

2015 ANNUAL REPORT

Vintners Quality Alliance Ontario

Setting the standard for Ontario's wines of origin





Who We Are

VQA Ontario is Ontario's wine authority that 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.

VQA Ontario 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 buying authentic wines of origin and quality.

Mission

Effectively manage the appellation system. Encourage continuous improvements in wine quality. Communicate the VQA assurance of origin and authenticity to consumers.

Strategic goals

Origin, quality, authenticity

Officers

Brian Schmidt (6)

President and Chair
(elected from Vineland Estates Winery)

Paul Speck (5)

Vice-Chair
(elected from Henry of Pelham Family Estate Winery)

Louise Engel (6)

Secretary
(elected from Featherstone Estates)

Newman Smith (6)

Treasurer
(elected from Strewn Inc.)

Staff and Statutory Appointments

Laurie Macdonald

Executive Director

Barbara Dodds

Office Manager (VQA Inspector)

Susan Piovesan

Compliance and Information Officer (VQA Inspector)

Directors

Greg Berti (6)

(elected from Andrew Peller Ltd.)

Keith Bown (4)

(elected from Constellation Brands)

Jim Clark (3)

(elected from Colio Estates Winery)

Ken Douglas (2)

Past-Chair

Tony Elenis (4)

(appointed from Ontario Restaurant, Hotel and Motel Association)

Frank (Lanny) Huff (5)

(elected from Huff Estates)

Bill Redelmeier (4)

(elected from Southbrook Vineyards)

Mary Shenstone (6)

(appointed from Ontario Ministry of Intergovernmental Affairs)

Kevin Watson (2)

(appointed from Grape Growers of Ontario)

Attendance at Board meetings:

Six Board meetings were held in 2014-2015. The number of Board meetings each Director attended is indicated beside their name.

Organizational Values

Transparency and Fairness

VQA Ontario will carry out its statutory authority with transparency and fairness, and strive to uphold high ethical standards.

Responsiveness and Communications

VQA Ontario 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

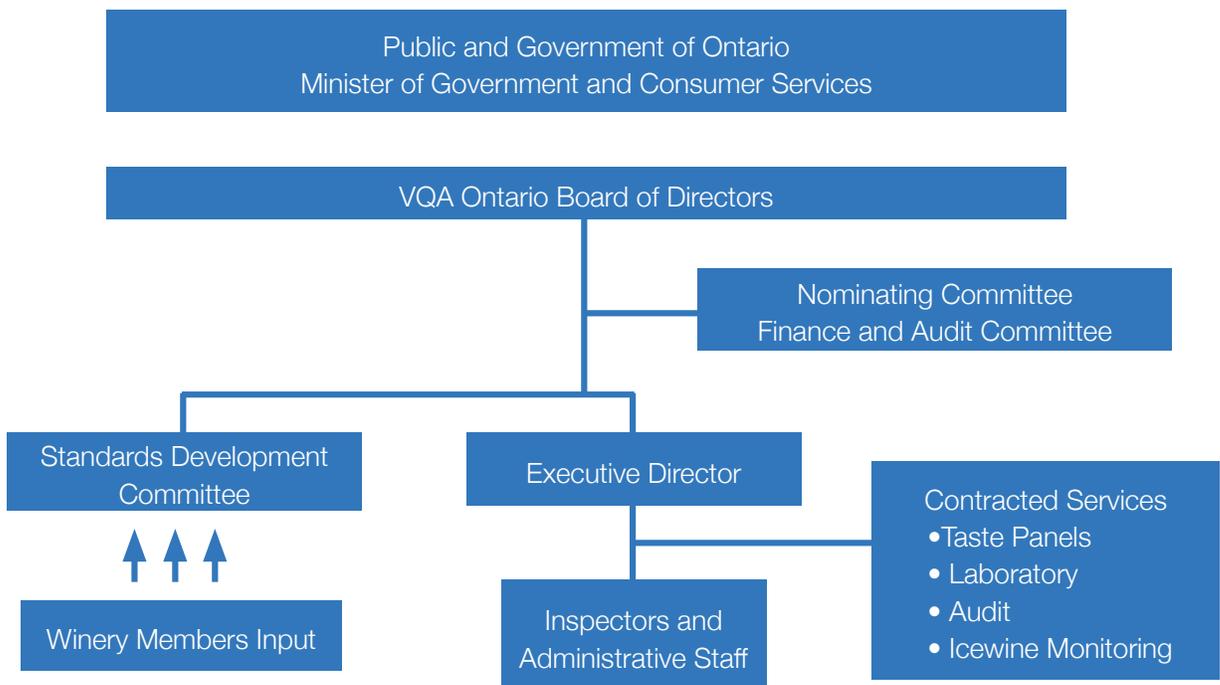
VQA Ontario will discharge its regulatory responsibilities firmly to ensure VQA terms, descriptions and designations are not misused and consumers can rely on label integrity for all VQA wines.

