

**REPORT**

**ANNUAL**

 **2010/11**

7-1715 St. James Street

Winnipeg, Manitoba R3H 1H3

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DEPUTY MINISTER’S LETTER OF TRANSMITTAL



CHIEF OPERATING OFFICER’S LETTER OF TRANSMITTAL

May 23, 2011

To Our Valued MDA Stakeholders:

I have the distinction to present the Materials Distribution Agency’s (MDA) Eighteenth Annual Report as a Special Operating Agency.

MDA provides valuable cost-effective mail and product distribution services, along with other lines of business to the Provincial Government. With a centralized point of delivery, MDA is able to offer its clients competitive and substantive cost-savings, including reduced time and effort within their own operations.

One of MDA’s main areas of focus is offering customers superior services and value added benefits that will surpass their expectations and exceed their needs. We are proud of our role and performance in these initiatives, and continue to look for ways to improve and expand.

MDA’s success is directly related to the partnerships it has been able to establish and secure. Stakeholders, such as Employment and Income Assistance Branch, Manitoba Textbook Bureau, and The Office of Disaster Management, have realized cost-savings in their purchases and their day-to-day operating costs utilizing our services. MDA reacts quickly to concerns and emergent issues to improve the Agency each year.

MDA is grateful to its customers for their continued loyalty. We look forward to developing new opportunities and innovative solutions for our existing and new client base. MDA looks forward to continue our tradition of excellent service and deep expertise, while continuing to establish an environment our clients want to be a part of.

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

Sincerely,



Dave Bishop

Chief Operating Officer - MDA

#

STRUCTURE FOR OPERATIONS

# Accountability Structure

As an organization within Manitoba Infrastructure and Transportation, MDA reports directly to the Assistant Deputy Minister, Supply and Services, and is held accountable to the Associate Deputy Minister, Deputy Minister, and Minister of Infrastructure and Transportation for operational and financial performance.

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

The Accountability Structure Chart presented below outlines the current structure:

Legislative Assembly

**Materials Distribution**

**Agency**

Accountability Structure Chart

March 31, 2011

Cabinet

Minister of Infrastructure and Transportation

Treasury Board

Deputy Minister of Infrastructure and Transportation

Minister of Finance

Associate Deputy Minister of Infrastructure and Transportation

#

Special Operating Agencies Financing Authority

Advisory Board

Assistant Deputy Minister Supply and Services

Chief Operating Officer

Materials Distribution Agency

# Advisory Board

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

Members of the MDA Advisory Board, as of March 31, 2011, are listed below.

**Members of the Advisory Board for Materials Distribution Agency**

**CHAIR Paul Rochon**

 Associate Deputy Minister

 Manitoba Infrastructure and Transportation

#### MEMBERS

#### Client Bruce Bremner Currently vacant

**Representatives** Assistant Deputy Minister

 Manitoba Conservation

**Ex Officio** **Tracey Danowski David Bishop**

 Assistant Deputy Minister Chief Operating Officer Supply and Services Division Materials Distribution Agency

 Manitoba Infrastructure and Transportation

**Staff Representative** **Peter Roberts**

 Logistics Coordinator

 Materials Distribution Agency

MDA MISSION STATEMENT

# Mission

This Agency provides mail and material management services to the public sector.

ORGANIZATIONAL GOALS

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

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

**Growth** – To grow business while maintaining or decreasing overall government expenditures.

ORGANIZATIONAL VALUES

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

**Reliability**

MDA:

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

**Teamwork**

MDA:

* Behaves ethically
* Recognizes achievements
* Communicates
* Is positive
* Sees each call as an opportunity
* Values diversity of backgrounds and opinions
* Creates and supports a common direction and common goals
* Demonstrates the priority of team goals

**Accountability**

MDA:

* Meets deadlines
* Provides clients with quality assured goods
* Saves government clients money
* Strives to know its clients’ needs

BACKGROUND

# The Materials Distribution Agency was created in 1974 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 April 1, 2005. The Agency’s mandate is to cost-effectively meet the mail and material distribution requirements of organizations within the broader public service

AGENCY PRODUCTS

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

|  |  |
| --- | --- |
| **Commodities** | **Line Items** |
|  |  |
| Stationery and Office Supplies | 1,279 |
| Janitorial Supplies | 391 |
| Medical Supplies | 1,088 |
| Home Care Equipment  | 321 |
| Office Furnishings and Furniture | 331  |
| Publications  | 308 |
|  |  |
| Total Line Items | 3,718 |

#

AGENCY SERVICES

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

### Mail Processing

MDA processes various 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 is made up 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 Management for Members of the Legislature**

On behalf of the Legislative Assembly, MDA negotiates constituency walk rates and cost effective mail service for MLA’s. MDA prepares and calculates each MLA’s volume and prepares guidebooks for each constituency.

**Mail Finishing**

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

* Envelope addressing
* Bursting of printed forms and cheques
* Folding of printed material
* Envelope insertion
* Manual collating of items into kits or envelopes

Prices vary with the type of activity (i.e. bursting or folding) and volume. MDA may offer high volume clients lower prices, 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 confirmation of delivery of mail.

**Contract Administration**

MDA offers broader public sector clients access to volume-based contracted courier and parcel rates. MDA invoices a percentage of the actual cost as its fee to recover expenditures associated with contract administration.

