:		
(Increase) in assessments receivable	(1,604,423)	(1,422,821)
(Increase) decrease in other receivables	21,956	(30,775)
(Increase) decrease in prepaid expenses	(1,778)	8,316
Increase in accounts payable and accrued liabilities	619,774	285,159
Increase in fiduciary liabilities	140,088	113,130
(Decrease) in unearned revenue	-	(18,750)
Increase (decrease) in compensated absences	<u>3,864</u>	<u>(14,360)</u>
Net cash provided by (used in) operating activities	<u>\$ 313,351</u>	<u>\$ (3,620,189)</u>

See accompanying notes to basic financial statements.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements
October 31, 2013 and 2012

(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, 2013 and 2012, were 1.75% and 1.10%, 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 non-operating 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 non-operating 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, 2013 and 2012

(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

In accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, 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, 2012 and 2013. 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:

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

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2013 and 2012

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 in 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, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. 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 or deferred inflows of resources attributable to the unspent related debt proceeds amount. At October 31, 2013 and 2012, the Commission had \$10,028 and \$15,260, respectively, net investment in capital assets. There was no outstanding debt related to capital assets at October 31, 2013 and 2012. 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, 2013 and 2012, the Commission had restricted net position in the amounts of \$859,491 and \$976,198, respectively, for marketing-related activities. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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, 2013 and 2012

(d) *Effects of New Pronouncements*

The following lists recent Governmental Accounting Standards Board (GASB) pronouncements implemented during FY 2012-13:

Effective November 1, 2012, the Commission implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB No. 62). The objective of this statement is to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments. The implementation of GASB No. 62 did not have a material impact on the Commission's financial position and result of operations.

Effective November 1, 2012, the Commission implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB No. 63). This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. In addition, this statement amends the net asset reporting requirements in Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments", and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming the measure as net position, rather than net assets. The implementation of GASB No. 63 did not have a material impact on the Commission's financial position and result of operations.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2013 and 2012

(2) DETAILED NOTES ON ASSETS AND LIABILITIES

(a) Cash and Cash Equivalents

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

	<u>2013</u>	<u>2012</u>
Petty cash	\$ 200	\$ 200
Demand deposits	9,262,565	8,822,915
Local Agency Investment Fund	<u>9,557</u>	<u>9,526</u>
Total cash and cash equivalents	<u>\$ 9,272,322</u>	<u>\$ 8,832,641</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	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$50 million

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2013 and 2012

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:

Investment Type	Remaining Maturity 12 Months or Less	
	2013	2012
Local Agency Investment Fund	\$ 9,557	\$ 9,526

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, 2013 and 2012.

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

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2013 and 2012

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, 2013, was \$18.9 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at October 31, 2013, had a balance of \$56.8 billion. Of that amount, 2.01 % was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 220 days as of October 31, 2013.

The total amount invested by all public agencies in LAIF as of October 31, 2012, was \$20.0 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at October 31, 2012, had a balance of \$63.0 billion. Of that amount, 2.02 % was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 229 days as of October 31, 2012.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2013 and 2012

(b) Capital Assets

Capital assets consisted of the following:

	November 1, 2012	Additions	Deletions	October 31, 2013
Capital assets, being depreciated:				
Furniture	\$ 26,160	\$ -	\$ -	\$ 26,160
Office equipment	61,002	-	-	61,002
Total capital assets, being depreciated	87,162	-	-	87,162
Less accumulated depreciation for:				
Furniture	10,900	5,232	-	16,132
Office equipment	61,002	-	-	61,002
Total accumulated depreciation	71,902	5,232	-	77,134
Capital assets, net of depreciation	<u>\$ 15,260</u>	<u>\$ (5,232)</u>	<u>\$ -</u>	<u>\$ 10,028</u>
	November 1, 2011	Additions	Deletions	October 31, 2012
Capital assets, being depreciated:				
Furniture	\$ 26,160	\$ -	\$ -	\$ 26,160
Office equipment	72,578	-	(11,576)	61,002
Total capital assets, being depreciated	98,738	-	(11,576)	87,162
Less accumulated depreciation for:				
Furniture	5,668	5,232	-	10,900
Office equipment	70,020	2,558	(11,576)	61,002
Total accumulated depreciation	75,688	7,790	(11,576)	71,902
Capital assets, net of depreciated	<u>\$ 23,050</u>	<u>\$ (7,790)</u>	<u>\$ -</u>	<u>\$ 15,260</u>

