

# 27<sup>th</sup>

## Annual REPORT 2019–2020

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An Agency of the  
Manitoba Government





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## MINISTER'S LETTER OF TRANSMITTAL



**MINISTER  
OF CENTRAL SERVICES**

Room 343  
Legislative Building  
Winnipeg, Manitoba R3C 0V8  
CANADA

Her Honour the Honourable Janice C. Filmon, C.M., O.M.  
Lieutenant Governor of Manitoba  
Room 235, Legislative Building  
Winnipeg MB R3C 0V8

Your Honour:

It is my privilege to present the Annual Report of the Materials Distribution Agency (MDA) for the year ended March 31, 2020.

This report marks the completion of MDA's twenty-seventh year as a Special Operating Agency, providing the Province and the broader public sector with quality, cost-effective centralized mail and material management services. MDA provides expertise in the core competency of logistics that allows departments to focus on delivering services within their established areas of expertise to Manitobans.

I recognize the commitment of the staff and management of MDA on the accomplishments they realised in the last year. MDA continues to bring value to achieve the objectives of the Manitoba Government.

Respectfully submitted,



Honourable Reg Helwer

## DEPUTY MINISTER'S LETTER OF TRANSMITTAL



**Deputy Minister of Central Services**  
Room 349, Legislative Building  
Winnipeg, Manitoba, Canada R3C 0V8  
T 204 945-5703 F 204 948-4227  
www.manitoba.ca

Honourable Reg Helwer  
Minister of Central Services  
Room 343, Legislative Building  
Winnipeg Manitoba R3C 0V8

Dear Minister Helwer:

It is with pleasure that I present the Twenty-Seventh Annual Report of Materials Distribution Agency (MDA) for the year ending March 31, 2020.

The Agency endures to offer value for the benefit of provincial clients. I recognize the commitment of MDA's management and staff as they work towards achieving the goals of the Manitoba Government.

MDA continues to meet the challenges of government while continually improving operations.

Respectfully submitted,



Scott Sinclair

## CHIEF OPERATING OFFICER'S LETTER OF TRANSMITTAL

July 30, 2020

To Our Valued MDA Stakeholders:

I have the honour to present the Agency's Twenty-seventh Annual Report as a Special Operating Agency.

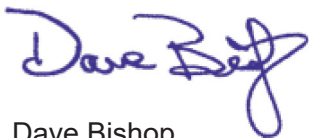
Looking back over the past year, I can say with great confidence that it has been a year full of progress. Materials Distribution Agency (MDA) has made commitments to achieve Operational Excellence through creating a continuous improvement culture in order to bring value to clients within our core competency of logistics.

Our year-end financial results as of March 31, 2019, show continued stability and strength as outlined in the audit results in this report. The Agency is proud of its ability to generate value for our government clients.

One of the important commitments we are making as we move into the future is technology. MDA is reviewing technology options to mechanize the distribution centre in the near future.

I am grateful to the MDA staff, our management team, and our Executive leadership for all that we have accomplished this year. Together we have established an incredibly strong foundation for progress and growth. Finally, I would like to thank all clients for their continued support.

Sincerely,

A handwritten signature in blue ink that reads 'Dave Bishop'. The signature is fluid and cursive, with the first name 'Dave' and last name 'Bishop' clearly legible.

Dave Bishop  
Chief Operating Officer - MDA

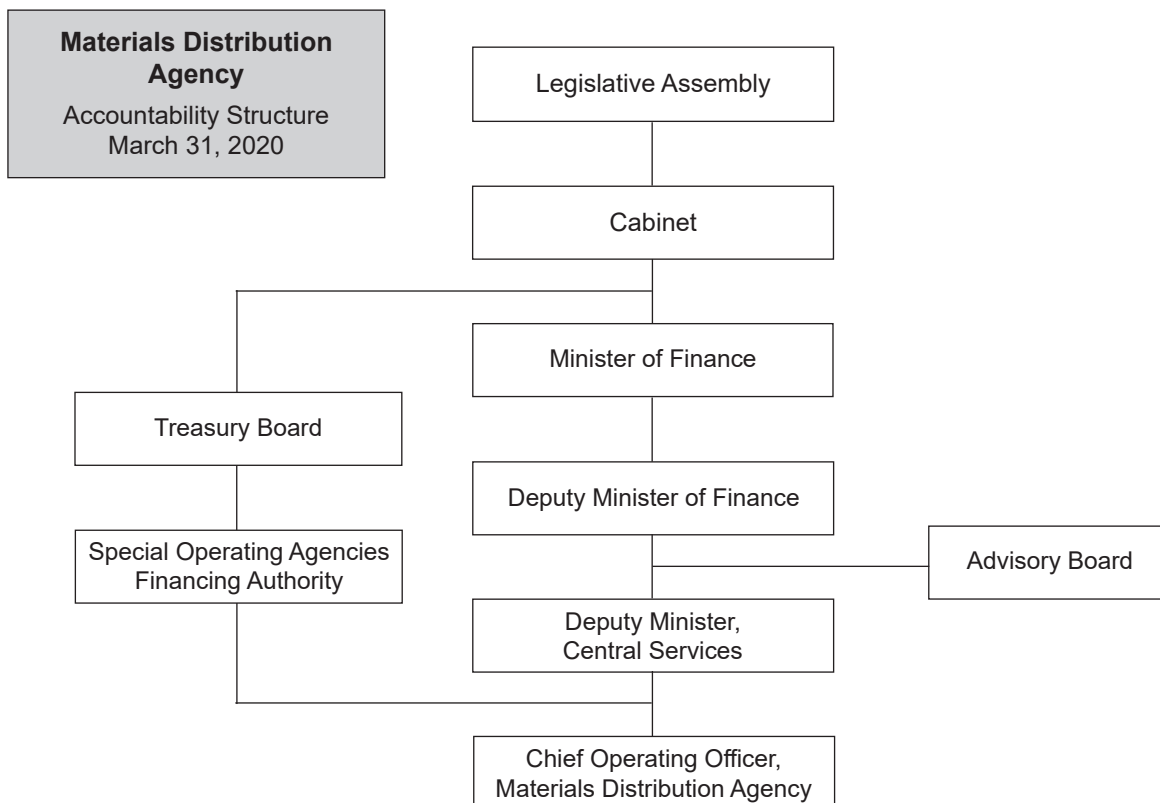
## STRUCTURE FOR OPERATIONS

### Accountability Structure

As a Special Operating Agency within Manitoba Finance, MDA reports directly to the Associate Deputy Minister, Central Services, and is held accountable to the Deputy Minister and Minister of Finance for operational and financial performance.

The Agency operates outside of the Consolidated Fund under the Special Operating Agencies Financing Authority (SOAFA), which holds title to the Agency’s assets, provides financing for operations, and is responsible for its liabilities. Governance and accountability are substantiated by MDA’s compliance with its Operating Charter, Transfer Agreement, Management Agreement, applicable General Manual of Administration policies, and by *The Special Operating Agencies Financing Authority Act*. Financial and operational information and requirements are disseminated to and from Treasury Board through an SOA coordinator at Treasury Board Secretariat.

