

32nd

Annual REPORT 2024–2025

7-1715 St. James Street
Winnipeg, MB R3H 1H3
www.mda.gov.mb.ca
mdamarketing@gov.mb.ca

An Agency of the
Manitoba Government



LAND ACKNOWLEDGEMENT

We acknowledge that Manitoba is located on the Treaty Territories and ancestral lands of the Anishinaabeg, Anishinewuk, Dakota Oyate, Denesuline and Nehethowuk Nations.

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

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

RECONNAISSANCE TERRITORIALE

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

Nous reconnaissons que le Manitoba se situe sur le territoire national 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.

TABLE OF CONTENTS

MINISTER'S LETTER OF TRANSMITTAL	2
DEPUTY MINISTER'S LETTER OF TRANSMITTAL.....	3
CHIEF OPERATING OFFICER'S LETTER OF TRANSMITTAL.....	4
STRUCTURE FOR OPERATIONS.....	5
THE PUBLIC DISCLOSURE (WHISTLEBLOWER PROTECTION) ACT.....	6
MDA MISSION & VISION STATEMENTS.....	6
ORGANIZATIONAL GOALS.....	6
ORGANIZATIONAL VALUES.....	7
BACKGROUND.....	7
AGENCY PRODUCTS	8
AGENCY SERVICES.....	8
MARKET SEGMENT INFORMATION.....	10
WAREHOUSE PRODUCTS – DISTRIBUTION INFORMATION	11
2024/25 PROJECTS AND ACTIVITY STATUS HIGHLIGHTS.....	12
1. HUMAN RESOURCES OVERVIEW.....	12
2. NEW AND GROWTH BUSINESS INITIATIVES OVERVIEW	13
3. INTERNAL PROJECT INITIATIVES OVERVIEW	14
FINANCIAL OVERVIEW.....	15
APPENDIX A – MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING, INDEPENDENT AUDITOR'S REPORT, FINANCIAL STATEMENTS.....	17

MINISTER'S LETTER OF TRANSMITTAL



**MINISTER
OF PUBLIC SERVICE DELIVERY**

Room 343
Legislative Building
Winnipeg, Manitoba R3C 0V8
CANADA

July 28, 2025

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, 2025.

Respectfully submitted,



Honourable Mintu Sandhu
Minister of Public Service Delivery



DEPUTY MINISTER'S LETTER OF TRANSMITTAL



**Public Service Delivery
Deputy Minister**

Room 349, Legislative Building, Winnipeg, Manitoba R3C 0V8 CANADA
T 204-945-5703 F 204-948-1227
dmpsd@manitoba.ca

Honourable Mintu Sandhu
Minister of Public Service Delivery
Room 343 Legislative Building
Winnipeg, MB R3C 0V8

Minister Sandhu:

I am pleased to present for your approval the 2024-25 Annual Report of the Materials Distribution Agency (MDA).

Respectfully submitted,



Brenda DeSerranno
A/Deputy Minister of Public Service Delivery



CHIEF OPERATING OFFICER'S LETTER OF TRANSMITTAL

July 29, 2025

To Our Valued MDA Stakeholders:

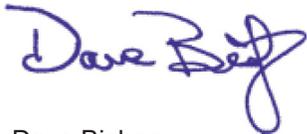
I have the honour to present the Agency's 32nd Annual Report as a Special Operating Agency.

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 improve.

MDA's success is related grateful to the partnerships it has been able to forge and secure with many Provincial Departments. The Agency is often called upon to develop logistics solutions for programs that deliver value for Manitobans. This includes being able to react quickly to concerns and emergent issues.

