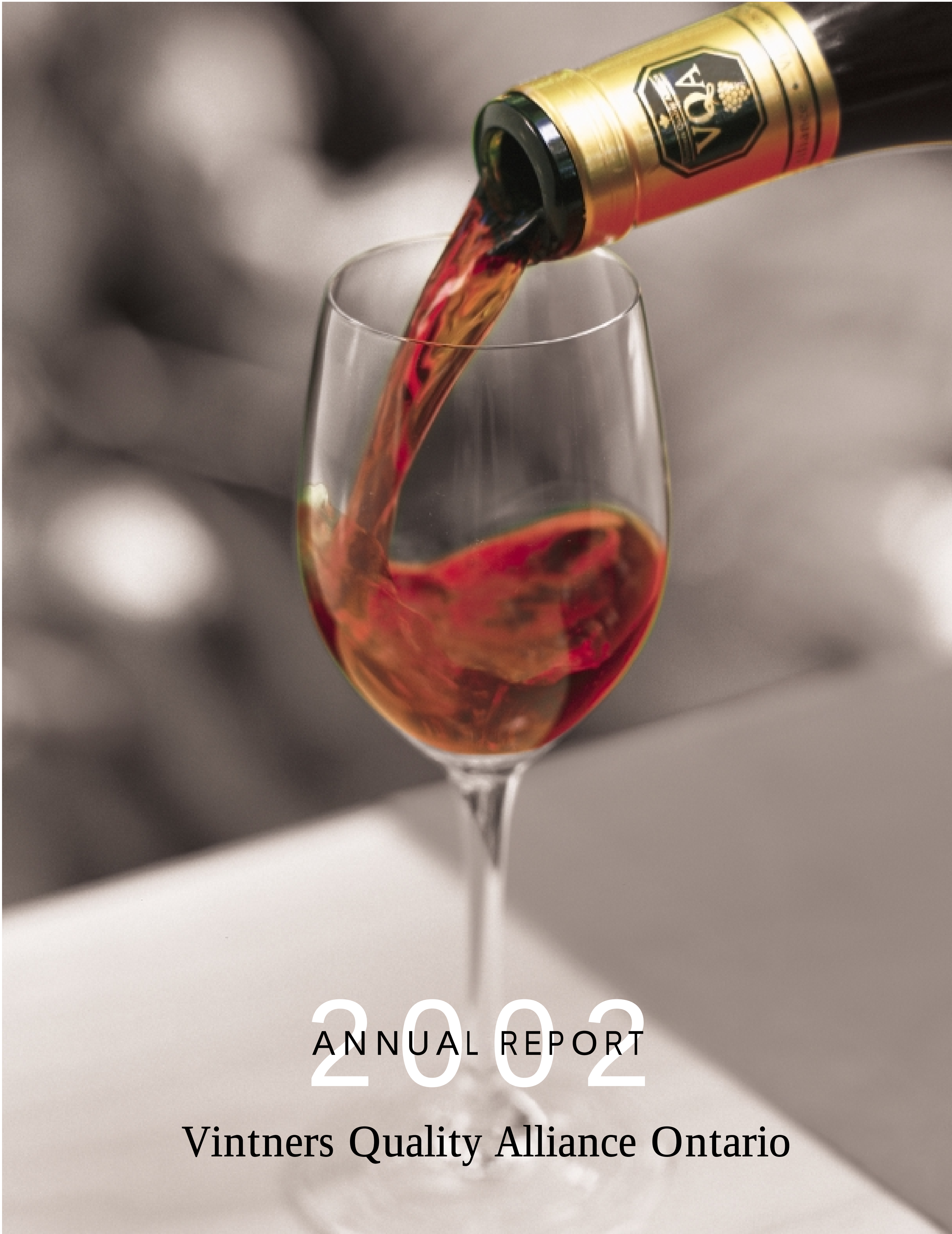


2002 ANNUAL REPORT

Vintners Quality Alliance Ontario

VISION

An acclaimed and prosperous Ontario wine industry founded on Vintners Quality Alliance wines.

MISSION

To develop VQA Ontario into an internationally recognized symbol of fine quality wines originating from the unique terroir of Ontario.

VALUES

Integrity 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 and fairly and ensure VQA terms, descriptions and designations are not misused.

