



2020-2021 ANNUAL REPORT

NOT ALL PATHS ARE PAVED



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The Atlantic First Nations Water Authority thanks Board member, Chief Arren Sock of Elsipogtog for creating our logo. At a Board meeting in 2018, the discussion topic of designing a logo quickly became an impromptu art class. When several logos were presented, Chief Sock said he always pictured the logo “like this” and then drew the logo we use today on the back of a napkin, literally.

Mi’kmaw artist Gerald Gloade of Millbrook, NS, then took Chief Sock’s original design and created a digital file. Gerald added the colours, a final touch in bringing the logo to life. It was presented at an Atlantic Policy Congress Annual General Assembly and received rave reviews.

Using only a napkin and pen, Chief Sock came up with this humble and captivating concept: a double-ringed circle with a wigwam inside the middle. A water pipe in blue leads to a tap that is attached to the wigwam, a traditional structure in Indigenous culture; it is a home where clean water flows freely from its tap.

The colours blue, black, red, and yellow are features inspired by the medicine wheel. Each coloured quadrant indicates such things as the directions, sacred elements, virtues, teachings, and more. Green and blue represent the Earth and sky, respectively.

The water cycle, which is the spirit of our work at AFNWA, is also represented by the circular shape. It symbolizes the continuous cycle that water undergoes from source to tap, and back to the source again, a metaphor of life itself.



Mission Statement and Strategic Goals



Our Mission

To provide safe, clean drinking water and wastewater in all participating First Nations communities in Atlantic Canada, delivered by a regional water authority owned and operated by First Nations.



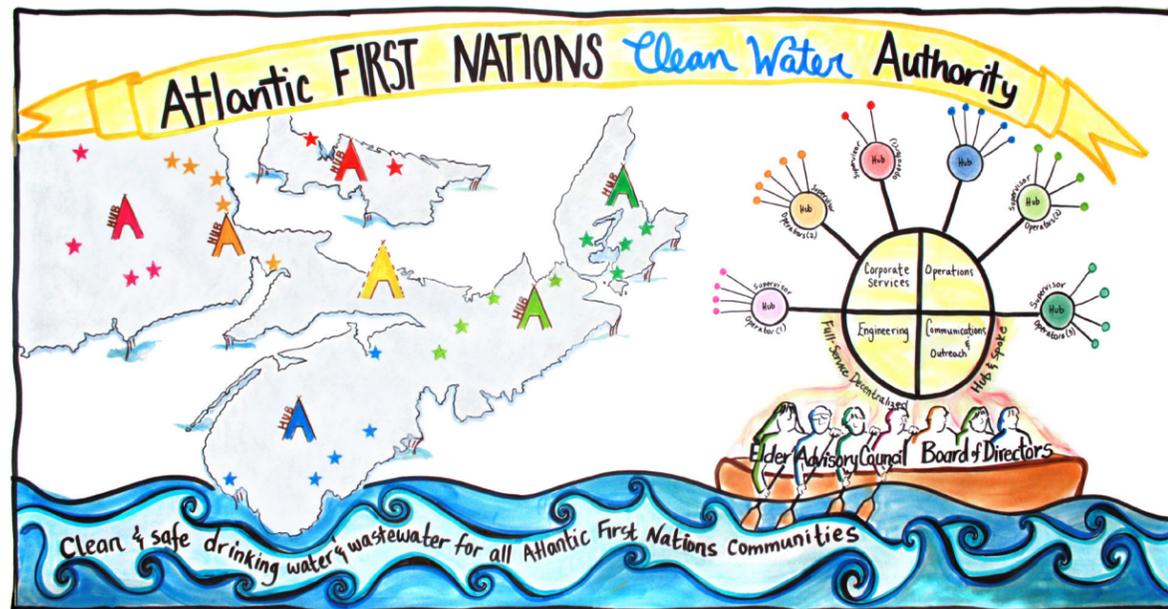
Our Vision

To be a recognized leader for the delivery of water and wastewater services to First Nations communities across Canada.



Strategic Goals

- To support long term self-governance.
- To improve service delivery.
- To ensure effective governance of the AFNWA.
- To ensure financial sustainability of the AFNWA.
- To integrate First Nation culture and tradition and realize aspirations to achieve self-determination.



Blazing a Trail – CEO’s Message

The Atlantic First Nations Water Authority has been in the making since 2009 when Chiefs in Atlantic Canada made the decision to explore options for a First Nations owned utility to deliver water and wastewater service in their communities.

This was in recognition that the colonial approach was not working and a new direction was needed. There have been many twists and turns since 2009 but the path became clearer last year after the AFNWA signed a Framework Agreement with Indigenous Services Canada, as announced by Minister Marc Miller. The Agreement stipulated that with the formation of the AFNWA, the Government of Canada was committing to transfer responsibility for water and wastewater service delivery from Indigenous Services Canada to the AFNWA and provide sustainable funding over the long term. This was in line with the federal government mandate and First Nations pursuit of self-determination in the management of critical services. In terms of critical services, none can be more important than water, as it represents life itself.

With the announcement of the Framework Agreement in June 2020, Minister Miller also made a commitment to fund the AFNWA through a two-year transition period to realize full autonomous operation by Spring 2022 with long term funding to be negotiated through a Transfer Agreement. In anticipation of the Framework Agreement announcement, a Transition Implementation Plan was developed and approved by the AFNWA Board on June 24, 2020. The Transition Implementation Plan is a roadmap for activities and milestones that need to be completed over a two-year period to ensure AFNWA will be ready for full operations in 2022. Suffice it to say, all of the major milestones were reached as planned with a flurry of activity in the summer, fall, and winter of the fiscal year ending March 31, 2021. This is a remarkable achievement considering it was accomplished during a global pandemic.

