



Avocados ^{From} Mexico

| 2011 semiannual report |

table of contents

Letter from the Chairman	1
Marketing Review	2-4
Independent Auditors' Report	5
Basic Financial Statements:	
Statement of Financial Position	6
Statement of Activities and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 12
Supplementary Schedules:	
Independent Auditors' Report on Supplementary Schedules	13
Supplementary Schedule of Revenues, Support, and Expenses- Budget to Actual.	14
Supplementary Schedule of Property and Equipment.	15
Supplementary Schedule – Trial Balance – Budget to Actual.	16
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	17 - 18
Independent Auditors' Report on MHAIA Communication with those charged with Governance.	19 - 20
Exhibit A - General Recommendations	21
Status Report-2010 Audit Findings and Recommendations	22



letter from the chairman



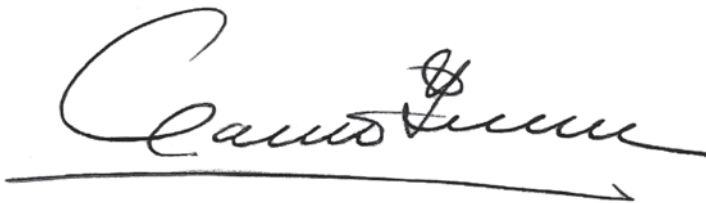
Dear fellow members of MHAIA:

It has been an exciting six months for our organization and I'm happy to say that, once again, Avocados from Mexico have defied current economic trends by demonstrating accelerated growth and increased revenues throughout the supply chain. It appears that the remainder of this season will prove to be equally rewarding, as Avocados from Mexico continue to be the largest supplier of avocados to the United States. Thank you to everyone for your hard work, support and leadership in making this possible.

As you may know, in an effort to develop a more precise marketing strategy, we aligned our fiscal year with the Mexican avocado crop which starts on July 1st and ends on June 30th. Therefore, in order to adapt to this new timetable, it was necessary to develop an abbreviated fiscal period starting January 1, 2011 and running through June 30, 2011. However, even during this brief timeframe we logged over 380 million pounds, which was an increase of over 34 million from this same time last year and I believe that our integrated marketing efforts across all disciplines during this calendar period have fueled our growth. From Super Bowl to Cinco de Mayo, including the launch of our Taste the Wow mobile tour, we have continued to drive demand for Avocados from Mexico in MHAIA's key markets.

As we pause during this point in my term as MHAIA chairman, I am extremely pleased to see our success endure and I'm equally excited about our future. Through the support of our stakeholders, and our strengthened partnership with APEAM, we will continue to push the market boundaries in an attempt to achieve our mission; to unify growers, packers and importers in an effort to promote the sale and drive the consumption of Avocados from Mexico.

Thank you again for your support and I look forward to working with you over the next two years.



Adrian Iturbide
Chairman

marketing review

2011 January - June Marketing Strategy:

- Continue with our nutrition/versatility platform, bolstered by strong call-to-action message and usage suggestions.
- Implement messaging through numerous communications channels: advertising, promotions, online, trade, and PR.

National Print Media

2011 took us into our third full year for the Amazing Avocado national print advertising campaign. New creative executions hitting hard on “50 calories per serving” and “Good fats” were included into the lineup. From January to June we had a total of 33 insertions in 24 Women’s, Food/cooking and Health/Fitness publications such as People, Cooking Light and Self. This time period resulted in 75 million in circulation and achieved over 200 million impressions with the primary target, women 25-54.



Integrated Promotions

All agencies came together to support Super Bowl, the launch of the Taste the Wow Mobile tour and Cinco de Mayo during the time.

Super Bowl

For Super Bowl 2011 we ventured into one of the most popular retail destinations during this time period- the beer aisle. Teaming up with Sam Adams, we created the “Big Game. Smart Play” in-store promotion. Displays were placed in both the produce section and the beer section, with recipes featuring both avocados and Sam Adams and coupons for \$1.00/\$2.00 off when you made an avocado and Sam Adams purchase. We had 2,149 standard displays placed with our new 360 degree shopper access display design, and 1,576 Sam Adams coupon displays placed.

