

**ONTARIO WINE**  
APPELLATION AUTHORITY



**ANNUAL REPORT**  
*2024*

# 2024 ANNUAL REPORT

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## 1. Message from the Chair

*“More regulatory changes are under consideration – OWAA will continue to adapt and focus on keeping the wine appellation system healthy, responsive and trusted.”*

Having assumed the role of Chair of the Board just a few months ago, I have been getting up to speed with my new responsibilities and making sure we continue to work towards the ambitious goals set out in our strategic plan. We have been consulting on a few significant regulation changes and several are now before the Minister for approval. More regulatory changes are under consideration as we engage our stakeholders and continue to review the regulatory framework. I look forward to hearing from all of you.

It is also a transitional time for the industry as a whole as new retail policies, consumer trends, supply and environmental issues impact winery businesses. I recognize there will be uncertainty and challenges along our path but am optimistic about the future. OWAA will continue to adapt and focus on keeping the wine appellation system healthy, responsive and trusted.

Besides regulatory change, we are implementing governance and reporting requirements included in our new Agreement with the Minister of Public and Business Service Delivery and Procurement. You will see some of these reflected in this Annual Report with new mandatory reporting topics. We have also completed a comprehensive review of our corporate Bylaw to ensure compliance with the Ontario Not-For-Profit Corporations Act. The revised Bylaw will be presented for ratification by member wineries at the 2024 Annual Meeting. It is a busy time for the Board and the organization.

I am grateful for the support of our outgoing Chair, Brian Schmidt, and the time he has taken to share his knowledge and wisdom with me. Brian held the role of Chair for almost 12 years and led the organization through 3 strategic plans, 18 regulation changes and a global pandemic that triggered major operational changes. We thank Brian and recognize him for the work he has done to strengthen the appellation system and ensure it delivers value for both consumers and our regulated community.

With the change in Chair, Brian becomes past-Chair, remaining as a Director, and Ken Douglas retires from the Board. On behalf of consumers and the entire industry, I offer Ken our heartfelt thanks and best wishes.

I look forward to working with my colleagues on the Board of Directors, our dedicated staff and with all of our industry, government and consumer stakeholders.

Derek Cartlidge  
President and Chair

## 2. Corporate Overview

The Ontario Wine Appellation Authority (OWAA), previously operated as VQA Ontario. In 2021, the corporate brand was changed to better reflect the regulatory mandate and consumer-driven objectives of the organization. The organization was incorporated in November 1998 to implement the Vintners Quality Alliance Act, 1999 (VQA Act). The VQA Act was proclaimed on June 29, 2000 and the responsibility to administer the Act was delegated to OWAA. This date marked the beginning of a regulated “appellation of origin” system to govern the composition, standards and labelling of Ontario wines of origin. OWAA maintains consumer trust and the integrity of local wine appellations by enforcing winemaking and labelling standards and educating consumers about the authenticity of appellation.

OWAA operates under an Administrative Agreement with the Minister of Public and Business Service Delivery and Procurement. A modernized Agreement signed in March 2023 sets a new course for governance and accountability obligations through standardized reporting and performance indicators.

Participation in Ontario’s appellation system is voluntary, and wineries are not required to obtain VQA certification to produce and sell wine in Ontario. However, all Ontario wineries who wish to use regulated VQA label claims must be certified to relevant standards. The focus of OWAA is on label integrity and certification and as such, it does not represent the commercial interests of the Ontario wine industry nor does it market VQA wines.

## 3. Vision, Mission and Values

### VISION

Consumers trust Ontario’s wine appellation system to make informed decisions on the wines they drink

### MISSION

Ensure value, integrity and authenticity, in Ontario’s evolving appellation system and diverse wine landscape

### VALUES

|                             |                                                                                                                                                                               |
|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Transparency and Fairness   | Carry out statutory authority with transparency and fairness and uphold high ethical standards.                                                                               |
| Accountability              | Accountable for its decisions and engage in effective and fair dispute mediation to resolve conflict.                                                                         |
| Firmness and Responsibility | Discharge regulatory responsibility firmly to ensure consumers can rely on label integrity for all VQA wines.                                                                 |
| Responsiveness              | Conduct operations openly, providing stakeholders with access to information and timely responses to inquiries. Promote the value and benefits of VQA appellations and wines. |
| Effectiveness               | Carry out efficient and cost-effective operations, pursue service improvements and burden reduction.                                                                          |

| STRATEGY         |                          |               |             |
|------------------|--------------------------|---------------|-------------|
| ENGAGE           | EVOLVE                   | EDUCATE       | EXECUTE     |
| our stakeholders | our regulatory framework | our consumers | our mandate |

#### 4. Governance and Strategic Oversight

As a provincial regulator, OWAA is accountable to the Government of Ontario, consumers and to its industry stakeholders. Within this accountability framework, OWAA guides its business through a 5-year strategic plan, executed through its annual business plans. OWAA's Board of Directors provides strategic and financial leadership, developing strategic goals for the organization, leading engagement with government, industry, and sector stakeholders and overseeing management's execution of strategy. Both the strategic plan and the annual business plan are approved by the Board and reviewed by the Ministry of Public and Business Service Delivery and Procurement (MPBSDP) to ensure continued alignment with governing legislation and regulation.

OWAA is governed by a 13-member Board of Directors and operates with a full and part-time staff of 6 professionals. Members of the Board have no direct involvement in regulatory operations. The governance structure reflects the principles of self-management, with three-quarters of the Board of Directors elected from the regulated community. Representation and engagement with our regulated community is key to ensuring the Authority is current with consumer and industry trends.

Members of the Board of Directors comprise:

- 9 individuals elected from the regulated industry representing small, medium and large wineries with regional distribution among Ontario's three primary wine growing appellations,
- 1 individual who is a senior official or other person approved by the Minister of Public and Business Service Delivery and Procurement
- 1 individual who is a Director of Grape Growers Ontario
- 1 individual who is a Director or Officer of the Ontario Restaurant, Hotel and Motel Association
- The immediate past-chair

Elected Directors serve for a 3-year term commencing with their election at an Annual Meeting of Members, and may stand for re-election. Appointed Directors serve at the pleasure of the appointing organization and serve an indefinite term subject to their continued affiliation with the office linked to their appointment.

A Nominating Committee is established each year to review skills represented on the Board, gaps that need to be filled, and upcoming vacancies. The Committee strives to identify candidates that result in a balance of skills and experience, such as governance and strategy, business management, viticulture and winemaking, customer service and marketing. Other factors, including diversity, equity and inclusion, geographical representation and consumer insights are also taken into account.

## 5. Director's Code of Conduct

### Director's Duty

A director's duty is owed first and foremost to the corporation. A director, including an ex-officio director, must act in the best interests of the corporation, with honesty, good faith and avoiding conflicts of interest. For OWAA, the standard of care is variable in nature; each director's liability will reflect his or her own personal knowledge and expertise.

### Director's Conduct

The director shall:

- Uphold the purpose of the VQA Act and the vision, mission and goals of OWAA
- Maintain independence and objectivity
- Conduct himself or herself with a sense of fairness, ethics and personal integrity and hold the public interest paramount at all times
- Maintain autonomy from the administration of the rules and regulations under the *Vintners Quality Alliance Act, 1999*
- Be honest about and disclose any real or perceived conflicts of interest to the Board in a timely fashion
- Dedicate sufficient time to the Director's role and make all reasonable efforts to be properly informed about the business of the OWAA
- Participate in Board deliberations and respect and support decisions made by the Board

### Conflicts of Interest

#### General

A director must act scrupulously to avoid actual, perceived and potential conflicts of interest. Conflicts may arise where a director's personal, professional or business interests conflict with that of the corporation. Conflicts may also arise where the director may be in a position to obtain confidential information that could be used for personal or professional gain or to further the interest of another organization.