**Digital Printing**

MDA’s Variable Data Print 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. MDA receives and repairs any damaged or non-functioning component and disinfects the item before returning it to the active equipment rental pool. MDA carries out periodic safety checks on equipment in the field to ensure the product stays in good working condition. MDA electronically tracks Employee and Income Assistance Branch (EIA) program equipment use.

**Key Copy Centres**

MDA administers the Copy Centre Program which includes ordering supplies for each copy centre, as well as arranging for repairs and maintenance. The Agency applies a per copy charge based on user volumes recorded by electronic or manual keys. MDA is aware of the provincial strategy for integrating multi-use fax printers and anticipates that the copy centres will be eliminated by September 30, 2010.

**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 competitive rates and continue to show favourable growth for the Agency. Distribution services include:

### *Janitorial and Stationery Products*

* Wide range of janitorial and stationery items (currently 1,670 products)
* 236 products are environmentally friendly (growing annually) and a toner recycling program
* Pricing is the same throughout the province and is competitive with private companies (three independent audits were conducted to support that MDA is more cost effective than buying directly from retailers)

*Medical Supplies*

|  |  |
| --- | --- |
| * Medical supplies for rural home care - Regional Health Authority, Health
 |  |
| * Nutritional supplements and child care items - Employment and Income Assistance, Family Services
 |  |
| * Lab & X-ray facilities - Diagnostic Services of Manitoba (DSM), Health
 |  |

* + Health booklets/pamphlets - Health

*Manitoba Text Book Bureau (MTBB)*

### MTBB is an SOA that procures textbooks and other school related items that are distributed by MDA

* Work is year-round with a heavy order period between June and October

**Storage**

### Secure storage facilities are provided for government clients

### Rates are well below private industry pricing

**Office Relocation/Moving and Disposal Services**

* Significant cost savings and consistent positive client feedback
* Furnishings no longer needed are recycled to other offices or to recycling companies

**Special projects**

* Timely and cost effective management of projects that are short term in nature (3 – 12 months)
* Example: Pandemic warehousing and distribution for the Office of Disaster Management

MARKET SEGMENT INFORMATION

#### Total Revenue 2010/11: $23,929,000

WAREHOUSE PRODUCTS – DISTRIBUTION INFORMATION

**Warehouse Products – Distribution Information**

|  |  |  |  |
| --- | --- | --- | --- |
| **Number of Orders** | **2010/11** | **2009/10** | **2008/09** |
| Warehouse Orders | 53,300 | 55,200 | 60,148 |
| Equipment Orders | 14,300 | 14,371 | 14,389 |
| Mail Finishing Orders | 3,700 | 4,680 | 3,764 |
| Federal Mail Processed (pieces) | 2.63 million | 2.62 million | 2.56 million |
| Inter-Departmental Mail (pieces)\* | 339,400 | 348,500 | 362,000 |
| Manitoba Text Book Bureau Orders | 11,855 | 11,923 | 12,410 |
| Office Relocations | 724 | 717 | 795 |
|  |  |  |  |

 \*Excluding payroll advice letters

|  |  |  |  |
| --- | --- | --- | --- |
| **Distribution of Products By Area** | **2010/11** | **2009/10** | **2008/09** |
| Winnipeg | 57% | 56% | 61% |
| Rural | 43% | 44% | 39% |

|  |  |  |  |
| --- | --- | --- | --- |
| **Delivery of Winnipeg Orders** | **2010/11** | **2009/10** | **2008/09** |
| Regular (2 days) | 95% | 96% | 95% |
| Same day | 2% | 1% | 1% |
| Pickup | 3% | 3% | 4% |

2010/11 PROJECTS AND ACTIVITY STATUS HIGHLIGHTS

1. Human Resources Overview

MDA recognizes staff as its greatest resource. MDA management has identified specific issues and plans to improve the human resources area. A multi-layered strategy is used to identify key objectives through staff surveys, management recommendations, government initiatives, and employee suggestions.

### Communication Improvements

Communication is identified as a key concern by staff and management. MDA has developed four strategies to address this area in 2010/11.

1. Hold a minimum of 10 meetings for each area of MDA in the 2010/11 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 | 2 | 2 | 3 | 3 | 10 |
| Warehouse - Distribution | 10/yr | 2 | 2 | 4 | 2 | 10 |
| Warehouse - Mail Services | 10/yr | 2 | 1 | 3 | 3 | 9 |
| Finance & IT | 10/yr | 2 | 2 | 2 | 3 | 9 |

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

**Strategy results:**

* The employee survey was conducted on June 13/10. Two meetings were held in the third quarter and employee survey results were posted for staff to view
1. Hold two meetings with all staff in fiscal year 2010/11 to update staff on business initiatives, new policies, MDA’s financial situation, and answer questions.

**Strategy results:**

* The COO conducted a meeting with all MDA staff in June 2010. Employees were updated on initiatives from the 2010/11 business plan, strategic direction, and the audited 2009/10 financial results. A second meeting was held with all MDA staff in December 2010 to provide updates on business initiatives

### Attendance Management Program

Attendance is identified as a critical element for MDA’s long term stability. Provincial departments rely on MDA to complete work accurately and on time. Management and Human Resources will work on developing a comprehensive Attendance Management Program for MDA to ensure consistency for all staff.