This resulted in a record 3,725 participating retailers and a total of 5,300 total displays in the two departments. Resulting in 90.4 million in-store impressions! The promotion was rounded out with PR and on-line support. PR generated 6 broadcast segments and 7 online articles reaching 3,869,927 viewers! To reach our consumer on-line database of 20k- an email blast with fan favorite Super Bowl recipe ideas was sent out, along with updated promotional graphics on our website for support.



Launch of the Taste the Wow Mobile Tour

To partner with our mass communication platforms we wanted to take our nutrition and versatility message to a more personal, one-on-one level. We wanted to give our target audience a chance to interact with the product, taste easy to make and versatile recipes and educate them on the nutritional benefits. Thus the Avocados from Mexico Taste-mobile was born and the Taste the Wow tour kicked off in New York City at the NYC Wine Expo in February.

We aimed at events that targeted our core female target- such as food/women’s interest and health related events in the MHAIA geography. During this leg of the tour we stopped at 7 consumer events, distributing over 37,000 samples (combination of Avocado Gazpacho Shooters, Avocado Citrus Salad and a pineapple guacamole from Roberto Santibañez) and made over 168,000 consumer impressions. Not to mention the attention from covering more than 2,100 miles on major east coast interstates generating thousands more impressions. We also distributed 30,000 brochures that gave instructions on how to select the perfect avocado, nutritional information and recipes.



To get the word out about the tour PR efforts were placed around local blogger and broadcast outreach as well as social media. Through a combination on print, on-line, broadcast and radio over 5 million impressions were generated about Avocados from Mexico and the Taste the Wow Tour. Roberto Santibanez made appearances at the Raleigh and Atlanta events- giving both media interviews and product demonstrations. Registered dietitian Rebecca Scritchfield also made event appearances, serving as a spokesperson to both event attendees and the media. All of the event stops were highlighted on the Amazing Avocado website, and our Facebook and Twitter pages. On Facebook each stop was tracked and photos of events shared with our fans. For further incentive to stop by the events we gave away AFM t-shirts to the first 25 people who checked in at the event on FourSquare.



Cinco de Mayo

To support Cinco de Mayo this year we partnered with the book launch of *Truly Mexican* by Roberto Santibañez. In-store displays, PR and on-line efforts all centered on this launch and the delicious recipe ideas included for consumers to use at their Cinco celebration. We had 3,262 participating retail stores for our display program. Displays featured original recipes from *Truly Mexican* and generated 79.2 million shopper impressions. The program was also supported by supermarket dietitian outreach, online display advertising, a consumer email blast and a stop at the Guactacular - annual guacamole making contest in Brooklyn, New York. Our Taste the Wow tour also made a stop at this event, as did Roberto Santibañez who was a judge.



Conferences

In the first half of 2011 MHAIA continued to take advantage of events with influential audiences to promote Avocados from Mexico. Our partnership with The Culinary Institute of America remains strong; with our support of World of Healthy Flavors, Produce First, Healthy Kitchens-Healthy Lives and Healthy Flavors-Healthy Kids. Each of these events puts Avocados from Mexico in an upfront one-on-one environment with chefs, food service decision makers and key influencers in the health community.



independent auditors' report

To the Board of Directors of
Mexican Hass Avocado Importers Association

We have audited the financial statements of Mexican Hass Avocado Importers' Association (a nonprofit organization) as of June 30, 2011 and for the six months then ended, as listed in the foregoing table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mexican Hass Avocado Importers Association as of June 30, 2011 and the changes in its net assets and its cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report August 31, 2011, on our consideration of Mexican Hass Avocado Importers Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 important for assessing the results of our audit.

