



2020 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 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 (6)

Treasurer

(elected from Colio Estate Winery)

Martin Werner (7)

Secretary

(elected from Ravine Vineyard Estate Winery)

Attendance at Board meetings:

Eight Board meetings were held in 2019-2020. The number of Board meetings each Director attended is indicated beside their name.

Directors

Greg Berti (5)

(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 (7)

(elected from Flat Rock Cellars)

Paul Kassebaum (8)

(elected from Arterra Wines Canada)

Mary Shenstone (7)

(appointed from Government of Ontario)

Paul Speck (6)

(elected from Henry of Pelham Estate Winery)

Dan Sullivan (7)

(elected from Rosehall Run Vineyards)

Kevin Watson (5)

(appointed from Grape Growers of Ontario)

Staff and Statutory Appointments

Laurie Macdonald

Executive Director

Susan Piovesan

Manager, Compliance and IT Systems (VQA Inspector)

Katherina Radcliffe

Manager, Communications and Wine Standards

Kaitlin Wilson

Wine Approvals Coordinator

Stan Loree

Finance



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

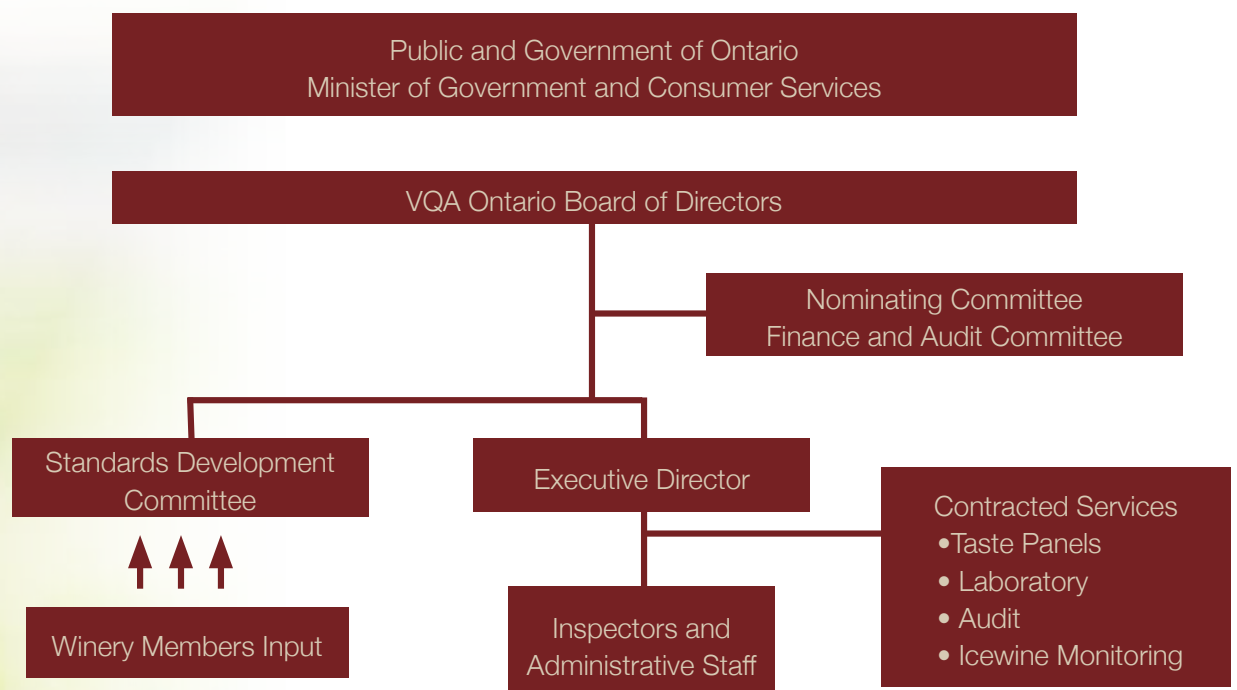
VQA Ontario will discharge its regulatory responsibilities firmly to ensure VQA terms, descriptions and designations are not misused and consumers can rely on label integrity for all VQA wines.

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

2020 will mark my 30th vintage of winemaking in Ontario. A good time to reflect upon what I have learned.

