



# ANNUAL REPORT

2019/2020

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

CONTACT US:

[pami.ca](http://pami.ca)





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# LETTERS OF TRANSMITTAL



**Honourable David Marit**  
*Minister of Agriculture*  
*Government of Saskatchewan*



**Honourable Blaine Pedersen**  
*Minister of Agriculture and Resource*  
*Development*  
*Government of Manitoba*



July 29, 2020

His Honour, the Honourable Russ Mirasty  
Lieutenant Governor of Saskatchewan

Your Honour:

The undersigned is pleased to present the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2020.. It includes the financial statements audited by the Provincial Auditor.

Respectfully submitted,

Honourable David Marit  
Minister of Agriculture  
Government of Saskatchewan



July 29, 2020

Honourable David Marit  
Minister of Agriculture  
Government of Saskatchewan

Honourable Blaine Pedersen  
Minister of Agriculture and Resource  
Development  
Government of Manitoba

It is my honour to present the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2020.

Respectfully submitted,

Tim Oleksyn  
Chair, Board of Directors  
Prairie Agricultural Machinery Institute

# CHAIRMAN'S MESSAGE



**Agriculture is always at the heart of PAMI's purpose. Our most recent strategic planning exercise led us to recommit to the needs of agriculture because the industry is so important to the economy of Western Canada. With that, our board of directors treats the strategic plan as a living document that responds and adapts to industry needs for research and innovation. We align PAMI's resources and partnerships to help agriculture's many components fit together. We want people to know us as the go-to place for technology application and an important partner for small and medium-sized enterprises to build solutions for the Canadian prairies.**

Succession management was an important job for the PAMI board as we prepared to welcome a new CEO. After years of leadership from Dave Gullacher, we looked to recruit an individual who could continue to provide leadership in building our stakeholder relationships. Leah Olson rose to the top of our list of candidates very quickly with a solid understanding of machinery, experience with governance and a futuristic eye for technology opportunities. She is a great fit and we were lucky to hire her.

As Dave retires, I could go on for pages about his commitment to agriculture and the organization. He made impressive impacts beyond PAMI on research, support for the farm and ranch-gate, and infrastructure. His approach had a technical foundation and an analytical eye, and the board will miss his contributions dearly. Executives with his long tenure, commitment and drive are rare and his network was extensive. Although he is retiring from PAMI, he is still in a position to expand and support organizations wherever he applies his skills. We look forward to crossing paths with him again.

The board of PAMI welcomes Gunter Jochum to our group. A producer from Manitoba, Gunter has a keen eye for agriculture in its diversity. Research and innovation build policy and with his involvement in many organizations, Gunter is a strong match for what our board is trying to accomplish.

I offer my sincere appreciation to those who serve the boards of PAMI and WESTEST for their steady dedication. They bring such wisdom as they anticipate the needs of the industries we serve. The engagement between the two organizations is strategic and we look constantly for ways to renew the commitment.

Thank you to Minister David Marit of Saskatchewan, Minister Blaine Pedersen of Manitoba and their staff. Their inputs shape this organization and their direction always comes with due diligence. They understand that the forces shaping agriculture move quickly and their support is always favourable and well-intended and we enjoy working with them.

The Corporate Management Team and staff of PAMI have such a solid understanding of the role for PAMI and the context of the environment. The boards of PAMI and WESTEST are so appreciative of the decision each employee makes to support and advance the organization as one entity. We are grateful for the foundation they lay for PAMI.

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



**PAMI entered the 2019-20 business year with a three-part mission. First, we needed to work with our board to lay the foundation for PAMI's future strategic direction. This included developing business streams in PAMI's areas of core strength for grain and livestock producers, as well as the emerging areas of digital agriculture and agri-processing. Second, we needed to operationalize business systems to drive tighter organizational control and better project efficacy. Thirdly, we needed to work with PAMI's board in the recruiting and transition of leadership to PAMI's future CEO.**



I am pleased to say that we accomplished these mission priorities and we did so in an economic arena that became tremendously more unsettled as the year concluded. It was been a particular privilege for me to work personally with PAMI's incoming CEO - Leah Olson on the processes of leadership transition. Leah has grasped and further focused PAMI's strategic and business plans, and her vision and outstanding talent will serve the organization's stakeholders well.

