



**Manitoba Learning  
Resource Centre**

**Special Operating Agency**

**Annual Report  
2015/2016**





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**MINISTER  
OF EDUCATION AND TRAINING**

Room 168  
Legislative Building  
Winnipeg, Manitoba, Canada  
R3C 0V8

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

Your Honour,

I have the privilege of presenting for the information of your honour the Annual Report of the Manitoba Learning Resource Centre (a Special Operating Agency) for the fiscal year ended March 31, 2016.

Respectfully submitted,

*Original signed by*

Honourable Ian Wishart







Education and Training  
Deputy Minister

Room 162, Legislative Building, Winnipeg, Manitoba, Canada R3C 0V8

Honourable Ian Wishart  
Minister of Education and Training  
Room 168 Legislative Building  
Winnipeg MB R3C 0V8

Dear Minister:

I submit for your approval the 2015/2016 Annual Report of the Manitoba Learning Resource Centre (LRC).

The 2015/2016 performance and operating results clearly demonstrate the continuing commitment and dedication of the LRC management and staff.

Respectfully submitted,

*Original signed by*

Bramwell Strain







## Profile of the Manitoba Learning Resource Centre

The Manitoba Learning Resource Centre (LRC) is responsible for providing Manitoba schools with educational learning resources and related products to support teaching and learning and to support the goals and objectives of Manitoba Education and Training by ensuring the availability of all department-recommended learning materials.

### Vision and Mission

Under the authority of *The Education Administration Act* and *The Public Schools Act*, LRC's mission is to support Manitoba schools, both public and private, in accessing curriculum-matched educational learning resources while maximizing purchasing power through recognized excellence in acquisition, distribution, and billing services. LRC's vision is to be the educational community's first choice for learning resources, recognized as an essential link to publishers and product creators.

#### LRC's vision and mission define its role:

- To maximize the purchasing power of Kindergarten to Grade 12 schools by providing the benefits of bulk purchasing and centralized ordering, billing, and distribution
- To provide the Department of Education and Training with information regarding how grant funds are used
- To ensure the availability of department-recommended learning resources

LRC plays a vital role in supporting the goals and objectives of Manitoba Education and Training by allowing all Manitobans equitable and ready access to quality recommended learning resources and related products that are curriculum matched.

LRC's vision and mission are supported by the following operating principles:

- **Service Quality:** We strive to provide our customers with the right products for the best price as quickly and easily as possible.
- **Flexibility:** We take initiatives to supply our customers with what they want, when they want it, where they want it, and how they want it.
- **Co-operation:** We invest in developing lasting, mutually satisfactory business relationships with our customers and our suppliers.
- **Communication:** We constantly listen, share, and learn from each other, our customers, our suppliers, and our partners. We are dedicated to keeping channels of communication open and offering transparency in all of our business activities.



- **Integrity:** We work with our associates and partners to ensure, to the best of our ability, that students and teachers have access to the learning resources they want. We view our primary customer, Kindergarten to Grade 12 schools, as our shareholder.
- **Respect:** We are sincere and professional in all of our interactions.
- **Competence:** We are continuously learning, exploring, and building new skills. We pursue excellence in all that we do.

## Operating Like a Business

LRC's current staff complement of seven full-time personnel provides complete support to its clients, who comprise over 880 schools in Manitoba, the Department of Education and Training, and other clients across Canada. From its office in Souris, LRC provides clients with learning resource materials to meet their requirements at the lowest possible cost and strives to develop lasting, mutually satisfactory business relationships.

LRC's primary clients are also considered direct shareholders and reap the benefits of increased business volumes with discounts or rewards. The primary clients are Kindergarten to Grade 12 schools and school divisions in Manitoba, whether public, private, or federally funded, as well as home-schooled students.

Individual clients want easy and convenient access to a broad range of products, flexible order and delivery options, as well as accurate and reliable service. Administrators want systems that simplify their internal record processing and assist with facilitation of purchasing controls.

Secondary clients include the broader educational community within Manitoba. Within this community are parents, the four faculties of education, post-secondary institutions, adult upgrading programs, the Department of Education and Training, and educational functions within public service organizations.

Tertiary clients include the educational community within a national and international context.

Manitoba Education and Training identifies new learning resources that are congruent to Manitoba curriculum frameworks of outcomes. This review process allows teachers to acquire learning resource materials that have been evaluated and identified as recommended or approved.

Manitoba Education and Training provides to public and funded independent schools in Manitoba a \$60 per-pupil Curricular Materials Grant, \$30 of which has to be spent through LRC with schools having the option of spending the remaining \$30 either through LRC or any other source (this amount is known as the discretionary grant). Non-funded independent schools are provided a \$60 per-pupil Curricular Materials Grant that has to be spent through LRC.



LRC lists Manitoba-reviewed learning resource materials in the English and French catalogues and on its website ([www.mtbb.mb.ca](http://www.mtbb.mb.ca)).

Combined French and English, LRC has over 13,500 stock titles covering subject areas of mathematics, English language arts, French, physical education, science, social studies, art, business education, health, home economics, music, vocational, and Native studies.

LRC's services fall into two main categories: (1) Stock Orders and (2) Special Orders.

The advantages of having one central government agency serving all schools include the following:

- a. LRC receives a greater minimum discount from educational publishers.
- b. Rates for in-bound freight are significantly reduced based on annual volumes generated through LRC.
- c. LRC establishes prices so that all schools pay the same, regardless of location or size of school. This ensures that schools in rural and northern locations have the same access to quality and up-to-date materials as schools in the larger urban areas.
- d. LRC procures and supplies Manitoba-reviewed learning resource materials, which are curriculum matched, and maintains a listing of all designated materials.
- e. LRC generates efficiency by procuring learning resources for the entire province and by avoiding redundancies that could occur if multiple warehouse operations were to be maintained by the various school divisions (e.g., warehouse space, staff, computer systems, etc.). Schools and school divisions avoid the problems and expenses associated with sending hundreds of separate orders out to different suppliers. Using LRC also saves them the time and expense of following up on undelivered items, keeping track of and paying suppliers' invoices, returning unwanted or incorrectly delivered items, making claims for damaged or short-shipped materials, and absorbing the costs of stamped books, which cannot be returned to publishers.
- f. LRC ensures that department-produced documents, such as curriculum support materials, policy documents, and curriculum documents, are available to schools for the life of the document.
- g. LRC facilitates special projects, such as production of Manitoba-specific learning resources to meet defined needs that are not currently being met by publishers, or administration of special projects on behalf of all school divisions.