The Accountability Structure chart presented below outlines the current structure:



## Advisory Board

The Advisory Board for the Materials Distribution Agency meets as required to review the Agency's financial and operating reports, the draft Business Plan and any proposed changes to the Agency's Charter. The Board's members offer advice and direction on reporting and management issues of concern, and on short and long term strategic planning.

Members of the MDA Advisory Board, as of March 31, 2020, are listed below.

<b>Members of the Advisory Board for Materials Distribution Agency</b>		
<b><u>CHAIR</u></b>	<b>Martin Montanti</b> Assistant Deputy Minister Procurement & Supply Chain Division Central Services	
<b><u>MEMBERS</u></b>		
<b>Client Representatives</b>	<b>Vacant</b>	<b>Vacant</b>
<b>Ex Officio</b>	<b>David Bishop</b> Chief Operating Officer Materials Distribution Agency	
<b>Staff Representative</b>	<b>Vacant</b>	

## THE PUBLIC DISCLOSURE (WHISTLEBLOWER PROTECTION) ACT

The Agency confirms that there were no disclosures of wrongdoing that have been made to a supervisor or designated officer during the fiscal year under review.



## MDA MISSION & VISION STATEMENTS

### Mission

To provide meaningful value in logistics solutions

### Vision

To be a client-centric team that positively impacts the lives of Manitobans

## ORGANIZATIONAL GOALS

- Client-centric
- Service delivery
- Employees
- Operational excellence

## ORGANIZATIONAL VALUES

The Agency supports its mission and vision statements with its operating values.

### Reliability

- Continually improves all aspects of its organization
- Provides consistent services
- Establishes and follows standards
- Does not make promises it can't keep
- Meets deadlines
- Is fair
- Demonstrates integrity

### Teamwork

- Communicates
- Is positive and recognizes achievements
- Views each call as an opportunity
- Values diversity of backgrounds and opinions
- Creates and supports a common direction and common goals
- Fosters a respectful workplace

### Accountability

- Meets deadlines
- Provides clients with quality assured goods
- Saves government clients money
- Strives to fully understand client needs



## BACKGROUND

In 1974, MDA was created to provide the government with centralized materials management for government departments, boards, commissions and agencies. It became an SOA in 1993. Postal Services was created in 1954 to provide government-wide postal services and became an SOA in 1996. The organizations amalgamated on April 1, 2005. MDA's mandate is to cost-effectively meet the mail and material distribution requirements of organizations within the broader public sector.

## AGENCY PRODUCTS

MDA bulk purchases a variety of commonly used supplies and distributes these goods in smaller units as needed by its clients. These distinct product lines are listed below:

Commodities	Line Items
Stationery and Office Supplies	1,147
Janitorial Supplies	440
Medical Supplies	2,501
Home Care Equipment	392
Office Furnishings and Furniture	71
Publications	154
Total Line Items	4,695

## AGENCY SERVICES

MDA provides the following lines of business and related key services:

### Mail Processing

MDA processes different types of mail for clients. Mail staff:

- Weigh and ascertain postage of standard and oversized mail through high speed mail machines
- Forward letter mail that exceeds the maximum dimensions or weight through one of two computerized shipping systems
- Process high volume mail through permit mail using pre-printed indicia on envelopes
- Coordinate prepaid mailings through use of numerically controlled Canada Post envelopes

The current cost to clients consists of actual postage and a separate processing fee which varies depending on type (i.e. metered or permit mail). Vendor rate increases will not automatically increase the Agency's processing fee. MDA has other products, such as variable rate services, including Business Reply Mail, Returned Mail and Short Paid Mail where the rate does not remain constant.

### Mail Finishing

MDA provides clients with various types of mail finishing services, such as:

- Envelope addressing
- Folding of printed material
- Envelope insertion
- Manual collating of items into kits or envelopes

Current prices vary, both with type of activity (i.e. folding) and volume. MDA may offer high volume clients lower rates, but eligibility for this pricing is dependent on the quality of the clients' printed materials.

### Inter-departmental Mail (IDM)

Clients purchase Prepaid Labels in four denominations (Letter, Oversize Letter, Small Packet and Parcel).

Label fees are based upon the size of the item being mailed or the service provided. MDA IDM also offers Signature Service which provides clients with mail delivery confirmation.

### Contract Administration

MDA offers broader public sector clients with access to volume-based contracted courier and parcel rates.

### Digital Printing

MDA's Variable Data Printing Service provides clients with "just in time" printing of electronic documents on high speed digital black and white printers that can be immediately transferred to the Finishing, Processing and IDM lines of business. Pricing is on a per impression basis.

### Home Care Equipment Rental

MDA provides a comprehensive rental, repair and service program. The Agency receives, repairs and disinfects any damaged or non-functioning component before returning it to the active equipment rental pool. MDA carries out periodic safety checks on equipment in the field to ensure items remain in good working condition. MDA also electronically tracks equipment usage for the Employee and Income Assistance Branch (EIA) program.

### **Warehouse and Distribution Services**

MDA provides distribution services to other agencies and departments. This includes picking, packing and transportation for provincial, national and international distribution. These services are offered at very competitive rates and continue to show favourable growth for the Agency. Key distribution services include:

#### *Janitorial and Stationery products*

- Wide range of janitorial and stationery items (currently 1,709 products)
- 301 products are environmentally friendly (increasing annually)
- Toner recycling program
- Pricing is the same throughout the province and is competitive with private companies (three independent audits were conducted and support claims that MDA is more cost-effective than buying directly from retailers)

#### *Medical Supplies*

- Medical supplies for rural home care - Regional Health Authority, Health, Seniors and Active Living
- Nutritional supplements and child care items - Employee & Income Assistance, Families
- Lab & X-ray facilities - Diagnostic Services of Manitoba (DSM), Health, Seniors and Active Living
- Health booklets/pamphlets - Health, Seniors and Active Living

#### *Manitoba Learning Resource Centre (MLRC)*

- MLRC is an SOA that distributes textbooks and other school-related items
- Work is year-round with a heavy order period between June and October

### **Storage**

- Secure storage facilities are provided for government clients
- Rates are well below private industry

### **Office Relocation/Moving and Disposal Services**

- Significant cost savings and consistent positive client feedback
- Furnishings that offices/workplaces no longer need are recycled to other offices or through recycling companies

### **Provincial Vaccine Program**

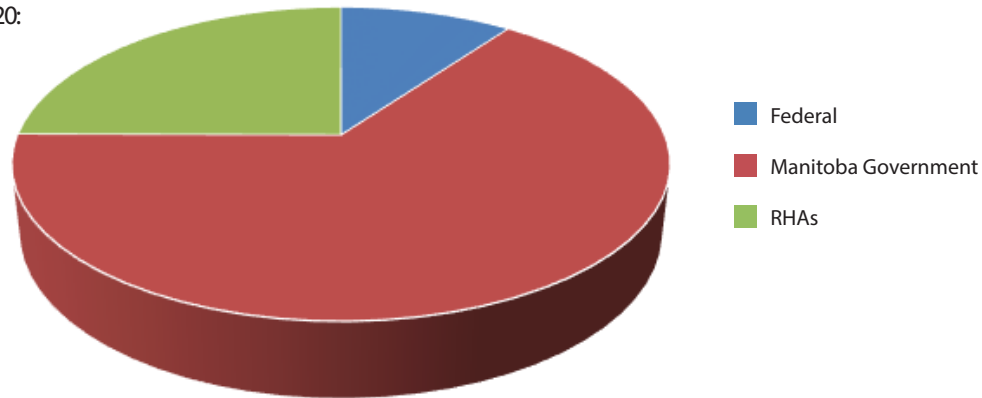
- Distribution of vaccines throughout the province on behalf of Manitoba Health, Seniors and Active Living. These vaccines must be maintained between two and eight degrees Celsius at all times until consumed by the end user.
- MDA is the first provincial entity to achieve GMP certification through Health Canada
- Increased risk management control for products within this program

