



# ANNUAL REPORT

**2020-2021**

**A YEAR OF RESILIENCY**

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# LETTERS OF TRANSMITTAL



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



**Honourable Ralph Eichler**  
*Minister of Agriculture and  
Resource Development  
Government of Manitoba*



July 29, 2021

His Honour, the Honourable Russ Mirasty  
Lieutenant Governor of Saskatchewan

May it please Your Honour:

The undersigned is pleased to present the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2021. It includes the financial statements audited by the Provincial Auditor.

Respectfully submitted,

Honourable David Marit  
Minister of Agriculture  
Government of Saskatchewan



July 29, 2021

Honourable David Marit  
Minister of Agriculture  
Government of Saskatchewan

Honourable Ralph Eichler  
Minister of Agriculture and Resource  
Development  
Government of Manitoba

Dear Ministers:

It is my honour to present the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2021.

Respectfully submitted,

Carmen Sterling  
Chair, Board of Directors  
Prairie Agricultural Machinery Institute

# MESSAGE FROM THE CHAIR



Last year marked a new direction for PAMI with Leah Olson being recruited to take over as President and Chief Executive Officer in April 2020. Leah's mandate from the board was and remains to ensure the organization is operating in a sustainable manner. With that mandate, the management team worked with key stakeholders, focussed on what clients were asking for and assessed the organizations' key skills and capital assets before presenting the board with a five-year strategic plan that was approved in May 2020. PAMI's strategic plan has the organization focussed on:

- Operational excellence;
- Voice of the customer;
- Increasing agriculture revenues;
- Diversifying PAMI's skills and revenues; and,
- Being recognized as one of the voices of agriculture, especially in equipment testing.

A key difference moving forward is PAMI's focus on three industries (agriculture, mining, and transportation), which enables the business development team to quickly identify opportunities it will and will not pursue.

During a year where other research organizations closed their doors as they were unable to continue operating under the strains of the global pandemic, I recognize and thank PAMI's executive leadership, the PAMI board and employees for actions taken to ensure PAMI remains a key enabler of agriculture, mining and transportation.

In November 2020, the PAMI board and the board of its sister organization, WESTEST, agreed to work more efficiently, with the WESTEST board agreeing to dissolve the organization and provide its liabilities and assets to PAMI. PAMI and WESTEST had operated together since 1991 with WESTEST owning and acquiring test equipment to serve various industries and PAMI providing labour via a management agreement. This transaction was finalized in this fiscal year and is a key part of the stronger balance sheet PAMI now has. The dissolution of WESTEST allows clients to continue to receive the great service of PAMI, albeit in a more streamlined manner.

In January 2021, Minister Marit appointed a new PAMI board of directors expanding it from a five-member board to that of seven. We welcomed broader industry representation to support the new strategic plan and are keen to be part of the direction for a rejuvenated PAMI.

Onwards and upwards.

A handwritten signature in black ink that reads "Csterling". The signature is fluid and cursive.

Carmen Sterling  
Chair, Board of Directors  
Prairie Agricultural Machinery Institute

# MESSAGE FROM THE PRESIDENT AND CEO

In April 2020 when I took over as PAMI's president and CEO, I like many others was uncertain of what impact COVID-19 would have on our team, clients and communities. I'm proud to say that despite the uncertainty and changes of the past year, PAMI is emerging stronger and operating differently.

Throughout 2020-2021, our team showed immense resiliency: we embarked on a new five-year strategic plan, adapted to virtual business events and embraced a new organizational structure – all the while continuing to offer a one-stop service to clients in the agriculture, mining and transportation industries.



In addition to the strategic plan that we launched in the early part of 2020-21, in August, we announced a new corporate structure to support greater operational excellence and the provision of excellent customer service. We continue to operate two test sites but the organization is now divided into three business units: business enablement, business development and operations.

The **business enablement** team includes accounting, human resources, finance and corporate governance services. The **business development** team is responsible for selling PAMI's skills and the use of test equipment and capital assets. Core to the business development team is its engagement with clients – validating their needs, our position in the marketplace and advising and supporting changes to the services and assets we offer. Lastly, the **operations** team includes technical colleagues (engineers, agronomists, technologists, fabricators, etc.) who execute projects and provide value to clients. Operations also includes a dedicated project management team. This corporate structure represents a new path for the organization with the dedicated sales and project management teams. Our objective is to deliver exceptional service in a timely and cost-effective manner to clients in agriculture, mining and transportation. With 2020-2021 behind us, we welcomed new clients and are evolving to ensure our services remain relevant.

In addition to the resilience of those who work at PAMI, I also want to thank the Governments of Saskatchewan and Manitoba whose support throughout the transition has enabled us to pursue opportunities that we would not have been able to do otherwise. I am especially grateful to Minister Marit and his team who recognized the need to expand our board to reflect the industries we serve but also a board with experience to support the organization with its new direction.

