



2022 ANNUAL REPORT

ONTARIO WINE
APPELLATION AUTHORITY



Vintners Quality Alliance Ontario



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Message FROM THE CHAIR

ONCE AGAIN, I AM WRITING THE CHAIR'S MESSAGE AS WE AND OUR FELLOW ONTARIAN'S FACE A LONG LIST OF CHALLENGES AND DO OUR BEST TO TURN THEM INTO OPPORTUNITIES.

Not that challenge is new to Ontario's winemakers – we have always faced weather, environmental, technical and business issues. Sometimes it feels like we are in our own unique wine ecosystem of Boom, Bust and Echo. The grape surplus last year, winter damage this year, global supply chain issues and the constant evolution of our local and global markets.... these cycles have forced us to be innovative, patient and resilient.

VQA was created to demonstrate the integrity of our wines to consumers and provide them with the confidence to make authentic Ontario wines their first choice. As our appellation system, VQA provides wineries with a robust foundation for success in prosperous times but also to support and stabilize our values in difficult times. Challenges present opportunities to learn and adapt but as we do this, our commitment to origin, quality and authenticity remains constant.

We continue our focus on administering the VQA legislation in a fair and transparent manner that ensures label integrity for consumers through a risk-based, effective compliance monitoring program for regulated wineries. We will also ramp up our efforts to engage and educate, raising awareness about our appellations and the benefits of the VQA certification.

“As our appellation system, VQA provides wineries with a robust foundation for success in prosperous times but also to support and stabilize our values in difficult times.”

The Board of Directors will be developing a new strategic plan later this year to guide us into the future. As usual, change is relentless and not always predictable. We will look to the past for insight and guidance and also for ways to anticipate what the future holds and where the appellation system needs to be.

I am hopeful that our member wineries, industry and government stakeholders and consumers will engage with us to plan for a successful future.

A big thank you to my colleagues on the Board of Directors for their wise counsel and to our Executive Director for her support to the Board to help us make the best decisions we can. I also want to recognize all of our staff for their professionalism and efficiency in continuing to uphold our commitment to consumers and government that VQA wines are compliant with the regulations and embody the authenticity we stand for.

To my fellow VQA wineries, and all of our stakeholders in the wine, grape, education and hospitality industries and government, thank you for continuing to support our appellation system. I will look forward to the future with optimism and a glass of VQA wine!

BRIAN SCHMIDT,
PRESIDENT AND CHAIR





Who WE ARE

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

The Appellation Authority is committed to working with and on behalf of consumers and its stakeholders in industry and government to ensure authenticity in VQA wines and promote 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 STYLE.

Strategic goals

ORIGIN, QUALITY, AUTHENTICITY

Board OF DIRECTORS

OFFICERS

BRIAN SCHMIDT (5/6)
President and Chair
(elected from Vineland Estates Winery)

DAN SULLIVAN (5/6)
Vice Chair
(elected from Rosehall Run Vineyards)

DEREK CARTLIDGE (6/6)
TREASURER
(elected from Colio Estate Winery)

LOUISE ENGEL (6/6)
SECRETARY
(elected from Featherstone Estate Winery)

DIRECTORS

GREG BERTI (6/6)
(elected from Andrew Peller Ltd.)

AMELIE BOURY (2/5)
(elected from Chateau des Charmes)

KEN DOUGLAS (4/6)
PAST CHAIR
(appointed from 13th Street Wine Co.)

TONY ELENIS (5/6)
(elected from Ontario Restaurant,
Hotel and Motel Association)

PAUL KASSEBAUM (5/6)
(elected from Arterra Wines Canada)

NADIA SENCHUK (5/5)
(elected from Leaning Post Wines)

MARY SHENSTONE (6/6)
(elected from Government of Ontario)

PAUL SPECK (6/6)
(elected from Henry of Pelham Estate
Winery)

KEVIN WATSON (5/6)
(elected from Grape Growers of Ontario)

Attendance at Board meetings: Six Board meetings were held in 2021-2022. The number of Board meetings each Director attended is indicated beside their name.

Staff and STATUTORY APPOINTMENTS

LAURIE MACDONALD,
EXECUTIVE DIRECTOR

KATHERINA RADCLIFFE,
**DIRECTOR, COMMUNICATIONS
AND WINE STANDARDS**

PETER HARRIS,
DIRECTOR, AUDIT AND COMPLIANCE

SUSAN PIOVESAN,
**MANAGER, IT SYSTEMS AND
INSPECTOR**

TRICIA RAMNATH,
WINE TESTING COORDINATOR

STAN LOREE (part time),
ACCOUNTANT

DAN KEERE (part time),
INSPECTOR, INVESTIGATOR

Organization VALUES

TRANSPARENCY AND FAIRNESS – THE ONTARIO WINE APPELLATION AUTHORITY WILL CARRY OUT ITS STATUTORY AUTHORITY WITH TRANSPARENCY AND FAIRNESS AND UPHOLD HIGH ETHICAL STANDARDS.

