

31st

Annual REPORT 2023–2024

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An Agency of the
Manitoba Government



Indigenous Land Acknowledgement

We recognize that Manitoba is on the Treaty Territories and ancestral lands of the Anishinaabeg, Anishinewuk, 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, anishinewuk, 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 29, 2024

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 Honour, the Annual Report of the Materials Distribution Agency (MDA) for the fiscal year ended March 31, 2024.

Respectfully submitted,



Honourable Lisa Naylor
Minister of Consumer Protection and Government Services

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 29, 2024

The Honourable Lisa Naylor
Minister of Consumer Protection and Government Services
Room 203, Legislative Building
Winnipeg Manitoba R3C 0V8

Madam:

I am pleased to present for your approval the 2023/24 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 29, 2024

To Our Valued MDA Stakeholders:

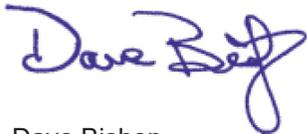
I have the honour to present the Agency's 31st Annual Report as a Special Operating Agency.

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 progress and expand to improve service to Manitobans.

MDA is grateful to its clients for their long-standing loyalty, and we look forward to developing new and innovative opportunities for Provincial programs.

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. I acknowledge the staff at MDA for their hard work and 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' being more prominent than the last name 'Bishop'.

