

30th

Annual REPORT 2022–2023

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Winnipeg, MB R3H 1H3
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mdamarketing@gov.mb.ca

An Agency of the
Manitoba Government



Indigenous Land Acknowledgement

We recognize that Manitoba is on the Treaty Territories and ancestral lands of the Anishinaabeg, Anishininewuk, Dakota Oyate, Denesuline and Nehethowuk peoples.

We acknowledge Manitoba is located on the Homeland of the Red River Métis.

We acknowledge northern Manitoba includes lands that were and are the ancestral lands of the Inuit.

We respect the spirit and intent of Treaties and Treaty Making and remain committed to working in partnership with First Nations, Inuit and Métis people in the spirit of truth, reconciliation and collaboration.

Reconnaissance du territoire

Nous reconnaissons que le Manitoba se trouve sur les territoires visés par un traité et sur les terres ancestrales des peuples anishinaabeg, anishininewuk, dakota oyate, denesuline et nehethowuk.

Nous reconnaissons que le Manitoba se situe sur le territoire des Métis de la rivière Rouge. Nous reconnaissons que le nord du Manitoba comprend des terres qui étaient et sont toujours les terres ancestrales des Inuits.

Nous respectons l'esprit et l'objectif des traités et de la conclusion de ces derniers.

Nous restons déterminés à travailler en partenariat avec les Premières Nations, les Inuits et les Métis dans un esprit de vérité, de réconciliation et de collaboration.

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MINISTER'S LETTER OF TRANSMITTAL



**MINISTER
OF CONSUMER PROTECTION AND GOVERNMENT SERVICES**

Room 343
Legislative Building
Winnipeg, Manitoba R3C 0V8
CANADA

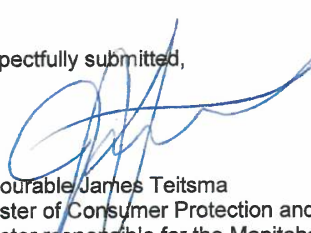
August 30, 2023

Her Honour the Honourable Anita R. Neville, P.C., O.M.
Lieutenant-Governor of Manitoba
Room 235, Legislative Building
Winnipeg, MB R3C 0V8

May it Please Your Honour:

I have the privilege of presenting, for the information of Your Honor, the Annual Report of the Materials Distribution Agency (MDA) for the fiscal year ended March 31, 2023.

Respectfully submitted,



Honourable James Teitsma
Minister of Consumer Protection and Government Services
Minister responsible for the Manitoba public service
Minister responsible for the Public Utilities Board

DEPUTY MINISTER'S LETTER OF TRANSMITTAL



Consumer Protection and Government Services

Deputy Minister

Room 349, Legislative Building, Winnipeg, Manitoba, Canada R3C 0V8

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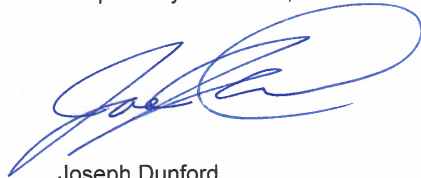
August 30, 2023

The Honourable James Teitsma
Minister of Consumer Protection and Government Services
Room 343, Legislative Building
Winnipeg Manitoba R3C 0V8

Sir:

I am pleased to present for your approval the 2022/23 Annual Report of the Materials Distribution Agency (MDA).

Respectfully submitted,



Joseph Dunford
Deputy Minister of Consumer Protection and Government Services

CHIEF OPERATING OFFICER'S LETTER OF TRANSMITTAL

August 22, 2023

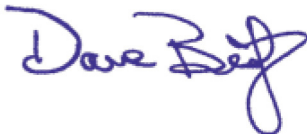
To Our Valued MDA Stakeholders:

I have the honour to present the Agency's 30th Annual Report as a Special Operating Agency.

Looking back over the year, MDA has been streamlining operations to align with provincial objectives and to bring value for government programs. The Agency has adopted a focus on continuous improvement in all areas which will help achieve these goals.

I look forward to what the new year will bring for the Agency. I would like to thank all of MDA's partners who work diligently providing Manitobans with essential services and acknowledge the staff at MDA for their commitment over the past year.

