



2021 ANNUAL REPORT

Ontario Wine Appellation Authority

Vintners Quality Alliance Ontario





Who We Are

Vintners Quality Alliance Ontario, operating as the Ontario Wine Appellation Authority regulates Ontario's wines of origin and the appellation system as defined under the VQA Act of Ontario. It exercises delegated authority from the Province of Ontario to ensure label integrity that allows consumers to identify wines of origin made entirely from Ontario grown grapes.

The Appellation Authority is committed to working with and on behalf of consumers and its stakeholders in industry and government to promote a better awareness of Ontario's wine regions and wines of origin.

Vision

Consumers will use Ontario's VQA appellations as their guide to identifying authentic wines of origin and quality.

Mission

Provide a strong foundation for consumer confidence by enforcing relevant standards that recognize Ontario's regions and styles. Communicate the value of a credible appellation system.

Strategic Goals

Origin, quality, authenticity



Officers

Brian Schmidt (7)

President and Chair
(elected from Vineland Estates Winery)

Louise Engel (6)

Vice-Chair
(elected from Featherstone Estate Winery)

Derek Cartlidge (9)

Treasurer
(elected from Colio Estate Winery)

Martin Werner (5)

Secretary
(elected from Ravine Vineyard Estate Winery)

Directors

Greg Berti (7)

(elected from Andrew Peller Ltd.)

Ken Douglas (5)

Past-Chair
(appointed from 13th Street Wine Co.)

Tony Elenis (7)

(appointed from Ontario Restaurant, Hotel and Motel Association)

Jennifer Hart (9)

(elected from Flat Rock Cellars)

Paul Kassebaum (9)

(elected from Arterra Wines Canada)

Mary Shenstone (9)

(appointed from Government of Ontario)

Paul Speck (9)

(elected from Henry of Pelham Estate Winery)

Dan Sullivan (8)

(elected from Rosehall Run Vineyards)

Kevin Watson (9)

(appointed from Grape Growers of Ontario)

Staff and Statutory Appointments

Laurie Macdonald

Executive Director

Katherina Radcliffe

Director, Communications and Wine Standards

Susan Piovesan

Manager, IT Systems and Inspections, Inspector

Tricia Ramnath

Wine Testing Coordinator

Stan Loree (part time)

Accountant

Dan Keere (part time)

Inspector, Investigator

Attendance at Board meetings:

Nine Board meetings were held in 2020-2021.

The number of Board meetings each Director attended is indicated beside their name.



Organizational Values

Transparency and Fairness

The Ontario Wine Appellation Authority will carry out its statutory authority with transparency and fairness and strive to uphold high ethical standards.

Responsiveness and Communications

The Ontario Wine Appellation Authority will conduct its operations openly, providing its members and the public access to information and timely responses to inquiries. It will adopt and implement appropriate policies to respect the confidentiality of its members and stakeholders. It will promote the value and benefits of VQA wines to consumers.