I am excited about PAMI's future and strongly believe the best is yet to come.

A handwritten signature in black ink, appearing to read 'Leah Olson'. The signature is stylized and cursive.

Leah Olson  
President and CEO  
Prairie Agricultural Machinery Institute

# ABOUT PAMI

PAMI has been a leader in innovative solutions for agricultural production since 1975 and offers professional science and engineering services at its operations in Humboldt, Saskatchewan, and Portage la Prairie, Manitoba. Research and up-to-date testing capacity have been recognized by successive provincial and federal governments for their valuable contribution to western Canadian economic growth and job-creation through the development of productive farm capacity and cutting-edge agricultural equipment and heavy machinery.

PAMI's new, streamlined operating model reflects its five-year strategic plan, which targets service excellence and increased revenues for testing, research, and engineering. PAMI has chosen to focus on the transportation and mining sectors to complement its existing services for producers and the agricultural industry. These two sectors align not only with the organization's core skills, but also with the forward-looking economy focused on autonomous machinery and the integration of electronics with other machine operating systems.



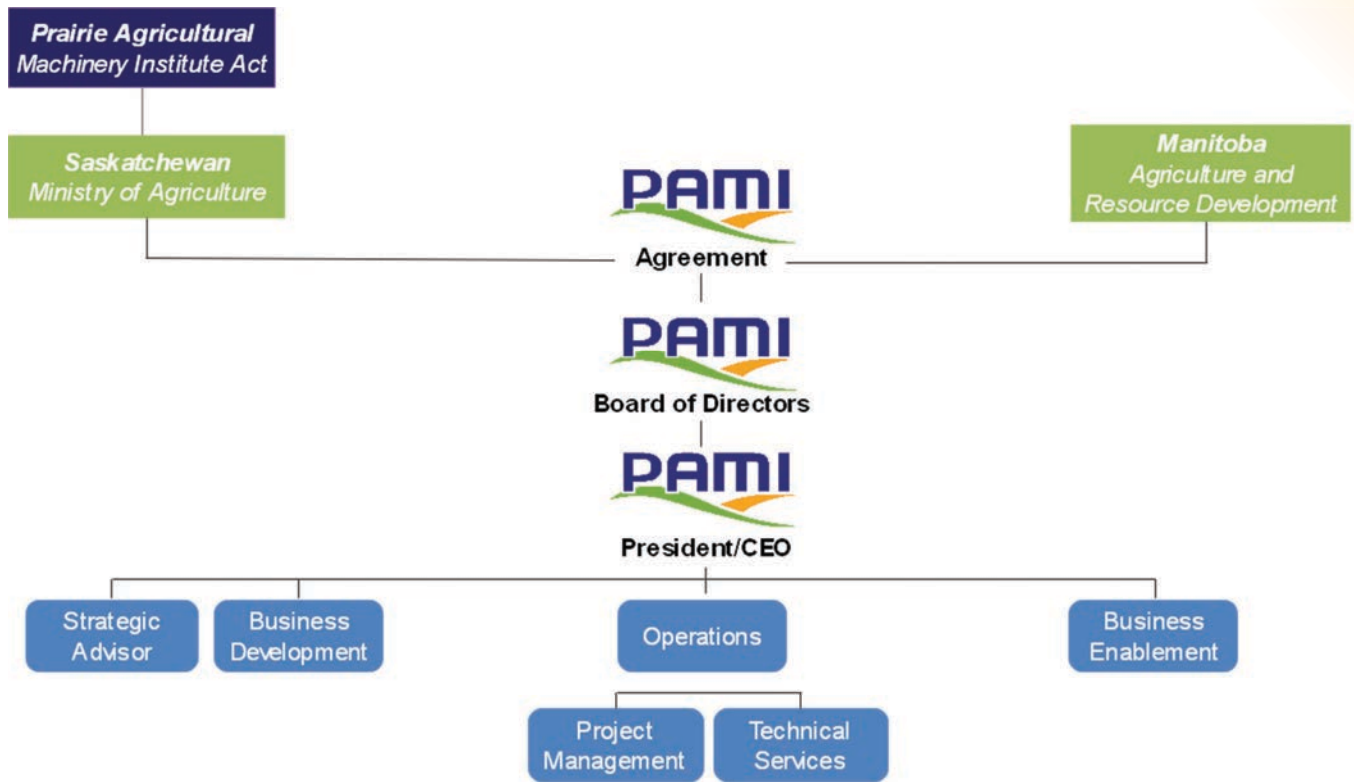
## PAMI BOARD OF DIRECTORS

PAMI's Board of Directors does not take part in the day-to-day operations or become involved in project execution. The primary responsibility of PAMI's board is to ensure the strategic direction of the organization.