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

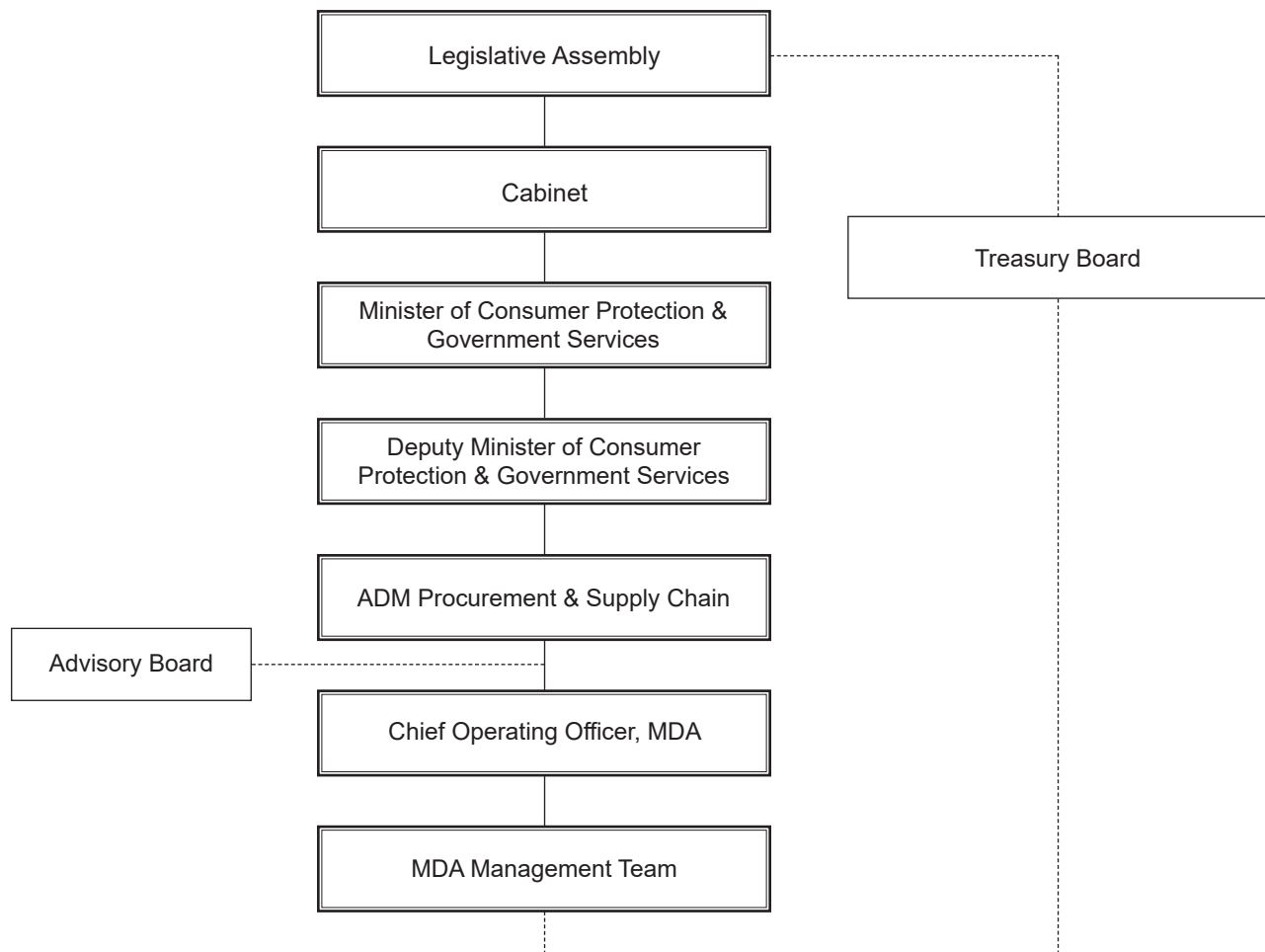
STRUCTURE FOR OPERATIONS

Accountability Structure

Within Manitoba Consumer Protection and Government Services, MDA reports directly to the Assistant Deputy Minister of Procurement and Supply Chain and is held accountable to the Deputy Minister and Minister of Consumer Protection and Government Services for operational and financial performance. MDA is a reporting organization that is consolidated annually as part of the Province of Manitoba Public Accounts.

The Agency has governance and accountability substantiated by MDA's compliance with its Operating Charter, Transfer Agreement, Management Agreement and applicable General Manual of Administration policies. Financial and operational information and requirements are disseminated to and from Treasury Board through the Treasury Board Secretariat.

The Accountability Structure chart presented below outlines the current structure:





Advisory Board

The Advisory Board for 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, management issues of concern, and on short and long term strategic planning.

