



Economic Trust of
the Southern Interior

ANNUAL REPORT 2021

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MESSAGE FROM THE BOARD CHAIR



The COVID-19 pandemic has brought challenges, disruptions and change to the world. We do not yet know the full extent of its impact on our economies going forward, but we do know that our organization's mission to support strategic investments in economic development projects that will have long-lasting and measurable benefits to the Southern Interior region of BC remains relevant and needed.

We began this fiscal year as the Southern Interior Development Initiative Trust (SIDIT), and we welcomed Laurel Douglas as CEO on May 4, 2020. Laurel brought extensive experience in strategic thinking and collaboration from past leadership roles in BC-based economic development and business support organizations. She quickly began the task of re-positioning the organization.

Under Laurel's stewardship, SIDIT is transforming into a responsive, relevant, and impactful economic development trust which works in close partnership with the region's economic development practitioners and business support organizations. We would like to thank her for her dedication and hard work restructuring and repositioning the organization over the past year. We are also proud to add that Laurel was named 2020 Business Leader of the Year in November 2020 by the Kelowna Chamber.

In the summer of 2020, the team engaged stakeholders from across our region to provide input on how our organization can best support economic development in ways that will have broad and significant impacts in the Southern Interior. In response to the input we received, and deliberations with the Board, as of April 1, 2021, we will be following the new directions laid out in the Strategic Plan which can be found on our new website, etsi-bc.ca. Throughout our consultations and planning process, it became apparent that we needed to re-brand the organization to reflect our new direction. The Economic Trust of the Southern Interior (ETSI-BC) was launched on March 10, 2021.

We have listened to our stakeholders and have created a plan going forward that will have a great impact on the Southern Interior. I wish to congratulate the Board and the ETSI-BC team who have risen to the challenges presented this year with dedication, professionalism, and integrity.

I'd like to thank departing Board Members, Mayor Lee Pratt (City of Cranbrook), Director Grace McGregor (RDKB Area C) and Provincial Government Appointee, Wayne Staudt. On behalf of the rest of the Board, thank you for your dedication and contributions over the past years.

Respectfully,
Chris Pieper, Board Chair



MESSAGE FROM THE CEO

I am pleased to present our Annual Report for the year ended March 31, 2021. It hasn't been quite a full year since I joined the organization as its new CEO, but what a year it's been!


My goals when I arrived at SIDIT (now ETSI-BC, the Economic Trust of the Southern Interior), were to help write ETSI-BC's next chapter by working with the region's stakeholders and Board to build on its strengths and re-define its approaches, to ensure that the organization moves forward as a valued contributor to the economic development ecosystem in our region.

To help us envision the next chapter of our organization, over the summer and fall of 2020, we carried out 15+ consultations with diverse groups of stakeholders, and we conducted a survey to explore the region's economic development needs/opportunities. We asked how our organization can best contribute to addressing those needs and opportunities. We are very grateful to over 400 stakeholders who took the time to contribute to this process.

Despite the uncertainties we faced during the pandemic, the discussions were positive and forward-thinking, and the participants expressed excitement and support for a new approach.

We had some significant assets to work with. Since our creation in 2006, ETSI-BC has invested \$63 million into projects worth almost \$245 million that have created almost 3,700 jobs in the Southern Interior of BC. This includes almost \$14 million in funding to local governments, non-profit organizations, and post-secondary institutions. Our total assets as of March 31, 2021 were \$49.4 million.

As part of re-imagining our organization, we launched our new brand in March 2021, during the BC Economic Summit hosted by the BCE-DA. We believe our new name, ETSI-BC, the Economic Trust of the Southern Interior, helps clarify our mandate and signals our new direction and strategic priorities, in line with our partner organizations in the North and the Island-Coastal region.



The next chapter of ETSI-BC will be focused on contributing to our region with grant funding and support for local governments, economic development practitioners, non-profit business support organizations, innovation and industry associations and public post-secondary institutions. Our focus is on smaller, rural and First Nations communities. We will be helping to build economic development capacity, support business resilience and growth, stimulate innovation and advance key sectors, and develop the region's human capital.

In the fall of 2020, we were also delighted to begin conversations with the Province of BC to help it deliver some key economic recovery funding throughout our region. By the end of March 2021, we announced that the recipients of that funding had been selected. We had also closed our first Economic Development Capacity Building funding intake, which was over-subscribed. By year-end, we had also dealt with nearly half of the remaining loans and equity holdings in the portfolio and had collected almost \$3.5 million from clients. We have a great team in place and I'm proud of what we've become and our new direction.

Sincerely,
Laurel Douglas



THE ETSI-BC SERVICE AREA

The ETSI-BC territory ranges from Hope in the west through to Kamloops, Clearwater and Blue River, to the Alberta border in the East and the US border in the south. It encompasses 9 regional districts, more than 53 municipalities, unincorporated and First Nations communities and over 700,000 residents. Of these, about 325,000 live in urban areas with populations over 25,000, and the remaining 375,000 residents live in rural communities, of which 55% are in the Thompson-Okanagan area, and the other 45% are in the Columbia-Kootenay-Boundary region.

In addition these five groupings of First Nations are present in the ETSI-BC service area:

- Ktunaxa Nation Council
- Okanagan Nation Alliance
- Shuswap Nation Tribal Council
- Nicola Tribal Association
- Stó:lō Tribal Council (Hope area)

Communities

We serve the people and all communities (both incorporated or unincorporated), in these Regional Districts, except as noted below.

THOMPSON-OKANAGAN REGION

Columbia Shuswap Regional District¹
Regional District of Central Okanagan
Fraser Valley Regional District²
Regional District of North Okanagan
Regional District of Okanagan-Similkameen
Regional District of Thompson-Nicola³

COLUMBIA-KOOTENAY REGION

Columbia Shuswap Regional District⁴
Regional District of East Kootenay
Regional District of Central Kootenay
Regional District of Kootenay-Boundary

1. Falkland, Salmon Arm, Sicamous, Electoral Areas C, D, E, F
2. Hope and Electoral Areas A & B
3. Barriere, Chase, Clearwater, Kamloops, Merritt, Sun Peaks, Electoral Areas A, B, J, L, M, N, O & P
4. Revelstoke, Golden, Electoral Areas A & B



OUR BOARD

Governance of ETSI-BC is carried out through two Regional Advisory Committees (RACs), and a Board of Directors. The ETSI-BC Board is comprised of 4 appointees from the Columbia-Kootenay RAC, 4 members appointed by the Thompson-Okanagan RAC, and 5 members appointed by the Province of BC. Based on new Bylaws and Board Governance Policies adopted in April 2021, the Board has two committees, the Executive Committee and a Finance Committee.

In addition, in 2021, the Board appointed an independent Legislative Review Committee, which carried out an in-depth assessment of the

SIDIT Act and made recommendations for legislative and governance change. The Committee was made up of Dr. Alan Shaver, President Emeritus of Thompson Rivers University, Steve Thomson, former MLA and BC Cabinet Minister, Rosalie Yazzie, an Indigenous lawyer who serves as vice-chair of the First Nations Justice Council, and former Mayor of Nakusp and SIDIT Board Member, Karen Hamling. The recommendations were presented in April 2021. The Board of ETSI-BC would like to extend their deepest gratitude for the diligence of the committee and their excellent work.