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

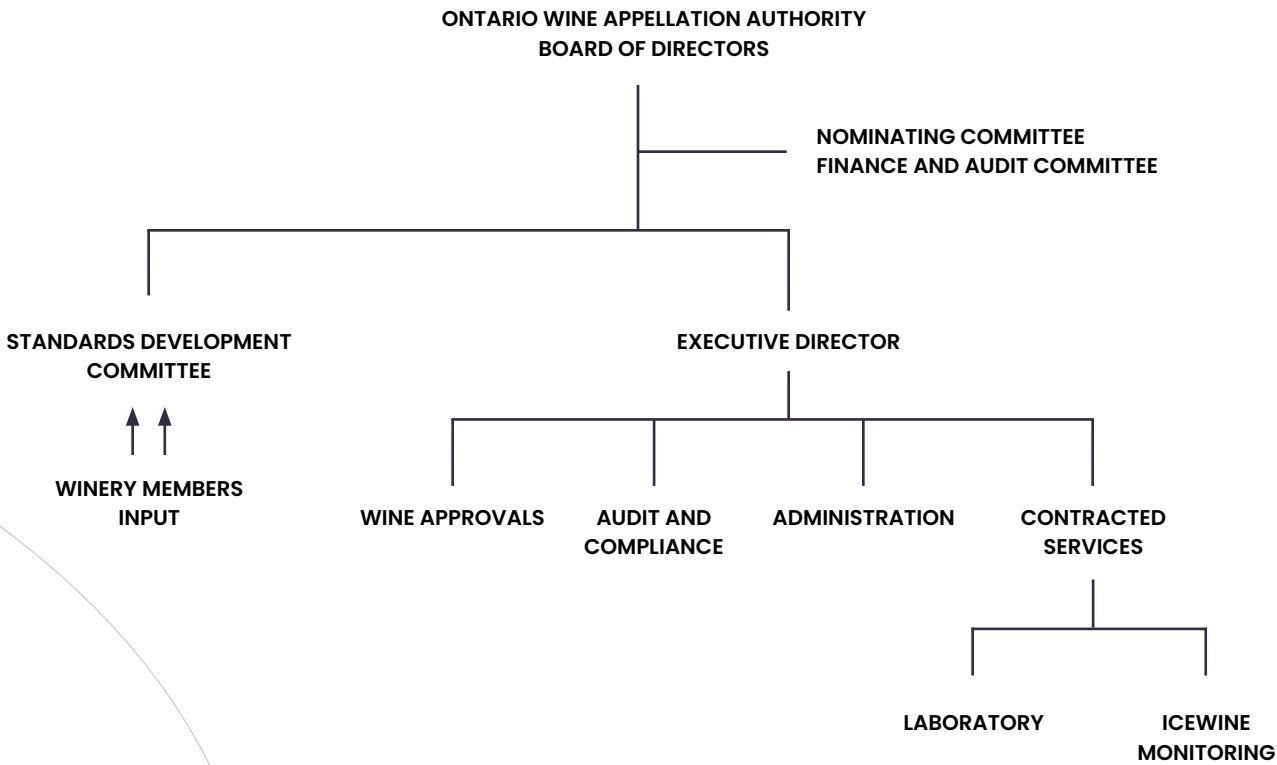
Firmness and Responsibility – The Ontario Wine Appellation Authority will discharge its regulatory responsibilities firmly to ensure VQA terms, descriptions and designations are not misused and consumers can rely on label integrity for all VQA wines.

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

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

Organization STRUCTURE

**PUBLIC AND GOVERNMENT OF ONTARIO MINISTER
OF GOVERNMENT AND CONSUMER SERVICES**



2021 VINTAGE REPORT

LAKE ERIE NORTH SHORE | PRINCE EDWARD COUNTY | NIAGARA PENINSULA

For Ontario wineries, 2021 was an unforgettable year. Unpredictable weather challenged even the most experienced winemakers and grape growers. Record setting temperatures, intermittent drought, high rainfall and humidity – Ontario saw it all this year – led wineries to pay extra attention to vineyard management to ensure a good outcome. Fortunately, the outlook for the 2021 vintage is still positive.

Looking at the year in review, it was defined by extremely variable weather, from start to finish. The year started off warmer than average with January temperatures milder than in previous years. Mid January, most of the province, including all wine appellations, was hit hard by snow and some regions experienced significant snowfall over the second half of the month complicating the last of the Icewine grape harvest.

Moving into February, the weather story was largely defined by lake effect snow around the Great Lakes Ontario and Erie covering many vineyards.

