



2018/2019

ANNUAL REPORT

PAMI is an applied research, development and testing organization serving agriculture and industry in Western Canada and beyond.

CONTACT US:

pami.ca



TABLE OF CONTENTS

04

Chairman's
Message

05

President's
Message

06

About PAMI

07

Organizational
Structure

09

Operations
Highlights

10

Photos &
Testimonials

14

Management
Report

17

Financial
Statements

LETTERS OF TRANSMITTAL



Honourable David Marit
Minister of Agriculture
Government of Saskatchewan



Honourable Ralph Eichler
Minister of Agriculture
Government of Manitoba



July 29, 2019

Office of the Lieutenant Governor

The undersigned is pleased to present the Prairie Agricultural Machinery Institute Annual Report for the period ending in March 31, 2019. It includes the financial statements audited by the Provincial Auditor.

Respectfully submitted,



Honourable David Marit
Minister of Agriculture
Government of Saskatchewan



July 29, 2019

Honourable David Marit
Minister of Agriculture
Government of Saskatchewan

Honourable Ralph Eichler
Minister of Agriculture
Government of Manitoba

It is my honour to present the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2019.

Respectfully submitted,



Tim Oleksyn
Chair, Board of Directors
Prairie Agricultural Machinery Institute

CHAIRMAN'S MESSAGE

From its roots as a testing facility, PAMI has evolved into a uniquely positioned organization capable of attracting investment from all over the world because of its history of innovation. The science produced in Saskatchewan and Manitoba is transferable beyond our provincial and national borders and applicable to other industries.



Strategic planning is an important activity for the PAMI Board of Directors and we must navigate between the blue-sky high level and the practical identification of opportunity that provides direction to our Corporate Management Team. This year, revitalization is an important theme and we are taking a critical look at the services the organization has traditionally offered and comparing them to the needs of the Western Canadian producer. For decades, farmers, ranchers and members of the ag industry have relied on PAMI's reports on performance of ag equipment. With so many technology options available, the demand increases and we are re-examining how to supply the service.

The Board is also looking at how it interfaces with universities and colleges to see how we can align our work in a way that engages the brightest and most articulate minds helping us on the technology fronts where PAMI is already working.

Thank you to William Greuel, who has left the PAMI Board as a representative of the Saskatchewan Ministry of Agriculture. Replacing him is Jonathan Greuel and we welcome his contributions.

We look forward to our ongoing conversations with Ministers David Marit of Saskatchewan and Ralph Eichler of Manitoba. We enjoy their input and the support we receive from all levels of their Ministries. They have a sound understanding of all sectors of agriculture.

My final thank you goes to David Gullacher, David Yee, Harvey Chorney and Audrey McMillan - the Corporate Management Team. We are so appreciative of their knowledge and the guidance they provide to staff, making PAMI the hub of information and innovation that it is. There is so much need for science and research; with the staff who have built PAMI, I feel good about the organization's positioning to tackle the challenges ahead.

A handwritten signature in black ink that reads "Tim J. Oleksyn". The signature is written in a cursive, flowing style.

Tim Oleksyn
Chair, Board of Directors
Prairie Agricultural Machinery Institute

PRESIDENT'S MESSAGE

The past fiscal year has brought significant change to PAMI. In 2017-18, we were looking to chart our digital future. Now that concept is truly beginning to take shape. Innovation in agriculture is on a trend less focused on the parts and machinery; the emerging technologies centre on communicating data, information analysis and the opportunity to make optimized business decisions.



Within PAMI, we have undertaken significant steps to right-size our organization and drive efficiency. Key components of our Enterprise Resource Management system include the implementation of Time Control, Microsoft Project Online and customer relationship management (CRM). Through improved management systems, we are making our project teams more flexible and nimble.

As ever, PAMI remains on the lookout for ways to evolve our business model and pursue new opportunities. We are working with the Business Development Bank of Canada on a straight-forward yet all-encompassing approach to business planning. Taking a thorough look at our four business pillars – agricultural research, agricultural services, industry services, and defence and security – we seek to answer questions of sustainability and new opportunity.

There is lots of work to do. The opportunities in agriculture for digital information and automation seem endless. Right now we are seeing the early days of manageability and when it hits a critical mass, the growth will take off. In PAMI, we have aligned our work teams in order for electronics and information technology employees to share and cross-pollinate ideas. The digital side of farming is our future and we are positioning ourselves to be innovators.

The other key opportunity for us is value-added processing and in the future, PAMI will take on an increasing role in this sector. The Protein Industries Canada supercluster has centred itself in the Prairies, providing a huge boon to provincial opportunity. As well, the feedstock industry brings a great need for science as we combine protein with starch, fibre and fat. Our own foundation is industrial starch but we must look at all components together to avoid waste and decreasing profitability.