This is my final report as PAMI's CEO and it has been a tremendous privilege to have this role for 24 years. It has been an honor to work with our stakeholders in the governments of Saskatchewan and Manitoba - Ministers, Deputy Ministers and staff. I would like also to recognize the manufacturer-members of the Agricultural Manufacturers of Canada, multinational machinery manufacturers and the many agricultural producer groups of our two provinces. We have worked closely over the years on agricultural research and development and the support of these stakeholders propels PAMI onward.

My final words of heartfelt thanks go to PAMI's chair, board-members, management and staff. They work together as the driving force and can-do attitude that PAMI exhibits and upholds. I thank them all for their unwavering dedication and service to the organization. PAMI's future is in good hands.

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

David Gullacher  
President  
Prairie Agricultural Machinery Institute



## ABOUT PAMI

Just as agriculture has seen many changes over the decades, PAMI has also evolved significantly, from its start in evaluating farm machinery to developing new technologies, equipment and strategies. Today, PAMI continues its research and development work for advancing agricultural technology, and has also diversified and secured clients in mining and transportation.

## PAMI BOARD OF DIRECTORS

- Tim Oleksyn (Chair)
- Boris Michaleski (Vice Chair), Manitoba Producer
- Bill Baker, Saskatchewan Ag Business Person
- Gunter Jochum, Manitoba Producer
- Jared Nelson, Saskatchewan Producer
- Mark Pickard, Saskatchewan Ag Business Person
- Jonathan Greuel, Representative of the Saskatchewan Ministry of Agriculture
- Leloni Scott, Representative of Manitoba Agriculture and Resource Development