Firmness and Responsibility

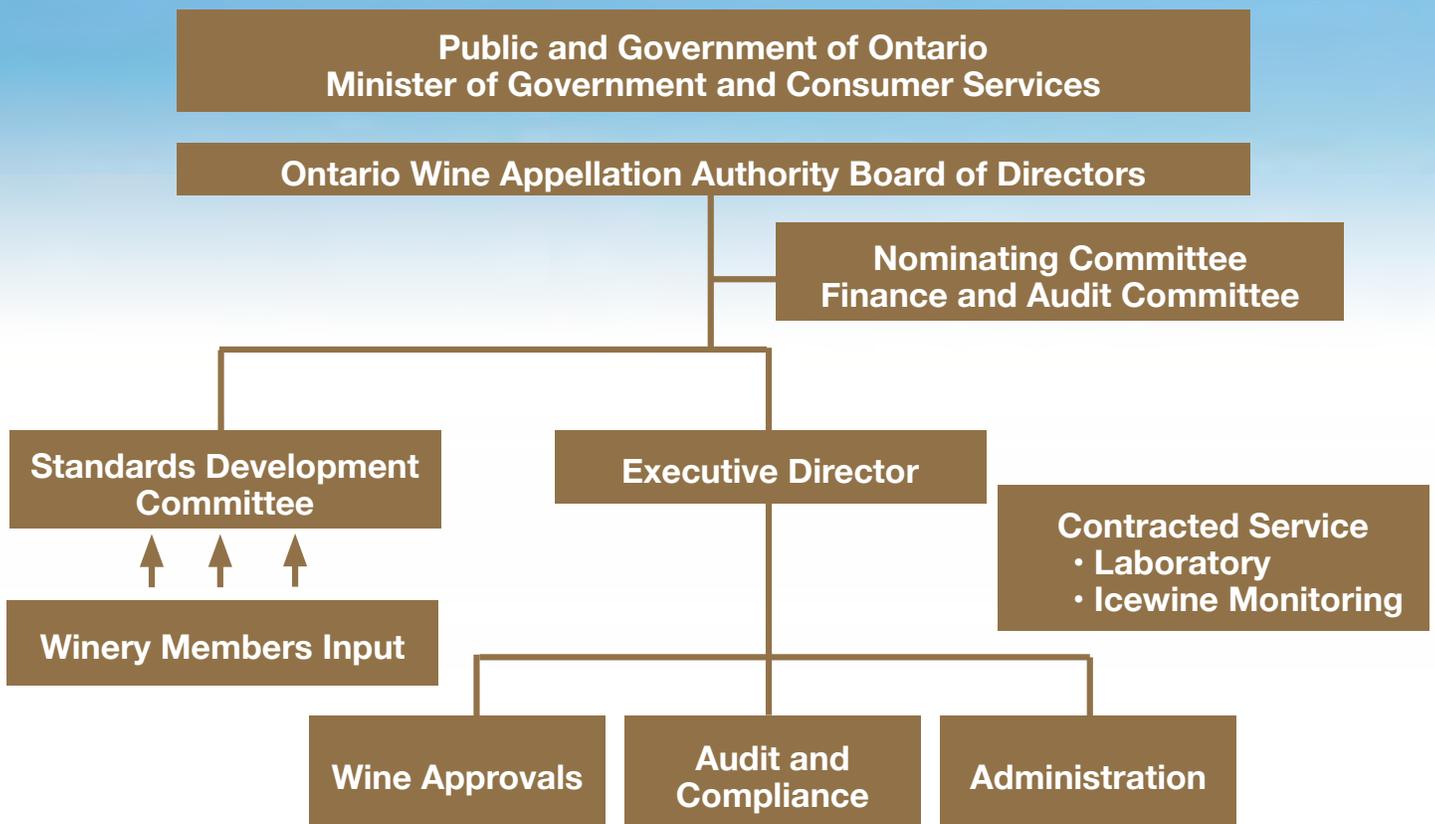
The Ontario Wine Appellation Authority will discharge its regulatory responsibilities firmly to ensure VQA terms, descriptions and designations are not misused and consumers can rely on label integrity for all VQA wines.

Accountability

The Ontario Wine Appellation Authority will be accountable for its decisions and promote effective and fair dispute mediation to resolve conflict.

Effectiveness

The Ontario Wine Appellation Authority will strive to carry out efficient and cost-effective operations, and continue to pursue service improvements in all areas of operations.



Message from the Chair



As I write this, I am cautiously optimistic that we finally see the light at the end of the tunnel after a long challenging year. In my last Chair's message, I reflected on how the wine industry (and everyone else) was reeling from the crisis and looking ahead to the road to recovery. Unfortunately, here we are year later and only just beginning to think about recovery.

Perhaps as a small comfort in a terrible year for so many, the gods have blessed Ontario with a great vintage. Those who know me know I spend much of my time in the vineyard on my tractor – the perfect place to watch our vines thrive in the warm, dry season. The 2020 harvest produced high quality grapes and I am very excited about the exceptional quality we are seeing in these wines.

COVID-19 brought some serious challenges to the Wine Appellation Authority to adapt and maintain its core services. We took a hard look at priorities, costs and service delivery during the year and have learned much about what is possible. I'm happy to report that we were able to maintain operations without interruption and have continued to uphold the label integrity promised in the VQA appellation system. Not only that, but we managed to quickly establish and execute the ad-hoc tasting panels within standard protocols and at a fraction of the cost. With deep cuts to all non-essential expenditures, we ended the fiscal year with a surplus and were also able to provide some needed relief to VQA wineries with a waiver of the membership fee for 2021.

Now into our second decade, the Authority is mature and well positioned to transform itself into a more self-sufficient regulator. Our mission

Taste The Place

VQA is about place.

Special places right here at home.

Places like nowhere else in the world.

*Where the soil, the slope, the sunshine, the warmth,
the rainfall and the craftsmanship all matter.*

Together, they give us better grapes.

And better grapes give us better wine.

is to ensure consumers can always rely on the VQA certification to identify authentic wines of origin. VQA is about consumer trust in local wines and the Appellation Authority is the common foundation to building and maintaining that trust. We worked hard to maintain the integrity of the system through the pandemic, bringing the VQA tasting panels in house out of necessity, and also looking at strategic opportunities to take more control of our regulatory mandate. Beginning in August 2021, we will fully integrate the winery audit function into our compliance program, delivering audits, retail inspection, and investigations with our own staff. This is a significant transformation, and will make us more efficient and fully in control of our future.

A big thank you to our dedicated and tireless staff who stepped up to every challenge, and to staff at the LCBO Audit and Quality Assurance departments, who have provided high quality

audit and tasting services for many years and have been of tremendous assistance in the transition to bringing these services under the Appellation Authority's umbrella. We look forward to our continued close working relationship with LCBO providing analytical services towards our shared goal of serving consumers and the wine industry.