PAMI's new seven-member board provides a wide range of business acumen and experience.

- Carmen Sterling (Chair), Saskatchewan Producer
- Gunter Jochum, (Vice Chair), Manitoba Producer
- Grant Adolph, Chief Operating Officer, Buhler Industries
- Gene Fraser, Vice President, Business Development, MacDon Industries
- Jonathan Greuel, Executive Director, Policy, Government of Saskatchewan
- Kendra Mueller, Senior Relationship Manager, Farm Credit Canada
- Jared Nelson, Saskatchewan Producer

# ORGANIZATIONAL STRUCTURE



## PAMI EXECUTIVE MANAGEMENT



**Leah Olson**  
*President and CEO*



**Harvey Chorney**  
*Strategic Advisor*



**Jason Zhao**  
*Chief Financial Officer*

# VISION

Innovative solutions for agriculture and beyond.

# MISSION

To enhance sustainability and profitability in agriculture and other sectors through research, innovation, adaptation, and knowledge transfer.

## 2020-2025 STRATEGIC PLAN OBJECTIVES





# OPERATIONAL HIGHLIGHTS

**Like many organizations, the global pandemic declared in March 2020 required PAMI to re-evaluate how it served its clients. Unlike some of its competitors who had to close their doors permanently, PAMI restructured, and with support from its stakeholders is emerging stronger in 2021-2022!**

In April 2020, PAMI onboarded its new President and CEO, Leah Olson. Leah brought a new vision for PAMI, as evidenced by our 2020-2025 strategic plan. Through the implementation of this plan, PAMI is changing the way it does business and refocusing its attentions on three core industries: agriculture, mining, and transportation.

In January 2021, PAMI announced its acquisition of the assets and liabilities of WESTEST, an organization whose board in November 2020 decided to dissolve to enable a stronger PAMI that could better serve its clients. This decision also strengthened PAMI's sales opportunities and balance sheet. This new, streamlined operating model reflects PAMI's new strategic plan and targets service excellence and increased revenues for testing, research, and engineering.

In light of the changes, PAMI employees managed over 150 projects in 2020-2021. PAMI revenues are broken down as follows:

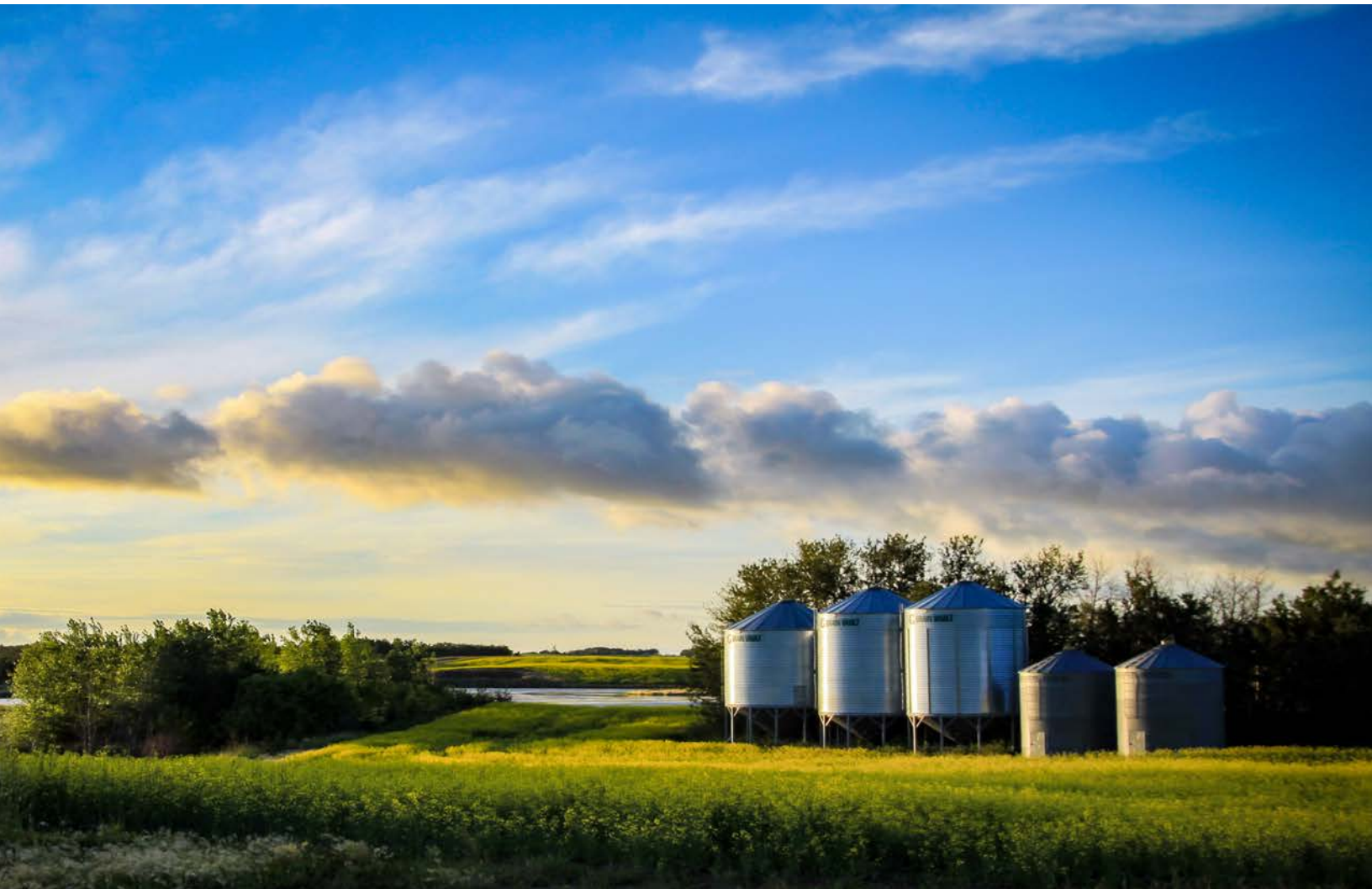
- approximately \$1.3 million in agricultural research,
- \$1.2 million in agricultural development work, and
- \$5.8 million with clients in other industries, including strong representation from mining and transportation.



