



2022 - 2023 ANNUAL REPORT
DRIVING GROWTH



Prairie Agricultural Machinery Institute

Box 1150

2215 8th Avenue

Humboldt, Saskatchewan, Canada

S0K 2A0

1.800.567.7264

www.pami.ca

CONTENTS



04

**LETTER OF
TRANSMITTAL**
Honourable David Marit
& Carmen Sterling

06

**CHAIR OF THE
BOARD MESSAGE**
Carmen Sterling

08

**PRESIDENT &
CEO MESSAGE**
Paul Buczkowski

10

**SENIOR
LEADERSHIP**

11

**2020-2025
STRATEGIC PLAN**

12

**BOARD OF
DIRECTORS**

14

**KEY RESEARCH
PROJECTS**

17

**IN THE
NEWS**

22

**MANAGEMENT
REPORT**

24

**FINANCIAL
STATEMENT**





LETTER OF TRANSMITTAL



Honourable David Marit
Minister of Agriculture
Government of Saskatchewan



Honourable Derek Johnson
Minister of Agriculture
Government of Manitoba

July 28, 2023
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, 2022. It includes the financial statements audited by the Provincial Auditor.

Respectfully submitted,

Honourable David Marit
Minister of Agriculture
Government of Saskatchewan



July 28, 2023
Honourable David Marit
Minister of Agriculture
Government of Saskatchewan

Honourable Derek Johnson
Minister of Agriculture
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, 2022.

Respectfully submitted,

Carmen Sterling
Chair, Board of Directors
Prairie Agricultural Machinery Institute





Bushel
Optimize Your Operation
www.BushelPlus.com

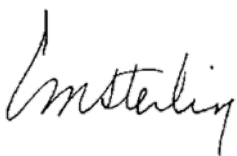
CHAIR OF THE BOARD MESSAGE

This past year was not without its challenges for PAMI. Throughout 2022/23 the PAMI Board of Directors worked closely with management to examine all aspects of our business to ensure PAMI is able to support the industries we operate in and to meet the needs of customers in Agriculture, Mining and Transportation. The work undertaken in the previous couple of years such as the new strategic plan, updated organizational structure and Nanos research provides valuable information to the board and management as PAMI continues to refine its service offerings and personnel recruitment. The analysis of all aspects of our business resulted in the decision to consolidate our physical presence and assets to one location. Our Portage facilities were put up for sale giving us the opportunity to co-locate our Manitoba employees with valuable partner organizations within the province. With additional financial support from the Province of Saskatchewan we were able to do some much needed upgrades to our Humboldt facilities. These wide ranging improvements to software, equipment and buildings increase our efficiency, enhancing not only our employee experience but also our overall client experience.

President and CEO, Leah Olson, who joined the organization in April of 2020, was immediately faced with making difficult decisions and implementing significant changes to ensure the viability of the organization through the impacts of COVID and beyond. In preparation for her departure in November of 2022, the Board undertook the recruitment process for a new President and CEO to continue to build on the work she and the senior leadership team had already undertaken. The Board was pleased to promote PAMI's Director of Finance, Paul Buczkowski, to President and CEO in March of 2023. Paul brings with him a background in professional sports and accounting that provides a strong focus on teamwork, financial expertise and valuable connections in the industries PAMI serves. Paul and the Senior Leadership Team work very well together, supporting our employees, enhancing our customer service and evolving our business.

We appreciate the continued support of the Governments of Saskatchewan and Manitoba. Their ongoing support has been integral to ensuring PAMI continues to be a valuable resource in the industries we serve. Lastly, I am grateful for the engagement, dedication and expertise of the Board of Directors, Senior Leadership Team and all of our employees.

We are truly a team focused on PAMI's success which is directly tied to our ability to embrace and adapt to the evolving landscape in Agriculture, Mining and Transportation.



Carmen Sterling
Chair, Board of Directors
Prairie Agricultural Machinery Institute





PRESIDENT & CEO MESSAGE

Overcoming change and adaptation is what makes any team successful. PAMI has undergone many changes in fiscal 2022-23 but despite these changes, we are still the first choice for creating innovative engineered solutions for complex customer problems.

PAMI is well positioned to meet the opportunities and trials we will face in 2023-24. We are strengthened by a demand for our services in Agriculture, Mining and Transportation, and a dedicated workforce to deliver on our client projects locally and around the globe. While we remain conservative, we can be optimistic about our future as we focus on sustainable growth. Our new marketing strategy has garnered positive interest focusing on 'PAMI 2.0' and what new and innovative solutions we can bring to the industries we serve.