Dave Bishop
Chief Operating Officer – MDA

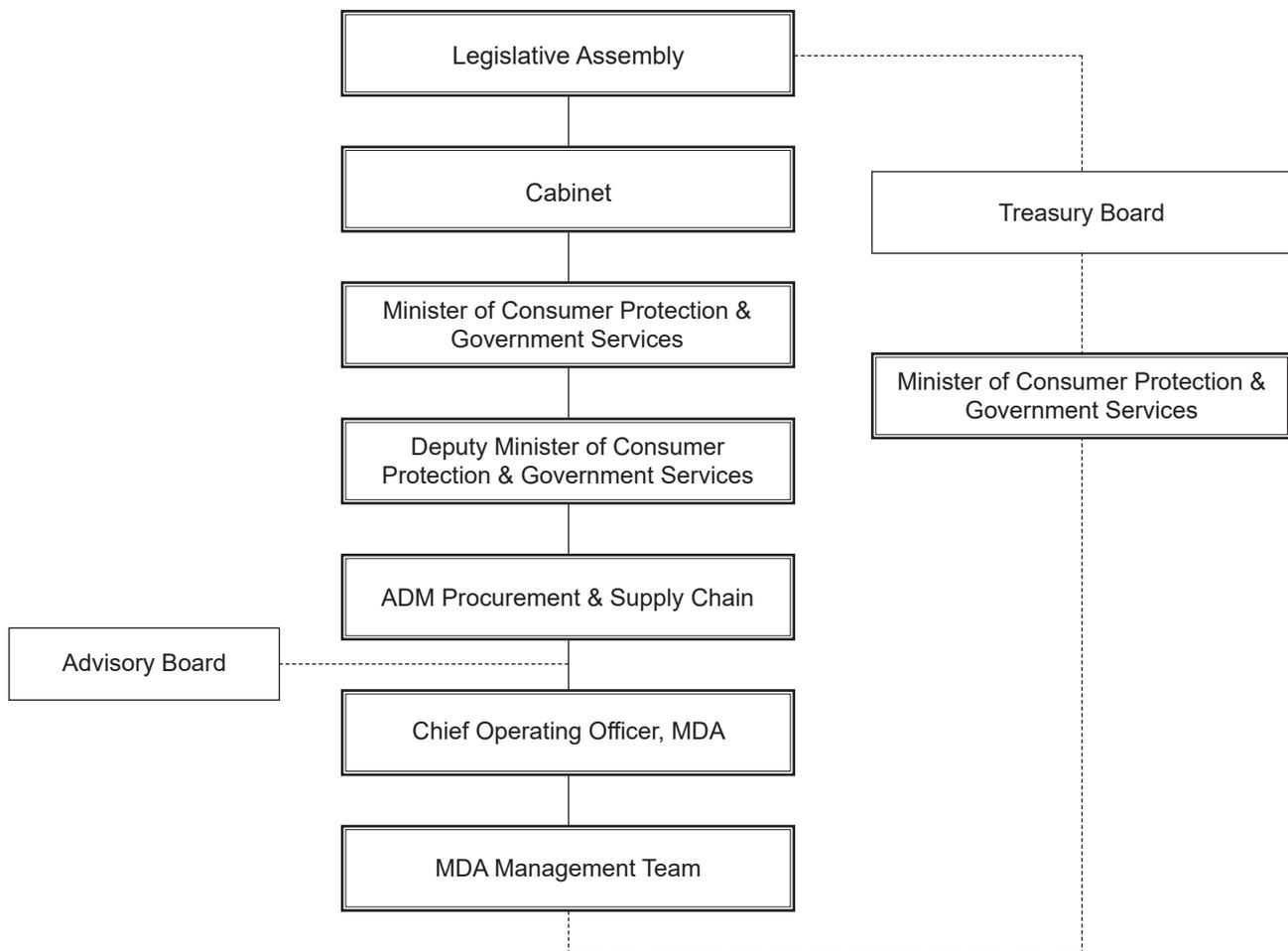
STRUCTURE FOR OPERATIONS

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.

The Agency has governance and accountability substantiated by MDA's compliance with its Operating Charter, Transfer Agreement, Management Agreement, applicable General Manual of Administration policies organization, and by *The Special Operating Agencies Financing Authority Act*. 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 and 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

MDA:

- Continually improves all aspects of its organization
- Provides consistent services
- Establishes and follows standards
- Does not make promises it cannot 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 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	407
Janitorial Supplies	405
Medical Supplies	1511
Home Care Equipment	357
Publications	8
Sub-total Line Items	2,688
PPE Supplies	1,535
Total Line Items	4,223

AGENCY SERVICES

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

Mail Processing

MDA processes diverse 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 distinct 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 conducts 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 incredibly competitive rates and continue to show favorable growth for the Agency. Key distribution services include:

Janitorial products

- Wide range of janitorial items (currently 381 products)
- 87 products are environmentally friendly
- 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 childcare 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

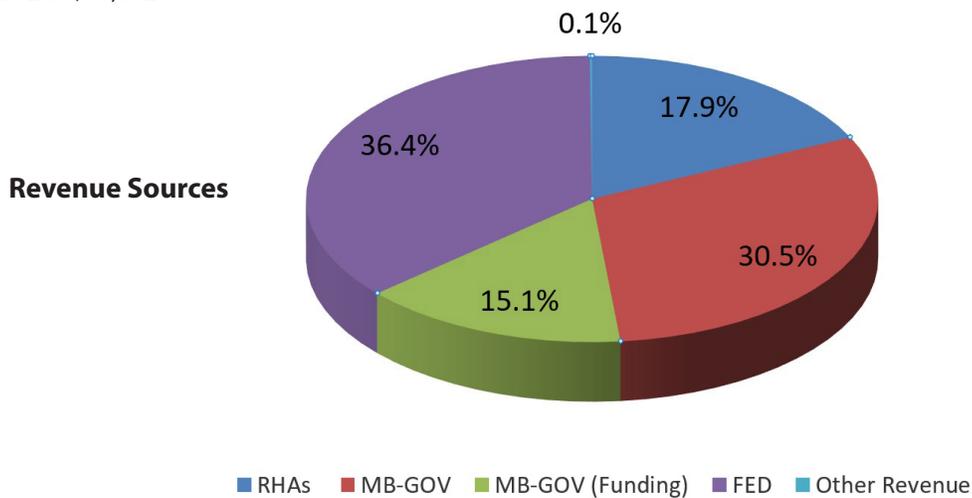
- Distribution of vaccines throughout the province on behalf of Manitoba Health, Seniors and Long-Term Care. These vaccines must be maintained between 2 and 8 degrees Celsius until consumed by the end user.
- MDA is the first provincial entity to achieve GMP certification through Health Canada
- Increased 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 2023/24: \$55,062