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

It has been another successful year for VQA Ontario. Interest in VQA wines continues to grow both with consumers and wineries who are making a commitment to VQA for quality and origin. We ended the year on March 31, 2002 with 56 VQA wineries and a total of 901 wines presented for approval. Of these, a total of 751 wines received approval to carry the VQA logo and VQA-regulated terms – most of them from the 2000 vintage.

Our most important task is safeguarding the integrity of Ontario's appellation of origin system and associated quality assurance program. With a number of recent incidents in foreign appellations involving the fraudulent representation of non-appellation wines, it is more important than ever that VQA Ontario maintain strict oversight and enforcement of its regulations. In addition to the comprehensive audit carried out every 5 months, we have added quarterly retail inspections at winery retail stores and periodic reviews of products available in LCBO stores and at licencees.

Our next critical task is to promote consumer understanding and appreciation of VQA wines. To further this goal, we're pleased to be taking part in the new Ontario Wine Strategy in partnership with the Ontario government and wine and grape industries. The Strategy is a comprehensive program to showcase Ontario's VQA wines and sustain growth and prosperity for the future. Although sales of VQA wines continued to grow in 2001, the rate of growth shows signs of flattening due to fierce international competition and marketing challenges. More work lies ahead – both in promoting VQA wines and in striving for the quality that sets us apart.

We have also focused considerable efforts towards developing a national standard for VQA wines, with appropriate enforcement mechanisms attached. Our goal is to achieve a level playing field across Canada that supports and enhances the value of VQA wines. This is proving to be a challenge with many interests at the table, and complex legal and jurisdictional questions that have to be addressed. I remain optimistic that a national standard will be achieved in the near future.

On the international front, VQA Ontario has participated in discussions supporting Canada's trade negotiations with the European Union and with New World Wine producers with the aim of promoting the acceptance and recognition of the VQA standard and VQA wines. Last year saw some encouraging progress with access for Icewine to Europe granted and a government to government agreement signed among new world wine producers that calls for mutual acceptance of wine-making practices.

After a difficult summer with drought conditions across Ontario, the 2001 vintage was favoured with good fall weather. Early indications are that 2001 vintage wines will show good concentration and complexity, especially in the red varieties. The Icewine harvest on the other hand has been difficult. The unusually warm winter led to delayed harvests and low yields, and in some areas a large portion of the harvest was lost or diverted to late harvest wines. Look for good complexity in Icewines from 2001 but a limited supply.

As always, I must thank my colleagues on VQA Ontario's Board of Directors, Committees and staff without whom we could not have accomplished so much. Our VQA winery members should also be commended for their continued dedication to quality and commitment to VQA. Finally, thanks to the Ministry of Consumer and Business Services and the Liquor Control Board of Ontario for invaluable advice and assistance, without which we could not be successful.

L. Pennachetti
President and Chair

Executive Director's Report

Once again, it's been a busy and rewarding year managing VQA Ontario as we settle into our role as Ontario's wine authority. The majority of our efforts at the staff level go towards routine operations including such things as wine approvals, monitoring and enforcement. This past year we also tried to spend as much time as possible helping our winery members understand and comply with the myriad of detail in VQA rules and regulations. For small and large wineries alike, the regulations and associated record keeping can require a significant effort and we are working at streamlining processes where feasible.

Last year saw the launch of the export certification program which is now mandatory for wines exported to the European Union. With access to the EU for Icewine, and hopes for future improvements in overall access, VQA wineries are now starting to make inroads into European markets.

Compliance with VQA regulations continues to be excellent. Audit procedures have become more detailed and the level of random inspections and sampling increased over the past year. Icewine and Late Harvest monitoring has also been made more comprehensive with more independent monitoring of harvest, Brix levels, and temperature data. A comprehensive guide to standardized enforcement practices has been developed to ensure consistency in treating violations and ensure that wine consumers can rely on the integrity of VQA labels. Increased vigilance often allows us to act to resolve issues before wine is released for sale and before an infraction occurs. As the saying goes, an ounce of prevention is worth a pound of cure.

VQA Ontario's Standards Development Committee has been active, dealing with a number of technical issues and putting forward some minor regulation changes to clarify the interpretation of the regulations. Last year, the Committee began a major project investigating the potential for sub-appellations within the Niagara Peninsula and Lake Erie North Shore viticultural areas.