PAMI's agricultural research work is most commonly supported by producer groups and government funding agencies as well as industry firms with cash or payments in-kind. The results of this work are broadly shared to support better decision-making in the agriculture industry and for its continued expansion.

# KEY AGRICULTURAL RESEARCH PROJECTS IN 2020-2021

- Vertical tillage cropping
- Effect of residue management on canola emergence
- Spray drift management
- Assessment of energy consumption for grain drying
- Modelling airflow through grain
- Biosecurity for the swine transportation industry
- Hemp storage and drying
- Pneumatic grain conveying in seeding equipment
- Combine loss calculations
- Grain handling support for farmers
- Beef monitoring system conceptual design
- Advanced geographic information system analysis to determine changes in prairie pothole hydrology
- Milkhouse wash water management assessment



# PHOTOS AND TESTIMONIALS



*"[PAMI] delivers on all expectations in such a professional manner that working with them creates a relationship rather than a business atmosphere."*

Tyrell Bjarnason - Rokion  
(a division of Prairie Machine)



# PHOTOS AND TESTIMONIALS



*"We have received excellent value from the team at PAMI. They have the perfect combination of high-tech capability blended with practicality that we need for our agtech hardware projects. Very professional and reliable."*

Cory Willness, CEO - CropPro Consulting



# PHOTOS AND TESTIMONIALS



*“PAMI is a thorough and well-polished partner that is adept at working with companies that are focused on finding out the truth about how their equipment works. They bundle that information in an easy-to-interpret document. Their staff is friendly, knowledgeable and easy to work with.”*

Rochelle Beaujot – SeedMaster

# PHOTOS AND TESTIMONIALS



*“We worked with PAMI this year on some agricultural testing. They were easy to work with, responsive to any change requests we had, and completed our time-sensitive project in quick fashion. We hope to use PAMI again for our future needs and would highly recommend them to anyone looking for support when it comes to agricultural testing.”*

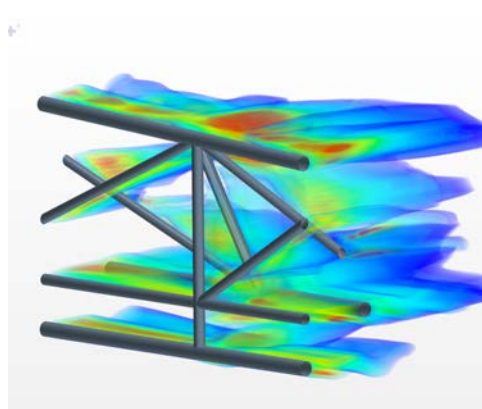
Eric Hosie - Planning Manager BASF Canada



# PHOTOS AND TESTIMONIALS

*"I was very pleased with the support PAMI provided. The staff were professional and flexible in meeting the needs of our client. As a result, our project progressed faster than expected. Thanks to all the staff at PAMI!"*

Don Martens – Ag-Quest



# CASE STUDIES

## CASE STUDY:

## Product Flowability Testing



*Date: April 2021*

### **PAMI's Capabilities:**

**PAMI supports agricultural product developers with:**

- *Year-round testing in flexible facilities.*
- *Access to air seeder test equipment, material handling equipment and certified instrumentation.*
- *Proven test set-ups and analysis methodologies.*
- *Third-party testing.*
- *Convenient locations at our facilities at Portage La Prairie, Manitoba, and Humboldt, Saskatchewan.*

### **Client's Challenge:**

Identify potential risks at varying environmental conditions associated with

- applying granular fertilizer using an air seeder, and
- storing granular fertilizer in bins.

