etsi BC Economic Trust of the Southern Interior

ANNUAL REPORT 2026

20 YEARS

Original artwork by BC Artist Darryl Nelson


etsi BC

Fitzpatrick Family Vineyards

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We acknowledge that the ETSI-BC service area is located on the traditional, ancestral, unceded territories of the Ktunaxa, Nlaka'pamux, Secwépemc, Stó:lō and Syilx / Okanagan peoples. We also acknowledge the 14 Chartered Métis Communities in our service area.

Paul Donald

Laurel Douglas

Message from the Board Chair and CEO

We are pleased to report on the results of FY2026 for ETSI-BC. We continue to focus our work on helping **build a strong and diversified economy in the Southern Interior**, where our investments have helped create viable, healthy, vital, and sustainable communities with increased economic opportunities, and where First Nations, smaller and disaster-affected communities have been supported to become increasingly economically sustainable.

Board & RAC Updates

Our governance is made up of a 13-member **volunteer board**, of which 8 members are appointed by our two Regional Advisory Committees, comprised of local government and MLAs, and 5 members are appointed by the Province of BC.

In FY2026, the **Regional Advisory Committees** met twice, to recommend projects for funding from our funding intakes, and to approve the consultants' recommendations regarding DRIPA Action Plan item 4.39, following extensive engagement with the region's First Nations.

During FY2026, we welcomed **Ron Cannan**, City of Kelowna Councillor, **Amanda Shatzko**, Area Director with the Regional District of North Okanagan and **MLA Gavin Dew** onto our Thompson-Okanagan Regional Advisory Committee (RAC). Our thanks go to departing RAC members, **Jordan Coble**, Westbank First Nation Councillor, **Ruth Hoyte** of the RDNO and **MLA Macklin McCall**.

Engagement with Regional Partners

In-person board meetings were held in Salmon Arm and Castlegar during the year, where the board hosted roundtable discussions with local interest-holders and funding recipients. Topics discussed included the **agri-food sector**, **business retention and attraction**, **workforce development**, **First Nations economic development**, **supply chain networks**, and **collaborative research**.

Improving our Governance

During FY2026, the board reviewed and **updated its bylaws and board policies**, with the help of a consultant who helped decolonize the policies through a relational lens. Board members were impressed with the process and the outcomes. A new AI use and cybersecurity policy was also adopted.

etsi BC Economic Trust of the Southern Interior

DRIPA Action Item 4.39 and Legislative Review

In FY2026, ETSI-BC submitted its final recommendations to the Province of BC regarding the proposed changes to our Act **to include First Nations in the governance of our Trust.** We are proud that the recommendations were endorsed by the First Nations steering committee, Regional Advisory Committees and Board. We are participating in the Province's Working Group that is advising on the contents of the Request for Decision, which we hope will be submitted to Cabinet soon.

In FY2026, an independent committee was appointed by the Board to conduct our **5-year review of our Act**. Many thanks to committee members **Roly Russell**, **Steve Thomson** and **Rosalie Yazzie KC**, for their work. The committee reaffirmed our consultants' DRIPA 4.39 recommendations, encouraging the Province to ensure that any changes to our Act be enabling, not prescriptive.

Operational Results

Our direction remains focused on being a catalyst to help build strong, sustainable local economies and thriving, resilient communities in the Southern Interior. We are very proud of the accomplishments of the ETSI-BC team in FY2026. We exceeded our grant allocation budget, with almost **$3 million in funding approved on projects worth more than $15.7 million**, that have helped **create or maintain more than 3,800 jobs in the region in FY2026**.

20th Anniversary Celebrations

In June 2026, we **celebrated our 20th anniversary with partners from the Thompson-Okanagan region.** It was a joyful event, and one of the highlights was the release of the [ETSI-BC 20th anniversary video]. We hope you take the time to view it. Thanks to all the partners who participated in the interviews. Your stories warmed our hearts and show how we are achieving our mutual goals.

Our first of two anniversary celebrations was held in the Thompson-Okanagan region June 18 at the Fitzpatrick Family Vineyards in Peachland. (see photos page 6&7).