The end of the fiscal year leaves us in a strong financial position thanks to healthy VQA sales, careful fiscal management and support and services provided by the LCBO. A contingency fund has successfully been established to provide resources for prosecutions or other action required under the VQA Act to ensure our continued ability to fulfil our duties without undue pressure on fees. Full financial statements and a summary of regulatory activities can be found later in this report.

I extend my gratitude and thanks to all of our Board and Committee volunteers who give their time and advice freely. Thanks also to all of the winemakers and others who are always happy to share their wealth of technical knowledge on wine-making and sensory evaluation. Understanding and appreciating wine in all its forms is truly a lifelong pursuit.

A final thank you to those who make the whole system work on a day-to-day basis - Barbara Dodds, the winery auditors, LCBO Quality Assurance staff and Errol McKibbon.

As I write this, the year ahead has begun with many new opportunities to continue to improve our regulatory processes and promote recognition of the quality and distinctiveness of Ontario's fine wines among consumers, our trading partners and all those with an interest in wine. I will look forward to another exciting year.

L. Macdonald

L. Macdonald
Executive Director

Organization Profile

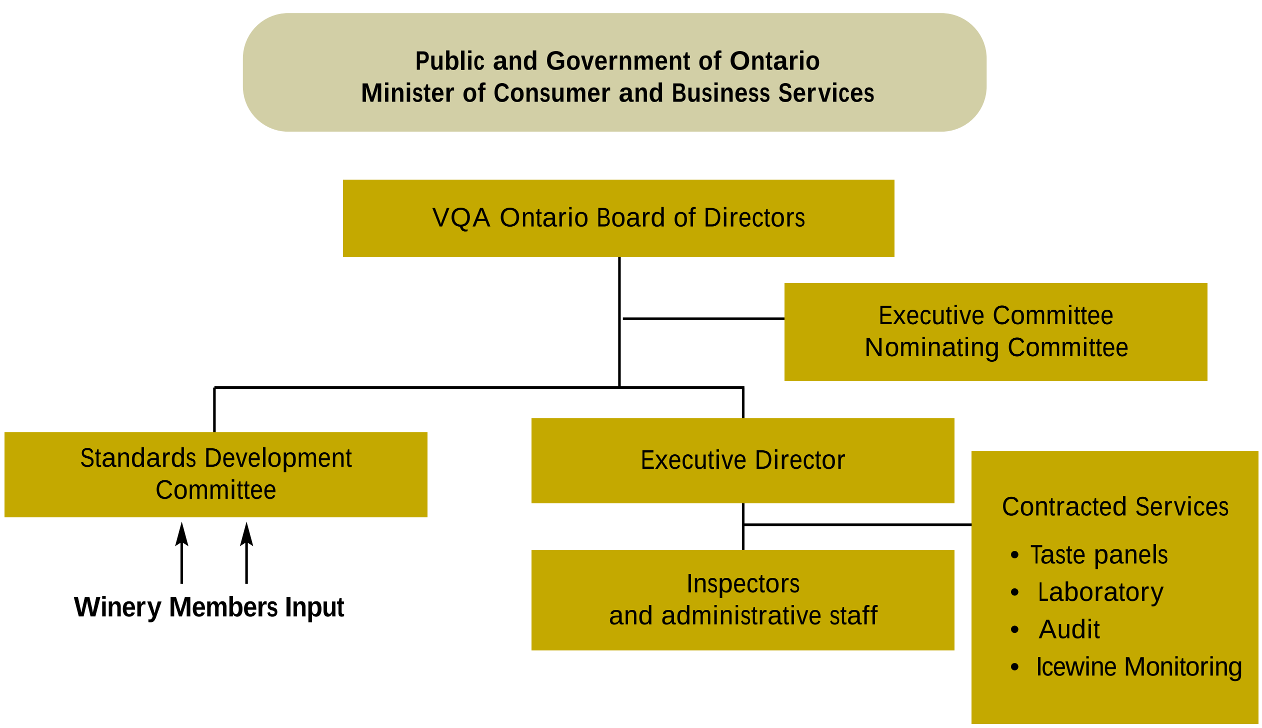
VQA Ontario was incorporated on November 26, 1998 as a not-for-profit corporation to prepare for the implementation of the Vintners Quality Alliance Act, 1999. The VQA Act gained royal assent on May 4, 1999 and was proclaimed into law on June 29, 2000. With the proclamation, VQA Ontario was designated as Ontario's wine authority and assumed responsibility for administering the VQA Act and its regulations under a detailed agreement with the Minister of Consumer and Business Services.