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	481
Janitorial Supplies	358
Medical Supplies	674
Home Care Equipment	280
Publications	13
Sub-total Line Items	2,806
PPE Supplies	1,430
Total Line Items	4,236

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 favorable growth for the Agency. Key distribution services include:

Janitorial products

- Wide range of janitorial items (currently 358 products)
- 219 products are environmentally friendly (increasing annually)
- 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

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

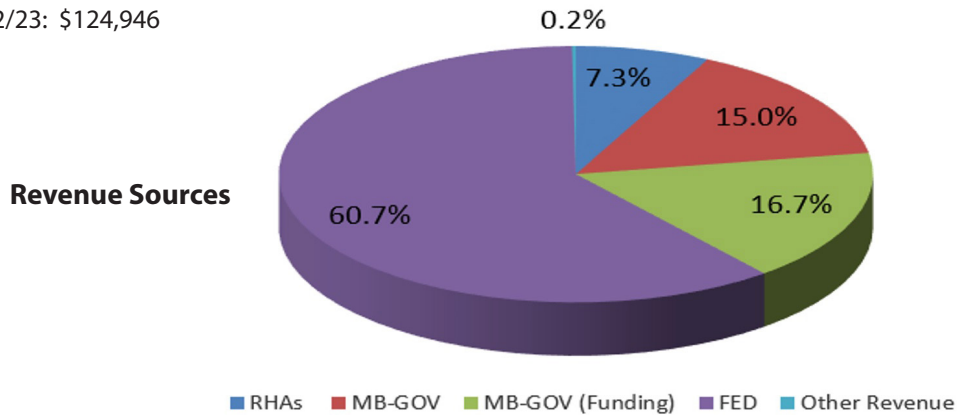
- Distribution of vaccines throughout the province on behalf of Manitoba Health, Seniors and Active Living. These vaccines must be maintained between 2 and 8 degrees Celsius at all times until consumed by the end user.
- MDA is the first provincial entity to achieve GMP certification through Health Canada
- 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 2022/23: \$124,946



WAREHOUSE PRODUCTS – DISTRIBUTION INFORMATION

Number of Orders	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Warehouse Orders - Regular	40,262	45,692	49,600	46,000	45,800	45,200
Warehouse Orders - Pandemic	13,688	22,264	—	—	—	—
Equipment Orders	23,153	23,104	21,646	21,240	19,985	22,504
Mail Finishing Jobs	5,803	6,381	5,613	3,905	3,316	3,761
Vaccine Orders - Regular	10,859	7,058	7,944	7,083	7,249	7,380
Vaccine Orders - Pandemic	10,054	12,695	—	—	—	—
Federal Mail Processed (pieces)	0.70 million	0.81 million	0.98 million	1.16 million	1.30 million	1.40 million
Inter-Departmental Mail (pieces)	136,359	138,649	152,800	207,400	241,250	192,500
Payroll Advice Letters	179,359	75,706	89,612	84,500	92,000	105,800
Moves	360	139	113	788	672	776

Distribution of Products	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Winnipeg	67%	59%	58%	55%	54%	55%
Rural	33%	41%	42%	45%	46%	44%

Delivery of Winnipeg Orders	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Regular (2 days)	96%	96%	95%	97%	96%	95%
Same day	2%	3%	3%	2%	2%	2%
Pickup	1%	1%	2%	1%	2%	3%

2021/22 PROJECTS AND ACTIVITY STATUS HIGHLIGHTS

1. Human Resources Overview

MDA has identified many areas internally that need to be improved through management recommendations, government initiatives and employee suggestions. This section will comprise MDA's strategic human resource plan, tracking mechanisms and reporting.

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 first quarter. Results were communicated to the Agency.
- MDA passed the safety audit and has made corrections resulting from the audit.
- MDA's Safety Committee meets quarterly to address any issues.

Communication Improvements

Communication remains a concern for the Agency.

1. Hold a minimum of 10 meetings for each MDA area in the 2022/23 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	1	3	3	10
Contracts & Purchasing	10/yr	3	1	3	3	9
Warehouse – Distribution	10/yr	3	2	3	3	10
Warehouse – Mail Services	10/yr	3	1	3	3	8
Finance & IT	10/yr	3	1	3	3	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 conducted in the third quarter. MDA participated in the department employee survey in May 2022.

3. Hold two meetings with all staff in fiscal year 2022/23 to update staff on business initiatives, new policies, MDA's financial situation and answer questions.

Strategy results:

- The COO conducted a meeting with the entire Agency at the Employee Appreciation awards in June and another one in December

Staff Newsletter

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

Strategy results:

- Newsletters were distributed each quarter.

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 a 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:

- All wellness activities were postponed due to COVID.

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.

Pandemic PPE and Critical Supplies

Since March 2020, MDA has been heavily involved in the Provincial pandemic plan. This includes warehousing and distribution of critical PPE and other related supplies throughout the province. This work continued in fiscal year 2022/23. This includes a strategic plan to identify products, which will be required in the future and which ones will not.