#### Disclosure

If a director is aware of, or believes that an actual, perceived or potential conflict may exist, the director must immediately disclose the conflict and the nature of the conflict to the Chair of the Board. Every director who is in any way directly or indirectly interested in a matter of policy, regulation, proposed contract or other similar instrument shall declare his or her interest at a meeting of directors.

#### Abstention from Meetings/Voting

Following the disclosure of a conflict of interest, and when the Board agrees it is appropriate, the director with the declared conflict shall not attend or be involved in any Board discussion giving rise to the conflict and the director with the declared conflict must abstain from any vote of the directors on the issue.

## Determination of Conflict

If a director is unsure of whether he or she has a conflict of interest on an issue, he or she may wish to obtain independent legal advice on the matter or he or she may wish to put the matter before the Board for its consideration. If the majority of the Board believes that the director has an actual, perceived or potential conflict of interest, the Board will declare a conflict of interest on behalf of the Director and guide his or her participation accordingly.

## Confidentiality

In carrying out his/her duties and responsibilities, the director will become knowledgeable to sensitive information of a private, confidential or proprietary nature relating to OWAA's current and planned activities. No director will disclose any information of a confidential or proprietary nature outside the corporation, either during or after their tenure as a board member.

Except where noted, all materials provided to directors to support Board decision-making are confidential. Any information related to winery members that is not considered to be within the public domain is confidential and shall not be disclosed.

## Directors with Affiliations within the Wine Industry

A director on the board by virtue of a winery affiliation shall be suspended if that winery is charged with an offence under the VQA Act and shall resign if the winery is convicted of such an offence, or if the winery membership in OWAA Authority is revoked for any reason. Winery directors should make their best efforts not to become directly involved in ongoing enforcement actions involving a winery they are employed with.

Directors shall uphold the spirit and intent of the VQA Act and Regulations and shall not knowingly participate in any activity or business transaction that contradicts the intent and purpose of the legislation or brings OWAA into disrepute.

Directors that have fiduciary duties to another organization, such as a trade organization, shall ensure that confidentiality of information is maintained between the organizations and must declare any conflict of duty that may arise due to their affiliation with another organization.

## Separation from Regulatory Operations

Directors shall not become involved in any way with the administration of regulatory operations such as membership, inspections, investigations, audits or wine evaluation and testing. Directors should not comment on the interpretation of the regulations or provide advice as to compliance. Under no circumstances should directors interfere with or attempt to influence specific regulatory decisions made by staff.

## **General Conduct**

### **Duty to Public**

Directors should remind themselves frequently that OWAA is a public authority rooted in a consumer protection statute. Decisions must be made with consideration of the public interest and benefit and with a high standard of transparency and fairness to the wine industry.

### **Attendance at Meetings**

Directors are expected to make every effort to attend Board meetings and other meetings related to their duties on the Board. Directors should not miss more than 2 meetings in any given year.

### **Public Representation**

Directors must not act as public spokespersons for the Board unless formally designated by the Board to do so. Directors shall uphold the decisions of the Board and the policies of the corporation in all public forums, Directors shall not engage in behavior which undermines the reputation, effectiveness or financial viability of the corporation.

## 6. Board of Directors

March 31, 2024

| OFFICERS                                                                                                           | DIRECTORS                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| <b>Derek Cartlidge (6)</b><br>Colio Estate Wines<br><i>President and Chair, Ontario Wine Appellation Authority</i> | <b>Greg Berti (4)</b><br>Andrew Peller Ltd                                                                   |
| <b>Gabriel Demarco (6)</b><br>Cave Spring Cellars<br><i>Vice-Chair, Ontario Wine Appellation Authority</i>         | <b>Erika Neudorf (5)</b><br>Arterra Canada                                                                   |
| <b>Nadia Senchuk (5)</b><br>Leaning Post Wines<br><i>Treasurer, Ontario Wine Appellation Authority</i>             | <b>Paul Speck (5)</b><br>Henry of Pelham Family Estate Winery                                                |
| <b>Louise Engel (5)</b><br>Featherstone Estate Winery<br><i>Secretary, Ontario Wine Appellation Authority</i>      | <b>Tony Elenis (5)</b><br>Ontario Restaurant, Hotel and Motel Association                                    |
|                                                                                                                    | <b>Mary Shenstone (5)</b><br>Ontario Government                                                              |
|                                                                                                                    | <b>Dan Sullivan (4)</b><br>Rosehall Run Vineyards                                                            |
|                                                                                                                    | <b>Kevin Watson (5)</b><br>Grape Growers of Ontario                                                          |
|                                                                                                                    | <b>Brian Schmidt (6)</b><br>Vineland Estates Winery<br><i>Past Chair, Ontario Wine Appellation Authority</i> |
|                                                                                                                    | <b>Vacancy</b>                                                                                               |

Attendance at Board meetings: Six Board meetings were held in 2023-2024. The number of Board meetings each Director attended is indicated beside their name. Gabriel Demarco joined the Board in May 2023 and Erika Neudorf joined in July 2023.

| STAFF and STATUTORY APPOINTMENTS                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Laurie Macdonald, Executive Director<br>Katherina Radcliffe, Director, Wine Standards and Communications<br>Peter Harris, Director, Audit and Compliance (Designated Inspector/Investigator)<br>Susan Piovesan, IT Systems Administrator, Compliance Officer (Designated Inspector)<br>Helen Ly, Office Supervisor<br>Stan Loree, Accountant<br>Dan Keere, Investigator (Contract, Designated Inspector/Investigator) |

