



# Annual Report

## 2014/15

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An Agency of the Manitoba Government



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## MINISTER'S LETTER OF TRANSMITTAL



### MINISTER OF INFRASTRUCTURE AND TRANSPORTATION

Room 203  
Legislative Building  
Winnipeg, Manitoba, CANADA  
R3C 0V8

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

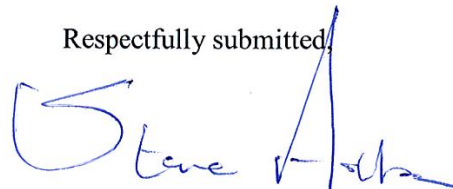
May It Please Your Honour:

It is my privilege to present the Annual Report of Materials Distribution Agency (MDA) for the year ended March 31, 2015.

This report marks the completion of MDA's twenty second 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 continues to demonstrate its ability to react quickly to the needs of all provincial clients in a cost effective and efficient manner.

I commend the staff and management of MDA on the success they achieved in the last year. MDA continues to shine as an innovative Special Operating Agency of the Manitoba Government.

Respectfully submitted,



Steve Ashton  
Minister Responsible for  
Materials Distribution Agency

## DEPUTY MINISTER'S LETTER OF TRANSMITTAL



### Infrastructure and Transportation

Deputy Minister of Infrastructure and Transportation  
Room 209, Legislative Building, Winnipeg, Manitoba, Canada R3C 0V8  
T 204 945-3768 F 204 945-4766  
[dmmit@leg.gov.mb.ca](mailto:dmmit@leg.gov.mb.ca)

Honourable Steve Ashton  
Minister Responsible for Materials Distribution Agency  
Manitoba Infrastructure and Transportation  
Room 203, Legislative Building  
Winnipeg MB R3C 0V8

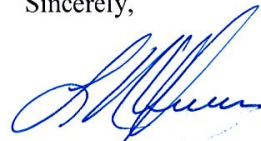
Dear Minister Ashton:

It is with pleasure that I present the twenty second Annual Report of Materials Distribution Agency (MDA) for the year ending March 31, 2015.

The Agency continues to provide cost savings and streamline its products and services for the benefit of provincial clients. I appreciate the commitment and hard work of MDA's staff and their dedication to continual enhancement of the Agency's services.

Thank you again for your letter/inquiry and I trust this has addressed your concerns.

Sincerely,



Lance Vigfusson, P. Eng.  
Deputy Minister

## CHIEF OPERATING OFFICER'S LETTER OF TRANSMITTAL

June 19, 2015

To Our Valued MDA Stakeholders:

I have the distinct honour of presenting the Materials Distribution Agency's (MDA) 22nd Annual Report as a Special Operating Agency.

MDA is the warehousing and distribution hub for the provincial government. The Agency has a multitude of business lines primarily focused on the distribution of goods and mail. With a centralized point of operation, MDA is able to offer its clients competitive pricing and substantive cost and resource savings. MDA adheres to all government procurement initiatives and emphasizes this to encourage client loyalty and growth.


MDA's primary focus is to provide superior service and value added benefits that meet or surpass our client's needs and expectations. We are proud of our role and performance and continue to look for ways to improve and expand.

MDA's success is directly related to the partnerships it has been able to forge and secure. With its vast knowledge of the industry, the Agency is often called upon to develop logistics solutions for the benefit of its clients. This includes being able to react quickly to concerns and emergent issues. Stakeholders, such as Employment and Income Assistance Branch, Manitoba Textbook Bureau and The Office of Disaster Management, have realized substantial cost savings and benefited from the resources the Agency has made available.

MDA is grateful to its clients for their long standing loyalty and we look forward to developing new and innovative opportunities for them. MDA's future is bright as it continues to offer excellent service and expertise, while creating an environment our clients want to be a part of.

On behalf of MDA and its staff, I would like to thank our clients for their continued support of MDA. The Agency is grateful not only for having the opportunity to provide provincial departments with distribution solutions, but also for their continued commitment and trust, which have enriched our relationships.

Sincerely,

A handwritten signature in blue ink that reads 'Dave Bishop'. The signature is fluid and cursive, with the first name 'Dave' being more prominent than the last name 'Bishop'.