Strategy results:

- MDA has identified all products which will be required in the future
- The Agency is submitting disposal quantities and costs in the 24/25 estimates

Manitoba Emergency Response Warehouse (MERW)

MDA will be heavily involved in the set-up and execution of the MERW to ensure that the Province will have a rotating pandemic stockpile as a risk reduction measure for future emergencies. This will be determined during fiscal year 2023/24 with set-up transitioning.

Strategy results:

- The MERW is operating with Shared Health ordering normal volumes to rotate the stockpile
- Committees have been determined and will begin meeting in fiscal year 23/24

COVID vaccine and supplies

MDA has a strong partnership with Manitoba Health through the Provincial Vaccine Program. Distribution of COVID vaccines is the focus for 2023/24. This will involve:

- Seven new vaccines distributed through five channels with multiple storage and shipping requirements
- Distribution of all ancillary supplies for vaccinations (e.g. syringes, needles, sharps containers)
- Distribution of rapid COVID test kits to locations throughout the province

Strategy results:

- A new vaccine agreement was finalized with Manitoba Health for the delivery of all vaccines (including COVID)
- The delivery of vaccine supplies and COVID test kits were stopped in the fourth quarter

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. Significant changes within the federal government have put this project on hold. 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:

- This project is on hold and will be revisited in 2023/24 with the potential of merging the programs

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

Business Line Reviews

MDA will conduct a business review in fiscal year 2023/24 for the Mail Services and Janitorial business lines. The review will focus on value for money, risk to provincial government entities, financial/competitor analysis and potential efficiencies. MDA will transition out of the stationary business line in early 2023/24.

Strategy results:

- Ongoing

Development of Formal Strategic Planning

MDA will develop a formal strategic planning process that will align with department and provincial priorities. This process will flow into development of MDA's annual estimates, business plan and annual report.

Strategy results:

- All MDA planning aligns with provincial priorities

Operational Excellence (OpEx)

The Agency has a commitment to improve all areas of operations. OpEx is a Six Sigma based continuous improvement program that drives all staff to make improvements to operations in order to increase value for client programs. The first group through this program was the Medical Equipment area. Training began in October 2019 and was put on hold due to the pandemic and is expected to begin again in fiscal year 24/25. MDA will track improvements and report on the savings.

Strategy results:

- The MDA COO and Client Service manager completed Yellow belt certification
- OpEx is on hold due other priorities for programs. Expectations are that this will start up in 2024/25

Warehouse Automation

MDA completed investigation into automated technologies to meet the every changing distribution and client demands. The Agency submitted this project to the Provincial Idea Fund. MDA has determined that the ROI for automation is feasible. The development of a negotiable RFP has commenced. Implementation of this project will begin in early fiscal 2021. This will meet demands of service expectation and bring increased value for MDA's clients.

Strategy results:

- Tendering of a consultant to provide a feasibility report on automation options and return on investment was completed in the fourth 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:

- KPI's will be derived from the Operational Excellence objectives and data once this program resumes in 24/25

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 onboarding strategy. Each area has customized the orientation checklist for the unique requirements of their areas

FINANCIAL OVERVIEW

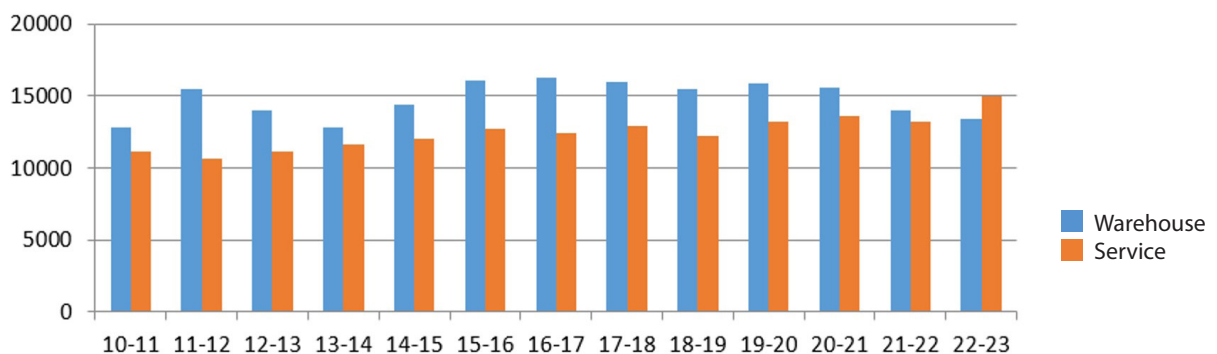
Review of Operations

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 loss of \$60,076 compared to a projected income of \$31,030 for the year ended March 31, 2023. The deficit is due to pandemic inventories received in prior years but distributed this year.