As we head into 2019-20, I offer a heartfelt thank you to the Corporate Management Team and the PAMI employees. Sometimes success comes down to “hanging in there” and these two groups have embraced and withstood a lot of change. From here there is opportunity to build.

A handwritten signature in black ink, appearing to read 'D. Gullacher', written in a cursive style.

David Gullacher
President
Prairie Agricultural Machinery Institute



PAMI BOARD OF DIRECTORS

Tim Oleksyn (Chair)
Bill Zettler (Vice-Chair)
Jared Nelson, Saskatchewan Producer
Boris Michaleski, Manitoba Producer
Mark Pickard, SK Ag Businessman
Bill Baker, SK Ag Businessman
Jonathan Greuel, Representative of the Saskatchewan Ministry of Agriculture
Leloni Scott, Representative of Manitoba Agriculture

ABOUT PAMI

PAMI researches, designs, builds and tests machinery, machinery components and machinery processes. Our scientific research approach, coupled with our hands-on lab, shop and in-field design and testing, promises practical solutions to real-world problems. We are scientists, engineers, agronomists and journeypersons. Many of us have a background in farming and continue to be involved in production today.

Together with our associate, WESTEST, and our research division of the Applied Bioenergy Centre, we tackle issues with our partners from across Western Canada and around the globe. While our success continues in agriculture, we have solved countless issues in scores of markets. We've helped farmers increase crop yields to feed a growing world. We've protected soldiers' lives with advancements in equipment. We've helped small business owners improve their products and inventions. And we are just getting started.

CORPORATE MANAGEMENT TEAM

David Gullacher, President & CEO
David Yee, VP of Saskatchewan Operations
Harvey Chorney, VP of Manitoba Operations
Audrey McMillan, Director of Finance and Administration

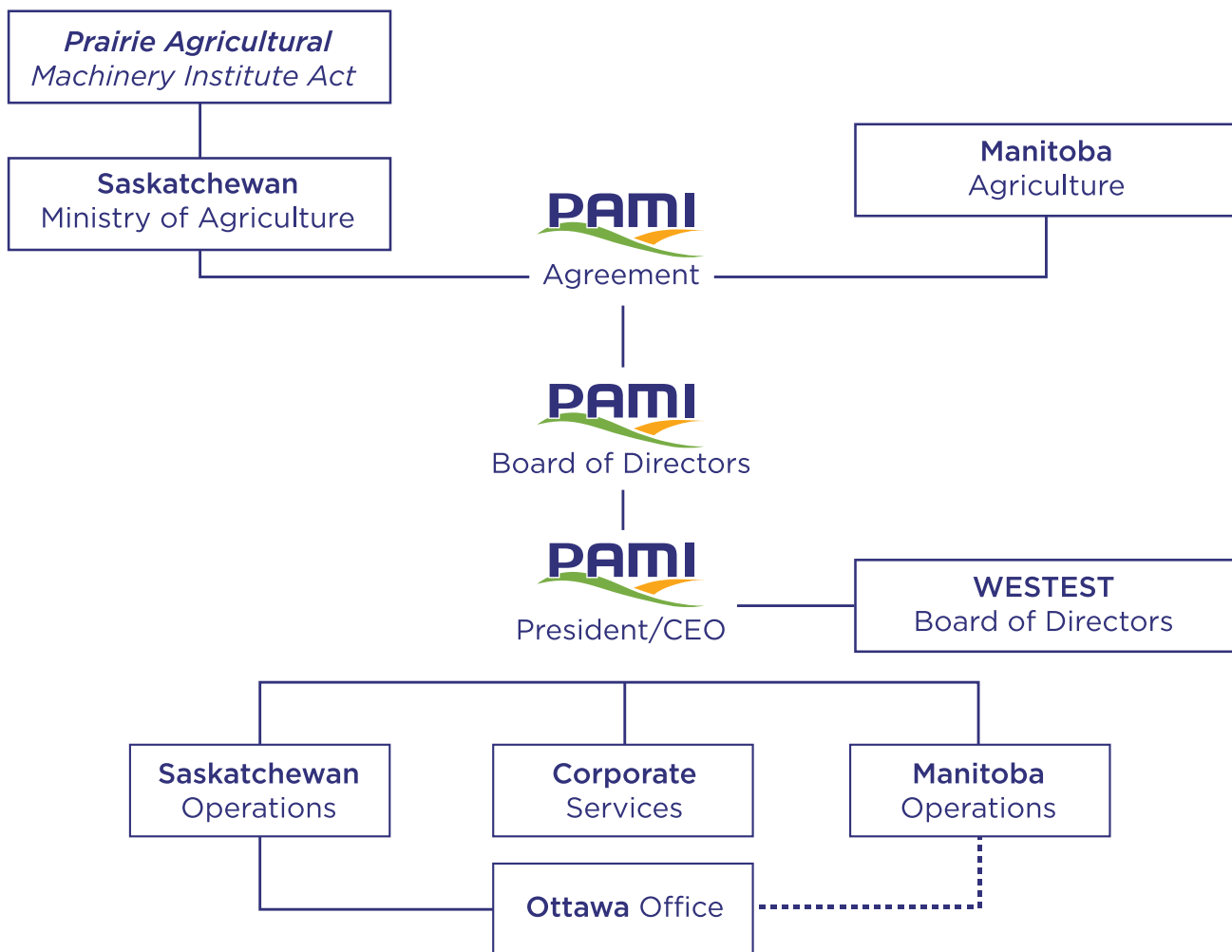
WESTEST BOARD OF DIRECTORS



Jason Abbott (Chair)
Al Marques
Craig Murray
Grant Adolph
Pamela Schwann
Ben Voss