CHRIS PIEPER, BOARD CHAIR
Mayor of Armstrong



DR. PHILIP BARKER, VICE-CHAIR
Government Appointee



LINDA BROWN
Mayor of Merritt



PEGGY DEVRIES
Government Appointee



ROBERT FINE
Government Appointee



LEONARD GOSTICK
Councillor, Elkford



DIANA LOCKWOOD
Mayor of Salmo



SUE MCKORTOFF
Mayor of Osoyoos



TERRY RYSZ
Mayor of Sicamous



SHARON SHEPHERD
Government Appointee



STEVE MORISSETTE
Mayor of Fruitvale



TANYA WALL
Regional District of Central
Kootenay, Director Area B

REGIONAL ADVISORY COMMITTEES

Our enabling legislation outlined how the communities throughout our region would contribute to governance and funding decisions, through the creation of two Regional Advisory Committees (RACs), consisting of local government officials and MLAs from throughout the ETSI-BC service area.

The Columbia-Kootenay RAC territory includes the Kootenay-Boundary, Central Kootenay, East Kootenay Regional Districts plus the portion of the Columbia Shuswap Regional District from Revelstoke eastward. This RAC has established a membership structure of 13 members, 11 of which are local elected officials from the 4 Regional Districts in their region, and 2 of which are MLAs.

The Thompson-Okanagan RAC includes communities and MLAs in the ETSI-BC service area located in the North Okanagan, Central Okanagan, Okanagan Similkameen, and a portion of the Columbia Shuswap, Thompson-Nicola, and Fraser Valley Regional Districts. This

RAC currently has as its members all the mayors, Regional District Chairs and MLAs in this region.

The mandate of the RACs is to:

- Appoint/elect members as Directors of the Trust Board
- Provide advice to the Board on projects suitable for Trust funding
- Establish the terms of office for members of each RAC
- Provide opportunities for communities and regional district areas with populations under 500 to be represented on the RAC.

In 2020-21, the ETSI-BC team hosted three meetings with RAC members, to gain their input on the new strategic direction for the organization, to share the new brand and Strategic Plan, and in 2021-22, new Terms of Reference for the RACs will be drafted, with their input. The ETSI-BC team will continue to connect and meet with the RACs to keep them informed of opportunities and seek their input on funding intakes.



Thompson-Okanagan Regional Advisory Committee Members

NAME	TITLE	LOCATION
Kevin Acton	Mayor	Village of Lumby
Kevin Acton	Chair	North Okanagan Regional District
Dan Ashton	MLA	City of Penticton
James Baker	Mayor	District of Lake Country
Colin Basran	Mayor	City of Kelowna
Manfred Bauer	Mayor	Village of Keremeos
Merlin Blackwell	Mayor	District Municipality Clearwater
Toni Boot	Mayor	District Municipality Summerland
Linda Brown (Director)	Mayor	City of Merritt
Ken Christian	Mayor	City of Kamloops
Spencer Coyne	Mayor	Town of Princeton
Rod Crowe	Mayor	Village of Chase
Victor Cumming	Mayor	City of Vernon
Kevin Flynn	Chair	Columbia-Shuswap Regional District
Cindy Fortin	Mayor	District of Peachland
Christine Fraser	Mayor	Township of Spallumcheen
Jim Garlick	Mayor	District of Coldstream
Ken Gillis	Chair	Thompson-Nicola Regional District
Gail Given	Chair	Central Okanagan Regional District
Alan Harrison	Mayor	City of Salmon Arm
Martin Johansen	Mayor	Town of Oliver
Karla Kozakevich	Chair	Okanagan-Similkameen Regional District
Greg Kylo	MLA	Shuswap
Norm Letnick	MLA	Kelowna-Lake Country
Jason Lum	Chair	Fraser Valley Regional District
Greg McCune	Mayor	City of Enderby
Sue McKortoff (Director)	Mayor	Town of Osoyoos
Renee Merrifield	MLA	Kelowna-Mission
Peter Milobar	MLA	Kamloops-North Thompson
Gord Milsom	Mayor	City of West Kelowna

NAME	TITLE	LOCATION
Chris Pieper (Board Chair)	Mayor	City of Armstrong
Al Raine	Mayor	Sun Peaks Mountain Resort Municipality
Peter Robb	Mayor	District of Hope
Roly Russell	MLA	Boundary-Similkameen
Terry Rysz (Director)	Mayor	District of Sicamous
Harwinder Sandhu	MLA	Vernon-Monashee
Ward Stamer	Mayor	District of Barriere
Ben Stewart	MLA	Kelowna West
Todd Stone	MLA	Kamloops-South Thompson
Jackie Tegart	MLA	Fraser-Nicola
John Vassilaki	Mayor	City of Penticton

Columbia-Kootenay Regional Advisory Committee Members

NAME	TITLE	LOCATION
Brittany Anderson	MLA	Nelson-Creston
David Brooks-Hill	Director	Columbia Shuswap Regional District Area B Revelstoke
Karen Cathcart	Director	Columbia Shuswap Regional District, Area A Rural Golden
Susan Clovechok	Director	Regional District East Kootenay, Area F
Leonard Gostick (Director)	Councillor	Regional District East Kootenay, District of Elkford
Diana Lockwood (Director)	Mayor	Village of Salmo
Grace McGregor	Director	Regional District Kootenay Boundary, Area C
Steve Morissette (Director)	Mayor	Village of Fruitvale
Walter Popoff	Director	Regional District Central Kootenay, Area H
Ange Qualizza	Mayor	City of Fernie
Tom Shypitka	MLA	East Kootenay
Tanya Wall (Director)	Director	Regional District Central Kootenay Area B
Linda Worley	Director	Regional District Kootenay Boundary, Area B

2021 STRATEGIC GOALS

Prior to April 2021, ETSI-BC's core strategy was supported by five Strategic Goals. Progress was tracked towards achievement of each of these goals. Future Annual Reports will outline progress against the new Strategic Pillars in the Strategic Plan launched April 1, 2021. This Annual Report bridges the transition between the previous Strategic Goals and the new Strategic Pillars.

Core Strategy

The Board of ETSI-BC has had a strategy of identifying and supporting community development projects and regionally-based commercial ventures that match the objectives of the Trust and demonstrate sustainability. Their other main strategy was to maintain ETSI-BC so that it is financially sustainable, allowing it to support economic initiatives in the Southern Interior that will contribute to a more sustainable diversified economy.

2020-21 Strategic Goals*

GOAL 1

Enhance the Southern Interior economy by promoting greater economic growth, resilience, and diversification.

GOAL 2

Preserve existing jobs, stimulate new employment, and address skill shortages in the Southern Interior region.

GOAL 3

Attract new capital to the Southern Interior region to drive incremental economic development activities.

GOAL 4

Increase the value of the investment pool, thereby increasing opportunities to support regionally strategic investments in the Southern Interior.

GOAL 5

Create and sustain public awareness of and support for SIDIT's purpose, goals, achievements, and successes with a focus on partnership development, collaboration and extending rural reach.

** Replaced on April 1, 2021.*

GOAL 1:

Enhance the Southern Interior economy by promoting greater economic growth, resiliency, and diversification.

ETSI-BC funding has been provided to every part of our service area.

This goal has been measured in terms of funding per capita.

Per Capita Funding

(incl. Loans, Community Grants, Education Grants)

REGIONAL DISTRICT	TOTAL	POPULATION	\$ PER CAPITA
Central Okanagan	\$31,415,571	194,882	\$161
Columbia Shuswap*	\$1,389,358	36,365	\$38
Fraser Valley*	\$569,708	8,227	\$69
North Okanagan	\$7,294,489	84,354	\$86
Okanagan Similkameen	\$5,525,217	83,137	\$66
Thompson Nicola*	\$4,215,816	123,482	\$34
Thompson Okanagan Region	\$50,410,159	530,447	\$95
Columbia Shuswap*	\$357,011	15,001	\$24
Kootenay Boundary	\$5,242,652	31,447	\$167
Central Kootenay	\$1,867,140	59,517	\$31
East Kootenay	\$5,091,060	60,439	\$84
Columbia Kootenay Region	\$12,557,863	166,404	\$75
Total	\$62,968,022	696,851	\$90

* The ETSI-BC service area includes a portion of these Regional Districts. See etsi-bc.ca for more details.