## Chief Operating Officer's Message

It is with pleasure that I present the 20th Annual Report of the Manitoba Learning Resource Centre (LRC). This report provides an overview of LRC and outlines the operations during the past year.

Our continued success is greatly dependent on the satisfaction of our clients, our ability to focus on improving services, streamlining administration, cooperating and working closely with our customers, and maintaining the continued commitment of our employees.

LRC sales were lower than budgeted by 6.5%. Total administrative expenses were 5.0% lower than budget. The discretionary grant spending at LRC decreased in 2015/2016 to 18.2% compared with 21.1% in 2014/2015.

The educational publishing industry as a whole continues to see a decline in sales as the use of technology to deliver the resources to the classroom evolves. LRC will continue to explore and develop its role to facilitate cost savings through consortium purchasing of both electronic and print resources.

In 2016/2017, LRC will continue to promote to its customers the efficiencies and benefits of ordering online.

LRC will continue to build on its strengths and focus on increased marketing activity and continued improvement in web services and web technology.

The staff and management should be commended for their commitment, hard work, and dedication.

*Original signed by*

Brenda McKinny,  
Chief Operating Officer



## Message de la chef de l'exploitation

C'est avec plaisir que je présente le vingtième rapport annuel du Centre de ressources d'apprentissage du Manitoba. Ce rapport donne un aperçu des activités du Centre et des réalisations de celui-ci au cours de la dernière année.

Notre succès dépend beaucoup de la satisfaction soutenue de la clientèle, de notre capacité à améliorer continuellement les services, de la rationalisation des procédures administratives, de la collaboration étroite que nous entretenons avec nos clients et de l'engagement continu de nos employés.

Le chiffre des ventes et le total des dépenses administratives du Centre ont été inférieurs aux montants prévus de 6,5 % et de 5 % respectivement. Le montant discrétionnaire des subventions dépensé auprès du Centre a baissé à 18,2 % en 2015-2016 alors qu'il s'élevait à 21,1 % en 2014-2015.

L'ensemble de l'industrie de l'édition scolaire continue de voir ses ventes diminuer en raison de l'évolution de l'utilisation de la technologie pour offrir les ressources d'apprentissage aux écoles. Le Centre continuera d'étudier et de développer son rôle afin de réaliser des économies de coûts au moyen d'achats en commun tant des ressources imprimées qu'électroniques.

Au cours de l'exercice 2016-2017, le Centre continuera à promouvoir l'efficacité et les avantages des commandes en ligne auprès de sa clientèle.

Le Centre continuera également à miser sur ses points forts et à mettre l'accent sur l'augmentation des activités de marketing et sur l'amélioration continue des services et de la technologie Internet.

Les membres du personnel et la direction méritent des éloges pour leur engagement, leur travail acharné et leur dévouement.

La chef de l'exploitation,

*Original signed by*

Brenda McKinny



## Structure of Operations

### Advisory Board

The purpose of the LRC Advisory Board is to provide advice and direction on short- and long-term strategic planning, reporting, and management, and on issues of concern to its clients and stakeholders in both the private and public sectors. The Board Chairperson reviews LRC's Financial Reports as well as its Business Plan, Annual Report, and any planned changes to the Agency Charter.

### Historical Perspective

The Manitoba Learning Resource Centre (LRC) was created in 1931 as a branch of the Department of Education under the name Manitoba Text Book Bureau (MTBB). It was established to achieve economies of scale and reduce the cost of learning resources for schools in Manitoba. LRC continues to play an important role in supporting the goals and objectives of the education system by providing Manitoba schools with recommended learning resource materials and related products that are curriculum matched.

In November 1994, the office component was relocated to Souris as part of the Decentralization Initiative. The warehousing and distribution function located in Winnipeg was contracted out to private industry from April 1, 1994, to March 31, 2002. Beginning on April 1, 2002, to present, warehousing and distribution services have been returned to government via a contract with Materials Distribution Agency.

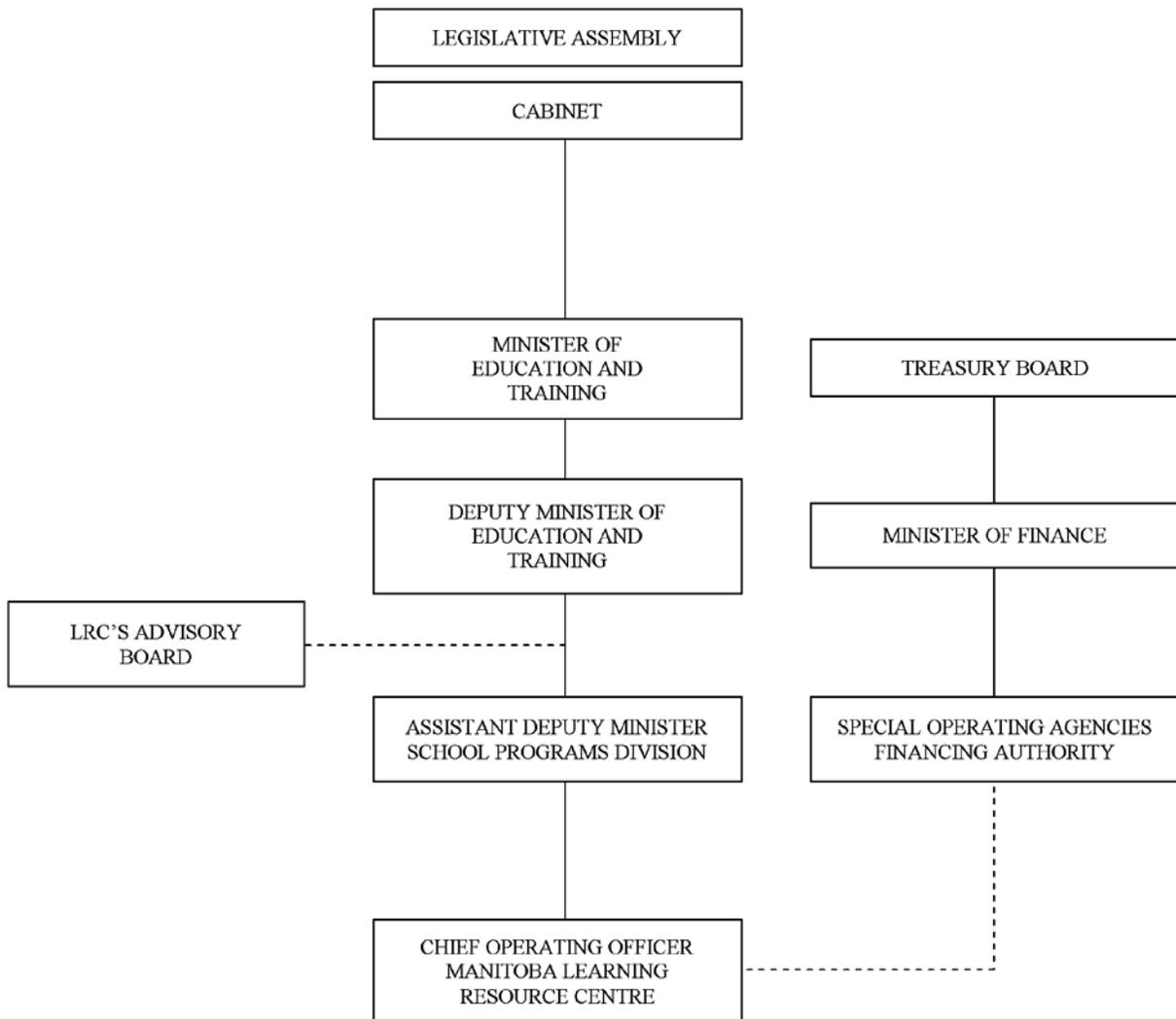
Effective April 1, 1996, the LRC was designated as a Special Operating Agency under *The Special Operating Agencies Financing Authority Act*, Chapter S 185, C.C.S.M. and operates under a charter approved by the Lieutenant-Governor in Council. As an SOA, LRC is accorded more direct responsibility for results and increased management flexibility where necessary to reach new levels of performance. LRC accomplished service delivery improvements by clearly defining operations, by setting demanding goals, and by applying and adapting the best private and public sector management techniques.