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

Sincerely,

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

Dave Bishop
Chief Operating Officer – MDA

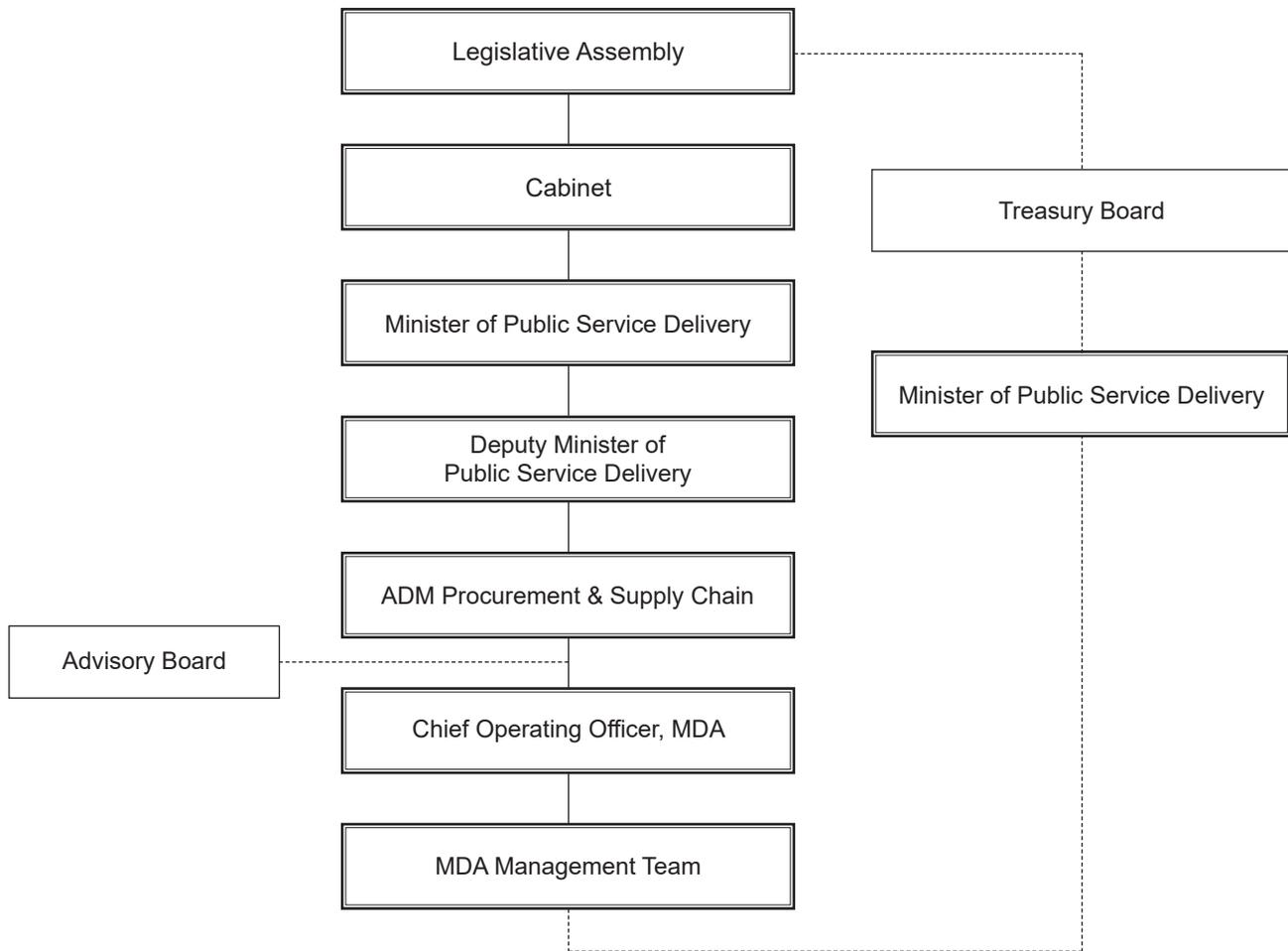
STRUCTURE FOR OPERATIONS

Accountability Structure

Within Manitoba Public Service Delivery, MDA reports directly to the Assistant Deputy Minister of Procurement and Supply Chain and is held accountable to the Deputy Minister and Minister of Public Service Delivery 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	537
Janitorial Supplies	423
Medical Supplies	1768
Home Care Equipment	405
Publications	8
Sub-total Line Items	3,141
PPE Supplies	1,556
Total Line Items	4,697