Dave Bishop  
Chief Operating Officer – MDA

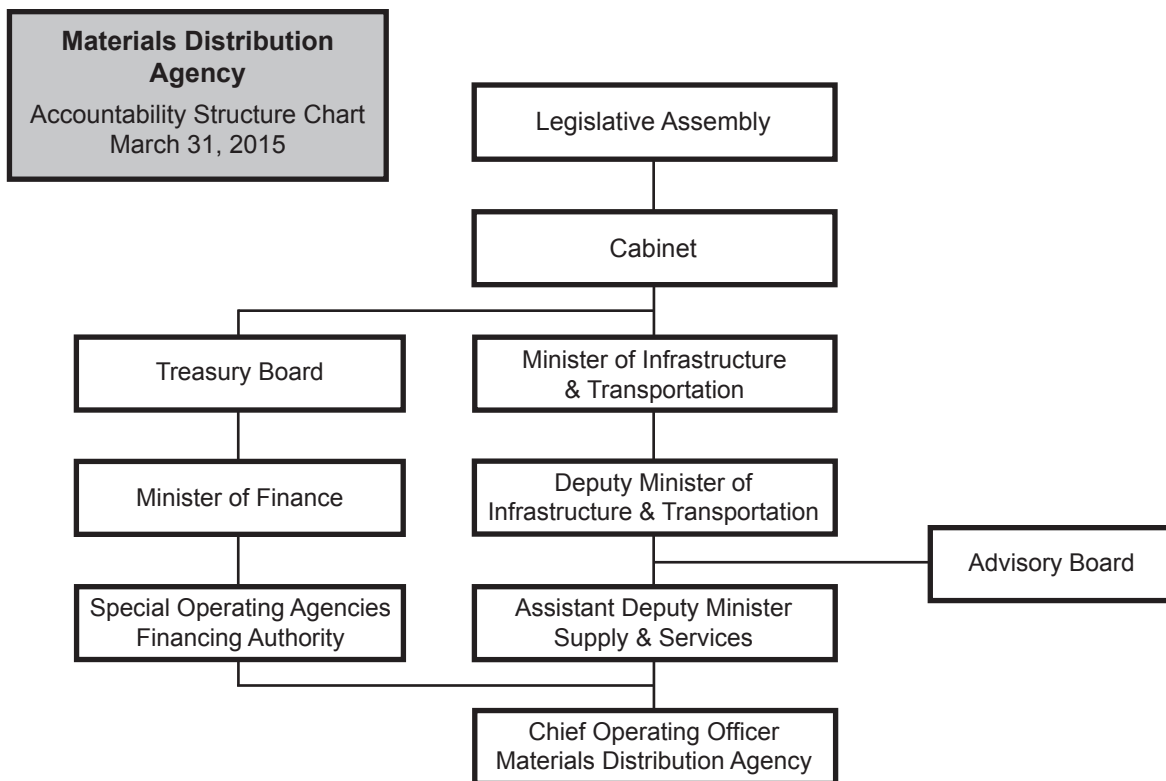
## STRUCTURE FOR OPERATIONS

### Accountability Structure

As an organization within Manitoba Infrastructure and Transportation, MDA reports directly to the Assistant Deputy Minister, Supply and Services, and is held accountable to the Deputy Minister and Minister of Infrastructure and Transportation 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, 2015, are listed below.

<b>Members of the Advisory Board for Materials Distribution Agency</b>		
<b>CHAIR</b>	<b>Doug McNeil</b> Deputy Minister Manitoba Infrastructure and Transportation	
<b>MEMBERS</b>		
<b>Client Representatives</b>	<b>Bruce Bremner</b> Assistant Deputy Minister Manitoba Conservation	<b>Ian Hasanally</b> Assistant Deputy Minister Administrative Services Division Manitoba Infrastructure and Transportation
<b>Ex Officio</b>	<b>Vacant (Acting rotation)</b> Assistant Deputy Minister Supply and Services Division Manitoba Infrastructure and Transportation	<b>David Bishop</b> Chief Operating Officer Materials Distribution Agency
<b>Staff Representative</b>	<b>Peter Roberts</b> Logistics Coordinator Materials Distribution Agency	

**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

MDA is committed to provide economical products, services and logistics solutions. We strive to meet clients' needs which helps them focus on what they do best.

### Vision

The Agency is a reliable source for diverse products and services and is committed to be the preferred public sector source for mail and material logistics solutions.

## ORGANIZATIONAL GOALS

**Employees** – To increase employee job satisfaction and foster a respectful workplace.

**Service** – To sustain and improve client service by developing partnerships, setting standards and meeting or exceeding customer needs.

**Growth** – To grow business while maintaining or increasing overall government value.

**Sustainable Development** – To actively participate in government's environmental initiatives by offering solutions to clients looking for ecologically friendly products and services.

## ORGANIZATIONAL VALUES

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

### Reliability

MDA:

- 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**

MDA:

- 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**

MDA:

- 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 materials 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:

<b>Commodities</b>	<b>Line Items</b>
Stationery and Office Supplies	1,186
Janitorial Supplies	406
Medical Supplies	1,546
Home Care Equipment	387
Office Furnishings and Furniture	337
Publications	320
<b>Total Line Items</b>	<b>4,182</b>

## 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 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. Periodic safety checks on equipment in the field to ensure items remain in good working condition are carried out as well, including electronically tracking 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 1,619 products)
- 209 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
- Nutritional supplements and child care items – Employment & Income Assistance, Family Services
- Lab & X-ray facilities – Diagnostic Services of Manitoba (DSM), Health
- Health booklets/pamphlets – Health

#### *Manitoba Textbook Bureau (MTBB)*

- MTBB 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**

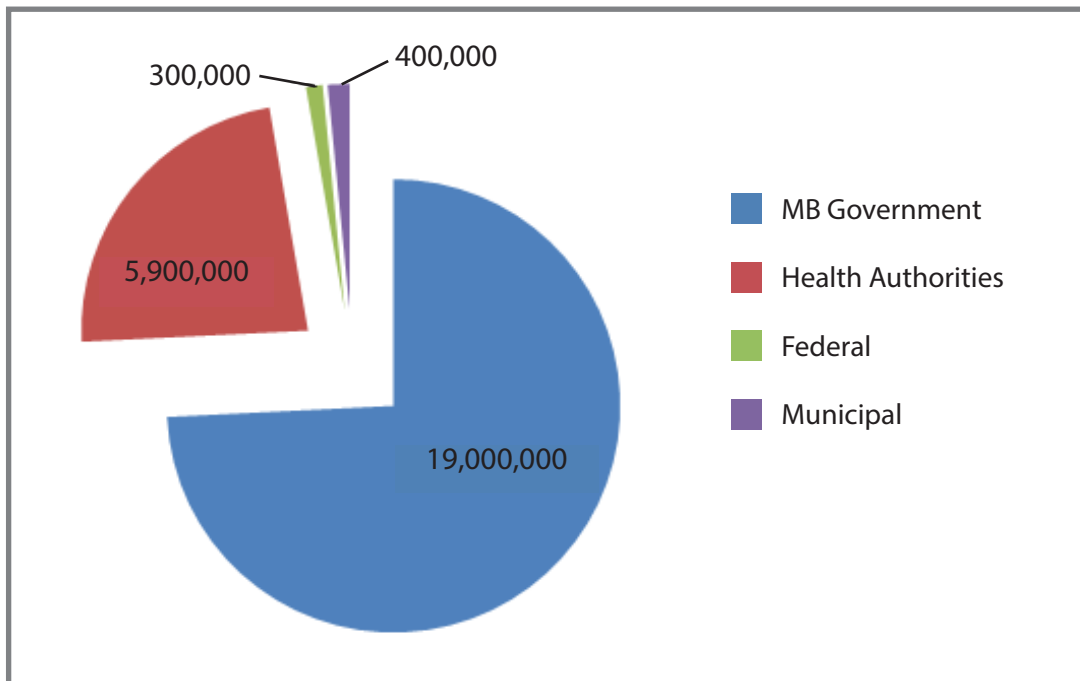
- Distribution of vaccines throughout the province on behalf of Manitoba Health. These vaccines must be maintained between 2 and 8 degrees Celsius at all times until consumed by the end user
- MDA is the first provincial entity to achieve GMP certification through Health Canada
- Increased risk management 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 2014/15: \$25,600,000