ORGANIZATIONAL STRUCTURE



VISION

Innovative solutions for agriculture and beyond.

MISSION

To ensure agricultural sustainability and profitability through research, innovation, adaptation and knowledge transfer. We partner with and serve a broad range of clients to achieve our mission.

PAMI BY THE NUMBERS

Funding from Fee for Service Projects: 86%



Projects related to agriculture: 61%



Agricultural Research: \$3 million



Agricultural Services: \$1.1 million



Leverage of Base Grant \$3.55:1





OPERATIONS HIGHLIGHTS

Agricultural Research is a core function of PAMI. In 2018-19, we completed over \$3 million worth of projects, which is up 25 per cent over the previous year. This work is generally sponsored by producer groups and government funding agencies, and also by industry firms with cash or payments in-kind. PAMI also provides funding to this work from its base grants. The results of this work are broadly shared in the region for the benefit of the farming sector.

2018-19 Agricultural Research Projects

- Pulse crop performance and soil microbial properties following vertical tillage
- Managing stored pulses
- Managing stored flaxseed
- Canola storage
- Storing forestry residue
- Forage corn production
- Intercropping for conventional ag
- Pre- and post-emergent rolling in non-stony fields
- Hemp harvesting
- Hemp baler twine
- Natural fibre mesh bale wrap
- Harrington seed destructor field evaluation
- Soybean header loss
- Spray drift management
- Natural air drying (NAD)
- NAD for wood chips
- Residue management for canola
- Equipment for protein extraction
- Swine transport biosecurity

PAMI performed \$1.1 million in Agriculture Services. These projects are entirely funded by private clients, and the results are retained by them for their competitive advantage. Work in this sector has been quite cyclical over the past several years as it aligns for the most part with product development cycles of the major agricultural manufacturers.

Because our research in agriculture can often be transferred, PAMI conducts research and development work for clients in other industries such as transportation and mining. These projects totaled \$800,000 and were centred in Saskatchewan and Manitoba, contributing to each province's economy.

Finally, PAMI has been a long-standing contractor for Canada's Defence and Security sector. This work has been a leading contributor to PAMI's technical expertise. Projects in this area totaled \$1.8 million.



Fee-for-service projects
comprise 86% of
PAMI's funding





“In engaging with PAMI, my company benefited from a team with not only strong manufacturing and fabricating abilities, but also a foundational understanding of what we wanted to achieve. Our work with PAMI allowed us to develop, test and employ a critical processing step into our broader process in a timely and low-risk way.” - Kris Singh, Director of Operations / Chemical Engineer, Nutriati Inc.





At 61%, the majority of our projects benefit agriculture.



PAMI's Agricultural Research work increased by 25% over last year to total \$3 million.



Management Report

To the Members of the Legislative Assembly of Saskatchewan:

Year Ended March 31, 2019

The accompanying financial statements are the responsibility of the management of the Prairie Agricultural Machinery Institute. They have been prepared in accordance with Canadian public sector accounting standards, using management's best estimates and judgments, where appropriate. Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and the accounting systems provide accurate and reliable financial information. The Board of Directors is responsible for ensuring that management's responsibilities are properly discharged to review and approve the financial statements. The Provincial Auditor of Saskatchewan has audited PAMI's financial statements in accordance with Canadian generally accepted auditing standards and her report follows.



David Gullacher
President and Chief Executive Officer
Prairie Agricultural Machinery Institute



Audrey McMillan
Director of Finance and Administration
Prairie Agricultural Machinery Institute

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the Prairie Agricultural Machinery Institute, which comprise the statement of financial position as at March 31, 2019, and the statement of operations and accumulated surplus, statement of remeasurement gains and losses, statement of changes in net financial assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Prairie Agricultural Machinery Institute as at March 31, 2019, and the results of its operations, its remeasurement gains and losses, changes in net financial assets and its cash flows, for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Prairie Agricultural Machinery Institute in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Prairie Agricultural Machinery Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Prairie Agricultural Machinery Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Prairie Agricultural Machinery Institute's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting



from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Prairie Agricultural Machinery Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Prairie Agricultural Machinery Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Prairie Agricultural Machinery Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit.

