

***MEXICAN HASS AVOCADO IMPORTERS'
ASSOCIATION
FINANCIAL STATEMENTS
JUNE 30, 2011
WITH INDEPENDENT AUDITORS' REPORT***

**MEXICAN HASS AVOCADO
IMPORTERS' ASSOCIATION
JUNE 30, 2011**

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An Independent CPA Firm

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.

David L. Gruber and Associates Inc.

Huntington Beach, CA
August 31, 2011

MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION

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	<u>2,415</u>
Total current assets	<u>5,610,944</u>
Property and equipment:	
Equipment	3,667
Less: accumulated depreciation	<u>(1,201)</u>
Net property and equipment	<u>2,466</u>
TOTAL ASSETS	<u><u>\$ 5,613,410</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 123,819
Accrued liabilities	<u>244,345</u>
TOTAL LIABILITIES	<u>368,164</u>
NET ASSETS	
Unrestricted	-
Restricted	<u>5,245,246</u>
TOTAL NET ASSETS	<u>5,245,246</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,613,410</u></u>

See accompanying notes to financial statements and independent auditors' report.

MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
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
	<u>-</u>	<u>4,795</u>	<u>4,795</u>
TOTAL OPERATING REVENUE AND OTHER SUPPORT	80,326	7,194,181	7,274,507
NET ASSETS RELEASED FROM RESTRICTIONS	<u>4,552,132</u>	<u>(4,552,132)</u>	<u>-</u>
TOTAL REVENUE	<u>4,632,458</u>	<u>2,642,049</u>	<u>7,274,507</u>
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	<u>4,552,132</u>	<u>-</u>	<u>4,552,132</u>
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	<u>59,984</u>	<u>-</u>	<u>59,984</u>
TOTAL EXPENSES	<u>4,612,116</u>	<u>-</u>	<u>4,612,116</u>
CHANGE IN NET ASSETS	20,342	2,642,049	2,662,391
NET ASSETS - BEGINNING OF PERIOD	<u>(20,342)</u>	<u>2,603,197</u>	<u>2,582,855</u>
NET ASSETS - END OF PERIOD	<u>\$ -</u>	<u>5,245,246</u>	<u>5,245,246</u>

See accompanying notes to financial statements and independent auditors' report.

MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION

STATEMENTS 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	<u>2,642,049</u>
Total change in net assets	<u>2,662,391</u>
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	<u>(141,838)</u>
Total adjustments	<u>31,265</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>2,693,656</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	<u>-</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,693,656
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,955,347</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 4,649,003</u>

See accompanying notes to financial statements and independent auditors' report.

MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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).

MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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.

MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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.

MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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:

<u>Vendor</u>	
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	<u>856,162</u>
Total program services	\$ <u>4,552,132</u>

MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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.

MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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
On Supplementary Schedules**

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.

David L. Gruber and Associates Inc.

Huntington Beach, CA
August 31, 2011

MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION
SUPPLEMENTARY SCHEDULE OF REVENUES, SUPPORT,
AND EXPENSES - BUDGET TO ACTUAL

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)
	<u>7,262,640</u>	<u>7,274,507</u>	<u>11,867</u>
TOTAL OPERATING REVENUE AND OTHER SUPPORT			
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)
	<u>4,942,276</u>	<u>4,552,132</u>	<u>390,144</u>
Total program services			
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	-
	<u>75,811</u>	<u>59,984</u>	<u>15,827</u>
Total support services			
TOTAL EXPENSES	<u>5,018,087</u>	<u>4,612,116</u>	<u>405,971</u>
CHANGE IN NET ASSETS	<u>\$ 2,244,553</u>	<u>\$ 2,662,391</u>	<u>\$ 417,838</u>

MEXICAN HASS AVOCADO IMPORTERS ASSOCIATION

**SUPPLEMENTARY SCHEDULE OF
PROPERTY AND EQUIPMENT**

FOR THE SIX MONTHS ENDED JUNE 30, 2011

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

MEXICAN HASS AVOCADO IMPORTERS' ASSOCIATION

SUPPLEMENTARY SCHEDULE - TRIAL BALANCE - BUDGET TO ACTUAL

FOR THE SIX MONTHS ENDED JUNE 30, 2011

	<u>Jan - Jun 11</u>	<u>Budget</u>	<u>\$ Over Budget</u>
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	<u>7,269,713.47</u>	<u>7,257,315.39</u>	<u>12,398.08</u>
5000 · Earned revenues			
5010 · Interest-Dividend Earnings	4,795.86	5,325.38	-529.52
Total 5000 · Earned revenues	<u>4,795.86</u>	<u>5,325.38</u>	<u>-529.52</u>
Total Income	<u>7,274,509.33</u>	<u>7,262,640.77</u>	<u>11,868.56</u>
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	<u>4,552,133.93</u>	<u>4,942,276.22</u>	<u>-390,142.29</u>
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	<u>59,983.99</u>	<u>75,810.90</u>	<u>-15,826.91</u>
Total Expense	<u>4,612,117.92</u>	<u>5,018,087.12</u>	<u>-405,969.20</u>
Net Ordinary Income	<u>2,662,391.41</u>	<u>2,244,553.65</u>	<u>417,837.76</u>
Net Income	<u>2,662,391.41</u>	<u>2,244,553.65</u>	<u>417,837.76</u>



An Independent CPA Firm

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.

David L. Gruber and Associates Inc.

Huntington Beach, CA

August 31, 2011