I have been fortunate to be immersed in almost every aspect of Ontario wine ... winemaking, grape growing, marketing, finance, sales, building brands, building wineries and re-building wineries. I have

constructed and maintained both large 10,000 + case brands and exclusive 50 case ultra-premium bottlings showcasing the specific attributes of a single place. It would be an understatement to say I am passionate about Ontario wine, it is my purpose in life and one of my greatest sources of pride. But nothing - not anything I have experienced - could have possibly prepared me for 2020. While I would normally devote my yearly message to VQA accomplishments, this year I want to reflect on broader issues affecting all of us.

The declaration of the pandemic emergency in March changed everything in our industry and our lives. Some of us have become overwhelmed with keeping our businesses and vineyards running while others, especially those in hospitality, sales and tourism, have been left without work and isolated at home. We share these trials with our colleagues around the world who are also reeling from the impact on their businesses and personal lives. My heart goes out to everyone who has suffered personal losses and I am thankful for all of those who have stepped up to keep us safe and keep us going.

Even though we are resilient and pressing forward, many in our industry have been devastated by this crisis

and face a long journey back. Keeping the local wine industry moving forward has played a part in keeping some sense of normalcy for Ontarians and will be part of the road to recovery for the Province. We don't yet know what the future will hold but I know we will work together towards a rebuilding and recovering. As the crisis was developing, we received great support from Lisa Thompson, Minister of Government and Consumer Services and her staff, keeping us briefed and helping government understand the industry issues that needed attention. I look forward to continuing to work with the Ministry.

I would also like to recognize the VQA staff for stepping in quickly to ensure our core services continued without interruption. We were able to transition almost seamlessly to the new conditions, including activating and running an ad-hoc tasting panel in response to the sudden suspension of tasting panels at the LCBO. We all appreciate the resourcefulness and dedication of our small organization.

As I write this, our vineyards are well into the growth cycle that gives us every new vintage. Even though the world has changed, our grapes still grow, need to be cared for and turned into wine. I am looking forward to the 2020 vintage marking the renewal that will come as we emerge from the pandemic.

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 2019

Niagara Peninsula • Lake Erie North Shore • Prince Edward County

Conditions

Weather conditions across Ontario for 2019 were generally cooler and wetter than normal but overall the season was good. The growing season in most areas was slightly delayed, but the season ended well thanks to a sunny fall.

January started off mild but was a month full of significant weather events including extreme cold and heavy snowfall, which continued throughout February, while the rapid thaw in March was the major weather story of the spring.