March temperatures rose quickly and much of Southern Ontario was without snow by April 1st. Lake Erie North Shore suffered high winds associated with the rapidly changing season but May settled into seasonal temperatures and generally dry conditions across the Province – a great start to the growing season.

Summer got an early start in June with above average warm temperatures across all of Ontario and significant heat to end the month. High levels of precipitation were experienced in Lake Erie North Shore into July, with some severe thunderstorm activity, while weather was more typical and drier for Niagara Peninsula and Prince Edward County.

As the summer progressed and July turned to August, the weather was dry and hot conditions prevailed. Despite scattered rain and severe thunderstorms at the end of the month, severe heat and drought were the major story by the second half of August.

Preparing for harvest in September, most were reporting good colour on red varieties, and lower acids due to the August heat. After a highly variable growing season, winemakers were monitoring grape health and ripeness closely to plan for optimum harvest windows for each variety.

HARVEST

Unstable weather continued in the fall, presenting some challenging harvest conditions. Rain and humidity at inopportune times required a strategic and nimble approach to getting grapes in at their peak in all three regions. It was a stop and start story in most regions, with bursts of precipitation slowing the harvest and introducing disease pressures to be managed.

ICEWINE

Pre registrations for grapes set aside for 2021 vintage Icewine total 1,952 tonnes, almost double the registered tonnes from last year’s record low, but still down significantly from previous years.

WINE OUTLOOK

Early reports indicate 2021 will be an excellent year for early white varieties that were harvested before the rains, notably aromatic whites Sauvignon Blanc and Riesling, and white varieties harvested for Sparking programs. Despite the weather challenges, most wineries reported good phenolic ripeness on skins and lower acid across many varieties, thanks to careful viticultural practices. Anticipate continued high quality red blends from varieties such as Cabernet Franc, Cabernet Sauvignon and Merlot.



Operations

EXECUTIVE DIRECTOR’S REPORT

It was another eventful year for the Wine Appellation Authority, as we continued to adapt to changing health measures, a dynamic retail environment and various stresses facing our wineries and stakeholders. The organization has been nimble and remained tightly focused on maintaining uninterrupted delivery of our core regulatory services – wine testing and approval, and verifying compliance.

After the success of bringing sensory testing services in-house at the start of the pandemic, we have now completed a second major initiative to fully integrate the winery audit program into the broader structure of inspections, investigations and enforcement. This is a transformational change to the VQA compliance program, allowing us to implement a more efficient risk-based approach to promote and monitor compliance and to take timely corrective action when necessary. I am pleased to formally welcome Peter Harris who joined our staff team in July 2021 as Director, Audit and Compliance. Tricia Ramnath also joined our permanent staff in August 2021, supporting the wine approvals program. Welcome Tricia!

The LCBO Corporate Affairs, Quality Assurance, and Internal Audit departments were instrumental in a smooth transition from audit and sensory testing provided by the LBCO to our in-house services. I thank them, and the AGCO, for their advice and



support in making this a success. We continue to rely on LCBO for analytical testing and closely collaborate with them and the AGCO on reporting and related issues.

We have also been working diligently with our overseers and partners at the Ministry of Government and Consumer Services. Work is underway to modernize the Agreement that governs the Wine Authority's relationship with the government and sets the framework for how the Authority implements its mandate to administer the VQA Act. I look forward to completing the new framework in the coming year.

To complement our core regulatory duties and ensure we communicate our mandate, we are putting a renewed emphasis on education and communications. Beginning with an update to our corporate identity that communicates our regulatory role, we are building an appellation-focused suite of materials – new website, educational materials and resources – that enhance the value delivered by a credible and trusted appellation system backed up by the VQA certification process.

There has been so much change that there can be no “back to normal” but I am confident that we have made the best of a difficult time and looking forward to very positive year ahead.

LAURIE MACDONALD,
EXECUTIVE DIRECTOR





Goals AND ACTIVITIES

PERFORMANCE GOALS

- PROGRESSIVE AND INCLUSIVE REGULATION OF ONTARIO’S WINE APPELLATION SYSTEM
- INCREASED AWARENESS AND UNDERSTANDING OF ONTARIO WINES
- WINE APPELLATIONS AND THE APPELLATION AUTHORITY’S ROLE EFFICIENT AND EFFECTIVE CORPORATE GOVERNANCE AND OPERATIONS

ACTIVITY HIGHLIGHTS

8

NET NEW MEMBER WINERIES

98%

OVERALL SUCCESS RATE FOR WINE APPROVAL APPLICATIONS

2134

WINE APPROVALS ISSUED

1337

EXPORT CERTIFICATES ISSUED

498

AUDITS AND INSPECTIONS CONDUCTED

3

COMPLIANCE ORDERS ISSUED

2

APPROVALS REVOKED

CHARDONNAY – THE TOP PRODUCTION VQA VARIETAL WINE

WINERY PARTICIPATION

191 wineries were registered as members of the Wine Authority at the end of March 2022. These included **6 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 **162 small wineries** (sales of up to 100,000 litres of VQA wines).