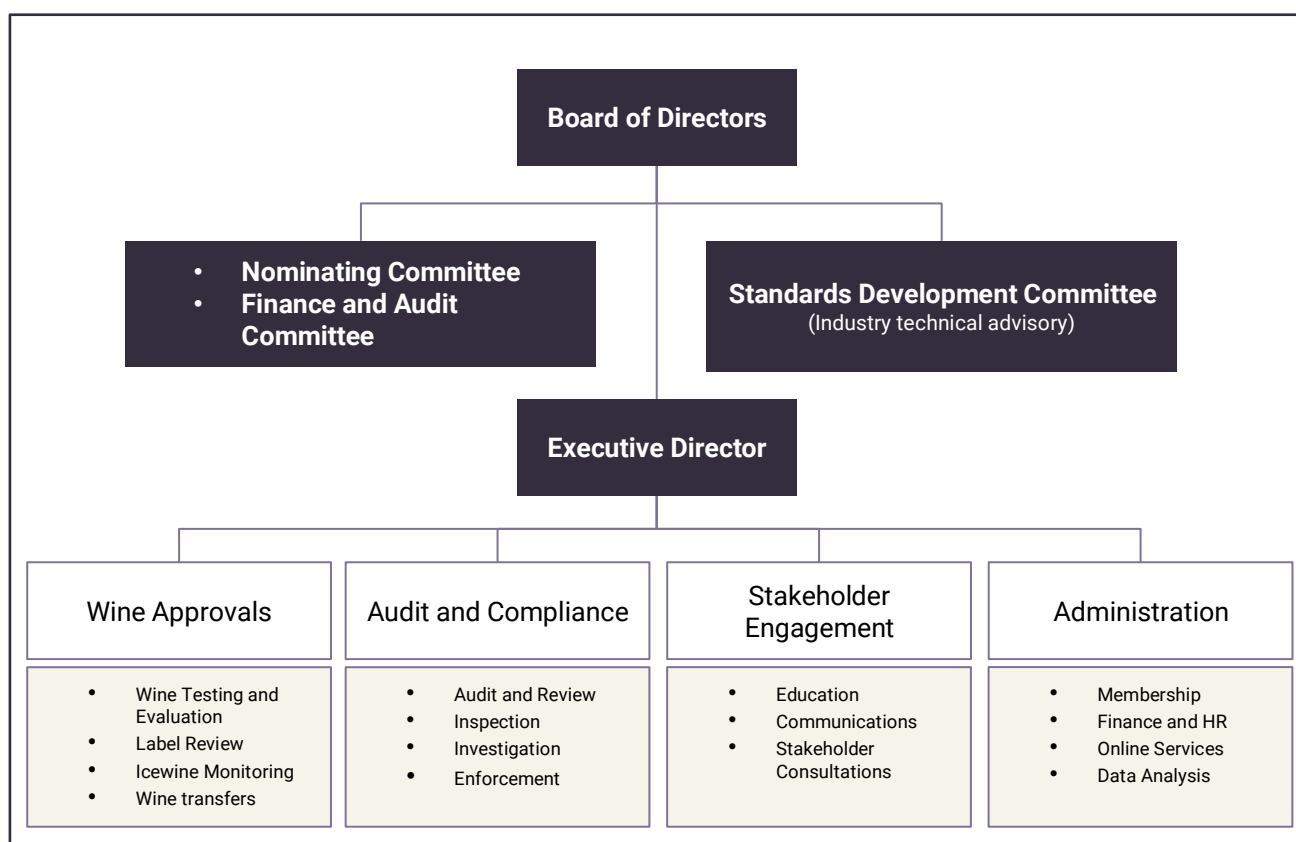
## 7. Mandate and Services

OWAA's core mandate includes the following operating objectives:

- To establish, monitor and enforce an appellation of origin system in accordance with the VQA Act that allows consumers to identify wines on the basis of where the grapes are grown, the methods used in making the wine and other quality standards;
- To regulate the use of specified terms, descriptions and designations associated with the VQA appellation system;
- To act as the Wine Authority under the VQA Act, and to participate in discussions with government and other stakeholders which relate to wine standards;
- To inform, educate and work with the grape and wine sector, governments and the public to promote the value and benefits of VQA appellations of origin and VQA-certified wines.

OWAA meets this mandate by registering participating wineries, evaluating and approving wines that meet the wine standards and verifying compliance through testing, audit and inspection. OWAA supports its regulatory mandate with education programs, stakeholder engagement and a strong customer service ethic.

## 8. Organization Chart



## 9. Strategic Plan

As a provincial regulator, OWAA is accountable to the Government of Ontario, consumers and to its industry stakeholders. Within this accountability framework, OWAA guides its business through a 5-year strategic plan. This plan is executed through annual business plans setting out specific objectives to achieve the strategy. Each five-year cycle includes focused engagement with government, industry, related stakeholders, and consumers.

OWAA's Board of Directors takes the lead in understanding and setting the priorities for the organization with the full participation of its management team that develops specific deliverables each year in the business plan. Both the strategic plan and the business plan are presented and approved by the Board. Officials at MPBSDP also review OWAA's plans to ensure continued alignment with our governing legislation and regulation.

Development of the 2023-2028 strategic plan included formal consultations with government, regulated wineries, industry stakeholder groups, wine and hospitality educators and others involved in consumer research, wine marketing, hospitality and media. The consultations provided insights on consumer and industry opportunities to continually evolve and modernize Ontario's appellation system and the wine standards that support it. A survey of OWAA's wine industry stakeholders in late 2022 purposefully probed the value and the effectiveness of the Authority's operations. Their responses demonstrate high satisfaction with the service levels and operational management of the organization. They strongly support the value provided by a fair and well-managed appellation system that delivers label integrity for consumers and value for money to the regulated community.

- 74% of winery respondents say that Ontario's appellation system is essential for the industry to succeed
- 94% say OWAA regulates the right things, the right amount or should make only minor adjustments:
  - 37% say OWAA regulates the right things and the right amount
  - 35% say standards should be slightly relaxed
  - 22% say standards should be slightly tightened

## 10. Consumers

Consumer research available from the Wine Marketing Association of Ontario shows high levels of awareness of the VQA certification and its assurance of origin and quality. Consumer trust in VQA wines remains high but further opportunity exists to increase consumer understanding of individual wine regions across the province of Ontario, the scope of the wine testing and certification, and the role of the Authority.

## 11. Key Stakeholder Relationships

| Key Stakeholders   | How OWAA works with its Key Stakeholders                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consumers          | OWAA is a publicly accountable organization. It protects wine consumers through wine testing, inspections and audits to establish claims of origin, and when necessary, enforcement actions to ensure accurate labelling with respect to the wine in the bottle. OWAA ensures consumers can rely on label integrity and make informed purchase choices.                                                                                                                                                                                                                                                                                  |
| Regulated Industry | OWAA works closely with industry stakeholders, through its regulated wineries, grape growers and related organizations, to ensure VQA regulations and procedures are reasonable, valued, and support a competitive and credible foundation for the industry. OWAA also promotes improved awareness and understanding of Ontario's wines and winegrowing regions, the appellation system, and its value to both consumers and producers.                                                                                                                                                                                                  |
| Government         | As an administrative authority working under statutory delegation from the Minister of Public and Business Service Delivery and Procurement, OWAA works with government to achieve its goals consistent with a modern governance framework and the aims of the VQA Act. OWAA maintains accountability to the Ministry through strong lines of communication and works closely with other Ministries and Agencies involved in wine issues. OWAA also collaborates with national and international bodies in trade discussions related to wine standards to promote global recognition and acceptance of Ontario's VQA appellation system. |
| Other Stakeholders | OWAA works closely with institutions that provide wine education, wine marketing and support services to the industry, as well as with hospitality, media, wine influencers and highly engaged consumers.                                                                                                                                                                                                                                                                                                                                                                                                                                |



## 12. Message from the Executive Director

*"The appellation system is one piece in the wine ecosystem and we aim to ensure it continues to be a positive factor in the changing landscape for Ontario wine."*

Looking back on the milestones of the past year, much of our activity has been driven by our strategic plan and response to the changing consumer market and global challenges facing the wine industry. The pace of change is increasing and the implications of change more and more significant to the industry we regulate.

Our recent focus has been on consultations on updating the VQA regulations and deciding what needs to change in the appellation framework to prepare for the future. These discussions with you are incredibly important and we encourage you to comment on the things that are important to you. The appellation system is one piece in Ontario's wine ecosystem and we aim to ensure it continues to be a positive factor in the changing landscape for Ontario wine.

As these strategic discussions continue, the operational backbone of the organization is also very busy. We are working hard at making sure the regulatory process is carried out efficiently and we offer a high level of customer service. We continue to leverage automation and web-based client services and streamline our operations where possible to keep costs in check. Even though substantial new internal functions have been added over the past few years, fees have been held at pre-pandemic levels and reserves remain healthy.

VQA wine is fundamentally about the places where it is grown. Not just anywhere, but in Ontario and in our appellations. To raise awareness about Ontario appellations, OWAA is increasing its efforts to reach students preparing to enter the wine and hospitality sectors. Through online courses and educational resources, and with courses embedded in college, university and private programs, we intend to make Ontario appellations a core topic for Ontario wine students.

While last year included many accomplishments – regulatory amendments, a new Administrative Agreement and many policy updates – I anticipate another very active year.