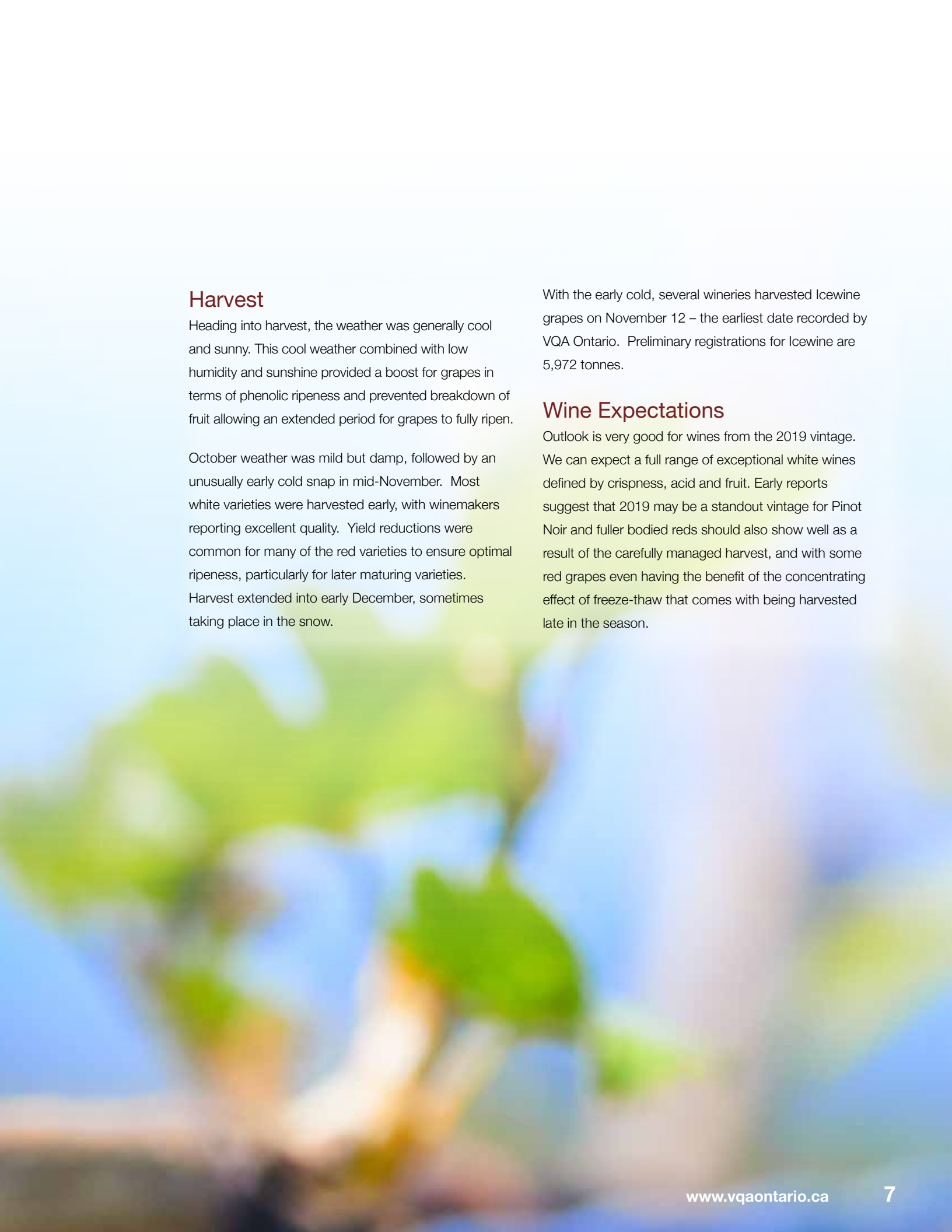
Temperature fluctuations throughout March allowed for significant snow melt and led to high spring water levels for the start of the growing season. April and May continued with high moisture, but for the well-draining soils of Niagara Peninsula and Lake Erie North Shore, and the stony Prince Edward County soils, this was not a major concern for wine growers. The result was a slight delay to the start of the growing season across all three viticultural areas.

June brought summer weather with normal temperatures across Ontario and the growing season got under way. Flowering occurred quickly as the grapevines accelerated their growing to make up for the late start. Notably, some growers reported that in the Beamsville Bench and Lincoln Lakeshore sub-appellations, flowering occurred across all grape varieties over a single four-day span.

July was warm and sunny, punctuated by three short but intense heat waves, complemented by high humidity across southeastern and southwestern Ontario. Two significant rainfalls occurred in the month, maintaining soil moisture and supporting developing vines.

August was warm and intermittently stormy, leading into a comparatively quiet September, cool with some rain – but bringing decent conditions to finish off the summer and begin the harvest season.





Harvest

Heading into harvest, the weather was generally cool and sunny. This cool weather combined with low humidity and sunshine provided a boost for grapes in terms of phenolic ripeness and prevented breakdown of fruit allowing an extended period for grapes to fully ripen.

October weather was mild but damp, followed by an unusually early cold snap in mid-November. Most white varieties were harvested early, with winemakers reporting excellent quality. Yield reductions were common for many of the red varieties to ensure optimal ripeness, particularly for later maturing varieties. Harvest extended into early December, sometimes taking place in the snow.

With the early cold, several wineries harvested Icewine grapes on November 12 – the earliest date recorded by VQA Ontario. Preliminary registrations for Icewine are 5,972 tonnes.

Wine Expectations

Outlook is very good for wines from the 2019 vintage. We can expect a full range of exceptional white wines defined by crispness, acid and fruit. Early reports suggest that 2019 may be a standout vintage for Pinot Noir and fuller bodied reds should also show well as a result of the carefully managed harvest, and with some red grapes even having the benefit of the concentrating effect of freeze-thaw that comes with being harvested late in the season.