EXPORT CERTIFICATION

The Appellation Authority provides an independent certification process required by the European Union as a condition of access to its member states. **1337 certificates were issued for 227 wines from 27 different wineries.**

WINE APPROVALS

2186 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 label review before being certified as a wine of origin. Approvals were granted for **2134 wines and denied for 52.**

STANDARDS AND AUTHENTICITY

Maintaining labelling, composition and quality standards and verifying they are met is an important part of The Wine Appellation Authority’s mandate. Amendments to VQA wine standards to define Appassimento as a regulated term for wine made with dried grapes and adding Glera to the list of authorized grape varieties kept the standards up to date.

INSPECTION AND AUDITS

179 scheduled winery audits were conducted during 2021 – 2022 to verify compliance with origin and composition standards for all VQA approved and VQA-eligible wines.

Of these, **96 were completed remotely.** Remote audits were delivered based upon several factors including winery activity, travel, and public health mandates. Augmenting the audit cycle, **190 inspections** of websites and online sales channels were completed along with **129 inspections** of winery retail store

premises which included a sample of non-VQA wineries. As a result of audits and inspections, follow-up was conducted in 45 cases. Most issues addressed were minor in nature and were corrected in a timely manner. The audit and inspection program was redesigned in 2021 to be delivered by Appellation Authority staff and integrate all compliance activities under an updated risk-based model. These new protocols were fully implemented on April 1, 2022, including measures to improve efficiency based on compliance history and specific risk factors.

ENFORCEMENT

Most compliance issues were resolved with warnings and corrective actions. The Appellation Authority issued **3 compliance orders** in relation to wineries using regulated terms without approval or failing to take corrective action within a stipulated time. The Authority also revoked the approvals for two previously approved wines due to incorrect composition declarations.

EDUCATION AND AWARENESS

More than 250 students enrolled in the School of Hospitality and Tourism Management at George Brown College completed our micro course on Ontario’s wine appellations and successfully passed an examination set by the Authority to achieve their Level 1 certificate in Ontario VQA Wine Appellations. The uptake on this new course has been strong and we are grateful to our partners at George Brown College for the opportunity to educate the next generation of local hospitality professionals about our local wine appellations. We continue to work closely with other educators, including Niagara College and Brock University, to bring Ontario appellation education to their students.

STAKEHOLDER COMMUNICATIONS

Regular communication with member wineries continues to be a priority, with monthly newsletters and bulletins to inform and assist wineries in navigating the VQA appellation program.

Winemakers Forums resumed in early 2022 and will continue to create opportunities for collaboration within the winemaking community.

Partnerships with industry stakeholders remain strong, and we continue to engage the wine and grape industry in supporting the

regulated VQA system as a foundation for consumer trust. In particular, our relationship with the Wine Marketing Association of Ontario is an important part of disseminating the appellation message and supporting wineries in educating consumers about the value of credible, authentic Ontario wines. Origin is at the core of every VQA wine, and our appellation resources are designed to help communicate the unique provenance of every appellation in Ontario.



Statistics

VQA WINE PRODUCTION

All statistics are for the period of April 1, 2021 to March 31, 2022. 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.

Wine Category	# of Wines	Volume (9L cases)	Change from last year (volume)	Estimated grape tonnage
Table Wine	1887	2,727,877	-10%	33,863
Icewine	48	12,402	-27%	638
Sparkling	170	188,402	-22%	2,339
Late Harvest	16	9,436	-46%	170
Other	13	1,993	-59%	25
Total	2,134	2,940,110	-11%	37,035

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 Niagara Peninsula appellation rose slightly offsetting a decline in production labelled with simply Ontario.

As declared on label	Cases (9L)	% of all VQA wines
Niagara Peninsula	1,553,649	53%
Ontario	1,036,621	35%
Sub-appellations	319,402	11%
Prince Edward County	23,097	Less than 1%
Lake Erie North Shore	7,341	Less than 1%

GRAPE VARIETIES USED IN ALL VQA WINES (TOTAL OF 50 DIFFERENT VARIETALS)

Variety	% of total production (by volume)
Riesling	13%
Chardonnay	12%
Merlot	11%
Cabernet Franc	11%
Pinot Gris	9%
Sauvignon Blanc	8%
Pinot Noir	7%
Vidal Blanc	6%
Cabernet Sauvignon	6%
Baco Noir	5%
Gamay Noir	3%
Gewurztraminer	3%
Syrah	1%
Other	5%

47%

RED GRAPE VARIETIES USED IN ALL VQA WINES

53%

WHITE GRAPE VARIETIES USED IN ALL VQA WINES

AS WITH PREVIOUS YEARS, ABOUT HALF OF THE VOLUME OF ALL VQA WINES IS SOURCED FROM THE FOUR GRAPE VARIETIES, RIESLING, CHARDONNAY, MERLOT AND CABERNET FRANC.