## 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
- Troy Palidwar, Director of Business Development

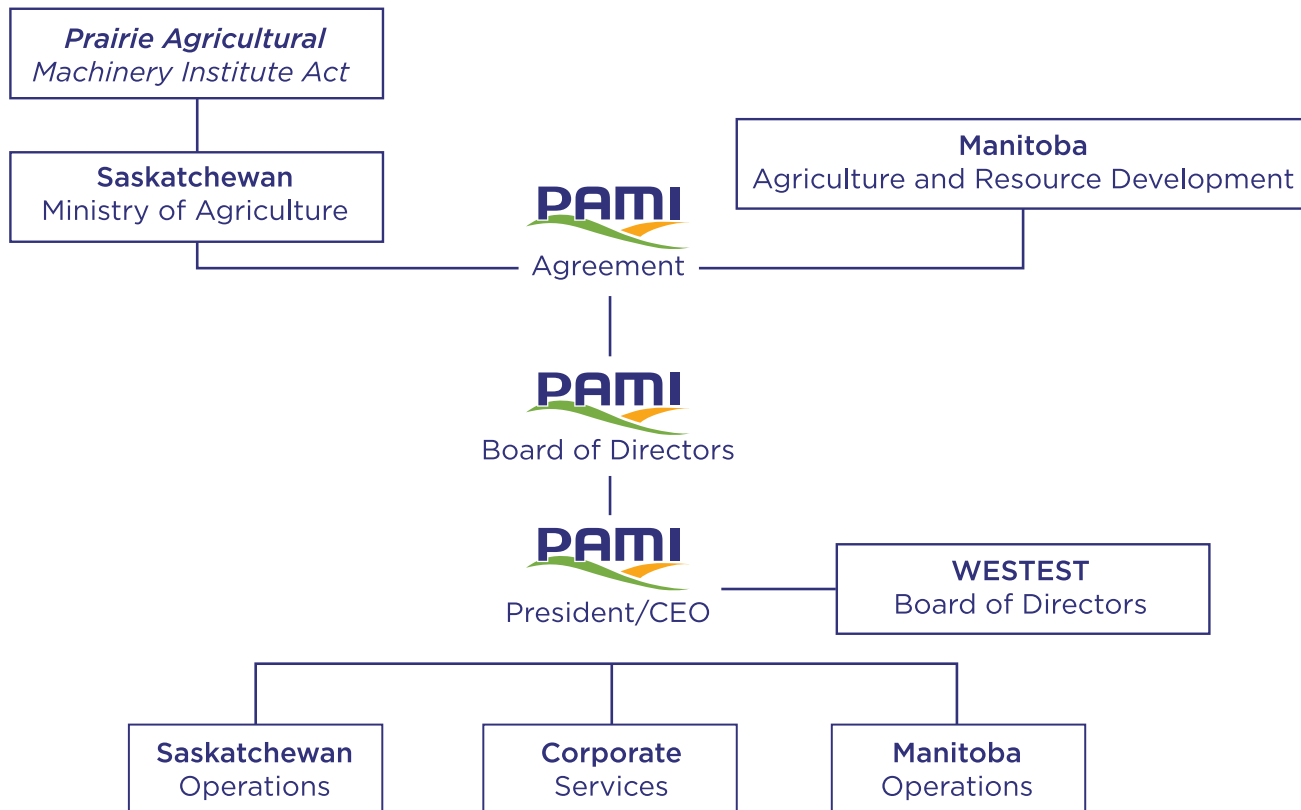
## WESTEST BOARD OF DIRECTORS



- Al Marques (Chair), S3 Enterprises
- Jason Abbott, John Deere
- Grant Adolph, Buhler Industries
- Craig Murray, CNH Industrial
- Pamela Schwann, Saskatchewan Mining Association



# ORGANIZATIONAL STRUCTURE



# VISION

Innovative solutions for agriculture and beyond.

# MISSION

To ensure agricultural sustainability and profitability through research, innovation, adaptation, and knowledge transfer.

# OBJECTIVES

- Pursue initiatives that evaluate the economics of new technologies, explore renewable-energy solutions and bioresources, discover environmental technologies, reinforce organizational knowledge of agricultural machinery, and cultivate technology innovation.
- Enhance PAMI's profile to reflect our broader impact and services.
- Increase public visibility and communications.
- Continue to enhance our financial stability and growth.
- Adopt a human-resources strategy that positions our organization as a leader in the local community and an employer of choice.
- Continue capital investment to facilitate growth.

## PAMI BY THE NUMBERS

Years of Ag Research and Development Experience: 45



Agricultural Research: \$1.5 million



Funding from Fee for Service Projects: 87%



Agricultural Services: \$1.5 million



Projects related to agriculture: 61%



Leverage of Base Grant \$3.4:1





# OUTREACH

## Presentation Topics

- The Relationship Between Computer Simulation and Physical Testing in Product Development
- Computer-Aided Engineering: Virtual Prototypes for Real Benefits
- Grain Storage and Drying Principles Including Supplemental Heat
- Water Management and Tile Drainage
- Straight Cut Canola Environmental Losses
- Mechanical Overlap in Riparian Regions and Tile Drainage
- Hemp Storage and Drying
- Grain Drying - Best Practices, Fumbles to Avoid, and Costs
- Assessment of Rolling in Non-Stoney Fields
- “Not Your Grandpa’s Bins” - Big Bins and Supplemental Heat
- Managing Risk in Grain Storage Today
- Intercropping Storage

# OPERATIONS HIGHLIGHTS

## **PAMI had a solid start to the fiscal year securing two large private projects in agriculture technology and a project with Natural Resources Canada.**

PAMI conducted approximately \$1.5 million in agricultural research. 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. This area of work is a critical part of PAMI’s strategic direction.

The organization conducted approximately \$2.1 million in agricultural development work, up 90 per cent from last year. These projects are entirely funded by private clients; 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 larger agricultural equipment manufacturers. Taken together, PAMI’s contracted agricultural research and development work totals \$3.6 million and provides about 3.4:1 leverage of PAMI’s base grants.

PAMI also contracted \$4.4 million in work with firms outside of agriculture. This diversified work base helps PAMI to maintain a critical mass in key technical skills. It also provides cross-over of ideas to and from agriculture.