Accountability

VQA Ontario will be accountable for its decisions and promote effective and fair dispute mediation to resolve conflict.

Effectiveness

VQA Ontario 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

Some people will know that I am fond of saying that I have the best office in the world, out in our vineyard on the Twenty Mile Bench, and with a tractor as my mobile desk. Every year, I have the privilege of watching the vineyard come to life, buds break, grapes appear and mature then move through their journey to wine. Growing grapes and making wine in Ontario is not

without its challenges and requires constant innovation, but it is always inspiring to see the resilience and spirit in our vines and in our people. Just as we must take a long view, so must VQA Ontario stick to a steady course and a long term vision.

This year marks some significant milestones. It has been 15 years since the VQA Act created our regulated appellation system and a decade since 10 sub-appellations were defined in the Niagara Peninsula, followed closely by the creation of a new appellation for Prince Edward County. This steady vision of origin, quality and authenticity has laid out the foundations of the VQA system.

VQA Ontario has always approached its regulatory duties with quiet efficiency. Our staff especially, has focused on getting the job done rather than talking about it. I think it's time to give ourselves a pat on the back:

- VQA Ontario membership has increased from 44 to 151 wineries
- The number of VQA wines has doubled and sales have more than doubled
- 13 new appellations have been identified and regulated and the value of appellation is clearly reflected in higher prices for appellation and sub-appellation wines

- Europe has recognized VQA standards and opened its markets to VQA wines

- Icewine has been defined across Canada, and in treaties with Europe and 8 other wine producing countries, consistent with VQA standards

- Through all this, VQA sales levies have decreased by 33% and processes made much more efficient with technology and comprehensive online services

VQA and our appellations have matured into a solid framework that consumers can rely on and that wineries can build their brands on.

A price survey of 1200 wines, completed in 2013 across Niagara, reflects the role appellation plays in how our wines are valued. Wines labelled VQA Ontario retailed for an average of \$13 per bottle, wines labelled VQA Niagara Peninsula for \$19 and wines labelled with a sub-appellation for \$26. While many other factors contribute to price, appellation clearly is part of the code we use to communicate value to our consumers. That is a testament to the success of VQA and of our industry. VQA Ontario regulates our appellations but their inherent value is simply a reflection of the wine in the bottle.

Moving forward, we need to communicate our successes and the added value of appellation both to ourselves and to our consumers. VQA wineries made this system and continue to invest in it – not just with the fees we pay – but by making wines that give substance to our appellations and making that connection for consumers. I am excited to be leading the charge.

Brian Schmidt
President and Chair

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.

Vintage Report 2014

Niagara Peninsula • Lake Erie North Shore • Prince Edward County

Conditions

Weather conditions in Southern Ontario were unusually cold and snowy in the first few months of 2014 and cool prevailed well into spring. January through April brought mean temperatures consistently below normal and several regions saw their coldest spring in the past four decades. Finally, May brought a return to normal temperatures. The sustained winter cold and late spring led to a cautious outlook for the vintage, with grape growers concerned about the potential for winter damage and the relatively late start to the growing season.

May saw slightly more rain than normal for Prince Edward County and Lake Erie North Shore but otherwise normal conditions and gave the vines a chance to settle into the season. Slightly wetter and cooler weather prevailed across most of Ontario for June and July, making for a dreary summer but allowing for a slow, steady maturation of the vines and grapes. By early August, it was apparent that harvest dates would be about 10 days later than normal in all regions. It was also clear by this time that the cold winter would result in some crop reductions for tender varieties but in quite a sporadic pattern. The wide range of outcomes this year underscores the basic principle of appellation – that different combinations of specific locations and specific grape varieties matter.

August was relatively normal, and September finally brought enough sun and warm temperatures to push the grapes to maturity.

Harvest

September Harvest began a bit late, but was helped along by a good long stretch of dry and sunny September weather. Prince Edward County was drier than normal, and the other regions about normal for the month. The favourable weather continued into October allowing most of the grapes to ripen and come in before the rather quick onset of colder fall temperatures.

Preliminary registrations for Icewine and Late Harvest grapes show that production is likely to be just over half of that in 2013, with an estimated total of 3850 tonnes of 11 different grape varieties left on the vine after November 15.