TABLE WINES

The table wine category includes white, red and rosé wines. The total volume of white and red wines produced declined slightly, while Rose grew by 12%. A large majority of table wines

continue to declare a grape variety or varieties on the label, with only about 16% labelled with a non-varietal proprietary label.

Colour		Litres	Cases (9L)
White (47%)	Varietal	10,977,276	1,219,697
	Non-varietal	359,316	39,924
	Total white	11,336,592	1,259,621
Red (44%)	Varietal	9,632,092	1,070,232
	Non-varietal	1,005,051	111,672
	Total red	10,637,143	1,181,905
Rosé (10%)	Varietal	765,773	85,086
	Non-varietal	1,633,702	181,522
	Total rosé	2,399,475	266,608

POPULAR SINGLE-VARIETAL TABLE WINES

The top four red and white varietals remain the same as in previous years. Pinot Gris edged out Riesling for the number two position but both have similar production volumes. Sauvignon Blanc remained fourth among white varietals but with a substantial increase to 217,000 cased compared to 102,000 last year. Single varietal Baco Noir moved from top volume to third with a decrease of almost 40% in contrast to a 21% increase for

Merlot and 11% increase for Pinot Noir, possibly reflecting the excellent 2020 vintage conditions.

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	2,105,414	233,935
	Pinot Gris/Pinot Grigio	2,032,531	225,837
	Riesling	1,998,544	222,060
	Sauvignon Blanc	1,955,160	217,240
Red	Merlot	1,338,202	148,689
	Pinot Noir	1,300,918	144,546
	Baco Noir	1,028,428	113,159
	Cabernet Franc	925,215	102,802

ICEWINE

Icewine production was down substantially from the previous year's production of 56,000 cases. This is the result of a record low tonnage of grapes harvested for Icewine in 2020.

Variety	Litres	Cases (9L)
Vidal Blanc	71,236	7,915
Riesling	18,868	2,096
Cabernet Franc	17,976	1,997
Gewurztraminer	2,695	299
Cabernet Sauvignon	393	44
Others	446	51
Total	111,614	12,402

OTHER WINES

Overall the production volumes in specialty categories leveled out, with slight decreases in Sparkling, Fortified and Vin de Cure (Appassimento) and a more significant decrease in Late Harvest.

	Litres	Cases (9L)
Late Harvest and Botrytis Affected	84,928	9,436
Fortified and Liqueur wines and Vin de Cure	17,935	1,993
Sparkling wines	1,695,619	188,402

Ontario VQA WINE SALES

YEAR ENDING MARCH 31, 2022

BY VOLUME

	Litres (2022)	Litres (2021)	% Change
Winery Retail	7,179,639	7,900,545	-9.1
Licensees	2,204,304	1,188,709	85.4
LCBO (shipped)	10,310,618	10,683,750	-3.5
Farmers Markets	49,595	38,384	29.2
Other Provinces	1,063,240	907,784	17.1
Export and Miscellaneous	772,670	608,504	27.0
Total	21,580,066	21,327,676	1.2

BY RETAIL VALUE

	Retail value (\$ (2022)	Retail value (\$ (2021)	% Change
Winery Retail	189,411,022	199,232,780	-4.9
Licensees	40,637,122	22,124,663	83.7
LCBO (shipped)	151,957,088	155,953,223	-2.6
Farmers Markets	972,458	713,717	36.3
Other Provinces	15,430,600	14,393,949	7.2
Export and Miscellaneous	25,234,929	19,705,114	28.1
Total	423,643,219	412,123,446	2.8



VQA Wine Tasting and APPROVAL PROCESS

Every wine that carries a regulated appellation of origin and the VQA certification has completed a rigorous approval process. Once a wine is finished and ready to bottle it is submitted to the Appellation Authority for testing and approval. The evaluation includes a sensory evaluation, laboratory analysis and label review to ensure the wine meets quality standards and is labelled according to VQA regulations. Labelling regulations reserve certain terminology for VQA approved wines and set standards

for declaring origin, varietal content, vintage and other attributes. These regulations ensure consumers are not misled with respect to the wine content. Only after having successfully completed all components of this process can a wine receive approval and be released for sale, using regulated terms and descriptions. Ongoing winery audits and retail inspections also verify that underlying standards are met.