### **Special projects**

- Timely and cost-effective management of projects that are short in nature (3 – 12 months)
- Example: Pandemic warehousing and distribution for the Office of Disaster Management
- Example: Provincial Low Cost Bike Helmet Program

## MARKET SEGMENT INFORMATION

Total Revenue 2019/20:  
\$28,998,000



## WAREHOUSE PRODUCTS – DISTRIBUTION INFORMATION

Number of orders	2019/20	2018/19	2017/18	2016/17	2015/16
Warehouse orders	46,000	45,800	45,200	57,000	58,300
Equipment orders	21,240	19,985	22,504	20,497	15,973
Mail Finishing jobs	3,905	3,316	3,761	3,920	4,276
Vaccine orders	7,083	7,249	7,380	8,780	8,274
Federal Mail processed (pieces)	1.16 million	1.30 million	1.40 million	1.40 million	1.60 million
Inter-Departmental Mail (pieces)	207,400	241,250	192,500	239,300	252,000
Payroll Advice Letters	84,500	92,000	105,800	121,200	140,800
MLRC orders	9,600	10,400	11,000	11,089	12,080
Moves	788	672	776	753	863

Distribution of Products	2019/20	2018/19	2017/18	2016/17
Winnipeg	55%	54%	55%	57%
Rural	45%	46%	44%	43%

Delivery of Winnipeg Orders	2019/20	2018/19	2017/18	2016/17	2015/16
Regular (2 days)	97%	96%	95%	94.3%	92.5%
Same day	2%	2%	2%	2%	4%
Pickup	1%	2%	3%	3.7%	3.5%

## 2019/20 PROJECTS AND ACTIVITY STATUS HIGHLIGHTS

### 1. Human Resources Overview

MDA has identified several internal areas which need to be improved. Improvements will take place using management recommendations, government initiatives and employee suggestions. This section will comprise MDA's strategic human resource plan, tracking mechanisms and reporting on a quarterly basis to deal with these issues.

#### Safety Management Program

MDA management, the Safety Facilitator and the Safety Committee will develop an internal Safety Management Program to ensure all potential accidents are investigated and improvements implemented.

#### Strategy results:

- The Safety Facilitator conducted a safety audit at MDA in the third quarter. Results were communicated to the Agency.
- MDA passed the safety audit and has made corrections resulting from the audit.
- MDA's Safety Committee has developed safety topics with training aids to be discussed in each monthly area meeting.

#### Communication Improvements

Communication remains a concern for the Agency. Improvements made in 2019/20 will help to ensure morale and efficiencies remain high this fiscal year.

1. Hold a minimum of 10 meetings for each MDA area in the 2019/20 fiscal year, with minutes distributed to managers and the COO.

#### Strategy results:

Business Area	Standard	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
Customer Serv. & Equipment	10/yr	3	3	3	3	12
Contracts & Purchasing	10/yr	3	3	2	3	11
Warehouse – Distribution	10/yr	3	3	2	2	10
Warehouse – Mail Services	10/yr	3	2	2	2	9
Finance & IT	10/yr	3	2	2	2	9

2. Conduct an employee survey in the first quarter, with a management review and implementation of recommendations in the remainder of the fiscal year.

#### Strategy results:

- Employee survey was deferred until fiscal year 2020/21.

3. Hold two meetings with all staff in fiscal year 2019/20 to update staff on business initiatives, new policies, MDA's financial situation and answer questions.

**Strategy results:**

- MDA's COO and Manager of Finance met with all staff to present MDA's financial numbers from 2018/19 and answer questions in June.
- The COO conducted a meeting with all MDA staff at the Employee Appreciation awards in June.
- The COO held area meetings throughout the Agency in the third quarter to discuss the department's strategic plan and answer questions.

**Staff Newsletter**

A quarterly newsletter will continue to be developed and distributed to all MDA staff.

**Strategy results:**

- Newsletters were distributed each quarter. Staff feedback was very positive.

**Wellness Plan**

To be an employer of choice, MDA must reflect the population it serves and provide a positive workplace environment. With an aging employee base, the Agency is experiencing higher absenteeism, increased health concerns and a need to accommodate staff while remaining attractive to potential employees. MDA has developed a plan for improvements to staff health. MDA's Wellness Committee and management have identified the following plans:

- Organize employee tournaments in ping pong and cribbage
- Hold Wellness fair
- Arrange for two healthy lunches and four healthy snack days
- Track staff that use alternative travel methods to/from work and participate in the government's Commuter Challenge

**Strategy results:**

- Held a "ParticiPaction" event in June
- A healthy snack was arranged for staff in June for the Employee Appreciation Day
- Held annual singles and doubles cribbage tournament
- Held annual singles ping-pong tournament in January

## 2. New and Growth Business Initiatives Overview

MDA's traditional clients continue to shop at alternate suppliers. MDA must implement more frequent communications to focus on the benefits, and dispel negative impressions associated with price, product availability and reliable delivery. This will include a combined strategic approach to market a full-service Agency featuring a wide range of products, not just stationery and janitorial supplies.

MDA is shifting towards being more sales focused in a traditionally finance-driven Agency. This shift will require dedication, persistence, and increased marketing-related activities to raise the level of exposure to new and existing clients. This section will comprise MDA's strategic marketing and sales initiatives, tracking mechanisms and quarterly reporting requirements.

### Mail Services

The MDA Mail area offers a variety of services such as printing, addressing, folding, inserting, mail processing and IDM delivery. The Marketing & Communications Group (MCG) and MDA management will implement a communication strategy to increase client contact for this business line. Departments will experience significant cost savings by utilizing MDA for ID mail and mail processing.

#### Strategy results:

- MCG will enhance client contact by arranging meetings with MDA's top 10 clients in each mail business area. – Completed

### Email Encryption

MDA has partnered with Business Transformation and Technology (BTT) and now provides mass mailing email encryption technology for electronic distribution of mail. This would be for departments with stored databases of client emails. Instead of sending physical copies, encrypted emails would be sent. With the major increases from Canada Post over the last year, this will save departments money.

#### Strategy results:

- Program launched in April 2019. Uptake is very minimal due to clients requiring emails for all contacts.
- All MDA mail staff have been trained in this technology.

### Department of Families

MDA entered into a partnership with Families for medical supplies/equipment and nutritional supplements for the Employee Income Assistance Branch, Child Special Services and Community Living Disability Services programs. The Agency will track volumes throughout 2019/20 to verify the effectiveness of this initiative.

#### Strategy results:

- Sales are as follows:

Time Period	Sales 2019/20 (\$)	Sales 2018/19 (\$)	Difference (\$)	Increase/Decrease
<b>Totals</b>	4,900,000	4,730,000	170,000	3.6%

### Marketing and Communications Group (MCG)

The Supply and Services' MCG works closely with MDA management to source and implement many key business and communication initiatives. MCG is tasked with sourcing five new business opportunities.

