

**CHILEAN AVOCADO IMPORTERS ASSOCIATION**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
June 30, 2017 and 2016**

# CHILEAN AVOCADO IMPORTERS ASSOCIATION

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## INDEPENDENT AUDITOR'S REPORT

To the Chilean Avocado Importers Association  
Washington, DC

### Report on the Financial Statements

We have audited the accompanying financial statements of Chilean Avocado Importers Association (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of June 30, 2017 and 2016, and the related statements of revenue and expenses – modified cash basis and cash flows – modified cash basis for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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 entity'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 entity'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 Chilean Avocado Importers Association as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with the basis of accounting as described in Note 2.

## **Other Matters**

### **Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenue and expenditures – actual compared to budget, schedule of expenditures – actual compared to budget, and schedule of cash receipts and disbursements, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That 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, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

### **Other Reporting Required by the United States Department of Agriculture**

In connection with our audits of the years ended June 30, 2017 and 2016, nothing came to our attention, insofar as it relates to financial and accounting matters, that causes us to believe that the Chilean Avocado Importers Association:

- Failed to comply with laws and regulations and U.S. Department of Agriculture Agricultural Marketing Service ("USDA AMS") Guidelines for AMS Oversight of Commodity Research and Promotion Programs applicable to the Association;
- Failed to comply with Section 1219.42(b) of the Hass Avocado Promotion, Research and Information Order, relating to the use of assessment funds for the purpose of influencing legislation or governmental action or policy;
- Expended assessment funds for purposes other than those authorized by the Hass Avocado Promotion, Research and Information Act of 2000 and the Hass Avocado Promotion, Research and Information Order;
- Expended or obligated assessment funds on any projects prior to the fiscal year in which those funds were authorized to be expended by the Association's approved Budget and Marketing Plan;
- Did not adhere to the original or amended Budget and Marketing Plan for the years ended June 30, 2017 and 2016;

- Did not obtain a written contract or agreement with any person or entity providing goods or services to the Association;
- Failed to comply with USDA AMS Directive 2210.2, relating to the limitations on the types of investments which may be purchased by the Association and the insurance or collateral that must be obtained for all of the Association's deposits and investments, except as noted and reported to you for the uncollateralized and uninsured amount of \$446,471 at June 30, 2017;
- Failed to comply with disclosure requirements for lease commitments (when applicable);
- Failed to comply with standards established relating to contracts and USDA approval letters (if necessary); or
- Failed to comply with the Association's by-laws or any other policy of the Association, specifically as they relate to all financial matters, including time and attendance, and travel.

However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

*Propp Christenson Caniglia LLP*

October 26, 2017  
Roseville, California

CHILEAN AVOCADO IMPORTERS ASSOCIATION

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS  
June 30, 2017 and 2016

	ASSETS	
	<u>2017</u>	<u>2016</u>
Current assets:		
Cash	\$ 2,580,052	\$ 1,731,100
Trademarks	<u>9,944</u>	<u>9,944</u>
Total assets	<u>\$ 2,589,996</u>	<u>\$ 1,741,044</u>
	NET ASSETS	
Net assets:		
Unrestricted:		
Undesignated	\$ 25,245	\$ 13,054
Designated for advertising, promotion, and research	<u>2,564,751</u>	<u>1,727,990</u>
Total net assets	<u>\$ 2,589,996</u>	<u>\$ 1,741,044</u>

The accompanying notes are an integral part  
of these financial statements.

CHILEAN AVOCADO IMPORTERS ASSOCIATION

STATEMENTS OF REVENUE AND EXPENSES - MODIFIED CASH BASIS  
For the Years Ended June 30, 2017 and 2016

	2017		
	Unrestricted		
	Designated	Undesignated	Total
Revenue:			
Import assessments	\$ 1,354,359	\$ -	\$ 1,354,359
Membership dues	-	42,000	42,000
Other revenue	757	-	757
Total revenue	<u>1,355,116</u>	<u>42,000</u>	<u>1,397,116</u>
Expenses:			
New media	116,465	-	116,465
Trade marketing	184,574	-	184,574
Industry programs and memberships	24,463	-	24,463
Merchandiser expenses	38,525	-	38,525
Professional services	111,450	-	111,450
Meetings and travel	42,878	-	42,878
General and administrative	-	29,809	29,809
Total expenses	<u>518,355</u>	<u>29,809</u>	<u>548,164</u>
Change in net assets	836,761	12,191	848,952
Net assets, beginning of period	<u>1,727,990</u>	<u>13,054</u>	<u>1,741,044</u>
Net assets, end of period	<u>\$ 2,564,751</u>	<u>\$ 25,245</u>	<u>\$ 2,589,996</u>

The accompanying notes are an integral part of these financial statements.