### **Project Scope:**

- Conducted tests in PAMI's Crop Processing Development Centre (CPDC) and environmental chamber, using representative air seeder test equipment.
- Conducted tests at ambient conditions (19°C, 13% RH) as well as elevated humidity ranges (44% and 70% RH).
- Preconditioned fertilizer product to 0°C.
- Monitored product outlet flow for plugging.
- Inspected for residue build-up/wear (a, b, and c); measured and recorded.
- Conducted a sieve analysis on the inlet and outlet material samples to quantify the level of fertilizer breakdown experienced (ANSI/ASAE S319.4).
- Generated a PAMI technical report outlining the project methodology, results and recommendations.



### **Value Created:**

- **Product Understanding:** Increased confidence of fertilizer product handling performance under average seeding conditions.
- **Risk Management:** Enhanced understanding of fertilizer product, thereby reducing risks associated with new product introduction to market.
- **Documentation:** Technical report summarizing the test methodologies and results.
- **Confidentiality:** PAMI maintains strict confidentiality of products and test results.
- **Quality:** PAMI operates under an ISO 9001 quality system and maintains complete test and certification records.



## CASE STUDY:

# Rear Impact Guard Testing and Certification



*Date: April 2021*

### **PAMI's Capabilities:**

**PAMI supports transportation manufacturers across Canada with:**

- *Certification to CMVSS 223 and many other standards required for on-road vehicles.*
- *Proven test set-ups and analysis methodologies.*
- *Convenient locations at our facilities at Portage La Prairie, Manitoba, and Humboldt, Saskatchewan.*
- *Assistance with prototype design to accelerate development time.*
- *Computer modelling and analysis to save time and cost in developing prototypes.*
- *Design insights based on decades of engineering experience on methods to improve guard performance.*

### **Client's Challenge:**

A semi-trailer manufacturer wished to redesign its existing rear impact guards to

- reduce trailer weight without diminishing guard impact performance,
- take advantage of new materials or changes in material availability,
- improve manufacturing efficiency and reduce cost,
- adapt new material cutting, forming, or fabrication methods, and
- adapt to new trailer designs and sizes.



### **Project Scope:**

- Designed and fabricated test fixtures and set up the test apparatus.
- Tested the specimen to CMVSS 233 Standard requirements.
- Issued a Professional Engineering certified (stamped) report and certificate upon meeting requirements.

### **Value Created:**

- **Confidence:** The Client's design/manufacturing team can observe tests at PAMI facilities and engage with our engineers.
- **Assurance:** PAMI ensures you understand the test set-up, results, and why a design may need to be retested.
- **Timely Results:** PAMI's combination of facilities, knowledge, and experience allows work to be performed quickly while maintaining thoroughness and accuracy. PAMI knows the importance of maintaining manufacturing schedules and costs.
- **Advice:** PAMI engineers go beyond producing a simple pass/fail report. In the case of a failure, PAMI can help your team make improvements quickly to avoid delays to manufacturing schedules or a product launch.
- **Quality:** PAMI operates under an ISO 9001 quality system and maintains complete test and certification records.
- **Confidentiality:** PAMI maintains strict confidentiality of your designs, products, and test results. You retain all intellectual property improvements resulting from PAMI's engineering input.

## CASE STUDY:

# Technology Innovation Support



**Date:** May 2021

### **PAMI's Capabilities:**

- *Veteran R&D engineering teams able to advise clients on technical feasibility, competition, potential to qualify for grants/tax credits.*
- *Computer modelling and prototype construction and testing.*
- *Decades of experience working with small- and medium-sized Canadian manufacturers across agriculture, transportation, and mining sectors.*
- *Bulk Product Processing Facility – Manitoba, and bulk handling test equipment*
- *Large-vehicle-sized environmental chambers (-40°C to +40°C or beyond) and Vehicle Performance Centre*
- *Technical writers (manuals, parts books, engineering reports).*

### **Client's Challenge:**

To achieve greater market success, small- and medium-size Canadian clients are continuously developing innovation concepts, early-stage prototypes, and ideas for improving existing products. Often these ideas and projects may be too small or too risky to warrant the investment of time and budget by the organization. However, it is the small ideas that can often lead to a much larger and successful innovation.