Regina, Saskatchewan
July 5, 2019

Judy Ferguson, FCPA, FCA
Provincial Auditor
Office of the Provincial Auditor

**PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
FINANCIAL STATEMENTS**

For the Year Ended March 31, 2019

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF FINANCIAL POSITION
As at March 31

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash	\$ 957,677	\$ 129,723
Due from General Revenue Fund (Note 3)	583,095	386,939
Accounts receivable (Note 4)	<u>1,094,261</u>	<u>3,573,269</u>
	2,635,033	4,089,931
Liabilities		
Accounts payable and accrued liabilities (Note 5)	596,780	1,349,918
Deferred revenue	<u>706,338</u>	<u>383,834</u>
	1,303,118	1,733,752
Net Financial Assets (Statement 4)	1,331,915	2,356,179
Non-Financial Assets		
Tangible capital assets (Schedule 1)	4,541,439	4,723,910
Prepaid expenses	<u>261,734</u>	<u>409,813</u>
	4,803,173	5,133,723
Accumulated Surplus (Note 6)		
Accumulated operating surplus (Statement 2)	6,135,077	7,489,744
Accumulated remeasurement gains (Statement 3)	<u>11</u>	<u>158</u>
	6,135,088	7,489,902
	<u>\$ 6,135,088</u>	<u>\$ 7,489,902</u>

Contractual obligations (Note 11)
Contractual rights (Note 12)

(See accompanying notes and schedules to the financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the year ended March 31

	Budget (Note 10)	2019	2018
Revenue			
Provincial Transfers:			
Government of Saskatchewan			
Ministry of Agriculture			
- operating	\$ 800,000	\$ 800,000	\$ 1,223,000
Government of Manitoba			
Department of Agriculture, Food and			
Rural Development			
- operating	333,000	333,000	333,000
	1,133,000	1,133,000	1,556,000
Fee for service	11,000,000	6,639,447	8,650,561
Other income	42,000	27,990	883,649
Interest income	8,000	24,960	19,586
Total revenues	12,183,000	7,825,397	11,109,796
Expenses			
Saskatchewan Operations	9,272,364	6,698,032	6,966,296
Manitoba Operations	1,950,287	2,159,788	1,715,334
Corporate Services	534,000	494,077	514,227
Western Beef Development Centre	-	-	3,163,898
Total expenses	11,756,651	9,351,897	12,359,755
Operating (deficit) surplus before capital grants	\$ 426,349	(1,526,500)	(1,249,959)
Capital grants from Manitoba Agriculture Growing Forward 2	-	171,833	308,504
Operating (deficit) surplus for the year (Schedule 2)	\$ 426,349	\$ (1,354,667)	\$ (941,455)
Accumulated operating surplus, beginning of year		7,489,744	8,431,199
Accumulated operating surplus, end of year (Statement 1)		\$ 6,135,077	\$ 7,489,744

(See accompanying notes and schedules to financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
For the year ended March 31

	2019	2018
Accumulated remeasurement gains, beginning of year	\$ 158	\$ 133
Unrealized gains attributable to foreign exchange	11	158
Amounts reclassified to the statement of operations	<u>(158)</u>	<u>(133)</u>
Net remeasurement (losses) gains for the year (Statement 4)	<u>(147)</u>	<u>25</u>
Accumulated remeasurement gains, end of year (Statement 1)	<u>11</u>	<u>158</u>

(See accompanying notes and schedules to the financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended March 31

	Budget (Note 10)	2019	2018
Operating deficit (surplus) for the year (Statement 2)	\$ 426,349	\$ (1,354,667)	\$ (941,455)
(Acquisition) of tangible capital assets	(381,000)	(212,028)	(617,491)
(Acquisition and transfer) of breeding herd	-	-	(112,088)
Amortization of tangible capital assets	352,000	385,921	374,732
Proceeds of disposal of tangible capital assets	-	500	122,223
Proceeds of disposal of breeding herd	-	-	75,866
Net loss on the disposal of tangible capital assets	-	488	30,472
Net loss on write-offs of tangible capital assets	-	7,590	193,007
Net loss on the disposal of breeding herd	-	-	311,547
Net consumption (acquisition) of tangible capital assets and breeding herd	(29,000)	182,471	378,268
Use (acquisition) of prepaid expenses	-	148,079	(112,358)
Use of inventory held for consumption	-	-	315,053
Net consumption of other non-financial assets	-	148,079	202,695
Net remeasurement (losses) gains for the year (Statement 3)		(147)	25
Decrease in Net Financial Assets		(1,024,264)	(360,467)
Net Financial Assets, beginning of year		2,356,179	2,716,646
Net Financial Assets, end of year (Statement 1)		\$ 1,331,915	\$ 2,356,179

(See accompanying notes and schedules to financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF CASH FLOWS
For the year ended March 31