Wine Expectations

This year highlighted the craft involved in growing good grapes and making quality wine. Technique and experience play a very important role in getting the best wine to the consumer. Viticulturalists and winemakers are faced with continuous decisions about the care of vines, when and how to prune or pick, grape sorting, time on lees, stainless or oak, varietal or blend, and many, many other things. These are all tailored into a unique combination to yield the best grapes and wine from the vintage.

As is often the case, nature eventually found a balance by the end of the season. Early reports suggest a solid vintage, but perhaps with limited availability for some varietals from some producers. This year was quite variable so each wine is likely to reflect the care and attention of its coach.



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Operations

Executive Director's Report

On the operational side, VQA Ontario's core business activities continued at a steady pace. The number of wineries participating in the VQA system grew to 151 and wine approvals, routine audits and inspections grew at about the same pace. We continue to move services and information online to increase efficiency and access for

wineries. This past year, we added wine transfer reporting to our VQA Services website and completed the transition of all VQA data to a cloud-based environment. This approach allows us to generate and monitor a wide range of statistics about VQA wines. I hope these resources will be useful to identify trends and plan for the future. A sampling of these statistics can be found later in this report, and more on our website.

A review of climate data for all of Ontario's appellations was recently completed and this information will be used to update resources on our website and in industry publications. We are also beginning a long term project to look at the profile and character of wines from each of our appellations and sub-appellations. This will focus on the similarities and differences in viticulture and wine-making practices between appellations and the character of the wines produced in each. It promises to be an exciting next step in the evolution of VQA wines.

On the enforcement side, last year saw the first trial ever held as a result of charges laid by VQA Ontario. The trial, involving 4 charges of "using terms, designations and descriptions without the approval of the wine authority", was the first real test of VQA bylaws and regulations before the courts. The winery was convicted on one charge and acquitted on the remaining 3

charges as a result of a disputed interpretation of the VQA bylaws. The language in the bylaw related to the continued use of VQA terms by non-member wineries has since been updated to clarify its intent to restrict the use of the regulated terms to member-wineries and to a one-year grace period after a membership ends.

Successful winemakers' forums were held in all regions with excellent attendance. These forums are a great way to share experiences and support the development of our appellations. I encourage everyone to take part. VQA Ontario also participated in a number of national and international forums to discuss harmonizing wine standards and compliance testing. Our goal is to have VQA wines qualify for import into other jurisdictions with no or few additional certification requirements.

As a delegated authority of the Ontario government, VQA Ontario is accountable to the Ministry of Government and Consumer Services. We continue to support the Ministry on the government's VQA wine strategy, including engagement with the newly formed Wine Marketing Association of Ontario to promote Ontario VQA wines.

It was a very busy year, and as always, I am grateful to all those who support us – dedicated staff, a very capable volunteer Board of Directors led by Brian Schmidt, and a host of others who provide services and advice, paid and otherwise, to this organization. Thanks to all of you.

A handwritten signature in black ink that reads "L. Macdonald". The signature is written in a cursive, flowing style.

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

6 net new member wineries

97% overall success rate for wine approval applications

Chardonnay the top production VQA varietal wine

1267 export certificates issued

347 audits and inspections conducted

5 compliance orders issued

Membership

151 wineries were registered as participants in the VQA program at the end of March 2015. These included 5 large wineries (sales of over 750,000 litres of VQA wines) 20 medium class wineries (sales of 100,000 to 750,000 litres of VQA wines) and 126 small wineries (sales of up to 100,000 litres of VQA wines).

Regular member communications included newsletters and bulletins, through various electronic channels.

Product Approvals

1991 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 1931 wines, and denied for 60.

Quality

Maintaining minimum quality standards continues to be an important part of VQA Ontario's mandate. In addition to enforcing standards, VQA Ontario runs two programs to support and encourage wineries to pursue the best

quality outcomes possible and exceed minimum standards. Winemakers Forums, held in all wine regions, are a venue where winemakers share experiences and best practices in an informal setting and discuss techniques that are especially successful in Ontario's unique growing conditions. The second program provides an 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 often work together with information from the tasting analysis providing topics for discussion at the Winemakers Forum. VQA Ontario continues to work with the Cool Climate Oenology and Viticulture Institute to promote professional development.