In December 2015, under *The Statutes Correction and Minor Amendments Act*, the name was officially changed to the Manitoba Learning Resource Centre (LRC). The new name better reflects its role in acquiring both print and electronic resources, a broader mandate, and more modern services.



## Accountability Structure

LRC is an organization within the Department of Education and Training and is held accountable to the Deputy Minister and Minister for operational and financial performance. LRC operates outside the Consolidated Fund under the Special Operating Agencies Financing Authority (SOAFA), which holds title to LRC's assets, provides financing for operations, and is responsible for its liabilities. The accompanying chart portrays LRC's accountability within the established structure.





## Operating Objectives and Results

In order to keep on track with its mission and to move towards its vision, LRC identifies in its business plan key objectives that are critical to its success.

The objectives identified in the 2015/2016 plan were updated and modified during the current year to reflect progress made and to reinforce what is important to LRC's future success.

### Operations

For the year ended March 31, 2016, LRC achieved sales of \$7,214,619 compared to \$7,096,654 for the year ended March 31, 2015, an increase of \$117,965 or 1.7%. However, sales were \$503,785 lower than budgeted or -6.5%.

The most significant change in sales in 2015/2016 compared to 2014/2015 is the 5.7% increase in stock order sales (\$240,530).

Actual administrative expenses for 2015/2016 were \$925,669 compared to \$925,148 in 2014/2015, an increase of only \$521 or .1%. Total administrative expenses were lower than budget by \$48,374 or -5.0%.

The overall result generated a net loss of \$8,889 for the period. This is lower than the budgeted net loss of \$22,596. This is a direct result of

- rising transportation costs related to both the restocking of inventory and to filling school orders (Consideration to minimum order charges may have to be given in the future.)
- reduced supplier discounts for larger purchasing as a result of the publishing industry struggling with its own profitability (Industry as a whole is seeing a decline.)
- evolution to digital (There has been a slowdown in school spending as the industry finds the balance between print and digital distribution.)
- foreign exchange costs due to the fluctuating Canadian dollar and the increased amount of publishing materials located in the USA (sole source vendors)
- increased administrative costs outside LRC's control (attempts to reduce office occupancy costs and to avoid an anticipated rate hike by downsizing were not successful; centrally negotiated labour and benefits contracts continue to rise; and central government computer service costs outweigh the actual benefit to LRC as an SOA).



LRC will focus on improved web information and service, electronic format offerings, and working with departmental and school division personnel to improve sales in order to address the deficit situation.

LRC set out to ensure that the Inventory Obsolescence factor during the 1998/1999 fiscal year and subsequent years would not exceed 2% of the inventory value. For 2015/2016, the write-down in value amounted to \$18,614 or 0.8% (0.5% – 2014/2015) of total inventory. The continued ability to provide discount pricing and “sales” via the website will assist to reduce the obsolete inventory.

LRC has a partnership agreement with Materials Distribution Agency (another special operating agency) for the provision of warehousing and distribution services to LRC. The similarities between the two agencies have allowed LRC to maintain operating costs and improve services to clients.

## **Marketing**

LRC continued to provide an online catalogue and ordering service via the Internet during 2015/2016. New product information and price changes are periodically updated. The online orders increased slightly over the past year. LRC’s website address is [www.mtbb.mb.ca](http://www.mtbb.mb.ca).

LRC’s website has proven to be convenient for customers and provides administrative cost savings to the agency. The average number of orders received per month at the LRC website was 346, up from the previous year’s monthly average of 343. LRC is continuing to develop a new web store that contains more information and is more user-friendly. This web store is anticipated to be launched by the end of 2016, at which time marketing efforts will be increased.

## **Human Resources**

Success in any year of continuous change must be attributed to each and every member of the staff. Through their hard work and dedication, LRC faces many challenges to achieve its operating goals. The professionalism and enthusiasm demonstrated by all staff members are to be commended. Despite all else, the needs of the clients are always at the forefront.

Together with teamwork and management’s commitment to grow, build, and change, LRC will continue to strive to meet its targets and provide a valued service to the educational community.

## **Customer Service**

During 2015/2016, 99.6% of orders were correctly filled and sent to customers by LRC’s contracted warehouse and distribution provider, Materials Distribution Agency (MDA).



## Performance Framework

LRC developed a performance framework, identifying outcomes in finance, operations, service delivery, and human resources.

The table below shows LRC's detailed performance indicators.