### **Possible Innovation Support:**

Since 2015, the Prairie Agricultural Machinery Institute (PAMI) has provided short-term scientific or technical assistance to Canadian, for-profit, small-to-medium size enterprises (SMEs). The supports available through PAMI help build innovation capacity in Canada and encourages investment in R&D activities that have clear commercialization goals. PAMI works with individual companies to provide applied research and development services. For example, PAMI can assist with,

- scientific or technical business advice,
- new product/process development or improvement,
- prototype/Proof-of-Concept evaluation,
- reliability/quality improvements,
- product testing,
- technology and/or literature searches/reviews, as well as
- ad-hoc engineering advice, and more.

PAMI's innovation services are supported in part by funding from the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP). Thanks to this support, companies may qualify to receive PAMI's services at a reduced cost. To do so, the company must be,

- a registered for-profit corporation with less than 500 employees,
- financially solvent and in good standing with Canada Revenue Agency, and
- attempting a scientific/technical innovation with high potential to generate profitable sales growth in Canadian markets.

### **Easy Access:**

Companies approved to receive support from PAMI do not need to pay first and get reimbursed later, and there are no application forms or other paperwork clients need to fill out.

### **Value Created:**

Since 2015, PAMI has delivered almost 80 projects that have improved clients technical, market, and business knowledge; identified problem areas; and supported finding solutions.

# MANAGEMENT REPORT

## Management Report

To the Members of the Legislative Assembly of Saskatchewan:

Year Ended March 31, 2021

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 their report follows.



Leah Olson  
President and Chief Executive Officer  
Prairie Agricultural Machinery Institute



Jason Zhou  
Chief Financial Officer  
Prairie Agricultural Machinery Institute

# **FINANCIAL STATEMENTS**

**PRAIRIE AGRICULTURAL MACHINERY INSTITUTE  
FINANCIAL STATEMENTS**

**For the Year Ended March 31, 2021**



## 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, 2021, 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, 2021, 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.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or any knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### 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.

Tara Clemett, CPA, CA, CISA  
Acting Provincial Auditor  
Office of the Provincial Auditor

Regina, Saskatchewan  
July 27, 2021

## PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF FINANCIAL POSITION  
As at March 31

	<u>2021</u>	<u>2020</u>
<b>Financial Assets</b>		
Cash	\$ 697,052	\$ 1,942,383
Due from General Revenue Fund (Note 3)	1,765,969	525,606
Marketable Securities	22,202	-
Accounts receivable (Note 4)	983,513	1,025,691
	<u>3,468,736</u>	<u>3,493,680</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	937,857	1,026,607
Deferred revenue	980,023	2,129,483
	<u>1,917,880</u>	<u>3,156,090</u>
<b>Net Financial Assets (Statement 4)</b>	<b>1,550,856</b>	<b>337,590</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule 1)	6,980,935	4,152,557
Prepaid expenses	231,951	362,600
	<u>7,212,886</u>	<u>4,515,157</u>
<b>Accumulated Surplus</b>		
Accumulated operating surplus (Statement 2)	8,763,690	4,852,866
Accumulated remeasurement gains (Statement 3)	52	(119)
	<u>8,763,742</u>	<u>4,852,747</u>
	<u><b>\$ 8,763,742</b></u>	<u><b>\$ 4,852,747</b></u>

Contractual obligations (Note 10)  
Contractual rights (Note 11)

(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 9)	2021	2020
<b>Revenue</b>			
Provincial Transfers:			
Government of Saskatchewan			
Ministry of Agriculture			
- operating	\$ 800,000	\$ 1,600,000	\$ 800,000
Government of Manitoba			
Department of Agriculture, Food and Rural Development			
- operating	333,000	333,000	333,000
	1,133,000	1,933,000	1,133,000
Fee for service	6,230,000	8,255,541	8,528,262
Other income	50,000	726,736	63,085
Donations (Note 12)	-	3,337,155	-
Interest income	25,000	3,081	37,418
<b>Total revenues</b>	<b>7,438,000</b>	<b>14,255,513</b>	<b>9,761,765</b>
<b>Expenses</b>			
Personnel	3,900,000	4,318,691	5,312,927
Fee for service direct costs	1,246,000	4,380,433	3,849,435
Administration	829,900	910,363	1,023,570
Operating	359,200	321,708	429,433
Amortization	350,000	369,656	332,307
Lease land and equipment	12,300	32,992	60,170
Bad debt	-	8,571	22,981
Loss on disposal of assets	-	-	430
Honoraria	7,000	2,275	12,723
<b>Total expenses</b>	<b>6,704,400</b>	<b>10,344,689</b>	<b>11,043,976</b>
<b>Operating surplus (deficit) for the year</b>	<b>\$ 733,600</b>	<b>\$ 3,910,824</b>	<b>\$ (1,282,211)</b>
Accumulated operating surplus, beginning of year		4,852,866	6,135,077
<b>Accumulated operating surplus, end of year (Statement 1)</b>		<b>\$ 8,763,690</b>	<b>\$ 4,852,866</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**