2186

APPLICATIONS FOR WINE
APPROVAL EVALUATED

2134

NUMBER OF WINES APPROVED
FOR VQA STATUS

Performance MEASURES

OVERALL SUCCESS RATE – 99%

LABORATORY ANALYSIS:

AVERAGE TIME
TO COMPLETION

12 DAYS

% OF TESTS COMPLETED
WITHIN 15 DAYS

79%

% OF TESTS COMPLETED
WITHIN 21 DAY TARGET

99%

PASS RATE AT LABORATORY – 99% (FINAL STATUS)

SENSORY ANALYSIS:

AVERAGE TIME
TO COMPLETION

6 DAYS

% OF TESTS COMPLETED
WITHIN 15 DAYS

99.7%

% OF TESTS COMPLETED
WITHIN 21 DAY TARGET

99.9%

PASS RATE AT SENSORY PANEL – 99.6% (FINAL STATUS)

ONLINE QUERY AND REPORTING SYSTEM UPTIME
(100.00% DURING BUSINESS HOURS)

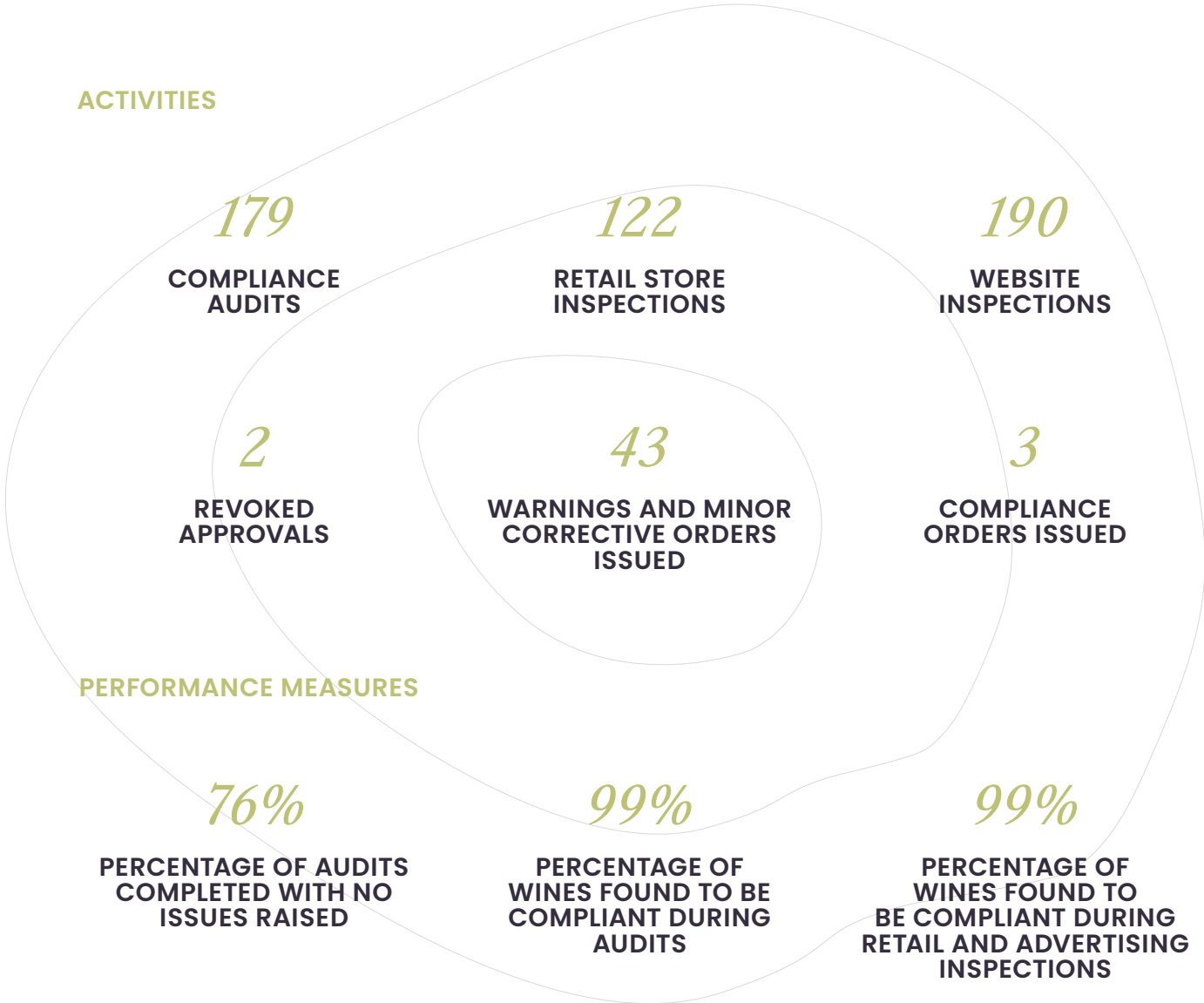
99.8%

Compliance and SUMMARY

The Wine Appellation Authority enforces compliance with the VQA Act and regulations as its primary mandate. In addition to the testing completed during the wine approval process, the regulatory process includes monitoring of grape quality at harvest through independent sugar testing, and regular audits

and inspections to verify wine origin and content, wine making processes, record-keeping, labelling and advertising. These steps ensure that the wine meets the technical standard, the label complies with the regulations and that the wine offered for sale has completed the approval process.