### PERFORMANCE FRAMEWORK – March 31, 2016

OUTCOMES		BASELINE/STANDARD	TARGETS – 2015/2016	2015/2016 RESULTS
Increased sales volume	<ul style="list-style-type: none"> <li>Sales volume by client category</li> </ul>	<ul style="list-style-type: none"> <li>Public \$5,639,492</li> <li>Private \$571,001</li> <li>Other \$1,328,735</li> </ul>	<ul style="list-style-type: none"> <li>Public \$6,441,162</li> <li>Private \$627,242</li> <li>Other \$650,000</li> </ul>	<ul style="list-style-type: none"> <li>Public \$5,846,421</li> <li>Private \$538,692</li> <li>Other \$829,506</li> </ul>
	<ul style="list-style-type: none"> <li>Gross sales volume</li> </ul>	<ul style="list-style-type: none"> <li>Total \$7,539,228 (2004/2005)</li> </ul>	<ul style="list-style-type: none"> <li>Total \$7,718,404</li> </ul>	<ul style="list-style-type: none"> <li>Total \$7,214,619</li> </ul>
	<ul style="list-style-type: none"> <li>% of \$30 discretionary grant used at LRC</li> </ul>	<ul style="list-style-type: none"> <li>15.8% (\$3.15) of \$20 discretionary grant used at LRC in 2004/2005</li> </ul>	<ul style="list-style-type: none"> <li>31.3% (\$9.38) of the \$30 discretionary grant used at LRC</li> </ul>	<ul style="list-style-type: none"> <li>18.2% (\$5.47) of the \$30 discretionary grant used at LRC</li> </ul>
	<ul style="list-style-type: none"> <li>Unexpended curriculum material grant balances (\$30 portion of the \$60)</li> </ul>	<ul style="list-style-type: none"> <li>Unexpended curriculum material grant balances at June 30, 2005 = \$1,730,343</li> </ul>	<ul style="list-style-type: none"> <li>Maintain or decrease unexpended curriculum material grant balances. Measured at end of June 30</li> </ul>	<ul style="list-style-type: none"> <li>Unexpended curriculum material grant balances at June 30, 2015 = \$470,344 (June 30, 2014 = \$392,049)</li> </ul>
Efficient operations	<ul style="list-style-type: none"> <li>% of operating cost to sales</li> </ul>	<ul style="list-style-type: none"> <li>% of operating cost to sales 2004/2005 = 13.3%</li> </ul>	<ul style="list-style-type: none"> <li>% of operating cost to sales 2015/2016 = 12.6%</li> </ul>	<ul style="list-style-type: none"> <li>% of operating cost to sales 2015/2016 = 12.8%</li> </ul>
	<ul style="list-style-type: none"> <li>% of annual sales from June to September</li> </ul>	<ul style="list-style-type: none"> <li>55.7% of annual sales sold from June to September in 2004/2005</li> </ul>	<ul style="list-style-type: none"> <li>49% of annual sales sold from June to September in 2015/2016</li> </ul>	<ul style="list-style-type: none"> <li>39% of annual sales sold from June to September in 2015/2016</li> </ul>
	<ul style="list-style-type: none"> <li>% of special order sales to total sales</li> </ul>	<ul style="list-style-type: none"> <li>33.2% of total sales are special order sales in 2007/2008</li> </ul>	<ul style="list-style-type: none"> <li>Maintain or decrease % of special order sales to total sales</li> </ul>	<ul style="list-style-type: none"> <li>37.4% of total sales are special order sales in 2015/2016 (39.8% in 2014/2015)</li> </ul>
Effective warehouse & distribution	<ul style="list-style-type: none"> <li># of orders filled correctly to total orders</li> </ul>	<ul style="list-style-type: none"> <li>99.7% was achieved in 2004/2005</li> </ul>	<ul style="list-style-type: none"> <li>100%</li> </ul>	<ul style="list-style-type: none"> <li>99.6% of stock orders were filled correctly to total stock orders in 2015/2016</li> </ul>



## Financial Performance

LRC's projected financial statements are an integral part of each year's business plan, which is approved approximately six months prior to the commencement of the year. The following financial review and analysis compare the actual results for the year to the projections in the business plan. The review and analysis should be read in conjunction with the summary as presented below.

	2015/2016 Actual	2014/2015 Actual	Variance From Last Year	2015/2016 Budget	Variance From Budget
<b>Sales Revenue</b>	\$7,214,619	\$7,096,654	\$117,965	\$7,718,404	\$(503,785)
<b>Cost of Goods Sold</b>	6,297,839	6,235,290	62,549	6,766,957	(469,118)
<b>Gross Profit on Sales</b>	916,780	861,364	55,416	951,447	(34,667)
<b>Salaries &amp; Benefits</b>	433,325	418,360	14,965	425,642	7,683
<b>Operating Expenses</b>	462,544	476,678	(14,134)	507,801	(45,257)
<b>Interest – Working Capital</b>	29,800	30,110	(310)	40,600	(10,800)
<b>Total Administrative Expenses</b>	925,669	925,148	521	974,043	(48,374)
<b>Net Income (Loss)</b>	\$(8,889)	\$(63,784)	\$54,895	\$(22,596)	\$13,707

## Review of Operation

Sales increased by \$117,965 over 2014/2015 and the gross profit percentage increased slightly from 12.1% to 12.7%. Administrative expenses increased for 2015/2016 by .1% (\$521) compared to 2014/2015 and were well below budget by 5.0% (\$48,374) for the period. LRC realized a net loss of \$8,889.

LRC continues to strive for efficiencies in its operations by updating and utilizing the capabilities of its accounting and inventory management software (Microsoft Dynamics GP). This software continues to contribute to the reduction of required staffing levels and respective costs.

Salaries and employee benefits expense was \$14,965 higher than 2014/2015 due to a new MGEU Collective Agreement, which resulted in a 4% cumulative increase in salaries, maternity



leave top-up, and increased costs in benefits. Salaries and employee benefits expenses exceeded budget by \$7,683, even though the number of hours worked were as planned.

### **Review of Financial Position**

LRC had listed over 13,500 different learning resource titles and other support materials as of March 31, 2016. The total inventory value at March 31, 2016, was \$2,374,224 as compared to \$2,510,503 at March 31, 2015.

The accounts receivable balance decreased by \$29,482 compared to March 31, 2015. The average days in receivables in 2015/2016 increased to 43.5 days from 36.8 days in 2014/2015.

The LRC financial position is stable; the current ratio (current assets/current liabilities) is unchanged from 2014/2015 at 1.20.



**Manitoba Learning  
Resource Centre**

## **MANITOBA LEARNING RESOURCE CENTRE**

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P.O. Box 910  
Souris, Manitoba R0K 2C0  
Tel: (204) 483-5040  
(866) 771-6822  
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A Special Operating Agency of Manitoba Education and Training

### **Management Report**

The accompanying financial statements are the responsibility of the management of the Manitoba Learning Resource Centre and have been prepared in accordance with Canadian public sector accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 28, 2016.