Inspections and Audits

181 routine audits were conducted during 2014 – 2015 to verify compliance with origin and production standards for all approved VQA wines. Each winery member was subject to an on-site audit on a 6 to 12 month interval, depending on their compliance record. In addition, 165 random inspections were completed at the retail level, focused primarily on ensuring ongoing compliance with VQA packaging and labelling regulations. As a result of audits and inspections, follow up was conducted in 58 cases. The majority of issues addressed were minor in nature.

Enforcement

Most compliance issues were resolved with warnings and corrective actions. VQA Ontario issued 5 compliance orders in relation to wineries using regulated terms without approval or failing to take corrective action within a stipulated time.



Trade and Export

VQA Ontario provides an independent certification process required by the European Development Union as a condition of access to its member states. 1267 certificates were issued for 234 wines from 30 different wineries.

Along with stakeholders from industry and government, VQA Ontario continued to take part in discussions to promote recognition and acceptance of the VQA appellation standard and access to world markets. This included participation in the World Wine Trade Group, the APEC Regulators Forum, and the International Technical Forum aimed at streamlining import testing procedures among wine trading countries and combatting counterfeiting. VQA Ontario also sits on the newly formed VQA committee of the Canadian Vintners Association that oversees the trademarks for “VQA” and “Icewine”.

Appellation Awareness

VQA Ontario participated in and supported a number of programs aimed at informing members, the public, consumers and industry groups about VQA appellations of origin, quality standards and the value of a regulated appellation system. Its primary activities were through its support for the marketing initiatives of the Ontario Wine Strategy.



Statistics

VQA Wine Production

All statistics are for the period of April 1, 2014 to March 31, 2015. 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 are available in past annual reports.

Production summary

Wine Category	# of Wines	Volume (9L cases)	Change from last year (volume)	Estimated grape tonnage
Table Wine	1,707	2,482,502	+3%	31,000
Icewine	106	103,520	-13%	5,500
Sparkling	62	68,723	+21%	900
Late Harvest	34	25,283	+76%	450
Other	22	9,908	+368%	120
Total	1,931	2,689,936	+3%	37,970

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 must contain 100% content from the stated sub-appellation. Production by appellation remained fairly steady but the proportion of wines labelled with sub-appellations within the Niagara region increased moderately from 12% to 16%.

Appellations

As declared on label	Cases (9L)	% of all VQA wines
Niagara Peninsula	1,522,376	56%
Ontario	686,170	26%
Sub-appellations of Niagara	435,895	16%
Lake Erie North Shore	19,309	1%
Prince Edward County	26,186	1%

Grape varieties used in all VQA wines (Total of 47 different varieties)

Variety	% of total production (by volume)
Riesling	14.3%
Chardonnay	13.9%
Cabernet Franc	13.3%
Merlot	12.2%
Cabernet Sauvignon	9.2%
Pinot Noir	7.3%
Vidal Blanc	6.3%
Baco Noir	5.3%
Sauvignon Blanc	5.1%
Pinot Gris/Pinot Grigio	3.1%
Gamay Noir	2.4%
Syrah	2.4%
Gewurztraminer	2.2%
Others	3.0%

The top four varieties used in VQA wines remained the same as in previous years but Riesling inched ahead of Chardonnay. The top four combined:

- Riesling
- Chardonnay
- Cabernet Franc
- Merlot

comprise 53% of total production, much the same as last year.

Red grape varieties used in all VQA wines – 54%

White grape varieties used in all VQA wines – 46%

Table wines

The table wine category includes white, red and rosé wines. Overall production of table wine increased by 3% over the past year. Wines labelled with a grape variety or varieties dominate the table wine category, accounting for over 90% of all table wines. The distribution between white, red and rose production shifted this year in favour of red – a notable change after many years of white holding the majority.

Colour		Litres	Cases (9L)
White (43%)	Varietal	9,332,613	1,036,957
	Non-varietal	355,530	39,504
	Total white	9,688,143	1,076,461
Red (54%)	Varietal	10,767,083	1,196,343
	Non-varietal	1,322,791	146,977
	Total red	12,089,874	1,343,320
Rosé (3%)	Varietal	248,870	27,652
	Non-varietal	315,617	35,069
	Total rosé	564,487	62,721

Popular single-varietal table wines

The top four red and white varietals remain the same as in previous years. Chardonnay and Riesling remain the top varietal whites by volume and Pinot Gris/Grigio dropped back from third spot to fourth. It is interesting to note that some varieties, such as Riesling and Merlot are used more often in proprietary blends (variety not declared on the label) while almost all of the Pinot Noir produced is labelled with the variety name.