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

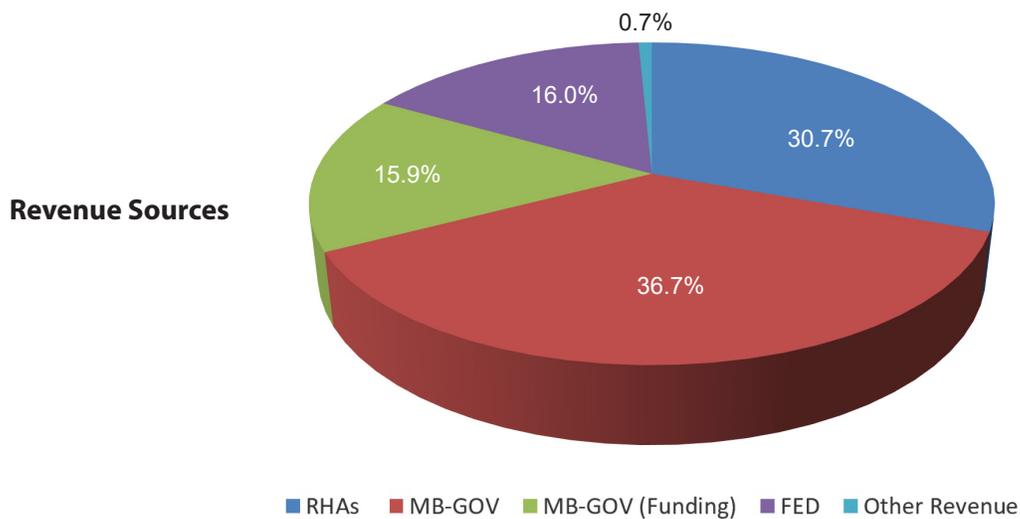
- Distribution of vaccines throughout the province on behalf of Manitoba Health, Seniors and Long-Term Care. These vaccines must be maintained between 2 and 8 degrees Celsius until consumed by the end user.
- MDA is the first provincial entity to achieve GMP certification through Health Canada
- Increased 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 2024/25: \$45,805



WAREHOUSE PRODUCTS – DISTRIBUTION INFORMATION

Number of Orders	2024-25	2023-24	2022-23	2021-22	2020-21	2019-20
Warehouse Orders - Regular	33,796	41,981	40,262	45,692	49,600	46,000
Warehouse Orders - Pandemic	3,952	4,447	13,688	22,264	—	—
Equipment Orders	24,501	22,911	23,153	23,104	21,646	21,240
Mail Finishing Jobs	5,717	5,746	5,803	6,381	5,613	3,905
Vaccine Orders - Regular	10,388	10,119	10,859	7,058	7,944	7,083
Vaccine Orders - Pandemic	2,888	4,199	10,054	12,695	—	—
Federal Mail Processed (pieces)	0.83 million	0.87 million	0.70 million	0.81 million	0.98 million	1.16 million
Inter-Departmental Mail (pieces)	85,317	130,400	136,359	138,649	152,800	207,400
Payroll Advice Letters	91,869	147,604	179,359	75,706	89,612	84,500
Moves	736	756	360	139	113	788

Distribution of Products	2024-25	2023-24	2022-23	2021-22	2020-21	2019-20
Winnipeg	62%	62%	67%	59%	58%	55%
Rural	38%	38%	33%	41%	42%	45%

Delivery of Winnipeg Orders	2024-25	2023-24	2022-23	2021-22	2020-21	2019-20
Regular (2 days)	79%	81%	96%	96%	95%	97%
Same day	16%	17%	3%	3%	3%	2%
Pickup	5%	2%	1%	1%	2%	1%

2024/25 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 fourth 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 2024/25 fiscal year, with minutes distributed to managers and the COO.

Strategy results:

Business Area	Standard	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
Customer Serv. & Equipment	10/yr	3	2	2	3	10
Contracts & Purchasing	10/yr	3	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	2	3	2	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 second quarter. MDA participated in the department employee survey in May 2024.

3. Hold two meetings with all staff in fiscal year 2024/25 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 (four in total).

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.

Manitoba Emergency Response Warehouse (MERW)

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 include reducing products/equipment through selling, donation and disposal to reach MERW levels.