**Strategy results:**

* MDA management and the COO have held multiple meetings developing the framework for the Attendance Management Program. The COO is currently working with Human Resources on creating the content for the program

### Orientation Packages

Each manager will develop an orientation package, unique to their area, with checklists to ensure completion of tasks within required timelines. This will augment the broader MIT orientation package.

**Strategy results:**

* The orientation packages for each area of MDA are complete

### Wellness Plan

MDA’s goal is to become a healthy workplace, aligning with the province’s priority to promote healthy living. MDA recognizes the substantial savings to the Agency and health care system in the future that can be realized when people remain healthy longer. In addition, productivity increases with healthier workers.

MDA has developed a plan for improvements to staff health. MDA’s Wellness Committee and management have identified the following initiatives:

* Conduct an annual Wellness Fair in early 2010
* Organize employee tournaments in ping pong, cribbage, darts and Dance Dance Revolution
* Arrange for two healthy lunches and four healthy snack days
* Improve workout room
* Track staff who use alternative travel methods to and from work, and participate in the government’s Commuter Challenge
* Organize MDA Olympics in mid 2010/11
* Arrange for two additional speakers to address staff on health issues
* Offer a voluntary smoking cessation program
* Organize two MDA gold events (after work)

**Strategy results:**

***(All MDA wellness events occur during lunch time or after business hours with the exception of the annual wellness fair)***

* MDA held its third annual Wellness Fair on May 1/10. There were 56 MDA staff, 7 family members and 21 provincial employees from outside of MDA who participated in the fair. A survey was conducted and the feedback was extremely favourable
* A healthy snack break and lunch were arranged for staff in June for the Employee Appreciation Day
* The Wellness Committee organized MDA’s participation for the Winnipeg Humane Society’s annual “Paws in Motion” walk at Assiniboine Park on June 27/10. Nine staff participated in the walk and many more made donations
* A massage therapy day is arranged each month (during staff breaks and at the staff’s own expense)
* Ping pong and cribbage tournaments were organized
* MDA entered a team for the annual dragon boat races at The Forks
1. New and Growth Business Initiatives Overview

The Agency needs to grow revenue in strategic markets and increase loyalty through the implementation of client relationship management strategies, competitive pricing, product/service quality, product availability and service reliability.

MDA’s traditional clients continue to shop at alternate suppliers. MDA must implement more frequent communications focused on the benefits of buying through MDA. MDA must dispel negative perceptions associated with price, product availability, and unreliable 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 expenditures 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.

### Child Special Services

MDA distributes incontinence supplies on behalf of Manitoba Health’s Home Care Program. Management will meet with representatives from the CSS Stafford Office to discuss the possibility of implementing a pilot project to supply children with similar supplies.

**Strategy results:**

* This project is on hold by CSS

### Office of Disaster Management (ODM)

In 2009/10, MDA partnered with the Office of Disaster Management to store, inventory and distribute pandemic supplies for the Province of Manitoba. MDA has entered into an agreement to continue this business until the end of fiscal year 2010/11. ODM requires ongoing management of the pandemic stock, on behalf of the Regional Health Authorities, past the next year. MDA will make a formal proposal to continue operating the pandemic program for the next five years.

**Strategy results:**

* MDA is currently operating a 40,000 sq ft temporary warehouse for pandemic stock
* This agreement is extended for the 2011/12 fiscal year

### Lab and X-Ray

MDA has provided products to provincial labs for the past 10 years. Sales have been marginally declining for the past two years. The Agency believes that sales can be increased by:

* Meeting with Diagnostic Services Manitoba (DSM) and Cadham Provincial Laboratory (CPL) to develop a Memorandum Of Understanding (MOU) with each client
* Working with these clients on new product opportunities

**Strategy results:**

* MDA management and MCG Manager met with representatives at DSM to discuss the possibility of expanding the current lab and x-ray business
* A service agreement is currently being negotiated and is expected to be signed early in 2011/12

### Mail Services

MDA Mail Services offers a variety of services, such as printing, addressing, folding, inserting, mail processing and IDM delivery. MCG and MDA management will conduct a mail market analysis for potential growth by the end of the first quarter. Once the study is complete, MDA will develop a marketing and operational plan based on the recommendations. There are significant departmental cost savings in using MDA for ID mail and mail processing.

**Strategy results:**

* The mail market analysis is complete and will be presented by MCG to MDA management early in the 2011/12 fiscal year

### Society for Manitobans with Disabilities

MDA provides medical equipment for several government programs requiring full end-to-end services, from purchasing new equipment to recycling and re-issuing used equipment. Wheel Chair Services has been identified as an excellent fit with current processes at MDA. Initial discussions with this group have taken place in fiscal year 2009/10 about the potential for amalgamating these services in the future. The current wheel chair contract expires in 2011. MDA will be presenting a formal proposal to reach an agreement before the contract goes out for tender.

**Strategy results:**

* A meeting was held in June 2010 with WRHA representatives and a formal proposal was submitted to this group in the third quarter
* The WRHA declined MDA’s proposal stating that it was well thought out and an attractive proposal, but they were not in a position to make a change at this time

### Family Services and Consumer Affairs (FS&CA)

In 2009/10 MDA was granted permission from Treasury Board to provide publically funded day care facilities with products and services. The Agency has dedicated resources to growing this line of business over the next two to three years. MDA has developed a comprehensive communication strategy for this client base and will be tracking quarterly sales throughout fiscal year 2010/11.