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	2,728,539	303,171
	Riesling	2,302,497	255,833
	Sauvignon Blanc	1,120,166	124,463
	Pinot Gris/Pinot Grigio	605,723	67,303
Red	Pinot Noir	1,447,688	160,854
	Merlot	1,388,194	154,244
	Cabernet Franc	1,260,548	140,061
	Baco Noir	1,126,731	125,192





Icewine

Icewine production was down moderately from the previous year, but there was a substantial 68% increase in Cabernet Franc Icewine.

Variety	Litres	Cases (9L)
Vidal Blanc	588,175	65,353
Cabernet Franc	210,571	23,397
Riesling	68,428	7,603
Cabernet Sauvignon	52,010	5,779
Chardonnay	5,111	568
Others	7,384	820
Total	931,679	103,520

Other Wines

Production volumes of all other categories of VQA wines increased with Late Harvest almost doubling and Vin de Cure wines up over 4 times last year. Sparkling also saw a healthy 20% increase.

	Litres	Cases (9L)
Late Harvest and Botrytis Affected	227,545	25,283
Fortified and Liqueur wines and Vin de Cure	89,170	9,908
Sparkling wines	618,511	68,723

VQA Ontario Wine Sales

Year ending March 31, 2015

By Volume

	Litres (2015)	Litres (2014)	% Change
Winery Retail	5,560,975	5,229,167	+6.3
Licensees	3,478,268	3,332,752	+4.4
LCBO (shipped)	7,340,259	7,485,604	-1.9
Farmers Markets	62,392	0	-
Other Provinces	520,298	515,686	+0.9
Export and Miscellaneous	898,107	886,619	+1.3
Total	17,860,299	17,449,828	+2.4

By Retail Value

	Retail value (\$) (2015)	Retail value (\$) (2014)	% Change
Winery Retail	130,004,230	120,270,439	+8.1
Licensees	55,522,571	55,197,228	+0.6
LCBO (shipped)	116,578,778	120,635,296	-3.4
Farmers Markets	1,451,371	0	-
Other Provinces	10,467,476	11,945,406	-12.4
Export and Miscellaneous	Not reported	Not reported	-
Total	314,024,426	308,048,369	+1.9

Notes: Sales at Farmers Markets began in May 2014. Data for the retail values of export sales are not reported due to errors in the source data for both reporting years.



Wine Approvals and Compliance

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 VQA Ontario for testing and approval. The evaluation includes taste tests, laboratory tests and label reviews to ensure the wine meets quality standards and is labelled according to VQA regulations. Labelling regulations reserve certain terminology for eligible VQA 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. A range of inspection and audit programs also verify that underlying standards are met.

Activities

Applications for wine approval evaluated – 1991
Number of wines approved for VQA status – 1931

Performance Measures

Wine Approvals

Overall success rate – 97%

Laboratory analysis:

Average time to completion – 13 days
% of tests completed within 15 days – 80%
% of tests completed within 21 day target – 98%
Pass rate at laboratory – 99.3% (final status)

Sensory analysis:

Average time to completion – 5 days
% of tests completed within 15 days – 99.5%
% of tests completed within 21 day target – 99.9%
Pass rate at sensory panel – 98.3% (final status)

Online query and reporting system uptime
– 99.7% (100% during business hours)

Compliance and Enforcement

VQA Ontario 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 related to 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

Full on-site audits - 181
Retail store inspections - 165
Investigations - 8
Random testing of approved wines - 22
Warnings and minor corrective orders issued - 38
Compliance orders issued – 5
Charges laid – 0

Performance Measures

Percentage of audits completed with
no issues raised – 82%

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

Percentage of wines found to be compliant during inspec-
tions – 99%

Percentage of wines found to be compliant upon
random chemical analysis – 100%

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

VQA Ontario 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. VQA Ontario acknowledges the Liquor Control Board of Ontario for its valued assistance and cooperation in providing contracted services that increase VQA Ontario'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, 2015.

Revenue exceeded expenditures by \$40,725 for the year ended March 31, 2015. Total revenue was \$1,572,987, down from last year reflecting a fee reduction that was implemented on April 1, 2014. Total expenses were \$1,532,262. Net assets carried forward are \$803,337, and comprise VQA Ontario reserve funds for legal contingencies and general risk management.

Revenue for fiscal 2015 was derived primarily from sales levies (\$850,103) and approval fees (\$534,116).

Major components of the approximately \$1.5 million in expenses were wine approvals and quality monitoring (\$614,229), public education (\$250,000) and employee costs (\$383,854).