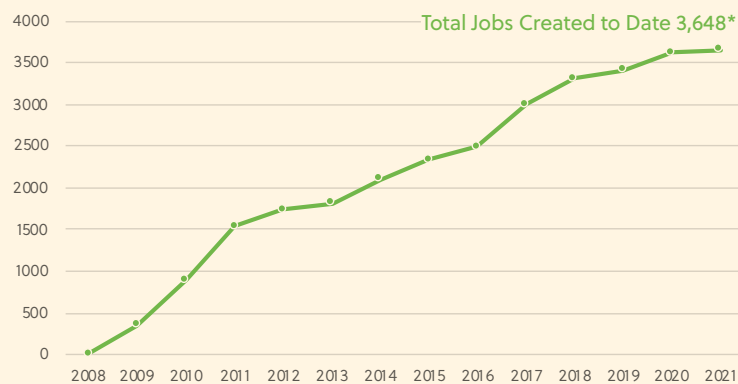


GOAL 2:

Preserve existing jobs and stimulate new employment and address skill shortages in the Southern Interior.

This goal has been assessed through job creation generated by funded projects and by tracking the funding provided to the region's 6 public post-secondary institutions, and the number of awards they granted.

Total Jobs Created from Grants and Loans



* Does not include the Rural Business & Community Recovery Advisor positions announced in March 2021.

Educational Awards

ETSI-BC has engaged with six post-secondary institutions operating in the Southern Interior as delivery partners for ETSI-BC's investment in education.

INSTITUTION	TOTAL AWARDS	TOTAL FUNDING
Innovate BC	53	\$495,000
College of the Rockies	1,213	\$879,000
Nicola Valley Institute of Technology	2,226	\$16,000
Okanagan College	36	\$1,969,000
Selkirk College	1,605	\$928,000
Thompson Rivers University	2,291	\$1,845,000
University of British Columbia Okanagan	436	\$738,000
Total Education Awards	7,860	\$6,870,000

Some comments from our post-secondary partners:

“Never has the importance of the investment made by ETSI-BC in Selkirk College students been more evident than during the 2020-21 academic year. This year, the COVID-19 pandemic compounded budget challenges for many. During this difficult period, 51 individual students benefited from funding provided by ETSI-BC.”

SELKIRK COLLEGE

“In a year with many challenges and unknowns, ETSI-BC provided hope and support to Okanagan College students. We couldn't be more grateful for your generosity and understanding of the pressing needs of our students during the COVID-19 pandemic. Thank you for giving our students the opportunity to begin their higher education journey. We know they will go on to serve vital roles in our growing communities.”

OKANAGAN COLLEGE

“On behalf of College of the Rockies, I would like to once again express our sincere thanks to ETSI-BC for your significant contribution to College of the Rockies. Twenty-six students in trades, health, and university studies accessed ETSI-BC funding at College of the Rockies in 2020-21, ranging from \$250 to \$1,000 per student for tuition, books, travel and/or living expenses.”

COLLEGE OF THE ROCKIES

“We at NVIT are aware of the things you do for our community, particularly in support of education. We appreciate your confidence in our students and your willingness to contribute to their future education. Our students rely on financial aid, grants and student loans to help finance their education. Receiving this award will help reduce the financial burden and provide assistance while they pursue their education. Your generosity continues to help NVIT by allowing us to uphold a strong awards program.”

NICOLA VALLEY INSTITUTE OF TECHNOLOGY



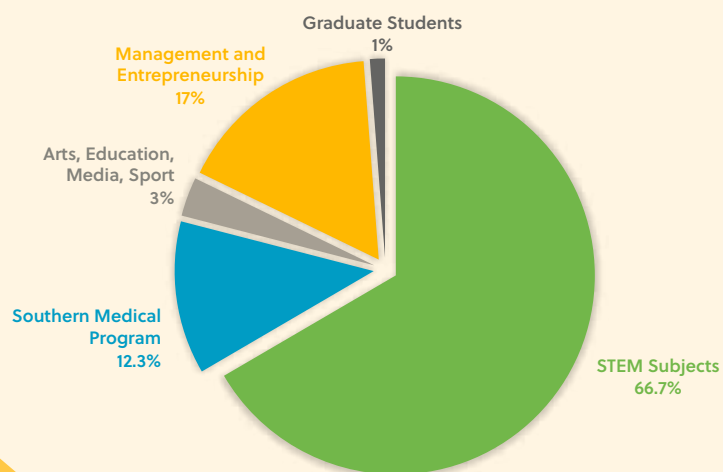


“

Through this time of hardship, we relied on the strength of our current partnerships, highlighting the importance of community to overcome the challenges before us. I want to thank you for your support of our students and university during this difficult time. Your leadership and strategic investment in our campus and its students continue to enhance and promote the prosperity of our region, our province, and beyond. Your gifts to the university are investments in our collective future.”

UNIVERSITY OF BRITISH COLUMBIA OKANAGAN

ETSI-BC Funding to UBCO Since Inception (410 students total)



“

COVID-19 brought many challenges to our institution and students in 2020 and the beginning of 2021. This in conjunction with unforeseen financial challenges for many of our students as a result of the COVID-19 pandemic created barriers that we were able to alleviate thanks to donors like ETSI- BC. We thank you for your ongoing partnership and look forward to working together to continue setting our students up for success in their educational pursuits.”

THOMPSON RIVERS UNIVERSITY

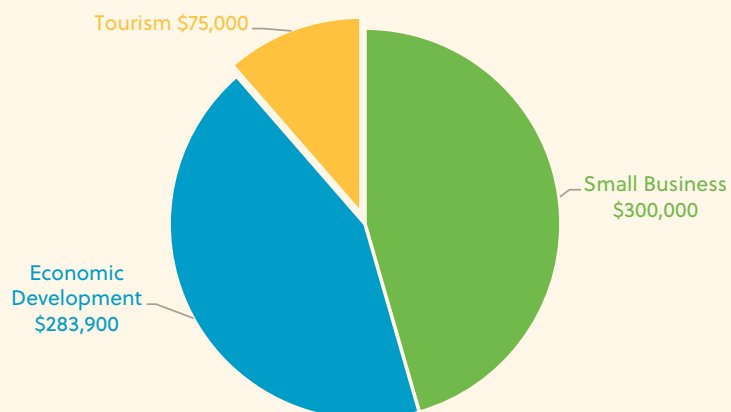


GOAL 3:

Attract new capital to the southern interior region to drive incremental economic development activities.