Our people, above all else, are the main driver of what makes PAMI successful. Our leadership group is committed to making significant efforts to provide staff from across Saskatchewan and Manitoba with tools and knowledge to reach their full potential. Although our leadership has changed during this past fiscal year, our focus and priorities remain the same. Our organizational structure has been carefully constructed on a foundation designed to anticipate and overcome future challenges, guaranteeing our long-term success. We are making sure our compensation packages, positive work culture, and overall employee experience are rewarding for new and current employees. We will always aim to continuously improve our employees' journey and create an optimal workplace teeming with the power of possibility.

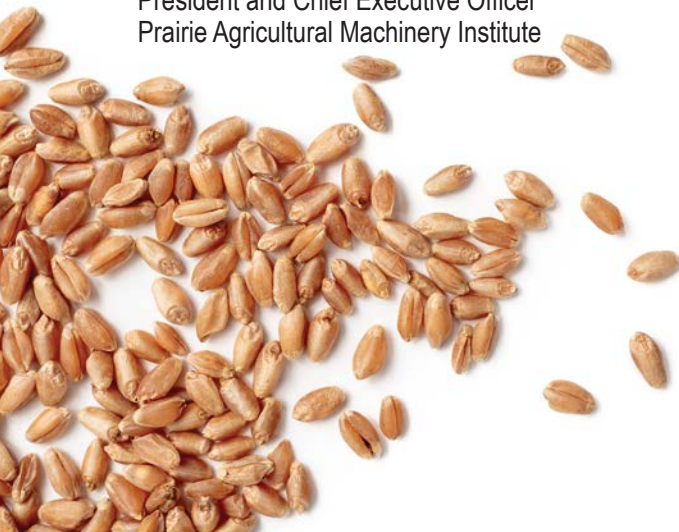
Knowing our people and customers is important to us. We were pleased with the participation and quality of feedback we received in our most recent employee and customer surveys. Employee engagement is trending positively and based on recent project completions, our customers are happy with our services. We want all of our customers to have an exceptionally positive experience which will leave them with the desire to return for future projects.

I would like to thank everyone who supported us throughout this eventful year. I am grateful to our clients for entrusting us with their business, to our Board of Directors for providing invaluable guidance, and to our team members who continue to go above and beyond to make each other successful.

I look forward to the year ahead and am excited about what we can achieve together.



Paul Buczkowski
President and Chief Executive Officer
Prairie Agricultural Machinery Institute





**“A PLACE
WHERE IDEAS
ARE MADE
REAL.”**

Honourable Pamela Wallin

SENIOR LEADERSHIP

VISION

1

Innovative solutions for agriculture and beyond.

MISSION

2

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

OBJECTIVES

3

Grow revenues from agriculture research and services to the agriculture industry.

Establish and be center of excellence.

Strengthen relationships with customers to enable a stronger revenue base.

Be “the” recognized voice of agriculture.

Maintain revenue and skill diversity by serving the agriculture, mining and transportation industries.

L-R: Bryan Lung, Director of Operations,
Paul Buczkowski, President & CEO,
Lorne Grieger, Director of Technical Sales





2020-2025 STRATEGIC PLAN

Through the implementation of PAMI's 2020-2025 strategic plan, PAMI is changing the way it does business by making a conscious effort to refocus its attention on its three core industries: agriculture, mining, and transportation. With this streamlined operating model, PAMI is able to target service excellence and increased revenues for testing, research and engineering.



WHO IS PAMI?

PAMI is committed to excellence and we're passionate about machines. We provide state-of-the-art testing facilities and simulation technology for our clients to learn more. Our goal is to create efficiencies, find solutions and provide insight by studying, designing, building and testing machines and their components in real-life situations.

PAMI has been a leader in innovative solutions for agriculture production since 1975 and offers professional science and engineering services at our 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.

Partnering with PAMI provides many benefits, from conceptualization to research, design, and innovation. But by far the biggest benefit is that PAMI never owns Intellectual Property – it's always yours to keep.