Financial Statements

For the year ended March 31, 2015



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

In association with
Reiner Goebel, CPA, CA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Vintners Quality Alliance Ontario

We have audited the accompanying financial statements of Vintners Quality Alliance Ontario which comprise the statements of financial position as at March 31, 2015, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 present fairly, in all material respects, the financial position of Vintners Quality Alliance Ontario as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink, appearing to read "Kopstick Osher".

Toronto, Canada
June 10, 2015

KOPSTICK OSHER, LLP
Chartered Professional Accountants
Licensed Public Accountants

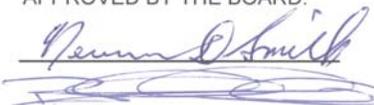
Statement of Financial Position

As at March 31, 2015

	2015	2014
ASSETS		
Current		
Cash	\$ 268,363	\$ 302,522
Investments - Note 3	569,295	586,118
Accounts receivable - Note 4	92,627	86,157
Prepaid expenses	<u>70,325</u>	<u>6,211</u>
	<u>1,000,610</u>	<u>981,008</u>
Investments - Note 3	<u>107,839</u>	<u>84,863</u>
Capital - Note 5	<u>4,788</u>	<u>5,374</u>
Intangible - Note 6	<u>11,040</u>	<u>17,614</u>
	<u>\$ 1,124,277</u>	<u>\$ 1,088,859</u>
LIABILITIES		
Current		
Accounts payable and accruals - Note 7	\$ 303,305	\$ 317,577
Deferred revenue - Note 8	<u>17,635</u>	<u>8,670</u>
	<u>320,940</u>	<u>326,247</u>
NET ASSETS		
Net assets	<u>803,337</u>	<u>762,612</u>
	<u>\$ 1,124,277</u>	<u>\$ 1,088,859</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, 2015

	Invested in capital and intangible assets	Internally restricted for legal and enforcement fund (note 9)	Unrestricted	2015 Total	2014 Total
Net assets - beginning of year	\$ 22,989	\$ 200,000	\$ 539,623	\$ 762,612	\$ 647,987
Excess of revenues over expenses	-	-	40,725	40,725	114,625
Purchase of capital assets	1,179	-	(1,179)	-	-
Amortization	(8,339)	-	8,339	-	-
Net assets - end of year	<u>\$ 15,829</u>	<u>\$ 200,000</u>	<u>\$ 587,508</u>	<u>\$ 803,337</u>	<u>\$ 762,612</u>

The accompanying notes
form an integral part of
these financial statements

Statement of Operations

For the year ended
March 31, 2015

	2015	2014
Revenues		
Membership fees	\$ 150,500	\$ 143,500
Bottle fees	850,103	891,935
Approval fees	534,116	496,639
Federal government grant - IRAP	15,000	60,000
Interest income	6,508	6,124
Other income	<u>16,760</u>	<u>29,215</u>
	<u>1,572,987</u>	<u>1,627,413</u>
Expenses		
Salaries and benefits	383,854	381,505
Contracted services	16,000	27,740
Public education	250,000	250,000
Approvals	614,229	560,915
Quality assurance and inspection	14,819	15,348
Export development and trade	10,404	2,773
Appellations	18,676	74,770
Weather monitoring	4,000	4,000
Meetings	5,370	8,365
Travel	4,249	5,593
Rent and occupancy	38,400	38,400
Office and general	30,833	19,706
Printing and mailing	10,196	11,697
Telephone and communications	9,135	7,870
Insurance	17,131	17,130
Professional services	96,627	71,390
Amortization of capital assets	1,765	1,809
Amortization of intangible assets	<u>6,574</u>	<u>13,777</u>
	<u>1,532,262</u>	<u>1,512,788</u>
Excess of revenues over expenses	<u>\$ 40,725</u>	<u>\$ 114,625</u>

The accompanying notes
form an integral part of
these financial statements

Statement of Cash Flows

For the year ended
March 31, 2015

	2015	2014
Cash flows from operating activities		
Excess of revenues over expenses	\$ 40,725	\$ 114,625
Non-cash items:		
Amortization of capital assets	1,765	1,809
Amortization of intangible assets	6,574	13,777
Interest capitalized on investments	(6,153)	(5,745)
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	(6,470)	12,690
Decrease (increase) in prepaid expenses	(64,114)	(366)
Increase (decrease) in accounts payable and accruals	(14,272)	43,310
Increase (decrease) in deferred revenue	8,965	(2,697)
	<u>(32,980)</u>	<u>177,403</u>
Cash flows from investing activities		
Purchase of investments	(589,264)	(561,628)
Proceeds from disposal of investments	589,264	411,628
Purchase of capital assets	(1,179)	(3,813)
Purchase of intangible assets	-	(9,240)
	<u>(1,179)</u>	<u>(163,053)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Increase (decrease) in cash	(34,159)	14,350
Cash - beginning of year	<u>302,522</u>	<u>288,172</u>
Cash - end of year	<u>\$ 268,363</u>	<u>\$ 302,522</u>

The accompanying notes
form an integral part of
these financial statements

Notes to Financial Statements

March 31, 2015

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

Vintners Quality Alliance follows the deferral method of accounting for revenues. All revenues are recognized in the year to which they pertain.