We will be celebrating in the Columbia-Kootenay region October 1 at the Baillie-Grohman Estate Winery in Creston.

20 YEARS

"The great thing about ETSI-BC is that they're willing to come in at the start of a project whether it be a pilot or a study to figure out what's going to work for the community."

Theresa Wood
COLUMBIA VALLEY CHAMBER OF COMMERCE
BUSINESS ADVISOR

"Thank you for the support that you have given us along the way, through guidance and funding and just being an extension of our team."

Krista Stoesz
SCWÉN'WEN ECONOMIC DEVELOPMENT CORPORATION, TK̓EMLÚPS TE SECWÉPEMC
MANAGER

"ETSI-BC really provided that opportunity for folks within the region to come together [at the Southern Interior Regional Economic Summit]."

Acacia Pangilinan
KAMLOOPS & DISTRICT CHAMBER OF COMMERCE
EXECUTIVE DIRECTOR

"Without their funding, who knows where we would be at. Our success is a really big part of funding from ETSI-BC."

Kevin Pennock
KOOTENAY OUTDOOR RECREATION ENTERPRISE (KORE OUTDOORS)
EXECUTIVE DIRECTOR

Watch our 20th Anniversary Celebration Video now...

"Happy 20th ETSI-BC. Remarkable organization. Outstanding team. Making things possible for the Southern Interior region. Beyond grateful for the support you have given to our organization."

Tammy Verigin-Burk
CASTLEGAR & DISTRICT CHAMBER OF COMMERCE
EXECUTIVE DIRECTOR

"[ETSI-BC support] helped build connections between Ktunaxa businesses, individuals, artisans, and the whole community."

Travis Towsley
KTUNAXA NATION COUNCIL
ECONOMIC ENGAGEMENT OFFICER

"This [funding] has been a game changer for us and allowed us to tell our story in an award-winning fashion."

Darren Brewer
CITY OF CRANBROOK
ECONOMIC DEVELOPMENT OFFICER

"Everyone at ETSI-BC is really passionate about doing work that is actually going to impact things going forward ... thank you so much for being authentic and the biggest supporters we could ever ask for."

Caroline LaChapelle
REVELSTOKE CHAMBER OF COMMERCE
CHIEF EXECUTIVE OFFICER

Celebrating 20 Years of Impact

Okanagan Anniversary Event

PAGE 6

Top right picture: Indigenous welcome —Anona Kampe

Bottom left: Sue McKortoff, Mayor of Osoyoos, ETSI-BC Director, Thompson-Okanagan RAC Chair

Man with microphone: Paul Donald, ETSI-BC Board Chair

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Middle bottom picture: ETSI-BC Team

etsi BC Economic Trust of the Southern Interior

Here are a few photographs from our first of two celebrations,
held at the **Fitzpatrick Family Vineyards** in Peachland, BC on June 18, 2026.





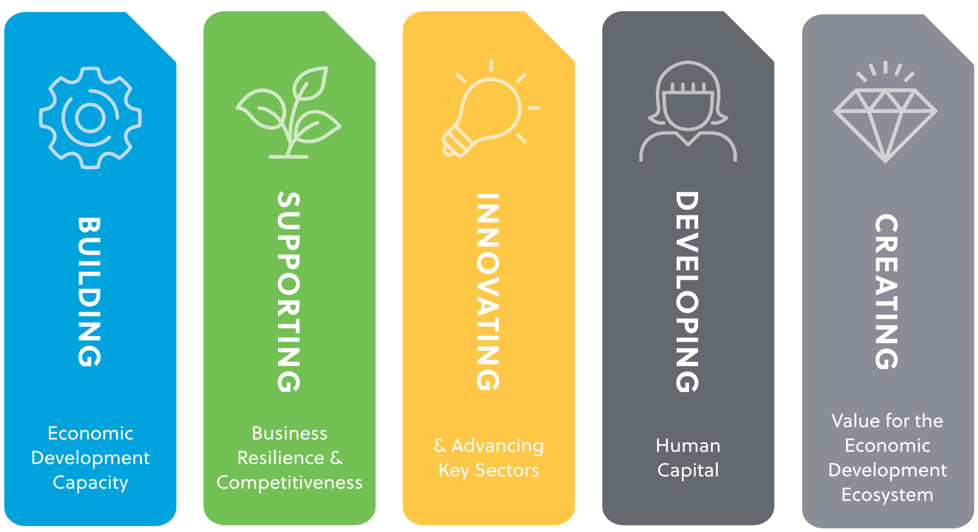

GOAL I

Goals and Strategic Pillars

We remain committed to our **two operational goals** in FY2026:

GOAL I:
Economic Development Support and Facilitation

Our comprehensive approach to economic development embodied in our 5 Strategic Pillars:



Building Economic Development Capacity

We support economic development projects with a focus on seeding projects in smaller, rural and First Nations communities, encouraging regional collaboration.

Supporting Business Resilience & Competitiveness

We work with the region's non-profit business support organizations, industry groups, accelerators and communities, to help strengthen businesses, diversify their markets and grow employment.

Innovating & Advancing Key Sectors

We support initiatives that encourage innovation, industry/cluster growth and the advancement of our key mandated sectors, while also encouraging transition to a Net Zero economy in the region.

Developing Human Capital

We encourage post-secondary entrepreneurship training, work-integrated learning and joint research activities to foster local talent and connections with industry.

Creating Value for the Economic Development Ecosystem

We focus on positive impact as we convene practitioners and provide opportunities to learn and share best practices.

GOAL II

GOAL II:
Sustainable Organizational Excellence

We remain committed to fostering sustainable organizational excellence in our operations and in the stewardship of our endowment.

Impact Report: Objectives and Results

GOAL I: Economic Development Support and Facilitation

ETSI-BC has consistently exceeded its budgeted grant allocation.
In FY2026, the grant allocation budget was $2,750,000, and $2,995,409 was approved.

FY2026 Projects Approved

FY2026 Funding by Strategic Pillar		# of Projects	Funding Approved	Total Project Value	Jobs Created/ Maintained
Pillar 1	Building Economic Development Capacity	49	$1,513,250	$5,051,890	2,379
Pillar 2	Supporting Business Resilience and Competitiveness	2	$662,500	$8,468,995	124
Pillar 3	Innovating and Advancing Key Sectors	11	$526,000	$1,827,544	1,305
Pillar 4	Developing Human Capital	7	$187,500	$265,040	14
Pillar 5	Creating Value for the Economic Development Ecosystem	23	$106,159	$106,159	2
	TOTAL FUNDING APPROVED	92	$2,995,409	$15,719,628	3,824

This $3 million in funding helped attract additional investment of more than $12.7 million in the region (for a total project value of $15.7 million), and create or maintain more than 3,800 jobs. This funding was split fairly evenly between the two regions in the ETSI-BC service area (38 in the Thompson-Okanagan, 41 in the Columbia-Kootenay, 13 serving both regions).


etsi BC
Economic Trust of the Southern Interior

PILLAR 1

Building Economic Development Capacity

Funding Outcomes

Of the 49 Pillar 1 projects funded, 28 were small projects, and 21 were large/collaborative projects. Total investment in these projects was over $5 million, and they helped create or maintain 2,379 jobs in the region.