Management maintains internal controls to properly safeguard the Centre's assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the Auditor General is to express an independent opinion on whether the financial statements of the Centre are fairly presented in accordance with Canadian public sector accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

*Original signed by*

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Brenda McKinny  
Chief Operating Officer

*Original signed by*

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Rhonda Williams, CPA, CGA  
Controller

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Souris, Manitoba  
June 28, 2016



## INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba  
To the Manitoba Learning Resource Centre  
To the Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of the Manitoba Learning Resource Centre which comprise the statement of financial position as at March 31, 2016, and the statements of operations and accumulated surplus, change in net financial assets and cash flows 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 Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on 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, the financial statements present fairly, in all material respects, the financial position of the Manitoba Learning Resource Centre as at March 31, 2016, and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Office of the Auditor General*

Office of the Auditor General  
June 28, 2016  
Winnipeg, Manitoba



**Manitoba Learning Resource Centre**  
An Agency of the Government of Manitoba

**Statement of Financial Position**  
(in thousands)

March 31	2016	2015
<b>Financial assets</b>		
Cash	\$ 3	\$ 3
Accounts receivable	845	874
Portfolio investments	64	64
Inventories for resale	2,374	2,511
	<u>3,286</u>	<u>3,452</u>
<b>Liabilities</b>		
Working capital advance (Note 5)	1,934	2,297
Accounts payable and accruals	575	365
Customer deposit accounts	174	177
Accrued severance liability (Note 6)	53	51
	<u>2,736</u>	<u>2,890</u>
<b>Net financial assets</b>	<u>550</u>	<u>562</u>
<b>Non-financial assets</b>		
Prepaid expenses	4	9
Tangible capital assets (Note 7)	35	27
	<u>39</u>	<u>36</u>
<b>Accumulated surplus</b>	<u>\$ 589</u>	<u>\$ 598</u>

Designated assets (Note 8)

See accompanying notes to the financial statements.



**Manitoba Learning Resource Centre**  
**An Agency of the Government of Manitoba**

**Statement of Operations and Accumulated Surplus**  
(in thousands)

Year Ended March 31	2016 Budget	2016 Actual	2015 Actual
<b>Sales</b>	\$ 7,718	\$ 7,215	\$ 7,097
<b>Cost of goods sold</b>			
Inventory, beginning of year	2,779	2,511	2,439
Purchases	6,649	6,035	6,170
Transportation in	47	35	39
Transportation out	96	91	99
	9,571	8,672	8,747
Inventory, end of year	2,804	2,374	2,511
Cost of goods sold	6,767	6,298	6,236
<b>Gross profit</b>	951	917	861
<b>General and administrative expenses</b>			
Amortization	14	11	17
Bad debts	–	8	6
Computer expense	83	60	65
Employee benefits	70	73	70
Interest	41	30	30
Marketing	11	2	1
Office	21	15	18
Office occupancy	50	49	50
Postage	3	2	2
Professional services	14	14	14
Salaries	355	360	348
Telephone	7	6	7
Training	4	–	–
Travel	11	6	7
Warehouse occupancy	89	89	89
Warehouse service	201	201	201
	974	926	925
<b>Annual deficit</b>	(23)	(9)	(64)
Accumulated surplus, beginning of year	552	598	662
Accumulated surplus, end of year	\$ 529	\$ 589	\$ 598

See accompanying notes to the financial statements.



**Manitoba Learning Resource Centre**  
**An Agency of the Government of Manitoba**

**Statement of Change in Net Financial Assets**  
(in thousands)

Year Ended March 31	2016 Budget	2016 Actual	2015 Actual
Annual deficit	\$ (23)	\$ (9)	\$ (64)
Tangible capital assets			
Acquisition of tangible capital assets	(41)	(19)	(16)
Amortization of tangible capital assets	14	11	17
Net acquisition of tangible capital assets	(27)	(8)	1
Other non-financial assets			
Decrease (increase) in prepaid expense	–	5	(1)
Net acquisition of other non-financial assets	–	5	(1)
Decrease in net financial assets	(50)	(12)	(64)
Net financial assets, beginning of year	552	562	626
Net financial assets, end of year	\$ 502	\$ 550	\$ 562

See accompanying notes to the financial statements.



**Manitoba Learning Resource Centre**  
**An Agency of the Government of Manitoba**

**Statement of Cash Flows**  
(in thousands)

Year Ended March 31	2016	2015
Increase (decrease) in cash		
<b>Operating</b>		
Annual deficit	\$ (9)	\$ (64)
Amortization of tangible capital assets	<u>11</u>	<u>17</u>
	2	(47)
<b>Changes in</b>		
Accounts receivable	29	(318)
Inventories for resale	137	(72)
Accounts payable and accruals	210	(62)
Customer deposit accounts	(3)	(49)
Accrued severance liability	2	3
Prepaid expenses	<u>5</u>	<u>(1)</u>
	<u>382</u>	<u>(546)</u>
<b>Capital</b>		
Acquisition of tangible capital assets	<u>(19)</u>	<u>(16)</u>
<b>Financing</b>		
(Repayment) receipt of working capital advance	<u>(363)</u>	<u>562</u>
Increase in cash	-	-
Cash, beginning of year	<u>3</u>	<u>3</u>
Cash, end of year	<u>\$ 3</u>	<u>\$ 3</u>
<b>Supplemental cash flow information:</b>		
Interest received	\$ 5	\$ 4
Interest paid	\$ 28	\$ 30

See accompanying notes to the financial statements.



# Manitoba Learning Resource Centre

## An Agency of the Government of Manitoba

### Notes to the Financial Statements

(in thousands)

For the year ended March 31, 2016

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#### 1. Nature of operations

In 1931, the Manitoba Text Book Bureau (MTBB) was created as a branch of the Department of Education and Training. It was established to achieve economies of scale and reduce the cost of learning resources for schools in Manitoba. In December 2015, under *The Statutes Correction and Minor Amendments Act (Education Act)*, the name of the entity was officially changed to the Manitoba Learning Resource Centre (LRC).

Effective April 1, 1996, the LRC was designated as a Special Operating Agency under *The Special Operating Agencies Financing Authority Act*, Chapter S 185, C.C.S.M. and operates under a charter approved by the Lieutenant-Governor in Council.

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

A Management Agreement between the SOAFA and the Minister of Education, being the Minister responsible for the Agency at that time, assigns responsibility to the LRC to manage and account for the LRC's related assets and operations on behalf of SOAFA.