Depreciation expense was \$5,232 and \$7,790 for the years ended October 31, 2013 and 2012, respectively.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2013 and 2012

(c) *Long-term Liabilities*

	<u>November 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2013</u>	<u>Amount Due within One Year</u>
Compensated absences	\$ 124,626	\$ 98,753	\$ (94,889)	\$ 128,490	\$ 86,125

	<u>November 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2012</u>	<u>Amount Due within One Year</u>
Compensated absences	138,986	101,852	(116,212)	124,626	107,752
Total	<u>\$ 138,986</u>	<u>\$ 101,852</u>	<u>\$ (116,212)</u>	<u>\$ 124,626</u>	<u>\$ 107,752</u>

(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, 2013 and 2012, \$1,311,862 and \$1,171,774, 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 subsequently extended to February 15, 2014, under the same terms as the original agreement. At October 31, 2013 and 2012, there was no outstanding balance due on the line of credit.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2013 and 2012

(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 Associated Indemnity Corporation – Coverage is \$1,000,000 per bodily injury or property damage, subject to a \$500 deductible.

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

Umbrella Liability - insured by Fireman's Fund Insurance Company – 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 Great American E&S 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 Great American E&S 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.

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2013 and 2012

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 other than the addition of foreign liability insurance coverage added during fiscal year 2013.

(d) Employee Retirement Plan

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, 2013, was \$1,330,631. Total payroll for the eleven employees eligible to participate in the PSP for the plan year ended October 31, 2012, was \$1,450,753. Total contributions for the years ended October 31, 2013, 2012 and 2011, were \$114,744, \$145,075 and \$110,920, 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 \$50,000, for each of the plan years ended October 31, 2013 and 2012. 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.

(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. During the years ended October 31, 2013 and 2012, the Commission paid \$62,801, and \$56,960, 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, 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, 2013 and 2012, respectively, the Commission paid \$1,339 and \$953, respectively, including tax, for this lease.

On February 23, 2012, the Commission entered into an agreement to lease two printers under a three-year lease agreement ending on March 31, 2015, with monthly payments of \$443 beginning April 1, 2012. During the year ended October 31, 2013 and 2012, the Commission paid \$6,002

CALIFORNIA AVOCADO COMMISSION
Notes to Basic Financial Statements (Continued)
October 31, 2013 and 2012

and \$4,092, respectively, including tax, for this lease.

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, 2013, the Commission paid \$4,158 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, 2013, the Commission paid \$6,100 for rent, including rent paid for a garage on the property for \$100 a month starting in August.

The annual requirements to amortize the operating lease obligations as of October 31, 2013, are as follows:

Year Ending October 31,	Office Spaces	Printers	Postage Machine	Pine Tree Ranch	Total
2014	80,479	5,316	1,101	17,600	104,496
2015	20,352	2,215	-	18,212	40,779
2016	7,560	-	-	18,856	26,416
2017				19,520	19,520
2018				20,200	20,200
2019 - 2023	-	-	-	103,932	103,932
Total	<u>\$ 108,391</u>	<u>\$ 7,531</u>	<u>\$ 1,101</u>	<u>\$ 198,320</u>	<u>\$ 315,343</u>

(4) SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 17, 2014, which is the date of the financial statements were issued.

SUPPLEMENTARY INFORMATION

CALIFORNIA AVOCADO COMMISSION

Budgetary Comparison Schedule

For the Year Ended October 31, 2013

(with comparative actual totals for the year ended October 31, 2012)