	2021	2020
Accumulated remeasurement (losses) gains, beginning of year	\$ (119)	\$ 11
Unrealized gains (losses) attributable to foreign exchange	52	(119)
Amounts reclassified to the statement of operations	119	(11)
Net remeasurement gains (losses) for the year (Statement 4)	171	(130)
<b>Accumulated remeasurement gains (losses), end of year (Statement 1)</b>	<b>\$ 52</b>	<b>\$ (119)</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

	Budget <u>(Note 9)</u>	<u>2021</u>	<u>2020</u>
<b>Operating surplus (deficit) for the year (Statement 2)</b>	<b>\$ 733,600</b>	<b>\$ 3,910,824</b>	<b>\$ (1,282,211)</b>
(Acquisition) of tangible capital assets	-	(3,220,843)	-
Amortization of tangible capital assets	350,000	369,656	332,307
Proceeds of disposal of tangible capital assets	-	52,543	108,986
Net (gain) loss on the disposal of tangible capital assets	-	(29,734)	(52,841)
Net loss on write-offs of tangible capital assets	-	-	430
<b>Net consumption (acquisition) of tangible capital assets</b>	<b>350,000</b>	<b>(2,828,378)</b>	<b>388,882</b>
Use (acquisition) of prepaid expenses	-	130,649	(100,866)
<b>Net consumption of other non-financial assets</b>	<b>-</b>	<b>130,649</b>	<b>(100,866)</b>
Net remeasurement gains (losses) for the year (Statement 3)		171	(130)
<b>Increase (decrease) in Net Financial Assets</b>		<b>1,213,266</b>	<b>(994,325)</b>
<b>Net Financial Assets, beginning of year</b>		<b>337,590</b>	<b>1,331,915</b>
<b>Net Financial Assets, end of year (Statement 1)</b>		<b>\$ 1,550,856</b>	<b>\$ 337,590</b>

(See accompanying notes and schedules to financial statements)

## PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF CASH FLOWS  
For the year ended March 31

	<u>2021</u>	<u>2020</u>
<b>Cash flows (used in) from operating activities:</b>		
Receipts from customers and others	\$ 8,033,205	\$ 10,007,240
Transfers from Government of Saskatchewan	1,600,000	800,000
Transfers from Government of Manitoba	333,000	333,000
Interest received	3,081	37,418
Payments to suppliers and employees	<u>(9,924,392)</u>	<u>(10,359,427)</u>
	<u>44,894</u>	<u>818,231</u>
<b>Cash flows (used in) from capital activities:</b>		
Purchase of tangible capital assets	(80,203)	-
Proceeds from sale of tangible capital assets	<u>52,543</u>	<u>108,986</u>
	<u>(27,660)</u>	<u>108,986</u>
<b>Cash flow (used in) investment activities:</b>		
Transfer of marketable securities	<u>(22,202)</u>	<u>-</u>
Increase (decrease) in cash position	(4,968)	927,217
Cash position, beginning of year	<u>2,467,989</u>	<u>1,540,772</u>
Cash position, end of year	<u>\$ 2,463,021</u>	<u>\$ 2,467,989</u>
<b>Comprised of:</b>		
Due from General Revenue Fund	\$ 1,765,969	\$ 525,606
Cash	<u>697,052</u>	<u>1,942,383</u>
	<u>\$ 2,463,021</u>	<u>\$ 2,467,989</u>

(See accompanying notes and schedules to the financial statements)

**PRAIRIE AGRICULTURAL MACHINERY INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2021**

**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. The Institute has one functional unit with one major program.

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 primarily on funding from customers which generally represents 85% of its revenue with the remainder coming from the Governments of Saskatchewan and Manitoba.

**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.

Marketable securities with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment. Changes in fair value are recorded immediately in the excess (deficiency) of revenue over expenses. Marketable securities include investments in Royal Mutual Funds Inc. with a fair value of \$22,202.

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%
Test equipment	declining balance	30%
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 deferred revenue.

All other income is recognized when earned.

g) 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.

h) 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 2021, the average interest rate was .19% (2020 – 1.72%).

**4. Accounts receivable**

	2021	2020
Trade accounts receivable	\$941,815	\$1,022,690
Other	41,698	3,001
Accounts receivable	<u>\$983,513</u>	<u>\$1,025,691</u>

Of the accounts receivable balance, approximately \$84,845 is over 60 days. The Institute expects to fully collect this balance.

**5. Accounts payable and accrued liabilities**

	2021	2020
Trade accounts payable	\$ 623,102	\$ 671,811
Wages and other personnel costs	225,755	323,237
Other	89,001	31,559
	<u>\$937,858</u>	<u>\$ 1,026,607</u>

**6. 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.

**7. 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 2021 the Institute made contributions of \$204,353 (2020 - \$253,153) which are funded from current operations.