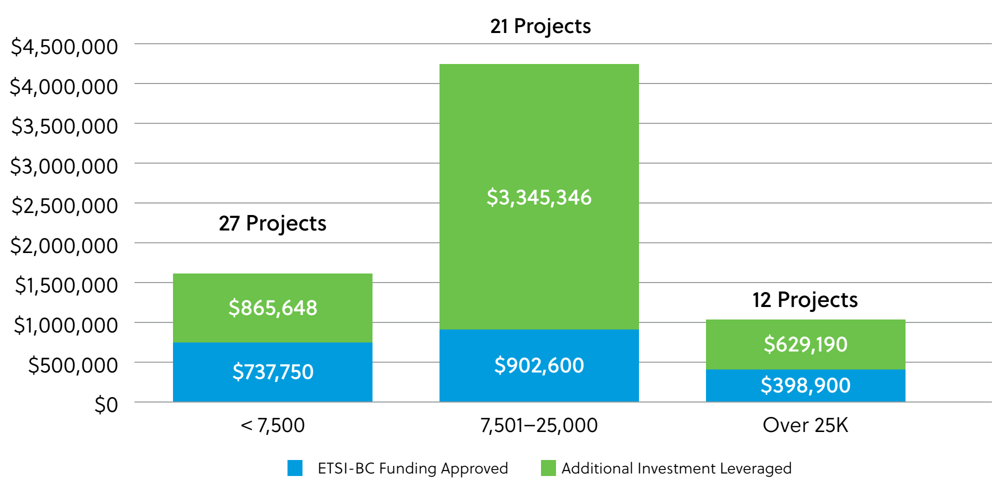
Focus on Small Communities

A key objective for ETSI-BC is to focus on smaller communities through our funding intakes. Forty-eight of the 60 Pillar 1 and 3 projects funded in FY2026 were located in communities with fewer than 25,000 residents.

Supporting Indigenous-led Economic Development

Another important objective for ETSI-BC is to support Indigenous economic development initiatives. In FY2026, ETSI-BC supported 7 Indigenous-led organizations to carry out 7 economic development projects, bringing the total since becoming ETSI-BC to 42 projects funded with 23 unique Indigenous-led organizations.

ETSI-BC Funding & Leveraging by Community Size — Pillars 1 & 3



BUILDING

Economic Development Capacity

West Kootenay Recruitment Agency Incubation Project, LCDTS

Communications Strategy for Nk'Mip Forestry, Osoyoos Indian Band

Agribusiness Workshops, Armstrong Spallumcheen Chamber

New Denver Visitor Centre Feasibility Study, Slocan Valley Chamber

For success stories of funded projects visit
etsi-bc.ca/stories

Ktunaxa Business Showcase, Ktunaxa Nation Council

Agrifood Incubator, Fields Forward Society

Columbia Valley Film Coordinator,
Regional District of East Kootenay

PILLAR 2

Supporting Business Resilience & Competitiveness

In FY2026, ETSI-BC supported two key initiatives to assist our region's businesses to be more resilient, competitive and expand their markets.

Ascend BC

Ascend BC, delivered by Accelerate Okanagan in partnership with KAST (Kootenay Association for Science & Technology) and CIBA (Central Interior Business Accelerator) with support from ETSI-BC, PacifiCan, and Innovate BC, is strengthening British Columbia's Interior innovation ecosystem by helping high-potential, high-growth companies access mentorship, strategic project funding, and leadership development opportunities. The program helps founders address common scale-up barriers such as accessing experienced advisors, building scalable operational systems, and preparing for investment and market expansion. In FY2026, Ascend BC supported 75 SMEs through the ThreeSixty, Delta and OFFSITE programs. These programs helped generate $20 million in revenue growth, $5 million in export sales growth, and $8 million in incremental investment.

“We are deeply grateful to ETSI-BC for your vision and responsiveness in launching this initiative, and for your ongoing partnership with Export Navigator. It has made a meaningful and measurable difference in the Southern Interior’s export ecosystem.”

—Michael Hoher, Amber Hunter, Raeanne Anderson
Export Navigator

Market Diversification (MDF)

The MDF program was introduced in FY2026 to assist businesses in expanding their exports in response to US tariffs. MDF funding delivery partners were Accelerate Okanagan (AO), with support from the Central Interior Business Accelerator (CIBA) and the Kootenay Association for Science & Technology (KAST).

A total of $458,611 was provided to 60 companies (50 in the Thompson-Okanagan, 10 in the Columbia-Kootenay). The program was so popular that ETSI-BC doubled its planned allocation during the year. MDF funding has already provided measurable economic outcomes: over $6M in current and anticipated revenue, $2.4M in investment activity, and 124+ jobs created or maintained. The program demonstrates strong return on ETSI-BC’s investment.