To my fellow VQA wineries, thank you for continuing to support our appellation system while you are coping with a very stressful time. Your resilience and resourcefulness are inspiring. I hope we are all heading to more normal and prosperous times once you read this.



Brian Schmidt
President and Chair





Vintage Report 2020

Niagara Peninsula • Lake Erie North Shore • Prince Edward County

Conditions

2020 was a remarkable year for weather and wine in Ontario. All wine growing regions were treated to excellent weather conditions, with just a few small exceptions, throughout the growing season. Wine Outlook for the 2020 vintage is very exciting with many producers reporting a very high-quality grape crop.

The year started off warmer than average and dry except for a couple of large snow falls in late January. Temperatures remained warmer than average throughout much of February as well with just one major snow fall in the third week of that month to note.

The warm trend continued for most of March leading Ontarians to believe that an early spring might be on its way. However, April had other plans and cold weather prevailed throughout most of the month. The temperatures were below average cold and windy throughout most

of Southern and Southwestern Ontario. Early reports indicated that bud break and the growing season may be slightly delayed in Prince Edward County due in part to the extended cold weather in April and a shortage of available labour required to uncover the vines that were hilled up over winter.

Once spring arrived for good and the growing season got underway across all regions, wine growing regions enjoyed glorious weather with sunshine and low humidity throughout the month of May but with a few thunderstorms which brought high rains and winds at the end of the month.

By the time June arrived, summer in wine country was in full swing. The weather across Southern and Southeastern Ontario was warmer than average and mostly dry.

July was warm and temperatures were above average for most of the month across the province.



Small amounts of precipitation offset the heat and contributed to humidity mid-month. July was defined by three major heat events that effectively caused hotter than average weather from start to finish. Significant heat also brings other types of significant weather and the month was punctuated by heavy but short rainfalls and short bouts of intense winds across the province.

In August temperatures continued to be warmer than average. The month also saw its fair share of thunderstorm and extreme weather events but most were short, intense and isolated. Weather continued to be very favourable for grape growing.

Harvest

Sunny and dry conditions continued throughout September and October providing ideal weather for the full and complete maturation of grapes and their harvest. Some winery growers reported a slightly earlier than average harvest – end of

August, for sparkling varieties. Harvest for table wines followed close on the heels of sparkling and progressed steadily through the month of October.

Dry conditions at harvest resulted in grapes harvested in good condition with good fruit concentration.

While the overall grape crop is down compared to recent vintages, grape quality across all varieties is expected to be exceptional and wine expectations for the 2020 vintage are very high.

Icewine

Pre-registrations for grapes set aside for Icewine total 1,068 tonnes, down significantly from last year's 5,789 tonnes and setting a record low for pre-registrations since VQA Ontario began regulating the Icewine harvest.



Operations Executive Director's Report

2020 will be a difficult year to forget. It was busy, sometimes verging into chaos, as we hunkered down to keep the essentials of the VQA system running. We have managed through staffing and logistics issues, worked long hours and learned many new skills, and have emerged in relatively good condition into the new year. While many VQA wineries have suffered greatly from the lockdown, some are finding new customers and overall VQA sales were down only about 4% by volume. The number of applications for VQA wine approvals was up 3% to 2260 and the declared production volume up a huge 20%. These numbers tell me there is a great deal of optimism that a strong recovery is coming. I hope so!

Many of the changes necessitated by the continuing pandemic forced us to look at our operations differently. We adopted a very cautious budget last year, focusing on operations critical to delivering our core regulatory mandate. After putting initial emergency procedures in place to ensure VQA certifications and label approvals could continue, the Board of Directors re-evaluated our plans for the future. While we managed to bridge the services gap by using our Independent Panel and our office desks to conduct the VQA tastings, we realized we needed to move to a more sustainable process, and one we have the capacity and expertise to control to deliver all of our core regulatory functions. To that end we built a professional tasting room, beefed up the roster of our independent panel and will continue to run the



sensory evaluations going forward. We will also engage Peter Harris as our new Director, Audit and Compliance and will bring the winery audit function in-house to further integrate all of our audit, inspection and enforcement activities. Welcome Peter! These transformations began from necessity but have evolved into a deliberate and strategic plan for the future.

Our members and stakeholders have been very resilient and understanding during this time. With our work and personal lives blurring together and working at the office strangely isolated, we really appreciate the many kind and supportive comments from member wineries. Thank you to those who stepped up to populate the tasting panels and braved the complicated COVID protocols, and to the Quality Assurance team

at LCBO who helped us with sample logistics and making sure we were able to make the new tasting panels work. LCBO Audit is also providing critical support as we restructure the audit program.

All staff at the Appellation Authority have been incredibly flexible and worked hard to keep us going – you are appreciated. I want to say a special thanks to Katherina Radcliffe for taking on the significant new responsibility of running the tasting panels, while covering gaps in our day-to-day operations and continuing her regular duties.