	2013				2012 Actual
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	
Revenues:					
Assessment revenue	\$ 6,562,500	\$ 6,562,500	\$ 7,626,903	\$ 1,064,403	\$ 4,170,252
HAB rebate assessment revenue (restricted)	9,881,250	9,881,250	9,773,493	(107,757)	9,249,818
Administrative and marketing fees	106,000	106,000	106,000	-	223,500
Interest income	10,000	10,000	16,741	6,741	37,177
Grant revenue	75,000	75,000	61,430	(13,570)	57,956
Other income	40,000	40,000	48,159	8,159	53,037
Total revenues	<u>16,674,750</u>	<u>16,674,750</u>	<u>17,632,726</u>	<u>957,976</u>	<u>13,791,740</u>
Expenses:					
Marketing:					
Consumer advertising	7,217,500	7,217,500	7,210,502	6,998	7,754,675
Merchandising	1,826,500	1,826,500	1,791,919	34,581	1,452,444
Foodservice	867,000	867,000	870,684	(3,684)	845,253
Public relations and nutrition communication	877,000	877,000	875,576	1,424	875,135
Internet marketing	617,000	617,000	586,433	30,567	591,839
Marketing planning and other	95,000	95,000	54,552	40,448	112,453
Total marketing	<u>11,500,000</u>	<u>11,500,000</u>	<u>11,389,666</u>	<u>110,334</u>	<u>11,631,799</u>
Non-marketing programs:					
Industry affairs	1,310,000	1,492,535	1,262,791	229,744	901,439
Production research	1,374,591	1,358,631	1,044,960	313,671	984,385
Grant expenses	75,000	75,000	49,170	25,830	71,529
Total non-marketing programs	<u>2,759,591</u>	<u>2,926,166</u>	<u>2,356,921</u>	<u>569,245</u>	<u>1,957,353</u>
Administration:					
Administration	2,654,200	2,697,698	2,565,974	131,724	2,541,513
Information systems	80,000	80,324	59,965	20,359	52,993
Depreciation	5,300	5,300	5,232	68	7,790
Total administration	<u>2,739,500</u>	<u>2,783,322</u>	<u>2,631,171</u>	<u>152,151</u>	<u>2,602,296</u>
Total expenses	<u>16,999,091</u>	<u>17,209,488</u>	<u>16,377,758</u>	<u>831,730</u>	<u>16,191,448</u>
Change in net position	(324,341)	(534,738)	1,254,968	1,789,706	(2,399,708)
Net position - beginning of year	7,976,504	7,976,504	7,976,504	-	10,376,212
Net position - ending of year	<u>\$ 7,652,163</u>	<u>\$ 7,441,766</u>	<u>\$ 9,231,472</u>	<u>\$ 1,789,706</u>	<u>\$ 7,976,504</u>

See accompanying note to supplementary information.

CALIFORNIA AVOCADO COMMISSION
Note to Supplementary Information
October 31, 2013 and 2012

(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, 2013

	<u>Restricted</u>	<u>Unrestricted*</u>	<u>Total</u>
Operating revenues:			
Assessment revenue	\$ -	\$ 7,626,903	\$ 7,626,903
HAB rebate assessment revenue (restricted)	9,773,493	-	9,773,493
Administrative and marketing fees	-	106,000	106,000
Total operating revenues	<u>9,773,493</u>	<u>7,732,903</u>	<u>17,506,396</u>
Operating expenses:			
Marketing	9,890,200	1,499,466	11,389,666
Non-marketing programs	-	2,356,921	2,356,921
Administration	-	2,631,171	2,631,171
Total operating expenses	<u>9,890,200</u>	<u>6,487,558</u>	<u>16,377,758</u>
Operating income (loss)	<u>(116,707)</u>	<u>1,245,345</u>	<u>1,128,638</u>
Non-operating revenues:			
Interest income	-	16,741	16,741
Other income	-	109,589	109,589
Total non-operating revenues	<u>-</u>	<u>126,330</u>	<u>126,330</u>
Change in net position	(116,707)	1,371,675	1,254,968
Net position, beginning of year	<u>976,198</u>	<u>7,000,306</u>	<u>7,976,504</u>
Net position, ending of year	<u>\$ 859,491</u>	<u>\$ 8,371,981</u>	<u>\$ 9,231,472</u>

* Includes net investment in capital assets

CALIFORNIA AVOCADO COMMISSION
Program Expenses
For the Year Ended October 31, 2013