Laurie Macdonald  
Executive Director

### 13. 2023 Vintage Report

*Niagara Peninsula  
Lake Erie North Shore  
Prince Edward County*

*Unique weather makes unique wine.*



The 2023 vintage in Ontario has been a testament to the resilience of the region's vineyards and the craftsmanship of its winemakers. Despite some challenges posed by weather fluctuations, the overall quality of the wines from this vintage promises to be exceptional. This vintage has delivered wines that reflect the unique characteristics of the region.

Chardonnay and Riesling have once again demonstrated their suitability to the Ontario terroir. Red varieties, such as Pinot Noir and Cabernet Franc, also fared well. The cooler nights during the growing season helped retain the acidity in these red grapes.

Winemakers in Ontario employed a combination of traditional and modern winemaking techniques to harness the potential of the 2023 vintage. Gentle handling of the grapes, minimal intervention, and extended maceration periods for red wines were common practices.

#### NIAGARA PENINSULA

The weather in 2023 played a crucial role in shaping the vintage in the Niagara Peninsula appellation. A mild winter followed by a warm spring led to an early bud break, raising hopes for an abundant harvest. However, the summer brought some unexpected challenges, including sporadic heatwaves and intermittent rainfall. Winemakers had to closely monitor their vineyards to mitigate potential issues such as disease and uneven ripening. The careful management of the vines, coupled with the utilization of advanced viticultural practices, ensured the grapes reached optimal maturity.

Conditions for harvest were quite favourable, with wineries reporting a broad window of opportunity to bring in grapes. September was dry and reasonably warm, compared to last year, and enthusiastic growers made quick work of the relatively light harvest. Crop size was the main story, but fruit quality was excellent and the grapes that were brought in had winemakers wishing for more!

#### LAKE ERIE NORTH SHORE

The climatic conditions during the 2023 growing season exhibited a mix of challenges and opportunities. The spring started with moderate temperatures, encouraging early bud break and a promising start to the growing cycle. However, this was followed by sporadic temperature fluctuations, presenting some

concerns for frost damage. Vineyard managers and winemakers employed various protective measures, including frost fans to safeguard the delicate buds during critical stages.

Summer brought warm and sunny periods, promoting healthy vine growth and fruit development. Adequate rainfall throughout the season contributed to well-hydrated vines, ensuring a balanced ripening process. While some regions experienced occasional heavy rainfall, diligent vineyard management mitigated the risk of disease and ensured optimal grape quality.

### PRINCE EDWARD COUNTY

The 2023 vintage in Prince Edward County, Ontario, has unfolded as a tale of resilience and excellence. Despite the challenges presented by weather fluctuations and climatic nuances, the region's winemakers have once again demonstrated their skill and commitment to producing exceptional wines.

The weather in Prince Edward County during the 2023 growing season was marked by a combination of factors that influenced grape development. Spring arrived with a slightly delayed bud break, attributed to a cooler-than-average start. However, a warm and dry summer, with consistent sunshine, facilitated optimal grape maturation. This was followed by a mild and extended fall, allowing for a gradual harvest and optimal ripening across different varieties.

### HARVEST

Harvest in 2023 was prolonged and extended through the fall, with many still picking in late November. Luckily, the weather held and was relatively mild and dry across all Ontario wine appellations. By November 15, the customary deadline for Late Harvest and Icewine registration, many wineries were still actively harvesting grapes for table wine. Reflecting the unusually long and drawn-out harvest season, the Late Harvest and Icewine registration deadline was extended to November 30, 2023.

The harvest season was characterized by a series of careful decisions and precise timing. Winemakers had to be vigilant in choosing the optimal moment to pick each grape variety to preserve the balance of flavors and acidity. Vintners monitored sugar levels, acidity, and phenolic ripeness carefully to determine the optimal moment for harvest. Despite the earlier concerns during spring, the vintage benefited from extended hang time, allowing flavors and aromas to fully develop. The yields varied across sub-regions, with some areas experiencing slightly lower quantities across specific varieties due to weather-related stress on the vines, while other areas experienced yields above average. Despite these challenges, the grapes that were harvested displayed excellent phenolic development, promising wines with depth and complexity.

### ICEWINE

At the time of publication, 4,095 number of tonnes of grapes were registered for Icewine from the 2023 vintage, reflecting a significant increase over last year's 765 tonnes.

### WINE OUTLOOK

#### NIAGARA PENINSULA

Chardonnay grapes, a staple of the Niagara Peninsula, excelled in 2023. The moderate temperatures and extended growing season resulted in grapes with balanced acidity and vibrant fruit flavors. Expect well-structured Chardonnay wines with notes of green apple, citrus, and a subtle hint of minerality.

The 2023 vintage showcased the versatility of Riesling in the Niagara Peninsula. The cool nights and warm days allowed for the development of intense aromatics and bright acidity. Riesling wines from this vintage are expected to display a harmonious balance of sweetness and acidity, with flavours ranging from crisp green apple to luscious peach.

Red wine enthusiasts will appreciate the quality of Cabernet Franc in 2023. The extended growing season contributed to the development of ripe and concentrated fruit flavours. Expect Cabernet Franc wines with a beautiful combination of red and black fruit notes, well-integrated tannins, and a hint of the characteristic peppery spice.

Pinot Noir, a notoriously finicky grape, thrived in the favourable conditions of 2023. The slow ripening process allowed for the development of complex aromas and flavours. Pinot Noir wines from this vintage are anticipated to showcase red berry fruits, subtle earthiness, and a silky, refined texture.

#### LAKE ERIE NORTH SHORE

White wines from this vintage exhibit vibrant acidity, showcasing the bright fruit character and minerality inherent in the grapes. Riesling stands out with its crisp acidity and aromatic profile, reflecting the unique microclimates of the region.

Red wines from 2023 showcase rich fruit expression, well-integrated tannins, and a balanced structure. Cabernet Franc and Merlot have excelled in this vintage, presenting a harmonious blend of dark fruit flavours and subtle earthy notes.

#### PRINCE EDWARD COUNTY

The Chardonnay grapes from the 2023 vintage showcase a harmonious balance of acidity and ripe fruit flavours. Expect elegant notes of orchard fruits, citrus, and a subtle minerality, with a creamy texture indicative of the varietal's potential in the region.

Pinot Noir enthusiasts will be delighted by the 2023 vintage, which displays a beautiful spectrum of red fruit aromas, nuanced by hints of spice and earthiness. The extended ripening period has contributed to refined tannins and a velvety mouthfeel.

This vintage has been particularly kind to Cabernet Franc, with the grapes achieving full phenolic ripeness. Anticipate expressive aromas of red berries, herbs, and a distinct peppery character, supported by well-integrated tannins.

## 14. Strategic Objectives

| ENGAGE                                                                                                                                                                                                                              | EVOLVE                                                                                                                                                                                                                                                                                                                              | EDUCATE                                                                                                                                                                                                                        | EXECUTE                                                                                                                                                                                                                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Enhance stakeholder relationships through active and regular interactions                                                                                                                                                           | Create a dynamic, inclusive and comprehensive VQA appellation system                                                                                                                                                                                                                                                                | Increase knowledge of Ontario's VQA appellations and standards                                                                                                                                                                 | Execute the strategy and mandate through strong governance and operational effectiveness                                                                                                                                 |
| <p>1.1 Further understanding of consumer needs and expectations</p> <p>1.2 Enhance stakeholder engagement to raise OWAA's profile with stakeholders</p> <p>1.3 Strengthen and expand relationships with government stakeholders</p> | <p>2.1 Engage industry stakeholders to expand and further define Ontario's appellation regions and identity</p> <p>2.2 Align the future state VQA grape varietal list with consumer and industry expectations</p> <p>2.3 Continue to update composition and labelling rules to reflect consumer needs and industry developments</p> | <p>3.1 Develop curriculum on Ontario appellations</p> <p>3.2 Create, enhance and deliver VQA wine education for college programs, and wine education guilds</p> <p>3.3 Expand education programs to the hospitality sector</p> | <p>4.1 Maintain a strong governance framework</p> <p>4.2 Monitor stakeholder satisfaction</p> <p>4.3 Deliver effective, results-oriented and cost-efficient service</p> <p>4.4. Be a trusted source of industry data</p> |

## 15. Report on Activities and Performance Measures

Outcomes reported for the year ending March 31, 2024, or as at March 31, 2024 unless noted otherwise.