David L. Gruber and Associates, Inc.
Huntington Beach, CA
August 31, 2011



statement of financial position

JUNE 30, 2011

ASSETS	
Current assets:	
Cash and cash equivalents	\$4,649,003
Accounts receivable - assessments from HAB	879,199
Accounts receivable - contributions from APEAM	80,327
Prepaid expenses	2,415
Total current assets	5,610,944
Property and equipment:	
Equipment	3,667
Less: accumulated depreciation	(1,201)
Net property and equipment	2,466
TOTAL ASSETS	\$5,613,410
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	\$123,819
Accrued liabilities	244,345
TOTAL LIABILITIES	368,164
NET ASSETS	
Unrestricted	-
Restricted	5,245,246
TOTAL NET ASSETS	5,245,246
TOTAL LIABILITIES AND NET ASSETS	\$5,613,410

statement of activities and changes in net assets

FOR THE SIX MONTHS ENDED JUNE 30, 2011

	Unrestricted	Restricted	Total
OPERATING REVENUE AND OTHER SUPPORT			
Assessments from HAB	\$-	7,189,386	7,189,386
Contributions from APEAM	80,326	-	80,326
Interest income	-	4,795	4,795
TOTAL OPERATING REVENUE AND OTHER SUPPORT	80,326	7,194,181	7,274,507
NET ASSETS RELEASED FROM RESTRICTIONS	4,552,132	(4,552,132)	-
TOTAL REVENUE	4,632,458	2,642,049	7,274,507
EXPENSES			
Program services:			
AMS program fees	38,863	-	38,863
Board of director meetings and related expenses	9,098	-	9,098
Consumer, retail and web campaigns	3,288,145	-	3,288,145
Co-op funds	395,499	-	395,499
Executive director contract and related expenses	82,489	-	82,489
Legal	150,513	-	150,513
Marketing director contract and related expenses	98,009	-	98,009
Other program related expenses	1,982	-	1,982
Public relation campaigns	304,552	-	304,552
Strategic meeting consulting fee	34,870	-	34,870
Trade advertising and events	148,112	-	148,112
Total program services	4,552,132	-	4,552,132
Support services:			
Accounting fees	9,650	-	9,650
Bank service charges	1,354	-	1,354
Finance director contract and related expenses	42,126	-	42,126
Insurance - Directors and Officers	5,965	-	5,965
Legal fees	278	-	278
Depreciation	611	-	611
Total support services	59,984	-	59,984
TOTAL EXPENSES	4,612,116	-	4,612,116
CHANGE IN NET ASSETS	20,342	2,642,049	2,662,391
NET ASSETS - BEGINNING OF PERIOD	(20,342)	2,603,197	2,582,855
NET ASSETS - END OF PERIOD	\$ -	5,245,246	5,245,246

statement of cash flows

FOR THE SIX MONTHS ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in unrestricted net assets	\$20,342
Decrease in temporarily restricted net assets	2,642,049
Total change in net assets	2,662,391
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	611
(Increase) decrease in operating assets:	
Accounts receivable - assessments from HAB	372,185
Accounts receivable - contributions from APEAM	(60,857)
Prepaid expenses	48,138
Increase (decrease) in operating liabilities:	
Accounts payable	(186,974)
Accrued liabilities	(141,838)
Total adjustments	31,265
NET CASH (USED) BY OPERATING ACTIVITIES	2,693,656
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	-
NET CASH USED BY INVESTING ACTIVITIES	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,693,656
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,955,347
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$4,649,003

notes to financial statement

FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS

The significant accounting policies of the Mexican Hass Avocado Importers Association (MHAIA) are presented to assist in the understanding of MHAIA's financial statements. The financial statements and notes are representations of MHAIA's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization

MHAIA, a not for profit voluntary membership organization, was incorporated in December 2002 in Washington, D.C.

MHAIA receives 85% of the assessments collected by the Hass Avocado Board (HAB) derived from assessments on importers of Hass avocados from Mexico. Such funds are to be used for promotion, research and consumer information purposes set forth in the provisions of the federal Hass Avocado Promotion, Research, and Information Act of 2000 (7 U.S.C. §7801) and the related federal Hass Avocado Promotion Order (7 CFR Part 1219) (Order).