	<u>Restricted</u>	<u>Budget</u>
Marketing Programs:		
Program Administration Fees-DGWB	\$ 859,884	\$ 793,500
Media-DGWB	6,193,110	6,224,000
Subtotal Consumer Advertising	<u>7,052,994</u>	<u>7,017,500</u>
Trade Adv-Media-85% Rebate-FUSION	202,481	200,000
Trade Adv-Production-85% Rebate-FUSION	29,069	29,000
Trends, Information & Data-85% Rebate-FUSION	16,592	11,000
Strategic Planning & Mktg Support Svc-85%	43,141	41,500
Dues-85% Rebate	10,125	10,310
Sponsorships-Northwest-85% Rebate	2,359	3,030
Sponsorships-Southwest-85% Rebate	11,992	12,845
Sponsorships-Midwest-85% Rebate	1,295	590
Trade Sponsorship Opportunities-85% Rebate	18,706	2,800
Sponsorships-Southeast-85% Rebate	175	150
Conventions-85% Rebate	154,907	159,188
Booth Storage-85% Rebate	6,498	5,812
Program Administration-85% Rebate-PJ/PR	7,262	6,000
Retailer Communications Outreach-85% Rebate	11,813	13,000
Retailer Communications Outreach-85% Rebat	100,000	100,000
Oldways Symposium Sponsorship-85% Rebate	18,816	21,000
Oldways Symposium-85% Rebate-PJ/PR	14,000	12,000
Newsroom Responsive Communications-85% Rebate	5,000	5,000
Costco Cookbook-85% Rebate	10,000	8,000
Costco Demos-85% Rebate	-	12,000
Corporate Promotions-85% Rebate-Safeway	9,626	17,000
Corporate Promotions-85% Rebate-Sam's Club	13,980	17,000
Corporate Promotions-85% Rebate-Wal-Mart	17,000	17,000
Corporate Promotions-85% Rebate-Kroger	-	17,000
Consumer Promotions-85% Rebate	27,019	30,000
Co-Marketing Photo Shoot-85% Rebate	35,490	30,000
Co-Marketing Printed Materials-85% Rebate	51,787	61,000
NCH-85% Rebate	13,009	15,000
Retail Trade Promotions-85% Rebate-FUSION	17,050	17,500
Advertising & Display Contest & ASH & July 4	9,553	13,350
Adv & Display Contest Comp/Prizes-85% Reba	13,304	19,000
RMD Retail Promotion Kit-85% Rebate-FUSION	10,172	28,000
Retail Identity Programs-85% Rebate-Display Bi	110,196	110,000
Premiums-85% Rebate	25,959	25,000
Ripe Materials-85% Rebate	34,684	25,000
Storage/Fulfillment-85% Rebate	37,884	35,000
Subtotal Consumer Merchandising	<u>1,090,944</u>	<u>1,130,075</u>

CALIFORNIA AVOCADO COMMISSION
Program Expenses (Continued)
For the Year Ended October 31, 2013

	<u>Restricted</u>	<u>Budget</u>
Marketing Programs:		
Program Administration Fees-85% Rebate-GH	67,275	68,000
Program Administration Expenses-85% Rebate-GH	4,648	8,000
Nutrition Communication-85% Rebate-GH	165,437	159,000
News Bureau-85% Rebate-GH	217,113	228,500
Media Tracking & Reporting-85% Rebate-GH	70,604	71,000
Media Grove Tour-85% Rebate-GH	39,489	32,000
America's Summer Holidays-85% Rebate-GH	57,979	45,000
Crisis Readiness-85% Rebate-GH	1,050	8,000
Cinco de Mayo-85% Rebate-GH	42,438	49,000
Artisan Chef Program-85% Rebate-GH	209,544	208,500
Subtotal Public Relations	<u>875,577</u>	<u>877,000</u>
Public Relations & Collateral Mat-MMM	95,526	92,000
Market Research-85% Rebate-MMM	2,606	4,500
Program Administration Fees-MMM	51,538	55,000
Program Administration Expenses-MMM	3,725	5,000
Media-MMM	148,413	151,000
Production-MMM	19,690	20,000
Foodservice Events-MMM	223,886	219,173
Culinary Education Program-MMM	45,818	37,500
Chain Promotions-MMM	238,333	241,677
Chain Promotions-Ideation	33,236	33,323
Foodservice Events-Ideation	7,914	7,827
Subtotal Foodservice	<u>870,685</u>	<u>867,000</u>
Total Marketing	<u>9,890,200</u>	<u>9,891,575</u>
Total Program Expenses	<u><u>\$ 9,890,200</u></u>	<u><u>\$ 9,891,575</u></u>