The coming year is set to bring a transformation to the way we fulfill our responsibilities and I am looking forward to more and positive change.

L. Macdonald

Laurie Macdonald
Executive Director



Goals and Activities

Performance goals

- Manage Ontario's wine appellation system with a focus on origin, quality and authenticity
- Promote recognition and understanding of the VQA appellation system
- Protect consumers through label integrity
- Provide a strong, transparent and credible framework for the production and labelling of wines of origin

Activity Highlights

3 net new member wineries
98% overall success rate for wine approval applications
Chardonnay the top production VQA varietal wine
1249 export certificates issued
446 audits and inspections conducted
5 compliance orders issued, 2 charges laid resulting in 2 convictions

Membership

183 wineries were registered as participants in the VQA program at the end of March 2021. These included 6 large wineries (sales of over 750,000 litres of VQA wines) 22 medium class wineries (sales of 100,000 to 750,000 litres of VQA wines) and 155 small wineries (sales of up to 100,000 litres of VQA wines). Regular member communications include monthly newsletters with news and compliance tips.

Product Approvals

2260 applications for approval to use the VQA designation and descriptive terms regulated under the VQA Act were processed. Each wine must successfully complete comprehensive quality assurance testing including a taste test, laboratory analysis and packaging review before being certified as a wine of origin. Approvals were granted for 2210 wines and denied for 50.

Quality

Maintaining quality standards is an important part of the Wine Appellation Authority's mandate. In addition to enforcing standards, the Appellation Authority runs two programs to support and encourage wineries to pursue the best quality outcomes possible and exceed minimum standards. Winemakers Forums, where winemakers share experiences and best practices in an informal setting and discuss

techniques that are especially successful in Ontario's unique growing conditions are held across the Province. The second initiative provides a comprehensive analysis of outcomes at the VQA tasting panel that allows wineries to benchmark themselves and gain insights into how performance might be improved. These two programs work together with information from the sensory analysis providing topics for discussion at the Winemakers Forums.

Inspections and Audits

185 routine audits were conducted during 2020 – 2021 to verify compliance with origin and production standards for all approved VQA wines. Of these, 116 were completed remotely with a full review of records. Each winery member is subject to a comprehensive audit on a 12-month interval, and due to pandemic travel restrictions, many audits were completed remotely where the compliance risk was low. Retail store operations were restricted during much of the year, resulting in the inspection program focusing mostly on online advertising and social media. 278 inspections of websites and online sales channels were completed and 3 of winery retail store premises. As a result of audits and inspections, follow up was conducted in 33 cases. The majority of issues addressed were minor in nature.

Enforcement

Most compliance issues were resolved with warnings and corrective actions. The Appellation Authority issued 5 compliance orders in relation to wineries using regulated terms without approval or failing to take corrective action within a stipulated time. 2 charges were laid under the Provincial Offences Act related to using VQA terms without approval and 2 convictions registered.

Trade and Export Development

The Appellation Authority provides an independent certification process required by the European Union as a condition of access to its member states. 1249 certificates were issued for 206 wines from 25 different wineries.

Communications

Communicating with our member wineries is a top priority. We continue to provide news and tips for navigating the VQA system through our monthly newsletters and in lieu of visiting for one-on-one coaching, we have added valuable content for wineries such as our brand-new Member Guide Book. We look forward to a time when we can once again host Winemakers Forums supporting industry connection and collaboration in winemaking.

As always, we continue to work closely with the talented team at the Wine Marketing Association of Ontario to support and amplify their efforts to bring consumers home to local VQA Wines of Ontario by underpinning their marketing efforts with a strong appellation message and a promise of authentic local wines.

Looking ahead, we are thrilled to be working with a communications and advocacy firm on some very focused messaging and a strategy to better communicate our role in the industry as the Ontario Wine Appellation Authority – your authority on appellation! Origin, Quality and Authenticity drive everything we do here. We are also working on educational tools that will provide robust training in our appellation system and provide an opportunity for students and the trade to level up their knowledge of the wine industry in their own backyard. We look forward to sharing this with our members soon.

Statistics

VQA Wine Production

All statistics are for the period of April 1, 2020 to March 31, 2021. These figures are based on wines approved during this period and are calculated using volumes declared at the time of submission for approval. Reported volumes may reflect wines that have not yet been released but will not reflect wines that may be finished but not yet submitted for approval. Statistics for previous years can be found at www.vqaontario.ca in past annual reports.