1. Dispose of pandemic supplies that expire in 24/25. **Completed**
2. MERW Working Group to create a forecasting tool for estimating annual PPE requirements. To enhance Shared Health's existing forecasting tool to account for emergency inventory levels and changing and emerging needs. **Completed**
3. CPGS and Health, Seniors and Long-Term Care (HSLTC) are directed to return to Treasury Board jointly for approval of 24/25 MERW ISA allocation for replacement of inventory. **Completed**
4. GPGS and HSLTC to return to Treasury Board jointly in 24/25 with a detailed plan for procuring and replenishing inventory, information on how healthcare standards determine PPE usage and rates, a plan for managing current and expired inventory and propose a budget, accounting treatment and funding source for the MERW. **Completed**
5. CPGS and HSLTC in collaboration with Shared Health to work with TBS strategic initiatives to review the operations of the PPE and equipment warehouses and return in the 25/26 estimates with a plan for consolidation and cost saving options. **Completed**

Strategy results:

- Highlighted above

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.

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 Agency is committed to developing a culture of Operational Excellence:

1. MCG re-tooling to become MDA Centre of Operational Excellence Group. **Completed**
2. Measurement against competition (world class logistic organization).
In development and will be completed in fiscal year 25/26
3. Creation of balanced scorecards for the Agency. **In progress**
4. Green belt for OE Manager and yellow belts for Senior management team.
Training is scheduled for the second quarter of fiscal year 25/26
5. Update position descriptions to include OE sections. **Completed**
6. Introduction to OPEX PDCA and huddles for all MDA staff.
Training is scheduled for the second quarter of fiscal year 25/26

Strategy results:

- Highlighted above

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 was scheduled to 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 until a determination is made on SAP modernization for MDA.

SAP Modernization

Participate in the Provincial SAP modernization initiative and implement recommendations. This will involve transitioning from Great Plains to SAP.

Strategy results:

- MDA's management team attended all informational training for the SAP initiative.
- The province will determine if MDA will be a part of the SAP conversion in fiscal year 25/26.

FINANCIAL OVERVIEW

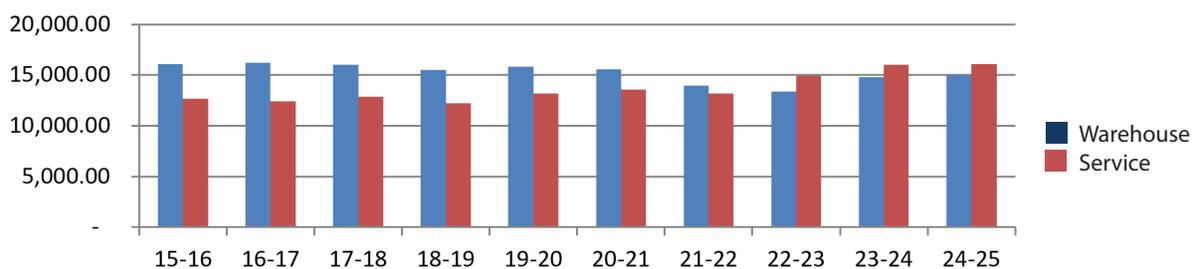
Review of Operations

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 \$60,213 compared to a projected loss of \$81,826 for the year ended March 31, 2025. The reported loss is due to the write-off of old expired/expiring pandemic inventory from prior years.