## WAREHOUSE PRODUCTS – DISTRIBUTION INFORMATION

<b>Number of Orders</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
Warehouse Orders	54,400	46,900	51,900	54,600	53,300
Equipment Orders	15,465	15,900	14,507	14,071	14,300
Mail Finishing Orders	3,995	4,230	3,950	4,150	3,700
Vaccine Orders	7,308	6,700	6,460	n/a	n/a
Federal Mail Processed (pieces)	1.60 million	1.51 million	1.80 million	2.35 million	2.63 million
Inter-Departmental Mail (pieces)	258,000	161,000	318,000	347,000	339,400
Payroll Advice Letters	74,000	180,400	233,000	392,000	386,000
Manitoba Textbook Bureau Orders	13,963	10,320	11,944	10,345	11,855
Moves	725	697	654	638	724

<b>Distribution of Products By Area</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
Winnipeg	55%	54%	53.5%	54%	57%
Rural	45%	46%	46.5%	46%	43%

<b>Delivery of Winnipeg Orders</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
Regular (2 days)	92.5%	93%	91.9%	95%	95%
Same day	4%	4%	3.7%	2%	2%
Pickup	3.5%	3%	4.4%	3%	3%

## 2014/15 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 Supply & Services 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 Supply and Services Division Safety Facilitator conducted a safety audit at MDA in the first quarter. Results were communicated to the Agency in the second quarter.
- 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 meetings.

#### Communication Improvements

Communication remains a concern for the Agency. Improvements made in 2014/15 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 2014/15 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	2	2	3	10
Contracts & Purchasing	10/yr	3	2	2	3	10
Warehouse - Distribution	10/yr	3	1	2	3	9
Warehouse - Mail Services	10/yr	3	1	2	3	9
Finance & IT	10/yr	3	1	2	2	8



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:**

- The employee survey was conducted in the fourth quarter. Results were very encouraging and communicated to staff.
- MDA management will work with staff on recommendations and ideas from the survey in fiscal year 2015/16.

3. Hold two meetings with all staff in fiscal year 2014/15 to update staff on business initiatives, new policies, MDA's financial situation and answer questions.

**Strategy results:**

- The COO gave opening remarks before the Respectful Workplace training sessions and answered questions.
- The COO conducted a meeting with all MDA staff at the Employee Appreciation awards in June 2014.
- The COO spoke to staff and gave updates on business projects in December 2014.

### Quarterly Newsletter

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

**Strategy results:**

- Newsletters are being distributed quarterly and the feedback from staff has been 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:

- Conduct an annual Wellness Fair in 2014/15
- Organize employee tournaments in ping pong, cribbage and darts
- 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
- Coordinate an internal recycling initiative

**Strategy results:**

- 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
- A singles darts tournament was held

## 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. 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
- An updated mail service guide and communications package was completed and distributed to MDA's top 20 clients in the first quarter

### Office of Disaster Management (ODM)

In 2009/10, MDA partnered with the Office of Disaster Management to store, inventory and distribute pandemic supplies for the Province of Manitoba. MDA has entered into an agreement to continue this business until the end of fiscal year 2014/15. ODM requires ongoing management of the pandemic stock on behalf of the Regional Health Authorities past the next year. MDA will make a formal proposal to retain this business, and continue offering storage and distribution for the pandemic safety stock program.

#### Strategy results:

- MDA conducted meetings with representatives from ODM and determined that this program will be moved to MDA's main location within the expanded space in units 1-3. This physical product move was completed in the second quarter

### Departments of Family Services and Jobs & the Economy

MDA entered into a partnership with these two departments 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 2014/15 to verify the effectiveness of this initiative.

### Strategy results:

- Sales by quarter are as follows:

Time Period	Sales 2014/15 (\$)	Sales 2013/14 (\$)	Difference (\$)	Increase/Decrease
<b>Totals</b>	4,777,700	3,269,500	1,508,200	46%

### 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 in fiscal year 2014/15.

### Strategy results:

- Two new Inter-departmental clients were added
- New sales customer listing is below:

Customer #	Customer Name	City	Created Date	Total Sales (\$)
070270	TAXATION, ECONOMIC & INTERGOVERNMENTAL	WINNIPEG	2014-04-30	46,164.18
210235	HEALTHY SCHOOLS INITIATIVE	WINNIPEG	2014-09-10	16,724.30
500365	WRHA – DISASTER MANAGEMENT	WINNIPEG	2014-05-06	16,532.10
CFS21	EASTMAN CHILD & FAMILY SERVICES	PINE FALLS	2014-10-02	4,184.61
52145	HEALTH SERVICES	WINNIPEG	2014-09-10	3,460.35
040910	INDEPENDANT INVESTIGATION UNIT (IIU)	WINNIPEG	2015-01-22	3,315.53
030065	ALTONA GO CENTRE	ALTONA	2014-05-15	2,546.80
030080	GLADSTONE GO CENTRE	GLADSTONE	2014-05-15	2,452.73
030075	CARBERRY GO CENTRE	CARBERRY	2014-05-15	1,677.08
030090	ST PIERRE GO CENTRE	ST PIERRE	2014-05-15	1,577.74
880151	MAIN STREET PROJECT INC.	WINNIPEG	2014-05-20	1,219.14
880635	EAST SIDE ROAD AUTHORITY – WINTER ROADS	LAC DU BONNET	2015-02-06	1,081.71
140730	INFORMATION & PRIVACY POLICY SECRETRIAT	WINNIPEG	2014-08-29	956.09
54100	IERHA – PALLIATIVE CARE PROGRAM	STONEWALL	2014-08-28	903.53
810260	BAMBINI MONTESSORI PRESCHOOL INC.	WINNIPEG	2014-06-10	840.09
030085	VITA GO OFFICE	VITA	2014-05-15	759.55
880435	PINECREEK HEALTH CENTRE	CAMPERVILLE	2014-08-20	617.47
52802	CHEMAWAWIN HEALTH HOME & COMM. CARE	EASTERVILLE	2014-09-04	471.10
861511	CHIEF CHARLES AUDY SCHOOL	BIRCH RIVER	2014-10-14	439.85
810265	J A CUDDY CHILD CARE CENTRE INC.	SANFORD	2014-08-29	424.81
880153	MANITOBA PULSE GROWERS ASSOC. INC.	CARMAN	2014-07-11	174.10
300095	CHESTERFIELD SITE OFFICE	WINNIPEG	2015-03-03	90.41
880813	OPASKWAYAK CREE NATION CHILD & FAMILY SERVICES	OPASKWAYAK	2014-11-03	87.44
860690	TRANSPORTATION SAFETY BOARD OF CANADA	WINNIPEG	2014-08-13	81.80
500158	PACT WINNIPEG WEST	WINNIPEG	2014-09-22	65.45
500139	RIVER EAST PERSONAL CARE HOME	WINNIPEG	2014-05-12	33.39
52146	CFS OF CENTRAL MANITOBA	PORTAGE	2015-01-28	16.20
<b>Total</b>				<b>106,897.55</b>

### Personal Care Homes

MDA will approach personal care homes throughout the province in regard to inventory management of medical equipment (e.g. beds, mattresses, lifts, etc.).

#### Strategy results:

- For this new initiative, MDA conducted an assessment of all recycled equipment and will be maintaining/distributing these items back to a main facility each month. The initial amount of product was large, but since then it has only been 1-2 pieces per month.
- This business has led to the Agency partnering with the Federal Government on medical supply distribution for northern nursing stations. Sales will be in fiscal year 15/16.

### 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:

- A meeting was held with representatives from MB Health to explore this initiative in the second quarter.
- Rough financial numbers were provided to MB Health in the third quarter.
- MDA will continue to work with MB Health in fiscal year 2015/16.

## 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 2014/15. There may be additional projects throughout the year based on operational requirements and client needs.

### MDA Website

Over the past three years, MDA has instituted a website to market its products and services. At this time, the website is static. The COO has tasked the Manager of Finance and Information Technology to 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.

**Strategy results:**

- The Finance & IT manager met and discussed options for MDA’s website with a representative from Business Transformation and Technology (BTT).
- BTT will work with MDA in fiscal year 2015/16 on implementation of a new website

**Warehouse Space and Staffing Review**

The Manager of Logistics will undertake an analysis to determine effective warehouse space usage and staff levels by business line. The findings will be presented to the COO. An action plan will be developed to reconfigure warehouse areas or examine possible synergies.

**Strategy results:**

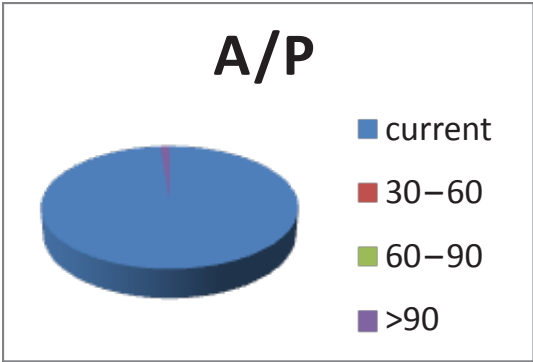
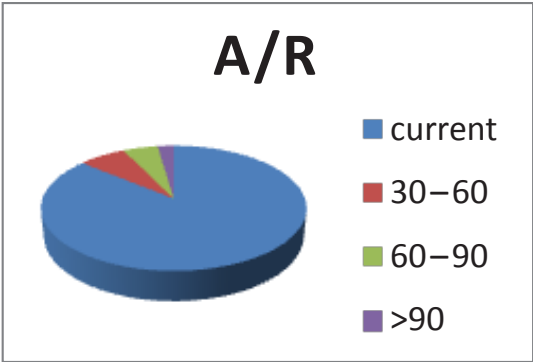
- Logistics Manager presented a plan which was approved by the COO.
- Renovations and reorganization were completed in the second quarter.

**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 MIT's on boarding strategy. Each area will customize their orientation checklist to ensure that required training/reviews are taking place.

## Information Technology Projects

MDA relies on Great Plains Dynamics 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. The following larger projects were identified for analysis and upgrades in the 2014/15 fiscal year:

- Shipping labels – The IT area will evaluate the order fulfillment process to determine the feasibility of having courier labels printing directly onto MDA's labels
- Rental module enhancement – Integrate with GP card, potential automation of the serial number
- Update MDA's shipping system (Y2K) to current technology
- Assist in Panorama organization / logistics / liaison etc with MB Health
- Enhance mail service client maintenance module (will allow for more efficient invoicing, allow for easier changes to mail clients, etc.)

### Strategy results:

- Shipping label process change – review in 2<sup>nd</sup> quarter of 2015/16
- Rental module enhancement – deferred to 2015-16
- Update MDA's Y2K system – deferred
- Assist in Panorama organization – completed
- Enhance mail client module – completed

#### **4. Sustainable Development & Green Initiatives Overview**

MDA supports all government initiatives on sustainable development and green procurement. The Agency currently carries 250 products which are considered environmentally friendly. This number is steadily growing each year. Procurement Services Branch (PSB) continues to recommend MDA as a supplier of choice for many commodity lines.