**Strategy results:**

* MDA has sent out letters with ordering information and benefits to 1,114 daycares and nurseries. Sales by quarter are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Time Period** | **Sales 2009/10 ($)** | **Sales 2010/11 ($)** | **Difference($)** | **Increase/Decrease** |
| 1st Quarter | 4,884 | 8,077 | 3,193 | +65% |
| 2nd Quarter | 3,759 | 7,601 | 3,842 | +102% |
| 3rd Quarter | 3,037 | 7,877 | 4,850 | +160% |
| 4th Quarter | 6,708 | 9,646 | 2,938 | +40% |
| **Totals** | **18,388** | **33,201** | **14,813** | **+80%** |

### Association of Manitoba Municipalities (AMM)

MDA has been marketing this association since early 2008. MCG has developed a strategic plan for increasing awareness of MDA products and services. This involves attending two trade shows, advertising in the Municipal Leader magazine, as well as sales calls to key rural municipality offices. Revenue for this business line has increased by 61% in fiscal year 2009/10. MDA will monitor quarterly sales to determine the viability of this initiative.

**Strategy results:**

* MDA has partnered with Vehicle and Equipment Management Agency (VEMA) to place an advertisement in the Municipal Leader magazine. This has cut costs for both agencies
* Staff from MCG attended the AMM trade shows in April and December 2010
* Sales by quarter are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Time Period** | **Sales 2009/10 ($)** | **Sales 2010/11 ($)** | **Difference($)** | **Increase/Decrease** |
| 1st Quarter | 8,846 | 15,050 | 6,204 | +70 % |
| 2nd Quarter | 5,362 |  6,649 | 1,287 | +24% |
| 3rd Quarter | 9,080 | 10,265 | 1,185 | +13% |
| 4th Quarter | 4,138 | 4,453 | 315 | +1% |
| **Totals** | **27,426** | **36,417** | **8,991** | **+33.0 %** |

### Employee Income and Assistance

This is a key business line for MDA that is growing each year. In late 2007, MDA launched an electronic ordering system (E-order) in Winnipeg at the client’s request. EIA management requested MDA visit all RHAs in 2010/11 to help implement this program for all rural areas. MDA will track volumes throughout 2010/11 to verify the effectiveness of this plan.

**Strategy results:**

* Sales comparison from 2009/10 to 2010/11 is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Time Period** | **Sales 2009/10 ($)** | **Sales 2010/11 ($)** | **Difference($)** | **Increase/Decrease** |
| 1st Quarter | 519,499 | 569,100 | 49,601 | +9.5% |
| 2nd Quarter | 505,293 | 610,800 | 105,507 | +20.9% |
| 3rd Quarter | 565,300 | 629,000 | 63,700 | +11.3% |
| 4th Quarter | 566,800 | 633,600 | 66,500 | +11.7% |
| **Totals** | **2,156,892** | **2,442,500** | **285,308** | **+13.3%** |

### Marketing and Communications Group (MCG)

The Supply and Services MCG works closely with MDA management to source and implement many key business and communication initiatives. MCG is tasked with sourcing five new business opportunities in fiscal year 2010/11.

**Strategy results:**

* MCG has sourced 6 new business opportunities. These are:
	+ Seasonal taxi cab shields
	+ Department of Conservation asset tracking
	+ Manitoba Health vaccine distribution
	+ Manitoba libraries for stationery items
	+ Electric beds for personal care homes
	+ University of Manitoba mail finishing business
1. 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 from staff, clients, vendors, and management. These projects may be small (updating an existing procedure) or large (feasibility study of all mail satellite offices).

MDA has identified several important internal improvements that need to be completed in 2010/11. Additional projects may be identified throughout the year based on operational requirements and client needs.

### Procedure for Business Line Analysis

MDA has over 20 varying business lines, each with unique standards and client requirements. MDA’s Business Line Analyst will create templates for:

* Current business line reviews on an annual basis
* New business assessment

Each program will be reviewed annually by MDA’s Finance area to ensure financial stability and operational effectiveness. MCG will review to determine client satisfaction.

**Strategy results:**

* Segmented reporting will be used to assess financial performance

|  |  |
| --- | --- |
| **MDA Business Lines** | **Annual Revenue ($)** |
| New Business Template | - |
| Mail Services (5 lines) | 5,000,000 |
| MTBB | 240,000 |
| Medical Equipment | 2,000,000 |
| Moving | 750,000 |
| Storage | 85,000 |
| Janitorial | 1,500,000 |
| Stationery | 3,000,000 |
| Medical Supplies | 1,500,000 |

### Executive Management Council (EMC) Presentations

MDA has committed to making presentations to each department’s EMC during fiscal year 2010/11. The Agency will be outlining potential areas where cost savings can be realized, an overview of business lines and consolidation of similar activities.

**Strategy results:**

* A PowerPoint presentation was developed and meetings are being scheduled between September and the end of the fiscal year
* At the end of the fourth quarter, 17 EMC presentations were completed. There are three scheduled for early in fiscal year 2011/12

### Medical Supply Catalogue

A project team consisting of MDA management and MCG staff will be set-up to determine if pricing can be included in the medical supply catalogue. Once consensus has been reached, the team will outline activities to be undertaken with completion dates.