The corporation has three classes of members: Members of Class A shall be importers of Mexican Hass avocados into the United States, in fresh, frozen or processed form, who pay assessments under the Hass Avocado Promotion, Research and Information Act of 2000 and the Hass Avocado Promotion Order. Members of Class B shall be exporters of Mexican Hass avocados in fresh, frozen or processed form, to the United States market. Members of Class C shall be producers (owners of approved orchards) of Hass avocados exported to the United States. Each class of members shall have the right to vote, as a class, for Directors, any amendments to the By-Laws, and on such other matters as provided for in the By-Laws.

Change in Fiscal Year

The Board of Directors of MHAIA approved a change of its fiscal year end from December 31st to June 30th. Accordingly, these financial statements are for the six months transition period ended June 30, 2011.

Cash and Cash Equivalents

Cash and cash equivalents consist of collateralized deposits and FDIC insured money market funds with original maturities of three months or less. The holdings comply with the authorized investment options acceptable under U.S.D.A.'s provisions and guidelines (Note 2).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS – (Continued)

Sources of Revenues and Revenue Recognition

All revenues, gains, and other support are categorized as unrestricted or temporarily restricted funds, depending on the designation of the payor. All of the assessments received from HAB, and the related interest income, are specifically restricted for promotion, research, and consumer information relating to Hass avocados.

Producers and importers of Hass avocados pay an assessment to HAB under the program, with first handlers involved in the domestic assessment collection process and U.S. Customs responsible for assessment collections on imported Hass avocados. The rate of assessment was mandated at 2.5 cents per pound on fresh Hass avocados produced and handled in the United States and on fresh Hass avocados imported into the United States. MHAIA is eligible to receive an amount of assessment funds equal to 85% of the assessments paid to HAB on Hass avocados imported from Mexico. Funds received must be used to finance promotion, research, consumer and/or industry information programs, plans or projects in the U.S.

MHAIA recognizes revenues from assessments at the time the funds are received by HAB. At June 30, 2011, \$879,199 was due to MHAIA for assessments received by HAB. This amount was received by MHAIA subsequent to June 30, 2011.

Other Support

MHAIA also receives contributions from *Asociacion de Productores y Empacadores Exportadores de Aguacate de Michoacan, A.C (APEAM)*. APEAM is a Mexican promotional organization, some of whose members are also members of MHAIA. Contributions received from APEAM are unrestricted and are used to pay for support services expenses incurred by MHAIA. There was \$80,327 in contributions receivable from APEAM as of June 30, 2011.

Income Taxes

MHAIA is exempt from federal income tax under Code Section 501(c)(6) of the Internal Revenue Code. MHAIA follows the provisions of Accounting Standards Codification (ASC) 740, Income Taxes, (prior authoritative literature: FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109). ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS – (Continued)

Management 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Practices

The budget is prepared on the accrual basis of accounting. Management prepares and submits a proposed budget to the Board of Directors (Board) for approval. After reviewing the budget, the Board shall further consider the proposed budget and make any revisions it may deem necessary. The budget is then legally enacted by means of a budget resolution passed by the Board and approved by the U.S. Department of Agriculture – Agricultural Marketing Services (AMS). Upon final adoption, the budget shall be in effect for the ensuing reporting period.

Salaries and Benefits

MHAIA contracts out for administrative and marketing expenses and, accordingly, had no employees for the six months ended June 30, 2011.

Property and Equipment

It is MHAIA's policy to capitalize long-lived assets over \$1,000. Lesser amounts are expensed. Property and equipment are capitalized at cost. Donations of long-lived assets are recorded as contributions at their estimated fair values. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose in which case they are recorded as restricted contributions until such restriction expires. Property and equipment are depreciated on the straight-line method, using estimated useful lives of three to ten years for equipment. Depreciation expense for the six months ended June 30, 2011 was \$611.

Impairment of Long-Lived Assets

MHAIA evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash-flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS – (Continued)

Fair Value of Financial Instruments

The Organization's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities are carried at cost, which approximates fair value because of the short-term nature of these instruments.