MDA also provides disposal services on behalf of the Province to ensure that all items are re-distributed, recycled or disposed of in the proper manner, instead of being thrown into landfills.

##### **Janitorial and Stationery Products**

Each year, MDA works with clients to provide an enhanced line of environmentally friendly products. MDA's target in 2014/15 is to obtain a minimum of 10 new green products to replace traditional items that are not environmentally friendly. In 2013/14, MDA procured 11 new environmentally friendly products. MDA will report on this initiative in the fourth quarter.

##### **Strategy results:**

- MDA replaced five products with environmentally friendly options in 2014/15

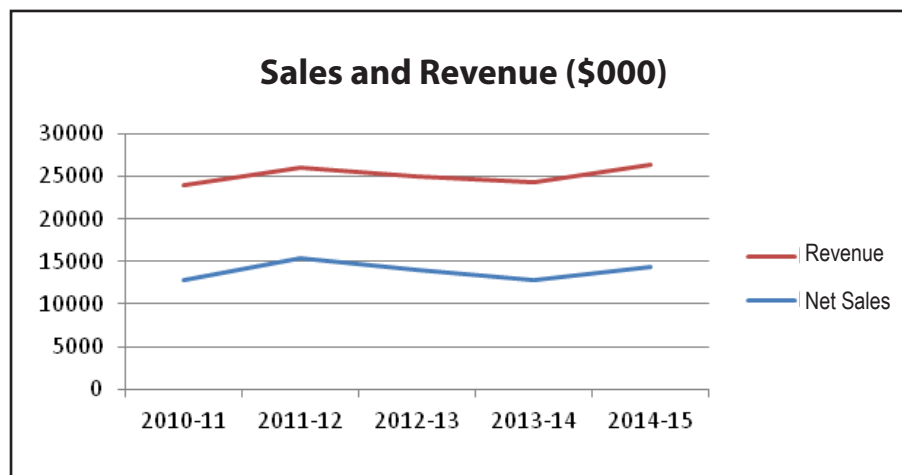
## FINANCIAL OVERVIEW

### Review of Operations

MDA has seen the volume and breadth of products grow in most commodity lines. Current clients are ordering more commonly stocked products, while also requesting that MDA expand its lines of goods. As needs change, clients look to MDA to assume warehousing and distribution at lower costs.

MDA reported a net income of \$41,000, compared to a projected net income of \$0 for the year ended March 31, 2015, and a net income of \$3,000 for the year ended March 31, 2014.

	2015 Actual	2015 Budget	2015 Actual vs. Budget	2014 Actual	2015 Actual vs. 2014 Actual
<b>Warehouse Sales</b>	14,330	14,310	20	12,805	1,525
<b>Service Revenue</b>	12,011	11,309	702	11,598	413
<b>Total Revenue</b>	26,341	25,619	722	24,403	1,938
<b>Salaries &amp; benefits</b>	5,084	5,538	(454)	5,031	53
<b>Cost of Sales</b>	11,365	11,127	238	9,931	1,434
<b>Occupancy Costs</b>	980	1,023	(43)	1,020	(40)
<b>Operational Costs</b>	8,020	7,143	877	7,579	441
<b>Administrative Cost</b>	651	588	63	639	12
<b>Revenue Share</b>	200	200	0	200	0
<b>Total Expenses</b>	26,300	25,619	681	24,400	1,900
<b>Net Income/(loss)</b>	41	0	41	3	38





## Financial Position

The Agency did not use its working capital payable line of credit at any time during this fiscal year and has no working capital payable outstanding.

Remaining cash generated by operations was used to purchase capital and other.

### Ratio Analysis

Ratio	2015	2014	2013	2012
<b>Return on Total Revenue*</b>	.91%	.83%	.71%	.71%
<b>Days Sales in Receivables</b>	26.7 days	34.7 days	46.9 days	32 days
<b>Inventory Turnover</b>	5.5 times	7.51 times	7.78 times	7.76 times

\* before revenue share

### MDA Performance Measures

* Internal Turn Around Times:	2015	2014	2013	2012
(In number of days)				
<b>Health Orders – Urban</b>	1	1	1	1
<b>Health Orders – Rural</b>	1	1	1	1
<b>Other Goods – Urban</b>	1.5	1.5	1.5	1.5
<b>Other Goods – Rural</b>	1.5	1.5	1.5	1.5
<b>MB Text Book Bureau</b>	1	1	1	1
<b>No. Sales Invoices</b>	66,739	60,509	62,446	62,709
<b>No. Inventory Items</b>	4,182	4,245	3,570	3,835

\* 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**

### **MATERIALS DISTRIBUTION AGENCY FINANCIAL STATEMENTS MARCH 31, 2015**

**MATERIALS DISTRIBUTION AGENCY**  
**(An Agency of the Government of Manitoba)**


**Management's Responsibility for Financial Reporting**

The accompanying financial statements are the responsibility of management of Materials Distribution Agency and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgments regarding all necessary estimates and all other data available as at June 9, 2015.

Management maintains internal controls to properly safeguard the assets of Materials Distribution Agency 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.

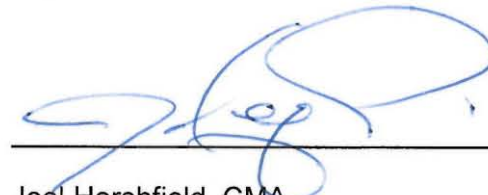
The financial statements of Materials Distribution Agency have been audited by Magnus Chartered Accountants LLP, independent external auditors. The responsibility of the auditor is to express an independent opinion on whether the financial statements of Materials Distribution Agency are fairly represented, in all material respects, in accordance with Canadian public sector accounting standards. The Independent Auditors' Report outlines the scope of the audit examination and provides the audit opinion on the financial statements.