## 15.1 Stakeholder Engagement

| PERFORMANCE METRICS<br>STAKEHOLDER ENGAGEMENT                                    |                                                                                                                      |                                                                                                                                  |
|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Measure                                                                          | Target                                                                                                               | Outcome                                                                                                                          |
| Collect stakeholder feedback on data needs and publish production and sales data | Report on production by region and variety, and VQA sales by channel                                                 | Complete and available quarterly                                                                                                 |
| Enhanced communications with member wineries and industry stakeholders           | <ul style="list-style-type: none"> <li>10 newsletters</li> <li>Industry outreach</li> <li>Trade education</li> </ul> | <ul style="list-style-type: none"> <li>12 newsletters</li> <li>15 events</li> <li>7 seminars</li> </ul>                          |
| Increase knowledge and awareness of appellations and appellation system          | <ul style="list-style-type: none"> <li>Establish LinkedIn presence</li> <li>Establish YouTube channel</li> </ul>     | <ul style="list-style-type: none"> <li>LinkedIn Profile established – 254 followers</li> <li>YouTube channel launched</li> </ul> |
| Launch course (Understanding VQA Ontario Wine Appellations)                      | <ul style="list-style-type: none"> <li>Launch online course platform</li> <li>Complete and release course</li> </ul> | <ul style="list-style-type: none"> <li>Course (6 modules)</li> <li>9 registrants</li> </ul>                                      |
| Level 1 (Ontario VQA Wine Appellations) course certificate completions           | 200                                                                                                                  | 871                                                                                                                              |

## 15.2 Regulatory Compliance

| PERFORMANCE METRICS<br>REGULATORY COMPLIANCE                                  |               |         |
|-------------------------------------------------------------------------------|---------------|---------|
| Measure                                                                       | Target        | Outcome |
| Number of OWAA members                                                        | 195           | 192     |
| Compliance                                                                    |               |         |
| Retail inspections completed                                                  | 150           | 148     |
| <ul style="list-style-type: none"> <li>Percent with non-compliance</li> </ul> | Less than 5%  | 4%      |
| Online and social media inspections completed                                 | 100           | 199     |
| <ul style="list-style-type: none"> <li>Percent with non-compliance</li> </ul> | Less than 5%  | 18%     |
| Compliance reviews completed                                                  | 100           | 90      |
| <ul style="list-style-type: none"> <li>Percent with non-compliance</li> </ul> | Less than 10% | 2%      |
| Compliance audits completed                                                   | 50            | 97      |
| <ul style="list-style-type: none"> <li>Percent with non-compliance</li> </ul> | Less than 10% | 6%      |
| Compliance coaching                                                           | 30 contacts   | 54      |
| Label corrections requested/cautions issued                                   | N/A           | 7       |
| Revoked approvals                                                             | N/A           | 0       |
| Compliance orders                                                             | N/A           | 7       |
| Provincial Offence charges                                                    | N/A           | 12      |
| Wine Approvals                                                                |               |         |
| Applications completed                                                        | 2000          | 2123    |

|                     |                    |                    |
|---------------------|--------------------|--------------------|
| • Success rate      | 96%                | 98%                |
| Chemical analysis   |                    |                    |
| • Completion        | 95% within 15 days | 91% within 15 days |
| • Success rate      | 98%                | 97%                |
| Sensory Analysis    |                    |                    |
| • Completion        | 95% within 10 days | 94%                |
| • Success rate      | 96%                | 98%                |
| Export certificates | On demand          | 1420               |

### 15.3 Corporate

| PERFORMANCE METRICS<br>CORPORATE            |                                                |                                       |
|---------------------------------------------|------------------------------------------------|---------------------------------------|
| Measure                                     | Target                                         | Outcome                               |
| Board evaluation results                    | Annual survey                                  | Complete                              |
| Financial stability                         | Reserve target 75% of annual operating expense | 100% of operating expenses in reserve |
| Succession plan                             | In place and current                           | Up to date                            |
| Operations                                  |                                                |                                       |
| Service standards                           | 24-hour response to all inquiries              | 98% within target                     |
| Online services availability all hours      | 96% in service                                 | 98% in service                        |
| Online services availability business hours | 98% in service                                 | 99% in service                        |
| Operational capacity                        | No service suspensions                         | No service suspensions                |
| Staff turnover                              | Minimal, 1 or less                             | 1                                     |
|                                             |                                                |                                       |

### 16. Legislation, Bylaw and Policy Changes

The following amendments were made to Ontario Regulation 406/00 under the VQA Act, setting out standards for wine production, composition and labelling:

- Amendment to minimum brix levels (ripeness) for the grape variety Semillon

Organizational policies were reviewed and amendments made to policies governing:

- Complaints Policy
- Service Standards Policy

## 17. French Language Services:

OWAA provides French language services upon request. In 2023-24, OWAA received and responded to 1 inquiry in French from a member of the public.

## 18. Complaint Handling:

OWAA's Complaints Policy was updated in 2022 and a new feature added to the public website to facilitate submitting complaints online.

No complaints were received from consumers regarding VQA wines. No formal complaints were submitted by industry members or stakeholders related to services provided by OWAA.

## 19. Accessible Goods, Services and Facilities

OWAA provides access to goods, services or facilities pursuant to the Accessibility for Ontarians with Disabilities Act, 2005 (AODA). No inquiries were received related to accessible goods, services or facilities during the reporting period.

A new AODA compliant website was launched in July 2022.

## 20. Data and Statistics

### 20.1 Winery Participation

| WINERY PARTICIPATION                         |                                             |                                              |
|----------------------------------------------|---------------------------------------------|----------------------------------------------|
| LARGE CLASS<br>VQA Sales over 750,000 L      | MEDIUM CLASS<br>VQA Sales 100,000-750,000 L | SMALL CLASS<br>VQA Sales less than 100,000 L |
| 5                                            | 21                                          | 166                                          |
| TOTAL WINERIES REGISTERED IN VQA PROGRAM 192 |                                             |                                              |

## 20.2 VQA Wine Production Overview

All statistics are for the period of April 1, 2023 to March 31, 2024. 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](http://www.vqaontario.ca) in past annual reports.

| VQA WINE PRODUCTION OVERVIEW |              |                   |                                |                         |
|------------------------------|--------------|-------------------|--------------------------------|-------------------------|
| Wine Category                | No. of Wines | Volume (9L cases) | Change from last year (volume) | Estimated grape tonnage |
| Table Wine                   | 1802         | 2,169,336         | -12%                           | 26,930                  |
| Icewine                      | 52           | 43,795            | 19%                            | 2,252                   |
| Sparkling                    | 188          | 229,867           | -14%                           | 2,854                   |
| Late Harvest                 | 14           | 6,056             | -40%                           | 109                     |
| Other                        | 28           | 15,145            | 218%                           | 188                     |
| <b>Total</b>                 | <b>2084</b>  | <b>2,464,199</b>  | <b>-12%</b>                    | <b>32,333</b>           |