WAREHOUSE PRODUCTS – DISTRIBUTION INFORMATION

Number of Orders	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19
Warehouse Orders - Regular	41,981	40,262	45,692	49,600	46,000	45,800
Warehouse Orders - Pandemic	4,447	13,688	22,264	—	—	—
Equipment Orders	22,911	23,153	23,104	21,646	21,240	19,985
Mail Finishing Jobs	5,746	5,803	6,381	5,613	3,905	3,316
Vaccine Orders - Regular	10,119	10,859	7,058	7,944	7,083	7,249
Vaccine Orders - Pandemic	4,199	10,054	12,695	—	—	—
Federal Mail Processed (pieces)	0.87 million	0.70 million	0.81 million	0.98 million	1.16 million	1.30 million
Inter-Departmental Mail (pieces)	130,400	136,359	138,649	152,800	207,400	241,250
Payroll Advice Letters	147,604	179,359	75,706	89,612	84,500	92,000
Moves	756	360	139	113	788	672

Distribution of Products	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19
Winnipeg	62%	67%	59%	58%	55%	54%
Rural	38%	33%	41%	42%	45%	46%

Delivery of Winnipeg Orders	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19
Regular (2 days)	81%	96%	96%	95%	97%	96%
Same day	17%	3%	3%	3%	2%	2%
Pickup	2%	1%	1%	2%	1%	2%

2023/24 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 third quarter. Results were communicated to the Agency.
- MDA passed the safety audit and has made corrections resulting from the audit.
- MDA's Safety Committee meets quarterly to address any issues identified.

Communication Improvements

Communication remains a concern for the Agency.

1. Hold a minimum of 10 meetings for each MDA area in the 2023/24 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	10
Warehouse – Distribution	10/yr	3	2	3	3	11
Warehouse – Mail Services	10/yr	3	1	3	3	10
Finance & IT	10/yr	3	1	3	3	10

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 2023.

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 are still postponed.

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 2023-24. This includes a strategic plan to identify which products will be required in the future and which ones will not.

Strategy results:

- MDA and Shared Health have identified all products which will be required in the future.
- The Agency is submitting disposal quantities and costs in the 2024/25 estimates.

Manitoba Emergency Response Warehouse (MERW)

MDA will be heavily involved in the operation of the MERW to ensure that the province will have a rotating pandemic stockpile as a risk reduction measure for future emergencies.

Strategy results:

- The MERW is operating with Shared Health ordering normal volumes to rotate the stockpile.
- Committees have been determined and are meeting bi-weekly.

COVID Vaccine and Supplies

MDA has a strong partnership with Manitoba Health through the Provincial Vaccine Program. Distribution improvements for vaccines is the main focus for this fiscal year.

Strategy results:

- A new distribution model for the annual Flu and COVID vaccines was developed that resulted in sites receiving these vaccines sooner than previous years.
- New shipping containers were tested which resulted in less spoiled vaccine shipments and longer transportation times.

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.
- In February of 2024 MDA was notified by Federal Procurement Branch that this business is going out to tender.

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:

- The WRHA has stated that this project will not proceed. They have internal staff doing this program out of HSC but may be revisited in a few years.

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 2024/25 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 2024/25.

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 2024/25. 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 to 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 ever-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:

- This initiative is on hold and will be revisited in fiscal year 2025/26.

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 2024/25.