On behalf of Management of  
Materials Distribution Agency



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David Bishop  
Chief Operating Officer



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Joel Hershfield, CMA  
Manager of Finance and Technology

## INDEPENDENT AUDITORS' REPORT

To the Special Operating Agencies Financing Authority  
and Materials Distribution Agency

### Report on the Financial Statements

We have audited the accompanying financial statements of Materials Distribution Agency, an agency of the Government of Manitoba, which comprise the statements of financial position as at March 31, 2015 and the statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Materials Distribution Agency as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

June 9, 2015  
Winnipeg, Canada

Magnus Chartered Accountants LLP

**MATERIALS DISTRIBUTION AGENCY  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

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Statement of Financial Position

(in thousands)

March 31, 2015

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	2015 Actual	2014 Actual
<b>Financial assets</b>		
Cash and cash equivalents	\$ 1,045	\$ 1,195
Accounts receivable (Note 4)	1,937	2,312
Portfolio investments	512	412
Inventories held for resale (Note 6)	1,505	1,290
	<hr/> 4,999	<hr/> 5,209
<b>Liabilities</b>		
Accounts payable and accrued liabilities	2,613	2,325
Employee future benefits (Note 7)	736	713
	<hr/> 3,349	<hr/> 3,038
<b>Net financial assets</b>	<hr/> 1,650	<hr/> 2,171
<b>Non-financial assets</b>		
Tangible capital assets (Note 8)	2,313	1,785
Prepaid expenses	242	208
	<hr/> 2,555	<hr/> 1,993
<b>Accumulated surplus</b>	<hr/> \$ 4,205	<hr/> \$ 4,164

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Designated assets (Note 9)

Commitments (Note 10)

See accompanying notes to financial statements.

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**MATERIALS DISTRIBUTION AGENCY  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

Statement of Operations

(in thousands)

Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
<b>Revenues:</b>			
Warehouse sales (Schedule 1)	\$ 14,310	\$ 14,330	\$ 12,805
Service revenue (Schedule 1)	11,309	12,006	11,594
Investment	-	5	4
	25,619	26,341	24,403
<b>Expenses:</b>			
Cost of sales	11,127	11,365	9,931
Salaries and benefits	5,538	5,084	5,031
Occupancy costs	1,023	980	1,020
Operating expenses (Schedule 2)	7,143	8,020	7,579
Administrative expenses (Schedule 2)	588	651	639
	25,419	26,100	24,200
Net income before transfer of funds to the Province of Manitoba (Note 11)	200	241	203
Transfer of funds to the Province of Manitoba (Note 11)	200	200	200
Net income for the year	-	41	3
Accumulated surplus, beginning of year	4,049	4,164	4,161
Accumulated surplus, end of year	\$ 4,049	\$ 4,205	\$ 4,164

See accompanying notes to financial statements.

**MATERIALS DISTRIBUTION AGENCY  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

Statement of Change in Net Financial Assets

(in thousands)

Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Net income for the year	\$ -	\$ 41	\$ 3
Tangible capital assets			
Acquisition of tangible capital assets	(1,035)	(1,664)	(1,027)
Disposals of tangible capital assets	-	74	
Amortization of tangible capital assets	955	1,062	1,009
Net acquisition of tangible capital assets	(80)	(528)	(18)
Other non-financial assets			
(Increase) decrease in prepaid expenses	50	(34)	56
Net acquisition of other non-financial assets	50	(34)	56
(Decrease) increase in net financial assets	(30)	(521)	41
Net financial assets, beginning of year	2,009	2,171	2,130
Net financial assets, end of year	\$ 1,979	\$ 1,650	\$ 2,171

See accompanying notes to financial statements.



**MATERIALS DISTRIBUTION AGENCY  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

Statement of Cash Flow

(in thousands)

Year ended March 31, 2015

	2015 Actual	2014 Actual
Cash provided by (applied to):		
Operating activities:		
Net income for the year	\$ 41	\$ 3
Adjustment for:		
Amortization	1,062	1,009
Gain on disposal of tangible capital assets (Note 8)	(11)	-
	1,092	1,012
Changes in the following:		
Accounts receivable	375	(430)
Inventories held for resale	(215)	63
Prepaid expenses	(34)	56
Accounts payable and accrued liabilities	288	158
Employee future benefits	23	62
Cash provided by operating activities	1,529	921
Investing activities:		
Change in portfolio investments	(100)	-
Cash (applied to) investing activities	(100)	-
Capital activities:		
Acquisition of tangible capital assets	(1,664)	(1,027)
Proceeds on disposal of tangible capital assets	85	-
Cash (applied to) capital activities	(1,579)	(1,027)
Change in cash and cash equivalents	(150)	(106)
Cash and cash equivalents, beginning of year	1,195	1,301
Cash and cash equivalents, end of year	\$ 1,045	\$ 1,195

See accompanying notes to financial statements.

**MATERIALS DISTRIBUTION AGENCY  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

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Notes to Financial Statements

(in thousands)

Year ended March 31, 2015

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**1. Nature of organization**

The Government of Manitoba established a central warehouse operation in 1974. Its mandate is 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 the 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 of Infrastructure and Transportation assigns responsibility to the Agency to manage and account for Agency-related assets and operations on behalf of the Financing Authority.

The Agency continues to be part of Manitoba Infrastructure and Transportation under the general direction of the Assistant Deputy Minister, Supply and 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 objectives.

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

**2. Basis of accounting**

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

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**MATERIALS DISTRIBUTION AGENCY  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

---

Notes to Financial Statements

(in thousands)

Year ended March 31, 2015

---

**3. Summary of significant accounting policies**

**(a) Revenue**

Warehouse sales

Revenue is recognized when the goods are shipped.

Service revenue

Service revenue is recognized when the related services are completed or substantially completed pursuant to the underlying contracts, where applicable.

Other revenue

All other revenues are recognized on an accrual basis.

**(b) Expenses**

Accrual accounting

All expenses incurred for goods and services are recognized on an accrual basis.