**8. 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, 2021 the following items are denominated in United States currency (CAD converted at \$1 USD - 1.2575 CAD (2020 – 1.4187 CAD)):

	2021	2020
Cash	\$11,797	\$30,405
Accounts payable	3,286	4,812

### 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.

## 9. Budget

The budget for 2020/2021 was approved by the Board on May 1, 2020. The budget figures are presented for comparison purposes.

## 10. Contractual obligations

The Institute has committed to provide future services to several research and development projects. At March 31, 2021, the value of these services total \$213,343 (2020 – \$453,941).

Lease terms on equipment range from 1 month to 5 years. In 2021, these lease costs totalled \$32,993 (2020 – \$60,170). The Institute is required to make the following minimum payments on these leases:

2022	7,704
2023	3,674
2024	1,980
2025	1,980
2026	330



## 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:

	2022	2023	2024	2025 and thereafter	Total
Industry	\$1,136,181	\$ -	\$ -	\$ -	\$1,136,181
Research & development	682,238	264,840	-	-	947,078
Ag Services	364,339	-	-	-	364,339
Transportation	136,152	-	-	-	136,152
Mining	16,266	-	-	-	16,266
	<u>\$2,335,176</u>	<u>\$264,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,600,016</u>

## 12. WESTEST

Under contract with related party Western Canada Testing Inc. (WESTEST), the Institute managed and operated WESTEST under the direction of WESTEST's Board of Directors. WESTEST retained 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 \$333,500 (2020 – \$2,160,051) from WESTEST.

On November 23, 2020, the PAMI board agreed to accept all liabilities and assets of WESTEST pending the WESTEST board's decision. On November 24, 2020, the WESTEST board agreed to dissolve WESTEST to strengthen PAMI. As of March 31, 2021, PAMI's financial statements and operations fully included the liabilities and assets that were previously those of WESTEST.

These transactions resulted in a donation in the amount of 3,337,155 consisting of the following:

- Net book value of Tangible capital assets \$3,140,639
- Net Financial Assets of
  - Cash \$153,746
  - Marketable Securities of \$22,202
  - Accounts receivable \$5,453
- Prepays \$15,115

## 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**

Schedule 1

	Asset Cost					Accumulated Amortization					Net Book Value 2021	Net Book Value 2020
	Opening Balance	Additions	Disposals	(Note 12) Transfers	Closing Balance	Opening Balance	Amortization	Disposals	Closing Balance			
Land and improvements	\$ 279,841	\$ -	\$ -	\$ -	\$ 279,841	\$ -	\$ -	\$ -	\$ -	\$ 279,841	\$ 279,841	
Buildings	5,902,454	-	-	-	5,902,454	3,753,459	107,450	-	3,860,909	2,041,545	2,148,995	
Equipment and furniture	4,157,993	80,203	(20,854)	-	4,217,342	2,645,609	158,670	(14,964)	2,789,315	1,428,027	1,512,384	
WT Equipment	-	-	-	1,919,307	1,919,307	-	63,977	-	63,977	1,855,330	-	
WT Leasehold Improvements	-	-	-	623,010	623,010	-	10,384	-	10,384	612,626	-	
WT Computers	-	-	-	12,944	12,944	-	1,294	-	1,294	11,650	-	
WT Test Equipment	-	-	-	3,622	3,622	-	362	-	362	3,260	-	
Vehicles	564,704	-	(81,631)	-	483,073	441,900	10,588	(64,713)	387,775	95,298	122,804	
Computer equipment	359,133	-	-	-	359,133	338,661	6,142	-	344,803	14,330	20,472	
Computer software	196,312	-	-	-	196,312	185,523	10,789	-	196,312	-	10,789	
WT Assets under construction	-	-	-	581,756	581,756	-	-	-	-	581,756	-	
Assets under construction	57,272	-	-	-	57,272	-	-	-	-	57,272	57,272	
<b>Total</b>	<b>\$11,517,709</b>	<b>\$80,203</b>	<b>\$(102,485)</b>	<b>3,140,639</b>	<b>\$14,636,066</b>	<b>\$7,365,152</b>	<b>\$369,656</b>	<b>\$(79,677)</b>	<b>\$7,655,131</b>	<b>\$6,980,935</b>	<b>\$4,152,557</b>	



## **TEST SITES**

### **Saskatchewan**

P.O. Box 1150  
2215 – 8th Avenue  
Humboldt, SK S0K 2A0  
1-800-567-7264

### **Manitoba**

P.O. Box 1060  
390 River Road  
Portage la Prairie, MB R1N 3C5  
1-800-561-8378