#### Strategy results:

- This initiative was deferred due to focusing on achieving the department's strategic plan.



### **Manitoba Health**

MDA has a strong partnership with Manitoba Health through the Provincial Vaccine Program. The Agency is being asked to look at the potential of providing distribution of products for the Provincial Sexually Transmitted Infection Program.

#### **Strategy results:**

- The STI Program will be added into the vaccine MOU.
- MDA will continue to work with MB Health to transition the program once Health is ready.

### **Federal Government**

MDA has taken on new business with the Federal Government for distribution of medical supplies to northern communities. The Agency has absorbed this business into its regular operations without any additional resources. Negotiations are underway to discuss supplying two northern hospitals with medical supplies. It is unclear when this new business will begin. One or two additional warehouse staff will be required for this increase in business when it occurs. Once the northern hospital business is closer to starting, MDA will review operations and determine if additional staff is required.

#### **Strategy results:**

- This is an ongoing process and MDA continues to work closely with the federal government to expand this business line.

### **Shared Health Services - Winnipeg Home Care Supplies**

MDA is working with Shared Health Services (SHS) to provide home care supplies within Winnipeg. The Agency currently distributes most rural home care supplies. These two programs should be merged once again to increase efficiencies and reduce costs. MDA is confident that it could do this business for less money and at a higher service level. The Winnipeg home care program is around \$6 million in revenue.

#### **Strategy results:**

- Meetings were held between MDA and SHS management to discuss moving forward on nine business lines.
- The therapeutic mattress program was transitioned to MDA in June 2018 as a pilot project.
- A savings of \$170,000 was realized for the therapeutic mattress program in the first three months.
- MDA is working towards improving internal automation within the warehouse to facilitate the SHS business without increasing staff.

### 3. Internal Project Initiatives Overview

MDA management and staff identify key areas that need improvement, updating or removal each year. MDA reacts quickly to issues brought forth by staff, clients, vendors and management. These projects could be small (updating an existing SOP) or large (feasibility study of all mail satellite offices).

MDA has identified several important internal improvements that need to be completed in 2019/20. There may be additional projects throughout the year based on operational requirements and client needs.

#### MDA Website

Over the past five years, MDA has created a website to market its products and services. The COO has tasked MCG with providing basic requirements to BTT and scheduling initial meetings. BTT will assume overall maintenance of the site and create an easy to search and interactive website that can be updated with new products in real time. This will allow clients to utilize the website, instead of relying on printed catalogues and monthly flyers to update outdated information and products. MDA could reduce the amount of catalogues printed each year, save money and become more environmentally friendly. The Manager of Finance and IT will assume the long term lead of this project.

#### Strategy results:

- The Finance and IT manager met and discussed options for MDA's website with a representative from Business Transformation and Technology (BTT). The manager will submit a report on recommendations.
- It was decided that the return on investment was not realized and only minor enhancements are completed on the website.

#### Warehouse Space and Staffing Review

The Manager of Logistics will complete an analysis of all warehousing functions and equipment to determine areas and processes to improve/eliminate. This will involve working with staff in each area.

#### Strategy results:

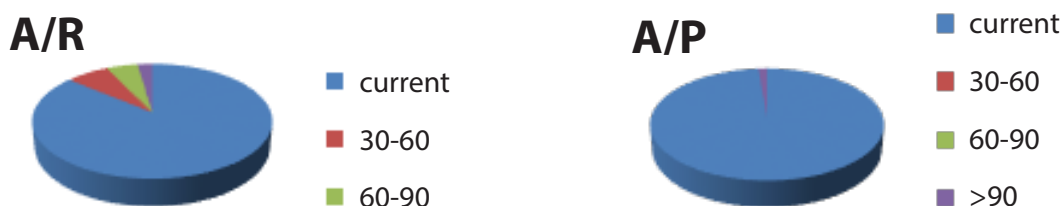
- MDA submitted a request to BTT for a consultant to come into the Agency and make recommendations for automation of the distribution centre.
- Lean initiatives are occurring throughout MDA to improve efficiencies.

#### Key Performance Indicators (KPI's)

The COO has tasked each manager to review/develop KPI's for their areas to confirm overall productivity and service levels are being achieved.

#### Strategy results:

- Finance area: the performance is measured by reviewing the aging of the receivables and payables. The sooner an organization collects receivables the easier it is to pay its creditors. The collection module improved the collection of receivables.



### **Orientation Checklist**

MDA has a comprehensive orientation checklist for new staff. This checklist needs to be customized for each area to ensure proper training is taking place. This will include agency operational and safety items as well as departmental information.

#### **Strategy results:**

- The Agency has implemented an on boarding strategy. Each area will customize their orientation checklist to ensure that required training/reviews are taking place in 2019/20 fiscal year.

### **Information Technology Projects**

MDA relies heavily on its Great Plains system for ensuring clients' needs are met. There are many small projects which occur throughout each year. These projects improve the information we can supply to clients and increase internal staff efficiencies. There are four projects identified for analysis and upgrades in the 2019/20 fiscal year:

- Continuation of the conversion of Y2K MS Access Application to a .NET Application
- Transportation Moving Request Billing Application
- MDA "Ship To" Client Database Archiving Application
- MDA Electronic Order Importer Enhancement

#### **Strategy results:**

- All projects have been completed.

### **Lean Training**

The Agency has a commitment to continually improve all operations. All areas of MDA will complete a Lean event in 2019/20.

#### **Strategy results:**

- Two Lean events were completed.

## 4. Sustainable Development & Green Initiatives Overview

MDA supports government procurement initiatives by offering sustainable products and services to its clients. The Agency considers sustainably responsible purchasing an important component of the Manitoba government's *Sustainable Development Act*.

The *MDA Sustainability Action Plan* promotes sustainability through these four components:

- Awareness
- Pollution Prevention
- Resource Conservation
- Social Responsibility

MDA carries 253 sustainable stationery and janitorial products including ECOLOGO, Forest Stewardship Council (FSC) and Sustainable Forest Initiative (SFI) third-party certified items.

The Agency provides recycling and disposal services on behalf of the Province ensuring items are re-distributed, recycled or disposed of in the proper manner. MDA:

- tracked toner cartridge returns from government offices sending them to Hewlett Packard for recycling. Since 2016/17, 109,764 pounds of toner cartridges were recycled. In 2020, MDA will discontinue this program with a new vendor accepting the cartridges for recycling.
- recycles household batteries through the Call2Recycle Battery program. Since 2015/16, MDA staff have sent 39 boxes or 767 pounds of batteries for recycling.
- acts as a conduit for the government cell phone recycling program. Since 2016, over 1120 pounds of cell phones came through interdepartmental mail on their way to Bell MTS.
- recycles mattresses through Mother Earth Recycling (MER). MER is a Winnipeg-based Aboriginal Social Enterprise, a not-for-profit facility providing jobs for people with barriers to employment. MDA recycled 266 mattresses in 2019/20 and since 2018, 578 mattresses.