The VQA Act establishes an "Appellation of Origin" system by which consumers can identify quality wines made in Ontario based on the origin of grapes used, production methods and other standards. Wines produced in accordance with VQA regulations may apply for approval and, if successful, are entitled to use the terms, designations and descriptions regulated under the Act.

In addition to its primary mandate to administer and enforce standards under the VQA Act, VQA Ontario is also committed to work with the grape and wine industry, governments and the public to promote the understanding of the VQA appellation system and promote VQA-approved wines. This includes providing educational and promotional materials and participating in national and international activities related to wine standards and trade.

VQA Ontario is governed by a Board of Directors comprised of nine members elected from its winery members, one representative of the Ministry of Consumer and Business Services, one representative of the Ontario Grape Growers Marketing Board and one representative of consumers. The governance structure reflects the principles of self-management, with industry representatives comprising a majority of the Board of Directors with additional representation ensuring balance and accountability. Members of the Board of Directors are listed inside the back cover.

Operations are run by a small permanent staff with assistance provided by the Liquor Control Board of Ontario on a contract for service basis.



Activity Review

VQA Ontario's performance goals include upholding the provisions of the VQA Act and regulations and enhancing consumer recognition of VQA wines and understanding of the regulated VQA appellation system. The following reports activities during the period April 1, 2001 to March 31, 2002.

ACTIVITY SNAPSHOT

56 member wineries
751 wines approved
84% success rate for approvals
Chardonnay the top production VQA varietal wine
104 Export certificates issued
201 audits and inspections conducted
4 compliance orders issued and resolved

MEMBERSHIP

VQA Ontario ended the 2001-2002 year with 56 members including 3 large class wineries (sales of over 750,000 litres of VQA wines) 11 medium class wineries (sales of 100,000 to 750,000 litres of VQA wines) and 42 small wineries (sales of up to 100,000 litres of VQA wines). A total of 7 new wineries joined VQA Ontario and 2 members resigned. Continued growth in membership is anticipated through 2002 with 4 potential new members identified.

Communications with members was enhanced through the launch of a new member-focused website and regular newsletters. Member seminars were also held during the summer months of 2001 and the Annual General Meeting provided a forum for member issues.

PRODUCT APPROVALS

901 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. Approvals were granted for 751 wines, and denied for 150.

INSPECTIONS AND AUDITS

122 routine audits were conducted during 2001 – 2002 to verify compliance with origin and production standards for all approved VQA wines. Each winery member was subject to complete on-site audits on a 5-month interval. In addition, 79 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 39 cases. A large majority of issues addressed were minor in nature and resolved through open communication and advice, and a strong willingness on the part of members to meet required standards.

COMPLIANCE ORDERS

VQA Ontario issued 4 compliance orders in cases of violations of the VQA Act and Regulations. All orders resulted in full compliance.

No tribunals were convened.

TRADE AND EXPORT DEVELOPMENT

Along with other stakeholders from industry and government, VQA Ontario continued to participate in discussions to improve trade access for wine in European and New World markets. In May 2001 VQA Ontario instituted an independent certification process as required by the European Union as a condition of access to certify all Ontario wines destined for export to Europe. From its inception to year-end, 104 export certificates were issued.

Having gained European access for Icewine and limited access for table wines, negotiations have resumed to address the remaining issues related to table wines and access for Late Harvest wines.

A significant step forward was taken in December 2001 when Canada signed a Mutual Acceptance Agreement on oenological practices with Australia, New Zealand, Chile and the United States. This agreement eliminates trade barriers based on local wine-making practices and sets the stage for future agreements on labelling and perhaps further liberalization in other jurisdictions.

Discussions taking place at the Committee on Wine of the Canadian General Standards Board aimed at developing a national standard for VQA wines were suspended early last year. Talks are now focused on the regulatory framework that would administer a national standard with the view to establishing a comparable system across Canada. Once these details have been worked out, it is expected that the technical standard will be brought together with the regulatory framework for implementation.