BOARD OF DIRECTORS

CHAIR
CARMEN STERLING
Weyburn, SK

VICE CHAIR
GUNTER JOCHUM
St Francois Xavier, MB

GRANT ADOLF
Winnipeg, MB

GENE FRASER
Winnipeg, MB

JONATHAN GREUEL
Regina, SK

KENDRA MUELLER
Humboldt, SK

JARED NELSON
Saskatoon, SK





KEY RESEARCH PROJECTS

- > MB Ag EST
- > Mesophilic Static Pile Composting of Livestock and Poultry Mortalities
- > Emergency mass euthanasia and mortalities disposal preparedness
- > DRT Technical Support, Transition & Training
- > Evaluating the Potential Benefits for End-Of-Pipe Treatments for Tile Drainage Discharge in Southwestern Manitoba Undulating Landscapes
- > Potential for Tractor Electrification for Manitoba Farms
- > Biomass Inventory for Emergency and Operation Planning
- > Quantifying combine auto-adjusting capabilities in canola
- > Assessment of Depopulation Technologies
- > Effect of using low ground pressure (LGP) traffic systems for seeding on soil compaction and cereal yields in heavy clay soils affected by extreme moisture conditions
- > Pneumatic grain conveying in seeding equipment (Final year of a 5 yr project)
- > Hemp storage and drying (Final Year of a 4 ½ yr project)
- > Spray drift management (Final year)
- > Grain Dryer Efficiency
- > Analysis of the Carbon Intensity of Current Annual Legume Production Methods and their Adaptation Potential the Future Low Carbon Economy



Prairie Agricultural
Machinery Institute Act

Saskatchewan
Ministry of Agriculture

Manitoba
Agriculture and
Resource Development

PAMI

Agreement

PAMI

Board of Directors

PAMI

President/CEO

Business
Development

Operations

Business
Enablement

Project
Management

Technical
Services





**“SUCCESS IS
DEPENDENT ON
STRONG RELATIONSHIPS
WITH TECHNICALLY
EXCELLENT, ENTHUSIASTIC
PARTNERS. WE ARE PROUD
TO HAVE SUCH A
STRONG RELATIONSHIP
WITH PAMI”**

Jason McNamee, Lucent Bio

IN THE NEWS

MANITOBA
Pulse Soybean
GROWERS

pulsebeat

The Science Edition

Issue 7 • February 2023 • manitobapulse.ca

IN THIS ISSUE

YIELD & QUALITY
PEST CONTROL
MARKET DEMAND

Minimizing Air Seeder Damage to Peas

Varying fan speed did not impact seed germination, vigour or seed coat damage. Seed moisture was the primary factor that determined seed damage.



LARGER AIR SEEDERS (>60 ft) typically require higher air velocity for adequate seed distribution and to prevent plugging. As larger seeding equipment has become more common, there was a desire to know if greater fan speeds resulted in increased damage to pea seed and how seed moisture content might impact seed damage.

The objective of this research was to determine the effects of air seeder fan speed and pea seed moisture content on pea seed quality throughout seeding.

Pea seeds at three different moisture contents (dried to 11.4%, as received at 13.6% and wet at 15.1%) were run through a stationary air drill at three different fan speeds representing low (FSL), medium (FSM) and high (FSH) speeds. Fan speeds were determined by using the manufacturer-recommended speed as the FSM (4250 rpm), then varying the speed approximately 8% lower and higher to achieve FSL (3900 rpm) and FSH (4600 rpm), respectively.

A 65-ft, 2010 Bourgault Paralink hoe drill 3310 with a 6550 cart was used. This equipment contained six secondary manifolds, each with a total of 11 openers, resulting in 66 total openers across the drill. This air drill was selected out of a list of commonly used seeding implements in Manitoba since this configuration has the potential for increased seed damage.

AAC Carver yellow pea seed was used, which has an average thousand seed weight of 240 g/1000 seeds representing an average pea seed size. The seeding rate in these trials was 222.7 lbs/ac (3.7 bu/ac), calculated to target approximately 7.4–8.4 live plants/ft². The fertilizer used was MES15 at a rate of 20 lbs P₂O₅/ac, resulting in 59.7 lbs/ac of product. Each treatment was run for the equivalent of 0.5 seeded acres with a targeted ground speed of 3.0 mph. Germination, vigour and seed coat damage (via soak test) were assessed before and after treatments.

Surprisingly, varying fan speed did not significantly affect seed germination, vigour or seed coat damage. Seed moisture was the primary factor determining seed damage (Table 1).