ACTIVITIES



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

Financial SUMMARY

The Ontario Wine Appellation Authority is funded by its member wineries through sales levies and fees for service. It continues to seek out ways to maximize the efficiency of service delivery and deliver value for money to its stakeholders, including participating wineries and the Government of Ontario.

This summary is drawn from the auditor's report and financial statements for the year ended March 31, 2022. Revenues fell short of expenditures by **\$25,667 for the year ended March 31, 2022**, reflecting the decision to waive membership fees in response to the financial strain on the industry caused by pandemic measures. Expenses were greater

than the previous year but still down from pre-pandemic levels as a result of restricted activities. **Total revenue** was **\$1,670,998** and **total expenses** were **\$1,696,665**. **Net assets** are **\$1,254,641** and include funds set aside for general use, capital and intangible assets, and a legal and enforcement reserve.

Revenue for fiscal 2022 was derived primarily from sales levies (**\$991,512**) and approval fees (**\$665,113**). Major components of the approximately **\$1.7 million in expenses** were wine approvals and quality monitoring (**\$567,779**), and employee costs (**\$687,173**).



Financial STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Vintners Quality Alliance Ontario
O/A Ontario Wine Appellation Authority

Opinion

We have audited the financial statements of Vintners Quality Alliance Ontario o/a Ontario Wine Appellation Authority (the Organization), which comprise the statement of financial position as at March 31, 2022, 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, 2022, 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
June 16, 2022



KOPSTICK OSHER, LLP
Chartered Professional Accountants
Licensed Public Accountants

Statement of **FINANCIAL POSITION**

AS AT MARCH 31, 2022

	2022	2021
ASSETS		
Current		
Cash	\$ 229,906	\$ 605,365
Investments - Note 3	989,669	586,410
Accounts receivable - Note 4	182,301	148,921
Prepaid expenses	8,466	10,199
	<u>1,410,342</u>	<u>1,350,895</u>
Capital - Note 5	<u>39,430</u>	<u>45,170</u>
Intangible - Note 6	<u>68,087</u>	<u>76,856</u>
	<u>\$ 1,517,859</u>	<u>\$ 1,472,921</u>
LIABILITIES		
Current		
Accounts payable and accruals - Note 7	\$ 141,883	\$ 141,653
Deferred revenue - Note 8	121,335	50,960
	<u>263,218</u>	<u>192,613</u>
NET ASSETS		
Invested in capital and intangible assets	107,518	122,027
Internally restricted for legal and enforcement fund	200,000	200,000
Unrestricted	947,123	958,281
	<u>1,254,641</u>	<u>1,280,308</u>
	<u>\$ 1,517,859</u>	<u>\$ 1,472,921</u>

APPROVED BY THE BOARD:



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

Statement of changes in **NET ASSETS**

FOR THE YEAR ENDED MARCH 31, 2022

	Invested in capital and intangible assets	Internally restricted for legal and enforcement fund (note 9)	Unrestricted	2022 Total	2021 Total
Net assets - beginning of year	\$ 122,027	\$ 200,000	\$ 958,281	\$ 1,280,308	\$ 958,709
(Deficiency) excess of revenues over expenses	-	-	(25,667)	(25,667)	321,599
Purchase of capital assets	4,176	-	(4,176)	-	-
Purchase of intangible assets	16,405	-	(16,405)	-	-
Amortization	(35,090)	-	35,090	-	-
Net assets - end of year	<u>\$ 107,518</u>	<u>\$ 200,000</u>	<u>\$ 947,123</u>	<u>\$ 1,254,641</u>	<u>\$ 1,280,308</u>

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

Statement of OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2022

	2022	2021
Revenues		
Membership fees	\$ -	\$ 88,850
Bottle fees	991,512	962,787
Approval fees	665,113	658,640
Interest	3,260	11,173
Other	11,113	9,229
	<u>1,670,998</u>	<u>1,730,679</u>
Expenses		
Salaries and benefits	687,173	575,446
Contracted services	15,706	17,153
Education and communication	203,032	55,000
Approvals	561,831	544,251
Quality assurance and inspection	5,948	6,683
Weather monitoring	-	4,000
Meetings	2,546	232
Travel	5,773	306
Rent and occupancy	61,109	60,248
Office and general	28,943	24,501
Telephone and internet	10,515	10,511
Insurance	11,829	10,856
Bank and credit card charges	25,691	25,907
Professional services	41,479	45,190
Amortization of capital assets	9,916	6,966
Amortization of intangible assets	25,174	21,830
	<u>1,696,665</u>	<u>1,409,080</u>
(Deficiency) excess of revenues over expenses	<u>\$ (25,667)</u>	<u>\$ 321,599</u>