PUBLIC EDUCATION

VQA Ontario participated in and supported a number of programs aimed at informing members, the public, consumers and industry groups about VQA quality requirements and the value of a regulated appellation system. These included:

- Publication of brochures summarizing the VQA standard, providing information on Icewine and developing promotional materials for licensee use
- Launch of a website aimed at providing the public with general information and the members with convenient access to regulations and policies
- Providing information sessions and seminars covering the VQA Act and regulations, approval procedures, export certification and Late Harvest and Icewine monitoring requirements
- Participating in discussions related to wine standards as well as providing information on the VQA appellation for the purpose of interprovincial and international trade
- Responding to inquiries or complaints from consumers

Ontario's VQA Wines

The Year in Review (2001 – 2002)

VQA Wine Sales

By Volume

	Litres (2002)	Litres (2001)	% Change
Winery Retail	3,052,898	2,591,260	17.8
Licensees	1,595,208	986,191	61.8
LCBO (shipped)	3,558,505	3,454,158	3.0
Outside of Ontario and miscellaneous	1,197,245	891,480	34.3
Total*	**9,083,838**	**7,921,042**	**14.7**

	Retail value ($) (2002)	Retail value ($) (2001)	% change
Winery Retail	54,966,877	46,887,342	17.2
Licensees	21,992,008	15,191,828	44.8
LCBO (shipped)	56,159,291	56,449,394	- 0.5
Outside of Ontario and miscellaneous	28,609,543	26,243,970	9.0
Total*	**$161,709,699**	**$144,755,723**	**11.7**

** Figures may not correspond exactly due to rounding errors*

VQA Wine Approvals and Production

Total number of application for VQA approval received 951

Total number of wines approved for VQA status 751

Total volume of approved wines ....11,251,628 Litres

Total estimated grape tonnage represented ....15,500 tonnes

TABLE WINES

The overall trend seen in VQA table wines is towards higher quality wines with the emphasis on red varieties. More VQA wineries are producing one or more limited production, top flight reds using Cabernet Franc, Cabernet Sauvignon and Merlot to showcase their product lines. There also continues to be an increase in the number of limited edition, high quality and usually varietal whites positioned as flagship wines to complement wineries' mainstream selections.

Syrah has emerged as a promising Ontario variety with two VQA Syrahs and one Shiraz now on the market. Sauvignon Blanc also appears to be gaining popularity among VQA winemakers with an increasing number of single varietal Sauvignons available.

Number of table wines approved: 620

(includes 16 roses and 2 nouveau wines but does not include Late Harvest, Icewine, or Sparkling wines)

Vintage	Number of wines approved	Volume (9 L cases)	Volume (Litres)
2001	61	274,091	2,466,819
2000	445	830,697	7,476,273
1999	101	94,713	852,417
1998	9	2,138	19,242
1997	4	320	2,880
All table wines	**620**	**1,201,959**	**10,817,631**

Using an average yield of 725 litres per tonne, the grape tonnage used for VQA table wines that were approved in the last year can be estimated as follows:

2001 vintage	3,400 tonnes
2000 vintage	10,300 tonnes
1999 vintage	1,200 tonnes
previous vintages	30 tonnes

SINGLE VARIETAL WINES BY GRAPE VARIETY

Based on the number of approvals granted, single varietal wines were dominated by Chardonnay. A total of 514 single varietal wines were approved. Numbers of approvals granted for the more common varieties are:

Single Varietal Wines by Grape Variety

Single Varietal	Number of wines approved	Volume (9 L cases)	Volume (Litres)
Chardonnay	115	294,004	2,646,036
Riesling	53	129,156	1,162,404
Cabernet Franc	49	100,756	906,804
Merlot	33	25,735	231,615
Cabernet Sauvignon	32	24,906	224,154
Pinot Noir	31	37,282	335,538
Vidal	28	107,627	968,643
Gamay	28	44,535	400,815
Sauvignon Blanc	25	20,693	186,237
Baco Noir	23	77,465	697,185
Pinot Gris / Grigio	18	29,007	261,063
Gewurztraminer	16	37,786	340,074
Foch	11	11,981	107,829
Zweigelt	7	4,160	37,440

Wine Category	Number of wines approved	Volume (4.5 L cases)	Volume (Litres)
Late Harvest	11	11,226	50,517
Select Late Harvest	8	5,348	24,066
Special Select Late Harvest	9	3,557	16,006

Wine Category	Number of wines approved	Volume (9 L cases)	Volume (Litres)
Sparkling wines	12	16,304	146,736
Fortified wines	2	n/a	n/a