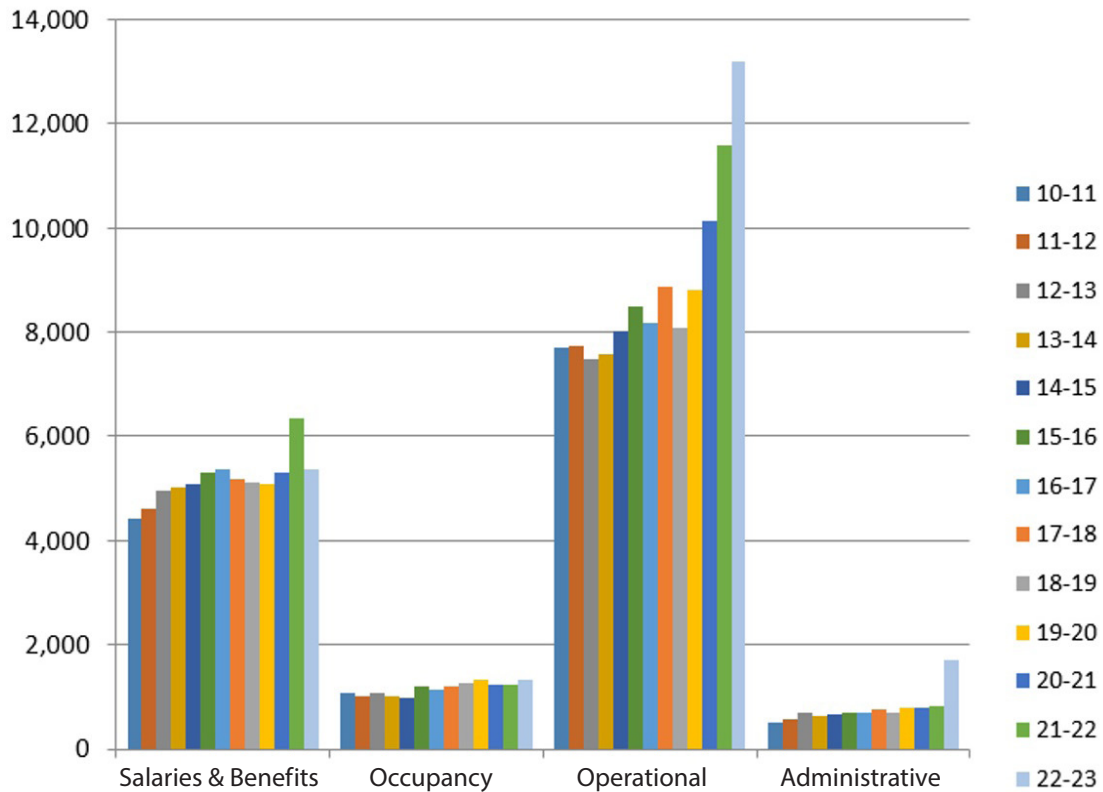
	2022-23 Actual	2022-23 Budget	Actual vs. Budget	2021-22 Actual	Actual vs. Actual
Warehouse Sales	13,364	14,481	(1,127)	13,932	(568)
Service Revenue	14,941	12,610	2,331	13,176	1,765
Pandemic Grants	21,514	—	21,514	126,504	(104,900)
Donated Inventories	75,851	74,240	1,611	188,884	(113,033)
Total Revenue	125,670	101,341	24,329	342,496	(216,826)
Salaries & Benefits	5,362	5,520	(158)	6,354	(992)
Cost of Sales	164,161	54,306	109,855	170,772	(6,611)
Occupancy Costs	1,315	1,061	254	1,246	69
Operational Costs	13,197	8,745	4,452	11,588	1,609
Administrative Cost	1,711	679	1,032	787	924
Total Expenses	185,746	70,311	115,435	190,747	(5,001)
Net Income/(loss)	(60,076)	31,030	(91,106)	151,749	(211,825)

Sales and Revenue (\$000)



Note: Sales and revenue exclude grants from the Federal and Provincial Government

Expenses



Note: Expenses include additional operating cost for pandemic supplies

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	2023	2022	2021	2020	2019
Return on Total Revenue*	-47.8	8.6%	9.5%	2.8%	1.6%
Days Sales in Receivables*	51.3	38.0	35.2	37.3	34.3
Inventory Turnover	9 times	6.9 times	7.7 times	8.5 times	8.05 times

* 2022 and 2021 exclude transfer of government grants for pandemic inventories but expenditures include pandemic expenses.