## 20.3 Appellation Designated Wines

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. The proportion of production of wines labelled with each appellation remained similar to the previous year.

| VQA WINE PRODUCTION BY APPELLATION DECLARATION |            |                    |
|------------------------------------------------|------------|--------------------|
| Appellation                                    | Cases (9L) | % of all VQA wines |
| Ontario                                        | 1,394,692  | 56.6%              |
| Niagara Peninsula                              | 730,320    | 29.7%              |
| Sub-appellations                               | 303,963    | 12.3%              |
| Prince Edward County                           | 27,590     | 1.1%               |
| Lake Erie North Shore                          | 7,635      | .3%                |

## 20.4 Grape varieties used in VQA wines

This table includes all VQA wines, including those labelled with grape variety content and those that do not declare the variety(ies) on the label. A total of 47 different grape varieties were used in VQA wines in this reporting period.

| VQA WINE PRODUCTION BY GRAPE VARIETY |                                      |
|--------------------------------------|--------------------------------------|
| Variety                              | % of total production<br>(by volume) |
| Riesling                             | 15%                                  |
| Chardonnay                           | 13%                                  |
| Pinot Gris                           | 11%                                  |
| Cabernet Franc                       | 10%                                  |
| Sauvignon Blanc                      | 9%                                   |
| Vidal Blanc                          | 8%                                   |
| Merlot                               | 7%                                   |
| Cabernet Sauvignon                   | 6%                                   |
| Baco Noir                            | 6%                                   |
| Pinot Noir                           | 5%                                   |
| Gamay Noir                           | 3%                                   |
| Gewürztraminer                       | 2%                                   |
| Syrah                                | 1%                                   |
| Other                                | 4%                                   |

Red grape varieties used in all VQA wines – 41%

White grape varieties used in all VQA wines – 59%

## 20.5 Table wines by colour

The table wine category includes white, red and rosé wines. Total volumes declined from the previous year due to a smaller crop, with reds dropping the most at approximately 22% in overall volume. White volume dropped slightly (5%) and rosé volume increased 7%. A large majority of red and white table wines continue to declare a grape variety or varieties on the label, while rosés are more likely to be labelled with a proprietary label that does not declare varietal content.

| VQA WINE PRODUCTION BY COLOUR AND LABEL |                    |                   |                  |
|-----------------------------------------|--------------------|-------------------|------------------|
|                                         |                    | Litres            | Cases (9L)       |
| White (53%)                             | Varietal           | 10,066,893        | 1,118,544        |
|                                         | Non-varietal       | 272,896           | 30,322           |
|                                         | <b>Total white</b> | <b>10,339,789</b> | <b>1,148,865</b> |
| Red (39%)                               | Varietal           | 7,237,148         | 804,128          |
|                                         | Non-varietal       | 434,866           | 48,318           |
|                                         | <b>Total red</b>   | <b>7,672,014</b>  | <b>852,446</b>   |
| Rosé (8%)                               | Varietal           | 511,852           | 56,872           |
|                                         | Non-varietal       | 939,979           | 104,442          |
|                                         | <b>Total rosé</b>  | <b>1,451,831</b>  | <b>161,315</b>   |

## 20.6 Icewine

Icewine production was up from the previous year's production of 25,400 cases, continuing a recovery to more typical annual production volumes.

| ICEWINE PRODUCTION BY VARIETY |         |            |
|-------------------------------|---------|------------|
| Variety                       | Litres  | Cases (9L) |
| Vidal Blanc                   | 307,998 | 34,222     |
| Cabernet Franc                | 52,455  | 5,828      |
| Riesling                      | 19,860  | 2,207      |
| Cabernet Sauvignon            | 11,900  | 1,322      |
| Others                        | 1,939   | 215        |
|                               |         |            |
| Total                         | 394,152 | 43,795     |

## 20.7 Specialty wine categories

The production volumes in specialty categories generally declined, with the exception of the Appassimento/Fortified category approximately tripling.

| VQA PRODUCTION - SPECIALTY WINE CATEGORIES              |           |            |
|---------------------------------------------------------|-----------|------------|
|                                                         | Litres    | Cases (9L) |
|                                                         |           |            |
| Late Harvest and Botrytis Affected                      | 54,505    | 6,056      |
|                                                         |           |            |
| Appassimento, Vin de Cure, Fortified, and Liqueur wines | 136,302   | 15,145     |
|                                                         |           |            |
| Sparkling wines                                         | 2,068,807 | 229,867    |
|                                                         |           |            |
| Skin Fermented White Wines                              | 60,390    | 6,710      |

## 20.9 VQA Wine Sales

Year ending March 31, 2024

| VQA SALES BY VOLUME (LITRES) |                   |                   |              |
|------------------------------|-------------------|-------------------|--------------|
|                              | 2024              | 2023              | % change     |
| Winery Retail                | 6,018,703         | 6,739,180         | - 10.7       |
| Licensees                    | 3,607,813         | 3,662,211         | - 1.5        |
| LCBO (shipped)               | 8,500,627         | 9,002,774         | - 5.6        |
| Farmers Markets              | 35,693            | 44,305            | - 19.4       |
| Other Provinces              | 967,812           | 1,111,045         | - 12.9       |
| Export and Miscellaneous     | 813,224           | 924,297           | - 12.0       |
| <b>Total</b>                 | <b>19,943,872</b> | <b>21,483,812</b> | <b>- 7.2</b> |

| VQA SALES BY RETAIL VALUE (\$) |                    |                    |              |
|--------------------------------|--------------------|--------------------|--------------|
|                                | 2024               | 2023               | % change     |
| Winery Retail                  | 176,327,357        | 186,255,656        | - 5.3        |
| Licensees                      | 63,625,498         | 62,012,200         | 2.6          |
| LCBO (shipped)                 | 114,042,785        | 139,751,536        | - 18.4       |
| Farmers Markets                | 786,346            | 878,635            | - 10.5       |
| Other Provinces                | 14,236,653         | 17,653,675         | - 19.4       |
| Export and Miscellaneous       | 34,502,259         | 33,179,449         | 4.0          |
| <b>Total</b>                   | <b>403,520,898</b> | <b>439,731,151</b> | <b>- 8.2</b> |

## 21. Risk Management

Risk management is incorporated into the Ontario Wine Appellation Authority's day to day management activities. In addition to reviewing regular status reports on risk identification and mitigation, the Board completes and annual in-depth assessment of strategic risks. These two levels of review and response ensures a robust framework to identify and manage risks, assess their potential impact on the organization and implement risk mitigation strategies.

OWAA's mandate is to administer the VQA Act and promote consumer confidence in Ontario's wine appellation system. Its business is founded in serving the public interest with delegated responsibility from government. Within this business context, the Appellation Authority considers two categories of risk: enterprise risk (risk to the corporation) and public risk (risk of harm to consumers and to the organization's stakeholders). Enterprise risk is categorized by financial, operational effectiveness and reputational impacts while public risks include failure to meet compliance targets and loss of confidence in the appellation system. All risks are assessed for potential impact, likelihood of occurrence, severity of outcomes and the effectiveness of mitigation strategies. Overall, the risks inherent in OWAA's operations are relatively low and effectively managed through mitigation strategies.

## **22. Financial Summary and Management Discussion**

OWAA 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 to consumers and government and industry stakeholders.

This summary is drawn from the auditor's report and financial statements for the year ended March 31, 2024.