Seed moisture content had the most significant impact on germination, vigour and seed coat damage (percentage of damaged, wrinkled and smooth seed coats). Pea seed that had been dried to moisture contents below the recommended level (to 11.4% seed moisture) had significantly lower germination and vigour (more than 10% decrease) compared to the “as-received” seed (13.6% seed moisture) and the wet seed (15.1% seed moisture). Reduced germination and vigour will negatively affect plant stand and plant establishment, reducing crop yield

potential. These results reflect similar findings from previous PAMI research on air seeder distribution and seed damage to wheat, canola and soybeans, where drier soybean seed (8% seed moisture) resulted in poorer germination than 13% soybean seed moisture.

Ensuring seed moisture content is at the recommended level is imperative for good seed germination, vigour and seed coat quality. These results indicate that initial moisture content, before running the seed through the drill, is an important factor for maintaining seed quality and establishing a successful crop.

To obtain the desired moisture content, it is recommended to pay close attention to proper storage and to monitor pea seed moisture by moving the grain during storage, as necessary. However, some factors influencing seed moisture are not within our control. Though differences in fan speed did not affect the seed quality, manufacturer-recommended speeds are suggested to maintain productive performance to reduce the risk of plugging at low fan speeds and improve the potential for more accurate seed distribution at recommended speeds versus high speeds. Understanding the impact of seed moisture on germination and vigour translates to more accurate seeding rates and thus successful plant stands. ▶

Table 1. Germination, vigour and seed coat damage (assessed via soak test) of field pea seed at three different moisture contents after being run through the air seeder.

| Moisture content | Germination (%) | Vigour (%) | Soak Test (%) | | |
|---------------------|-----------------|------------|---------------|----------|--------|
| | | | Damaged | Wrinkled | Smooth |
| Dry (11.4%) | 75.3 b | 69.8 b | 13.9 a | 8.2 b | 77.9 a |
| As received (13.6%) | 87.0 a | 82.4 a | 9.33 a | 11.0 b | 79.7 a |
| Wet (15.1%) | 86.2 a | 80.8 a | 10.2 a | 48.0 a | 41.8 b |

Within each column, means followed by different letters are significantly different at $p < 0.05$.

PRINCIPAL INVESTIGATOR Charley Sprenger, Prairie Agricultural Machinery Institute

MPSG INVESTMENT \$30,000

DURATION 1 year

“

We know there is a wake behind the sprayer and there are measurable effects on spray drift.

”

The winds of change

Studying the role of sprayers in creating spray drift

While “low and slow” may be the best practice for applying crop protection products, the reality of ever-increasing sprayer size and sprayer speeds has triggered the need for a better understanding of the role machinery may play in the spray drift equation.

IN THE NEWS



“There is a lot of research that looks at droplet size and sprayer nozzle design, but there was a gap in knowledge about how the sprayer itself might affect the potential for spray drift,” says Ian Paulson, a mechanical

engineer at the Prairie Agricultural Machinery Institute (PAMI) and lead researcher on a project looking at the potential for machine-induced spray drift.

Paulson led a multi-year project designed to inform best spray practices based on a wider understanding of spray drift. Working closely with spray expert Dr. Tom Wolf of AgriMetrix Research and Training, Paulson and team scaled up small test plots to field-sized machinery and environment to track air flow movement. To dig a little deeper, an air flow simulation model was developed for the project by PAMI and the University of Saskatchewan.

In the wake

One major goal was to characterize the wake created by high clearance sprayers. They measured air flow around the sprayer in field conditions – looking at air speed behind the tires, immediately behind the boom, and behind the blockage that the tractor cab and spray tank creates.

“You might assume a sprayer does not disrupt the air like a car or a semi truck might, especially since the sprayer is going quite slow, comparatively,” says Paulson. “We knew there was a disruption of air flow behind the sprayer, and with our simulation work we were able to characterize the wake and look at where the air flow is disrupted.”

They simulated a real sprayer giving them a unique opportunity to look at sprayer speed, droplet size and wind, as well as the impact of machinery blockage. “We were able to introduce droplets into the model to gain a much better understanding of how droplets are influenced in the sprayer wake, and this could ultimately help lead to opportunities for better sprayer design.”

Tracking turbulence

What they found was not surprising to the team, but will hopefully support more of the low and slow approach. Using the sprayer simulation, they identified distinct areas behind the sprayer where the wake caused air to flow up for enough time to represent a potential drift risk.

There were three main areas where more turbulence was seen in the wake of the sprayer – behind the sprayer body/tank, behind the rear tires, and downstream of larger boom-mounted components. “Spray drops that enter these areas are more likely to mix with the air and that creates a greater potential for spray drift,” says Paulson.