NOTE 2 – INVESTMENTS

Under provision of the United States Department of Agriculture (U.S.D.A.) Guidelines for Agricultural Marketing Service Oversight of Commodity Research and Promotions Programs investment policy, adopted by the Board, authorized investments include the following:

- U.S. Government securities and other obligations
- California state and local government securities
- Commercial paper
- Bankers' acceptances
- Non-negotiable certificates of deposit
- Bonds, debentures, and notes issued by corporations organized and operating within the United States. Such securities shall be within the top three ratings of a nationally recognized rating service
- Money market funds (broker accounts)

NOTE 3 – MARKETING AND PROMOTION CONTRACT EXPENSES

MHAIA's marketing, promotion, and consumer information programs were carried out pursuant to contracts with various vendors. Expenses incurred for services provided by these vendors for the six months ended June 30, 2011 were as follows:

VENDOR		2011
The Botsford Group	\$	319,948
Encircle Marketing		2,855,091
Ketchum, Inc.		321,037
M. Shanken Communications, Inc.		57,566
Red Urban		77,458
Westmark Group		34,870
Importer and other program contracts		856,162
Total program services	\$	4,552,132

NOTE 4 – COMMITMENTS AND CONTINGENCIES

Marketing and Promotion Commitments:

MHAIA entered into contracts with Encircle Marketing, The Botsford Group, LLC, Ketchum Inc. and RedUrban, Inc. to carry out the marketing, promotion, and consumer information programs for the subsequent year ending June 30, 2012, for total contract fees not to exceed \$7,092,000, \$1,400,000, \$1,033,000, and \$315,000, respectively. These contracts may be cancelled at any time, however, if cancelled, the contractors are entitled to receive payment for costs and fees incurred to date of cancellation.

AMS also charges MHAIA a monthly fee which average approximately \$5,803 per month. Fees may be changed periodically by AMS and will continue as long as assessment revenues are received from HAB.

Other Commitments:

Other commitments of MHAIA include contracts with its Executive Director, Marketing Director, and Finance Director providing for monthly payments of \$10,416, \$15,160, and \$6,875, respectively, for the year ending June 30, 2012. Annual discretionary bonuses may also be available to the Executive Director and Marketing Director upon Board of Director approval, and if certain milestones are achieved. All bonuses are also contingent upon available funds.

Legal Contingencies:

MHAIA is the plaintiff in a litigation matter against a former vendor. MHAIA seeks monetary damages of approximately \$2.7 million and intends to pursue the case vigorously. It is reasonably possible that MHAIA may recover some or all of those monies, however, the exact amount of monetary recovery is undeterminable as of the date of this report.

MHAIA is subject to other legal proceedings, claims, and assessments that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect MHAIA's financial position, changes in net assets and cash flows.

NOTE 5 – COMPLIANCE WITH LAWS AND REGULATIONS

By accepting assessments from HAB, MHAIA is required to comply with certain laws and regulations provided for in the *Code of Federal Regulations (7 CFR Part 1219) – Hass Avocado Promotion Research, and Information Order*, issued by the United States Department of Agriculture (U.S.D.A.) and as interpreted in the *Guidelines for Agricultural Marketing Service Oversight of Commodity Research and Promotion Programs*, issued by the U.S.D.A. Management believes that it has complied with such laws and regulations.

NOTE 6 – CONCENTRATION

Assessments received from HAB represent 99% of MHAIA's revenues. If federal laws effecting import duties and assessments paid to HAB and, in turn to MHAIA, are significantly changed, such changes could have an adverse impact on MHAIA and such impact could be material. Management is not aware of any changes in assessment policies.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 31, 2011, the date the financial statements were available to be issued.



supplementary schedule

-Independent Auditors' Report

To the Board of Directors of
Mexican Hass Avocado Importers Association

We have audited the financial statements of Mexican Hass Avocado Importers Association (a nonprofit organization) as of June 30, 2011 and for the six months then ended, and have issued our report thereon dated August 31, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary schedule of revenues, support, and expenses-budget to actual, and schedule of property and equipment are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