With the Senior Management Team in place, and the support of the AFNWA Board and Elders Advisory Lodge, the 2021–22 fiscal year will see even more progress as the AFNWA continues to blaze a trail to realize its vision of being a leader in the delivery of water and wastewater services to First Nations communities in Canada. It will accomplish this by building capacity and expertise in a utility developed by First Nations for First Nations, for the betterment of the communities it serves.

Yours in service,



Carl Yates

Carl Yates, M.A.Sc., P.Eng.,
Interim Chief Executive Officer

Key milestones included:

- Development of a Finance Policy and Procedures Manual
- Completion of a Human Resources Policy
- Completion of an Employee Compensation Policy
- Completion of a Corporate Governance Manual and Board Compensation Policy
- Formation of an Elders Advisory Lodge
- Award of a Contract to Develop an Asset Management Plan and Ten-Year Capital Budget for communities interested in participating in the AFNWA
- Award of a Contract to Develop a Supervisory Control and Data Acquisition [SCADA] Master Plan for communities interested in participating in the AFNWA
- Submission of an updated Business Case to the federal government after a peer review from the Ontario Clean Water Agency
- Development of Communications and Outreach Strategy
- Recruitment of a Senior Management Team

Board Chair's Message

Kwé Nitaptuk,

Pjilita'q and welcome to the first annual report of the Atlantic First Nations Water Authority. As Chair of the AFNWA Board, I am delighted to share a highly successful first year of business with you all.



When I was appointed as Chair by my fellow Chiefs, I was honoured and elated to accept this role. Honoured in being asked to lead this significant first in Canada for our people; elated with the future results of such a long journey in having clean drinking water finally be the right that our people should never have waited for. On behalf of the AFNWA Board, I say "Wela'lioq" to the tremendous efforts of the Senior Management Team and staff.

The AFNWA management and staff are to be commended. When we first gathered with Carl Yates, CEO and James MacKinnon, COO, the Board directed that several key objectives be met in the first fiscal year. I must admit that the tasks seemed difficult to accomplish, but AFNWA showed resilience and is on schedule for full operations next spring.

We look forward to our second year in business and seeing AFNWA breathe new life as it lives out its mission. We eagerly look forward to seeing the utility play visibly active roles in our communities, and we will continue to work with all staff to achieve our shared mission—providing clean, safe drinking water and wastewater to all Indigenous communities.

If I could summarize the work done by AFNWA in the past year in one word, I offer weltek, or "it is good!"

Wela'lioq,

A handwritten signature in black ink, appearing to read "Wilbert Marshall".

Chief Wilbert Marshall,
Board Chair

Financial Report

AFNWA recently completed their first audit for the year ending March 31, 2021, after securing direct funding from the federal government to start our two-year transition to full autonomous operation in Spring 2022. The year was marked by rapid growth and expansion with the objective to maintain momentum throughout the 2021/2022 fiscal year. Many projects were initiated, and contracts were awarded for work to be completed throughout the course of 2021/2022. These multi-year or overlapping projects lead to a large amount of funding that would carry over to the next fiscal year. As such, our Statement of Financial Position includes \$2.6M of deferred revenue, referring to funds that have been received and marked for projects that are still in progress. These include the Asset Management Plan and SCADA Master Plan projects which are well underway and scheduled for completion in the fall of 2021.

Overall, the COVID-19 pandemic has had a minimal impact on our operations. We had several meetings and travel plans that were delayed into 2021/2022 but made the most of digital technology. We also delayed occupancy in a central office in order to allow staff to work from home offices for a longer period of time until it was safe to gather in person. Expenditures including room rentals, rent and facilities, travel, and board and council compensation were all minimal as a result of these delays. With the adoption of vaccines, and other protective measures however, 2022 is providing us with much more freedom and flexibility to gather, share information, collaborate, and be together in an office environment.

The audited statements are reflective of our organization's first year of stand-alone operations as we increased our staff, acquired office space and equipment, and awarded several contracts to assist the organization in drafting legal agreements, completing engineering work and compiling data that will be ultimately included in our long-term business plans. AFNWA continues to be well within budget to obtain our objectives within the time periods set out in our transition implementation plan.

"ON BEHALF OF THE AFNWA BOARD, I SAY "WELA'LIOQ" TO THE TREMENDOUS EFFORTS OF THE SENIOR MANAGEMENT TEAM AND STAFF. "



First Nations Leadership

A Board of Directors is the senior level of management required by law to oversee the operations of the AFNWA. It is responsible for setting the strategic direction, high-level oversight, risk management framework, and the body to whom the Chief Executive Officer will report. The AFNWA Board will consist of up to 15 Directors comprised of twelve representatives from First Nations communities and three ex-officio technical experts. Currently, AFNWA has seven Chiefs on its Board, two (2) Regional Chiefs, and one technical expert versed in the finance of First Nations organizations. When appointing Board members, AFNWA considers:

Selection

Members are selected by the “ownership” (Chiefs of participating communities) to serve on the Board.

Technical experts

The Directors will recommend up to three technical

experts who will advise and accompany the Board through decisions and approvals.

Limited terms

All Board members will serve four years with rotating appointments, ensuring continuity, except for the Chair who is appointed for a five-year term.

2020/21 Highlights

7 BOARD MEETINGS
held in 2020–21

 Approved hiring of
**CEO & SENIOR
MANAGEMENT TEAM**

 Approved hiring of
**COMMUNICATIONS &
OUTREACH STRATEGY**



**WELCOMED NEW
BOARD MEMBERS:**
Chief Leroy Denny, Eskasoni,
NS, and Chief Darlene Bernard,
Lennox Island, PEI.



**APPROVED BOARD
GOVERNANCE MANUAL
AND SEVERAL KEY
POLICIES:** Finance Policy
and Procedures Manual,
Human Resources Policy,
Compensation Policy, etc.