ICEWINE

Icewines by Variety – Number of Icewines approved - 71

Variety	Number of wines approved	Volume (4.5 L cases)	Volume (Litres)
Vidal	42	37,600	169,200
Riesling	16	4,300	19,350
Cabernet Franc	6	1,040	4,680
Gewurztraminer	5	710	3,195
Chardonnay	1	24	108
Pinot Gris	1	31	139
All Icewines	71	43,705	196,672

Vintage	Number of wines approved	Volume (4.5 L cases)	Volume (Litres)
2000	57	32,710	147,195
1999	11	8,705	39,172
1998	3	2,290	10,305

The 2001 Vintage

The growing season got off to a good start in 2001 but severe drought conditions occurred across Ontario during July and August, affecting all viticultural areas. Older vines coped well and some irrigation was used to sustain more vulnerable plantings. Fortunately, the fall weather was generally good and most varieties ripened well. Sugar levels, measured by Brix readings, were average to above average for most varieties. Harvest was a bit challenging because of the amount of rain around optimum harvest times but the crush was generally successful, even if a bit hectic. Early indications for the 2001 vintage table wines are promising showing good concentration and complexity, especially in the red varieties.

The Icewine harvest on the other hand was difficult. The unusually warm winter led to delayed harvests and lower yields, and in some areas a large portion of the harvest was lost or diverted to late harvest wines. Not-withstanding these setbacks, the final harvest results were good – see the harvest summary below under Icewine Monitoring.

LATE HARVEST AND ICEWINE MONITORING

Late harvest reports were filed by November 15 for all grapes left hanging beyond that date and checking and monitoring continued through to the Icewine harvest. Total tonnage netted was estimated at 3176 tonnes, an increase of 30 percent over 2000 and up over 50 percent from 1999 nettings. Estimated tonnages for the major varieties used for Icewine are as follows:

Vidal – 2565 tonnes
Riesling – 357 tonnes
Cabernet Franc – 188 tonnes
Gewurztraminer – 46 tonnes.

Independent brix testing was conducted for all Late Harvest and Icewine grapes for the 2001 vintage harvest. With prolonged warm weather last winter, the Icewine harvest was delayed across the province and the window of opportunity for harvest was limited. The number of hours the temperature remained below –8 in the Niagara Peninsula in December, January and February ranged from approximately 40 hours in the Niagara-on-the-Lake area to 112 hours towards Grimsby. Lake Erie North Shore and Pelee Island also had considerably less harvest time than normal. Picking of Icewine grapes took place on only 14 dates, approximately half of the available dates from the previous vintage. As a result, a significant amount of the tonnage set aside for Icewine was diverted to Late Harvest wines.

Yields for both the Late Harvest and Icewine categories were slightly lower than normal and early expectations are for well-concentrated wines.

2001 Vintage Estimates Summary

Variety	Icewine (Litres)	Late Harvest (Litres)
Vidal	307,199	145,315
Riesling	29,128	12,494
Cabernet Franc	22,497	2,452
Gewurztraminer	3,056	500
Chardonnay	2,450	-
Gamay	305	-
TOTAL	**364,635**	**160,761**

The volume of Icewine juice increased only 11% from last years recorded volume of 328,000 litres compared to the tonnage netted which increased 30%.

ENFORCEMENT ACTIVITY

VQA Ontario continues to take its role in enforcing the VQA Act and regulations very seriously. The regulatory process starts with the monitoring of grape quality at harvest through independent sugar testing and through regular auditing and reconciling of wine making processes and record-keeping. Once the wine is finished and submitted for VQA approval, taste tests, laboratory tests and labels reviews are completed. Only after having successfully completed this process can a wine receive approval and be released for sale.

Last year, we conducted 122 full on-site audits, taking from 1 to 3 days each and an additional 79 random, unannounced retail inspections at winery retail stores, LCBO stores and licensees. As a result of these activities, a number of problems were uncovered and corrected, most related to minor labelling violations such as placement of variety names, graphic discrepancies with the VQA logo etc. The most serious violations found were cases where wineries had offered VQA wines for sale before receiving approval. In most cases, the wines in question had been or were about to be submitted for approval. These wines were ordered removed from all channels of sale until they were approved, and in almost every case, approval followed and the wines were re-released. Cases involving compliance orders normally result in financial penalties to the winery and represent a significant deterrent.