Recycled Material Types (2015 - 2020)					
Program Type	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Batteries (pounds)	208	109	149	151	150
Cellular Phones (pounds)	NA	258	396	308	158
Mattresses (each)	NA	NA	NA	222	266
Toner Cartridges (pounds)	NA	31,682	27,217	23,319	27,546

## MDA Sustainability Initiatives

- **Batteries:** collecting used batteries for Call-2-Recycle program
- **Calendars and Catalogues:** printing with Forest Stewardship Council (FSC) paper
- **Cardboard:** dedicating bins for recycling and reusing for packaging
- **Cell Phones:** partnering with Bell MTS to recycle small electronics
- **Electronics:** sending items to depots
- **External Communications:** informing clients through *MDA Connected*
- **Green Choice Products:** providing environmentally-friendly product choices
- **Interdepartmental Mail:** reusing delivery bags and paper envelopes
- **Internal Communications:** informing staff about sustainability through *MDA Bitz*
- **Invoice Attachment in Great Plains:** reducing printing and storage in MDA Finance
- **Mattresses:** recycling through Mother Earth Recycling
- **Medical Equipment:** reusing medical equipment in a safe and cost-efficient manner
- **Metal Scrap:** collecting metal scrap for pickup and remuneration
- **Minimum Orders:** consolidating orders reduces deliveries, fuel and emissions
- **Office Supplies:** repurposing, re-distributing, recycling or disposing of supplies
- **Plastic Bags:** reusing and recycling plastic shopping bags
- **Recycling Centres:** providing mixed recycling centres for internal reuse program and collection
- **Storage and Shipping:** reusing wood pallets and cardboard for storage and shipping
- **Surplus Furniture:** offering gently pre-owned office furniture
- **Toner Cartridges:** returning used toners to suppliers, when required
- **Work Boots:** collecting gently-used work boots for Winnipeg Harvest

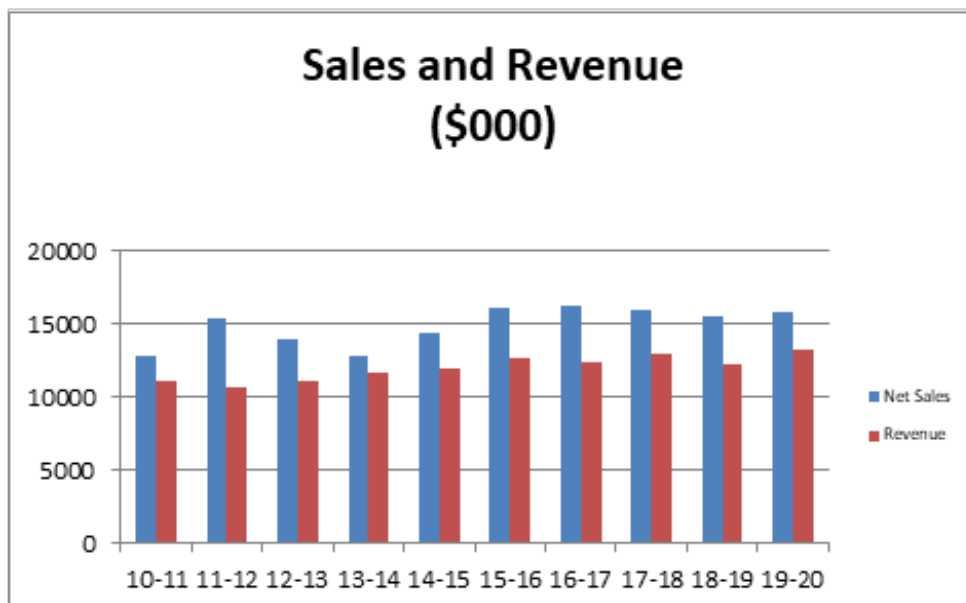
## FINANCIAL OVERVIEW

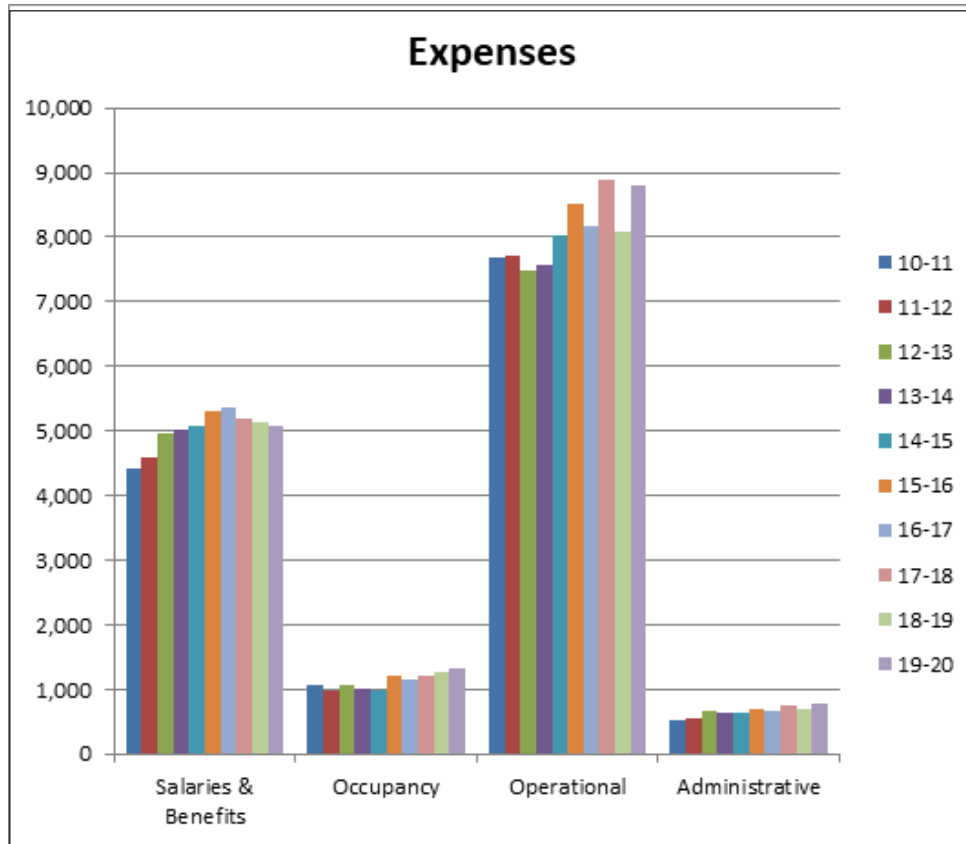
### Review of Operations

MDA is working with clients to increase efficiencies, which will bring financial value to the provincial government distribution commodities. As needs change, clients look to MDA to assume warehousing and distribution at lower costs.

MDA reported a net income of \$831 compared to a projected income of \$500 for the year ended March 31, 2020. The increase is due to MDA's increase in health equipment revenue.