The current AFNWA Board of Directors are



CHAIR
Chief Wilbert Marshall
Potlotek, NS



VICE-CHAIR
Chief Ross Perley
Tobique, NB



Chief Darlene Bernard
Lennox Island, PEI



Chief Leroy Denny
Eskasoni, NS



Chief Andrea Paul
Pictou Landing, NS



Chief Terry Paul
Membertou, NS



Chief Arren Sock
Elsipogtog, NB



**Regional Chief
Paul Prosper**
Assembly of First Nations,
NS, NFLD

Not pictured: **Regional Chief Roger Augustine**, Assembly of First Nations (New Brunswick and PEI)
Todd Hoskin, CEO, Ulnooweg Development Group Inc.

Senior Management Overview

A key objective in the first year was for interim executives Carl Yates, CEO, and James MacKinnon, COO, to assemble the Atlantic First Nations Water Authority senior management team. After the Board gave its direction, Carl and James began recruitment through Leaders International, who sought the best candidates to fill four main management roles in areas of Communications and Outreach, Corporate Services, Engineering, and Operations.

John Lam joined first as Manager of Engineering in November 2020. A professional engineer with four decades of experience, John’s career had a focus on environmental engineering, and water and wastewater regulations. He is currently overseeing development of AFNWA’s Asset Management Plan (AMP) and Supervisory Control and Data Acquisition (SCADA) master plan.

Adam Gould arrived a month later, a Mi’kmaq First Nations member from Membertou, in Unama’ki (Cape Breton). With experience working for First Nations not-for-profits with several of our Board Chiefs, Adam was hired to manage the Communications and Outreach department.

Chantal LeBlanc, who joined in March 2021, serves two vital roles—Manager of Corporate Services and Chief Financial Officer. A strong banking background and education in accounting provide Chantal the skills she needs to lead one of AFNWA's largest departments. She comes originally from New Brunswick and has experience working directly with First Nations in banking and finance.

The search ended with the recruiting of James Trimble, our Manager of Operations. Overseeing the largest department at AFNWA, Jim eased into his role following many years of service with Inuvialuit Development Corporation and Nunatsiavut Government. Before joining AFNWA, he was Director of Capital and Public Works with Beausoleil First Nation in Ontario.

Framework Agreement with Indigenous Services Canada

The Framework Agreement signed with Indigenous Services Canada in June 2020 helped to springboard AFNWA's momentum. By signing, the federal government signaled to AFNWA and its prospective communities that the Government of Canada would be a willing partner in the development and eventual long-term funding of the Atlantic First Nations Water Authority.

Specifically, the Framework Agreement is to:

- Promote efficient and effective progress towards an Agreement-In-Principle and subsequent Transfer Agreement.
- Identify topics to be set out in the Agreement-in-Principle and subsequent Transfer Agreement, as illustrated in the AFNWA's detailed transfer process plan.
- Agree on a process that, in accordance with section 7(b) of the Department of Indigenous Services Act, will lead to the transfer to the AFNWA of all responsibility that the Minister of Indigenous Services has for the development, provision, and funding of Water and Wastewater Services.
- Agree on a process that will provide a long-term funding agreement with the AFNWA to provide water and wastewater services to participating First Nation communities.
- Agree on a process that will set out how funding levels to the AFNWA are to be determined.

The Framework agreement was signed by Chief Wilbert Marshall, Chair of AFNWA, and Jean-François Tremblay, Deputy Minister of Indigenous Services Canada.

Incorporation

When the three feasibility assessments were complete, the Atlantic Policy Congress Chiefs decided that the time was right for AFNWA to move forward as an organization. On July 18, 2018, the Atlantic First Nations Water Authority was incorporated under the Canada Not-for-Profit Corporations Act.



OCWA concluded that the accomplishments of AFNWA were “exciting and impressive,” and that the Business Case reflects that the Authority is on course to achieve its goal of providing safe drinking water and wastewater services to First Nations in Atlantic Canada.

AFNWA Business Case

With the AFNWA incorporated and all feasibility assessments complete, it was now important for the AFNWA to bring all the elements together to present the rationale for a regional utility and order of costs to the Government of Canada. The AFNWA Business Case was developed to consolidate and validate over a decade of work undertaken by Atlantic First Nations. Its purpose was to establish the AFNWA and a culturally appropriate, service-oriented, and technically-strong First Nations water authority that will own, operate, and maintain water and wastewater facilities in First Nations communities.

The Business Case was submitted in the summer 2019 and was the catalyst that led to the development and signature of the AFNWA Framework Agreement with the Government of Canada.

OCWA Peer Review of Business Case

Under contract with Indigenous Services Canada, the Ontario Clean Water Agency (OCWA) provided a review and recommendations on the Atlantic First Nations Water Authority Business Case. The AFNWA was consulted regularly throughout the review process which culminated in the submission of a final report in January 2021.

OCWA's methodology was based on 25 years of operating experience, utilizing a hub and spoke model. OCWA offered various recommendations based on its own operating practices across Ontario's regulatory jurisdiction, which were honed through stringent and evolving regulatory compliance, continuous improvement, and client expectations.

OCWA concluded that the accomplishments of AFNWA were "exciting and impressive," and that the Business Case reflects that the Authority is on course to achieve its goal of providing safe drinking water and wastewater services to First Nations in Atlantic Canada.

Following the peer review, the Business Case was updated to incorporate recommendations from OCWA and presented to the Board for approval in March 2021.

Transition Implementation Plan

The Business Case recommended a phased, milestone-based approach with a two-year transitional period leading to full autonomous operations in spring 2022. The transition period allows for detailed operational and capital budgets to be developed and agreed with Indigenous Services Canada, based on an asset management plan, operations plan, and a 10-year capital program.