VQA Ontario also conducts random Quality Assurance Reviews (QARs) on VQA wines to ensure ongoing product integrity. This involves selecting approved wines on a random basis (10% of wines) from a retail setting and re-testing these wines. This allows us to determine that the wine in the bottle is the same wine that was approved and whether VQA standards for taste profile and chemical analysis continue to be met at the point of distribution to the consumer. A total of 34 QARs were conducted last year resulting in one wine being withdrawn from the market. Significantly more QARs will be conducted as the program is fully implemented.

The level of compliance with VQA regulations within Ontario is very good and the desire for full compliance strong among VQA wineries. As we are still a very young regulatory body, our focus continues to be education to assist Ontario wineries, particularly newer ones, in understanding the VQA requirements and restrictions. Next year, we hope to expand our focus to ensure non-VQA wineries are fully conversant in VQA's impact on the labelling of non-VQA wines.

Financial Report

RESOURCING

VQA Ontario is supported primarily by its members on a fee for service basis and an ongoing contribution from the Ontario Grape Growers Marketing Board. For a transitional start-up period of three years, commencing in 2000, the Ministry of Consumer and Business Services and the Liquor Control Board of Ontario have committed to providing a combination of in-kind and financial support. VQA Ontario will be entirely self-funded by March 31, 2003.

FINANCIAL SUMMARY

This summary is drawn from the auditor's report and financial statements for the year ended March 31, 2002 contained in Appendix 1.

Revenue exceeded expenditures by $399,675 for the year ended March 31, 2002. Not only were revenues greater than anticipated because of strong growth in VQA sales but expenses for general office management were slightly lower because of lower than projected enforcement costs and some delays in completing publications. After accounting for payments due early in the next fiscal year, it is expected that net equity carried forward will be in the range of $600,000. This will form VQA Ontario's long-term reserve fund to be used for complicated investigations, prosecutions or other unanticipated expenses.

Total revenue for fiscal 2002 was $1,186,083 with the majority received in member fees ($925,121).

Total expenditures for the year were $786,408 with major expenses including quality testing and monitoring ($148,748), insurance and professional fees ($52,435), public education ($240,000) and employee costs ($201,545).

Kopstick Osher
Chartered Accountants, LLP

Mark Kopstick C.A.
Benjamin Osher C.A.
William Genga B.Comm.
In association with
Reiner Goebel C.A.

AUDITORS' REPORT

To the Council,
Vintners Quality Alliance Ontario

We have audited the statement of financial position of Vintners Quality Alliance Ontario as at March 31, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Kopstick Osher

Toronto, Canada
June 5, 2002

KOPSTICK OSHER
Chartered Accountants, LLP

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CA

VINTNERS QUALITY ALLIANCE ONTARIO

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2002

	2002	2001
ASSETS		
Current		
Cash and short-term deposits	$ 512,389	$ 284,964
Accounts receivable	179,472	70,042
Sundry assets	9,377	19,024
	701,238	374,030
Capital - Note 2	1,141	1,446
	$ 702,379	$ 375,476
LIABILITIES		
Current		
Accounts payable and accruals	$ 55,604	$ 60,576
Deferred revenue - Note 3	42,060	67,370
Loan Payable	-	42,490
	97,664	170,436
NET ASSETS		
Net assets	604,715	205,040
	$ 702,379	$ 375,476

APPROVED BY THE BOARD:

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

Kopstick Osher
Chartered Accountants, LLP

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VINTNERS QUALITY ALLIANCE ONTARIO

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2002

	Invested in capital assets	Internally restricted for legal and enforcement fund	Unrestricted	2002 Total	2001 Total
Net assets (deficiency) - beginning of year	$ 1,446	$ -	$ 203,594	$ 205,040	$ (93,357)
Excess of revenues over expenses	-	-	399,675	399,675	298,397
Amortization of capital assets	(305)	-	305	-	-
Internally imposed restrictions - Note 4	-	400,000	(400,000)	-	-
Net assets - end of year	$ 1,141	$ 400,000	$ 203,574	$ 604,715	$ 205,040

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

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Kopstick Osher
Chartered Accountants, LLP