	<u>2019</u>	<u>2018</u>
Cash flows (used in) from operating activities:		
Receipts from customers and others	\$ 9,454,751	\$ 7,976,484
Transfers from Government of Saskatchewan	800,000	1,223,000
Transfers from Government of Manitoba	333,000	333,000
Interest received	24,960	19,586
Payments to suppliers and employees	<u>(9,548,906)</u>	<u>(10,960,887)</u>
	<u>1,063,805</u>	<u>(1,408,817)</u>
Cash flows (used in) from capital activities:		
Purchase of tangible capital assets	(212,028)	(617,491)
Purchase and transfer of breeding herd	-	(112,088)
Proceeds from sale of tangible capital assets and breeding herd	<u>500</u>	<u>198,089</u>
	<u>(211,528)</u>	<u>(531,490)</u>
Cash flows from financing activities:		
Receipt of capital grants from Manitoba Agriculture Growing Forward 2	<u>171,833</u>	<u>308,504</u>
Increase (decrease) in cash position	1,024,110	(1,631,803)
Cash position, beginning of year	<u>516,662</u>	<u>2,148,465</u>
Cash position, end of year	<u>\$ 1,540,772</u>	<u>\$ 516,662</u>
Comprised of:		
Cash	\$ 957,677	\$ 129,723
Due from General Revenue Fund	<u>583,095</u>	<u>386,939</u>
	<u>\$ 1,540,772</u>	<u>\$ 516,662</u>

(See accompanying notes and schedules to the financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019

1. Status of Institute

The Prairie Agricultural Machinery Institute (Institute) is a body corporate operating under *The Prairie Agricultural Machinery Institute Act, 1999*. Its primary purpose is to perform tests and conduct research on machinery, equipment and technologies used in the agriculture, food and other industries. The Institute's testing facilities are located in Humboldt, Saskatchewan and Portage la Prairie, Manitoba.

On wind-up, any net assets will be divided between the Governments of Saskatchewan and Manitoba in proportion to their respective share in the Institute's assets equivalent to the percentage of funding provided to date by each province.

The Institute's objective when managing its capital structure, which consists of net assets, is to ensure adequate funding exists to support its operations and growth strategies. Capital is managed through grant funding and a \$900,000 available line of credit. The Institute does not have any long-term debt.

The Institute relies on funding from the Governments of Saskatchewan and Manitoba and on two customers for continued fee for service revenue. These customers account for 42% (2018 – 48%) of its fee for service revenue and 17% (2018 – 20%) of accounts receivable.

2. Significant accounting policies

Pursuant to standards established by the Canadian public sector accounting board (PSAB), the Institute is classified as an 'other government organization'. These financial statements are prepared in accordance with Canadian public sector accounting standards. The significant accounting policies are as follows:

a) Financial assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Valuation allowances are used where considered necessary to reduce the amounts reported for financial assets to their net realizable value.

Cash consists of cash on hand, balances with financial institutions, and Due from General Revenue Fund.

Accounts receivable consist of receivables from customers (trade accounts) and other receivables. Receivables are recorded at cost less an allowance for doubtful accounts.

b) Non-financial assets

Non-financial assets are assets held for consumption in the provision of services. These assets do not normally provide resources to discharge the liabilities of the Institute unless they are sold. Tangible capital assets and other non-financial assets are accounted for as assets by the Institute because they can be used to provide services in future periods. Tangible capital assets are recorded at cost less accumulated amortization. Self-constructed assets are recorded at cost, including labour and materials. Amortization is recorded using methods and rates intended to amortize the cost of assets over their estimated useful life.

	<u>Method</u>	<u>Rate</u>
Buildings	declining balance	5%
Equipment, furniture, and vehicles	declining balance	10%
Computer equipment	declining balance	30%
Leasehold improvements	straight line	10%
Computer software	straight line	33%

Prepaid expenses are prepaid amounts for goods or services which will provide economic benefits in one or more future periods.

c) Financial instruments

The Institute's financial instruments include cash, Due from General Revenue Fund, accounts receivable, accounts payable and accrued liabilities, and deferred revenue. These instruments are recorded at cost or amortized cost. The carrying amount of these instruments approximates fair value due to their immediate or short-term maturity. Except as otherwise disclosed the Institute is not exposed to significant credit, currency, interest or liquidity risk arising from these financial instruments that may affect the amount, timing and certainty of future cash flows.

d) Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- an environmental standard exists
- contamination exceeds the environmental standard
- the Institute is directly responsible or accepts responsibility
- the Institute expects that future economic benefits will be given up and
- a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operation, maintenance and monitoring.

e) Government transfers

Government transfers are the transfer of assets from government agencies and are not the result of any exchange transactions. There is no expectation to repay the amounts in the future or a financial return. Government transfers are recognized in the fiscal year in which events giving rise to the transfer occur, providing the transfer is authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

f) Revenue recognition

The Institute's operations are funded by the Government of Saskatchewan and the Government of Manitoba according to an agreement between the two provinces. Under Order in Council 1800/79, the Institute is not required to return the unused portion of the annual provincial transfers. The Institute recognizes provincial transfers when the transfer is authorized and eligibility criteria have been met by the Institute.