The sprayer equation

The biggest takeaway from all the air flow measurement testing – in the field and with the simulation model – was the influence of machinery on spray drift. “There is definitely a machine impact and a wake created by the sprayer,” says Paulson. “And there are implications of the resulting wake that are detrimental to spray performance.”

Most sprayers are characterized by big tires and a big tank, and those are the parts that are creating issues in the field. Paulson says there are some manufacturers paying more attention to design to keep obstructions out of the way. Nearly all the detrimental patterns noted were more severe with higher airspeed, highlighting the benefit of reduced travel speeds and how the ambient wind can influence the size of the sprayer wake.

Care and caution

Paulson knows spray drift can be a tough topic. “There is always the balance of logistics and agronomy when it comes to spraying,” he says. This research has helped demonstrate the influences and the impact when products drift away from the location where they are intended to work, and the care and caution that is needed with sprayer application.

“The best tool is to slow down and lower the spray boom,” says Paulson. “It is not a new concept – it is simple and logical – and helps reduce the potential for a drift event.”

Start with the outside rounds at a minimum. As part of this research, Paulson and team found that reducing travel speed and lowering boom height can reduce spray drift by up to 50 percent at 40 to 80 metres downwind of the spray swath.

“We know there is a wake behind the sprayer and there are measurable effects on spray drift.”



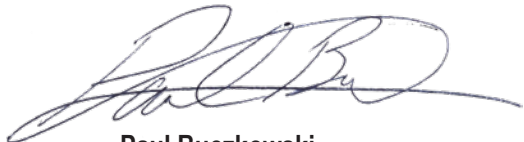
59d2

MANAGEMENT REPORT

To the Members of the Legislative Assembly of Saskatchewan:

Year Ended March 31, 2023

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



Paul Buczkowski
President & CEO
Prairie Agricultural Machinery Institute



**PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
FINANCIAL STATEMENTS**

For the Year Ended March 31, 2023



INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the Prairie Agricultural Machinery Institute, which comprise the statement of financial position as at March 31, 2023, and the statement of operations and accumulated surplus, statement of remeasurement gains and losses, statement of changes in net financial assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Prairie Agricultural Machinery Institute as at March 31, 2023, and the results of its operations, its remeasurement gains and losses, changes in its 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 2022–23 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.

Regina, Saskatchewan
July 25, 2023

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

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF FINANCIAL POSITION

As at March 31, 2023

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| | | restated - Note 12 |
| Financial Assets | | |
| Cash | \$ 741,998 | \$ 20,860 |
| Due from General Revenue Fund (Note 3) | 3,309 | 869,814 |
| Accounts receivable (Note 4) | 3,809,277 | 1,747,206 |
| | <u>4,554,584</u> | <u>2,637,880</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 5) | 1,172,326 | 581,017 |
| Deferred revenue | 624,657 | 659,226 |
| | <u>1,796,983</u> | <u>1,240,243</u> |
| Net Financial Assets (Statement 4) | 2,757,601 | 1,397,637 |
| Non-Financial Assets | | |
| Tangible capital assets (Schedule 1) | 6,188,118 | 6,251,964 |
| Prepaid expenses | 73,380 | 176,959 |
| | <u>6,261,498</u> | <u>6,428,923</u> |
| Accumulated Surplus | | |
| Accumulated operating surplus (Statement 2) | 9,023,850 | 7,826,188 |
| Accumulated remeasurement gains (Statement 3) | (4,751) | 372 |
| | <u>9,019,099</u> | <u>7,826,560</u> |
| | <u>\$ 9,019,099</u> | <u>\$ 7,826,560</u> |

Contractual obligations (Note 10)
 Contractual rights (Note 11)
 Contingent liabilities (Note 14)