OWAA finished its fiscal year in a strong financial position. Revenues exceeded expenditures by \$2,218 for the year ended March 31, 2024. Total revenues decreased from \$1,840,728 to \$1,740,637, as a result of decreased revenue from both literage fees and approval fees. Total expenses remained relatively stable, declining slightly from \$1,786,728 to \$1,738,419. The volume of wine approval applications was down due to a reduced grape harvest in 2022. Net assets are \$1,310,859 and include funds set aside for general use, capital and intangible assets, and a legal and enforcement reserve.

Revenue for fiscal 2024 was derived primarily from literage fees levies (\$912,154) and approval fees (\$667,338).

Major components of the approximately \$1.7 million in expenses were employee costs (\$772,321) and wine testing and approval expenses (\$528,581).

A review of reserve levels was conducted in fiscal 2024 and OWAA plans to reduce its reserve levels to its target amount of approximately \$800,000 over the next three years, in part by maintaining fees at their current levels with no adjustments for inflation.

VINTNERS QUALITY ALLIANCE ONTARIO  
O/A ONTARIO WINE APPELLATION AUTHORITY  
FINANCIAL STATEMENTS  
MARCH 31, 2024



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## 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, 2024, and the statements of changes in net assets, operations 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, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### 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 matter

The financial statements of the Organization for the year ended March 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 16, 2023.

### 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 Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

### 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 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Markham, Canada  
June 14, 2024

Chartered Professional Accountants  
Licensed Public Accountants

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**Vintners Quality Alliance Ontario**

(o/a Ontario Wine Appellation Authority)

**Statement of Financial Position**

March 31

**2024****2023**

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**Assets**

## Current

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| Cash                           | \$ 342,488       | \$ 302,064       |
| Short term investments(Note 3) | 963,050          | 990,000          |
| Accounts receivable (Note 4)   | 124,507          | 150,154          |
| Prepaid expenses               | <u>9,227</u>     | <u>10,433</u>    |
|                                | <u>1,439,272</u> | <u>1,452,651</u> |

## Long-term

|                                 |                     |                     |
|---------------------------------|---------------------|---------------------|
| Property and equipment (Note 5) | 20,809              | 31,639              |
| Intangible Assets (Note 6)      | <u>31,358</u>       | <u>43,230</u>       |
|                                 | <u>52,167</u>       | <u>74,869</u>       |
|                                 | <u>\$ 1,491,439</u> | <u>\$ 1,527,520</u> |

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**Liabilities**

## Current

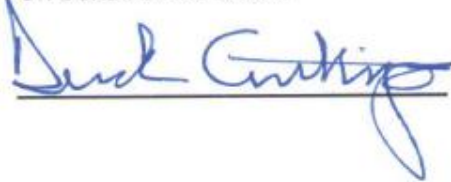
|                                                   |                |                |
|---------------------------------------------------|----------------|----------------|
| Accounts payable and accrued liabilities (Note 7) | \$ 108,060     | \$ 109,764     |
| Deferred revenue                                  | <u>72,520</u>  | <u>109,115</u> |
|                                                   | <u>180,580</u> | <u>218,879</u> |

**Net assets**

|                                                      |                     |                     |
|------------------------------------------------------|---------------------|---------------------|
| Internally restricted for legal and enforcement fund | 200,000             | 200,000             |
| Invested in capital assets                           | 52,167              | 74,871              |
| Unrestricted                                         | <u>1,058,692</u>    | <u>1,033,770</u>    |
|                                                      | <u>1,310,859</u>    | <u>1,308,641</u>    |
|                                                      | <u>\$ 1,491,439</u> | <u>\$ 1,527,520</u> |

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On behalf of the Board



Director



Director

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**Vintners Quality Alliance Ontario**

(o/a Ontario Wine Appellation Authority)

**Statement of Changes in Net Assets**

| Year ended March 31                        | 2024                | 2023                |
|--------------------------------------------|---------------------|---------------------|
| Net assets, as previously stated           | \$ 1,033,770        | \$ 979,770          |
| Other equity adjustment                    | <u>22,704</u>       | <u>-</u>            |
| Net assets, beginning of year, as restated | 1,056,474           | 979,770             |
| Excess of revenue over expenses            | <u>2,218</u>        | <u>54,000</u>       |
| Net assets, end of year                    | <u>\$ 1,058,692</u> | <u>\$ 1,033,770</u> |

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## Vintners Quality Alliance Ontario

(o/a Ontario Wine Appellation Authority)

### Statement of Operations

Year ended March 31

2024

2023

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#### Revenue

|                 |                  |                  |
|-----------------|------------------|------------------|
| Literage fees   | \$ 912,154       | \$ 979,453       |
| Approval fees   | 667,338          | 745,656          |
| Membership fees | 96,475           | 95,100           |
| Interest        | 46,314           | 13,296           |
| Other           | 18,356           | 7,223            |
|                 | <u>1,740,637</u> | <u>1,840,728</u> |

#### Expenses

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Salaries and related benefits    | 772,321          | 742,225          |
| Approval expenses                | 582,581          | 637,151          |
| Education and communication      | 95,567           | 84,320           |
| Rent                             | 64,985           | 61,514           |
| Professional fees                | 52,379           | 25,707           |
| Interest and bank charges        | 31,232           | 32,989           |
| Amortization                     | 30,204           | 36,346           |
| Office and administration        | 23,844           | 24,784           |
| Subcontractors                   | 17,180           | 7,240            |
| Travel                           | 16,838           | 11,391           |
| Insurance                        | 13,115           | 12,353           |
| Telephone and utilities          | 11,811           | 12,185           |
| Meeting expenses                 | 10,160           | 6,744            |
| Training and development         | 9,427            | 11,879           |
| Quality assurance and inspection | 6,775            | 7,276            |
| Strategic planning               | -                | 72,624           |
|                                  | <u>1,738,419</u> | <u>1,786,728</u> |

|                                 |                 |                  |
|---------------------------------|-----------------|------------------|
| Excess of revenue over expenses | <u>\$ 2,218</u> | <u>\$ 54,000</u> |
|---------------------------------|-----------------|------------------|

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# Vintners Quality Alliance Ontario

(o/a Ontario Wine Appellation Authority)

## Statement of Cash Flows

Year ended March 31

2024

2023

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Increase (decrease) in cash

### Operating

|                                          |                 |                 |
|------------------------------------------|-----------------|-----------------|
| Excess of revenue over expenses          | \$ 2,218        | \$ 54,000       |
| Item not affecting cash                  |                 |                 |
| Amortization                             | <u>30,204</u>   | <u>36,346</u>   |
|                                          | <b>32,422</b>   | 90,346          |
| Change in non-cash working capital items |                 |                 |
| Accounts receivable                      | 25,647          | 33,925          |
| Prepaid expenses                         | 1,206           | (1,967)         |
| Accounts payable and accrued liabilities | (1,706)         | (32,119)        |
| Deferred revenue                         | <u>(36,595)</u> | <u>(12,220)</u> |
|                                          | <u>20,974</u>   | <u>77,965</u>   |

### Investing

|                                       |                |                |
|---------------------------------------|----------------|----------------|
| Purchase of investments               | (963,050)      | (990,000)      |
| Proceeds from disposal of investments | 990,000        | 987,892        |
| Purchase of property and equipment    | -              | (3,059)        |
| Purchase of intangible assets         | <u>(7,500)</u> | <u>(640)</u>   |
|                                       | <u>19,450</u>  | <u>(5,807)</u> |

Increase in cash 40,424 72,158

### Cash

|                   |                   |                   |
|-------------------|-------------------|-------------------|
| Beginning of year | <u>302,064</u>    | <u>229,906</u>    |
| End of year       | <u>\$ 342,488</u> | <u>\$ 302,064</u> |

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# Vintners Quality Alliance Ontario

(o/a Ontario Wine Appellation Authority)

## Notes to the Financial Statements

March 31, 2024

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### 1. Nature of operations

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.