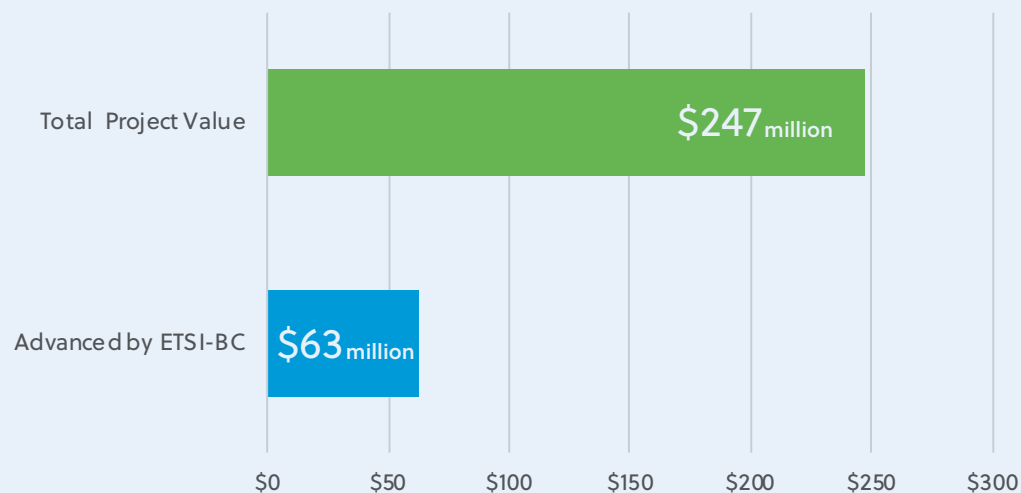
A total of \$659K was provided in support of business and economic development initiatives in Fiscal 2021, bringing out total investment in grants, loans and equity holdings to \$63 million since inception. This funding has attracted an additional \$184 million in investments, representing leverage of \$2.92 for every \$1 advanced by ETSI-BC.

2021 Investment by Sector



Funds Leveraged Through ETSI-BC Grants & Loans

\$2.92 in additional funds raised for every \$1 invested by ETSI-BC



GOAL 4:

Increase the value of the investment pool, thereby increasing opportunities to support regionally strategic investments in the Southern Interior.

ETSI-BC aims to maximize its returns on its loan and equity investments and invests conservatively to achieve a return on its investment portfolio which is at or above industry benchmarks.



Loans & Equity Holdings

Up to March 31, 2021, ETSI-BC had provided \$49.2 million in loans and equity investments. There is \$16.3 million in the current portfolio. Loan repayments in 2020-21 totalled \$3,439,789.

Loan and Equity Holdings by Stage of Business as of March 31, 2021

STAGE OF BUSINESS	TARGET %	ACTUAL \$	ACTUAL %
Start Up Phase	0%	\$1,003,450	6%
Early Stage	0%	\$2,173,990	13%
Growth / Expansion Stages	50%	\$8,625,128	53%
Later / Mature Stages	30%	\$4,048,681	25%
Transitional Stage	20%	\$473,973	3%
Total Gross Loans & Equity Holdings		\$16,325,221	100%



Investment Portfolio

ETSI-BC's investment portfolio is managed by Philips, Hagar, and North Investment Management (PH&N). The return in Fiscal 2021 for the PH&N portfolio was 3.53%. The overall return since inception was 6.60% as compared to a composite benchmark of 6.11%. The investment portfolio, originally \$25 million at inception, was valued at \$36.2 million at March 31, 2021.

ETSI-BC Target Asset Allocation and Ranges

ASSET CLASS	MINIMUM*	TARGET*	MAXIMUM*
Canadian Equities	12.5%	20%	27.5%
Foreign Equities	22.5%	30%	37.5%
Total Equities	35%	50%	65%
Mortgages	13%	23%	30%
Total Bonds	30%	45%	60%
Cash & Short-Term	2%	5%	8%

*Percentage of portfolio at market value.

ETSI-BC Actual Allocation

AS OF MARCH 31, 2021		% OF TOTAL PORTFOLIO
Market Value	\$36,171,998	
Asset Mix (% of total market value)	Cash	5%
	Mortgages	22%
	Bonds	19%
	Canadian Equities	22%
	Global Equities	32%

GOAL 5:

Create and sustain stakeholder awareness of and support for ETSI-BC's purpose, goals, achievements and successes with a focus on partnership development, collaboration and extending rural reach.

In 2021, ETSI-BC greatly increased stakeholder awareness and engagement through an extensive series of consultations with stakeholders throughout its entire service area. These consultations included a candid synopsis of the past, and an acknowledgement of the need for a new direction. During the sessions, an overview of the organization in context with other Trusts in the province was presented (including Northern Development Initiative Trust, Island Coastal Economic Trust, and the Columbia Basin Trust), as well as a summary of performance to date.

2020 Stakeholder Consultations

Between July – October 2020, ETSI-BC carried out 15 consultations with diverse groups of stakeholders to seek input on the region's economic development needs/opportunities, and how our organization can contribute for the coming decade. Following the consultations, we conducted a survey. We are very grateful to the 400 stakeholders who took the time to participate in the consultations, and to the survey respondents. Sessions took place with groups representing:

- Tourism industry representatives and associations
- Chambers of Commerce
- Economic Development practitioners
- Post-secondary education representatives
- Development lenders
- First Nations representatives
- Regional Advisory Committee members
- Emerging sectors and other industry representatives (innovation, forestry, cleantech, agrifood)
- Provincial government representatives from the Ministry of Forests, Lands, Natural Resource Operations and Rural Development, and the Ministry of Jobs, Economic Recovery & Innovation.

The survey was carried out in September 2020, with almost 50 respondents. The survey asked for input on economic development needs and opportunities in the region, recommended solutions, how ETSI-BC could contribute, COVID-related challenges, and general comments.

Key Findings: Economic Issues/Challenges

Participants in the consultations identified a broad range of economic development challenges. Some common themes across the Southern Interior emerged through the course of the sessions:

Human Capital/Labour Force

- Employers across all sectors, but particularly those involved in tech, have difficulty recruiting and retaining skilled workers.
- Human resource development is a challenge. Skills development and mentorship of employees is required to assist companies in becoming better innovators and more productive within their industries.
- There is a lack of affordable housing throughout the ETSI-BC service area, which impacts the ability to recruit and retain employees.

Communications and Transportation Infrastructure

- Broadband connectivity (i.e., the last quarter mile) is lacking in many parts of the Southern Interior.
- Transportation infrastructure, including public transportation, is lacking, particularly in the more remote communities of the Southern Interior, impacting mobility, as well as the ability for businesses to get their goods to markets.

Community-Level Economic Development Capacity/Strategic Planning

- There is a lack of diversification in the economies of some Southern Interior communities, including First Nations communities
- There is a disparity in economic development capacity between communities in the Southern Interior. Many communities lack economic recovery strategies and need assistance with economic development planning and assessment, as well as emergency preparedness.
- The smaller rural and remote communities lack the resources and skills needed to support economic development functions.
- Businesses lack emergency preparedness plans and succession plans.

Business Support

- Businesses in the region need more support in dealing with issues such as digital transformation, business innovation and productivity.
- There is a lack of depth in business skills with many business owners /operators.
- Entrepreneurship is an opportunity to be encouraged, especially with First Nations partners.
- Local businesses, especially Indigenous-owned businesses, would benefit from increased understanding of how to access corporate procurement opportunities.

Feedback

from Stakeholders on the 2020 Consultations

“Great to see SIDIT doing this outreach and I look forward to working more closely with SIDIT in the future.”

“Kudos on the engagement to date. It is very much appreciated.”

“Thanks for the comprehensive consultation and engagement as you move forward!”

“I appreciate the efforts of SIDIT, and I am eager to be part of these ongoing discussions and dialogue.”

“Great session today. Thanks for making it a priority to engage the EDPN network.”

“Thank you for a great discussion this morning. I have never connected with my development colleagues at Selkirk, College of the Rockies or TRU and found their insights most interesting. I'll definitely be following up with them to learn more about their programs.”