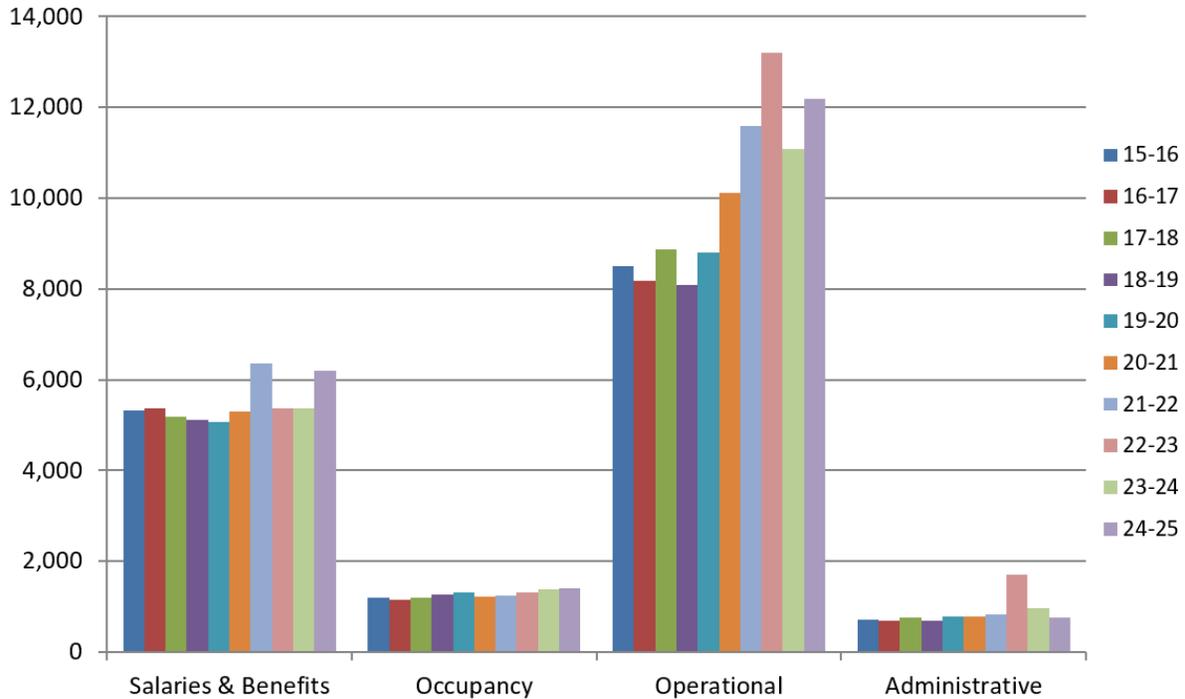
	2024-25 Actual	2024-25 Budget	Actual vs. Budget	2023-24 Actual	Actual vs. Actual
Warehouse Sales	15,014	18,235	(3,221)	14,776	238
Service Revenue	16,062	16,683	(621)	15,998	64
Pandemic Grants	11,046	—	11,046	8,317	2,729
Donated Inventories	3,683	24,555	(20,872)	15,971	(12,288)
Total Revenue	45,805	59,473	(13,668)	55,062	(9,257)
Salaries & Benefits	6,206	6,885	(679)	5,361	845
Cost of Sales	85,469	117,407	(31,938)	139,484	(54,015)
Occupancy Costs	1,397	1,325	72	1,378	19
Operational Costs	12,196	14,379	(2,183)	11,076	1,120
Administrative Cost	750	1,303	(553)	968	(218)
Total Expenses	106,018	141,299	(35,281)	158,267	(52,249)
Net Income/(loss)	(60,213)	(81,826)	21,613	(103,205)	42,992

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. The remaining cash generated by operations was used to purchase capital and inventory.

Ratio Analysis

Ratio	2025	2024	2023	2022	2021
Return on Total Revenue*	-131.5%	-187.4%	-47.8%	8.6%	9.5%
Days Sales in Receivables*	69.3	50.9	51.3	38.0	35.2
Inventory Turnover	8.1 times	9.3 times	9 times	6.9 times	7.7 times

*2023-2025 exclude grants received for pandemic inventories, but expenditures include pandemic expenses, resulting in a negative return on total revenue. This data point is expected to return to normal in the coming years as MDA phases out the remainder of its old/expiring pandemic inventory, and conversion from donation of PPE to sales becomes apparent in our financial statements.



APPENDIX A

Management's Responsibility for Financial Reporting
Independent Auditor's Report
Financial Statements for the year ended March 31, 2025



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: 2025.06.24 10:23:12 -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, 2025, 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, 2025, 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.

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.