CHILEAN AVOCADO IMPORTERS ASSOCIATION

STATEMENTS OF REVENUE AND EXPENSES - MODIFIED CASH BASIS (CONTINUED)

For the Years Ended June 30, 2017 and 2016

	2016		
	Unrestricted		Total
	Designated	Undesignated	
Revenue:			
Import assessments	\$ 528,829	\$ -	\$ 528,829
Membership dues	-	58,500	58,500
Other revenue	590	-	590
	<u>529,419</u>	<u>58,500</u>	<u>587,919</u>
Total revenue			
Expenses:			
Consumer advertising	44,714	-	44,714
New media	72,951	-	72,951
Public relations	13,867	-	13,867
Trade marketing	171,984	-	171,984
Industry programs and memberships	16,437	-	16,437
Merchandise expenses	40,344	-	40,344
Professional services	216,853	-	216,853
Meetings and travel	62,238	-	62,238
General and administrative	-	48,597	48,597
	<u>639,388</u>	<u>48,597</u>	<u>687,985</u>
Total expenses			
Change in net assets	(109,969)	9,903	(100,066)
Net assets, beginning of year	<u>1,837,959</u>	<u>3,151</u>	<u>1,841,110</u>
Net assets, end of year	<u>\$ 1,727,990</u>	<u>\$ 13,054</u>	<u>\$ 1,741,044</u>

The accompanying notes are an integral part of these financial statements.



CHILEAN AVOCADO IMPORTERS ASSOCIATION

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS  
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received as import assessments and membership dues	\$ 1,396,359	\$ 587,329
Cash paid to vendors and employees	(548,164)	(687,985)
Interest received	757	590
	<u>848,952</u>	<u>(100,066)</u>
Net cash provided by (used in) operating activities	848,952	(100,066)
Net increase (decrease) in cash	848,952	(100,066)
Cash, beginning of year	<u>1,731,100</u>	<u>1,831,166</u>
Cash, end of year	<u>\$ 2,580,052</u>	<u>\$ 1,731,100</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	<u>\$ 848,952</u>	<u>\$ (100,066)</u>
Net increase (decrease) in cash	<u>\$ 848,952</u>	<u>\$ (100,066)</u>

The accompanying notes are an integral part  
of these financial statements.

CHILEAN AVOCADO IMPORTERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
June 30, 2017 and 2016

NOTE 1: NATURE OF ORGANIZATION

The Chilean Avocado Importers Association (the "Association") is a nonprofit corporation, incorporated in the District of Columbia on November 26, 2002. A substantial portion of the Association's revenues consists of assessment funds transferred to the Association through the Hass Avocado Board. The Hass Avocado Board was established by the Hass Avocado Promotion, Research and Information Act of 2000 (the "Act") to carry on programs of advertising, promotion, and research for Hass avocados. The program is administered by the Agricultural Marketing Service Division ("AMS") of the U.S. Department of Agriculture ("USDA"). Under the Act, producers pay an assessment on fresh Hass avocados produced in or imported into the United States. The Association qualifies under the Act as an Importer Association and receives 85% of the assessments collected from importers of Hass avocados from Chile.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the modified cash basis of accounting. This basis of accounting differs from generally accepted accounting principles primarily because the Association recognizes revenues when received rather than when earned, and expenses are recognized when cash is paid rather than when the obligation is incurred. In addition, certain long-term assets are capitalized and corresponding amortization and depreciation expense is recognized when applicable.

Basis of Presentation

The Association presents its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 958, Subtopic 205, *Not-for-Profit Entities – Presentation of Financial Statements* (FASB ASC 958-205). Under FASB ASC 958-205, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. No temporarily or permanently restricted net assets existed at June 30, 2017 and 2016.

Cash

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Deposits that exceed the federally insured limit are collateralized by the financial institution, which held collateral valued at approximately \$2,133,581 and \$2,144,153 as of June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, uncollateralized and uninsured cash totaled \$446,471 and \$0, respectively. In order to comply with the AMS's investment policy, the Association is responsible for investing its funds only in interest-bearing accounts that are risk-free and short-term.

Investments

The Association is required to follow the AMS investment policy. Accordingly, the Association is authorized to invest in securities consisting of obligations issued or fully insured or guaranteed by the U.S. or any U.S. government agency, including obligations of government-sponsored corporations, and must mature within one year or less from the date of purchase. No investments were held by the Association at June 30, 2017 and 2016.

CHILEAN AVOCADO IMPORTERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment

Equipment is stated at cost. The Association provides for depreciation over the estimated useful lives of equipment using the straight-line method.

Maintenance and repairs are charged to expense as incurred. Renewals and betterments that are \$300 or greater, which extend the useful lives of assets, are capitalized.

Trademarks

Costs to acquire trademarks are capitalized and charged to expense upon abandonment. The Association periodically reviews trademarks for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. As the useful lives of the Association's trademarks are uncertain, no amortization expense has been recorded as of June 30, 2017 and 2016.

Import Assessments

Importers of Hass avocados from Chile are assessed based upon pounds of avocados imported into the United States. Assessments are collected by U.S. Customs and remitted to the Hass Avocado Board, which transfers 85% of collected assessments to the Association. Import assessment revenues are recognized when received.