Government transfers

Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

**(c) Financial assets**

Cash and cash equivalents

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

Accounts receivable

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

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

Inventories for resale

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

**(d) 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 which will result in the future transfer or use of assets or other form of settlement. Liabilities are recognized when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

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**MATERIALS DISTRIBUTION AGENCY  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

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Notes to Financial Statements

(in thousands)

Year ended March 31, 2015

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

**(e) Non-financial assets**

Tangible capital assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs. The costs of tangible capital assets, less any residual value, are amortized over their estimated 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
Production equipment	20% declining balance
Rental equipment	2 - 5 years straight line
Warehouse equipment	20% declining balance

Prepaid expenses

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

**(f) Financial instruments - measurement**

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

The Agency records its financial assets at cost. Financial assets include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost. Financial liabilities include accounts payable and accrued liabilities.

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. Gains and losses on financial instruments measured at fair value, if any, are recorded in accumulated surplus as 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.

**(g) Measurement uncertainty**

The preparation of financial statements in accordance with Canadian public sector accounting standards 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 may differ from these estimates.

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**MATERIALS DISTRIBUTION AGENCY  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

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Notes to Financial Statements

(in thousands)

Year ended March 31, 2015

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**4. Accounts receivable**

Accounts receivable as at March 31 is comprised of the following

	2015	2014
Trade accounts receivables	\$2,002	\$2,377
Allowance for doubtful accounts	(65)	(65)
	<u>\$1,937</u>	<u>\$2,312</u>

**5. Working capital advances**

The Special Operating Agencies Financing Authority has provided the Agency with an authorized line of working capital of \$1,000 of which \$nil was used at March 31, 2015 (2014 - \$nil).

**6. Inventories held for resale**

	2015	2014
Medical supplies	\$642	\$563
Health Equipment	148	107
Stationary	508	402
Janitorial	203	215
Furniture	4	3
	<u>\$1,505</u>	<u>\$1,290</u>

**7. Employee future benefits**

	2015	2014
Severance benefits	\$666	\$643
Sick pay benefits	70	70
	<u>\$736</u>	<u>\$713</u>

**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. 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.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province 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 2015 was \$306 (2014 - \$284). Under this agreement, the Agency has no further pension liability.

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**MATERIALS DISTRIBUTION AGENCY  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

Notes to Financial Statements

(in thousands)

Year ended March 31, 2015

**7. Employee future benefits (continued)**

**Severance benefits**

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of the severance pay benefit obligation 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 actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life (EARSL) of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2015 is \$666 (2014 - \$643), with the total net actuarial losses of \$38 (2014 - \$23) based on the completed actuarial reports being amortized over the 15 year EARSL of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2015 present value of the accrued severance benefit liability, are:

Annual rate of return	
Inflation component	2.00%
Real rate of return	4.00%
	6.00%
Assumed salary increase rates	
Annual productivity increase	1.00%
Annual general salary increase	2.75%
	3.75%

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

	2015	2014
Accrued benefit liability, beginning of year	\$649	\$588
Actuarial losses	15	-
Current service costs	30	22
Interest on accrued severance benefits	40	39
Severance benefits paid during the year	(49)	-
Accrued benefit liability, end of year	685	649
Less: unamortized actuarial losses	(19)	(6)
Severance benefit liability, end of year	\$666	\$643

**MATERIALS DISTRIBUTION AGENCY  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

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Notes to Financial Statements

(in thousands)

Year ended March 31, 2015

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**7. Employee future benefits (continued)**

The total expense related to severance benefits for the year ended March 31 includes the following components:

	2015	2014
Interest on accrued severance benefits	\$40	\$39
Current period service cost	30	22
Amortization of actuarial losses over EARS L	3	1
<b>Total expense related to severance benefits</b>	<b>\$73</b>	<b>\$62</b>

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**Sick pay benefits**

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit liability related to sick leave entitlements 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, 2015 based on the valuation model is \$70 (2014 - \$70). The increase (decrease) in the sick leave benefit liability of \$nil (2014 - \$nil) represents the total sick leave benefit expense (recovery) for the year.

**MATERIALS DISTRIBUTION AGENCY  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

Notes to Financial Statements

(in thousands)

Year ended March 31, 2015

**8. Tangible capital assets**

	2015			Closing Balance
	Opening Balance	Additions	Disposals	
<b>Cost</b>				
Computer equipment	\$275	\$4	\$ -	\$279
Furniture and fixtures	165	-	-	165
Leasehold improvements	882	260	-	1,142
Office equipment	64	-	-	64
Production equipment	323	219	-	542
Rental equipment	11,487	998	(74)	12,411
Warehouse equipment	1,119	183	-	1,302
	<b>\$14,315</b>	<b>\$1,664</b>	<b>\$(74)</b>	<b>\$15,905</b>
<b>Accumulated amortization</b>				
Computer equipment	\$(238)	\$(7)	\$ -	\$(245)
Fixtures	(153)	(9)	-	(162)
Leasehold improvements	(822)	(41)	-	(863)
Office equipment	(64)	-	-	(64)
Production equipment	(293)	(27)	-	(320)
Rental equipment	(10,131)	(902)	-	(11,033)
Warehouse equipment	(829)	(76)	-	(905)
Total accumulated amortization	<b>\$(12,530)</b>	<b>\$(1,062)</b>	<b>\$ -</b>	<b>\$(13,592)</b>
<b>Net book value</b>	<b>\$1,785</b>	<b>\$602</b>	<b>\$(74)</b>	<b>\$2,313</b>

During the year ended March 31, 2015, rental equipment with a net book value of \$74 was sold for proceeds of \$85 resulting in a gain on disposal of tangible capital assets of \$11 included in total health equipment sales during the year (2014 - \$nil).