Production summary

Wine Category	# of Wines	Volume (9L cases)	Change from last year (volume)	Estimated grape tonnage
Table Wine	1923	3,017,064	+20%	37,450
Icewine	81	56,323	-8%	320
Sparkling	147	203,565	+24%	2,530
Late Harvest	34	17,573	+26%	320
Other	25	4,904	-26%	60
Total	2,210	3,299,429	+20%	40,680

Regional and Varietal Production

Appellations

This table includes all wines labelled with the stated appellation on the principal display panel. These wines must contain at least 85% content from the stated appellation. Wines labelled with one of the ten sub-appellations of the Niagara Peninsula or the South Islands sub-appellation of Lake Erie North Shore must contain 100% content from the stated sub-appellation. Production of wines labelled with the Ontario appellation rose slightly and production declined for all other appellations.

Appellations		
As declared on label	Cases (9L)	% of all VQA wines
Niagara Peninsula	1,672,526	51%
Ontario	1,243,872	38%
Sub-appellations	340,945	10%
Prince Edward County	28,278	Less than 1%
Lake Erie North Shore	13,809	Less than 1%

Grape varieties used in all VQA wines (Total of 48 different varieties)		
Variety	% of total production (by volume)	
Riesling	15%	
Chardonnay	14%	
Cabernet Franc	11%	<i>As with previous years, about half of the volume of all VQA wines is sourced from the four grape varieties, Riesling, Chardonnay, Cabernet Franc and Merlot.</i>
Merlot	11%	
Pinot Gris	9%	
Baco Noir	8%	
Vidal Blanc	7%	<i>There was a notable shift from last year with volume sourced from Riesling up substantially and moving within the list, from 4th to 1st, increasing its proportional share from 10% to 15%.</i>
Cabernet Sauvignon	6%	
Pinot Noir	6%	
Sauvignon Blanc	4%	
Gamay Noir	3%	
Gewürztraminer	3%	
Syrah	2%	
Other	2%	

Red grape varieties used in all VQA wines – 49%

White grape varieties used in all VQA wines – 51%

Table Wines

The table wine category includes white, red and rosé wines. The total volume of white and red wines produced were almost identical, continuing the long-term trend away from whites dominating production volumes. A large majority of table wines declare a grape variety or varieties on the label, with only about 9% labelled with a non-varietal proprietary label.

Colour		Litres	Cases (9L)
White (45%)	Varietal	11,688,482	1,298,720
	Non-varietal	393,657	43,740
	Total white	12,082,139	1,342,460
Red (47%)	Varietal	11,829,132	1,314,348
	Non-varietal	983,582	109,287
	Total red	12,812,714	1,423,635
Rosé (8%)	Varietal	862,694	95,855
	Non-varietal	1,274,299	141,589
	Total rosé	2,136,993	237,444

Popular Single-Varietal Table Wines

The top four red and white varietals remain the same as in previous years. Pinot Gris and Riesling swapped positions but have similar production volumes. Sauvignon Blanc remained fourth among white varietals but with a substantial decline to 102,000 cases compared to 168,000 last year. All of the red varietal wines were up over last year, except Pinot Noir with a moderate decrease. Baco Noir used in single varietal wines jumped from 86,000 cases to 187,000 cases, making it the largest volume of all red single varietal wines.

This table includes the top four varieties used in wines that are labelled with a single grape variety. These wines must contain at least 85% of the stated variety.

	Varietal	Litres	Cases (9L)
White	Chardonnay	2,880,782	320,087
	Riesling	2,419,685	268,854
	Pinot Gris/Pinot Grigio	2,216,349	246,261
	Sauvignon Blanc	920,420	102,269
Red	Baco Noir	1,681,051	186,783
	Pinot Noir	1,173,073	130,341
	Merlot	1,105,417	122,824
	Cabernet Franc	886,617	98,513

Icewine

Overall Icewine production was down moderately from the previous year's production of 61,000 cases.

Variety	Litres	Cases (9L)
Vidal Blanc	309,910	34,434
Cabernet Franc	90,929	10,103
Riesling	62,731	6,970
Cabernet Sauvignon	18,582	2,065
Gewurztraminer	11,510	1,279
Others	8,420	935
Total	502,082	55,786

Other Wines

Sparkling wine production continued to grow in double digits, with volume up 24% over last year.

	Litres	Cases (9L)
Late Harvest and Botrytis Affected	158,155	17,572
Fortified and Liqueur wines and Vin de Cure	44,136	4,904
Sparkling wines	1,832,086	203,565

VQA Ontario Wine Sales

Year ending March 31, 2021

By Volume

	Litres (2021)	Litres (2020)	% Change
Winery Retail	7,900,545	6,033,500	31.0
Licensees	1,188,709	4,156,880	-71.4
LCBO (shipped)	10,683,750	9,778,211	9.3
Farmers Markets	38,384	49,538	-22.5
Other Provinces	907,784	920,872	-1.4
Export and Miscellaneous	608,504	983,224	-38.1
Total	21,327,676	21,922,225	-2.7