## **2019-20 Agricultural Research Projects**

- Forage corn production
- Pulse crop performance and soil microbial properties following vertical tillage
- Managing stored pulses
- Canola residue management
- Pneumatic conveying uniformity of canola in seeders
- Harrington seed destructor field evaluation
- Agronomy cluster spray drift management
- Equipment for counter-current protein extraction
- Industrial uses for starch after protein extraction
- Life cycle greenhouse gas analysis
- Grain drying energy consumption
- Bulk drying options using computational fluid dynamics
- Pre and post-emergent rolling in non-stony fields
- Hemp harvesting
- Hemp seed and fibre storage and drying
- Spray drift management
- Natural air drying (NAD)
- NAD for wood chips
- Swine transport biosecurity
- Grain aeration modeling
- Emission reductions and cost savings in sectional controlled seeding equipment





*“Over the period of the project, we were extremely satisfied with PAMI’s prompt and diligent service; their expert advice and counsel ensured that we met the deadlines of each stage of the project. I can confirm that the results of this project we achieved with the help of PAMI and their incredible technical team not only contributed to our current product improvement, but also opened opportunities to our new product development team for potential future products.”*

- Mohammadreza Farokhi, PhD, P.Eng  
HERD North America Inc.





“We needed some developmental testing completed, and did not have the capacity to execute it. A detailed plan was quickly formulated and executed utilizing PAMI’s agricultural engineering and testing expertise within the timelines required. The excellent work performed by PAMI supported the thesis that we had created, and moved our product lines forward. Testing went so well, that we accelerated our test plans and went back to PAMI to move our research and development forward. Research and Development at Honey Bee is moving faster than ever before with PAMI being a major reason.”

- Jamie Pegg  
Honey Bee Manufacturing Ltd.



“During our cooperation with PAMI we experienced a very professional cooperation and a high expertise running field tests. CLAAS appreciates the impartial approach to all test requirements. PAMI showed a professional evaluation of the complete data pool from the field testing. The positive PAMI field tests will be one part of the LEXION success story in North America. It was always a pleasure to listen to the PAMI experts.”

- Berthold Schwersmann  
CLAAS



**PRAIRIE AGRICULTURAL MACHINERY INSTITUTE  
FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2020**

## Management Report

To the Members of the Legislative Assembly of Saskatchewan:

Year Ended March 31, 2020

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 judgements, 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 Prairie Agricultural Machinery Institute, which comprise the statement of financial position as at March 31, 2020, 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 Prairie Agricultural Machinery Institute as at March 31, 2020, 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 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 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 7, 2020

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

## PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF FINANCIAL POSITION  
As at March 31

	<u>2020</u>	<u>2019</u>
<b>Financial Assets</b>		
Cash	\$ 1,942,383	\$ 957,677
Due from General Revenue Fund (Note 3)	525,606	583,095
Accounts receivable (Note 4)	<u>1,025,691</u>	<u>1,094,261</u>
	<b>3,493,680</b>	<b>2,635,033</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	1,026,607	596,780
Deferred revenue	<u>2,129,483</u>	<u>706,338</u>
	<b>3,156,090</b>	<b>1,303,118</b>
<b>Net Financial Assets (Statement 4)</b>	<u><b>337,590</b></u>	<u><b>1,331,915</b></u>
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule 1)	4,152,557	4,541,439
Prepaid expenses	<u>362,600</u>	<u>261,734</u>
	<b>4,515,157</b>	<b>4,803,173</b>
<b>Accumulated Surplus (Note 6)</b>		
Accumulated operating surplus (Statement 2)	4,852,866	6,135,077
Accumulated remeasurement gains (Statement 3)	<u>(119)</u>	<u>11</u>
	4,852,747	6,135,088
	<u><b>\$ 4,852,747</b></u>	<u><b>\$ 6,135,088</b></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