Program Expenses

The Association incurs advertising, promotion, and research expenses in its mission to maintain and increase the awareness and consumption of Hass avocados imported from Chile within the United States. Program costs are expensed when paid.

Lobbying Expenses

The Association is prohibited from using assessment funds in activities influencing legislation, governmental action or policy. Accordingly, the Association has incurred no lobbying expenses.

Income Taxes

The Association is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. Accordingly, these financial statements do not include any provision for federal income taxes. After they are filed, the Association's income tax returns generally remain subject to examination by federal taxing authorities for three years.

Estimates

The presentation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified, with no effect on net assets, to conform to the 2017 financial statement presentation.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through October 26, 2017, the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CHILEAN AVOCADO IMPORTERS ASSOCIATION

SCHEDULE OF REVENUE AND EXPENDITURES  
 ACTUAL COMPARED TO BUDGET  
 For the Year Ended June 30, 2017

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Actual Over (Under) Budget</u>
Revenue:			
Import assessments	\$ 1,354,359	\$ 1,370,625	\$ (16,266)
Membership dues	42,000	51,000	(9,000)
Other revenue	757	-	757
	<u>1,397,116</u>	<u>1,421,625</u>	<u>(24,509)</u>
Total revenue			
Expenditures:			
New media	116,465	120,000	(3,535)
Trade marketing	184,574	230,000	(45,426)
Industry programs and memberships	24,463	25,000	(537)
Merchandise expenses	38,525	38,000	525
Professional services	111,450	122,500	(11,050)
Meetings and travel	42,878	60,000	(17,122)
General and administrative	29,809	49,000	(19,191)
	<u>548,164</u>	<u>644,500</u>	<u>(96,336)</u>
Total expenditures			
Excess of revenue over expenditures	<u>\$ 848,952</u>	<u>\$ 777,125</u>	<u>\$ 71,827</u>

See independent auditor's report.

CHILEAN AVOCADO IMPORTERS ASSOCIATION

SCHEDULE OF EXPENDITURES  
 ACTUAL COMPARED TO BUDGET  
 For the Year Ended June 30, 2017

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Actual Over (Under) Budget</u>
New media	\$ 116,465	\$ 120,000	\$ (3,535)
Trade marketing	184,574	230,000	(45,426)
Industry programs and memberships	24,463	25,000	(537)

See independent auditor's report.

CHILEAN AVOCADO IMPORTERS ASSOCIATION

SCHEDULE OF EXPENDITURES  
 ACTUAL COMPARED TO BUDGET (CONTINUED)  
 For the Year Ended June 30, 2017

	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Merchandise expenses:			
Allison Myers fee	\$ 21,250	\$ 20,000	\$ 1,250
Allison Myers expenses	1,669	2,000	(331)
Steve Hattendorf fees	15,500	15,000	500
Steve Hattendorf expenses	106	1,000	(894)
Total merchandise expenses	<u>38,525</u>	<u>38,000</u>	<u>525</u>
Professional services:			
Marketing director fees	90,833	85,000	5,833
Marketing director expenses	768	7,500	(6,732)
AMS-USDA oversight fees	19,849	30,000	(10,151)
Total professional services	<u>111,450</u>	<u>122,500</u>	<u>(11,050)</u>
Meetings and travel	<u>42,878</u>	<u>60,000</u>	<u>(17,122)</u>
General and administrative:			
Legal fees	277	-	277
Tax - accountant fees	24,038	30,000	(5,962)
Bank fees	2,666	4,000	(1,334)
Supplies - equipment	171	1,000	(829)
Insurance	2,148	2,000	148
Office expenses	-	12,000	(12,000)
Miscellaneous	509	-	509
Total general and administrative	<u>29,809</u>	<u>49,000</u>	<u>(19,191)</u>
Total expenditures	<u>\$ 548,164</u>	<u>\$ 644,500</u>	<u>\$ (96,336)</u>

See independent auditor's report.

CHILEAN AVOCADO IMPORTERS ASSOCIATION

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
For the Year Ended June 30, 2017

Receipts:	
Import assessments	\$ 1,354,359
Membership dues	42,000
Other revenue	<u>757</u>
Total receipts	<u>1,397,116</u>
Disbursements:	
New media	116,465
Trade marketing	184,574
Industry programs and memberships	24,463
Merchandise expenses	38,525
Professional services	111,450
Meetings and travel	42,878
General and administrative	<u>29,809</u>
Total disbursements	<u>548,164</u>
Excess of receipts over disbursements	848,952
Cash, beginning of year	<u>1,731,100</u>
Cash, end of year	<u><u>\$ 2,580,052</u></u>

See independent auditor's report.



INDEPENDENT AUDITOR'S 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 Chilean Avocado Importers Association  
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Chilean Avocado Importers Association (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of June 30, 2017, and the related statements of revenue and expenses – modified cash basis and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2017.

### **Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Propp Christenson Caniglia LLP*

October 26, 2017  
Roseville, California