By Retail Value

	Retail value (\$) (2021)	Retail value (\$) (2020)	% Change
Winery Retail	199,232,780	167,869,654	18.7
Licensees	22,124,663	71,178,880	-68.9
LCBO (shipped)	155,953,223	154,557,731	0.9
Farmers Markets	713,717	1,155,061	-38.2
Other Provinces	14,393,949	16,234,355	-11.3
Export and Miscellaneous	19,705,114	48,286,407	-59.2
Total	412,123,446	459,282,088	-10.3

VQA Wine Testing and Approval Process

Every wine that carries a regulated appellation of origin and the VQA certification has completed a rigorous approval process. Once a wine is finished and ready to bottle it is submitted to the Appellation Authority for testing and approval. The evaluation includes a sensory evaluation, laboratory analysis and label review to ensure the wine meets quality standards and is labelled according to VQA regulations. Labelling regulations reserve certain terminology for VQA approved wines and set standards for declaring origin, varietal content, vintage and other attributes. These regulations ensure consumers are not misled with respect to the wine content. Only after having successfully completed all components of this process can a wine receive approval and be released for sale, using regulated terms and descriptions. Ongoing winery audits and retail inspections also verify that underlying standards are met.



Activities

Applications for wine approval evaluated – 2260
Number of wines approved for VQA status – 2210

Performance Measures

Overall success rate – 97.8%

Laboratory analysis:

Average time to completion – 13 days
% of tests completed within 15 days – 84%
% of tests completed within 21 day target – 98%
Pass rate at laboratory – 97.3% (final status)

Sensory analysis:

Average time to completion – 6 days
% of tests completed within 15 days – 99%
% of tests completed within 21 day target – 99.9%
Pass rate at sensory panel – 99% (final status)
Online query and reporting system uptime – 98.3%
(99.5% during business hours)

Compliance and Enforcement

The Wine Appellation Authority enforces compliance with the VQA Act and regulations as its primary mandate. In addition to the testing completed during the wine approval process, the regulatory process includes monitoring of grape quality at harvest through independent sugar testing, and regular audits and inspections to verify wine origin and content, wine making processes, record-keeping, labelling and advertising. These steps ensure that the wine meets the technical standard, the label complies with the regulations and that the wine offered for sale has completed the approval process.

Activities

Compliance audits - 185
Website inspections - 278
Investigations – 2
Charges laid – 2
Warnings and minor corrective orders issued - 33
Compliance orders issued – 5

Performance Measures

Percentage of audits completed with no issues raised – 92%

Percentage of wines found to be compliant during audits - 99%

Percentage of wines found to be compliant during retail and advertising inspections – 99%

The overall level of compliance with VQA regulations within Ontario continues to be very good. The majority of infractions are relatively minor and many potential issues are flagged and corrected before products reach the consumer market. Winery compliance with correction requests is excellent and few infractions require enforcement action to achieve compliance.

Financial Summary

The Ontario Wine Appellation Authority is funded by its member wineries through sales levies and fees for service. It continues to seek out ways to maximize the efficiency of service delivery, including sharing services with other agencies. The Appellation Authority acknowledges the Liquor Control Board of Ontario for its valued assistance and cooperation in providing contracted services that increase the Authority's efficiency in performing its regulatory role.

This summary is drawn from the auditor's report and financial statements for the year ended March 31, 2021. Revenues exceeded expenditures by \$321,599 for the year ended March 31, 2021 reflecting substantial reductions in program spending as a precautionary response to the COVID-19 pandemic.

Total revenue was \$1,730,679 and total expenses were \$1,409,080. Net assets are \$1,280,308 and include funds set aside for general use, capital and intangible assets, and a legal and enforcement reserve.

Revenue for fiscal 2021 was derived primarily from sales levies (\$962,787) and approval fees (\$658,640). Major components of the approximately \$1.4 million in expenses were wine approvals and quality monitoring (\$550,934), employee costs (\$575,446).

Financial Statements

For the year ended March 31, 2021



Mark Kopstick, CPA, CA
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Benjamin Osher, CPA, CA
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William Genga, B.Comm.
will@koposhca.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Vintners Quality Alliance Ontario

Opinion

We have audited the financial statements of Vintners Quality Alliance Ontario (the Organization), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2021, and the results of operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPFO).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Organization's Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNFPFO, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless management either intends to liquidate the Organization or to cease operations (or has no realistic alternative but to do so).