(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, 2023

| | Budget (Note 9) | 2023 | 2022 restated - Note 12 |
|---|---------------------|---------------------|----------------------------|
| Revenue | | | |
| Provincial Transfers: | | | |
| Government of Saskatchewan | | | |
| Ministry of Agriculture | | | |
| - operating | \$ 400,000 | \$ 1,350,000 | \$ 600,000 |
| Government of Manitoba | | | |
| Department of Agriculture, Food and | | | |
| Rural Development | | | |
| - operating | 333,000 | 333,000 | 333,000 |
| | <u>733,000</u> | <u>1,683,000</u> | <u>933,000</u> |
| Fee for service | 4,614,831 | 4,437,353 | 3,664,721 |
| Capital grant | - | 1,500,000 | - |
| Other income | - | 72,457 | 593,787 |
| Interest income | 5,000 | 14,264 | 1,294 |
| Gain on sale of assets | 2,000,000 | 70,937 | - |
| | <u>7,352,831</u> | <u>7,778,011</u> | <u>5,192,802</u> |
| Total revenues | | | |
| | 7,352,831 | 7,778,011 | 5,192,802 |
| Expenses | | | |
| Personnel | 3,200,000 | 2,609,315 | 3,299,513 |
| Fee for service direct costs | 922,966 | 700,493 | 757,746 |
| Administration | 865,881 | 2,088,198 | 1,115,155 |
| Operating | 384,224 | 673,307 | 382,910 |
| Amortization | 440,000 | 451,454 | 543,377 |
| Lease land and equipment | 8,732 | 19,567 | 13,164 |
| Bad debt | - | 38,015 | 8,856 |
| Loss on Sale of Assets | - | - | 23,500 |
| Honoraria | 6,000 | - | 3,843 |
| | <u>5,827,803</u> | <u>6,580,349</u> | <u>6,148,064</u> |
| Total expenses | | | |
| | 5,827,803 | 6,580,349 | 6,148,064 |
| Operating surplus (deficit) for the year | \$ 1,525,028 | \$ 1,197,662 | \$ (955,262) |
| Accumulated operating surplus, beginning of year | | \$ 7,826,188 | \$ 8,781,450 |
| Accumulated operating surplus, end of year (Statement 1) | | \$ 9,023,850 | \$ 7,826,188 |

(See accompanying notes and schedules to financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

For the year ended March 31, 2023

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|---------------|
| Accumulated remeasurement gains, beginning of year | \$ 372 | \$ 52 |
| Unrealized (losses) gains attributable to foreign exchange | (4,751) | 372 |
| Amounts reclassified to the statement of operations | (372) | (52) |
| Net remeasurement (losses) gains for the year (Statement 4) | (5,123) | 320 |
| Accumulated remeasurement (losses) gains, end of year (Statement 1) | \$ (4,751) | \$ 372 |

(See accompanying notes and schedules to the financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF CHANGE IN NET FINANCIALS ASSETS

For the year ended March 31, 2023

| | <u>Budget</u> | <u>2023</u> | <u>2022</u> |
|--|---------------|----------------------------|----------------------------|
| | (Note 9) | | restated - Note 12 |
| Operating surplus (deficit) for the year (Statement 2) | \$ 1,525,028 | \$ 1,197,662 | \$ (955,262) |
| (Acquisition) of tangible capital assets | - | (571,702) | (88,155) |
| Amortization of tangible capital assets | 440,000 | 451,454 | 543,377 |
| Proceeds of disposal of tangible capital assets | - | 268,848 | 422,229 |
| Net (gain) on the disposal of tangible capital assets | (2,000,000) | (173,583) | (148,479) |
| Net loss on write-offs of tangible capital assets | - | 88,829 | - |
| Net consumption of tangible capital assets | | <u>63,846</u> | <u>728,972</u> |
| Use of prepaid expenses | - | 103,579 | 54,991 |
| Net (acquisition) consumption of other non-financial assets | | <u>103,579</u> | <u>54,991</u> |
| Net remeasurement (losses) gains for the year (Statement 3) | | <u>(5,123)</u> | <u>320</u> |
| Increase (decrease) in Net Financial Assets | - | 1,359,964 | (170,979) |
| Net Financial Assets, beginning of year | | <u>1,397,637</u> | <u>1,568,616</u> |
| Net Financial Assets, end of year (Statement 1) | | <u>\$ 2,757,601</u> | <u>\$ 1,397,637</u> |

(See accompanying notes and schedules to financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF CASH FLOWS
For the year ended March 31, 2023