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

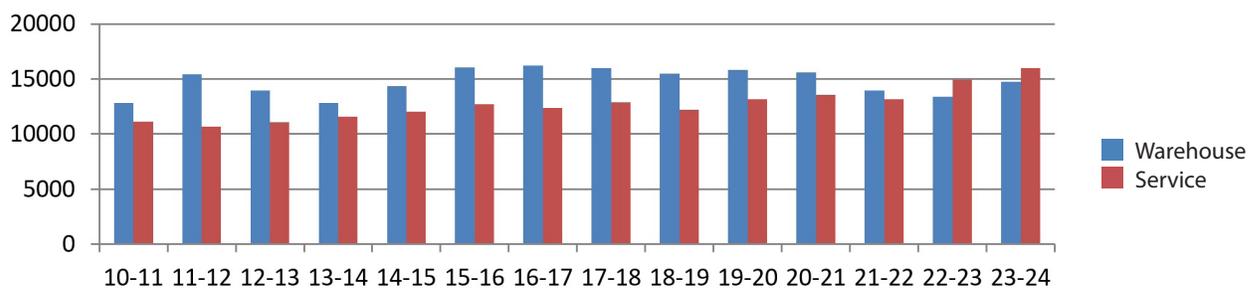
Review of Operations

MDA is collaborating 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 \$103,205 compared to a projected loss of \$76,235 for the year ended March 31, 2024. The increased loss is due to the write-off of old expired/expiring pandemic inventory from prior years, much of which was donated from the Federal Government and other sources.

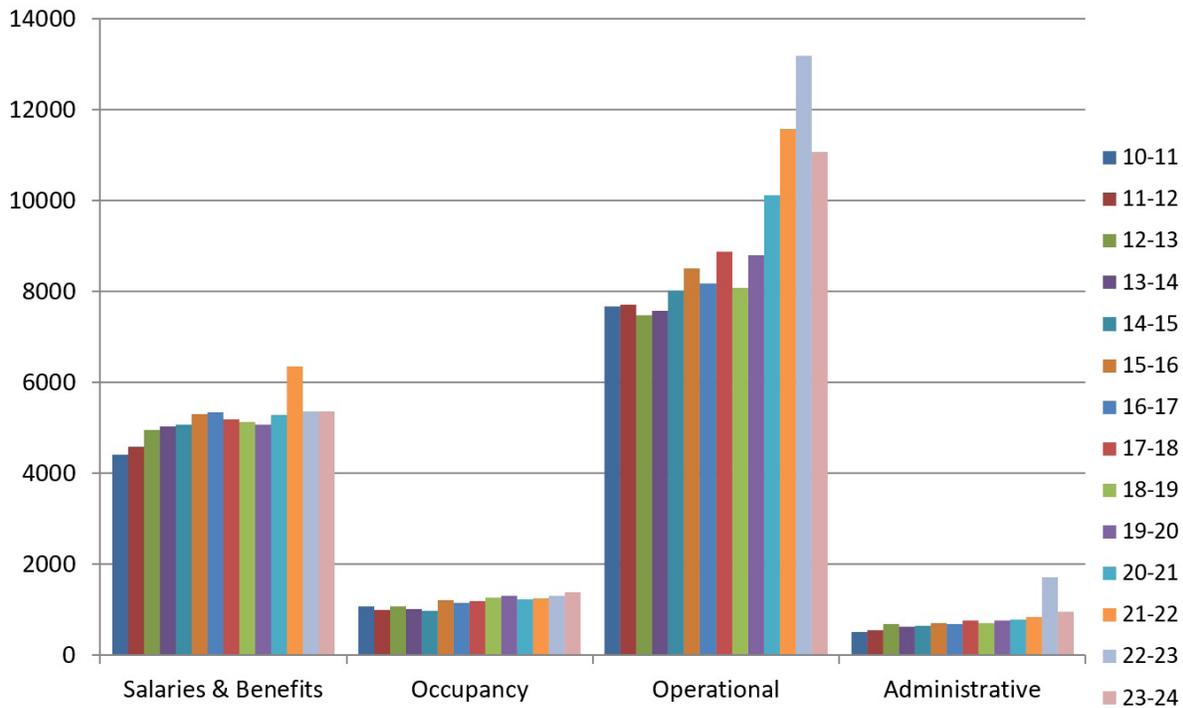
	2023-24 Actual	2023-24 Budget	Actual vs. Budget	2022-23 Actual	Actual vs. Actual
Warehouse Sales	14,776	15,962	(1,186)	13,364	1,412
Service Revenue	15,998	10,820	5,178	14,941	1,057
Pandemic Grants	8,317	—	8,317	21,514	(13,197)
Donated Inventories	15,971	85,969	(69,998)	75,851	(59,880)
Total Revenue	55,062	112,751	(57,689)	125,670	(70,608)
Salaries & Benefits	5,361	6,652	(1,291)	5,362	(1)
Cost of Sales	139,484	123,752	15,732	164,161	(24,677)
Occupancy Costs	1,378	5,340	(3,962)	1,315	63
Operational Costs	11,076	49,663	(38,587)	13,197	(2,121)
Administrative Cost	968	3,579	(2,611)	1,711	(743)
Total Expenses	158,267	188,986	(30,719)	185,746	(27,479)
Net Income/(loss)	(103,205)	(76,235)	(26,970)	(60,076)	(43,129)