Operations

Executive Director's Report

Until near the end of our fiscal year in March 2020, routine business including wine approvals, appellation research and education projects, and compliance activities continued at normal levels, with overall production volume down slightly. We thanked and congratulated long-term employee Barbara Dodds on her

retirement in November 2019. And, after many years of discussion, a refreshed VQA logo developed by the Wine Marketing Association of Ontario was adopted into the VQA regulations. Then, over just a short week, we went from a relatively normal year to emergency operations with a critical focus on keeping our core services going and keeping our staff safe.

Although VQA operations were designated an essential service in support of the wine industry supply chain, there were several initial challenges. The suspension of LCBO tasting panels was resolved with the creation of a roster of qualified tasters to staff ad-hoc panels and re-purposing the VQA offices to conduct the tastings with appropriate sanitation and physical distancing measures. We are very grateful to all those serving on the ad-hoc panels from wineries, hospitality and the wine education sectors. They have made it possible to maintain the integrity of VQA wines during this crisis.

I also need to gratefully acknowledge my staff, all of whom have been extraordinarily flexible and creative to keep our core services going:

Katherina Radcliffe – thank you for getting the ad-hoc tasting panels up and running, delivering wine and storing empties, all while facing the reality of home schooling.

Kaitlin Wilson – thank you for making a seamless and cheerful transition to remote member services and keeping the wine approvals results flowing.

Susan Piovesan – thank you for keeping our IT lifelines working 24/7 when we are so reliant on digital communications.

And Stan Loree – even though part-time and brand new to VQA, thank you for stepping up to bring a steady hand to our financial services and keeping things on track.

We have also been supported by the LCBO Quality Assurance team who has worked closely with us to collect and transfer tasting samples and made continued laboratory services a priority for VQA testing.

I'm sure the coming year will bring more change and I am looking forward to working with you on the road ahead.

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

2 net new member wineries
96.5% overall success rate for wine approval applications
Chardonnay the top production VQA varietal wine
1968 export certificates issued
330 audits and inspections conducted
2 compliance orders issued, 5 charges laid resulting in 5 convictions

Membership

180 wineries were registered as participants in the VQA program at the end of March 2020. These included 7 large wineries (sales of over 750,000 litres of VQA wines) 23 medium class wineries (sales of 100,000 to 750,000 litres of VQA wines) and 150 small wineries (sales of up to 100,000 litres of VQA wines). Regular member communications included monthly newsletters with news and compliance tips.

Product Approvals

2189 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 2113 wines and denied for 76.

Quality

Maintaining quality standards is 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, 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

156 routine audits were conducted during 2019 – 2020 to verify compliance with origin and production standards for all approved VQA wines. Each winery member is subject to a comprehensive on-site audit on a 12-month interval. In addition, 174 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 16 cases. The majority of issues addressed were minor in nature.

Goals and Activities cont'd

Enforcement

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

Trade and Export Development

VQA Ontario provides an independent certification process required by the European Development Union as a condition of access to its member states. 1968 certificates were issued for 313 wines from 32 different wineries.

Communications

This year Communications at VQA Ontario focused on supporting our winery members and advancing our strategic goals. We expanded our outreach to include students in hospitality and wine programs within local colleges to share our Appellation Story and promote the value of a regulated and credible appellation system in Ontario.

Winemakers forums continued, including a very well-received session on best practices when working with hybrid grapes. Members of our winemaking community continue to attend and participate in collegial and supportive sharing of wine knowledge.

In the final month our communications strategy shifted slightly to focus on providing timely updates on operations to our members. We communicated frequently and confidently that the VQA Approvals process would continue with no interruption during the climate of uncertainty created by COVID-19. Newsletters continued to be published monthly. Going forward into 2020-21 we are looking at new and better ways to communicate with our stakeholders and promote our appellation system beyond traditional methods. VQA Ontario continues to partner with the Wine Marketing Association of Ontario to support the marketing initiatives of the Ontario Wine Strategy.



Statistics

VQA Wine Production

All statistics are for the period of April 1, 2019 to March 31, 2020. 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	1844	2,515,679	-12%	31,230
Icewine	78	61,289	-15%	2,050
Sparkling	125	164,924	+34%	3,150
Late Harvest	47	14,218	-35%	250
Other	19	6,610	-16%	80
Total	2,113	2,762,720	-11%	36,760

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 VQA Ontario designation rose slightly and production declined for all other appellations.