“SIDIT needs to reinvent itself and actually stay in its lane...provide funding for sound projects.”

“I haven't had any real, positive engagement with SIDIT in the past, so I really look forward to working with you by way of this new collaborative approach.”



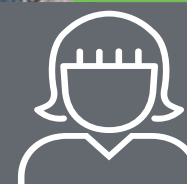
“Thanks for asking.
Thanks for listening.”



BUILDING
Economic
Development
Capacity



SUPPORTING
Supporting Business
Resilience and Growth



DEVELOPING
Human Capital



INNOVATING
and Advancing
Key Sectors



CREATING
Value for the Economic
Development
Ecosystem

Feedback on the new ETSI-BC strategic pillars



“The funding streams outlined sound amazing! Honestly, everything outlined here is exciting to see. The 5 category areas are bang on and I think economic development practitioners would be very excited to see this.”

“Thanks for the opportunity to comment on the program ideas list! Exciting times for SIDIT.”

“Thanks again for being such great partners on this initiative.”

“The funding streams seem quite comprehensive from an economic development perspective. They cover the areas that would be important to us and seem to make sense for a range of communities.”

“I love the directions that you are heading and thank you for your leadership. I also appreciate you stepping me through the history and information. It is helpful to understand the full picture.”

NEW STRATEGIC PILLARS

During 2020-21, in response to the insights collected in the consultations, the Board adopted the following new Strategic Pillars, which came into effect in its 2022-24 Strategic Plan.

ETSI-BC Strategic Pillars effective April 1, 2021:

1 BUILDING ECONOMIC DEVELOPMENT CAPACITY



ETSI-BC will focus on supporting smaller, rural and First Nations communities to help build economic development capacity and support regional Economic Development partnerships.

2 SUPPORTING BUSINESS RESILIENCE AND GROWTH



Working with the region's non-profit business support organizations and communities, ETSI-BC will cultivate business programs and services to address unmet business and community support needs in the region.

3 DEVELOPING HUMAN CAPITAL



ETSI-BC will enhance the development of local talent by supporting entrepreneurship development, and research partnerships and projects linking post-secondary institutions and businesses.

4 INNOVATING AND ADVANCING KEY SECTORS



ETSI-BC will encourage initiatives in support of business growth and innovation and the advancement of key sectors, while also encouraging transition to a Net Zero economy in the region.

5 CREATING VALUE FOR THE ECONOMIC DEVELOPMENT ECOSYSTEM



ETSI-BC will add value to the Economic Development ecosystem of the Southern Interior by facilitating meaningful connections, collaboration and sharing of best practices, while stewarding its assets in the best interest of the region.



Launch of ETSI-BC, the Economic Trust of the Southern Interior

On March 10, 2021, SIDIT became the Economic Trust of the Southern Interior (ETSI-BC), and its new brand was launched at the BC Economic Summit hosted by the BCEDA. This simpler name clarifies our mandate, signals our new direction and fresh approach, and it aligns us more closely with the other Economic Trusts in the province, serving the North and the Island-Coastal regions.

Here is some input from stakeholders on the new ETSI-BC strategic plan and re-brand:



Feedback on the new ETSI-BC brand



“Congratulations! This is an exciting announcement, and we want to wish you all the best as you move forward with these changes and the new direction.”

“Looks like you and your team have been really busy – I just watched your intro/overview video on the new ETSI-BC website. Looks great; I really like the new direction, new name, etc. Congrats on getting this far (especially during covid) with all the progress and changes!”

“I am really pleased to see the emergence of ETSI-BC as a brand-new entity with a new mandate for the southern interior.”

“Well done. Looks awesome!”

“I’m really impressed with the work you and the ETSI-BC team are doing for your region. Hard to believe that less than a year ago, we were sitting discussing the opportunities and possibilities... and now you’ve made them a reality.”

New Funding Model and Grant Portal Created

In parallel with the re-branding and launch of its new Strategic Pillars, the ETSI-BC team realigned its funding model and developed a new online grant application portal. The first funding intake based on the new Strategic Pillars was launched February 2021, to beta test the new system. By the closing date of that intake (March 30, 2021), 14 submissions were received, and the funding allocation was over-subscribed. Reflecting ETSI-BC's commitment to adding value to the economic development ecosystem, applicants of that Beta Test intake were asked for their input on how the system worked and what could be done to improve the funding intake process and the grant portal.

Here is some feedback from the Beta Test grant applicants on their overall experience using the portal:



Feedback on the new grant portal



"It was user friendly and easy to work through. It takes the stress out of the grant application process. I especially liked the fact that you didn't lose any info when you left the site or had a long delay before finishing."

*"The experience was positive."
"Good - every system takes a bit of getting used to, but it seemed very user friendly and easy to learn."*

*"Very good; easy to use the portal."
"The portal was easy to use, and the questions were clear."
"Very positive."*

*"Good – easy to use."
"I didn't find any challenges I couldn't overcome with a little reading and reaching out."*

Rural Business & Community Recovery Program Introduced

In February 2021, the Province of BC announced that it had provided funding of \$4.5 million to the three Economic Trusts in the province to help rural businesses and communities recover from the economic impacts of the COVID-19 pandemic. The program was intended to create upwards of 60 positions throughout the province, of which 20 were to be created in the Southern Interior. The Board and team members of ETSI-BC were delighted to assist with the delivery of this program throughout our service area, and appreciated the partnership with the Province of BC through the Ministry of Forests, Lands, Natural Resource Operations and Rural Development.

Each Trust established its own regionally specific criteria for funding allocations to communities. The first round of Rural Business &

Community Recovery (RBCR) program allocations was announced by ETSI-BC on March 31, 2021. The initial funding supported 30 Recovery Advisor positions around the region. Also in March 2021, the Province increased the ETSI-BC portion of RBCR funding, allowing an additional 6 positions to be funded in April 2021.

The RBCR program supports rural communities in the Southern Interior of BC with populations under 25,000, and non-profit business support organizations serving those communities to create Community and/or Business Recovery Advisor positions. These new positions will enhance local capacity to create and implement community economic recovery plans, support local businesses, and create new opportunities for growth.



We gratefully acknowledge the financial support
of the Province of British Columbia



Recovery Advisors are now in place in every Regional District in the ETSI-BC service area. Host organizations include six First Nations and local government economic development groups, 13 Chambers of Commerce, five Community Futures organizations, and two industry groups. Thirteen of the delivery partners are based in the Thompson-Okanagan and Fraser Valley regions and twelve organizations serve communities and businesses in the Columbia-Kootenay-Boundary. The Recovery Advisors will be receiving an extensive program of training from ETSI-BC, and will be supported with resources and facilitated sessions throughout the course of their work.

Here is some feedback from the Host Organizations on the ETSI-BC RBCR Program:

Feedback from the Recovery Advisors



“Thank you and looking forward to the information session. The training for the advisors looks great. I’m really impressed with the path of collaboration that you are setting the advisors on.”

“Exciting to see this initiative coming together and the additional capacity we’re going to have in the region.”

“Thank you for the Meeting and Training Schedule. We are excited to be participating in the program.”

“What an awesome network ETSI-BC has brought together. KORE feels privileged to be part of this RBCR Advisors network and such a resource for our own personal and organizational growth. Even though the primary goal is business and community recovery, I can see now an indirect benefit will be the power of collaboration within this advisor network and amongst the host organizations.”