**Strategy results:**

* An initial meeting held in May determined the feasibility of including pricing in the medical catalogue. The next meeting will be held in September
* This project is complete and pricing will be added in the next catalogue

### Client Cost Savings

MDA has committed to reducing prices on the top 10 stationery products in order to reduce client costs in fiscal year 2010/11. The Agency will track these statistics and savings for other business lines in the quarterly reports.

**Strategy results:**

### Client cost savings are as follows:

|  |  |  |
| --- | --- | --- |
| **Time Period** | **Sales 2010/11 ($)** | **Savings to Customers ($)** |
| 1st Quarter | 280,606 | 6,843\* |
| 2nd Quarter | 319,971 | 9,900 |
| 3rd Quarter | 315,200 | 9,700 |
| 4th Quarter | 366,300 | 11,300 |
| **Totals** | **1,282,077** | **37,643** |

###  \* Price reduction took effect May 1, 2010

### MDA Web-site

Over the past two years, MDA has created a web-site to market its products and services. At this time, the web-site is static. MDA has tasked MCG to create an easy to search and interactive web-site that can be updated with new products in real time. This will allow clients to utilize the web-site, instead of relying on printed catalogues and monthly flyers to update outdated information and products. MDA could reduce the amount of catalogues printed each year, saving money and becoming more environmentally friendly.

**Strategy results:**

* MCG Manager and MDA’s IT supervisor discussed options and made a recommendation to the COO in the second quarter
* Meetings were held and options were presented in the third quarter
* Recommendations are under evaluation with a decision expected by the COO in the second quarter of 2011/12

### Information Technology Projects

MDA relies heavily on the Great Plains system to ensure client needs are met. There are many small projects occurring throughout each year. These projects improve the information supplied to clients and increases internal efficiencies of staff. There are two projects identified for analysis and upgrades in the 2010/11 fiscal year:

* Ship To and Rental modules – Enhancements are required so that MDA can assist clients in an effective manner and to enhance functionality for the Client Services Representatives. The Manager of Finance & IT will work with the Manager of Client Services to determine what enhancements are required and timelines for completion
* Internal system for tracking clients - MDA and MCG need to analyze client information in order to effectively target initiatives. The Manager of Finance & IT will work with the MCG Manager to determine project scope and timelines for completion

**Strategy results:**

* Ship To and Rental modules - Meetings were scheduled in the second quarter to determine what improvements were required. All changes have been completed
* Internal system for tracking clients – Meetings were held in the second quarter and recommendations will be embedded into the 2011/12 Business Plan

### Warehouse Space Review

The Manager of Logistics will undertake an analysis by business line to determine effective warehouse space usage and present findings to the COO. An action plan will be developed to reconfigure warehouse areas if the findings are approved.

**Strategy results:**

* This project is on hold until the second quarter of the 2011/12 fiscal year due to several business opportunities

### Mail Area Configuration

The Mail Services Coordinator has submitted plans to reconfigure the mail processing and IDM areas of MDA. The plan was approved by the COO and the project will commence in the first quarter of fiscal year 2010/11.

**Strategy results:**

* The configuration of the mail processing and IDM areas of MDA is complete. Work is being completed more efficiently and safely. The feedback from staff is very positive

### Good Manufacturing Practices (GMP)

The licence is required by the Federal Government to distribute certain types of products (over-the-counter drugs, vaccines, etc.). MDA will investigate the workload and costs for obtaining this certification against potential future business opportunities.

**Strategy results:**

* MDA met with representatives of Health Canada in March 2011. The Contracts and Purchasing Manager will work with Health Canada to identify products which need “Medical Device” or “Drug establishment” licences. This will determine what type of GMP certification is required.
1. Sustainable Development & Green Initiatives Overview

MDA supports all government initiatives on sustainable development and green procurement. The Agency currently carries 265 products that are considered environmentally friendly. This number is steadily growing each year. Procurement Services Branch (PSB) continues to recommend MDA as a supplier of choice for many commodity lines, such as furniture, stationery, and janitorial supplies.

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

### Janitorial and Stationery Products

Each year, MDA works with clients to provide an enhanced line of environmentally friendly products. MDA’s target in 2010/11 is to obtain a minimum of 10 new green products to replace traditional items which are not environmentally friendly. MDA will report on this initiative in the fourth quarter of 2010/11.

**Strategy results:**

* MDA brought on 12 new environmentally friendly products during fiscal year 2010/11

### Toner Recycling

MDA offers a toner recycling program to all provincial clients. This return program is free and ensures all returned cartridges are sent back to the appropriate vendor for recycling. In 2009/10, MDA made numerous enhancements to streamline this process, reduce overall costs and increase the compliance for this initiative. MCG is tasked with creating a toner recycling campaign to raise awareness and increase recycling numbers.

**Strategy results:**

* The recycling campaign project is complete and will be rolled out by MCG in April 2011

FINANCIAL OVERVIEW

## Review of Operations

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

The following financial review and analysis compares the actual results for the year ended March 31, 2011 to the projections for the same period, and to the actual results for the year ended March 31, 2010.

MDA reported a net income of $11,000, compared to a projected net income of $10,000 for the year ended March 31, 2011 and a net income of $201,000 for the year ended March 31, 2010.