**MATERIALS DISTRIBUTION AGENCY  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

Notes to Financial Statements

(in thousands)

Year ended March 31, 2015

**8. Tangible capital assets (continued)**

	<u>2014</u>			
	Balance	Opening Additions	Disposals	Closing Balance
<b>Cost</b>				
Computer equipment	\$598	\$13	\$(336)	\$275
Furniture and fixtures	164	1	-	165
Leasehold improvements	854	28	-	882
Office equipment	64	-	-	64
Production equipment	288	35	-	323
Rental equipment	10,581	906	-	11,487
Warehouse equipment	1,075	44	-	1,119
	\$ 13,624	\$ 1,027	\$ (336)	\$ 14,315
<b>Accumulated amortization</b>				
Computer equipment	\$ (567)	\$ (7)	\$ 336	\$ (238)
Furniture and fixtures	(143)	(10)	-	(153)
Leasehold improvements	(797)	(25)	-	(822)
Office equipment	(64)	-	-	(64)
Production equipment	(288)	(5)	-	(293)
Rental equipment	(9,224)	(907)	-	(10,131)
Warehouse equipment	(774)	(55)	-	(829)
Total accumulated amortization	\$ (11,857)	\$ (1,009)	\$ 336	\$ (12,530)
<b>Net book value</b>	\$ 1,767	\$ 18	\$ -	\$ 1,785

**9. Designated assets**

The Agency has allocated \$412 (2014 - \$412) of its portfolio investments as designated assets for cash received from the Province of Manitoba for vacation entitlements earned by employees of the Agency prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. Any unused balance is re-invested annually.

**10. Commitments**

Rental agreement

The Agency leases space from the Province of Manitoba on a monthly basis for the following locations: 450 Broadway, Winnipeg, MB; 340 - 9th Street, Brandon, MB; and 25 Tupper Street, Portage La Prairie, MB. Occupancy charges for the year ended March 30, 2016 are estimated to be \$10 (2015 actual - \$10).

**11. Transfer of funds to the Province of Manitoba**

During the year ended March 31, 2015, with Lieutenant-Governor approval by Order in Council, the Agency transferred \$200 (2014 - \$200) of its surplus funds to the Province of Manitoba.

**MATERIALS DISTRIBUTION AGENCY  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

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Notes to Financial Statements

(in thousands)

Year ended March 31, 2015

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**12. Financial instruments and financial risk management**

The Agency does not have any significant financial instruments subsequently measured at fair value or denominated in a foreign currency therefore the Agency did not incur any remeasurement gains or losses during the year (2014 - \$nil).

**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.

**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 principally of cash and cash equivalents, accounts receivable and portfolio investments.

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

	2015	2014
Cash and cash equivalents	\$ 1,045	\$ 1,195
Accounts receivable	1,937	2,312
Portfolio Investments	512	412
	\$ 3,494	\$ 3,919

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Cash and cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as these amounts are 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 this 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, 2015 is \$65 (2014 - \$65) with changes to the allowance for doubtful accounts during the year ended March 31 as follows:

	2015	2014
Balance, beginning of the year	\$ 65	\$ 93
Provision for receivable impairment	-	-
Reversals of previously recognized impairments	-	(28)
Amounts written off during the year	-	-
Balance, end of the year	\$ 65	\$ 65

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**MATERIALS DISTRIBUTION AGENCY  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

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Notes to Financial Statements

(in thousands)

Year ended March 31, 2015

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**12. Financial instruments and financial risk management (continued)**

The aging of accounts receivable and the related allowance for doubtful accounts at March 31, 2015 is as follows:

	Accounts Receivable	Allowance	Net
Current	\$ 1,819	\$ -	\$ 1,819
30-60 days past the billing date	111	-	111
61-90 days past the billing date	57	(50)	7
90 days past the billing date	15	(15)	-
	<u>\$ 2,002</u>	<u>\$ (65)</u>	<u>\$ 1,937</u>

**Liquidity Risk**

Liquidity risk is the risk that the Agency will not be able 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.

**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 value of its financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow 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.

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 significant financial instruments denominated in a foreign currency.

**13. Comparative information**

Certain of the amounts from the year ended March 31, 2014 have been reclassified to conform with the financial statement presentation adopted in the current year.

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**MATERIALS DISTRIBUTION AGENCY  
AN AGENCY OF THE PROVINCIAL GOVERNMENT  
PROVINCE OF MANITOBA**

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Schedule of Warehouse Sales and Service Revenue

(in thousands)

Years ended March 31, 2015

Schedule 1

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	2015	2014
Warehouse sales:		
Medical supplies	\$ 5,994	\$ 4,945
Stationery	4,327	4,361
Furniture	618	544
Janitorial	2,189	2,270
Health equipment	1,072	575
Special projects	130	110
	<hr/>	<hr/>
	\$ 14,330	\$ 12,805
Service revenue:		
Disposal	\$ 36	\$ 9
Manitoba Textbook Bureau	290	289
Freight	804	728
Moving	537	695
Storage	408	462
Vaccine program	583	543
Office equipment - copy centres	11	11
Mail services	5,541	5,284
Home care equipment rentals	3,583	3,406
Other income	213	167
	<hr/>	<hr/>
	\$ 12,006	\$ 11,594

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Schedule of Operating and Administrative Expenses

(in thousands)

Years ended March 31, 2015

Schedule 2

	2015	2014
<b>Operating expenses:</b>		
Amortization	\$ 1,062	\$ 1,009
Bad debts (recovery)	-	(28)
Copy centre	7	11
Equipment rentals	162	135
Freight	1,755	1,564
Mail services	4,322	4,090
Moving	402	536
Vehicle	130	119
Warehouse supplies	180	143
	<b>\$ 8,020</b>	<b>\$ 7,579</b>
<b>Administrative expenses:</b>		
Computer	\$ 193	\$ 245
Miscellaneous	14	12
Office	291	236
Professional fees	12	12
Promotion and marketing	50	64
SOAFA fees	2	2
Telephone	78	64
Training	11	4
	<b>\$ 651</b>	<b>\$ 639</b>