	2019-20 Actual	2019-20 Budget	Actual vs. Budget	2018-19 Actual	Actual vs. Actual
Warehouse Sales	15,812	16,800	(988)	15,498	314
Service Revenue	13,186	13,162	24	12,218	968
<b>Total Revenue</b>	<b>28,998</b>	<b>29,962</b>	<b>(964)</b>	<b>27,716</b>	<b>1,282</b>
Salaries & Benefits	5,071	5,055	16	5,126	45
Cost of Sales	12,211	13,272	(1,061)	12,096	115
Occupancy Costs	1,317	1,482	(165)	1,267	50
Operational Costs	8,794	8,745	49	8,087	707
Administrative Cost	774	908	(134)	702	72
Revenue Share	—	—	0	275	(275)
<b>Total Expenses</b>	<b>28,167</b>	<b>29,462</b>	<b>(1,295)</b>	<b>27,553</b>	<b>614</b>
<b>Net Income/(loss)</b>	<b>831</b>	<b>500</b>	<b>331</b>	<b>163</b>	<b>668</b>





### Financial Position

The Agency did not use its working capital payable line of credit at any time during this fiscal year. Remaining cash generated by operations was used to purchase capital and inventory.

### Ratio Analysis

Ratio	2020	2019	2018	2017	2016
Return on Total Revenue*	2.8%	1.6%	1.3%	.94%	1.03%
Days Sales in Receivables	37.3	34.3	27.17	31.6	35.0
Inventory Turnover	8.5 times	8.05 times	7.8 times	7.92 times	8.0 times

\*before revenue share (no longer applicable)

**MDA Performance Measures**

<b>* Internal Turnaround Times:</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<i>(In number of days)</i>					
<b>Health Orders – Urban</b>	1	1	1	1	1
<b>Health Orders – Rural</b>	1	1	1	1	1
<b>Other Goods – Urban</b>	1.5	1.5	1.5	1.5	1.5
<b>Other Goods – Rural</b>	1.5	1.5	1.5	1.5	1.5
<b>MB Learning Resource</b>	1.5	1.5	1.5	1	1
No. Sales Invoices	59,000	58,300	60,800	64,500	66,500
No. Inventory Items	4,695	3,816	4,738	4,725	4,733

\* MDA internal processing time: Example – An order received at 11:00 am is processed, picked/packed and ready for shipment by 11:00 am the next day. The delivery time will be based upon the destination of the order and the courier schedule.





## APPENDIX A – INDEPENDENT AUDITOR’S REPORT

MATERIALS DISTRIBUTION AGENCY

Financial Statements

For the year ended March 31, 2020

# **MATERIALS DISTRIBUTION AGENCY**

## **Financial Statements**

For the year ended March 31, 2020

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## Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of the **MATERIALS DISTRIBUTION AGENCY** and have been prepared in accordance with Canadian public senior accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available to the audit report date.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the external audit is to express an independent opinion on whether the financial statements of the **MATERIALS DISTRIBUTION AGENCY** are fairly represented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

**MATERIALS DISTRIBUTION AGENCY**



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David Bishop, Chief Operating Officer

Sept. 29, 2020

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Date

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## Independent Auditor's Report

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### To The Special Operating Agencies Financing Authority

#### Opinion

We have audited the financial statements of MATERIALS DISTRIBUTION AGENCY (the "Agency"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2020, and its results of operations, its change in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### 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 Agency 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.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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 Agency'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 Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency'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 Agency'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 Agency'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 Agency 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.

Chartered Professional Accountants

Winnipeg, Manitoba  
September 21, 2020

**MATERIALS DISTRIBUTION AGENCY**  
**Statement of Financial Position**  
*(in thousands)*

<b>March 31</b>	<b>2020</b>	<b>2019</b>
<b>Financial Assets</b>		
Cash and cash equivalents	\$ -	\$ 76
Accounts receivable (Note 5)	3,336	2,609
Inventories for resale (Note 7)	1,455	1,413
	<u>4,791</u>	<u>4,098</u>
<b>Liabilities</b>		
Cash and cash equivalents overdraft	1,556	-
Accounts payable and accrued liabilities	2,520	3,303
Employee future benefits (Note 8)	851	871
	<u>4,927</u>	<u>4,174</u>
<b>Net financial assets (debt)</b>	<u>(136)</u>	<u>(76)</u>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 9)	5,474	4,603
Prepaid expenses	208	188
	<u>5,682</u>	<u>4,791</u>
<b>Accumulated surplus</b>	<u>\$ 5,546</u>	<u>\$ 4,715</u>

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

**MATERIALS DISTRIBUTION AGENCY**  
**Statement of Operations and Accumulated Surplus**  
*(in thousands)*

<b>For the year ended March 31</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenue</b>			
Warehouse sales (Schedule 1)	\$ 16,800	\$ 15,812	\$ 15,498
Service revenue (Schedule 1)	13,162	13,186	12,212
Interest income	-	-	6
	<b>29,962</b>	<b>28,998</b>	<b>27,716</b>
<b>Expenses</b>			
Cost of sales	13,272	12,211	12,096
Occupancy costs	1,482	1,317	1,267
Operating expenses (Schedule 2)	8,745	8,794	8,087
Administrative expenses (Schedule 2)	908	774	702
Salaries and benefits	5,055	5,071	5,126
	<b>29,462</b>	<b>28,167</b>	<b>27,278</b>
<b>Annual operating surplus</b>	<b>500</b>	<b>831</b>	<b>438</b>
<b>Transfer to the Province of Manitoba (Note 10)</b>	<b>-</b>	<b>-</b>	<b>275</b>
<b>Annual surplus</b>	<b>500</b>	<b>831</b>	<b>163</b>
<b>Accumulated surplus, beginning of year</b>	<b>4,030</b>	<b>4,715</b>	<b>4,552</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 4,530</b>	<b>\$ 5,546</b>	<b>\$ 4,715</b>

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

**MATERIALS DISTRIBUTION AGENCY**  
**Statement of Change in Net Financial Assets (Debt)**  
*(in thousands)*

<b>For the year ended March 31</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Annual surplus</b>	<b>\$ 500</b>	<b>\$ 831</b>	<b>\$ 163</b>
<b>Tangible Capital Assets</b>			
Acquisition of tangible capital assets	(2,400)	(2,431)	(2,638)
Disposals of tangible capital assets	-	12	130
Amortization of tangible capital assets	1,500	1,548	1,472
<b>Net change in tangible capital assets</b>	<b>(900)</b>	<b>(871)</b>	<b>(1,036)</b>
<b>Other Non-financial Assets</b>			
Decrease in prepaid expenses	-	(20)	(35)
<b>Change in net financial assets (debt)</b>	<b>(400)</b>	<b>(60)</b>	<b>(908)</b>
<b>Net financial assets (debt), beginning of year</b>	<b>1,548</b>	<b>(76)</b>	<b>832</b>
<b>Net financial assets (debt), end of year</b>	<b>\$ 1,148</b>	<b>\$ (136)</b>	<b>\$ (76)</b>

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



**MATERIALS DISTRIBUTION AGENCY**  
**Statement of Cash Flows**  
*(in thousands)*

<b>For the year ended March 31</b>	<b>2020</b>	<b>2019</b>
<b>Cash provided by (applied to):</b>		
<b>Cash Flows from Operating Activities</b>		
Annual surplus	\$ 831	\$ 163
Amortization of tangible capital assets	1,548	1,472
Loss on disposal of tangible capital assets	12	130
	<b>2,391</b>	<b>1,765</b>
Changes in non-cash working capital balances		
Accounts receivable	(727)	(145)
Inventories for resale	(42)	178
Prepaid expenses	(20)	(35)
Accounts payable and accrued liabilities	(783)	709
Employee future benefits	(20)	59
	<b>799</b>	<b>2,531</b>
<b>Cash Flows from Capital Activities</b>		
Acquisition of capital assets	(2,431)	(2,638)
Redemption of portfolio investments	-	512
	<b>(2,431)</b>	<b>(2,126)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,632)</b>	<b>405</b>
<b>Cash and cash equivalents (overdraft), beginning of year</b>	<b>76</b>	<b>(329)</b>
<b>Cash and cash equivalents (overdraft), end of year</b>	<b>\$ (1,556)</b>	<b>\$ 76</b>