APPENDIX A

MATERIALS DISTRIBUTION AGENCY

Financial Statements
For the year ended March 31, 2023

MATERIALS DISTRIBUTION AGENCY

Financial Statements

For the year ended March 31, 2023

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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 sector 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



David Bishop, Chief Operating Officer

September 19, 2023



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BDO Canada LLP
201 Portage Avenue, 26th Floor
Winnipeg MB R3B 3K6 Canada

Independent Auditor's Report

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, 2023, 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, 2023, 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.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
September 19, 2023

MATERIALS DISTRIBUTION AGENCY
Statement of Financial Position
(in thousands)

March 31	2023	2022
Financial Assets		
Cash and bank	\$ 1,977	\$ 5,495
Accounts receivable (Note 5)	5,290	2,660
Inventories for resale (Note 7)	1,377	1,272
Inventories for distribution at no charge (Note 8)	189,761	249,056
	198,405	258,483
Liabilities		
Accounts payable and accrued liabilities	4,811	5,911
Employee future benefits (Note 9)	940	854
Deferred revenue	137	426
	5,888	7,191
Net financial assets	192,517	251,292
Non-financial Assets		
Tangible capital assets (Note 10)	7,799	7,780
Prepaid expenses	175	1,495
	7,974	9,275
Accumulated surplus	\$ 200,491	\$ 260,567

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

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

For the year ended March 31	2023	2023	2022
	Budget (Note 11)	Actual	Actual
Revenue			
Warehouse sales (Schedule 1)	\$ 14,491	\$ 13,364	\$ 13,932
Services revenue (Schedule 1)	12,610	14,941	13,176
Province of Manitoba			
Pandemic Support Grant	-	20,920	126,503
Other Grant	-	594	-
Donated inventories (Note 8)			
Government of Canada	74,240	75,851	188,884
	101,341	125,670	342,495
Expenses			
Cost of sales	54,306	164,161	170,770
Occupancy costs	1,061	1,315	1,246
Operating expenses (Schedule 2)	8,745	13,197	11,588
Administrative expenses (Schedule 2)	679	1,711	835
Salaries and benefits	5,520	5,362	6,354
	70,311	185,746	190,793
Annual surplus (deficiency)	31,030	(60,076)	151,702
Accumulated surplus, beginning of year	112,857	260,567	108,865
Accumulated surplus, end of year	\$ 143,887	\$ 200,491	\$ 260,567

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

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

For the year ended March 31	2023	2023	2022
	Budget <i>(Note 11)</i>	Actual	Actual
Annual surplus (deficiency)	\$ 31,030	\$ (60,076)	\$ 151,702
Tangible Capital Assets			
Acquisition of tangible capital assets	-	(2,790)	(2,159)
Loss (gain) on disposal of tangible capital assets	-	(2)	15
Proceeds from disposal of tangible capital assets	-	16	-
Amortization of tangible capital assets	-	2,757	2,680
Net change in tangible capital assets	-	(19)	536
Other Non-financial Assets			
Decrease (increase) in prepaid expenses	-	1,320	(1,383)
Change in net financial assets	31,030	(58,775)	150,855
Net financial assets, beginning of year	251,292	251,292	100,437
Net financial assets, end of year	\$ 282,322	\$ 192,517	\$ 251,292

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

MATERIALS DISTRIBUTION AGENCY
Statement of Cash Flows
(in thousands)

For the year ended March 31	2023	2022
Cash provided by (applied to):		
Cash Flows from Operating Activities		
Annual surplus (deficiency)	\$ (60,076)	\$ 151,702
Amortization of tangible capital assets	2,757	2,680
Loss (gain) on disposal of tangible capital assets	(2)	15
	<u>(57,321)</u>	<u>154,397</u>
Changes in non-cash working capital balances		
Accounts receivable	(2,630)	321
Inventories for resale	(105)	451
Inventories for distribution at no charge	59,295	(148,850)
Prepaid expenses	1,320	(1,383)
Accounts payable and accrued liabilities	(1,100)	2,382
Deferred revenue	(289)	-
Employee future benefits	86	22
	<u>(744)</u>	<u>7,340</u>
Cash Flows used in Capital Activities		
Acquisition of capital assets	(2,790)	(2,159)
Proceeds on disposal of tangible capital assets	16	-
	<u>(2,774)</u>	<u>(2,159)</u>
Increase (decrease) in cash and bank	(3,518)	5,181
Cash and bank, beginning of year	5,495	314
Cash and bank, end of year	\$ 1,977	\$ 5,495

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

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

For the year ended March 31, 2023

1. Nature of the 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 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 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 now part of the Consumer Protection and Government Services Department under the general direction of the Assistant 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 public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board.