	<u>Budget</u> (Note 10)	<u>2020</u>	<u>2019</u>
<b>Revenue</b>			
Provincial Transfers:			
Government of Saskatchewan			
Ministry of Agriculture			
- operating	\$ 800,000	\$ 800,000	\$ 800,000
Government of Manitoba			
Department of Agriculture, Food and			
Rural Development			
- operating	333,000	333,000	333,000
	<u>1,133,000</u>	<u>1,133,000</u>	<u>1,133,000</u>
Fee for service	5,747,000	8,528,262	6,639,447
Other income	39,000	63,085	27,990
Interest income	8,000	37,418	24,960
	<u>8,000</u>	<u>37,418</u>	<u>24,960</u>
<b>Total revenues</b>	<b>6,927,000</b>	<b>9,761,765</b>	<b>7,825,397</b>
<b>Expenses</b>			
Saskatchewan Operations	5,251,200	8,435,062	6,698,032
Manitoba Operations	1,776,600	1,632,350	2,159,788
Corporate Services	820,000	976,564	494,077
<b>Total expenses</b>	<b>7,847,800</b>	<b>11,043,976</b>	<b>9,351,897</b>
<b>Operating (deficit) surplus before capital grants</b>	<b>(920,800)</b>	<b>(1,282,211)</b>	<b>(1,526,500)</b>
Capital grants from Manitoba Agriculture Growing Forward 2	-	-	171,833
<b>Operating (deficit) surplus for the year (Schedule 2)</b>	<b>\$ (920,800)</b>	<b>\$ (1,282,211)</b>	<b>\$ (1,354,667)</b>
Accumulated operating surplus, beginning of year		6,135,077	7,489,744
<b>Accumulated operating surplus, end of year (Statement 1)</b>		<b>\$ 4,852,866</b>	<b>\$ 6,135,077</b>

(See accompanying notes and schedules to financial statements)

## PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF REMEASUREMENT GAINS AND LOSSES  
For the year ended March 31

	2020	2019
Accumulated remeasurement gains, beginning of year	\$ 11	\$ 158
Unrealized (losses) gains attributable to foreign exchange	(119)	11
Amounts reclassified to the statement of operations	(11)	(158)
Net remeasurement (losses) gains for the year (Statement 4)	(130)	(147)
<b>Accumulated remeasurement (losses) gains, end of year (Statement 1)</b>	<b>\$ (119)</b>	<b>\$ 11</b>

(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

	<u>Budget</u> (Note 10)	<u>2020</u>	<u>2019</u>
<b>Operating deficit for the year (Statement 2)</b>	<b>\$ (920,800)</b>	<b>\$ (1,282,211)</b>	<b>\$ (1,354,667)</b>
(Acquisition) of tangible capital assets	(100,000)	-	(212,028)
Amortization of tangible capital assets	402,000	332,307	385,921
Proceeds of disposal of tangible capital assets	-	108,986	500
Net (gain) loss on the disposal of tangible capital assets	-	(52,841)	488
Net loss on write-offs of tangible capital assets	-	430	7,590
<b>Net consumption (acquisition) of tangible capital assets</b>	<b>302,000</b>	<b>388,882</b>	<b>182,471</b>
Use (acquisition) of prepaid expenses	-	(100,866)	148,079
<b>Net consumption of other non-financial assets</b>	<b>-</b>	<b>(100,866)</b>	<b>148,079</b>
Net remeasurement (losses) gains for the year (Statement 3)		(130)	(147)
<b>Decrease in Net Financial Assets</b>		<b>(994,325)</b>	<b>(1,024,264)</b>
<b>Net Financial Assets, beginning of year</b>		<b>1,331,915</b>	<b>2,356,179</b>
<b>Net Financial Assets, end of year (Statement 1)</b>		<b>\$ 337,590</b>	<b>\$ 1,331,915</b>

(See accompanying notes and schedules to financial statements)

## PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF CASH FLOWS  
For the year ended March 31

	<u>2020</u>	<u>2019</u>
<b>Cash flows (used in) from operating activities:</b>		
Receipts from customers and others	\$ 10,007,240	\$ 9,454,751
Transfers from Government of Saskatchewan	800,000	800,000
Transfers from Government of Manitoba	333,000	333,000
Interest received	37,418	24,960
Payments to suppliers and employees	<u>(10,359,427)</u>	<u>(9,548,906)</u>
	<u>818,231</u>	<u>1,063,805</u>
<b>Cash flows (used in) from capital activities:</b>		
Purchase of tangible capital assets	-	(212,028)
Proceeds from sale of tangible capital assets	<u>108,986</u>	<u>500</u>
	<u>108,986</u>	<u>(211,528)</u>
<b>Cash flows from financing activities:</b>		
Receipt of capital grants from Manitoba Agriculture Growing Forward 2	<u>-</u>	<u>171,833</u>
Increase (decrease) in cash position	927,217	1,024,110
Cash position, beginning of year	<u>1,540,772</u>	<u>516,662</u>
Cash position, end of year	<u>\$ 2,467,989</u>	<u>\$ 1,540,772</u>
Comprised of:		
Cash	\$ 1,942,383	\$ 957,677
Due from General Revenue Fund	<u>525,606</u>	<u>583,095</u>
	<u>\$ 2,467,989</u>	<u>\$ 1,540,772</u>