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

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# MATERIALS DISTRIBUTION AGENCY

## Notes to Financial Statements

*(in thousands)*

**For the year ended March 31, 2020**

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### **1. Nature of Organization**

The Government of Manitoba established a central warehouse operation in 1974 to effectively meet the cost needs of departments and certain boards, commissions and agencies of the Crown, for a variety of commonly used items. Effective April 1, 1993, Materials Distribution Agency (the "Agency") was designated as a Special Operating Agency pursuant to *The Special Operating Agencies Financing Authority Act*, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

In 1956, Mail Management (Postal Service) was created as a branch of the Manitoba Provincial Government to provide centralized postal services. Effective April 1, 1996, the Postage Service was renamed Mail Management Agency and designated as a Special Operating Agency (SOA) pursuant to *The Special Operating Agencies Financing Authority Act*, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective April 1, 2005, the operations of the Materials Distribution Agency and the Mail Management Agency were amalgamated. The amalgamated operations have been operating as Materials Distribution Agency.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Agency's operations and finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations. A Management Agreement between the Financing Authority and the Minister responsible for the Agency assigns responsibility to the Agency to manage and account for Agency-related assets and operations on behalf of the Financing Authority.

The Agency is now part of the Department of Finance under the general direction of the Associate Deputy Minister, Central Services Division, and ultimately the policy direction of the Deputy Minister and Minister. The Agency remains bound by relevant legislation and regulations. The Agency is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objective.

Effective April 1, 2012 the Agency is administering the vaccine program on behalf of Manitoba Health.

### **2. Basis of Accounting**

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

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**MATERIALS DISTRIBUTION AGENCY**  
**Notes to Financial Statements**  
*(in thousands)*

**For the year ended March 31, 2020**

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**3. Significant Accounting Policies**

Revenue

- (a) Warehouse sales are recognized when the goods are shipped and when collection is reasonably assured.
- (b) Service revenue is recognized when the related services are completed or substantially completed pursuant to the underlying contracts, where applicable, and when collection is reasonably assured.
- (c) Investment income and all other revenue is recognized on the accrual basis.

Expenses

- (a) All expenses incurred for goods and services are recorded on an accrual basis.
- (b) Government transfers are recognized as expenditures in the period in which the transfers are authorized and all eligibility criteria have been met.

Financial Assets

Cash and cash equivalents include cash on hand and short term investments and deposits with original maturities of three months or less.

Accounts receivable are recorded at the lower of cost and net realizable value. An allowance for doubtful accounts is recorded when there is uncertainty whether the amounts will be collected.

Portfolio investments are investments and deposits with original maturities of more than three months. These investments are recognized at cost.

Inventories for resale are recorded at the lower of cost or net realizable value.

Liabilities

Liabilities are present obligations as a result of transactions and events occurring at or prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

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# MATERIALS DISTRIBUTION AGENCY

## Notes to Financial Statements

*(in thousands)*

**For the year ended March 31, 2020**

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### 3. Significant Accounting Policies (continued)

#### Non-financial Assets

- (a) Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition cost. The costs of tangible capital assets, less any residual value, are amortized over their useful lives as follows:

Computer equipment	20% straight-line
Furniture and fixtures	20% straight-line
Leasehold improvements	10 years straight-line
Office equipment	20% straight-line
Mail finishing equipment	20% declining balance
Rental equipment	2-5 years straight-line
Warehouse equipment	20% declining balance

- (b) Prepaid expenses are payments for goods or services which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

#### Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### 4. Financial Instruments and Financial Risk Management

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Agency records cash and cash equivalents and portfolio investments at fair value. The Agency records accounts receivable, accounts payable, and accrued liabilities at cost.

Gains and losses on financial instruments measured at fair value are recorded in the Statement of Remeasurement Gains and Losses until realized. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

#### Financial Risk Management Overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest rate risk; and foreign currency risk.

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## MATERIALS DISTRIBUTION AGENCY

### Notes to Financial Statements

*(in thousands)*

**For the year ended March 31, 2020**

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#### 4. Financial Instruments and Financial Risk Management (continued)

##### Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist primarily of cash and cash equivalents and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31 is:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ -	\$ 76
Accounts receivable	<u>3,336</u>	<u>2,609</u>
	<u>\$ 3,336</u>	<u>\$ 2,685</u>

Cash and cash equivalents: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the balance of the accounts receivable are primarily with other government agencies and departments. The balance is due from a large client base and payment in full is typically collected when it is due. The Agency manages the credit risk through close monitoring of overdue accounts.

The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The balance in the allowance for doubtful accounts as at March 31, 2020 is \$95 (\$65 in 2019).

##### Liquidity Risk

Liquidity risk can be defined as an organization's ability to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet its obligations.

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**MATERIALS DISTRIBUTION AGENCY**  
**Notes to Financial Statements**  
*(in thousands)*

**For the year ended March 31, 2020**

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**4. Financial Instruments and Financial Risk Management (continued)**

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments.

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents and portfolio investments.

The interest rate risk on cash and cash equivalents is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

(b) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

**5. Accounts Receivable**

	<b>2020</b>	2019
Trade accounts receivable	<b>\$ 3,354</b>	\$ 2,602
Other receivables	<b>77</b>	72
	<b>3,431</b>	2,674
Allowance for doubtful accounts	<b>95</b>	65
	<b>\$ 3,336</b>	\$ 2,609

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**MATERIALS DISTRIBUTION AGENCY**  
**Notes to Financial Statements**  
*(in thousands)*

**For the year ended March 31, 2020**

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**6. Working Capital Advances**

The Special Operating Agencies Financing Authority has provided the Agency with an authorized line of working capital of \$ 600 (2019 - \$600) of which \$NIL was used at March 31, 2020 (2019 - \$NIL).

**7. Inventories for Resale**

	<b>2020</b>	2019
Medical supplies	\$ 669	\$ 741
Stationery	328	251
Janitorial	254	240
Health equipment	188	167
Special projects	13	12
Furniture	3	2
	\$ 1,455	\$ 1,413

**8. Employee Future Benefits**

Pension Benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province of Manitoba the pension liability for its employees.

Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2020 was \$315 (\$327 in 2019). Under this Agreement, the Agency has no further pension liability.

Severance Benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of the severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from expected and/or because of changes in the actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life (EARSL) of the related employee group.