The Institute recognizes fee for service revenue when the related services are provided. It recognizes fee for service on contracts using the percentage of completion method. It records monies received prior to providing services as unearned revenue.

All other income is recognized when earned.

g) Basis of segmentation

The Institute has adopted the Canadian public sector accounting standards requiring financial information to be provided on a segmented basis. The Institute has been segmented by accountability center. Revenues that are directly related to the costs of the segment have been attributed to each segment.

The segments are as follows:

- **Corporate Services** provides for the administration of the Institute.
- **Saskatchewan Operations** is an applied research, design, development and testing segment. It serves the agricultural, industrial, transportation, military and other market sectors.
- **Manitoba Operations** is an applied research, design, development and testing segment. It serves the agricultural, industrial, transportation, military and other market sectors.
- **Western Beef Development Centre (WBDC)** applied and transferred beef research to improve profitability of the cow/calf sector of the beef industry. WBDC ceased operations March 31, 2018.

h) Foreign currency translation

Monetary and non-monetary assets and liabilities prior to settlement that are denominated in foreign currencies are translated into Canadian dollars on the balance sheet date at the exchange rate in effect for that date and are recorded in the Statement of Remeasurement Gains and Losses. In the period of settlement, the cumulative amount of the remeasurement gains and losses are reversed in the Statement of Remeasurement Gains and Losses and an exchange gain or loss is recognized in the Statement of Operations and Accumulated Surplus. Revenue and expense transactions are translated at the approximate exchange rate in effect for that date and are included in the determination of net income for the year.

i) Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Accounts receivable includes fee for service revenue on contracts based on an estimate of the percentage of completion at the time of measurement. The measurement of materials and supplies are based on estimates of volume and quality. Amortization is based on the estimated useful lives of tangible capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

The degree of uncertainty associated with the measurement of estimated amounts recognized in the financial statements is not material.

j) New standards and amendments to standards

The following new standard, effective for annual periods beginning on or after April 1, 2018, has been analyzed in preparing these financial statements:

- *PS 3430 Restructuring Transactions* – a standard providing guidance on accounting for restructuring transactions.

The adoption of this standard has had no impact on the Institute's financial statements.

3. Due from General Revenue Fund

Due from General Revenue Fund is money held in a bank account included in the Government of Saskatchewan's Consolidated Offset Bank Concentration arrangement. The Institute receives interest on a quarterly basis from the General Revenue Fund calculated using the Government of Saskatchewan's thirty-day borrowing rate and the Institute's average daily bank account balance. For 2019, the average interest rate was 1.54% (2018 – .87%).

4. Accounts receivable

	2019	2018
Trade accounts receivable	\$1,090,059	\$3,179,015
Other	4,202	426,084
Allowance for doubtful accounts	-	(31,830)
Accounts receivable	<u>\$1,094,261</u>	<u>\$3,573,269</u>

Of the accounts receivable balance, approximately \$35,560 is over 60 days. The Institute expects to fully collect this balance.

5. Accounts payable and accrued liabilities

	2019	2018
Trade accounts payable	\$ 243,500	\$ 557,332
Wages and other personnel costs	268,891	403,035
Other	84,389	389,551
Accounts payable and accrued liabilities	<u>\$596,780</u>	<u>\$1,349,918</u>

6. Accumulated Surplus

Accumulated surplus represents the net financial assets and non-financial assets of the Institute.

Accumulated surplus is comprised of the following two amounts:

- Accumulated operating surplus from operations, which represents the accumulated balance of net surplus arising from operations of the Institute and allocations as detailed in the table below.
- Accumulated remeasurement gains and losses, which represents the unrealized gains and losses associated with foreign exchange.

Certain amounts of the accumulated operating surplus, as approved by the Board, have been designated for specific future purposes. These internally restricted amounts are included in the accumulated operating surplus presented in the Statement of Financial Position.

Accumulated operating surplus from operations is as follows:

	2018	Additions during the year	Reductions during the year	2019
Internally restricted surplus:				
Bio-energy and processing	\$ 970,001	\$ 14,732	\$(123,200)	\$ 861,533
Government funded capital	1,980,074	171,833	(147,387)	2,004,520
	2,950,075	186,565	(270,587)	2,866,053
Unrestricted surplus	4,539,669		(1,270,645)	3,269,024
Accumulated operating surplus	\$7,489,744	\$186,565	\$(1,541,232)	\$6,135,077

7. Related party transactions

This financial statement includes transactions with related parties. The Institute is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. The Institute is also related to all Manitoba Crown agencies because of the Government of Manitoba's participation in the operations of the Institute. In addition, the Institute is related to non-Crown enterprises that the Government of Saskatchewan or the Government of Manitoba jointly controls. Related parties also includes key management personnel of the Institute.