Appellations

As declared on label	Cases (9L)	% of all VQA wines
Niagara Peninsula	1,391,863	50%
Ontario	1,001,597	36%
Sub-appellations	335,084	12%
Prince Edward County	23,236	Less than 1%
Lake Erie North Shore	10,940	Less than 1%

Grape varieties used in all VQA wines (Total of 51 different varieties)

Variety	% of total production (by volume)	
Chardonnay	13%	<i>Almost half of the volume of all VQA wines is sourced from the four grape varieties, Chardonnay, Riesling, Cabernet Franc and Merlot. Proportionately, the distribution of varieties was similar to previous years, with the exception of Riesling, whose share declined from 13% to 10%.</i>
Cabernet Franc	11%	
Merlot	11%	
Riesling	10%	
Pinot Gris	9%	
Vidal Blanc	9%	
Pinot Noir	7%	
Sauvignon Blanc	7%	
Cabernet Sauvignon	7%	
Baco Noir	6%	
Gamay Noir	3%	
Gewürztraminer	2%	
Syrah	1%	
Other	4%	

Red grape varieties used in all VQA wines – 48%

White grape varieties used in all VQA wines – 52%

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 (47%)	Varietal	10,184,309	1,131,590
	Non-varietal	409,445	45,494
	Total white	10,593,754	1,177,084
Red (47%)	Varietal	9,840,279	1,093,364
	Non-varietal	897,010	99,668
	Total red	10,737,289	1,193,032
Rosé (6%)	Varietal	580,915	64,546
	Non-varietal	694,956	77,217
	Total rosé	1,275,871	141,763

Popular single-varietal table wines

The top four red and white varietals remain the same as in previous years. Pinot Gris overtook Riesling as the second most common white variety aided by both an increase in Pinot Gris production and a decrease in Riesling production. 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	2,303,949	255,994
	Pinot Gris/Pinot Grigio	2,163,425	240,381
	Riesling	1,518,901	168,767
	Sauvignon Blanc	1,510,910	167,879
Red	Pinot Noir	1,314,037	146,004
	Merlot	1,139,207	126,579
	Baco Noir	778,127	86,459
	Cabernet Franc	760,714	84,524

Icewine

Overall Icewine production was down moderately from the previous year's production of 72,000 cases.

Variety	Litres	Cases (9L)
Vidal Blanc	398,794	44,310
Cabernet Franc	80,320	8,924
Riesling	63,123	7,014
Cabernet Sauvignon	5,028	559
Gewurztraminer	1,430	159
Others	2,909	323
Total	551,604	61,289

Other Wines

Sparkling wine production continued to grow, with volume up over 30%, while Late Harvest volumes declined by 35%. These categories typically see moderate volume change from year to year as production schedules and inventory vary.

	Litres	Cases (9L)
Late Harvest and Botrytis Affected	127,963	14,218
Fortified and Liqueur wines and Vin de Cure	59,486	6,610
Sparkling wines	1,484,312	164,924

VQA Ontario Wine Sales

Year ending March 31, 2020

By Volume

	Litres (2020)	Litres (2019)	% Change
Winery Retail	6,033,500	6,335,981	-4.8
Licensees	4,156,880	4,180,213	-0.6
LCBO (shipped)	9,778,211	9,233,459	5.9
Farmers Markets	49,538	50,413	-1.7
Other Provinces	920,872	875,045	5.2
Export and Miscellaneous	983,224	1,500,973	-34.5
Total	21,922,225	22,176,084	-1.1

By Retail Value

	Retail value (\$) (2020)	Retail value (\$) (2019)	% Change
Winery Retail	167,869,654	168,190,811	-0.2
Licensees	71,178,880	71,146,937	0
LCBO (shipped)	154,557,731	148,230,462	4.3
Farmers Markets	1,155,061	1,246,354	-7.3
Other Provinces	16,234,355	17,227,811	-5.8
Export and Miscellaneous	48,286,407	71,840,242	-32.8
Total	459,282,088	477,882,617	-3.9



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 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 – 2189
Number of wines approved for VQA status – 2113

Performance Measures

Wine Approvals

Overall success rate – 96.5%

Laboratory analysis:

Average time to completion – 11 days
% of tests completed within 15 days – 92%
% of tests completed within 21 day target – 99%
Pass rate at laboratory – 99.2% (final status)

Sensory analysis:

Average time to completion – 6 days
% of tests completed within 15 days – 99.4%
% of tests completed within 21 day target – 99.7%
Pass rate at sensory panel – 98.8% (final status)

Online query and reporting system uptime –
99.8% (99.6% 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

Compliance audits – 156
Retail store inspections – 174
Investigations – 2
Charges laid – 5
Warnings and minor corrective orders issued – 26
Compliance orders issued – 2

Performance Measures

Percentage of audits completed with no issues raised – 94%

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

Percentage of wines found to be compliant during inspections – 98%

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, 2020.