**MATERIALS DISTRIBUTION AGENCY**  
**Notes to Financial Statements**  
*(in thousands)*

**For the year ended March 31, 2020**

**8. Employee Future Benefits (continued)**

An actuarial report was completed for the severance pay liability as of March 31, 2017. The report provides a formula to update the liability on an annual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2020 is \$777 (\$801 in 2019). The actuarial loss of \$80 (\$87 in 2019) based on actuarial reports is being amortized over the 15 year expected average remaining service life (EARSL) of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2017 valuation, and in the determination of the March 31, 2020 present value of the accrued severance benefit obligations are:

Annual rate of return	3.80%
Assumed salary increase rate:	
Annual productivity increase	1.00%
Annual general salary increase	2.75%
	3.75%

The severance benefit liability at March 31 includes the following components:

	2020	2019
Accrued benefit liability		
Balance, beginning of year	\$ 888	\$ 798
Actuarial loss	-	36
Interest on accrued severance benefits	32	30
Service costs	35	37
Severance paid	(98)	(13)
Balance, end of year	857	888
Less unamortized actuarial losses	(80)	(87)
Severance benefit liability	\$ 777	\$ 801

The total expenses related to severance benefits at March 31 includes the following components:

	2020	2019
Interest on accrued severance benefits	\$ 32	\$ 30
Current period service cost	35	37
Amortization of actuarial losses over EARSL	7	3
Total expense related to severance benefit	\$ 74	\$ 70



**MATERIALS DISTRIBUTION AGENCY**  
**Notes to Financial Statements**  
*(in thousands)*

**For the year ended March 31, 2020**

**8. Employee Future Benefits (continued)**

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include a 5.00% annual return and a 3.00% annual salary increase. The Agency's sick leave benefit liability as at March 31, 2020 based on the valuation model is \$70 (2019 - \$70). The increase (decrease) in sick leave benefit liability of \$NIL (2019 - \$NIL) represents the total sick leave benefit expense (recovery) for the year.

**9. Tangible Capital Assets**

	<b>2020</b>			
	<b>Opening Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Closing Balance</b>
<b>Cost</b>				
Computer equipment	\$ 313	\$ -	\$ -	\$ 313
Furniture and fixtures	165	-	-	165
Leasehold improvements	1,236	64	-	1,300
Office equipment	70	-	-	70
Mail finishing equipment	542	-	-	542
Rental equipment	14,894	2,364	276	16,982
Warehouse equipment	1,386	3	-	1,389
	<b>\$ 18,606</b>	<b>\$ 2,431</b>	<b>\$ 276</b>	<b>\$ 20,761</b>
	<b>Opening Balance</b>	<b>Amortization</b>	<b>Disposals</b>	<b>Closing Balance</b>
<b>Accumulated Amortization</b>				
Computer equipment	\$ 279	\$ 6	\$ -	\$ 285
Furniture and fixtures	164	-	-	164
Leasehold improvements	1,010	36	-	1,046
Office equipment	64	-	-	64
Mail finishing equipment	441	13	-	454
Rental equipment	10,882	1,461	264	12,079
Warehouse equipment	1,163	32	-	1,195
	<b>14,003</b>	<b>1,548</b>	<b>264</b>	<b>15,287</b>
<b>Net book value</b>	<b>\$ 4,603</b>	<b>\$ 883</b>	<b>\$ 12</b>	<b>\$ 5,474</b>

During the year ended March 31, 2020, tangible capital assets disposed of totaled \$276, resulting in a loss on disposal of tangible capital assets of \$12. Disposals consisted of tangible capital assets that were written-off due to no longer being in use, there were no tangible capital assets sold for proceeds during the year.

**MATERIALS DISTRIBUTION AGENCY**  
**Notes to Financial Statements**  
*(in thousands)*

**For the year ended March 31, 2020**

**9. Tangible Capital Assets (continued)**

	2019			
	Opening Balance	Additions	Disposals	Closing Balance
<b>Cost</b>				
Computer equipment	\$ 313	\$ -	\$ -	\$ 313
Furniture and fixtures	165	-	-	165
Leasehold improvements	1,160	90	14	1,236
Office equipment	64	6	-	70
Mail finishing equipment	542	-	-	542
Rental equipment	12,510	2,538	154	14,894
Warehouse equipment	1,384	4	2	1,386
	<b>\$ 16,138</b>	<b>\$ 2,638</b>	<b>\$ 170</b>	<b>\$ 18,606</b>
<b>Accumulated Amortization</b>				
Computer equipment	\$ 272	\$ 7	\$ -	\$ 279
Furniture and fixtures	164	-	-	164
Leasehold improvements	974	36	-	1,010
Office equipment	64	-	-	64
Mail finishing equipment	424	17	-	441
Rental equipment	9,549	1,373	40	10,882
Warehouse equipment	1,124	39	-	1,163
	<b>12,571</b>	<b>1,472</b>	<b>40</b>	<b>14,003</b>
Net book value	<b>\$ 3,567</b>	<b>\$ 1,166</b>	<b>\$ 130</b>	<b>\$ 4,603</b>

During the year ended March 31, 2019, tangible capital assets disposed of totaled \$170, resulting in a loss on disposal of tangible capital assets of \$130. Disposals consisted of tangible capital assets that were written-off due to no longer being in use, there were no tangible capital assets sold for proceeds during the year.

**10. Transfer to the Province of Manitoba**

During the year ended March 31, 2020, with the Lieutenant Governor's approval by Order in Council, the Agency transferred \$Nil (\$275 in 2019) of its surplus funds to the Province of Manitoba.

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**MATERIALS DISTRIBUTION AGENCY**  
**Notes to Financial Statements**  
*(in thousands)*

**For the year ended March 31, 2020**

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**11. Uncertainty due to COVID-19**

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the Agency. Management is actively monitoring the affect on its financial condition, liquidity, operations, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Agency is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

**MATERIALS DISTRIBUTION AGENCY**  
**Schedule 1**  
**Schedule of Warehouse Sales and Services Revenue**  
*(in thousands)*

<b>For the year ended March 31</b>	<b>2020</b>	<b>2019</b>
<b>Warehouse Sales</b>		
Medical supplies	\$ 7,356	\$ 7,134
Stationery	3,902	4,103
Janitorial	2,298	2,283
Health equipment	1,882	1,842
Furniture	371	134
Special projects	3	2
	<u>15,812</u>	<u>15,498</u>
<b>Service Revenue</b>		
Mail service	4,920	4,853
Equipment rentals	4,804	4,188
Freight	1,284	1,127
Vaccine program	678	678
Moving	592	538
Storage	326	329
Manitoba Textbook Bureau	265	290
Other revenues and recoveries	209	165
Disposal service	108	44
	<u>\$ 13,186</u>	<u>\$ 12,212</u>

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**MATERIALS DISTRIBUTION AGENCY**  
**Schedule 2**  
**Schedule of Operating and Administrative Expenses**  
*(in thousands)*

<b>For the year ended March 31</b>	<b>2020</b>	<b>2019</b>
<b>Operating expenses</b>		
Mail services	\$ 3,901	\$ 3,569
Freight	2,381	2,172
Amortization	1,548	1,472
Moving expenses	519	419
Equipment rentals	161	167
Vehicle	147	150
Warehouse supplies	137	138
	<u>8,794</u>	<u>8,087</u>
<b>Administrative expenses</b>		
Office	364	259
Computer	294	259
Telephone	60	110
Miscellaneous	21	18
Professional fees	20	21
Promotion and marketing	8	21
Training	7	14
	<u>774</u>	<u>702</u>
	\$	\$

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