David L. Gruber and Associates, Inc.
Huntington Beach, CA
August 31, 2011



budget to actual comparison

FOR THE SIX MONTHS ENDED JUNE 30, 2011

	Final Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative) (Unaudited)
OPERATING REVENUE AND OTHER SUPPORT			
Assessments received from HAB	\$7,181,505	7,189,386	7,881
Contributions from APEAM	75,810	80,326	4,516
Interest income	5,325	4,795	(530)
TOTAL OPERATING REVENUE AND OTHER SUPPORT			
	7,262,640	7,274,507	11,867
EXPENSES			
Program services:			
AMS program fees	34,818	38,863	(4,045)
Board of director meetings and related expenses	12,134	9,098	3,036
Consumer, retail and web campaigns	3,327,000	3,288,145	38,855
Co-op funds	700,000	395,499	304,501
Executive director contract and related expenses	90,250	82,489	7,761
Legal	175,005	150,513	24,492
Marketing director contract and related expenses	118,069	98,009	20,060
Other program related expenses	10,000	1,982	8,018
Public relation campaigns	330,000	304,552	25,448
Strategic meeting consulting fee	25,000	34,870	(9,870)
Trade advertising and events	120,000	148,112	(28,112)
Total program services	4,942,276	4,552,132	390,144
Support services:			
Accounting fees	9,650	9,650	-
Bank service charges	1,250	1,354	(104)
Finance director services and related fees	45,300	42,126	3,174
Insurance - Directors and Officers	9,000	5,965	3,035
Legal fees	10,000	278	9,722
Depreciation	611	611	-
Total support services	75,811	59,984	15,827
TOTAL EXPENSES	5,018,087	4,612,116	405,971
CHANGE IN NET ASSETS	\$2,244,553	\$2,662,391	\$417,838

Supplementary Schedule - Property and Equipment

BUDGET TO ACTUAL - FOR THE SIX MONTHS ENDED JUNE 30, 2011

PROPERTY AND EQUIPMENT:			
Computer and accessories		\$	2,772
Monitor			449
Printer			268
Work station			178
Total property and equipment			3,667
Less: accumulated depreciation			(1,201)
Net property and equipment		\$	2,466



Supplementary Schedule - Trial Balance

BUDGET TO ACTUAL - FOR THE SIX MONTHS ENDED JUNE 30, 2011

	Jan - Jun 11	Budget	\$ Over Budget
Ordinary Income/Expense			
Income			
4000 · Contributed support			
4010 · Assessment Revenues	7,189,386.48	7,181,505.39	7,881.09
4030 · Membership Revenues/Support	80,326.99	75,810.00	4,516.99
Total 4000 · Contributed support	7,269,713.47	7,257,315.39	12,398.08
5000 · Earned revenues			
5010 · Interest-Dividend Earnings	4,795.86	5,325.38	-529.52
Total 5000 · Earned revenues	4,795.86	5,325.38	-529.52
Total Income	7,274,509.33	7,262,640.77	11,868.56
Gross Profit	7,274,509.33	7,262,640.77	11,868.56
Expense			
6000 · Expenses			
6020 · AMS Program Fees	38,863.00	34,818.00	4,045.00
Total 6040 · Consumer campaigns	2,891,576.79	2,915,000.00	-23,423.21
6050 · Co-op funds	395,498.61	700,000.00	-304,501.39
6060 · Executive director cont.(100%)	75,249.96	75,249.96	0.00
6070 · Executive director exp.(100%)	7,238.95	15,000.00	-7,761.05
6080 · Legal	150,513.50	175,005.51	-24,492.01
6090 · Marketing director contract	86,625.00	103,068.76	-16,443.76
6100 · Marketing director expenses	11,384.54	15,000.25	-3,615.71
Total 6130 · Public relations campaigns	304,552.71	330,000.00	-25,447.29
Total 6140 · Retail campaigns	319,948.21	327,000.00	-7,051.79
6150 · Trade advertising	87,566.25	70,000.00	17,566.25
6160 · Trade events/Associations	60,545.74	50,000.00	10,545.74
Total 6170 · Web/internet campaigns	76,619.77	85,000.00	-8,380.23
Total 6540 · Board of Director/ Committee Me	7,418.10	12,133.74	-4,715.64
6550 · StrategicMtg-Consultant Fee/Oth	34,870.56	25,000.00	9,870.56
6555 · Meeting Facilitator	1,680.00		
6900 · Out of Pocket	1,982.24	10,000.00	-8,017.76
Total 6000 · Expenses	4,552,133.93	4,942,276.22	-390,142.29
7000 · Administrative expenses			
7020 · Bank Service Charges	1,354.10	1,249.80	104.30
7085 · Finance Director Contract	37,500.00	37,500.00	0.00
Total 7086 · Finance Director Exp	4,625.79	7,800.00	-3,174.21
7090 · Insurance - D&O	5,965.00	9,000.00	-3,035.00
7100 · Legal fees	278.00	10,000.00	-9,722.00
Total 7180 · Tax preparation other acctng	9,650.00	9,650.00	0.00
7200 · Depreciation expense	611.10	611.10	0.00
Total 7000 · Administrative expenses	59,983.99	75,810.90	-15,826.91
Total Expense	4,612,117.92	5,018,087.12	-405,969.20
Net Ordinary Income	2,662,391.41	2,244,553.65	417,837.76
Net Income	2,662,391.41	2,244,553.65	417,837.76