| | 2023 | 2022 |
|--|--------------|--------------|
| Cash flows (used in) from operating activities: | | |
| Receipts from customers and others | \$ 2,913,293 | \$ 3,398,830 |
| Capital grant | 1,500,000 | - |
| Transfers from Government of Saskatchewan | 760,000 | 600,000 |
| Transfers from Government of Manitoba | 333,000 | 333,000 |
| Interest received | 14,264 | 1,294 |
| Payments to suppliers and employees | (5,363,070) | (6,261,747) |
| | 157,487 | (1,928,623) |
| Cash flows (used in) from capital activities: | | |
| Purchase of tangible capital assets | (571,702) | (88,155) |
| Proceeds from sale of tangible capital assets | 268,848 | 422,229 |
| | (302,854) | 334,074 |
| Cash flow (used in) from investment activities: | | |
| Transfer of marketable securities | - | 22,202 |
| (Decrease) in cash position | (145,367) | (1,572,347) |
| Cash position, beginning of year | 890,674 | 2,463,021 |
| Cash position, end of year | \$ 745,307 | \$ 890,674 |
| Comprised of: | | |
| Due from General Revenue Fund | 3,309 | 869,814 |
| Cash | 741,998 | 20,860 |
| | \$ 745,307 | \$ 890,674 |

(See accompanying notes and schedules to financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2023

1. Status of Institute

The Prairie Agricultural Machinery Institute (Institute) is a corporate body 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, mining and transportation 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 primarily on funding from customers, which generally represents 59% 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 (CPSA). The significant accounting policies are as follows:

a) Financial assets

Financial assets are non-physical assets whose value is derived from a contractual claim. They are used to discharge existing liabilities or finance future operations. Valuation allowances are used where necessary to reduce the amounts reported for financial assets to their net realizable value.

Cash and cash equivalents consists of cash on hand (USD and CAD currencies) and all monies accessible within accounts with the Institute's partnering financial institution.

Accounts receivable consist of receivables from customers (trade accounts) and other receivables. These values are recorded at cost less an allowance for doubtful accounts (if a vendor account is deemed to be a credit risk or collection may be unlikely).

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, 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 the following criteria are met:

- an environmental standard exists
- contamination exceeds identified 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

There is no liability for contaminated sites recognized as at March 31, 2023.

e) Government Transfers

Government transfers are the transfers from government agencies and are not the result of any exchange transactions. There is no expectation to repay the amounts in the future unless the asset is earmarked for a specific purpose and funds are not applied or dispersed within a specified time frame. 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 supported 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 (prepayments) as deferred revenue.

All other income is recognized in the period when earned.

g) New Accounting Standards

Effective April 1, 2023, PS 3400 Revenue and PSG-8 Purchased Intangibles. The Institute has not early adopted these standards and is still assessing the impact.

Effective April 1, 2022, PS 3280 Asset Retirement Obligations. The Institute has considered this new standard and determined there is no impact for the period indicated above.

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 exchange rate in effect for that date as per the Bank of Canada posted foreign exchange rate and are included in the determination of net income for the period.

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, liabilities and disclosure of contingent liabilities. These estimates may also affect the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are recorded after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided when an amount is deemed to be highly unlikely to be collectable.

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 are 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 2023, the average interest rate was 2.92% (2022 – 0.19%). March 31, 2023 balance is \$3,309.

4. Accounts Receivable

| Accounts Receivable Summary | 2023 | 2022 |
|------------------------------------|--------------------|--------------------|
| Trade Accounts Receivable | \$3,229,262 | \$1,742,705 |
| Other | 580,015 | 4,501 |
| Accounts Receivable Totals | \$3,809,277 | \$1,747,206 |

\$703,378 of this balance is overdue more than 61 days. Management had indicated that this balance is highly probable to be collectible however, to be conservative, 1.5% (2022 – 5%) will be allocated to allowance for doubtful accounts.

5. Accounts payable and accrued liabilities

| Accounts Payable and Accrued Liabilities Summary | 2023 | 2022 |
|---|--------------------|--------------------|
| | | restated – Note 12 |
| Trade Accounts Payable | \$831,751 | \$323,399 |
| Wages and Other Personnel Costs | 230,768 | 137,267 |
| Other | 109,807 | 120,351 |
| Accounts Payable Totals | \$1,172,326 | \$581,017 |

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 2023, the Institute made contributions of \$216,925 (2022 - \$159,216) 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 accounts receivable from its customers. In order to reduce its credit risk, the Institute applies sound credit practices. A process of mitigating risk is obtaining a down payment from each customer prior to commencing a new project. 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 USD for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. As at March 31, 2023 the following items are denominated in United States currency (CAD converted at \$1 USD – 1.3533 CAD (2022 – 1.2496 CAD)):

| USD Denomination | 2023 | 2022 |
|--------------------------------|-----------------|----------------|
| Cash | \$1,546 | \$3,641 |
| Accounts Payable | 13,260 | 1,698 |
| USD Denomination Totals | \$14,806 | \$5,339 |

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 2022/2023 was approved by the Board on March 24, 2022. The budget figures are presented for comparison purposes.