The AFNWA developed the Transition Implementation Plan as the principal roadmap for implementing the Framework Agreement between AFNWA and Indigenous Services Canada. This plan, organized into three key phases, includes several steps that need to be delivered sequentially:

- Phase
- 1** Approval and funding is an enabling phase including tasks which must be completed to allow AFNWA to take on additional operational responsibility in 2020.
 - 2** Operational initiation establishes the AFNWA Senior Management Team to prepare for the transition of ownership and operational management of participating First Nations water and wastewater assets.
 - 3** AFNWA formation formalizes the AFNWA budget planning (asset management plan, risk assessment, 10-year capital spending plan, operational plan) and consolidates these into a Funding Model. The funding requirements will be subject to negotiation with Indigenous Services Canada with the understanding that the level of funding will be in line with the order of cost identified in the AFNWA Business Case.

Today, the AFNWA is diligently working to complete the milestones identified in the Transition Implementation Plan to become fully operational in spring 2022.

Governance Manual

A key milestone in the Transition Implementation Plan was the development of the AFNWA Governance Manual. In accordance with best practices, the decision-making process of the Board is guided by the governance manual which outline roles and responsibilities, and authority of Board members and committees. The Governance Manual's key aspects are:

- Board structure
- Governance principles
- Fiduciary responsibilities
- Confidentiality and conflicts of interest
- Roles and responsibilities of Directors
- Delineation of authority between the Board and CEO
- Governance operations

A draft Governance Manual was developed over the summer of 2020 and was formally approved by the Board in November 2020. The final version can be found on our website at afnwa.ca.



Outreach: All Chiefs' meetings

The story of the Atlantic First Nations Water Authority began at an all-Chiefs meeting at Atlantic Policy Congress of First Nations Chiefs Secretariat. The Auditor General of Canada's 2005 Report of the Commissioner of the Environment and Sustainable Development identified a regulatory gap in First Nations drinking water, and, in turn, urged that a regulatory regime be developed.

The following year, an Expert Panel on Safe Drinking Water for First Nations was held to provide recommendations to then Indian and Northern Affairs Canada (now Indigenous Services Canada) on water treatment and management practices for First Nation communities. The experts determined that regulation alone would not be effective in ensuring safe drinking water unless other requirements were met, including investment in both human resources and physical assets. Sixteen elements of a proposed regulatory system were put forward. It was also suggested that a national level First Nations Water Commission be created to regulate, enforce, and be accountable for safe drinking water in First Nation communities.

In March of 2009, engagement sessions were held across Canada on the development of a proposed legislative framework for Drinking Water and Wastewater in First Nations communities. The following month, the Centre of Water Resources Studies at Dalhousie University presented their analysis on the impacts of a proposed Federal Legislative Framework for drinking water and wastewater in Atlantic First Nations Communities, and determined that 14 of the 16 elements proposed by the Expert Panel have direct application to Atlantic First Nations. From there, the Atlantic Policy Congress, in partnership with the Centre for Water Resources Studies, developed a proposal on a drinking water regulatory and operational framework, where the concept of the AFNWA was born.

The APC had originally contemplated the AFNWA as a Public Private Partnership and began a multiyear assessment to explore this option. The work with P3 Canada yielded many important developments for the AFNWA.

- It was determined that the AFNWA would incorporate under the Not-for-Profit Act to ensure that each member community would have an equal say in the organizations.
- It was determined the Board would be made up of 15 individuals, 12 would be First Nations representatives, with 3 technical experts in areas of the Board's choosing.
- A comprehensive asset condition assessment was completed on community water and wastewater infrastructure to determine the capital deficit.
- A comprehensive set of water and wastewater regulations were developed for First Nations in communities in Atlantic Canada and were supported via an APC All Chiefs Resolution.

After several years of exploring the P3 option, the APC Chiefs decided it was not in the best interests of the future AFNWA to pursue this option. Rather, it was decided to negotiate a long-term funding agreement with Canada.

In order to begin negotiations, there were three feasibility assessments for the Atlantic First Nations Water Authority that needed to be completed:

- AFNWA Corporate Structure
- An analysis on Operations and Maintenance costs in First Nations communities
- Updated asset condition assessment to ensure order of cost for capital investment was accurate

AFNWA Corporate Structure

Halifax Water, Atlantic Canada's largest water, wastewater, and storm water utility, in partnership with Accelerator Inc., was contracted to develop a corporate structure recommendation for the AFNWA.

Throughout their initial engagements with First Nation Chiefs and Elders, it was evident that significant value was attached to environmental stewardship, the spiritual aspects of water, and Two-Eyed Seeing, concluding that it was critical for the AFNWA to incorporate First Nations traditional knowledge and culture in their operations approach.

In addition to direct feedback from First Nations Chiefs, Elders, and system operators, Halifax Water also completed outreach activities that included a review of best practice in Canada. A formal questionnaire was sent to agencies that provide direct or support services to First Nations communities in the provision of water and wastewater service.

Central to the success of AFNWA is the ongoing need to build trust and communicate with its users and stakeholders in a transparent and open manner. This is a value shared with other water and wastewater service providers across Canada, but is even more evident within a First Nations culture as noted through continuous feedback.

Based on research and outreach activities, Halifax Water concluded there was a preference among First Nation representatives to adopt a full service-decentralized model. This model reflects current best practice for service delivery to First Nations communities in Canada.

It incorporates a hub and spoke approach to operations for optimal service delivery, and to foster a deeper relationship with the communities served by the utility.

To further strengthen relationships and reflect the culture of the First Nations communities, Halifax Water also recommended that the main office of the AFNWA be located within a First Nation community along the service corridor somewhere between Halifax and Moncton; an Elders Council be created to advise the Board on important cultural issues; and senior staff include a Manager of Communications and Outreach to ensure the AFNWA remains open and transparent to the communities they serve.