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement (whether due to fraud or error) and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements (whether due to fraud or error), design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements (including the disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Toronto, Canada
June 17, 2021

KOPSTICK OSHER, LLP
Chartered Professional Accountants
Licensed Public Accountants

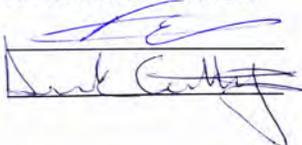
Statement of Financial Position

As at March 31, 2021

	2021	2020
ASSETS		
Current		
Cash	\$ 605,365	\$ 210,880
Investments - Note 3	586,410	710,310
Accounts receivable - Note 4	148,921	377,997
Prepaid expenses	<u>10,199</u>	<u>58,122</u>
	<u>1,350,895</u>	<u>1,357,309</u>
Capital - Note 5	<u>45,170</u>	<u>24,535</u>
Intangible - Note 6	<u>76,856</u>	<u>68,686</u>
	<u>\$ 1,472,921</u>	<u>\$ 1,450,530</u>
LIABILITIES		
Current		
Accounts payable and accruals - Note 7	\$ 141,653	\$ 398,781
Deferred revenue - Note 8	<u>50,960</u>	<u>93,040</u>
	<u>192,613</u>	<u>491,821</u>
NET ASSETS		
Invested in capital and intangible assets	122,027	93,222
Internally restricted for legal and enforcement fund	200,000	200,000
Unrestricted	<u>958,281</u>	<u>665,487</u>
	<u>1,280,308</u>	<u>958,709</u>
	<u>\$ 1,472,921</u>	<u>\$ 1,450,530</u>

The accompanying notes
form an integral part of
these financial statements

APPROVED BY THE BOARD:



Statement of Changes in Net Assets

For the year ended
March 31, 2021

	Invested in capital and intangible assets	Internally restricted for legal and enforcement fund (note 9)	Unrestricted	2021 Total	2020 Total
Net assets - beginning of year	\$ 93,222	\$ 200,000	\$ 665,487	\$ 958,709	\$ 1,003,327
Excess (deficiency) of revenues over expenses	-	-	321,599	321,599	(44,618)
Purchase of capital assets	27,601	-	(27,601)	-	-
Purchase of intangible assets	30,000	-	(30,000)	-	-
Amortization	(28,796)	-	28,796	-	-
Net assets - end of year	<u>\$ 122,027</u>	<u>\$ 200,000</u>	<u>\$ 958,281</u>	<u>\$ 1,280,308</u>	<u>\$ 958,709</u>

The accompanying notes
form an integral part of
these financial statements



Statement of Operations

For the year ended
March 31, 2021

	2021	2020
Revenues		
Membership fees	\$ 88,850	\$ 88,000
Bottle fees	962,787	1,006,384
Approval fees	658,640	654,497
Ontario government grant - OMAFRA	-	244,569
Interest income	11,173	14,169
Other income	9,229	19,197
	<u>1,730,679</u>	<u>2,026,816</u>
Expenses		
Salaries and benefits	575,446	573,009
Contracted services	17,153	218,840
Public education	50,000	250,000
Approvals	544,251	738,907
Quality assurance and inspection	6,683	12,250
Communications	-	3,077
Appellations	-	28,889
Weather monitoring	4,000	-
Meetings	232	10,798
Travel	306	10,376
Rent and occupancy	60,248	35,247
Office and general	24,398	26,574
Printing and mailing	5,103	13,949
Telephone and internet	10,511	10,975
Insurance	10,856	10,227
Bank charges	25,907	20,787
Professional services	45,190	88,174
Amortization of capital assets	6,966	5,214
Amortization of intangible assets	21,830	14,141
	<u>1,409,080</u>	<u>2,071,434</u>
Excess (deficiency) of revenues over expenses	\$ 321,599	\$ (44,618)

The accompanying notes
form an integral part of
these financial statements

Statement of Cash Flows

For the year ended
March 31, 2021

	2021	2020
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses	\$ 321,599	\$ (44,618)
Non-cash items:		
Amortization of capital assets	6,966	5,214
Amortization of intangible assets	21,830	14,141
Interest capitalized on investments	(11,154)	(14,091)
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	229,076	(122,375)
Decrease (increase) in prepaid expenses	47,923	(54,584)
(Decrease) in accounts payable and accruals	(257,128)	(19,980)
(Decrease) increase in deferred revenue	(42,080)	24,177
	<u>317,032</u>	<u>(212,116)</u>
Cash flows from investing activities		
Purchase of investments	(585,336)	(706,785)
Proceeds from disposal of investments	720,390	706,785
Purchase of capital assets	(27,601)	(27,813)
Purchase of intangible assets	(30,000)	(36,100)
	<u>77,453</u>	<u>(63,913)</u>
Cash flows from financing activities	-	-
Increase (decrease) in cash	394,485	(276,029)
Cash - beginning of year	<u>210,880</u>	<u>486,909</u>
Cash - end of year	<u>\$ 605,365</u>	<u>\$ 210,880</u>

The accompanying notes
form an integral part of
these financial statements

Notes to Financial Statements

March 31, 2021

1. Purpose and legal form of the organization

Vintners Quality Alliance Ontario is an independent organization that administers the Vintners Quality Alliance Act, 1999 and its regulations through an administrative agreement with the Ontario government. It establishes, monitors and enforces a system of quality assurance and verification of product origin for wines bearing the VQA logo.

Vintners Quality Alliance Ontario exists as a not-for-profit corporation without share capital. It is not subject to income tax.