MATERIALS DISTRIBUTION AGENCY
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2023

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) Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled. Contributed assets are recorded at their fair value on the date of contribution, except in unusual circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

Expenses

- (d) All expenses incurred for goods and services are recorded on an accrual basis.
- (e) Government transfers, including non-monetary transfers of inventory, are recognized as expenditures in the period in which the transfers are authorized and all eligibility criteria have been met.

Financial Assets

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.

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

Inventories for distribution at no charge are recorded at the lower of cost or current replacement cost.

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.

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

For the year ended March 31, 2023

3. Significant Accounting Policies (continued)

Employee Future Benefits

- i. The Agency's employees belong to the Province of Manitoba's Civil Service Superannuation Fund (Superannuation Fund), which is a multi-employer joint trustee plan. The Superannuation Fund is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years.

The joint trustee board of the Superannuation Fund determines the required contribution rates.

The Agency's contribution to the Superannuation Fund is recorded as an expense for the year.

- ii. The cost of severance obligations is determined using the annual actuarial report. Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are determined by an actuary using the projected benefit method and reflect management's best estimates of the length of service, salary increases and ages at which employees will retire. Actuarial gains and losses are recognized over the expected remaining service life.
- iii. The cost of non-vested sick leave benefits is determined by an estimation of the number of days earned during the year that will be used in future periods in excess of annual entitlement.

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.

MATERIALS DISTRIBUTION AGENCY
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2023

3. Significant Accounting Policies (continued)

Measurement Uncertainty

The preparation of financial statements in accordance with PSAS 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. Amounts subject to significant measurement uncertainty include donated inventories. 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 bank 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. Given the nature of the Agency's financial instruments measured at fair value, no statement of remeasurement gains and losses is presented.

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; and, interest rate risk.

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

For the year ended March 31, 2023

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 bank and accounts receivable.

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

	<u>2023</u>		<u>2022</u>
Cash and cash equivalents	\$ 1,977	\$	5,495
Accounts receivable	<u>5,290</u>		<u>2,660</u>
	<u>\$ 7,267</u>	\$	<u>8,155</u>

Cash and bank: The Agency is not exposed to significant credit risk as the cash and bank is 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 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, 2023 is \$95 (\$95 in 2022).

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.

MATERIALS DISTRIBUTION AGENCY
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2023

4. Financial Instruments and Financial Risk Management (continued)

Market Risk

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

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 bank. The risk is considered to be low because of the short-term nature of cash and bank.

5. Accounts Receivable

	2023	2022
Trade accounts receivable	\$ 5,385	\$ 2,755
Less: Allowance for doubtful accounts	(95)	(95)
	\$ 5,290	\$ 2,660

6. Working Capital Advances

The Special Operating Agencies has provided the Agency with an authorized line of working capital of \$1,200 (\$1,200 in 2022) of which \$NIL was used at March 31, 2023 (\$NIL in 2022).

7. Inventories for Resale

	2023	2022
Medical supplies	\$ 766	\$ 739
Janitorial	375	242
Stationery	104	100
Health equipment	113	182
Special projects	18	8
Furniture	1	1
	\$ 1,377	\$ 1,272

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

For the year ended March 31, 2023

8. Inventories for Distribution at no Charge

Inventories for distribution at no charge represent personal protective equipment (PPE) and vaccine supplies that were transferred at no cost from the Provincial and Federal Governments. These transfers were accounted for as government transfers and will be distributed to the end users at no charge.

9. 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 2023 was \$350 (\$294 in 2022). 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.

An actuarial report was completed for the severance pay liability as of December 31, 2019. 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, 2023 is \$821 (\$784 in 2022). The actuarial loss of \$67 (\$70 in 2022) based on actuarial reports is being amortized over the 15 year expected average remaining service life (EARSL) of the employee group.