The LRC continues to be part of the Department of Education and Training under the general direction of the Assistant Deputy Minister, School Programs Division, and ultimately the policy direction of the Deputy Minister and Minister.

The LRC 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.



# Manitoba Learning Resource Centre

## An Agency of the Government of Manitoba

### Notes to the Financial Statements

(in thousands)

For the year ended March 31, 2016

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#### 2. Basis of accounting

The financial statements are prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board.

#### 3. Significant accounting policies

##### Revenue

Revenue is recognized upon transfer of title to the customer.

##### Expenses

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

##### Financial assets

###### Cash

Cash includes cash on hand and bank balance.

###### Portfolio investments

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

###### Inventories for resale

Inventories for resale are valued using the average unit cost method and are measured using lower of cost and net realizable value.

##### Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.



# Manitoba Learning Resource Centre

An Agency of the Government of Manitoba

## Notes to the Financial Statements

(in thousands)

For the year ended March 31, 2016

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### 3. Significant accounting policies (*continued*)

#### Non-financial assets

Non-financial assets do not normally provide resources to discharge liabilities of the LRC. These assets are normally employed to provide future services.

#### Prepaid expenses

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

#### 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 are amortized over their estimated useful lives as follows:

Office equipment, furniture, and video recording equipment	20% declining balance
Computer equipment	20% straight line
Computer software	20% straight line

One-half year's amortization is applied in the year of acquisition.

#### Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.



# Manitoba Learning Resource Centre

An Agency of the Government of Manitoba

## Notes to the Financial Statements

(in thousands)

For the year ended March 31, 2016

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### 4. Financial instruments and financial risk management

#### Measurement

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

The LRC records its financial assets at cost, which include cash, portfolio investments, accounts receivable and inventories for resale. The LRC also records its financial liabilities at cost, which include working capital advance, accounts payable and accruals, and customer deposit accounts.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the statement of operations. 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.

The LRC did not incur any re-measurement gains and losses during the year (2015 – \$nil).

#### Financial risk management – overview

The LRC has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk, interest risk and foreign currency risk.

#### Credit risk

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



# Manitoba Learning Resource Centre

## An Agency of the Government of Manitoba

### Notes to the Financial Statements

(in thousands)

For the year ended March 31, 2016

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#### 4. Financial instruments and financial risk management (*continued*)

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

	2016	2015
Cash	\$ 3	\$ 3
Accounts receivable	845	874
Portfolio investments	64	64
	<u>\$ 912</u>	<u>\$ 941</u>

Cash and portfolio investments: The LRC is not exposed to significant credit risk as these amounts are held by the Minister of Finance.

Accounts receivable: The LRC is not exposed to significant credit risk as the balance is due from a large client base, and payment in full is typically collected when it is due. The LRC manages this credit risk through close monitoring of overdue accounts.

The LRC 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 change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	\$ 74
Provision for receivable impairment	8
Amounts written off	—
	<u>          </u>
Balance, end of the year	<u>\$ 82</u>



# Manitoba Learning Resource Centre

An Agency of the Government of Manitoba

## Notes to the Financial Statements

(in thousands)

For the year ended March 31, 2016

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### 4. Financial instruments and financial risk management (*continued*)

#### Liquidity risk

Liquidity risk is the risk that the LRC will not be able to meet its financial obligations as they come due.

The LRC 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 LRC's income or the fair values of its financial instruments.

#### Interest rate risk

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

The interest rate risk on funds on deposit is considered to be low because of their short-term nature. The interest rate risk on portfolio investments is considered low as the original deposits are reinvested at rates for investments with similar terms and conditions.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The LRC is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.



# Manitoba Learning Resource Centre

## An Agency of the Government of Manitoba

### Notes to the Financial Statements

(in thousands)

For the year ended March 31, 2016

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#### 5. Working capital advance

The LRC has an authorized line of working capital advances of \$3,500, of which \$1,934 was used as of March 31, 2016 (2015 – \$2,297).

#### 6. Accrued severance liability

Effective April 1, 1998, the LRC 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, 2014. The report provides a formula to update the liability on an annual basis. The LRC's actuarially determined net liability for accounting purposes as at March 31, 2016, was \$53 (2015 – \$51), with the actuarial gain of \$30 (2015 – \$30) 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, 2014, valuation, and in the determination of the March 31, 2016, present value of the accrued severance benefit obligation were:

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



# Manitoba Learning Resource Centre

## An Agency of the Government of Manitoba

### Notes to the Financial Statements

(in thousands)

For the year ended March 31, 2016

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#### 6. Severance liability (*continued*)

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

	<u>2016</u>	<u>2015</u>
Accrued benefit liability	\$ 39	\$ 35
Unamortized actuarial gains	<u>14</u>	<u>16</u>
Severance benefit liability	<u>\$ 53</u>	<u>\$ 51</u>

Total expenses related to severance benefits at March 31 include the following components:

	<u>2016</u>	<u>2015</u>
Interest on obligation	\$ 2	\$ 2
Employer service cost	3	3
Severance payout	-	-
Amortization of actuarial gains over EARSL	<u>(2)</u>	<u>(2)</u>
Total expense related to severance benefit	<u>\$ 3</u>	<u>\$ 3</u>



**Manitoba Learning Resource Centre**  
**An Agency of the Government of Manitoba**

**Notes to the Financial Statements**

(in thousands)

For the year ended March 31, 2016

**7. Tangible capital assets**

	2016			2015	
	Opening Balance	Additions	Disposals	Closing Balance	Closing Balance
<b>Cost</b>					
Computer equipment	\$ 208	\$ –	\$ 53	\$ 155	\$ 208
Computer software	109	19	–	128	109
Office equipment and furniture	48	–	–	48	48
Video recording equipment	51	–	–	51	51
Total cost	416	19	53	382	416
<b>Accumulated amortization</b>					
Computer equipment	208	–	53	155	208
Computer software	90	10	–	100	90
Office equipment and furniture	42	1	–	43	42
Video recording equipment	49	–	–	49	49
Total accumulated amortization	389	11	53	347	389
Net	\$ 27	\$ 8	–	\$ 35	\$ 27

**8. Designated assets**

The LRC has allocated \$64 (2015 – \$64) of its portfolio investments as designated assets for cash received from the Province of Manitoba as settlement for the vacation entitlements earned by employees of the LRC prior to its designation as an SOA and the severance pay benefits accumulated to March 31, 1998, for certain of the LRC's employees. This amount is held in an interest bearing account. Any unused balance is re-invested annually. Funds are to be used for payments to employees for their outstanding vacation and severance pay amounts.