supplementary schedule

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards



To the Board of Directors of
Mexican Hass Avocado Importers Association

We have audited the financial statements of Mexican Hass Avocado Importer's Association (a nonprofit organization) as of June 30, 2011 and for the six months then ended, and have issued our report thereon dated August 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Mexican Hass Avocado Importer's Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mexican Hass Avocado Importer's Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mexican Hass Avocado Importer's Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those

provisions of laws and regulations identified in the *Code of Federal Regulations (7 CFR Part 1219) – Hass Avocado Promotion Research, and Information Order*, issued by the United States Department of Agriculture (U.S.D.A.) and as interpreted in the *Guidelines for Agricultural Marketing Service Oversight of Commodity Research and Promotion Programs (AMS Guidelines)*, issued by the U.S.D.A. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Mexican Hass Avocado Importer's Association in a separate letter dated August 31, 2011.

This report is intended solely for the information and use of the Board of Directors, management, and the U.S.D.A. and is not intended to be and should not be used by anyone other than these specified parties.

David L. Gruber and Associates, Inc.
Huntington Beach, CA
August 31, 2011



supplementary schedule

MHAIA Communication With Those Charged with Governance

Board of Directors of the
The Mexican Hass Avocado Importers' Association
1103 Old Fallston Rd
Fallston, Maryland 21047

To the Board of Directors:

We have audited the financial statements of the Mexican Hass Avocado Importers' Association (a not-for-profit organization) for the six months ended June 30, 2011, and have issued our report thereon dated August 31, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 16, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Mexican Hass Avocado Importers' Association are described in Note 1 to the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We were not aware of any significant accounting estimates affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure of Concentration in Note 6 to the financial statements concerning the potential adverse financial impact on MHAIA should assessments from HAB be reduced. As of the date of this letter, Management is not aware of any changes in assessment policies with HAB or the USDA that would adversely affect MHAIA's statement of position, changes in net assets, or cash flows.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted no adjustments as a result of audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 31, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations.

Other Audit Findings or Issues

During our fieldwork for the 2011 audit, we presented management with our formal audit plan and we discussed the matters concerning internal control over financial reporting. The results of those discussions were not a condition to our retention.

We also became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated August 31, 2011, on the financial statements of the Mexican Hass Avocado Importers' Association. Our comments are summarized in the attached Exhibit A.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Directors, management, and the U.S.D.A. and is not intended to be and should not be used by anyone other than these specified parties.

David L. Gruber and Associates, Inc.

August 31, 2011

Huntington Beach, California

Exhibit A - General Recommendations

Improvement to Co-Op Expense Supporting Documentation

The purpose of MHAIA's co-operative (Co-Op) marketing program is to increase consumption of Mexican Hass avocados through in-store retail or in-restaurant foodservice promotional initiatives that promote the sale and consumption of Mexican Hass avocados.