SUPPORTING

Business Resilience & Competitiveness

PILLAR 3

Innovating and Advancing Key Sectors

We provided **11 Pillar 3 projects** with $526K in FY2026, exceeding our projected funding outcomes by more than 30%. These projects had a total value of more than $1.8 million and helped create or maintain 1,305 jobs.

Creston Agriculture Forum

CIBA

Small-Scale Meat Producers Association
—Southern Interior Butcher Hub Network

Community Futures Central Kootenay
—Climate Resilient Kootenay Businesses Impact Report

"We really appreciate all of the support from Paul and ETSI-BC staff. This was a very complicated project, with many other co-funders. Thank you for supporting us to complete this work, it was incredibly valuable for our agricultural community."

—Londa Morris, Manager of Finance and Operations
Kootenay Employment Services Society

INNOVATING

& Advancing Key Sectors

Bridge over Kettle River, Grand Forks, BC Content Hub

PILLAR 4

Developing Human Capital

Our strategy under Pillar 4 is to support the region's public post-secondary institutions, and contribute to collaborative research projects, including our funding partnership with Mitacs. Our funding targets were met and many entrepreneurial and research projects were realized with our support.

Entrepreneurship & Work-Integrated Learning

In FY2026, 5 of the 6 public post-secondary institutions in our region accepted our funding to carry out projects encouraging entrepreneurship and work-integrated learning.

Research Partnerships

We funded a collaborative research project between Selkirk College and College of the Rockies which we hope will help inform our program support in future, and our Mitacs partnership saw 8 projects supported with 17 units funded through 17 different industry partners.

FY2026 Entrepreneurship, WIL Funding & Research Funding

ORGANIZATION	PROJECT NAME	APPROVE FUNDING
College of the Rockies (COTR)	Social Enterprise Incubator	$12,500
Okanagan College (OC)	OC Entrepreneur in Residence	$20,000
Selkirk College	Career and Entrepreneurial Connections	$20,000
Thompson Rivers University (TRU)	Thinking Sandbox FY2026	$20,000
University of BC Okanagan (UBCO)	Multiple Projects	$20,000
Selkirk College & COTR	3 yr Research Project—Shock Value	$50,000
MITACS Funding Partnership		$45,000
		$187,500

"We really appreciate your financial support for this important [Mitacs] project, which will bring new insight into how to design, run, and further develop extended work integration programs in the Southern Interior of BC."

—Bruce Martin, Professor
Thompson Rivers University

DEVELOPING

Human Capital

"Our partnership with ETSI-BC has really helped develop the human capacity within our social innovation team. It also allows us to strengthen our relationships with our partners, and to be able to still have a really great conduit to work with students and help build their human capacity, as well as support capacity needs in the community."

—Jayme Jones, Faculty Researcher
Selkirk College

Mitacs Funding Partnership Funded Projects

Thompson Rivers University		
Iron Code	Kamloops	Image Processing Production Monitoring AI Camera
Dawson Group	Kamloops	DRM WRAP Research and Development
STEPS Society	Kamloops	Exploring Organizational Design and Interprofessional Collaboration in Team-Based Primary Care: A Qualitative Case Study in BC
Okanagan College		
On Trend Protective Wear	Kelowna	Design and Optimization of a 3D-Printed Hip Protection Pad for Integration into Clothing: Enhancing Fall Injury Prevention for Seniors Living Independently and in Long-Term Care
Selkirk College		
9 Kootenay region partners	East & West Kootenays	Social, Economic, and Environmental Resilience in Rural BC
College of the Rockies		
Kootenay Outdoor Rec Enterprises	Kimberley	Analysis of the opportunities and challenges of the gear repair centres in the Kootenays
University of British Columbia – Okanagan		
District of Peachland	Peachland	Partnerships for Watershed Governance in Peachland, B.C.
Pulp & Paper Bioalliance	Various	Repurposing industrial byproducts—wood, biomass fly ash (BFA), lime muds, and other residues into green construction materials

PILLAR 5

Creating Value for the Economic Development Ecosystem

Our support for economic development practitioner networks (EDPN) continued in FY2026, through the existing network in the Kootenay Boundary region, and the work to help establish a Thompson-Okanagan network as well. **A total of $30K in funding support** was provided to these two important initiatives. In addition, the Regional Data Portal and the Economic Dependencies Dashboard (EDD) continued to be an important resource for communities throughout our region. We were able to support **11 different networking opportunities**, including the Southern Interior Regional Economic Summit, the BCEDA Summit, and both the Association of Kootenay-Boundary Local Governments and Southern Interior Local Government Association conventions.