Financial Analysis: Operations and Maintenance

To ensure project success, the completion of a financial analysis into the Atlantic First Nations Water Authority's potential impact on communities was imperative. In completing this project, Ulnooweg Development Group conducted an outreach and engagement process with Atlantic First Nations. In addition, Ulnooweg worked with the officials of Indigenous Services Canada and the First Nations & Inuit Health Branch (FNIHB) on related data exploration and analysis.

The financial analysis and community visitation process undertaken during this project provided extensive financial information on current water and wastewater operations in the 22 First Nations communities interested in the project at that time.

To support the Chief's decision-making on the proposed AFNWA, Ulnooweg provided an analysis in 2018 to determine the available funding within the system for operations and maintenance.

Asset Condition Assessment on Current Water/Wastewater Infrastructure

APC also contracted CBCL Limited to complete a Class C cost estimate to bring water and wastewater infrastructure in participating First Nations communities into regulatory compliance. The primary reference point for their research was a similar assessment that CBCL Limited completed for APC in 2013.

The objectives of the research were:

- To perform Asset Condition Assessments for water and wastewater assets in 22 First Nations Communities in Atlantic Canada;
- To address the infrastructure gap between existing systems and a future state to meet the proposed regulatory benchmarks;
- To complete 'Class C' cost estimates for capital project upgrades necessary to meet the regulatory benchmarks.



Operators' Workshops

Several workshops have been organized with community operators to update them on AFNWA activities and projects being undertaken. The workshops reinforced the need for operator training with AFNWA providing direct support to Operators interested in achieving higher levels of certification.

AFNWA is committed to support existing Operators and prepare them for future employment with the utility. In accordance with a Board resolution passed in July 2018, community-based Operators will be offered employment with Atlantic First Nations Water Authority when assets are transferred from the communities to AFNWA.

With funding by the First Nations and Inuit Health Branch, AFNWA facilitated the purchase of rain gear, computers, and gas detection equipment for community-based water monitors.

It was recognized that several community-based water monitors were also operators in the community and as a result could take full advantage of this gas detection equipment to ensure safe entry into confined spaces. Training sessions with community-based water monitors and associated Operators for gas detection equipment are planned for the summer of 2021.

Outreach: Asset Management Plan

One of the key projects being conducted by AFNWA is the development of an Asset Management Plan to determine what water and wastewater assets are owned by the community, their condition, whether they are performing to acceptable standards, and a list of upgrades that will be required. The upgrades will include repair or replacement of failed systems, additional backup systems, and new treatment processes to meet anticipated regulations. Regulations will be based on the Guidelines for Canadian Drinking Water Quality and the national Wastewater System Effluent Regulations. Our approach will be to treat all water as a sacred resource so that we take only what we need and return it back to the environment in as good or better condition as we started with.

This project will also produce a 10-Year Capital Plan which will identify projects that will address any of the shortcomings in the water and wastewater systems, with priority ranking based on risk management principles. That is, higher risk projects will be considered more urgent. This capital plan, along with an operations plan, will be integrated into the Business Plan and set the stage for funding from the federal government.

Dillon Consulting Ltd. was selected for this project based on a review of proposals from several qualified firms. The field staff from Dillon has been busy visiting each of the communities to identify assets and evaluate the condition and performance of infrastructure. The work to date has benefitted greatly from the engagement and input of operations staff in the communities who worked closely with the field teams, and providing detailed information on the water and wastewater systems.

Outreach: SCADA Master Plan

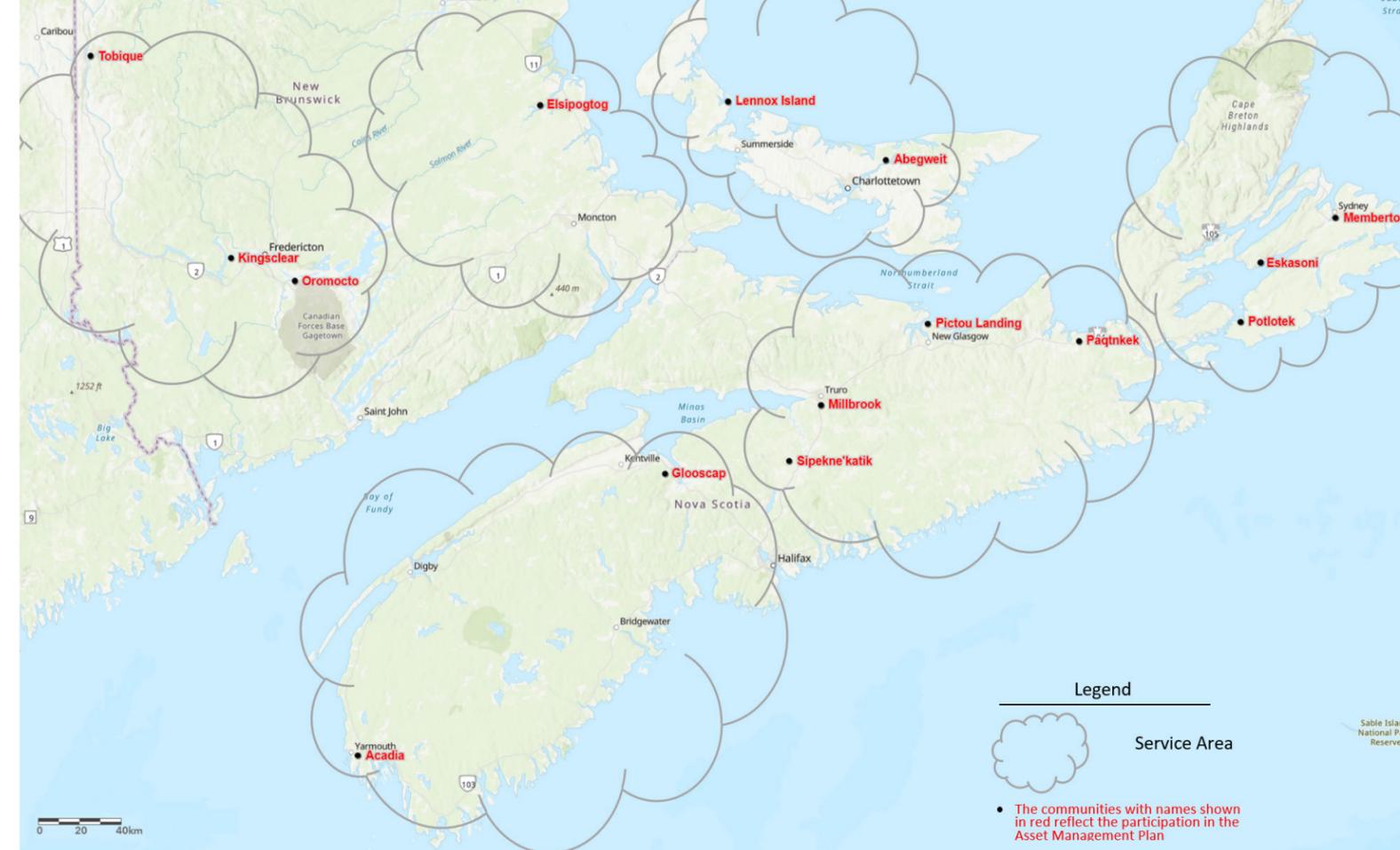
At the heart of all water and wastewater operations is the Supervisory Control and Data Acquisition (SCADA) system, which consists of the control and monitoring equipment and software that Operators rely on to run the water and wastewater systems.