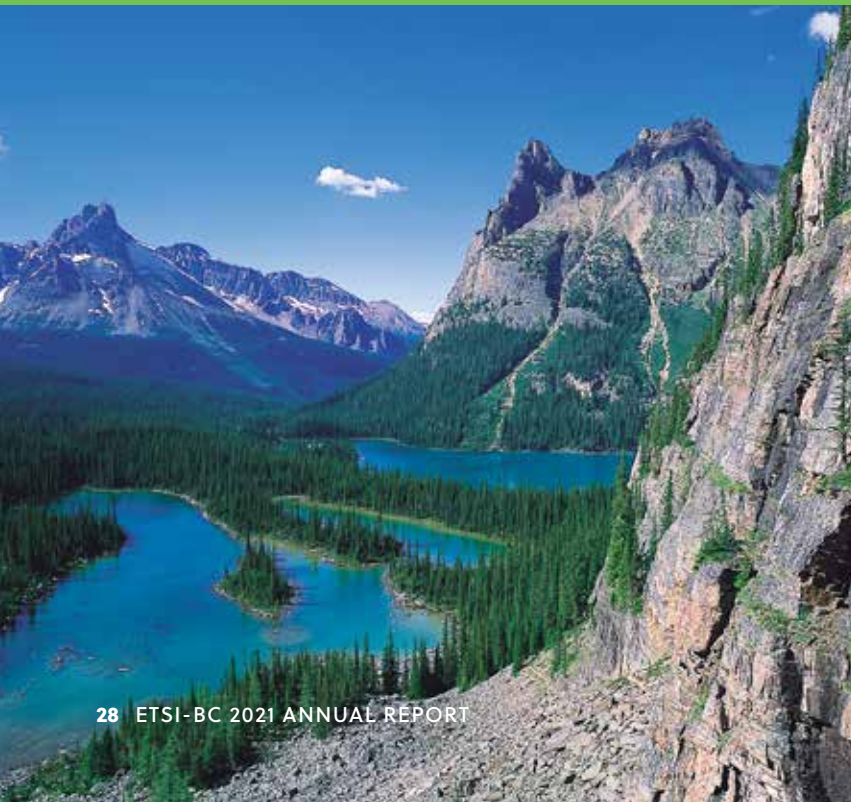


FUNDING BY MANDATED FOCUS AREA

The SIDIT Act identified ten focus areas into which ETSI-BC funds should be invested:

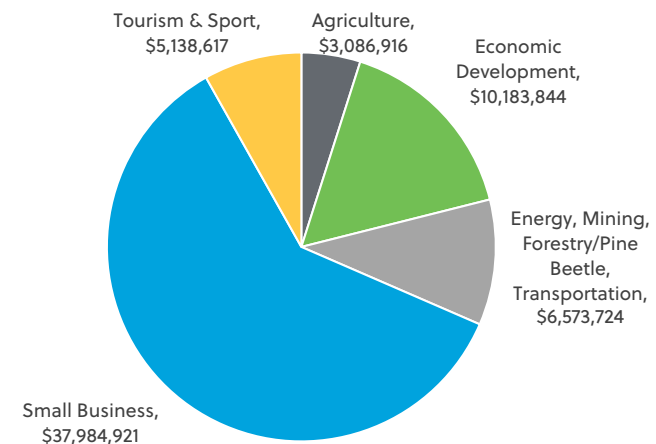
- Agriculture
- Economic Development
- Energy
- Forestry
- Mining
- Olympic Opportunities
- Pine Beetle
- Small Business
- Tourism
- Transportation

These designated areas have been merged into five main target sectors: agriculture, economic development, small business, tourism/sport, and energy/mining/forestry/pine beetle recovery/transportation.



Cumulative investment by mandated focus area 2008-2021

Total 63 million*



* Note: Prior year total was over-stated by \$1.26M. Tourism was understated in 2020 by \$1.06M, Small Business was overstated by \$2.32M.

Fiscal 2021 and Cumulative Funding

AGRICULTURE	Agriculture includes manufacture of products used in the agriculture industry; research and development in agri-business and biotech; community-based food and herb production; nurseries; community-based abattoir services; organic gardening training and certification services and community based agriplex/multipurpose buildings.	\$3,086,916
ECONOMIC DEVELOPMENT (\$284K IN 2021)	Economic Development includes investment in education in trades; STEM, and business academic programs; innovation and entrepreneurship programs; business advocacy; international market development; business incubators; research and development; business productivity training; broadband initiatives and community investment in conference and training centers.	\$10,183,844
ENERGY, MINING, FORESTRY/ PINE BEETLE RECOVERY, TRANSPORTATION	Energy includes research and development of energy related technology; energy efficiency products and services; and bio-energy solutions. Mining includes value-added manufacturing. Forestry includes investments related to community forests and value-added processing. Pine Beetle Recovery includes research and development; market development; and manufacture of value-added products. Transportation includes commercial transportation services; airport hazard equipment; and heliport construction.	\$6,573,724
SMALL BUSINESS (\$300K IN 2021)	Small Business includes investment in technology and mainstreet business enterprises including software development, communications; fire prevention; health care; pharmaceuticals; composite manufacturing; electronics manufacturing; retail and wholesale; micro-breweries and other business activities.	\$37,984,921
TOURISM & SPORT (\$75K IN 2021)	Tourism includes heritage-based tourism, agri-tourism, trail development, arts, culture, sport tourism, and sport includes community investments into training facilities and equipment that have been or will be used to train future Olympians and future community use.	\$5,138,617
TOTAL		\$62,968,022

AUDITED FINANCIAL STATEMENTS



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BDO Canada LLP
1631 Dickson Avenue, Suite 400
Kelowna, BC, V1Y 0B5

Independent Auditor's Report

To the Board of Directors of the Southern Interior Development Initiative Trust

Opinion

We have audited the financial statements of Southern Interior Development Initiative Trust doing business as Economic Trust of the Southern Interior ("ETSI-BC"), which comprise the statement of financial position as at March 31, 2021, the statements of operations and fund balances and 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 ETSI-BC as at March 31, 2021, and its financial performance 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 ETSI-BC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the 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 ETSI-BC'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 ETSI-BC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing ETSI-BC'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 ETSI-BC'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 ETSI-BC'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 ETSI-BC 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.

BDO Canada LLP

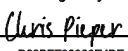
Chartered Professional Accountants

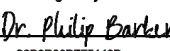
Kelowna, British Columbia
June 25, 2021

**Southern Interior Development Initiative Trust ("ETSI-BC")
Statement of Financial Position**

March 31	Regional Account Fund	Externally Restricted Fund	2021	2020
Assets				
Current				
Cash and cash equivalents	\$ 2,007,867	\$ 1,481,763	\$ 3,489,630	\$ 539,893
Government grants receivable (Note 2)	-	332,500	332,500	-
Prepaid expenses	7,134	-	7,134	7,134
Current portion of development initiatives (Note 3)	1,364,970	-	1,364,970	1,339,054
	<u>3,379,971</u>	<u>1,814,263</u>	<u>5,194,234</u>	<u>1,886,081</u>
Development initiatives (Note 3)	8,032,587	-	8,032,587	12,935,632
Investments (Note 4)	36,171,998	-	36,171,998	31,978,777
Property and equipment (Note 5)	16,566	-	16,566	22,150
	<u>\$ 47,601,122</u>	<u>\$ 1,814,263</u>	<u>\$ 49,415,385</u>	<u>\$ 46,822,640</u>
Liabilities and Fund Balances				
Current				
Accounts payable and accrued liabilities	\$ 72,682	\$ -	\$ 72,682	\$ 173,758
Deferred contributions	10,500	-	10,500	10,500
	<u>83,182</u>	<u>-</u>	<u>83,182</u>	<u>184,258</u>
Fund balances	<u>47,517,940</u>	<u>1,814,263</u>	<u>49,332,203</u>	<u>46,638,382</u>
	<u>\$ 47,601,122</u>	<u>\$ 1,814,263</u>	<u>\$ 49,415,385</u>	<u>\$ 46,822,640</u>

On behalf of the Board:

DocuSigned by:

 B69BFF83866E4BE... Director

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The accompanying notes are an integral part of these financial statements.