Routine operating transactions with related parties are recorded at the agreed upon rates and are settled on normal trade terms.

8. Pensions

The Institute's employees participate in the Saskatchewan Public Employees Pension Plan, a multi-employer defined contribution pension plan. Pension benefits are based on accumulated contributions and investment earnings. The Institute's responsibility is limited to paying the required employer contributions of 6% of regular salaries. In 2019 the Institute made contributions of \$282,786 (2018 - \$321,869) which are funded from current operations.

9. Financial risk management

Risks have been identified and the Institute ensures that management monitors and controls them. The significant financial risks to which the Institute is exposed are:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Institute is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the Institute applies sound credit practices. The Institute incurred insignificant bad debt expense during the past five years.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk is comprised of currency risk and interest rate risk.

Currency risk

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 Institute is exposed to

currency risk on its cash, accounts receivable, and accounts payable. The Institute does not use any derivative financial instruments to alter the effects of this risk.

The Institute enters into transactions denominated in United States currency for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. As at March 31, 2019 the following items are denominated in United States currency (CAD converted at \$1 USD - 1.3363 CAD (2018 – 1.2894 CAD)):

	2019	2018
Cash	\$27,522	\$32,774
Accounts payable	6,177	9,234

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 Institute's exposure to interest rate risk is limited to the line of credit and trade payables. The interest rate on this debt is variable; therefore, the Institute may face increasing interest costs in an increasing interest rate market.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Institute's exposure to liquidity risk is dependent on the receipt of funds from its operations, external borrowings and other related sources. Funds from these sources are primarily used to finance working capital and capital expenditure requirements, and are considered adequate to meet the Institute's financial obligations.

10. Budget

The budget for 2018/2019 was approved by the Board on April 17, 2018. The budget figures are presented for comparison purposes.

11. Contractual obligations

The Institute has committed to provide future services to several research and development projects. At March 31, 2019, the value of these services total \$74,021 (2018 – \$81,422).

Lease terms on equipment range from 1 month to 5 years. In 2019, these lease costs totalled \$58,907 (2018 – \$97,652).

The Institute is required to make the following minimum payments on these leases:

2020	12,262
2021	7,528
2022	4,224
2023	1,694
2024 – 2028	-

Under contract with Western Canada Testing Inc. (WESTEST), the Institute manages and operates WESTEST under the direction of WESTEST's Board of Directors. WESTEST retains an equipment utilization fee on WESTEST projects with the balance of the project revenue due to the Institute. During the year, the Institute earned fee for service revenue of \$762,750 (2018 – \$287,163) from WESTEST. At year-end, accounts receivable includes \$108,888 (2018 – \$175,953) due from WESTEST.

12. Contractual rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The Institute's contractual rights arise because of contracts entered into for fee for service revenue. The following table summarizes the contractual rights of the Institute:

Contractual rights – Fee for Service Revenue	2020	2021	2022	2023 and thereafter	Total
Research & development	\$1,714,964	\$339,131	\$119,343	\$ -	\$2,173,438
Defence & security	180,253	-	-	-	180,253
Industry	269,670	-	-	-	269,670
	<u>\$2,164,887</u>	<u>\$339,131</u>	<u>\$119,343</u>	<u>\$ -</u>	<u>\$2,623,361</u>

13. Ceased operations of Western Beef Development Centre

The Institute entered into an agreement with the University of Saskatchewan (University) to transfer and/or sell all the Western Beef Development Centre (WBDC) assets operated by the Institute effective March 31, 2018. WBDC research was incorporated into the University's centre of excellence, focused on beef cattle research and teaching, called the Livestock and Forage Centre of Excellence (LFCE) near Clavet, Saskatchewan. The University, the Institute, the Saskatchewan Ministry of Agriculture and affected beef cattle industry associations see considerable advantage in the University acquiring WBDC-related assets from the Institute and incorporating them into the University's LFCE.

WBDC assets previously given to the Institute or paid for by a third party were donated to the University's LFCE by March 31, 2018. The Institute was compensated \$121,310 (net book value \$148,574) from the University for WBDC assets for which the Institute paid.