Investments

Investments consist of fixed income term deposits whose term to maturity is greater than three months from the date of acquisition. Fixed income investments maturing within twelve months from year-end are classified as current.

The investments are classified as held to maturity and are recorded at amortized cost as it is management's primary objective to hold investments to maturity.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

Capital assets

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

Computer equipment	20%
Office furniture and equipment	20%

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 at 20%.

Notes to Financial Statements



March 31, 2015

2. Significant accounting policies (continued)

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.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial instruments

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependant on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the organization's designation of such instruments.

Cash

Cash is classified as held for trading, which is measured at fair value. Any fair value fluctuations are included in income.

Investments

Investments are classified as held to maturity, which are measured at amortized cost using the effective interest rate method.

Accounts receivable

Accounts receivable are classified as loans and receivables, which are measured at amortized cost using the effective interest rate method.

Accounts payable and accruals

Accounts payable and accruals are classified as other liabilities, which are measured at amortized cost using the effective interest rate method.

Effective interest rate method

The organization uses the effective interest rate method to recognize interest income or expense for financial instruments.

Notes to Financial Statements



March 31, 2015

3. Investments

	Face value	Amortized Cost
CIBC GIC - 1.15%, maturing April 29, 2015	\$ 83,974	\$ 85,826
CIBC GIC - 0.90%, maturing July 15, 2015	126,881	127,410
CIBC GIC - 1.15%, maturing October 1, 2015	102,263	102,846
CIBC GIC - 0.80%, maturing January 5, 2016	151,207	151,488
CIBC GIC - 0.65%, maturing January 27, 2016	101,611	101,725
CIBC GIC - 1.10%, maturing October 17, 2016	<u>107,302</u>	<u>107,839</u>
Total	673,238	677,134
Less: portion maturing within one year of the year-end date	<u>565,936</u>	<u>569,295</u>
Classified as long-term	<u>107,302</u>	<u>107,839</u>

At March 31, 2014, total investments at face value and amortized cost were \$666,604 and \$670,981, respectively.

4. Accounts receivable

	2015	2014
Trade receivables owing from members	\$ 92,627	\$ 77,761
Harmonized sales tax recoverable	<u>-</u>	<u>8,396</u>
	<u>\$ 92,627</u>	<u>\$ 86,157</u>

5. Capital assets

	Cost	Accumulated Amortization	2015 Net Book Value	2014 Net Book Value
Computer equipment	\$ 21,288	\$ 18,775	\$ 2,513	\$ 2,399
Office furniture and equipment	9,489	7,214	2,275	2,975
	<u>\$ 30,777</u>	<u>\$ 25,989</u>	<u>\$ 4,788</u>	<u>\$ 5,374</u>

6. Intangible assets

	Cost	Accumulated Amortization	2015 Net Book Value	2014 Net Book Value
Computer software	\$ 120,302	\$ 109,262	\$ 11,040	\$ 17,614

Notes to Financial Statements

March 31, 2015

7. Accounts payable and accruals

	2015	2014
Trade payables and accrued liabilities	\$ 270,871	\$ 307,136
Payroll taxes	11,322	10,441
Harmonized sales tax	<u>21,112</u>	<u>-</u>
	<u>\$ 303,305</u>	<u>\$ 317,577</u>

8. Deferred revenue

Deferred revenue represents membership fees and 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 Vintners Quality Alliance Ontario 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 approximate their fair values due to their liquidity.

Risk management

Risk management is incorporated into Vintners Quality Alliance Ontario day to day management activities and an annual review of risks is completed by the Board.

Vintners Quality Alliance Ontario has exposure to the following risk associated with its financial instruments.

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 and considers the organization's risk to be negligible.

Notes to Financial Statements



March 31, 2015

11. Commitments

VQA Ontario has entered into an agreement with the Wine Marketing Association of Ontario to provide funding in support of activities to promote the awareness, understanding and use of the VQA appellations in the amount of \$250,000, for the next fiscal year.