Southern Interior Development Initiative Trust ("ETSI-BC")
Statement of Operations and Fund Balances

For the year ended March 31	Regional Account Fund	Externally Restricted Fund	2021	2020
Revenue				
Income on development initiatives	\$ 538,964	\$ -	\$ 538,964	\$ 983,505
Fees and other	16,717	-	16,717	37,749
Grant revenue	-	1,832,500	1,832,500	-
	555,681	1,832,500	2,388,181	1,021,254
Direct expenses				
Education awards and grants	358,900	-	358,900	480,621
Provision for development initiative losses	2,316,333	-	2,316,333	325,487
	2,675,233	-	2,675,233	806,108
Net revenue in excess (deficit) of direct expenses	(2,119,552)	1,832,500	(287,052)	215,146
General and administrative expenses:				
Amortization	5,660	-	5,660	6,635
Board costs	8,570	-	8,570	16,071
Consulting fees	54,288	-	54,288	112,519
Insurance	6,776	-	6,776	5,806
Office and administration	149,044	-	149,044	142,140
Professional fees	196,363	-	196,363	149,145
Wages and benefits	777,225	18,237	795,462	617,517
	1,197,926	18,237	1,216,163	1,049,833
Excess (deficiency) of revenues over expenses from operations	(3,317,478)	1,814,263	(1,503,215)	(834,687)
Investments				
Fair value re-measurement of investments	3,184,800	-	3,184,800	(1,999,587)
Gain on disposal of investments, net	200,137	-	200,137	455,633
Income earned	943,731	-	943,731	952,928
Investment management fees paid	(131,632)	-	(131,632)	(129,456)
	4,197,036	-	4,197,036	(720,482)
Excess (deficiency) of revenues over expenses	879,558	1,814,263	2,693,821	(1,555,169)
Fund balances, beginning of the year	46,638,382	-	46,638,382	48,193,551
Fund balances, end of the year	\$ 47,517,940	\$ 1,814,263	\$ 49,332,203	\$ 46,638,382

The accompanying notes are an integral part of these financial statements.

**Southern Interior Development Initiative Trust ("ETSI-BC")
Statement of Cash Flows**

For the year ended March 31	2021	2020
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses	\$ 2,693,821	\$ (1,555,169)
Adjustments for non-cash items:		
Amortization	5,660	6,635
Fair value re-measurement of investments	(3,184,800)	1,999,587
Gain on disposal of investments	(200,137)	(455,633)
Investment income	(943,731)	(952,928)
Provision for development initiative losses	2,316,333	325,487
Gain on disposal of property and equipment	(32)	-
	<u>687,114</u>	<u>(632,021)</u>
Changes in non-cash working capital:		
Government grants receivable	(332,500)	-
Accounts payable and accrued liabilities	(101,078)	11,216
Changes in development initiatives		
Repayments of development initiatives	<u>2,560,797</u>	<u>1,024,050</u>
	<u>2,814,333</u>	<u>403,245</u>
Cash flows from investing activities		
Purchase of investments	(1,760,968)	(5,027,503)
Proceeds on disposal of investments	1,896,415	4,753,631
Acquisition of property and equipment	(793)	(5,340)
Proceeds on disposal of property and equipment	750	-
	<u>135,404</u>	<u>(279,212)</u>
Net increase in cash and cash equivalents	<u>2,949,737</u>	<u>124,033</u>
Cash and cash equivalents, beginning of the year	<u>539,893</u>	<u>415,860</u>
Cash and cash equivalents, end of the year	<u>\$ 3,489,630</u>	<u>\$ 539,893</u>

**Southern Interior Development Initiative Trust ("ETSI-BC")
Notes to Financial Statements**

March 31, 2021

1. Summary of Significant Accounting Policies

Nature of operations

Southern Interior Development Initiative Trust doing business as Economic Trust of the Southern Interior ("ETSI-BC") was formed in February 2006 under the Southern Interior Development Initiative Trust Act (the "Act") and shortly thereafter received a one-time contribution from the Province of British Columbia. ETSI-BC is a not-for-profit entity and is exempt from income tax under section 149 of the Income Tax Act.

ETSI-BC uses its endowment to contribute to stronger communities in the Southern Interior by helping build a strong and diversified economy. With a special focus on the region's smaller and First Nations communities, the organization works with the region's local governments, economic development practitioners, non-profit business support organizations, post-secondary institutions, industry associations, and accelerators to help grow and diversify the region's economy. ETSI-BC partners with these organizations and provides grant funding to:

- Help expand economic opportunity in communities
- Assist its partners as they support local businesses
- Encourage entrepreneurship and the creation of meaningful jobs
- Connect the region's post-secondary institutions to industry
- Provide support to key sectors of the region's economy to innovate and be more sustainable.

ETSI-BC creates value for the economic development ecosystem by facilitating meaningful connections, fostering collaboration and sharing of best practices, and by stewarding its assets in the best interest of the region, maximizing its grant funding each year while protecting the Trust's remaining capital for future generations.

Basis of accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Southern Interior Development Initiative Trust ("ETSI-BC") Notes to Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies (continued)

Fund accounting ETSI-BC reports its activities on a fund accounting basis. ETSI-BC currently has a General Fund (with a \$Nil balance), a Regional Account Fund, which is externally restricted, and an Externally Restricted Fund which is externally restricted.

The Regional Account Fund includes balances which are invested in property and equipment and represents the amount currently available for development initiatives and administrative costs.

The Externally Restricted Fund includes balances of contributions received from external sources that are subject to external restrictions.

Revenue recognition Income in the Regional Account Fund is recognized when the service has been provided or earned, provided that collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the price is fixed or determinable.

Restricted contributions are recognized as revenue in the Externally Restricted Fund in the year in which the contributions are received.

Unrestricted contributions are recognized in the General Fund in the year in which the related disbursements are incurred.

Cash and cash equivalents Cash and cash equivalents include cash on hand and short-term deposit which are highly liquid with original maturities of less than three months. Any cash or cash equivalents held in investment portfolios is included with investments.

Property and equipment Property and equipment are stated at cost, less accumulated amortization. Amortization is provided using the declining balance method and following annual rates:

	Method	Rate
Furniture and fixtures	Declining balance	20%
Computer hardware	Declining balance	30%
Computer software	Declining balance	50%
Leasehold improvements	Declining balance	20%

Southern Interior Development Initiative Trust ("ETSI-BC") Notes to Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies (continued)

Use of estimates The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of development initiatives. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations in the year in which they become known or are revised.

Financial instruments Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. ETSI-BC accounts for all convertible debt instruments by initially measuring the equity component of the non-publicly tradeable entity at \$Nil. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. ETSI-BC has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, ETSI-BC determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount ETSI-BC expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Southern Interior Development Initiative Trust ("ETSI-BC") Notes to Financial Statements

March 31, 2021

2. Government Grants Receivable

During the year, ETSI-BC signed an agreement with the Province of British Columbia to receive \$1,832,500 (2020 - \$Nil) in funding under the Rural Business and Community Recovery Program ("RBCR") to support recovery from the COVID-19 pandemic. The funding will be used to create temporary employment opportunities within ETSI-BC's region as well as some areas outside ETSI-BC's region. ETSI-BC's main responsibilities are to redistribute RBCR funds to rural, remote and indigenous communities based on an application process to be created and implemented by ETSI-BC.