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	2024	2023	2022	2021	2020
Return on Total Revenue*	-187.4%	-47.8%	8.6%	9.5%	2.8%
Days Sales in Receivables*	50.9	51.3	38.0	35.2	37.3
Inventory Turnover	9.3 times	9 times	6.9 times	7.7 times	8.5 times

* 2021-2024 exclude transfer of government grants for pandemic inventories but expenditures include pandemic expenses.



APPENDIX A

Management's Responsibility for Financial Reporting
Independent Auditor's Report
Financial Statements for the year ended March 31, 2024

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 the date of approval of the financial statements.

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 LLP, Chartered Professional Accountants, 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 presented, in all material respects, 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 the financial statements.

On behalf of Management of
Materials Distribution Agency

Dave Bishop

Digitally signed by Dave
Bishop
Date: 2024.05.29 16:58:42
-05'00'

David Bishop
Chief Operating Officer

INDEPENDENT AUDITOR'S REPORT

To the Special Operating Agencies Financing Authority and Materials Distribution Agency

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Materials Distribution Agency (the "Agency"), which comprise the statement of financial position as at March 31, 2024, and the statements of operations, 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, 2024, and the results of its operations 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.

Other Matter

The financial statements of Materials Distribution Agency for the year ended March 31, 2023, were audited by another firm of Chartered Professional Accountants who expressed an unmodified opinion on those financial statements in their report dated September 19, 2023.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

May 28, 2024
Winnipeg, Canada



Chartered Professional Accountants

MATERIALS DISTRIBUTION AGENCY

Statement of Financial Position

(in thousands)

March 31, 2024

	2024	2023
Financial assets		
Cash and cash equivalents	\$ 4,487	\$ 2,065
Accounts receivable (Note 4)	3,378	5,202
Inventory for resale (Note 5)	1,343	1,377
Inventories for distribution at no charge (Note 6)	84,683	189,761
	93,891	198,405
Liabilities		
Accounts payable and accrued liabilities	2,447	4,811
Deferred revenue	348	137
Employee future benefits (Note 8)	888	940
	3,683	5,888
Net financial assets	90,208	192,517
Non-financial assets		
Tangible capital assets (Note 9)	6,986	7,799
Prepaid expenses	92	175
	7,078	7,974
Accumulated surplus	\$ 97,286	\$ 200,491

See accompanying notes to financial statements.

MATERIALS DISTRIBUTION AGENCY

Statement of Operations

(in thousands)

Year ended March 31, 2024

	2024 Budget	2024 Actual	2023 Actual
Revenue:			
Warehouse sales (Schedule 1)	\$ 15,962	\$ 14,776	\$ 13,364
Service revenue (Schedule 1)	10,820	15,998	14,941
Province of Manitoba - Pandemic support grant	-	8,317	21,514
Government of Canada - Donated inventories (Note 6)	85,969	15,971	75,851
	112,751	55,062	125,670
Expenses:			
Cost of sales (Note 6)	123,752	139,484	164,161
Salaries and benefits	6,652	5,361	5,362
Occupancy costs	5,340	1,378	1,315
Operating expenses (Schedule 2)	49,663	11,076	13,197
Administrative expenses (Schedule 2)	3,579	968	1,711
	188,986	158,267	185,746
Net operating (deficit) for the year	(76,235)	(103,205)	(60,076)
Accumulated surplus, beginning of year	217,517	200,491	260,567
Accumulated surplus, end of year	\$ 141,282	\$ 97,286	\$ 200,491

See accompanying notes to financial statements.