The SCADA system captures data related to flow, pressure, and water level from equipment like pumps, blowers, valves, and tanks. For example, a pump may be turned on or off by the system depending on water levels or other variables.

The system runs on dedicated computers in a water or wastewater plant and provides an interface for Operators to control and observe the status of equipment. The SCADA system is equipped to have alarm setpoints so that when equipment fails or tanks are too high or too low, it will trigger an alarm. The system can convey the alarm condition to the Operator on duty or others who should be notified.

All communities currently have some form of SCADA system in place or have plans to put one in place. The AFNWA will serve as a catalyst to get much-needed upgrades quicker and ensure a consistent approach in the future.

The AFNWA organization structure is identified as the Full Service-Decentralized (hub-and-spoke) model. In each of AFNWA's six service areas, as depicted in the figure below, one community will serve as a regional hub for operations with a relationship to other communities (spokes) in the service area. In this structure, the individual communities are supported by staff and resources within a service area (e.g., Unama'ki). The communities are also supported by staff and resources at AFNWA's main office in Millbrook (Truro). This allows the communities to gain access to specialized skills and resources that may not have been possible, or practical, in the past. Additionally, staff will be available to step in and assist during special circumstances such as absences due to vacation, illness, or training.



Regional Services Area

For staff at the regional hubs, neighbouring communities, and headquarters to assist in troubleshooting and operating the facilities, the human machine interfaces will need to be standardized. This would be particularly important during emergency operations.

The security of the SCADA system for critical infrastructure such as water and wastewater facilities must be robust. Cybersecurity threats to these systems are well-known and have affected some municipal systems in the region. Cybersecurity will be addressed as part of the SCADA Master Plan Project.

Eramosa Engineering Inc. was awarded this project based on their unique qualifications and expertise. The field team, accompanied by AFNWA staff, visited all participating communities except for those on PEI, due to COVID-19 travel restrictions. PEI communities participated through video conferencing calls.

Eramosa prepared a current state summary of the SCADA system as they exist today and will prepare a desired state concept of what the SCADA system should look like when fully implemented. With this blueprint in hand, AFNWA will be able to guide the upgrade of SCADA systems toward a future goal to have an integrated and consistent approach.

APPENDIX



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Management’s Responsibility for Financial Reporting

The accompanying financial statements of the Atlantic First Nations Water Authority Inc. are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations as recommended by the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgements of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements.

The Board of Directors meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the financial statements and the external auditor’s report.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the Atlantic First Nations Water Authority Inc. and meet when required.

On behalf of the Atlantic First Nations Water Authority Inc.



Mr. Carl Yates
Interim Chief Executive Officer
July 28, 2021

Independent Auditor's Report

To the Members of the Atlantic First Nations Water Authority Inc.

Opinion

We have audited the accompanying financial statements of the Atlantic First Nations Water Authority Inc., which comprise the statement of financial position as at March 31, 2021, the statements of operations, surplus, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Atlantic First Nations Water Authority Inc. as at March 31, 2021 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Authority 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.

Emphasis of Matter

We draw attention to Note 3 in the financial statements which describes that the Authority adopted Canadian accounting standards for not for profit organizations on April 1, 2020 with a transition date of April 1, 2019.

These standards were applied retrospectively by management to the comparative information on the statement of financial position as at March 31, 2020 and April 1, 2019. Our opinion is not modified in respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules included on Pages 12 and 13 are presented for purposes of additional information and are not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the financial statements taken as a whole.

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 accounting standards for not-for-profit organizations, 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 Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority'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 Authority'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 Authority'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 Authority 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 that we identify during our audit.