June 3, 2025
Winnipeg, Canada



Chartered Professional Accountants

MATERIALS DISTRIBUTION AGENCY

Statement of Financial Position

(in thousands)

March 31, 2025

	2025	2024
Financial assets		
Cash and cash equivalents	\$ 1,247	\$ 4,487
Accounts receivable (Note 4)	8,396	3,378
Inventory for resale (Note 5)	1,815	1,343
Inventories for distribution at no charge (Note 6)	28,405	84,683
	39,863	93,891
Liabilities		
Accounts payable and accrued liabilities	6,998	2,447
Deferred revenue	137	348
Employee future benefits (Note 8)	910	888
	8,045	3,683
Net financial assets	31,818	90,208
Non-financial assets		
Tangible capital assets (Note 9)	5,202	6,986
Prepaid expenses	53	92
	5,255	7,078
Accumulated surplus	\$ 37,073	\$ 97,286

See accompanying notes to financial statements.

MATERIALS DISTRIBUTION AGENCY

Statement of Operations

(in thousands)

Year ended March 31, 2025

	2025 Budget	2025 Actual	2024 Actual
	(Note 6)		
Revenue:			
Warehouse sales (Schedule 1)	\$ 18,235	\$ 15,014	\$ 14,776
Service revenue (Schedule 1)	16,683	16,062	15,998
Province of Manitoba - Emergency response support grant	-	7,258	8,317
Manitoba Emergency Response Warehouse (MERW) - support grant	-	3,788	-
Government of Canada - Donated inventories (Note 6)	24,555	3,683	15,971
	59,473	45,805	55,062
Expenses:			
Cost of sales (Note 6)	117,407	85,469	139,484
Salaries and benefits	6,885	6,206	5,361
Occupancy costs	1,325	1,397	1,378
Operating expenses (Schedule 2)	14,379	12,196	11,076
Administrative expenses (Schedule 2)	1,303	750	968
	141,299	106,018	158,267
Net operating (deficit) for the year	(81,826)	(60,213)	(103,205)
Accumulated surplus, beginning of year	107,988	97,286	200,491
Accumulated surplus, end of year	\$ 26,162	\$ 37,073	\$ 97,286

See accompanying notes to financial statements.

MATERIALS DISTRIBUTION AGENCY

Statement of Change in Net Financial Assets

(in thousands)

Year ended March 31, 2025

	2025 Budget	2025 Actual	2024 Actual
Net operating (deficit) for the year	\$ (81,826)	\$ (60,213)	\$ (103,205)
Tangible capital assets:			
Acquisition of tangible capital assets	(3,500)	(2,093)	(1,878)
Impairment of tangible capital assets (Note 9)	-	1,430	-
Loss on disposal of tangible capital assets	-	-	26
Proceeds from disposal of tangible capital assets	-	-	4
Amortization of tangible capital assets	-	2,447	2,661
Net change in tangible capital assets	(3,500)	1,784	813
Other non-financial assets:			
Decrease in prepaid expenses	-	39	83
Net change in other non-financial assets	-	39	83
Change in net financial assets	(85,326)	(58,390)	(102,309)
Net financial assets, beginning of year	-	90,208	192,517
Net financial assets, end of year	\$ -	\$ 31,818	\$ 90,208

See accompanying notes to financial statements.

MATERIALS DISTRIBUTION AGENCY

Statement of Cash Flow

(in thousands)

Year ended March 31, 2025

	2025 Actual	2024 Actual
<i>Cash provided by (applied to):</i>		
Operating activities:		
Net operating (deficit) for the year	\$ (60,213)	\$ (103,205)
Adjustments for:		
Amortization	2,447	2,661
Loss on disposal of tangible capital assets	-	26
Impairment of tangible capital assets	1,430	-
	(56,336)	(100,518)
Changes in the following:		
Accounts receivable	(5,018)	1,824
Inventories for resale	(472)	34
Inventories for distribution at no charge	56,278	105,079
Prepaid expenses	39	83
Accounts payable and accrued liabilities	4,551	(2,365)
Deferred revenue	(211)	211
Employee future benefits	22	(52)
Cash (applied to) provided by operating activities	(1,147)	4,296
Capital activities:		
Acquisition of tangible capital assets	(2,093)	(1,878)
Proceeds on disposal of tangible capital assets	-	4
Cash (applied to) capital activities	(2,093)	(1,874)
Change in cash and cash equivalents	(3,240)	2,422
Cash and cash equivalents, beginning of year	4,487	2,065
Cash and cash equivalents, end of year	\$ 1,247	\$ 4,487

See accompanying notes to financial statements.