# Manitoba Learning Resource Centre

An Agency of the Government of Manitoba

## Notes to the Financial Statements

(in thousands)

For the year ended March 31, 2016

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### 9. Related party transactions

The LRC is related in terms of common ownership to all Province of Manitoba created Departments, Agencies, and Crown Corporations. The LRC enters into transactions with these entities in the normal course of business and the transactions are measured at the exchange amount.

### 10. Pension benefits

Employees of the LRC are eligible for pension benefits in accordance with the provisions of *the Civil Service Superannuation Act (CSSA)*, administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the LRC, through the Civil Service Superannuation Fund. At December 31, 2014, the Fund had a deficit of \$3.8 billion.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the LRC transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the LRC is required to pay annually to the Province an amount equal to its employees' current pension contributions. The amount paid for 2016 was \$24 (2015 – \$23). Under this agreement, the LRC has no further pension liability.

### 11. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the management of the LRC.

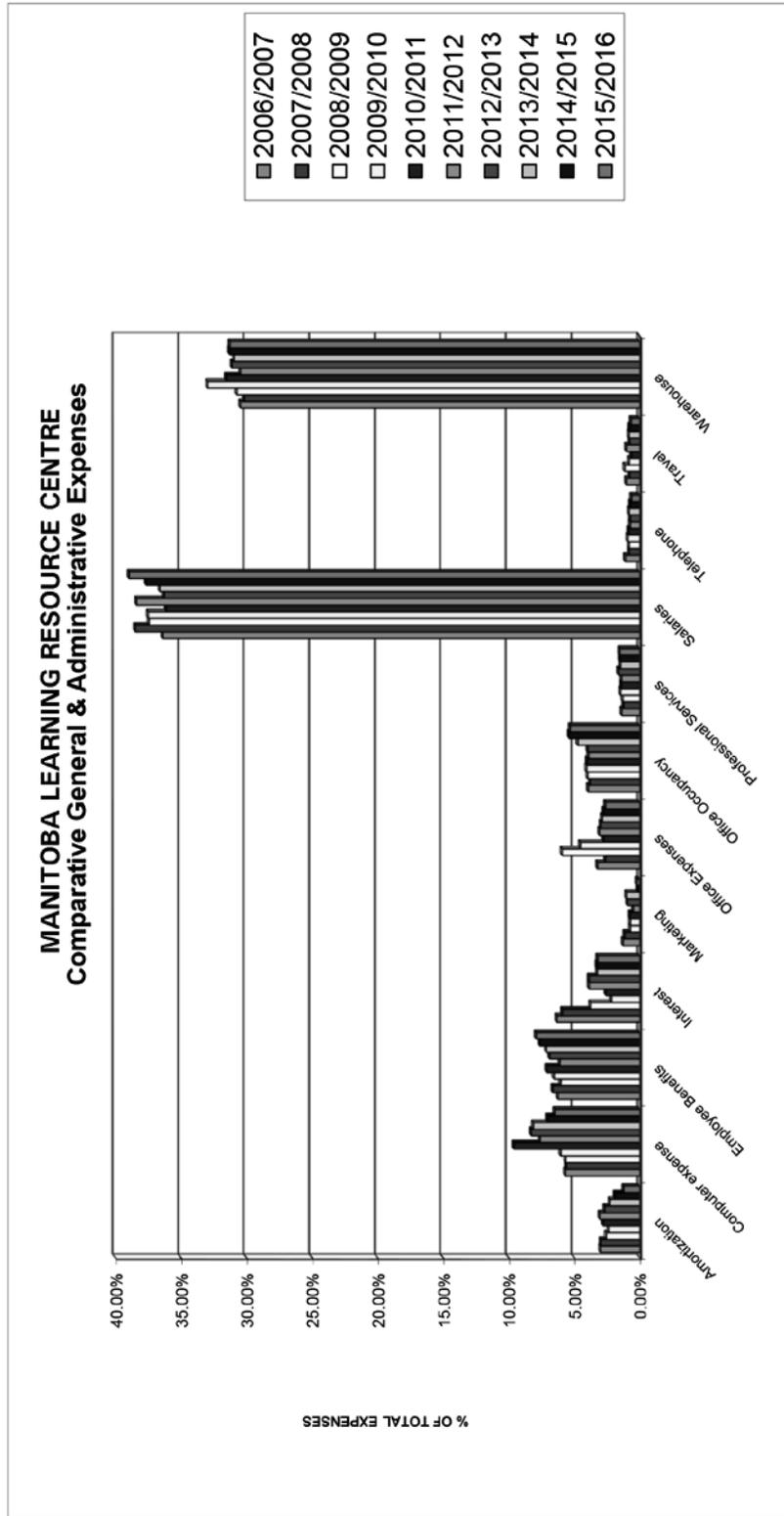
## Supporting Charts and Graphs

**MANITOBA LEARNING RESOURCE CENTRE**  
**Comparative Sales by Category**  
**For Fiscal Periods 2006/2007 to 2015/2016**  
*(in thousands)*