2. Significant accounting policies

Basis of presentation

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

Revenues are recognized as follows:

Membership fees - in the year for which the membership pertains, which coincides with the organization's fiscal year.

Bottle fees - in the month in which VQA wines are sold by the member wineries.

Approval fees - when the related approval services are completed.

Investments

Investments consist of guaranteed investment certificates (GIC's). GIC's maturing within twelve months from the year-end are classified as current. GIC's with maturity dates that occur later than twelve months from the year-end date are classified as long-term.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis over the following periods:

Computer equipment	5 years
Office furniture and equipment	5 years
Leasehold improvements	8.5 years

Intangible assets

Intangible assets consist of computer software and are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis over 5 years.

Contributed materials and services

The organization receives substantial contributed services from members and others through participation on the Board of Directors and other committees. Because of the difficulty in determining their fair value, such services are not recorded in these financial statements.

Notes to Financial Statements

March 31, 2021

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Actual results may differ from the estimates, the impact of which would be recorded in future periods. Significant estimates include the useful lives and rates of amortization of capital and intangible assets.

Financial instruments

The organization initially measures its financial assets and liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Subsequently, all financial instruments are measured at amortized cost.

Financial assets measured at amortized cost include cash, investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accruals.

3. Investments

	Face value	Amortized Cost
CIBC GIC - 1.25%, maturing June 1, 2021	\$ 90,034	\$ 90,972
CIBC GIC - 0.35%, maturing February 28, 2022	287,630	287,726
CIBC GIC - 0.20%, maturing February 25, 2022	<u>207,672</u>	<u>207,712</u>
Total	585,336	586,410
Less: portion maturing within one year of the year-end date	<u>585,336</u>	<u>586,410</u>
Classified as long-term	<u>-</u>	<u>-</u>

At March 31, 2020, total investments at face value and amortized cost were \$706,784 and \$710,310, respectively.

4. Accounts receivable

	2021	2020
Trade receivables owing from members	\$ 146,456	\$ 161,962
Receivable from Ontario government - OMAFRA	-	204,383
Harmonized sales tax recoverable	-	11,652
Miscellaneous receivable	<u>2,465</u>	<u>-</u>
	<u>\$ 148,921</u>	<u>\$ 377,997</u>

Notes to Financial Statements

March 31, 2021

5. Capital assets

	Cost	Accumulated Amortization	2021 Net Book Value	2020 Net Book Value
Computer equipment	\$ 7,929	\$ 4,150	\$ 3,779	\$ 2,208
Office furniture and equipment	33,177	12,176	21,001	22,327
Leasehold improvements	20,590	200	20,390	-
	<u>\$ 61,696</u>	<u>\$ 16,526</u>	<u>\$ 45,170</u>	<u>\$ 24,535</u>

6. Intangible assets

	Cost	Accumulated Amortization	2021 Net Book Value	2020 Net Book Value
Computer software	<u>\$ 249,452</u>	<u>\$ 172,596</u>	<u>\$ 76,856</u>	<u>\$ 68,686</u>

7. Accounts payable and accruals

	2021	2020
Trade payables and accrued liabilities	\$ 116,253	\$ 385,654
Harmonized sales tax	25,400	-
Payroll taxes	-	13,127
	<u>\$ 141,653</u>	<u>\$ 398,781</u>

8. Deferred revenue

Deferred revenue represents product approval fees received, which relate to the subsequent year.

9. Net assets internally restricted for legal and enforcement fund

Net assets of \$200,000 have been restricted for a specific purpose. They may be used only for enforcing adherence to the regulations of the Vintners Quality Alliance Act.

10. Financial instruments

Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that the organization would receive or pay to settle a financial asset or financial liability at the reporting date.

The carrying values of cash, investments, accounts receivable and accounts payable and accruals approximate their fair values due to their liquidity.

Notes to Financial Statements

March 31, 2021

10. Financial instruments (continued)

Risk management

Risk management is incorporated into the organization's day to day management activities and an annual review of risks is completed by the Board.

The organization has exposure to the following risks associated with its financial instruments. Management considers these risks to be negligible.

Credit risk

The organization maintains cash and investments, with financial institutions, which are in excess of amounts insured by the Canada Deposit Insurance Corporation (CDIC) and the Ontario Deposit Insurance Corporation (ODIC). Management monitors the soundness of these institutions.

Liquidity risk

Liquidity risk is the possibility that the organization would be unable to pay its obligations. The organization has adequate working capital to cover its obligations in a timely manner.

11. Commitments

The organization leases office space under a lease expiring August 31, 2029. Future minimum lease payments total \$240,686 and include the following payments over the next five years: 2022, \$26,469; 2023, \$27,377; 2024, \$28,026; 2025, \$28,026; 2026, \$28,934. In addition to the minimum rent, the organization must pay a portion of the property operating costs and realty taxes which are estimated at \$31,529 per annum.



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