Grant Thornton LLP

Chartered Professional Accountants



Atlantic First Nations Water Authority Inc. Statement of Operations

Year ended March 31	Budgeted (Unaudited)	2021
Revenues		
Indigenous Services Canada	\$ 3,455,000	\$ 811,582
Indigenous Service Canada First Nations and Inuit		
Health Branch	130,130	119,208
Atlantic Policy Congress of First Nations Chiefs Secretariat	350,000	350,000
Interest		5,871
	3,935,130	1,286,661
Expenses		
Advertising and promotional materials	21,000	9,069
Board and council compensation	250,000	27,250
Business fees and licenses	-	6,798
Catering	-	2,646
Contracts	2,380,205	599,563
Equipment and room rentals	51,561	1,600
Insurance	30,000	3,215
Interest and bank charges	12,000	1,607
Office supplies and expense	38,000	6,226
Professional fees	170,000	82,532
Professional development	-	3,394
Project equipment	118,300	131,381
Rent and facilities	142,000	-
Salaries and benefits	629,895	377,282
Technology services	-	12,340
Telephone and cellular	10,000	2,707
Travel	82,169	19,051
	3,935,130	1,286,661
Excess of revenues over expenses	\$ -	\$ -

Atlantic First Nations Water Authority Inc. Statement of Surplus

Year ended March 31, 2021	Unrestricted	Investment in Capital Assets	Total 2021	Total 2020
Beginning of year	\$ -	\$ -	\$ -	\$ -
Excess of revenues over expenses	-	-	-	-
Capital asset additions	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the financial statements.

Atlantic First Nations Water Authority Inc. Statement of Financial Position

March 31	2021	2020 (Unaudited)	April 1, 2019 (Unaudited)
Assets			
Current			
Cash and cash equivalents	\$ 3,031,909	\$ -	\$ -
HST recoverable	3,665	-	-
Prepays	617	-	-
	3,036,191	\$ -	\$ -
Liabilities			
Current			
Payables and accruals	\$ 381,851	\$ -	\$ -
Deferred revenue (Note 4)	2,654,340	-	-
	3,036,191	-	-
Surplus (Page 5)			
Unrestricted	-	-	-
Investment in capital assets	-	-	-
	\$ 3,036,191	\$ -	\$ -

Contingent liabilities (Note 5)

On behalf of the Executive Committee


Director


Director

Atlantic First Nations Water Authority Inc. Statement of Cash Flows

Year ended March 31	2021
Increase (decrease) in cash and cash equivalents	
Operating	
Excess of revenues over expenses	\$ -
Changes in non-cash operating working capital	
Receivables	(3,665)
Prepays	(617)
Payables and accruals	381,851
Deferred revenue	2,654,340
	3,031,909
Net increase in cash and cash equivalents	3,031,909
Cash and cash equivalents Beginning of year	-
End of year	\$ 3,031,909

Atlantic First Nations Water Authority Inc.

Notes to the Financial Statements

1. Nature of operations

The Atlantic First Nations Water Authority Inc. (the "Authority") is not-for-profit organization which was incorporated on July 18, 2018 and whose mission is to provide safe, clean drinking water and wastewater in all participating First Nations Communities in Atlantic Canada, delivered by a regional water authority owned and operated by First Nations.

2. Summary of significant accounting policies

The Atlantic First Nations Water Authority Inc. (the "Authority") is not-for-profit organization which was incorporated on July 18, 2018 and whose mission is to provide safe, clean drinking water and wastewater in all participating First Nations Communities in Atlantic Canada, delivered by a regional water authority owned and operated by First Nations.

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The significant policies are detailed below.

Atlantic First Nations Water Authority Inc. is only one entity and does not own or control other entities and therefore the financial statements are not labelled as "consolidated." In addition, the Authority does not have any segments but has programs and therefore no segment information or disclosures have been presented in these financial statements.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known. Items subject to significant management estimates include the useful life and amortization rates of capital assets, as well as the cost of administrative overhead transferred to various projects.

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions and investment income are recognized as revenue when received or receivable if the amounts to be received can be reasonably estimated and collection is reasonably assured.

Other revenues are recognized when received or receivable, provided the amount can be reasonably estimated and collection is reasonably assured.

Capital assets

The investment in capital asset fund reports the assets, liabilities, revenue, and expenses related to the Authority's capital assets.

Rates and bases of amortization applied to amortize the cost of capital assets over their estimated useful lives are as follows:

Computer equipment	30%, declining balance
Equipment	20%, declining balance
Furniture and fixtures	30%, declining balance

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and financial institutions. Bank borrowings are considered to be financing activities.

Income taxes

The Authority is exempt from income taxes under Section 149(1)(c) of the Income Tax Act.

Financial instruments

Initial measurement

Financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Authority measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets). The financial instruments measured at amortized cost are cash and cash equivalents, receivables, payables and accruals, capital lease obligations and long-term debt.

For financial assets measured at cost or amortized cost, the Authority regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Authority determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Overhead allocations and project transfers

The Authority allocates administrative overhead costs incurred to the various projects undertaken during the year based on estimated costs incurred by each project and based on the terms and conditions of specific funding agreements.

Transfers are made among various programs when, in management's opinion, certain revenues or expenses incurred in one project related to another project.

3. First-time adoption of Canadian accounting standards for not-for-profit organizations

The financial statements are the Authority's first financial statements prepared using ASNPO. The date of transition to the new accounting standards is April 1, 2019.

The accounting policies presented in Note 2 are resulting from the application of ASNPO were used to prepare the financial statements for the year ended March 31, 2021, the comparative information and the opening statement of financial position as at the date of transition.

No activity occurred within the Authority prior to the fiscal period of April 1, 2020 to March 31, 2021, and therefore the Authority did not apply any optional exemptions under Section 1501, First-time Adoption by Not-for-profit Organizations, and there was no impact on net assets, revenue over expenses, or the statement of cash flows as a result of the transition.