The organization leases office space under a sub-lease, with the LCBO, expiring August 31, 2020. Future minimum lease payments total \$215,200 and include the following payments over the next five years: 2016 to 2018, \$38,400 per annum; 2019, \$40,500; 2020, \$42,000.

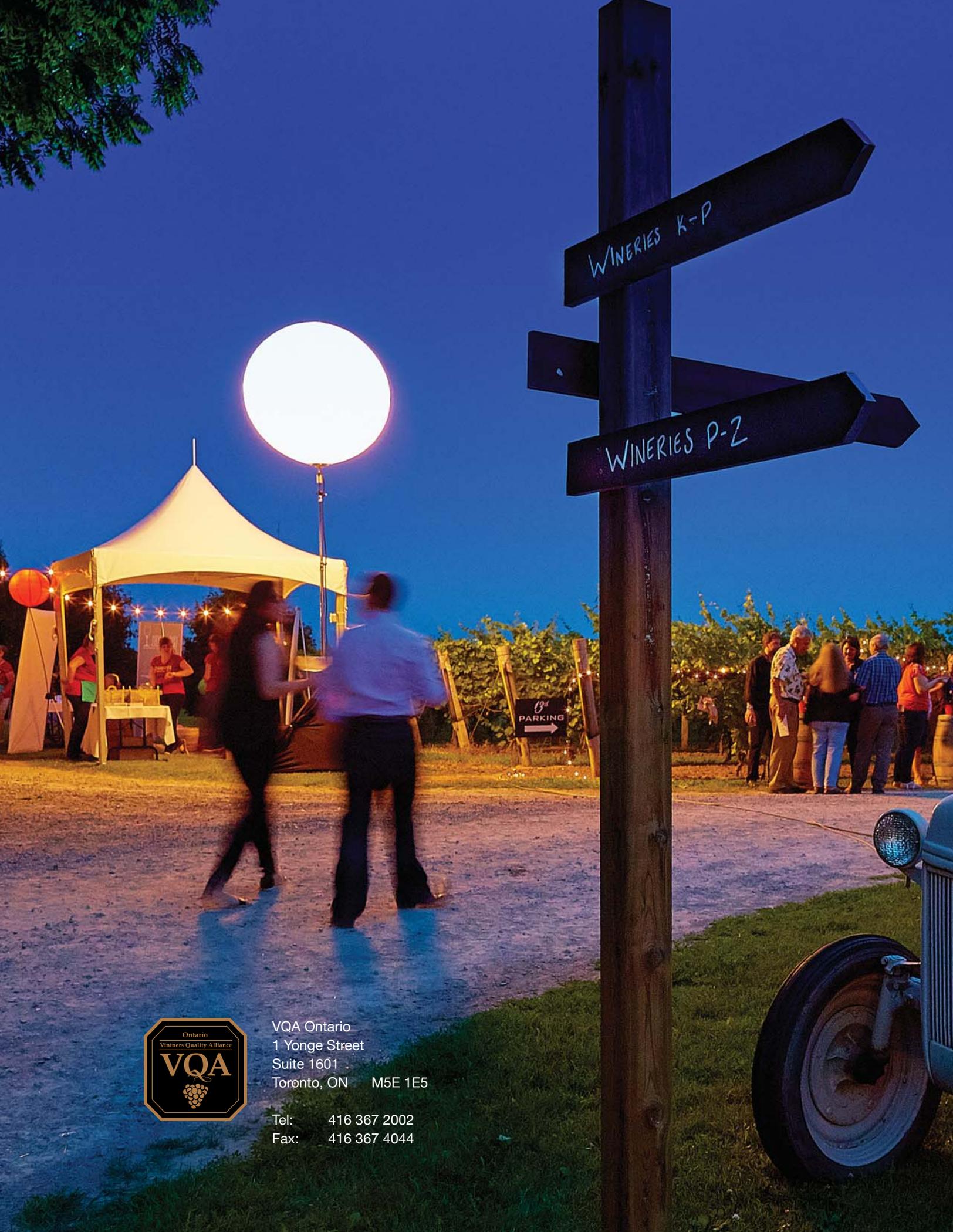
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Steven Elphick's passion for wine and food translates itself into food, landscape and beverage photographs with a core of truth and beauty. He has been judging wine professionally since 1988.

www.stevenelphick.com

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VQA Ontario
1 Yonge Street
Suite 1601
Toronto, ON M5E 1E5

Tel: 416 367 2002
Fax: 416 367 4044