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

Statement of CASH FLOW

FOR THE YEAR ENDED MARCH 31, 2022

	2022	2021
Cash flows from operating activities		
(Deficiency) excess of revenues over expenses	\$ (25,667)	\$ 321,599
Non-cash items:		
Amortization of capital assets	9,916	6,966
Amortization of intangible assets	25,174	21,830
Interest capitalized on investments	(3,259)	(11,154)
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	(33,380)	229,076
Decrease (increase) in prepaid expenses	1,733	47,923
Increase (decrease) in accounts payable and accruals	230	(257,128)
Increase (decrease) increase in deferred revenue	70,375	(42,080)
	<u>45,122</u>	<u>317,032</u>
Cash flows from investing activities		
Purchase of investments	(987,892)	(585,336)
Proceeds from disposal of investments	587,892	720,390
Purchase of capital assets	(4,176)	(27,601)
Purchase of intangible assets	(16,405)	(30,000)
	<u>(420,581)</u>	<u>77,453</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
(Decrease) increase in cash	<u>(375,459)</u>	<u>394,485</u>
Cash - beginning of year	<u>605,365</u>	<u>210,880</u>
Cash - end of year	<u>\$ 229,906</u>	<u>\$ 605,365</u>

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

Notes to FINANCIAL STATEMENTS

MARCH 31, 2022

1. Purpose and legal form of the organization

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

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

2. Significant accounting policies

Basis of presentation

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

Revenue recognition

Revenues are recognized as follows:

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

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

Approval fees - when the related approval services are completed.

Investments

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

Capital assets

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

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

Intangible assets

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

Notes to FINANCIAL STATEMENTS (continued)

MARCH 31, 2022

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 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 - 0.40%, maturing June 1, 2022	\$ 91,160	\$ 91,462
CIBC GIC - 0.45%, maturing September 16, 2022	200,000	200,483
CIBC GIC - 0.35%, maturing March 1, 2023	288,645	288,731
CIBC GIC - 1.00%, maturing March 6, 2023	208,087	208,241
CIBC GIC - 0.70%, maturing March 16, 2023	<u>200,000</u>	<u>200,752</u>
Total	987,892	989,669
Less: portion maturing within one year of the year-end date	<u>987,892</u>	<u>989,669</u>
Classified as long-term	-	-

At March 31, 2021, total investments at face value and amortized cost were \$585,336 and \$586,410, respectively.

Notes to FINANCIAL STATEMENTS (continued)

MARCH 31, 2022

4. Accounts receivable

	2022	2021
Trade receivables owing from members	\$ 182,301	\$ 146,456
Miscellaneous receivable	-	2,465
	<u>\$ 182,301</u>	<u>\$ 148,921</u>

5. Capital assets

	Cost	Accumulated Amortization	2022 Net Book Value	2021 Net Book Value
Computer equipment	\$ 12,105	\$ 5,498	\$ 6,607	\$ 3,779
Office furniture and equipment	33,177	18,345	14,832	21,001
Leasehold improvements	<u>20,590</u>	<u>2,599</u>	<u>17,991</u>	<u>20,390</u>
	<u>\$ 65,872</u>	<u>\$ 26,442</u>	<u>\$ 39,430</u>	<u>\$ 45,170</u>

6. Intangible assets

	Cost	Accumulated Amortization	2022 Net Book Value	2021 Net Book Value
Computer software	<u>\$ 265,857</u>	<u>\$ 197,770</u>	<u>\$ 68,087</u>	<u>\$ 76,856</u>

7. Accounts payable and accruals

	2022	2021
Trade payables and accrued liabilities	\$ 109,040	\$ 116,253
Harmonized sales tax	<u>32,843</u>	<u>25,400</u>
	<u>\$ 141,883</u>	<u>\$ 141,653</u>

8. Deferred revenue

Deferred revenue represents product approval fees and membership 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.

Notes to FINANCIAL STATEMENTS (continued)

MARCH 31, 2022

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.

Risk management

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

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

Credit risk

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

Liquidity risk

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

11. Commitments

The organization leases office space under a lease expiring August 31, 2029. Future minimum lease payments total \$214,217 and include the following payments over the next five years: 2023, \$27,377; 2024, \$28,026; 2025, \$28,026; 2026, \$28,934; 2027, \$29,583. In addition to the minimum rent, the organization must pay a portion of the property operating costs and realty taxes which are estimated at \$35,712 per annum.

12. Comparative figures

Certain figures for 2021 have been reclassified to conform to the presentation adopted in 2022.



ONTARIO WINE

APPELLATION AUTHORITY



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