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

Year ended March 31, 2025

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 Postal 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 operated under a charter approved by the Lieutenant Governor in Council. Effective April 1, 2005, the operations of Materials Distribution Agency and Mail Management Agency were amalgamated. The amalgamated operations have been operating as Materials Distribution Agency.

The Agency is now part of the Public Service Delivery Department under the general direction of the Associate Deputy Minister, Procurement and Supply Chain, 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 also 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 is 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, 2025

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, 2025

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 any 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.

(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, 2025

4. Accounts receivable

	2025	2024
Trade accounts receivable	\$ 8,406	\$ 3,473
Allowance for doubtful accounts	(10)	(95)
	\$ 8,396	\$ 3,378

5. Inventories for resale

	2025	2024
Medical supplies	\$ 1,068	\$ 635
Janitorial	424	423
Health equipment	194	161
Stationery	129	124
	\$ 1,815	\$ 1,343

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, 2025, certain of these inventories were identified as being impaired. Included in cost of sales for the year ended March 31, 2025 is \$52,253 (2024 - \$87,216) relating to a valuation write-down for this impairment.

In addition, the budgeted amount of \$79,203 for the write-down of inventories for distribution at no charge was initially included in the operating expense budget line totalling \$93,582. In order to align the budgeted amount with the presentation on the statement of operations, \$79,203 of the budgeted operating expenses related to these write-downs has been reallocated to the budget for cost of sales in these financial statements.

7. Working capital advances

The Special Operating Agencies Financing Authority has provided the Agency with an available authorized line of working capital of \$1,200 (2024 - \$1,200) of which \$nil was used at March 31, 2025 (2024 - \$nil).

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

Year ended March 31, 2025

8. Employee future benefits

	2025	2024
Severance benefits	\$ 799	\$ 780
Sick pay benefits	111	108
	\$ 910	\$ 888

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.

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 is 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, 2025 was \$359 (2024 - \$297). Pursuant to this agreement, the Agency has no further pension liability as at year end (2024 - \$nil).

Severance benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its eligible 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. In accordance with the formula, the Agency's liability is recalculated annually, with payments to retiring employees no longer with the Agency or the Province charged against the liability. The actuarial gain 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, 2025 present value of the accrued severance benefit liability, are:

Annual rate of return	4.25% (2024 - 4.25%)
Assumed salary increase rates:	
Annual productivity increase	0.50% (2024 - 0.50%)
Annual general salary increase	3.00% (2024 - 3.00%)
	3.50% (2024 - 3.50%)

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

Year ended March 31, 2025

8. Employee future benefits (continued)

Severance benefits (continued)

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

	2025	2024
Accrued benefit liability, beginning of year	\$ 702	\$ 888
Actuarial (gains)	-	(183)
Interest on accrued severance benefits	30	30
Current period service costs	43	28
Severance benefits paid during the year	(49)	(61)
Accrued benefit liability, end of year	726	702
Plus: net unamortized actuarial gains	73	78
Severance benefit liability, end of year	\$ 799	\$ 780

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

	2025	2024
Interest on accrued severance benefits	\$ 30	\$ 30
Current period service costs	43	28
Amortization of net actuarial (gains) over EARSL	(5)	(5)
Total expense related to severance benefits	\$ 68	\$ 53

Sick pay benefits

The Agency provides sick leave benefits for its 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% (2024 - 4.25%) annual return and a 3.50% (2024 - 3.50%) annual salary increase. The Agency's sick leave benefit liability as at March 31, 2025 based on the valuation model is \$111 (2024 - \$108). The increase (decrease) in the sick leave benefit liability of \$3 (2024 - \$(11)) represents the total sick leave benefit expense (recovery) for the year.