Expenditures exceeded revenue by \$44,618 for the year ended March 31, 2020 reflecting a decrease in revenue from lowered membership fees. Total revenue was \$2,026,816 and total expenses were \$2,071,434. Net assets are \$958,709 and include funds set aside for general use, capital and intangible assets, and a legal and enforcement reserve.

Revenue for fiscal 2020 was derived primarily from sales levies (\$1,006,384) and approval fees (\$654,497).

Major components of the approximately \$2 million in expenses were wine approvals and quality monitoring (\$738,907), employee costs (\$573,009) and public education (\$250,000).

Financial Statements

For the year ended March 31, 2020



Mark Kopstick, CPA, CA
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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, 2020, 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, 2020, 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 (ASNFPPO).

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 ASNFPPO, 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
July 30, 2020

KOPSTICK OSHER, LLP
Chartered Professional Accountants
Licensed Public Accountants

Statement of Financial Position

As at March 31, 2020

	2020	2019
ASSETS		
Current		
Cash	\$ 210,880	\$ 486,909
Investments - Note 3	710,310	696,219
Accounts receivable - Note 4	377,997	255,622
Prepaid expenses	58,122	3,538
	<u>1,357,309</u>	<u>1,442,288</u>
Investments - Note 3	<u>-</u>	<u>-</u>
Capital - Note 5	<u>24,535</u>	<u>1,935</u>
Intangible - Note 6	<u>68,686</u>	<u>46,728</u>
	<u>\$ 1,450,530</u>	<u>\$ 1,490,951</u>
LIABILITIES		
Current		
Accounts payable and accruals - Note 7	\$ 398,781	\$ 418,761
Deferred revenue - Note 8	93,040	68,863
	<u>491,821</u>	<u>487,624</u>
NET ASSETS		
Invested in capital and intangible assets	93,222	48,664
Internally restricted for legal and enforcement fund	200,000	200,000
Unrestricted	665,487	754,663
	<u>958,709</u>	<u>1,003,327</u>
	<u>\$ 1,450,530</u>	<u>\$ 1,490,951</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, 2020

	Invested in capital and intangible assets	Internally restricted for legal and enforcement fund (note 9)	Unrestricted	2020 Total	2019 Total
Net assets - beginning of year	\$ 48,664	\$ 200,000	\$ 754,663	\$ 1,003,327	\$ 1,084,889
Deficiency of revenues over expenses	-	-	(44,618)	(44,618)	(81,562)
Purchase of capital assets	27,813	-	(27,813)	-	-
Purchase of intangible assets	36,100	-	(36,100)	-	-
Amortization	(19,355)	-	19,355	-	-
Net assets - end of year	<u>\$ 93,222</u>	<u>\$ 200,000</u>	<u>\$ 665,487</u>	<u>\$ 958,709</u>	<u>\$ 1,003,327</u>

The accompanying notes
form an integral part of
these financial statements

Statement of Operations

For the year ended
March 31, 2020

	2020	2019
Revenues		
Membership fees	\$ 88,000	\$ 166,175
Bottle fees	1,006,384	1,014,004
Approval fees	654,497	701,364
Ontario government grant - OMAFRA	244,569	236,898
Interest income	14,169	5,792
Other income	19,197	44,165
	<u>2,026,816</u>	<u>2,168,398</u>
Expenses		
Salaries and benefits	573,009	556,048
Contracted services	218,840	214,100
Public education	250,000	250,000
Approvals	738,907	814,488
Quality assurance and inspection	12,250	14,528
Export development and trade	-	6,552
Communications	3,077	3,012
Appellations	28,889	30,514
Weather monitoring	-	4,000
Strategic planning	-	18,846
Meetings	10,798	13,069
Travel	10,376	9,104
Rent and occupancy	35,247	40,500
Office and general	26,574	25,269
Printing and mailing	13,949	13,426
Telephone and internet	10,975	12,840
Insurance	10,227	8,713
Bank charges	20,787	7,173
Professional services	88,174	194,256
Amortization of capital assets	5,214	1,276
Amortization of intangible assets	14,141	12,246
	<u>2,071,434</u>	<u>2,249,960</u>
Deficiency of revenues over expenses	<u>\$ (44,618)</u>	<u>\$ (81,562)</u>