As at March 31, 2021, ETSI-BC had \$332,500 (2020 - \$Nil) receivable from the Province of British Columbia.

Subsequent to year end, ETSI-BC has approved 25 grant applications for RBCR funding which will create 36 employment positions within the region it serves.

3. Development Initiatives

As at March 31, 2021, there are 30 (2020 - 56) development initiatives, measured at amortized cost, and secured by general security agreements, outstanding as follows:

	Gross	2021 Net	2020 Net
Loans - direct	\$ 6,649,401	\$ 6,181,480	\$ 9,831,400
Loans - convertible	2,901,656	1,873,989	3,197,234
Loans via Community Futures	70,993	70,993	82,457
Equity - common shares	2,240,595	1,263,595	1,163,595
Equity - preferred shares	4,455,076	-	-
Guarantee - letter of credit	7,500	7,500	-
	16,325,221	9,397,557	14,274,686
Less: current portion		(1,364,970)	(1,339,054)
Total	\$ 16,325,221	\$ 8,032,587	\$ 12,935,632

a) Loans - direct

ETSI-BC has 13 (2020 - 24) direct loans outstanding which bear interest at rates that range from 0% to 10% per annum. Interest and principal amounts are due at various dates between April 1, 2021 and June 1, 2025.

Southern Interior Development Initiative Trust ("ETSI-BC") Notes to Financial Statements

March 31, 2021

3. Development Initiatives (continued)

b) Loans - convertible

ETSI-BC has 6 (2020 - 19) convertible loans that bear interest at rates that range from 0% to 13% per annum. Interest and principal amounts are due at various dates between April 1, 2021 and May 15, 2024. The loans are convertible to common shares of the companies, which are non-publicly traded, at the option of ETSI-BC. No fair value has been ascribed to the convertible options since the fair value of the shares of the companies cannot be readily determined by ETSI-BC since it does not have access to that information.

c) Loans via Community Futures

ETSI-BC has 2 (2020 - 2) loans made via Community Future's Southern Interior Business Investment Fund which bear interest at rates that range from 4.95% to 8.5% per annum. The principal amounts are due at various dates between April 1, 2021 and July 1, 2024.

d) Equity - common shares

ETSI-BC has 5 (2020 - 7) common share investments.

e) Equity - preferred shares

ETSI-BC has 3 (2020 - 4) preferred share investments that bear dividends of 8% per annum. ETSI-BC has not collected any dividends during the year and all of the outstanding preferred share investments have been included in the provision list.

f) Guarantee - Letter of credit

ETSI-BC has 1 (2020 - Nil) letter of credit that was drawn on in the year. Included in the letter of credit balance are fees outstanding for a credit extension of \$7,500. Guarantee expires on September 01, 2022.

The net change in provision for development initiative losses for the year was as follows:

	2020	Change in provision, net of write-offs and recoveries	2021
Loans - direct	\$ 3,150,248	\$ (2,682,328)	\$ 467,920
Loans - convertible	3,676,874	(2,649,206)	1,027,666
Equity - common shares	3,113,243	(2,136,243)	977,000
Equity - preferred shares	4,493,925	(38,849)	4,455,076
	\$ 14,434,290	\$ (7,506,626)	\$ 6,927,664

Southern Interior Development Initiative Trust ("ETSI-BC")
Notes to Financial Statements

March 31, 2021

4. Investments

The carrying amounts of investments are comprised of the following:

	2021	2020
Bonds, measured at amortized cost	\$14,677,662	\$ 13,467,239
Equities, measured at fair value	19,700,603	17,181,326
Money market, measured at amortized cost	1,793,733	1,330,212
	\$36,171,998	\$ 31,978,777

Details of investment activity during the year is as follows:

	2021	2020
Opening balance	\$31,978,777	\$ 32,581,740
Income earned and reinvested	939,947	950,527
Withdrawals, redemptions, and sales	(1,896,415)	(6,083,404)
Deposits, contributions, and purchases	1,896,415	6,203,324
Gains on disposal of investments, net	200,106	455,633
Investment management fees paid	(131,632)	(129,456)
	32,987,198	33,978,364
Fair value re-measurement	3,184,800	(1,999,587)
	\$36,171,998	\$ 31,978,777

Included in sales and purchases of investments above are sales and purchases within the portfolio.

Investments are used as security for certain finance facilities as described in Note 6.

Southern Interior Development Initiative Trust ("ETSI-BC")
Notes to Financial Statements

March 31, 2021

5. Property and Equipment

	2021		2020	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and fixtures	\$ 35,557	\$ 26,965	\$ 39,044	\$ 28,380
Computer hardware	46,126	38,319	46,126	34,973
Computer software	11,253	11,086	11,253	10,920
Leasehold improvements	15,488	15,488	15,488	15,488
	108,424	91,858	111,911	89,761
Net book value	\$ 16,566		\$ 22,150	

6. Commitments

ETSI-BC has available letters of credit through its financial institution to provide guarantees of up to \$6,000,000, secured by investments. ETSI-BC has issued letters of credit of \$759,500 (2020 - \$1,059,500) at March 31, 2021.

ETSI-BC has entered into agreements for operating lease of premises and equipment leasing, ending in the March 31, 2023 fiscal year.

The minimum annual lease payments are as follows:

2022	\$ 31,644
2023	1,800
	\$ 33,444

Southern Interior Development Initiative Trust ("ETSI-BC") Notes to Financial Statements

March 31, 2021

7. Financial Instrument Risk

ETSI-BC manages its investment portfolio to earn investment income and invests according to a policy approved by the Board. ETSI-BC is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

Concentration of risk:

(a) Credit risk

Credit risk refers to the risk that development initiative counterparties may default on their contractual obligations resulting in a financial loss. Management mitigates this risk by limiting exposure to each counterparty by dollar amount and industry sector, by maintaining a balanced portfolio and by ensuring that proper due diligence is performed before funding is committed. ETSI-BC assesses development initiatives on a continuous basis and provides for any amounts that are not collectible in the provision for losses.

(b) 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.

(i) Currency risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. ETSI-BC is exposed to this risk on its investments in U.S. and other international equities quoted in an active market. At year end, ETSI-BC has \$11,734,503 (2020 - \$10,379,233) in U.S. and other international equities.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. ETSI-BC is exposed to interest rate risk with respect to its investments in bonds and its loans receivable.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest or rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. ETSI-BC is mainly exposed to other price risk through its investments in equities.

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8. Global Pandemic

The impact of COVID-19 in Canada and on the global economy has increased significantly. As the impacts of COVID-19 continue, there could be further impact on ETSI-BC, that could impact the timing and amounts realized on ETSI-BC's assets and future ability to deliver its services.

At this time, the full potential impact of COVID-19 on ETSI-BC is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. ETSI-BC will continue to focus on managing expenditures, and leveraging existing operations to ensure it is able to continue to provide its services.

9. Comparative Figures

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

10. Subsequent Event

Subsequent to the year-end, management received notice that several Development Initiatives would be providing payouts and/or offering a liquidity event to ETSI-BC for its investments. These payouts and liquidity events will be recorded in the March 31, 2022 financial statements once the amounts have been confirmed.





Economic Trust of the Southern Interior (ETSI-BC)*

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This report covers the period April 1, 2020 through March 31, 2021.

**Southern Interior Development Initiative Trust dba ETSI-BC*



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