MATERIALS DISTRIBUTION AGENCY

Statement of Change in Net Financial Assets

(in thousands)

Year ended March 31, 2024

	2024 Budget	2024 Actual	2023 Actual
Net operating (deficit) for the year	\$ (76,235)	\$ (103,205)	\$ (60,076)
Tangible capital assets:			
Acquisition of tangible capital assets	-	(1,878)	(2,790)
Loss (gain) on disposal of tangible capital assets	-	26	(2)
Proceeds from disposal of tangible capital assets	-	4	16
Amortization of tangible capital assets	-	2,661	2,757
Net change in tangible capital assets	-	813	(19)
Other non-financial assets:			
Decrease in prepaid expenses	-	83	1,320
Net change in other non-financial assets	-	83	1,320
Change in net financial assets	(76,235)	(102,309)	(58,775)
Net financial assets, beginning of year	-	192,517	251,292
Net financial assets, end of year	\$ -	\$ 90,208	\$ 192,517

See accompanying notes to financial statements.

MATERIALS DISTRIBUTION AGENCY

Statement of Cash Flow

(in thousands)

Year ended March 31, 2024

	2024 Actual	2023 Actual
<i>Cash provided by (applied to):</i>		
Operating activities:		
Net operating (deficit) for the year	\$ (103,205)	\$ (60,076)
Adjustments for:		
Amortization	2,661	2,757
Loss (gain) on disposal of tangible capital assets	26	(2)
	(100,518)	(57,321)
Changes in the following:		
Accounts receivable	1,824	(2,609)
Inventories for resale	34	(105)
Inventories for distribution at no charge	105,079	59,295
Prepaid expenses	83	1,320
Accounts payable and accrued liabilities	(2,365)	(1,100)
Deferred revenue	211	(289)
Employee future benefits	(52)	86
Cash provided by (applied to) operating activities	4,296	(723)
Capital activities:		
Acquisition of tangible capital assets	(1,878)	(2,790)
Proceeds on disposal of tangible capital assets	4	16
Cash (applied to) capital activities	(1,874)	(2,774)
Change in cash and cash equivalents	2,422	(3,497)
Cash and cash equivalents, beginning of year	2,065	5,562
Cash and cash equivalents, end of year	\$ 4,487	\$ 2,065

See accompanying notes to financial statements.

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

Year ended March 31, 2024

1. Nature of organization

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

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

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

The Agency's mandate is to cost-effectively meet supply requirements and provide centralized mail services to organizations within the broader public service, including provincial, federal and municipal governments.

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.

3. Summary of significant accounting policies

(a) Revenue

Warehouse sales

Warehouse sales are recognized when the goods are shipped and when collection is reasonably assured. Amounts received from customers in advance are recognized as deferred revenue.

Service revenue

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.

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

Year ended March 31, 2024

3. Summary of significant accounting policies (continued)

(b) Revenue (continued)

Government transfers

Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

(c) Expenses

Accrual basis of accounting

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

Government transfers

Government transfers, including non-monetary transfers of inventory, are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

(d) 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.

Inventories for resale

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

Inventories for distribution at no charge

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

(e) 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.

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

Year ended March 31, 2024

3. Summary of significant accounting policies (continued)

(f) 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:

	<u>Method</u>	<u>Rate</u>
Computer equipment	Straight line	20%
Furniture and fixtures	Straight line	20%
Leasehold improvements	Straight-line	10 years
Office equipment	Straight-line	20%
Mail finishing equipment	Declining balance	20%
Rental equipment	Straight line	2 - 5 years
Warehouse equipment	Declining balance	20%

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.