MATERIALS DISTRIBUTION AGENCY
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2023

9. Employee Future Benefits (continued)

Significant long-term actuarial assumptions used in the December 31, 2019 valuation, and in the determination of the March 31, 2023 present value of the accrued severance benefit obligations are:

Annual rate of return	3.20 %
Assumed salary increase rate:	
Annual productivity increase	1.00 %
Annual general salary increase	2.50 %
	3.50 %

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

	2023	2022
Accrued benefit liability		
Balance, beginning of year	\$ 854	\$ 837
Interest on accrued severance benefits	27	26
Service costs	42	38
Severance paid	(35)	(47)
Balance, end of year	888	854
Less unamortized actuarial losses	(67)	(70)
Severance benefit liability	\$ 821	\$ 784

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

	2023	2022
Interest on accrued severance benefits	\$ 27	\$ 26
Current period service cost	42	38
Amortization of actuarial losses over EARSL	3	5
Total expense related to severance benefit	\$ 72	\$ 69

MATERIALS DISTRIBUTION AGENCY
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2023

9. 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 3.20% annual return and a 3.75% annual salary increase. The Agency's sick leave benefit liability as at March 31, 2023 based on the valuation model is \$119 (\$70 in 2022). The increase (decrease) in sick leave benefit liability of \$49 (\$NIL in 2022) represents the total sick leave benefit expense (recovery) for the year.

10. Tangible Capital Assets

	2023			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment	\$ 313	\$ -	\$ -	\$ 313
Furniture and fixtures	165	-	-	165
Leasehold improvements	2,123	87	-	2,210
Office equipment	70	-	-	70
Mail finishing equipment	542	-	-	542
Rental equipment	21,638	2,698	14	24,322
Warehouse equipment	2,927	5	-	2,932
	27,778	2,790	14	30,554
Accumulated Amortization				
Computer equipment	286	-	-	286
Furniture and fixtures	164	-	-	164
Leasehold improvements	1,281	237	-	1,518
Office equipment	64	-	-	64
Mail finishing equipment	473	7	-	480
Rental equipment	16,221	2,269	-	18,490
Warehouse equipment	1,509	244	-	1,753
	19,998	2,757	-	22,755
Net book value	\$ 7,780	\$ 33	\$ 14	\$ 7,799

During the year ended March 31, 2023, tangible capital assets disposed of totaled \$14, \$16 was received as proceeds from these disposals resulting in a total gain on disposal of \$2.

MATERIALS DISTRIBUTION AGENCY
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2023

10. Tangible Capital Assets (continued)

	2022			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment	\$ 313	\$ -	\$ -	\$ 313
Furniture and fixtures	165	-	-	165
Leasehold improvements	1,982	141	-	2,123
Office equipment	70	-	-	70
Mail finishing equipment	542	-	-	542
Rental equipment	19,865	1,788	15	21,638
Warehouse equipment	2,697	230	-	2,927
	<u>25,634</u>	<u>2,159</u>	<u>15</u>	<u>27,778</u>
Accumulated Amortization				
Computer equipment	286	-	-	286
Furniture and fixtures	164	-	-	164
Leasehold improvements	1,087	194	-	1,281
Office equipment	64	-	-	64
Mail finishing equipment	465	8	-	473
Rental equipment	14,011	2,210	-	16,221
Warehouse equipment	1,241	268	-	1,509
	<u>17,318</u>	<u>2,680</u>	<u>-</u>	<u>19,998</u>
Net book value	<u>\$ 8,316</u>	<u>\$ (521)</u>	<u>\$ 15</u>	<u>\$ 7,780</u>

During the year ended March 31, 2022, tangible capital assets disposed of totaled \$15, and there were no proceeds from these disposals resulting in a total loss on disposal of \$15.

11. Budget

The budget figures are presented for comparative purposes.

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

For the year ended March 31	2023	2022
Warehouse Sales		
Medical supplies	\$ 8,002	\$ 7,268
Janitorial	2,762	2,770
Stationery	519	1,737
Health equipment	2,065	2,107
Furniture	-	5
Special projects	16	45
	\$ 13,364	\$ 13,932
Services Revenue		
Mail service	\$ 5,416	\$ 4,796
Equipment rentals	6,085	5,721
Freight	1,769	1,377
Vaccine program	694	694
Storage	28	236
Manitoba Textbook Bureau	-	109
Other revenues and recoveries	168	104
Moving	651	124
Disposal service	130	15
	\$ 14,941	\$ 13,176

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

For the year ended March 31	2023	2022
Operating Expenses		
Mail services	\$ 5,055	\$ 3,688
Freight	3,037	2,750
Amortization	2,757	2,680
Moving expenses	583	194
Equipment rentals	304	244
Warehouse supplies	1,276	1,714
Vehicle	185	318
	<hr/>	<hr/>
	\$ 13,197	\$ 11,588
Administrative Expenses		
Office	\$ 1,276	\$ 390
Computer	356	345
Telephone	46	47
Miscellaneous	8	19
Training	2	-
Professional fees	23	34
	<hr/>	<hr/>
	\$ 1,711	\$ 835