	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Business/Computer Education	90.9	79.7	85.9	107.3	76.6	61.4	76.9	54.1	47.0	38.8
Computer Supplies/Software	19.4	32.3	34.4	55.5	47.9	15.4	4.0	3.0	2.4	0.4
Departmental Materials	118.5	102.1	102.8	76.5	91.7	82.6	76.8	58.1	57.9	53.2
English as a Second Language	4.5	28.4	17.2	18.0	37.7	33.9	16.9	22.4	15.7	12.4
English Language Arts	871.8	726.8	696.6	725.0	764.7	778.2	1,039.1	986.4	1,062.4	1,048.8
French	437.8	364.9	359.2	459.1	459.9	378.8	420.4	351.4	302.7	324.5
Graphing Calculators, Probes etc	44.5	28.4	48.9	43.7	20.8	11.6	17.3	26.9	20.9	46.3
Handling charge	243.5	226.5	222.8	245.2	261.0	255.3	260.1	211.9	205.0	208.3
Health/Physical Education	74.3	60.1	54.6	33.9	99.9	52.4	56.8	60.1	67.9	48.9
Home Economics	36.0	34.3	34.7	44.1	37.3	36.8	38.5	44.0	52.9	43.2
Industrial Arts	44.0	40.9	21.5	21.5	16.5	10.0	20.6	29.8	34.8	44.1
Mathematics	481.0	513.8	1,075.3	1,746.8	1,816.9	1,687.5	1,751.4	1,047.5	897.4	1,081.0
Music	3.1	1.6	5.3	2.2	1.4	2.1	3.0	3.4	3.5	2.3
Native Education	15.6	15.5	8.3	10.2	11.9	29.7	24.5	27.9	31.9	19.3
Paper	37.9	32.8	12.2	10.7	10.2	5.6	4.5	5.0	2.1	2.6
Phonics	78.9	74.0	61.7	45.3	38.2	36.2	31.4	17.2	15.7	2.7
Science	728.4	687.6	564.8	495.8	456.0	453.5	397.2	475.1	546.2	655.0
Social Studies	1,689.4	1,590.9	1,173.9	733.0	662.2	1,052.5	755.0	615.4	494.6	458.7
Spelling	61.7	51.7	49.4	50.9	49.5	40.5	41.8	25.0	19.6	11.7
Other Stock Categories	256.9	243.9	256.2	349.0	344.9	346.2	369.1	320.5	337.9	356.8
<b>Total Stock Sales</b>	<b>5,338.1</b>	<b>4,936.1</b>	<b>4,885.7</b>	<b>5,273.7</b>	<b>5,305.2</b>	<b>5,370.2</b>	<b>5,405.3</b>	<b>4,385.1</b>	<b>4,218.5</b>	<b>4,459.0</b>
<b>Special Order Sales</b>	<b>2,735.7</b>	<b>2,478.4</b>	<b>2,398.7</b>	<b>2,657.8</b>	<b>2,260.1</b>	<b>2,240.5</b>	<b>2,574.1</b>	<b>2,442.0</b>	<b>2,825.2</b>	<b>2,699.1</b>
<b>Other Sales</b>	<b>64.7</b>	<b>59.0</b>	<b>62.1</b>	<b>59.0</b>	<b>62.6</b>	<b>67.5</b>	<b>52.3</b>	<b>44.9</b>	<b>53.0</b>	<b>56.5</b>
<b>Total Sales</b>	<b>8,138.5</b>	<b>7,473.5</b>	<b>7,346.5</b>	<b>7,990.5</b>	<b>7,627.9</b>	<b>7,678.2</b>	<b>8,031.7</b>	<b>6,872.0</b>	<b>7,096.7</b>	<b>7,214.6</b>
<b>% of sales</b>										
Stock Sales	65.6%	66.0%	66.5%	66.0%	69.5%	69.9%	67.3%	63.8%	59.4%	61.8%
Special Order Sales	33.6%	33.2%	32.7%	33.3%	29.6%	29.2%	32.0%	35.5%	39.8%	37.4%
Other Sales	0.8%	0.8%	0.8%	0.7%	0.8%	0.9%	0.7%	0.7%	0.7%	0.8%
<b>Total Sales</b>	<b>100.0%</b>									

**MANITOBA LEARNING RESOURCE CENTRE  
Comparative General & Administrative Expenses  
For Fiscal Periods 2006/2007 to 2015/2016**  
(in thousands)

	2006/2007	2007/2008	2008/2009	2009/2010	2010/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Amortization	28.5	28.4	24.1	20.6	25.5	28.8	24.9	21.2	17.4	11.3	
Computer expense	53.9	53.7	53.3	52.9	88.0	72.4	76.8	65.3	60.0		
Employee benefits	59.3	63.7	56.8	57.4	65.2	58.0	63.9	66.6	73.2		
Interest	60.2	56.6	35.4	19.0	23.6	36.7	35.9	30.3	30.1	29.8	
Marketing	12.1	11.0	6.7	6.2	6.8	4.7	8.7	9.4	1.4	2.0	
Office expense (includes bad debts, postage)	30.7	25.0	55.7	39.8	25.2	29.1	27.6	26.8	25.3	24.2	
Office occupancy	37.4	36.2	37.5	35.6	36.8	37.0	37.0	44.2	49.7	49.2	
Professional services	13.1	11.7	12.1	12.9	12.8	13.2	15.0	13.7	13.9	14.0	
Salaries (includes training)	345.9	369.4	352.7	329.3	331.9	365.1	337.6	342.5	348.3	360.6	
Telephone	10.4	7.6	7.6	8.0	7.7	6.9	6.6	7.6	6.6	5.8	
Travel	9.7	7.2	10.8	7.1	5.8	9.7	7.0	7.7	7.1	6.1	
Warehouse (includes occupancy & service)	289.6	289.6	289.6	289.6	289.6	289.6	289.5	289.5	289.5	289.5	
<b>Total General &amp; Administrative Expenses</b>	<b>950.8</b>	<b>960.1</b>	<b>942.3</b>	<b>878.4</b>	<b>918.9</b>	<b>951.1</b>	<b>930.5</b>	<b>935.5</b>	<b>925.1</b>	<b>925.7</b>	



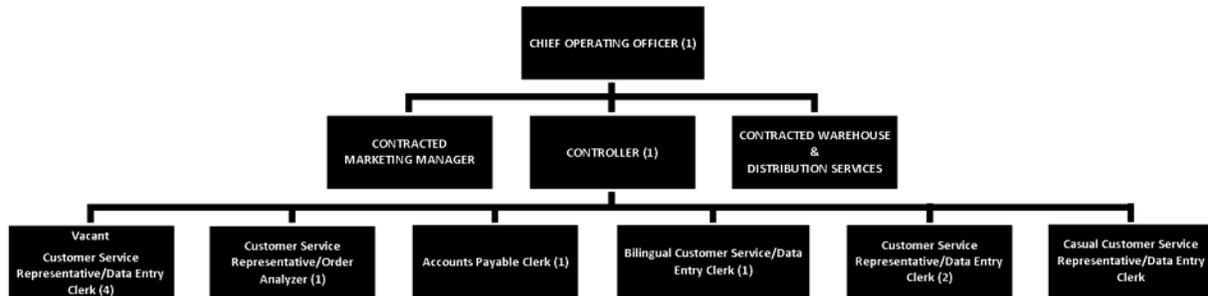


# Manitoba Learning Resource Centre

Special Operating Agency

Organization Chart

As of March 31, 2016



## The Manitoba Learning Resource Centre

### Administration and Order Processing Office

130–1st Ave West, Box 910

Souris, MB R0K 2C0

Phone 1-866-771-6822

1-204-483-5040

Fax: 1-204-483-5041

Email: mtbb@gov.mb.ca

### Warehouse and Distribution Centre

St. James Business Centre

1715 St. James Street

Winnipeg, MB R3H 1H3

Phone 1-866-449-6822

1-204-945-6152

Fax: 1-204-948-3280