(g) 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 cash and cash equivalents at amortized cost. The Agency records accounts receivable, accounts payable and accrued liabilities at cost.

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 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.

(h) 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. These estimates are reviewed periodically and adjustments are recognized in the period they become known. Actual results may differ from these estimates.

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

Year ended March 31, 2024

4. Accounts receivable

	2024	2023
Trade accounts receivable	\$ 3,473	\$ 5,297
Allowance for doubtful accounts	(95)	(95)
	\$ 3,378	\$ 5,202

5. Inventories for resale

	2024	2023
Medical supplies	\$ 635	\$ 766
Janitorial	423	375
Health equipment	161	131
Stationery	124	104
Furniture	-	1
	\$ 1,343	\$ 1,377

6. 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.

During the year ended March 31, 2024, certain inventories were identified as being impaired. Included in cost of sales for the year ended March 31, 2024 is \$87,216 (2023 - \$47,883) relating to a valuation write-down for this impairment.

7. Working capital advances

The Special Operating Agencies Financing Authority has provided the Agency with an authorized line of working capital of \$1,200 (2023 - \$1,200) of which \$nil was used at March 31, 2024 (2023 - \$nil).

8. Employee future benefits

	2024	2023
Severance benefits	\$ 780	\$ 821
Sick pay benefits	108	119
	\$ 888	\$ 940

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 of Manitoba, including the Agency, through the Civil Service Superannuation Fund (CSSF).

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

Year ended March 31, 2024

8. Employee future benefits (continued)

Pension benefits (continued)

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 the current pension contributions of its employees. The amount paid for the year ended March 31, 2024 was \$297 (2023 - \$350). Pursuant to this agreement, the Agency has no further pension liability as at year end (2023 - \$nil).

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 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, 2022. 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, 2024 is \$780 (2023 - \$821). The actuarial gain (loss) of \$78 (2023 - (\$67)) based on the completed actuarial reports is being amortized over the 14 year EARSL of the employee group.

Significant long-term actuarial assumptions used in the December 31, 2022 valuation, and in the determination of the March 31, 2024 present value of the accrued severance benefit liability, are:

Annual rate of return	4.25% (2023 - 3.20%)
Assumed salary increase rates:	
Annual productivity increase	0.50% (2023 - 1.00%)
Annual general salary increase	3.00% (2023 - 2.50%)
	3.50% (2023 - 3.50%)

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

	2024	2023
Accrued benefit liability, beginning of year	\$ 888	\$ 854
Actuarial (gains) losses	(183)	-
Interest on accrued severance benefits	30	27
Current period service costs	28	42
Severance benefits paid during the year	(61)	(35)
Accrued benefit liability, end of year	702	888
Less: net unamortized actuarial gains (losses)	78	(67)
Severance benefit liability, end of year	\$ 780	\$ 821

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

Year ended March 31, 2024

8. Employee future benefits (continued)

Severance benefits (continued)

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

	2024	2023
Interest on accrued severance benefits	\$ 30	\$ 27
Current period service costs	28	42
Amortization of net actuarial (gains) losses over EARSL	(5)	3
Total expense related to severance benefits	\$ 53	\$ 72

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 4.25% (2023 - 3.20%) annual return and a 3.50% (2023 - 3.50%) annual salary increase. The Agency's sick leave benefit liability as at March 31, 2024 based on the valuation model is \$108 (2023 - \$119). The (decrease) increase in the sick leave benefit liability of \$(11) (2023 - \$49) represents the total sick leave benefit (recovery) expense for the year.