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

Year ended March 31, 2025

9. Tangible capital assets

	2025			
	Opening Balance	Additions	Disposals and/or write-downs	Closing Balance
Cost				
Furniture and fixtures	\$ 165	\$ -	\$ (165)	\$ -
Leasehold improvements	2,210	-	(1,252)	958
Office equipment	64	-	(64)	-
Mail finishing equipment	542	-	(281)	261
Rental equipment	26,197	2,092	(20,739)	7,550
Warehouse equipment	2,938	1	(20)	2,919
	<u>\$ 32,116</u>	<u>\$ 2,093</u>	<u>\$ (22,521)</u>	<u>\$ 11,688</u>
Accumulated amortization				
Furniture and fixtures	\$ (164)	\$ -	\$ 164	\$ -
Leasehold improvements	(1,708)	(149)	1,494	(363)
Office equipment	(64)	-	64	-
Mail finishing equipment	(485)	(4)	246	(243)
Rental equipment	(20,722)	(2,046)	19,123	(3,645)
Warehouse equipment	(1,987)	(248)	-	(2,235)
	<u>\$ (25,130)</u>	<u>\$ (2,447)</u>	<u>\$ 21,091</u>	<u>\$ (6,486)</u>
Net book value	<u>\$ 6,986</u>	<u>\$ (354)</u>	<u>\$ (1,430)</u>	<u>\$ 5,202</u>

During the year ended March 31, 2025, tangible capital assets with a net book value of \$1,430 (2024 - \$nil) were written down to reflect a decline of the assets value.

	2024			
	Opening Balance	Additions	Disposals and/or write-downs	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
	<u>\$ 30,554</u>	<u>\$ 1,878</u>	<u>\$ (316)</u>	<u>\$ 32,116</u>
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)
	<u>\$ (22,755)</u>	<u>\$ (2,661)</u>	<u>\$ 286</u>	<u>\$ (25,130)</u>
Net book value	<u>\$ 7,799</u>	<u>\$ (783)</u>	<u>\$ (30)</u>	<u>\$ 6,986</u>

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

Year ended March 31, 2025

10. Commitments

The Agency has no significant non-routine operating lease or other commitments as 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 ended March 31, 2025 (2024 - \$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.

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

	2025	2024
Cash and cash equivalents	\$ 1,247	\$ 4,487
Accounts receivable	8,396	3,378
	\$ 9,643	\$ 7,865

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, 2025 is \$10 (2024 - \$95).

As at March 31, 2025, the aging of accounts receivable is \$6,478 (2024 - \$2,654) current, \$1,175 (2024 - \$626) 30-60 days, \$413 (2024 - \$70) aged 60-90 days and \$340 (2024 - \$123) greater than 90 days.

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 regular review from the Province of Manitoba to ensure adequate financing 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.

MATERIALS DISTRIBUTION AGENCY

Notes to Financial Statements

(in thousands)

Year ended March 31, 2025

11. Financial instruments and financial risk management (continued)

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.

MATERIALS DISTRIBUTION AGENCY

Schedule of Warehouse Sales and Service Revenue

(in thousands)

Year ended March 31, 2025

Schedule 1

	2025	2024
Warehouse sales:		
Medical supplies	\$ 9,175	\$ 8,778
Janitorial	2,841	3,066
Health equipment	2,715	2,662
Stationery	283	268
Special projects	-	2
	<u>\$ 15,014</u>	<u>\$ 14,776</u>
Service revenue:		
Equipment rentals	\$ 6,647	\$ 6,438
Mail services	4,791	4,884
Vaccine program	2,078	1,860
Freight	1,775	1,940
Moving	506	572
Disposal services	83	133
Storage	50	2
Other revenue and recoveries	132	169
	<u>\$ 16,062</u>	<u>\$ 15,998</u>

MATERIALS DISTRIBUTION AGENCY

Schedule of Operating and Administrative Expenses

(in thousands)

Year ended March 31, 2025

Schedule 2

	2025	2024
Operating expenses:		
Amortization	\$ 2,447	\$ 2,661
Bad debt	33	-
Equipment rentals	180	207
Freight	3,153	3,058
Impairment of tangible capital assets (Note 9)	1,430	-
Mail services	3,742	3,692
Moving expenses	333	465
Vehicle	223	200
Warehouse supplies	655	793
	<u>\$ 12,196</u>	<u>\$ 11,076</u>
Administrative expenses:		
Computer	\$ 322	\$ 431
Miscellaneous	6	5
Office	355	428
Professional fees	22	69
Telephone	44	35
Training	1	-
	<u>\$ 750</u>	<u>\$ 968</u>