(In thousands)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2011****Actual** | **2011****Projected** | **2011 Actual vs. Projected** | **2010****Actual** | **2011 Actual****vs.****2010 Actual** |
| **Warehouse Sales****Cost of Goods Sold** | 12,83410,226 | 12,160 9,728 | 674498 | 14,13511,236 | (1,301)(1,010) |
| **Gross Profit** | 2,608 | 2,432 | 176 | 2,899 | (299) |
| **Service Revenue****Total Revenue****Expenses****Salaries & Benefits****Occupancy Costs****Operational****Administrative**  | 11,09513,7034,3461,0777,765504 | 11,19013,6224,4401,0057,602 445 | (95)81(94)7216359 | 11,88814,7874,4429968,530618 | (793)(1,084)(96)81(765)(114) |
| **Total Expenses** | 13,692 | 13,612 | 80 | 14,586 | (894) |
| **Net Income/(loss)** | 11 | 10 | 1 | 201 | (190) |

## Financial Position

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

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

##

## Ratio Analysis

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Ratio** | **2011** | **2010** | **2009** | **2008** |
| **Return on Total Revenue** | .08% | .77% | .68% | .64% |
| **Return on Average Assets** | .14% | 2.63% | 2.33% | 1.08% |
| **Gross Profit Percentage** | 20.30% | 21.90% | 20.42% | 20.40% |
| **Debt to Capital** | .42 to 1 | .44 to 1 | .42 to 1 | .48 to 1 |
| **Current Ratio** | 1.76 to 1 | 1.53 to 1 | 1.74 to 1 | 1.62 to 1 |
| **Days Sales in Receivables** | 52 days | 35 days | 39 days | 46 days |
| **Inventory Turnover**  | 6.64 times | 7.76 times | 8.23 times | 6.63 times |

## MDA Performance Measures

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| \* Internal Turn Around Times: | **2011** | **2010** | **2009** | **2008** |
| (In number of days)Health Orders – Urban**Health Orders – Rural****Other Goods – Urban****Other Goods – Rural****MB Text Book Bureau** | 111.51.51 | 11111 | 11111 | 12122 |
| **No. Sales Invoices** | 62,373 | 63,692 | 64,506 | 56,557 |
| **No. Inventory Items** | 3,718 | 3,041 | 3,251 | 2,563 |

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

APPENDIX A

MATERIALS DISTRIBUTION AGENCY

FINANCIAL STATEMENTS

MARCH 31, 2011

 INDEPENDENT AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

**Report on the Financial Statements**

We have audited the accompanying financial statements of Materials Distribution Agency, which comprise the balance sheet as at March 31, 2011 and the statements of income and comprehensive income and retained earnings and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of Materials Distribution Agency as at March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with the Canadian generally accepted accounting principles.

June 8, 2011 MAGNUS & BUFFIE

Winnipeg, Manitoba CHARTERED ACCOUNTANTS LLP

Balance Sheet

(in thousands)

March 31, 2011

 2011 2010

Assets

Current assets:

Cash and short term deposits $ 493 $ 828

Accounts receivable 2,891 2,635

Inventories (Note 5) 1,476 1,600

Prepaid expenses 236 227

 5,096 5,290

Long term investments (Note 6) 412 412

Capital assets (Note 7) 1,895 1,986

Other assets (Note 8) 63 101

 $ 7,466 $ 7,789

Liabilities and Equity

Current liability:

Accounts payable and accrued liabilities $ 2,617 $ 2,990

Severance liability (Note 9) 500 462

 3,117 3,452

Equity:

Contributed equity (Note 11) 1,297 1,297

Retained earnings 3,052 3,040

 4,349 4,337

Commitments (Note 12)

 $ 7,466 $ 7,789

See accompanying notes to financial statements.

Statement of Income and Comprehensive Income and Retained Earnings

(in thousands)

Year ended March 31, 2011

 2011 2010

Warehouse sales (Schedule 1) $ 12,817 $ 14,388

Cost of sales 10,220 11,225

Gross profit 2,597 3,163

Service revenue (Schedule 1) 11,115 11,635

Net income before the following 13,712 14,798

Expenses:

Salaries and benefits 4,421 4,514

Occupancy costs 1,077 996

Administrative expenses (Schedule 2) 8,202 9,087

 13,700 14,597

Net income and comprehensive income for the year 12 201

Retained earnings, beginning of year 3,040 2,839

Retained earnings, end of year $ 3,052 $ 3,040

See accompanying notes to financial statements.

Statement of Cash Flow

(in thousands)

Year ended March 31, 2011

 2011 2010

Cash flow from (used in)

Operating activities:

Net earnings for the year $ 12 $ 201

Adjustment for:

Amortization 1,043 983

 1,055 1,184

Changes in the following:

Accounts receivable (256) (210)

Inventories 124 (316)

Prepaid expenses (9) (47)

Accounts payable and accrued liabilities (371) 422

Severance liability 38 37

 581 1,070

Investing activity:

Capital asset additions (916) (1,152)

Change in cash and short term deposits (335) (82)

Cash and short term deposits, beginning of year 828 910

Cash and short term deposits, end of year $ 493 $ 828

See accompanying notes to financial statements.