The accompanying notes
form an integral part of
these financial statements

Statement of Cash Flows

For the year ended
March 31, 2020

	2020	2019
Cash flows from operating activities		
Deficiency of revenues over expenses	\$ (44,618)	\$ (81,562)
Non-cash items:		
Amortization of capital assets	5,214	1,276
Amortization of intangible assets	14,141	12,246
Interest capitalized on investments	(14,091)	(5,184)
Changes in non-cash working capital		
Increase in accounts receivable	(122,375)	(24,088)
Increase in prepaid expenses	(54,584)	(625)
Increase (decrease) in accounts payable and accruals	(19,980)	14,216
Increase in deferred revenue	24,177	11,266
	<u>(212,116)</u>	<u>(72,455)</u>
Cash flows from investing activities		
Purchase of investments	(706,785)	(1,080,372)
Proceeds from disposal of investments	706,785	1,080,372
Purchase of capital assets	(27,813)	(1,307)
Purchase of intangible assets	(36,100)	(15,550)
	<u>(63,913)</u>	<u>(16,857)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Decrease in cash	(276,029)	(89,312)
Cash - beginning of year	486,909	576,221
Cash - end of year	<u>\$ 210,880</u>	<u>\$ 486,909</u>

The accompanying notes
form an integral part of
these financial statements

Notes to Financial Statements

March 31, 2020

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

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 of greater 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 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%.

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, 2020

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 - 2.00%, maturing June 1, 2020	\$ 88,259	\$ 89,739
CIBC GIC - 1.90%, maturing July 17, 2020	132,535	133,688
CIBC GIC - 2.00%, maturing February 25, 2021	281,990	282,531
CIBC GIC - 1.80%, maturing February 25, 2021	<u>204,000</u>	<u>204,352</u>
Total	706,784	710,310
Less: portion maturing within one year of the year-end date	<u>706,784</u>	<u>710,310</u>
Classified as long-term	-	-

At March 31, 2019, total investments at face value and amortized cost were \$692,515 and \$696,219, respectively.

4. Accounts receivable

	2020	2019
Trade receivables owing from members	\$ 161,962	\$ 109,263
Receivable from Ontario government - OMAFRA	204,383	101,898
Harmonized sales tax recoverable	11,652	21,961
Miscellaneous receivable	-	<u>22,500</u>
	<u>\$ 377,997</u>	<u>\$ 255,622</u>

Notes to Financial Statements

March 31, 2020

5. Capital assets

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Computer equipment	\$ 5,318	\$ 3,110	\$ 2,208	\$ 1,313
Office furniture and equipment	<u>28,777</u>	<u>6,450</u>	<u>22,327</u>	<u>622</u>
	<u>\$ 34,095</u>	<u>\$ 9,560</u>	<u>\$ 24,535</u>	<u>\$ 1,935</u>

6. Intangible assets

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Computer software	<u>\$ 219,452</u>	<u>\$ 150,766</u>	<u>\$ 68,686</u>	<u>\$ 46,728</u>

7. Accounts payable and accruals

	2020	2019
Trade payables and accrued liabilities	\$ 385,654	\$ 396,039
Payroll taxes	<u>13,127</u>	<u>22,722</u>
	<u>\$ 398,781</u>	<u>\$ 418,761</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 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, 2020

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 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.

11. Commitments

The organization leases office space under a lease expiring August 31, 2029. Future minimum lease payments total \$267,155 and include the following payments over the next five years: 2021, \$26,469; 2022, \$26,469; 2023, \$27,377; 2024, \$28,026; 2025, \$28,026. In addition to the minimum rent, the organization must pay a portion of the property operating costs and realty taxes which are estimated at \$33,055 per annum.



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