(See accompanying notes and schedules to the financial statements)

**PRAIRIE AGRICULTURAL MACHINERY INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2020**

**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 \$850,000 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 61% (2019 – 42%) of its fee for service revenue and no (2019 – 17%) 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.

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.

### 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 2020, the average interest rate was 1.72% (2019 – 1.54%).

#### 4. Accounts receivable

	2020	2019
Trade accounts receivable	\$1,022,690	\$1,090,059
Other	3,001	4,202
Accounts receivable	<u>\$1,025,691</u>	<u>\$1,094,261</u>

Of the accounts receivable balance, approximately \$6,080 is over 60 days. The Institute expects to fully collect this balance.

#### 5. Accounts payable and accrued liabilities

	2020	2019
Trade accounts payable	\$ 671,811	\$ 243,500
Wages and other personnel costs	323,237	268,891
Other	31,559	84,389
Accounts payable and accrued liabilities	<u>\$1,026,607</u>	<u>\$ 596,780</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:

	2019	Additions during the year	Reductions during the year	2020
Internally restricted surplus:				
Bio-energy and processing	\$ 861,533	\$ 14,743	\$(45,056)	\$ 831,220
Government funded capital	2,004,520	-	(177,078)	1,827,442
	<u>2,866,053</u>	14,743	(222,134)	2,658,662
Unrestricted surplus	3,269,024		(1,074,820)	2,194,204
Accumulated operating surplus	<u>\$6,135,077</u>	\$ 14,743	\$(1,296,954)	<u>\$4,852,866</u>

#### 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 2020 the Institute made contributions of \$253,153 (2019 - \$282,786) 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, 2020 the following items are denominated in United States currency (CAD converted at \$1 USD - 1.4187 CAD (2019 – 1.3363 CAD)):

	2020	2019
Cash	\$30,405	\$27,522
Accounts payable	4,812	6,177

#### 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 2019/2020 was approved by the Board on April 9, 2019. 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, 2020, the value of these services total \$453,941 (2019 – \$74,021).

Lease terms on equipment range from 1 month to 5 years. In 2020, these lease costs totalled \$60,170 (2019 – \$58,907).

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

2021	10,420
2022	4,224
2023	1,694
2024	-

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 \$2,160,051 (2019 – \$762,750) from WESTEST. At year-end, accounts receivable includes \$297,560 (2019 – \$108,888) 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:

	2021	2022	2023	2024 and thereafter	Total
Industry	\$2,007,403	\$ -	\$ -	\$ -	\$2,007,403
Research & development	1,169,967	515,491	240,000	-	1,925,458
Ag Services	340,260	-	-	-	340,260
Defence & security	30,501	-	-	-	30,501
	<u>\$3,548,131</u>	<u>\$515,491</u>	<u>\$240,000</u>	<u>\$ -</u>	<u>\$4,303,622</u>

### 13. COVID-19

The COVID-19 pandemic is complex and rapidly evolving. It has caused material disruption to businesses and has resulted in an economic slowdown. PAMI continues to assess and monitor the impact of COVID-19 on its financial condition. The magnitude and duration of COVID-19 is uncertain and, accordingly, it is difficult to reliably measure the potential impact on PAMI's financial position and operations.