For the year ended March 31, 2018, these transactions resulted in a donation in the amount of \$643,082 consisting of the following:

- the net book value of the breeding herd in the amount of \$339,523
- the net book value of the tangible capital assets in the amount of \$189,805
- for the tangible capital assets sold to the University, the amount of \$27,264 resulted from the difference between the net book value of \$148,574 and proceeds of \$121,310
- the bulls valued at cost of \$86,490

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
SCHEDULE OF TANGIBLE CAPITAL ASSETS
As at March 31

	Asset Cost				Accumulated Amortization				Net Book Value 2019	Net Book Value 2018	
	Opening Balance	Additions	Disposals*	Write-downs**	Closing Balance	Opening Balance	Amortization	Disposals*			Write-downs**
Land and improvements	\$ 279,841	\$ -	\$ -	\$ -	\$ 279,841	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 279,841
Buildings	5,603,084	299,370	-	-	5,902,454	119,058	-	-	-	3,640,354	2,262,100
Equipment and furniture	4,150,294	184,044	(3,150)	(53,299)	4,277,889	192,985	(2,162)	(45,906)	-	2,541,022	1,736,867
Vehicles	564,704	-	-	-	564,704	15,161	-	-	-	428,255	136,449
Computer equipment	377,246	-	-	(4,434)	372,812	12,592	-	(4,237)	-	343,431	29,381
Leasehold improvements	46,477	-	-	-	46,477	4,647	-	-	-	46,477	-
Computer software	163,946	32,366	-	-	196,312	115,305	41,478	-	-	156,783	39,529
Assets under construction	361,024	(303,752)	-	-	57,272	-	-	-	-	-	57,272
Total	\$11,546,616	\$ 212,028	\$(3,150)	\$(57,733)	\$11,697,761	\$ 385,921	\$(2,162)	\$(50,143)	\$7,156,322	\$4,541,439	\$4,723,910

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

SCHEDULE OF SEGMENT DISCLOSURE
For the Year Ended March 31

	Corporate Services		Saskatchewan		Manitoba		Western Beef Development Centre		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue										
Provincial Transfers:										
Government of Saskatchewan										
Ministry of Agriculture										
- operating	\$ 325,000	\$ 422,000	\$ 475,000	\$ 475,000	\$ -	\$ -	\$ -	\$ 326,000	\$ 800,000	\$ 1,223,000
Government of Manitoba										
Department of Agriculture, Food and										
Rural Development										
- operating	63,000	63,000	475,000	475,000	270,000	270,000	-	326,000	333,000	333,000
	388,000	485,000	475,000	475,000	270,000	270,000	-	326,000	1,133,000	1,556,000
Fee for service	-	-	5,083,760	6,151,951	1,555,687	1,214,566	-	1,284,044	6,639,447	8,650,561
Other income	8,099	-	14,127	20,967	5,764	6,412	-	856,270	27,990	883,649
Interest income	9,003	5,394	15,957	14,189	-	-	-	3	24,960	19,586
	405,102	490,394	5,588,844	6,662,107	1,831,451	1,490,978	-	2,466,317	7,825,397	11,109,796
Total Revenues										
Expenses										
Personnel	662,011	754,137	4,223,077	4,148,903	986,612	933,477	-	783,113	5,871,700	6,619,630
Fee for service direct costs	-	-	720,444	924,968	624,433	291,962	-	740,649	1,344,877	1,957,579
Administration	156,966	171,605	732,151	746,914	235,100	217,653	-	254,338	1,124,217	1,390,511
Operating	35,744	68,618	416,639	467,902	87,023	90,307	-	621,655	539,406	1,248,482
Administration fee (recovery)	(371,983)	(489,996)	285,925	349,039	86,058	70,335	-	70,622	-	-
Amortization	5,000	5,000	271,296	285,120	109,625	84,612	-	-	385,921	374,732
Lease - land and equipment	1,746	1,852	42,891	39,996	14,270	13,783	-	42,021	58,907	97,652
Donations/WBDC transfer to U of S	-	-	-	-	-	-	-	643,082	-	643,082
Bad debt	-	-	2	-	14,196	10,248	-	17	14,198	10,265
Loss on disposal of assets	-	-	5,607	3,454	2,471	2,957	-	4,973	8,078	11,384
Honoraria	4,593	3,010	-	-	-	-	-	3,428	4,593	6,438
	494,077	514,227	6,698,032	6,966,296	2,159,788	1,715,334	-	3,163,898	9,351,897	12,359,755
Total expenses										
Surplus (deficit) before capital grants	(88,975)	(23,833)	(1,109,188)	(304,189)	(328,337)	(224,356)	-	(697,581)	(1,526,500)	(1,249,959)
Capital grants	-	-	-	-	171,833	308,504	-	-	171,833	308,504
Surplus (deficit) for the year	\$ (88,975)	\$ (23,833)	\$ (1,109,188)	\$ (304,189)	\$ (156,504)	\$ 84,148	\$ -	\$ (697,581)	\$ (1,354,667)	\$ (941,455)



PAMI Corporate Services

Box 1150, 2215 8th Avenue
Humboldt, SK S0K 2A0
P: 306-682-2555
1-800-567-PAMI
F: 306-682-5080
pami@sasktel.net

PAMI Saskatchewan

P: 306-682-5033
F: 306-682-5080
humboldt@pami.ca

PAMI Manitoba

Box 1060, 390 River Road
Portage la Prairie, R1N 3C5
P: 204-239-5445
F: 204-239-7124
portage@pami.ca

www.westest.ca

www.pami.ca