4. Deferred revenue (2021)

Indigenous Services Canada	\$	2,643,418
Indigenous Services Canada (FNIHB)		10,922
	\$	2,654,340

5. Contingent liabilities

The Authority has entered into contribution agreements with various government departments. Funding received under these agreements are subject to repayment if the Authority fails to comply with the terms and conditions of the agreements.

6. Employee benefits

- a. The Authority has a defined contribution pension savings plan for its employees. The assets of the plan are held separately from those of the Authority in independently administered funds. Contributions paid and expensed by the Authority in the current year amounted to \$5,501.
- b. The Authority remits employee benefits on behalf of employees and as of March 31, 2021, all remittances for employee benefits are up to date.

7. Related party transactions

- a. During the year the Authority recognized revenue in the amount of \$350,000 from Atlantic Policy Congress of First Nations Chiefs Secretariat, an entity under common control, for contract work.
- b. During the year the Authority paid \$116,739 to Atlantic Policy Congress of First Nations Chiefs Secretariat, an entity under common control, for administrative services.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. Financial instruments – risk management

The Authority is exposed to various risks through its financial instruments. The following analysis provides a measure of the Authority's risk exposure and concentrations as at March 31, 2021.

- a. Credit risk

Credit risk is the risk of financial loss to the Authority if a debtor fails to make payments when due. The Authority is exposed to this risk relating to its receivables. Receivables are ultimately due from government and various funders. Credit risk is mitigated by ensuring government grants are entered into by way of contribution agreements. Management also continuously reviews aging and collection of receivable balances to ensure collection is timely. The Authority recognizes a specific allowance for doubtful accounts when management considers the expected amounts to be recovered is lower than the actual receivable. Management considers the exposure to this risk to be low.

- b. Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting the obligations associated with its financial liabilities. The Authority is exposed to this risk mainly in respect of its accounts payable. The Authority has adequate resources to meet its obligations and therefore risk is considered to be low.

- c. Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Authority is mainly exposed to 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. In the opinion of management, the interest rate risk to the Authority is low and not material.

9. Impacts of COVID-19

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. To date the financial impact on the Authority has been minimal.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Atlantic First Nations Water Authority Inc. in future periods.

Atlantic First Nations Water Authority Inc. Schedule of Indigenous Services Canada – First Nations and Inuit Health Branch (FNIHB) – Set Contributions

Year ended March 31

	2020-2021 SET Funding – Q23C			Total		
	Water – Wastewater			SET Funding		
	Budget 2021	Actual 2021	Actual 2020	Budget 2021	Actual 2021	Actual 2020
Revenues						
FNIHB	\$ 130,130	\$ 130,130	\$ -	\$ 130,130	\$ 130,130	\$ -
Other funding						
	130,130	130,130	-	130,130	130,130	-
Expenses						
Administration	11,830	10,837	-	11,830	10,837	-
Project equipment	118,300	108,371	-	118,300	108,371	-
	130,130	119,208	-	130,130	119,371	-
Excess of funding over expenses	-	10,922	-	-	10,922	-
Less: deferred revenue as at end of year	-	10,922	-	-	10,922	-
Less: payable to FNIHB, end of year	-	-	-	-	-	-
Excess of funding over expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Atlantic First Nations Water Authority Inc.
Schedule of Indigenous Services Canada – Fixed Contributions

Year ended March 31

	2020–2021 FIXED Funding – Q35C		
	Training Water-Wastewater		
	Budget 2021	Actual 2021	Actual 2020
Revenues			
Funding per ISC confirmation	\$ 2,500,000	\$ 2,500,000	\$ -
Other funding		5,871	-
	2,500,000	2,505,871	-
Expenses			
Advertising and promotional material	21,000	7,969	-
Board and council compensation	250,000	27,250	-
Catering	-	360	-
Contracts	1,254,475	317,614	-
Equipment and room rental	46,600	475	-
Insurance	30,000	-	-
Interest and bank charges	12,000	1,109	-
Office supplies and expense	38,000	12,189	-
Professional fees	120,000	21,571	-
Professional development	-	1,015	-
Project equipment	-	19,634	-
Rent and facilities	142,000	-	-
Salaries and benefits	500,666	248,609	-
Technology services	-	11,855	-
Telephone and cellular	10,000	2,269	-
Travel	75,259	4,778	-
	2,500,000	676,697	-
Excess of funding over expenses	-	1,829,174	-
Less: deferred revenue as at end of year	-	1,829,174	-
Less: Payable to ISC, end of year	-	-	-
Excess of funding over expenses	\$ -	\$ -	\$ -

Atlantic First Nations Water Authority Inc.
Schedule of Indigenous Services Canada – Fixed Contributions cont'd

2020–2021 FIXED Funding – Q35K			TOTAL		
Training Water-Wastewater			FIXED Funding		
Budget 2021	Actual 2021	Actual 2020	Budget 2021	Actual 2021	Actual 2020
\$ 955,000	\$ 955,000	\$ -	\$ 3,455,000	\$ 3,455,000	\$ -
-	-	-	-	5,871	-
955,000	955,000	-	3,455,000	3,460,871	-
-	-	-	21,000	7,969	-
-	-	-	250,000	27,250	-
-	-	-	-	360	-
905,000	87,441	-	2,159,475	405,055	-
-	-	-	46,600	475	-
-	-	-	30,000	-	-
-	-	-	12,000	1,109	-
-	-	-	38,000	12,189	-
50,000	52,975	-	170,000	74,546	-
-	340	-	-	1,355	-
-	-	-	-	19,634	-
-	-	-	142,000	-	-
-	-	-	500,666	248,609	-
-	-	-	-	11,855	-
-	-	-	10,000	2,269	-
-	-	-	75,259	4,778	-
955,000	140,756	-	3,455,000	817,453	-
-	814,244	-	-	2,643,418	-
-	814,244	-	-	2,643,418	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



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