9. Tangible capital assets

	2024			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Computer equipment	\$ 313	\$ -	\$ (313)	\$ -
Furniture and fixtures	165	-	-	165
Leasehold improvements	2,210	-	-	2,210
Office equipment	64	-	-	64
Mail finishing equipment	542	-	-	542
Rental equipment	24,322	1,878	(3)	26,197
Warehouse equipment	2,938	-	-	2,938
	\$ 30,554	\$ 1,878	\$ (316)	\$ 32,116
Accumulated amortization				
Computer equipment	\$ (286)	\$ -	\$ 286	\$ -
Furniture and fixtures	(164)	-	-	(164)
Leasehold improvements	(1,518)	(190)	-	(1,708)
Office equipment	(64)	-	-	(64)
Mail finishing equipment	(480)	(5)	-	(485)
Rental equipment	(18,490)	(2,232)	-	(20,722)
Warehouse equipment	(1,753)	(234)	-	(1,987)
	\$ (22,755)	\$ (2,661)	\$ 286	\$ (25,130)
Net book value	\$ 7,799	\$ (783)	\$ (30)	\$ 6,986

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

Year ended March 31, 2024

9. Tangible capital assets (continued)

	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	64	-	-	64
Mail finishing equipment	542	-	-	542
Rental equipment	21,638	2,698	(14)	24,322
Warehouse equipment	2,933	5	-	2,938
	<u>\$ 27,778</u>	<u>\$ 2,790</u>	<u>\$ (14)</u>	<u>\$ 30,554</u>
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)
	<u>\$ (19,998)</u>	<u>\$ (2,757)</u>	<u>\$ -</u>	<u>\$ (22,755)</u>
Net book value	<u>\$ 7,780</u>	<u>\$ 33</u>	<u>\$ (14)</u>	<u>\$ 7,799</u>

10. Commitments

The Agency has no significant non-routine operating lease or other commitments at year end.

11. 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 (2023 - \$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; and interest rate 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 primarily of cash and cash equivalents and accounts receivable.

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

Year ended March 31, 2024

11. Financial instruments and financial risk management (continued)

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

	2024	2023
Cash and cash equivalents	\$ 4,487	\$ 2,065
Accounts receivable	3,378	5,202
	\$ 7,865	\$ 7,267

Cash and cash equivalents: The Agency is not exposed to significant credit risk as these amounts are held in trust 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 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, 2024 is \$95 (2023 - \$95).

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, will affect the Agency's net operating surplus (deficit) or the fair values of its financial instruments.

Interest rate risk

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

The interest rate risk on cash and cash equivalents is considered to be low because of their short-term nature.

12. Comparative information

Certain of the amounts from the year ended March 31, 2023 have been reclassified to conform with the financial statement presentation adopted in the current year.

MATERIALS DISTRIBUTION AGENCY

Schedule of Warehouse Sales and Service Revenue

(in thousands)

Year ended March 31, 2024

Schedule 1

	2024	2023
Warehouse sales:		
Medical supplies	\$ 8,778	\$ 8,002
Janitorial	3,066	2,762
Health equipment	2,662	2,065
Stationery	268	519
Special projects	2	16
	<hr/>	<hr/>
	\$ 14,776	\$ 13,364
Service revenue:		
Equipment rentals	\$ 6,438	\$ 6,085
Mail services	4,884	5,416
Freight	1,940	1,769
Vaccine program	1,860	694
Moving	572	651
Disposal services	133	130
Storage	2	28
Other revenue and recoveries	169	168
	<hr/>	<hr/>
	\$ 15,998	\$ 14,941

MATERIALS DISTRIBUTION AGENCY

Schedule of Operating and Administrative Expenses

(in thousands)

Year ended March 31, 2024

Schedule 2

	2024	2023
Operating expenses:		
Amortization	\$ 2,661	\$ 2,757
Equipment rentals	207	304
Freight	3,058	3,037
Mail services	3,692	5,055
Moving expenses	465	583
Vehicle	200	185
Warehouse supplies	793	1,276
	<hr/>	<hr/>
	\$ 11,076	\$ 13,197
Administrative expenses:		
Computer	\$ 431	\$ 356
Miscellaneous	5	8
Office	428	1,276
Professional fees	69	23
Telephone	35	46
Training	-	2
	<hr/>	<hr/>
	\$ 968	\$ 1,711
	<hr/>	<hr/>