Co-Op guidelines approved by AMS state "Ads or foodservice promotions that are purchased with MHAIA Co-Op funds must promote Hass avocados produced in Mexico. While the promotion does not have to specify Mexico as the country of origin, adequate documentation must be provided to ensure that the product being promoted is Hass avocados produced in Mexico. Such documentation may include, but not be limited to, invoices, bills of lading, etc. When possible ads should display the Avocados From Mexico logo."

During our testwork on Co-Op expenses, we noted that MHAIA was in compliance with AMS guidelines for all Co-Op transactions tested. However, we noted a few instances where only a bill of lading, ad, and shipping report was used as supporting documentation but it did not support the amount (i.e. true cost) of the reimbursement request.

In 2011, the U.S. Government Accountability Office (GAO) will be issuing a revision to the *Government Auditing Standards (GAS)*. One of the major changes relates to the discussion of validity as an aspect of the quality of evidence. Chapter 6 of the revised standard states "In assessing the sufficiency of evidence, auditors should determine whether enough evidence has been obtained to persuade a knowledgeable person that the findings are reasonable...Evidence obtained from a knowledgeable, credible third party is generally more reliable than evidence from management of the audited entity or other who have a direct interest in the audited entry."

Although a shipping report or bill of lading is defined a sufficient evidence under the AMS guidelines, an invoice from a third party (such as a retailer) would be more sufficient evidence to support the Co-Op amount being requested for reimbursement as the GAS guidelines become more strict. It should be noted that third party invoices were obtained for the majority of Co-Op expenses tested.

Recommendation: We recommend that MHAIA revise its policy to only reimburse Co-Op expenses when an actual third party invoice (in addition to proof of advertisement and the bill of lading) is submitted in order to prevent potential overpayment of MHAIA's funds. MHAIA may also want to consider implementing a deadline for the submission of Co-Op invoices (such as 45 days after the promotion date) to better improve the cut-off of accruals.

Response:

supplementary schedule

Status Report-2010 Audit Findings and Recommendations

1. Adoption of Election Procedures

During our review of the 2011 Board of Directors' election procedures, we noted that the Board adopted the Hass Avocado Board Nomination Procedures (where applicable) dated January 19, 2005 and approved by the Secretary of the USDA on March 15, 2005.

Recommendation: We recommend that MHAIA adopt their own board of director nomination procedures to include the specific elements that they would like implemented during their next election process.

Response: Management agrees with the finding and will start the process of implementing the recommendation.

Comment: Matter was resolved> The Election procedures are now part of the MHAIA bylaws.

2. Adoption of Certain 2010 AMS Policy Guidelines

During our review of the AMS Policy Guidelines approved in November 2010, we noted that following written procedures were not formerly adopted:

1. Conflict of Interest Statements signed by each Board member on an annual basis:

Comment: Matter was resolved> MHAIA adopted the Code of Conduct and Ethics in 2011 (see attached , page- 2-Conflicts of Interest).

2. Contracting Procedures justifications when the lowest bid is not awarded or when non-competitive contracts are awarded.

Comment: Matter was resolved> Contracting procedures were included in the amended purchasing policy.

3. Donations and Gifts Policy.

Comment: N/A, donations and gifts are not allowed.

Recommendation: We recommend that MAHIA establish formal written policies for the procedures noted above in order to comply with the 2010 AMS Guidelines.

Response: Management agrees with the findings and will start the process of implementing the recommendations.

Comment: Matter was resolved> MHAIA adopted the Code of Conduct and Ethics in 2011 (see attached, page- 5-V1-Payment Practices – Prohibition of Inducements)

3. Imprest Bank Account

During our review over cash and investment controls, we noted that there is only one signer on the imprest account. It is always a sound control to have a back-up signer on the account, should a disbursement check need immediate processing and the original signer be unavailable.

Recommendation: We recommend that a back-up signer be added to the imprest account. The back-up signer should be someone not involved in processing transactions or have access to physical cash.

Response: Management agrees with the finding and will start the process of implementing the recommendation.

Comment: Matter was resolved> MHAIA adopted a back-up signer in 2011; the recommendation was approved by the MHAIA Board of Directors during the last May 3, 2011. The Marketing manager was the designated back-up signer.