VINTNERS QUALITY ALLIANCE ONTARIO

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001
Revenues		
Membership fees	$ 111,000	$ 88,916
Bottle fees	701,081	465,706
Approval fees	113,040	53,080
Other income	21,558	5,590
Contributions from MCBS	-	34,605
Contributions from LCBO	134,404	113,730
Contributions from OGGMB	75,000	75,000
Contributions from OMAFRA	30,000	-
	1,186,083	836,627
Expenses		
Salaries and benefits	201,545	182,555
Contracted services	14,200	11,336
Public education	240,000	180,000
Approval fees	124,164	53,080
Quality assurance and inspection	10,384	-
Strategic planning	27,502	-
Export development and trade	17,017	12,720
NAWN support	3,000	-
Meeting expenses	4,729	2,277
Travel	1,633	3,216
Rent and occupancy	31,022	7,694
Office and general	19,882	6,743
Printing and mailing	33,677	3,376
Telephone and communications	4,742	3,001
Insurance	19,343	15,900
Bank charges	171	171
Professional services	33,092	56,085
Amortization	305	76
	786,408	538,230
Excess of revenues over expenses	$ 399,675	$ 298,397

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

Kopstick Osher
Chartered Accountants, LLP

VINTNERS QUALITY ALLIANCE ONTARIO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001
Cash flows from operating activities		
Excess of revenues over expenses	$ 399,675	$ 298,397
Non-cash items:		
Amortization	305	76
Net change in non-cash working capital	(172,555)	22,685
	227,425	321,158
Cash flows from investing activities		
Purchase of capital assets	-	(1,522)
Cash flows from financing activities		
Loan proceeds (repayments)	-	(42,490)
Increase in cash	227,425	277,146
Cash and short-term investments - beginning of year	284,964	7,818
Cash and short-term investments - end of year	$ 512,389	$ 284,964

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

Kopstick Osher
Chartered Accountants, LLP

VINTNERS QUALITY ALLIANCE ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002

1. Significant accounting policies

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.

Revenue recognition

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

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%

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.

All other contributed materials and services are recorded at fair value.

2. Capital assets

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Computer equipment	$ 874	$ 219	$ 655	$ 830
Office furniture and equipment	648	162	486	616
	$ 1,522	$ 381	$ 1,141	$ 1,446

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Kopstick Osher
Chartered Accountants, LLP

VINTNERS QUALITY ALLIANCE ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002

3. Deferred revenue

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

4. Net assets internally restricted for legal and enforcement fund

The Board of Directors have approved the restriction of $400,000 of net assets, to be used for funding costs of enforcing adherence to the regulations of the Vintners Quality Alliance Act.

5. Contributed materials and services

The following materials and services, included in the financial statements, were contributed by the LCBO.

	2002	2001
Rent	$ 30,000	$ 7,500
Database support	1,500	-
Incremental and audit tasting expenses	13,904	-
Computer equipment	-	874
Office equipment refurbishment	-	2,355
	$ 45,404	$ 10,729

6. Commitments

VQA Ontario has made a commitment to provide funding for VQA generic marketing to the Wine Council of Ontario in the amount of $750,000 over the next three fiscal years.

Kopstick Osher
Chartered Accountants, LLP

Vintners Quality Alliance Ontario

BOARD OF DIRECTORS 2001 - 2002

Officers

Len Pennachetti
President, Cave Spring Cellars
President and Chair, VQA Ontario

Paul Speck
President, Henry of Pelham Family Estate Winery
Vice-Chair, VQA Ontario

Newman Smith
Chairman, Strewn Inc.
Treasurer, VQA Ontario

Sandra Marynissen
Vice-President, Marynissen Estates
Secretary, VQA Ontario

Directors - Elected

Jamie Macfarlane
Director, Oenology and Research,
Andres Wines Ltd.

Stu Morgan
General Manager, Lakeview Cellars Estate Winery

Walter Schmoranz
General Manager, Pelee Island Winery

Bruce Walker
Executive Vice-President, Government and Industry Relations, Vincor International Inc.

Beth Warner
Vice-President, Marketing, Kittling Ridge Estate Wines and Spirits

Directors-Appointed

Alexandra Aguzzi-Barbagli
Manager, Sector Liaison, Ontario Ministry of Consumer and Business Services

Terry Mundell
President, Ontario Restaurant, Hotel and Motel Association

Peter Buis Jr.
Vice-Chair, Ontario Grape Growers' Marketing Board

Statutory Appointments

Laurie Macdonald, VQA Inspector

VQA Ontario staff

Laurie Macdonald, Executive Director
Barbara Dodds, Executive Assistant

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