**1. Nature of organization**

The Government of Manitoba established a central warehouse operation in 1974. Its mandate is to effectively meet the cost needs of departments and certain boards, commissions and agencies of the Crown, for a variety of commonly used items.

Effective April 1, 1993, Materials Distribution Agency (the "Agency") was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

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

Effective April 1, 2005 the operations of the Materials Distribution Agency and the Mail Management Agency were amalgamated. The amalgamated operations have been operating as the Materials Distribution Agency.

The Agency is financed through the Special Operating Agencies Financing Authority ("SOAFA"). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Agency's operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Infrastructure and Transportation assigns responsibility to the Agency to manage and account for Agency‑related assets and operations on behalf of the Financing Authority.

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

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba and the Manitoba Regional Health Authorities deriving most of its revenue and all of its capital financing requirements from the Province. These transactions are recorded at the exchange amount, which is the amount agreed upon by both parties.

**2. Change in accounting policies**

**Significant accounting changes**

No significant accounting changes were effective for the Agency in the 2010/11 year.

**Future accounting changes**

The Agency will adopt Public Sector Accounting Standards (PSAS) issued by the Public Sector Accounting Board effective April 1, 2011. The Agency is currently in the process of assessing the impact of the adoption of PSAS on its financial statements.

**3. Summary of significant accounting policies**

**Basis of reporting**

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

**Inventory**

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first‑in, first‑out basis. During the year, no inventory was valued at net realizable value.

Included in cost of sales is $10,220 (2010 ‑ $11,225) of inventory recognized as an expense during the year.

**Capital assets**

Capital assets are recorded at cost and amortized over their estimated useful lives as follows:

 Computer equipment 20% straight line

 Fixtures 20% straight line

 Leasehold improvements 5 years straight line

 Office equipment 20% straight line

 Production equipment 20% declining balance

 Rental equipment 2 ‑ 5 years straight line

 Warehouse equipment 20% declining balance

**Other assets**

Other assets are recorded at cost and amortized as follows:

 Computer conversion 5 years straight line

 Relocation expenses 10 years straight line

**Revenue recognition**

Warehouse sales are recognized when the products are shipped. Service revenues are recognized based on the provision of services provided.

**Capital disclosures**

The Agency’s capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short‑term capital needs with working capital advances from the Province of Manitoba; and meet long‑term capital needs through long‑term debt with the Province of Manitoba. There were no changes in the Agency’s approach to capital management during the period. The Agency's capital consists of contributed equity and retained earnings.

The Agency is not subject to externally imposed capital requirements.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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

**Financial Instruments ‑ recognition and measurement**

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument’s classification. Financial instruments are classified into one of the following five categories: held‑for‑trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held‑for‑trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Financial instrument Category Measurement

Cash and short term deposits Held‑for‑trading Fair value

Accounts receivable Loans and receivables Amortized cost

Long term investments Held‑for‑trading Fair value

Accounts payable and accrued liabilities Other financial liabilities Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of income, comprehensive income and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held‑for‑trading are recognized in the statement of income, comprehensive income and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they would be recorded in the statement of income, comprehensive income and retained earnings.

**Fair value of financial instruments**

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short‑term maturity.

4. Financing arrangements

The Special Operating Agencies Financing Authority has provided the Agency with an authorized line of working capital of $1,000 of which $nil was used at March 31, 2011.

5. Inventories

 2011 2010

Medical supplies $ 597 $ 650

Equipment 158 151

Stationary 476 480

Janitorial 237 292

New furniture 8 27

 $ 1,476 $ 1,600

6. Long term investments

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $412 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $412 into a trust account bearing interest at 1.25% and maturing on March 30, 2012 to be held on the Agency's behalf until the cash is required to discharge the related liabilities. As such, this amount has been classified as a long term asset.

7. Capital assets

 Accumulated Net book value

 Cost amortization 2011 2010

Computer equipment $ 230 $ 221 $ 9 $ 11

Fixtures 161 123 38 37

Leasehold improvements 836 752 84 83

Office equipment 64 64 - -

Production equipment 284 284 - -

Rental equipment 8,930 7,508 1,422 1,521

Warehouse equipment 998 656 342 334

 $ 11,503 $ 9,608 $ 1,895 $ 1,986

8. Other assets

 Accumulated Net book value

 Cost amortization 2011 2010

Computer conversion $ 337 $ 336 $ 1 $ 9

Relocation 287 225 62 92

 $ 624 $ 561 $ 63 $ 101

9. Severance liability

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

An actuarial report was completed for the severance pay liability as of March 31, 2008. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2011 was $500 (2010 ‑ $462), with the actuarial loss being amortized over the 15 year expected average remaining service life of the employee group.

Significant long‑term actuarial assumptions used in the March 31, 2008 valuation, and in the determination of the March 31, 2011 present value of the accrued severance benefit obligation were:

Annual rate of return

inflation component 2.50%

real rate of return 4.00%

 6.50%

Assumed salary increase rates

annual productivity increase 0.75%

annual general salary increase 3.25%

 4.00%

10. Pension benefits

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

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

Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees’ current pension contributions. The amount paid for 2011 was $185 (2010 ‑ $182). Under this agreement, the Agency has no further pension liability.