10. Contractual obligations

Lease terms on equipment range from 1 month to 5 years. In 2023, these lease costs totaled \$19,567 (2022 – \$13,164). In 2023, the Institute also entered into a service agreement with an external provider for monthly IT service support. The contract cost totaled \$55,500 in the year and contract term will end on March 1, 2025. The Institute is required to make the following minimum payments on various contracts:

Contractual obligations

| | |
|------|----------|
| 2024 | \$74,931 |
| 2025 | \$67,056 |
| 2026 | \$9,741 |
| 2027 | \$3,711 |

11. 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 for fee for service revenue and government grant revenue. The following table summarizes the contractual rights of the Institute:

| Contractual Rights | 2024 | 2025 | 2026 | 2027 | Total |
|----------------------------------|---------------------|-------------------|-------------|-------------|---------------------|
| Research & Development | \$ 87,866 | \$ 34,900 | \$ - | \$ - | \$122,766 |
| Ag Services | 932,522 | 100,000 | - | - | 1,032,522 |
| Transportation | 53,219 | - | - | - | 53,219 |
| Mining | 209,077 | - | - | - | 209,077 |
| Contractual Rights Totals | \$ 1,282,684 | \$ 134,900 | \$ - | \$ - | \$ 1,417,584 |

12. Prior Year Balance Adjustment

During the review of the Institute's expenses, it was discovered that an invoice related to 2021-2022 expense was recorded in current period. The Institute reclassified the expense and restated 2021-2022 Accounts payable and accrued liabilities to \$581,017 (pre-adjustment \$562,143) and Accumulated operating surplus to \$7,826,188 (pre-adjustment \$7,845,062).

13. Comparative Figures

Certain 2022 comparative figures have been reclassified to conform with the current year's presentation.

14. Contingent Liabilities

The Institute is involved in two legal actions, the outcome of which is not determinable.

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

SCHEDULE OF TANGIBLE CAPITAL ASSETS
As at March 31, 2023

| | Asset Costs | | | | | Accumulated Amortization | | | | | Net Book Value 2023 | Net Book Value 2022 |
|--------------------------------|---------------------|-------------------|-------------------|-------------------|---------------------|--------------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| | Opening Balance | Additions | Disposals | Write-off | Closing Balance | Opening balance | Disposals | Write-off | Amortization | Closing balance | | |
| Land and Improvements | \$ 279,841 | \$ 83,767 | \$ 21,000 | \$ - | \$ 342,608 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 342,608 | \$ 279,841 |
| Buildings | 5,902,454 | 152,669 | - | - | 6,055,123 | 3,962,987 | - | - | 98,524 | 4,061,511 | 1,993,612 | 1,939,467 |
| Equipment | 5,786,592 | 115,283 | 178,257 | 407,847 | 5,315,771 | 3,077,177 | 117,808 | 340,074 | 262,092 | 2,881,387 | 2,434,384 | 2,709,415 |
| Office Furniture and Equipment | 68,695 | - | - | 63,279 | 5,416 | 59,442 | - | 55,141 | 112 | 4,413 | 1,003 | 9,253 |
| WT Leasehold Improvements | 623,010 | - | - | - | 623,010 | 132,908 | - | - | 49,010 | 181,918 | 441,092 | 490,102 |
| WT Test Equipment | 2,415 | - | - | - | 2,415 | 846 | - | - | 471 | 1,317 | 1,098 | 1,569 |
| Vehicles | 449,914 | 5,274 | - | 89,714 | 365,474 | 359,804 | - | 63,777 | 6,461 | 302,488 | 62,986 | 90,110 |
| Computer Equipment | 372,078 | 141,588 | - | 291,598 | 222,068 | 353,891 | - | 290,801 | 33,254 | 96,344 | 125,724 | 18,187 |
| Computer Software | 196,312 | 5,314 | - | - | 201,626 | 196,312 | - | - | 1,530 | 197,842 | 3,784 | - |
| Asset Under Construction | 714,020 | 67,807 | - | - | 781,827 | - | - | - | - | - | 781,827 | 714,020 |
| Total | \$14,395,331 | \$ 571,702 | \$ 199,257 | \$ 852,438 | \$13,915,338 | \$8,143,367 | \$ 117,808 | \$ 749,793 | \$ 451,454 | \$ 7,727,220 | \$ 6,188,118 | \$ 6,251,964 |