CALIFORNIA AVOCADO COMMISSION
Schedule of Property and Equipment
For the Year Ended October 31, 2013

Furniture

Booth Signage \$ 26,160

Office Equipment

Exchange Clusters-2HP DL380G3 servers PX/3.06GHz &
1GB Memory, HP StorageWorks Modular Smart Array 500 20,563
Sharp MX-M950 Copier 25,089
EMC AX4-5I SAN Dual SP DPE ISCSI (10x400GB 10K SAS, 2 SPS) 15,350

Total Property and Equipment \$ 87,162

Independent Auditor's Report on Compliance

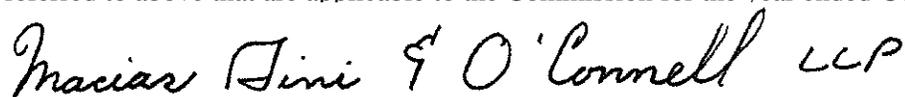
Board of Directors
California Avocado Commission
Irvine, California

We have audited the California Avocado Commission's (Commission) compliance with the 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, 2013. Compliance with the requirements referred to above is the responsibility of the Commission's management. 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 Guidelines. An audit includes examining, on a test basis, evidence about 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 Commission's compliance with the 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.

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, 2013.



Newport Beach, California
January 17, 2014



INDUSTRY STATISTICS

INDUSTRY STATISTICAL DATA: 2003 – 04 to 2012 – 13

YEAR	BEARING ACRES	VOLUME (MM/LBS)	CROP VALUE (\$)	PRICE PER POUND (¢)	DOLLARS PER BEARING ACRE (\$)	POUNDS PER BEARING ACRE
03/04	60,566	431.8	\$379,846,520	87.97	\$6,272	7,129
04/05	61,712	300.4	\$275,034,420	91.55	\$4,457	4,868
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	99.5	\$4,995	5,020
08/09	64,555	174.5	\$199,625,988	114.4	\$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	152.1	\$7,999	5,258
11/12	59,629	462.3	\$381,852,467	82.6	\$6,404	7,753
12/13	57,838	500.2	\$435,023,142	87.0	\$7,521	8,648

Bearing acres based on CAC's acreage inventory, attrition factors and other sources. Industry statistical data from 1971–72 through 2012–13 are available on CaliforniaAvocadoGrowers.com/selling/industry-statistical-data

POUNDS AND DOLLARS BY VARIETY

NOVEMBER 2012 THROUGH OCTOBER 2013

MONTH	HASS POUNDS	LAMB POUNDS	OTHERS POUNDS	TOTAL POUNDS	HASS DOLLARS	LAMB DOLLARS	OTHERS DOLLARS	TOTAL DOLLARS	AVG \$/LB
1ST QTR	4,442,213	22,814	498,511	4,963,538	2,838,294	32,079	174,038	3,044,411	0.613
2ND QTR	109,065,431	2,346	1,041,840	110,109,617	81,415,757	1,006	268,624	81,685,387	0.742
3RD QTR	231,308,364	8,977,881	737,748	241,023,993	191,107,850	9,553,139	306,862	200,967,851	0.834
4TH QTR	134,271,280	8,854,047	963,161	144,088,488	138,767,473	9,745,118	812,902	149,325,493	1.036
TOTAL	479,087,288	17,857,088	3,241,260	500,185,636	414,129,374	19,331,342	1,562,426	435,023,142	0.870
GRAND TOTAL								435,023,142	0.870
Y-T-D (%)	95.78%	3.57%	.65%	100.00%	95.20%	4.44%	.36%	100.00%	
Y-T-D AVG \$/LB					0.864	1.083	0.482	0.870	

GLOBAL VOLUME VS PRICE PER POUND 2003 – 04 to 2012 – 13

YEAR	CA VOLUME	GLOBAL VOLUME	PRICE PER POUND
03/04	431.8	795	87.97
04/05	300.4	892	91.55
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	87.0



ANNUAL REPORT 2012-2013

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