11. Contributed equity

**Loan Authority ‑ April 1, 1993**

The SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of inventories and capital assets valued at $1,464 required for the continuing operation of the Agency as at March 31, 1993. The Agency repaid the debt portion of $732 (being one‑half of the value of the assets) and recorded the balance, $732, as Manitoba's contributed equity in the Financing Authority as related to the Agency operations.

**Loan Authority ‑ April 1, 1996 MMA**

SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of equipment valued at $102 required for continuing operations of the Mail Management Agency as at March 31, 1996. The Mail Management Agency (now Materials Distribution Agency) repaid the debt portion in the amount of $51 (being one‑half of the value of the assets) and recorded the balance of $51 as Manitoba's contributed equity in the Financing Authority as related to the Agency's operations.

**Loan Authority ‑ April 1, 1997**

SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority for the net assets of the Home Care Equipment and Supply Program valued at $1,027 as at April 1, 1997. The Agency repaid the debt portion of $513 (being one‑half of the value of the assets) and recorded the balance of $514 as Manitoba's contributed equity in the Financing Authority as related to the Agency's operations.

12. Commitments

**Leased premises**

On March 24, 2003, the Agency took partial possession of a rental property consisting of 76,067 square feet at 1715 St. James Street, Winnipeg, Manitoba. The lease is for a term of ten years commencing May 1, 2003 with an additional five year option. The payments over the next five years are $521 per year.

On April 30, 2010, the Agency took possession of a rental property consisting of 45,000 square feet at 1455 Mountain Avenue, Winnipeg, Manitoba. The lease will expire on April 29, 2012 and the payments are $18 per month.

**Rental agreement**

The Agency leases a space from the Province of Manitoba on a monthly basis for the following locations: 450 Broadway, Winnipeg; 340 ‑ 9th Street, Brandon; and 25 Tupper Street, Portage La Prairie. Occupancy charges for the year ended March 31, 2011 were $10 (2010 ‑ $11).

13. Interest received

The Agency received interest during the year of $6 (2010 ‑ $3).

14. Financial instruments ‑ risk management

In the normal course of operations the Agency is exposed to various financial risks. The financial risk management objectives and policies are as follows:

**Credit risk**

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and short term deposits, accounts receivable and long term investments.

The maximum exposure of the Agency to credit risk at March 31, 2011 is:

Cash and short term deposits $ 493

Accounts receivable 2,891

Long term investments 412

 $ 3,796

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

Accounts receivable: The Agency is not exposed to significant credit risk as the nature of the accounts receivable is with related entities and consists of a large client base and payment in full is typically collected when it is due. 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 at March 31, 2011 was $93 (2010 ‑ $93).

**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 the obligations.

**Market risk**

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

**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 short term deposits.

The interest rate risk on short term deposits is considered to be low because of their short‑term nature.

Schedule of Warehouse Sales and Service Revenue

(in thousands)

Year ended March 31, 2011 Schedule 1

 2011 2010

 Warehouse sales:

Medical supplies $ 4,858 $ 5,024

Stationery 4,060 4,261

Furniture 1,259 2,219

Janitorial 2,030 1,969

Health equipment 489 485

Special projects 121 430

 $ 12,817 $ 14,388

Service revenue:

Disposal $ 17 $ 3

Manitoba Textbook Bureau 290 290

Freight 726 732

Moving 466 724

Storage 60 65

Office equipment ‑ maintenance program (2) 17

Office equipment ‑ copy centres 193 300

Mail services 5,940 6,462

Home care equipment rentals 2,841 2,792

Other income 584 250

 $ 11,115 $ 11,635

Schedule of Administrative Expenses

(in thousands)

Year ended March 31, 2011 Schedule 2

 2011 2010

Amortization $ 1,043 $ 983

Bad debts - 13

Computer 226 220

Copy centre 142 211

Equipment rentals 137 186

Freight 1,296 1,389

Mail services 4,392 4,918

Miscellaneous 11 28

Moving 430 488

Office 142 181

Professional fees 15 19

Promotion and marketing 73 111

SOAFA fees 2 2

Telephone 52 59

Training 6 31

Vehicle 95 87

Warehouse supplies 140 161

Schedule of Public Sector Compensation Disclosure

(in thousands)

Year ended March 31, 2011

Pursuant to the disclosure requirements to the *Public Sector Compensation Disclosure Act*, no remuneration or other benefits were paid to the Advisory Board members.

The *Public Sector Compensation Disclosure Act* also requires all publicly funded bodies to disclose compensation to any employee or officer when such compensation exceeds $50 or more per annum. This information is as follows:

Employee Title Compensation

 2011 2010

Ailyn Almendral IT ‑ Systems Administrator $ 75 $ 77

Sherry Batenchuk Mail Services Coordinator 50 50

David Bishop Chief Operating Officer 85 81

Michael Boyak Business Analyst 55 53

Rhonda Boyd Client Services Manager 57 57

Glen Dela Cruz Programmer/Analyst 69 67

Becky Fleury Marketing Manager 55 -

Garret Gilchrist Senior Equipment Technician 50 -

Joel Hershfield Manager of Finance & Technology, Wellness Coordinator 72 72

Michael Langenfeld Contracts and Purchasing Manager 57 58

Roxane Hutcheson Acting Marketing Manager - 54

Arnold McTavish Sr. Medical Equipment Technician - 51

Robert Nicholls Logistics Manager 61 59

Lee Pomfret Transportation Coordinator 51 -