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

	Asset Cost				Accumulated Amortization				Net Book Value 2020	Net Book Value 2019
	Opening Balance	Additions	Disposals	Write-downs	Opening Balance	Amortization	Disposals	Write-downs		
Land and improvements	\$ 279,841	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 279,841	\$ 279,841
Buildings	5,902,454	-	-	-	3,640,354	113,105	-	-	2,148,995	2,262,100
Equipment and furniture	4,277,889	-	(116,764)	(3,132)	2,541,022	168,043	(60,619)	(2,837)	1,512,384	1,736,867
Vehicles	564,704	-	-	-	428,255	13,645	-	-	122,804	136,449
Computer equipment	372,812	-	-	(13,679)	343,431	8,774	-	(13,544)	20,472	29,381
Leasehold improvements	46,477	-	(46,477)	-	46,477	-	(46,477)	-	-	-
Computer software	196,312	-	-	-	156,783	28,740	-	-	10,789	39,529
Assets under construction	57,272	-	-	-	-	-	-	-	57,272	57,272
<b>Total</b>	<b>\$11,697,761</b>	<b>\$ -</b>	<b>\$(163,241)</b>	<b>\$(16,811)</b>	<b>\$7,156,322</b>	<b>\$ 332,307</b>	<b>\$(107,096)</b>	<b>\$(16,381)</b>	<b>\$4,152,557</b>	<b>\$4,541,439</b>

## PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

SCHEDULE OF SEGMENT DISCLOSURE  
For the Year Ended March 31

	Corporate Services		Saskatchewan		Manitoba		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Revenue</b>								
Provincial Transfers:								
Government of Saskatchewan								
Ministry of Agriculture								
- operating	\$ 325,000	\$ 325,000	\$ 475,000	\$ 475,000	\$ -	\$ -	\$ 800,000	\$ 800,000
Government of Manitoba								
Department of Agriculture, Food and								
Rural Development								
- operating	63,000	63,000	-	-	270,000	270,000	333,000	333,000
	388,000	388,000	475,000	475,000	270,000	270,000	1,133,000	1,133,000
Fee for service	-	-	7,580,029	5,083,760	948,233	1,555,687	8,528,262	6,639,447
Other income	3,720	8,099	18,861	14,127	40,504	5,764	63,085	27,990
Interest income	22,469	9,003	14,949	15,957	-	-	37,418	24,960
<b>Total Revenues</b>	<b>414,189</b>	<b>405,102</b>	<b>8,088,839</b>	<b>5,588,844</b>	<b>1,258,737</b>	<b>1,831,451</b>	<b>9,761,765</b>	<b>7,825,397</b>
<b>Expenses</b>								
Personnel	1,200,142	662,011	3,110,945	4,223,077	1,001,840	986,612	5,312,927	5,871,700
Fee for service direct costs	-	-	3,679,342	720,444	170,093	624,433	3,849,435	1,344,877
Administration	189,471	156,966	617,392	732,151	216,707	235,100	1,023,570	1,124,217
Operating	38,976	35,744	327,269	416,639	63,188	87,023	429,433	539,406
Administration fee (recovery)	(471,544)	(371,983)	419,391	285,925	52,153	86,058	-	-
Amortization	5,000	5,000	232,240	271,296	95,067	109,625	332,307	385,921
Lease - land and equipment	1,796	1,746	40,818	42,891	17,556	14,270	60,170	58,907
Bad debt	-	-	7,665	2	15,316	14,196	22,981	14,198
Loss on disposal of assets	-	-	-	5,607	430	2,471	430	8,078
Honoraria	12,723	4,593	-	-	-	-	12,723	4,593
<b>Total expenses</b>	<b>976,564</b>	<b>494,077</b>	<b>8,435,062</b>	<b>6,698,032</b>	<b>1,632,350</b>	<b>2,159,788</b>	<b>11,043,976</b>	<b>9,351,897</b>
<b>Surplus (deficit) before capital grants</b>	<b>(562,375)</b>	<b>(88,975)</b>	<b>(346,223)</b>	<b>(1,109,188)</b>	<b>(373,613)</b>	<b>(328,337)</b>	<b>(1,282,211)</b>	<b>(1,526,500)</b>
Capital grants	-	-	-	-	-	171,833	-	171,833
<b>Surplus (deficit) for the year</b>	<b>\$(562,375)</b>	<b>\$(88,975)</b>	<b>\$(346,223)</b>	<b>\$(1,109,188)</b>	<b>\$(373,613)</b>	<b>\$(156,504)</b>	<b>\$(1,282,211)</b>	<b>\$(1,354,667)</b>



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