Artificial Intelligence—AI

The ETSI-BC AI for Economic Development Practitioners Program with **28 participants** from chambers of commerce, regional districts, and economic development organizations across the Southern Interior learned how to apply AI tools to real-world work. Through hands-on labs and practical case studies, participants are using AI to improve grant writing, reporting, communications, data analysis, and workflow efficiency while maintaining authentic voice, privacy, and policy compliance. Feedback has been very positive, with participants already creating custom AI assistants, templates, and processes they can immediately use in their communities.

CREATING

Value for the Economic Development Ecosystem


SILGA, Revelstoke


SIRES, Salmon Arm

"ETSI-BC is what is making economic development happen in this region, across this region, and is pulling economic development practitioners together to make better impact."

—Rebecca Richards, EDPN Coordinator
Kootenay/Boundary Economic Development Practitioners Network

Keeping It Rural, Kelowna

CIBA, Kamloops


SIRES, Salmon Arm

SIRES, Salmon Arm

Funding by Mandated Focus Area

FY2026 and Cumulative Funding (since inception in 2006)

Our governing legislation (the Southern Interior Development Initiative Trust Act) outlines sectors that our funding should support. Our funding has been allocated across these sectors as follows:

		Funding Approved FY2026	Cumulative Total Since Inception
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.	$373,000	$4,047,895
ECONOMIC DEVELOPMENT	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.	$1,125,959	$16,574,633
ENERGY, MINING, FORESTRY, TRANSPORT	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. Transportation includes commercial transportation services; airport hazard equipment; and heliport construction.	$22,000	$9,119,283
SMALL BUSINESS / ENTREPRENEURSHIP	Small Business includes technology and main street business enterprises and includes software development, communications; fire prevention; health care; pharmaceuticals; composite manufacturing; electronics manufacturing; retail and wholesale; micro-breweries and other business activities.	$165,000	$38,469,622
TECHNOLOGY & INNOVATION	Technology & Innovation includes knowledge creation, entrepreneurship, research, technology adoption and technology creation. It is fueled by accelerators, industry groups and other business support organizations focused on advancing venture creation and growth, as well as productivity improvements.	$813,900	$960,900*
TOURISM	Tourism includes heritage-based tourism, agri-tourism, outdoor recreation, arts, culture, and Indigenous tourism.	$495,550	$6,492,541
	Grand Total	**$2,995,409**	**$75,664,874**

*Added to our Act in FY2025

Slocan, BC

GOAL II:
Sustainable Organizational Excellence

Stewarding Trust Assets

In FY2026, the Trust's investment portfolio grew from $56.7 million to $66.1 million, exceeding the board targets. We have now rebuilt the portfolio to exceed our original endowment, providing a buffer in case markets decline. We plan to use a Distribution Quota of 5% of the prior 24-month investment portfolio balance to budget future grant allocations. Operating costs continue to be managed carefully.

Connecting with Interest-Holders

Throughout FY2026, ETSI-BC participated in EDPN events, and hosted two in-person roundtables with funding recipients and local economic development practitioners, to ensure our priorities, programs and processes remain relevant.

DRIPA Action Plan Item 4.39 and Legislative Review

In June 2025, ETSI-BC submitted its final recommendations to the Province of BC regarding the proposed changes to our Act to include First Nations in the governance of our Trust. We are proud that the recommendations were endorsed by the First Nations steering committee, Regional Advisory Committees and Board. We are participating in the Province's Working Group that is advising on the contents of the Request for Decision, which we hope will be submitted to Cabinet soon. We continue to engage with the region's First nations and look forward to working with them to adapt our Regional Advisory Committee structure to include them, once our Act has been updated.

In addition, as noted in the Executive Summary, our 5-year Legislative Review was carried out in FY2026, and the report is available to read here.