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### 2. Summary of significant accounting policies

The Organization applies the Canadian accounting standards for not-for-profit organizations.

#### Revenue recognition

The Organization follows the deferral method of accounting.

#### Literage fees

Literage fees are recorded in the month in which VQA wines are sold by the member wineries.

#### Approval fees

Approval fees are recognized when the related approval services are completed. Amounts received for future services included in deferred revenue are deferred until the service is provided.

#### Membership fees

Membership fees are recognized as revenue in the year to which they relate, which coincides with the organization's fiscal year. Deferred membership fees included in deferred revenue represent membership fees for the ensuing year which are paid prior to the year end.

#### Net assets

The Organization accounts for and reports on the separate activities or objectives as determined by resolution of the Board of Directors (hereinafter the "Board"). Net assets balances are comprised of the following categories:

#### Unrestricted

The unrestricted net assets are available for all unrestricted general purpose activities of the Organization.

#### 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.

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**Vintners Quality Alliance Ontario**  
(o/a Ontario Wine Appellation Authority)  
**Notes to the Financial Statements**  
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**2. Summary of significant accounting policies (continued)**

**Net assets (continued)**

**Invested in capital assets**

Net assets invested in capital assets represents the net book value of property and equipment and intangible assets less any indebtedness thereon.

**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.

**Property and equipment**

Property and equipment are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the asset.

|                              |                            |
|------------------------------|----------------------------|
| Computer equipment           | 5 years                    |
| Office furniture & equipment | 5 years                    |
| Leasehold improvements       | Over the term of the lease |

**Intangible assets**

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

**Contributed material 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.

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**2. Summary of significant accounting policies (continued)**

**Financial instruments**

Financial instruments in arm's length transactions

The Organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Organization accounts for the following as financial instruments:

- Cash
- Investments
- Accounts receivable
- Accounts payable and accrued liabilities

A financial asset or liability is recognized when the Organization becomes party to contractual provisions of the instrument.

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

The Organization subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value; investments in equity instruments that are not quoted in an active market, which are measured at cost less any reduction for impairment; derivative contracts, which are measured at fair value; and certain financial assets and financial liabilities which the Organization has elected to measure at fair value. Changes in fair value are recognized in net income.

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

Financial liabilities measured at amortized cost include accounts payables and accrued liabilities.

Financial instruments in related party transactions

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of certain instruments which are initially measured at fair value. The Organization does not have any financial assets or financial liabilities in related party transactions which are initially measured at fair value.

Gains or losses arising on initial measurement differences are generally recognized in net income when the transaction is in the normal course of operations, and in equity when the transaction is not in the normal course of operations, subject to certain exceptions.

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## Vintners Quality Alliance Ontario

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### Notes to the Financial Statements

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#### 2. Summary of significant accounting policies (continued)

##### Financial instruments (continued)

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how the Organization initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets. Financial instruments initially measured at fair value, of which the Organization has none, would be subsequently measured at amortized cost or fair value based on certain conditions.

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#### 3. Short-term investment

|                                                             | <u>Face value</u> | <u>Amortized cost</u> |
|-------------------------------------------------------------|-------------------|-----------------------|
| CIBC GIC - 5.10%, maturing August 28, 2024                  | \$ 100,000        | \$ 103,011            |
| CIBC GIC - 5.35%, maturing October 7, 2024                  | 210,000           | 215,434               |
| CIBC GIC - 5.30%, maturing December 9, 2024                 | 100,000           | 101,646               |
| CIBC GIC - 5.00%, maturing March 6, 2025                    | 303,050           | 303,911               |
| CIBC GIC - 5.00%, maturing March 21, 2025                   | <u>250,000</u>    | <u>250,342</u>        |
|                                                             | 963,050           | 974,344               |
| Less: portion maturing within one year of the year-end date | <u>963,050</u>    | <u>974,344</u>        |
| Classified as long-term                                     | <u>\$ -</u>       | <u>\$ -</u>           |

At March 31, 2023, total investments at face value and amortized cost were \$990,000 and 998,604, respectively.

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#### 4. Accounts receivable

|                                      | <u>2024</u>       | <u>2023</u>       |
|--------------------------------------|-------------------|-------------------|
| Trade receivables owing from members | \$ 113,213        | \$ 141,550        |
| Interest receivable                  | <u>11,294</u>     | <u>8,604</u>      |
|                                      | <u>\$ 124,507</u> | <u>\$ 150,154</u> |

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**5. Property and equipment**

|                              |                  |                                     | <u>2024</u>               | <u>2023</u>               |
|------------------------------|------------------|-------------------------------------|---------------------------|---------------------------|
|                              | <u>Cost</u>      | <u>Accumulated<br/>Amortization</u> | <u>Net Book<br/>Value</u> | <u>Net Book<br/>Value</u> |
| Computer equipment           | \$ 13,702        | \$ 8,583                            | \$ 5,119                  | \$ 7,384                  |
| Office furniture & equipment | 32,835           | 30,339                              | 2,496                     | 8,663                     |
| Leasehold improvements       | <u>20,590</u>    | <u>7,396</u>                        | <u>13,194</u>             | <u>15,592</u>             |
|                              | <u>\$ 67,127</u> | <u>\$ 46,318</u>                    | <u>\$ 20,809</u>          | <u>\$ 31,639</u>          |

**6. Intangible assets**

|                   |                   |                                     | <u>2024</u>               | <u>2023</u>               |
|-------------------|-------------------|-------------------------------------|---------------------------|---------------------------|
|                   | <u>Cost</u>       | <u>Accumulated<br/>Amortization</u> | <u>Net Book<br/>Value</u> | <u>Net Book<br/>Value</u> |
| Computer software | <u>\$ 273,997</u> | <u>\$ 242,639</u>                   | <u>\$ 31,358</u>          | <u>\$ 43,230</u>          |

**7. Accounts payable and accrued liabilities**

|                                        | <u>2024</u>       | <u>2023</u>       |
|----------------------------------------|-------------------|-------------------|
| Trade payables and accrued liabilities | \$ 81,042         | \$ 84,924         |
| Harmonized sales tax                   | <u>27,018</u>     | <u>24,840</u>     |
|                                        | <u>\$ 108,060</u> | <u>\$ 109,764</u> |

**8. Financial instruments**

The main risks the Organization is exposed to through its financial instruments are credit risk and liquidity risk.

**(a) 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.

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## Vintners Quality Alliance Ontario

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#### 8. Financial instruments (continued)

##### (b) Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments are due and maintaining adequate cash reserves to pay advances.

##### (c) Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is not significantly exposed to any of these risks.

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#### 9. Lease commitments

The Organization's total future minimum lease payments under operating lease commitments over the next five years are as follows:

|                  |                   |
|------------------|-------------------|
| 2025             | \$ 28,026         |
| 2026             | 28,934            |
| 2027             | 29,583            |
| 2028             | 29,583            |
| 2029             | 30,037            |
| Subsequent years | <u>12,651</u>     |
|                  | <u>\$ 158,814</u> |

In addition to the minimum rent, the organization must pay a portion of the property operating costs and realty taxes which are estimated at \$36,000 per annum.

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#### 10. Comparative figures

Certain of the 2023 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.