Trail, BC

Audited Financial Statements

Southern Interior Development Initiative Trust ("ETSI-BC")
Financial Statements
For the Year Ended March 31, 2026

Docusign Envelope ID: 8BB5B04A-1A23-8B8D-83E5-BCA24444562B

Southern Interior Development Initiative Trust ("ETSI-BC")
Financial Statements
For the Year Ended March 31, 2026

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Independent Auditor's Report

To the Board of Directors of the Southern Interior Development Initiative Trust ("ETSI-BC")

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Southern Interior Development Initiative Trust doing business as the Economic Trust of the Southern Interior ("ETSI-BC"), which comprise the statement of financial position as at March 31, 2026, 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, 2026, 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.

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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.

Audited Financial Statements

Report on Other Legal and Regulatory Requirements
As required by the Society Act of British Columbia, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for profit organizations have been applied on a basis consistent with that of the preceding year.

BDO Canada LLP

Chartered Professional Accountants

Kelowna, British Columbia
June 19, 2026

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

March 31	2026	2025
Assets		
Current		
Cash and cash equivalents	$ 6,169,486	$ 5,791,598
Accounts receivable	-	3,491
Temporary investments	-	2,627,226
Prepaid expenses	2,890	4,888
Current portion of development initiatives	-	105,241
	6,172,376	8,532,444
Development initiatives	-	783,666
Managed investment portfolio (Note 2)	66,140,073	56,655,026
Property and equipment	6,054	7,986
	$ 72,318,503	$ 65,979,122
Liabilities and Fund Balances		
Current		
Accounts payable and accrued liabilities	$ 722,998	$ 445,694
Fund balances		
Investment in property and equipment	6,054	7,986
Regional account fund	71,589,451	65,525,442
	71,595,505	65,533,428
	$ 72,318,503	$ 65,979,122

On behalf of the Board:

Alan Harrison ______________ Director

Paul Donald ______________ Director

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

Southern Interior Development Initiative Trust ("ETSI-BC")
Statement of Changes in Fund Balances

For the year ended March 31	Investment in Property and Equipment	Regional Account Fund	2026	2025
Balance, beginning of the year	$ 7,986	$ 65,525,442	$ 65,533,428	$ 61,048,339
Excess of revenues over expenses	-	6,062,077	6,062,077	4,485,089
Amortization	(1,932)	1,932	-	-
Balance, end of the year	$ 6,054	$ 71,589,451	$ 71,595,505	$ 65,533,428

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

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

For the year ended March 31	2026	2025
Revenue		
Income on development initiatives	$ 7,283	$ 33,062
Fees and other	-	2,243
Partner program funding	-	3,558
	7,283	38,863
Direct expenses		
Grants (Note 4)	2,870,859	1,666,818
Provision for development initiatives	76,427	-
Recovery of development initiatives	-	(368,658)
	2,947,286	1,298,160
Deficiency of direct expenses over revenues	(2,940,003)	(1,259,297)
General and administrative expenses:		
Amortization	1,932	2,594
Board costs	27,216	30,167
Program delivery and consulting fees	172,051	165,474
Insurance	9,735	6,354
Office and administration	117,543	184,677
Professional fees	42,346	45,296
Salaries and benefits	341,858	339,277
	712,681	773,839
Deficiency of revenues over expenses from operations	(3,652,684)	(2,033,136)
Investments		
Fair value re-measurement of investments	3,374,784	228,658
Gain on disposal of investments, net	844,919	990,465
Income earned	5,776,002	5,541,051
Investment management fees paid	(280,944)	(241,949)
	9,714,761	6,518,225
Excess of revenues over expenses	$ 6,062,077	$ 4,485,089

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

Audited Financial Statements

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

For the year ended March 31	2026	2025
Cash flows from operating activities		
Excess of revenues over expenses	$ 6,062,077	$ 4,485,089
Adjustments for non-cash items:		
Amortization	1,932	2,594
Fair value re-measurement of investments	(3,374,784)	(228,658)
Gain on disposal of investments	(844,919)	(990,465)
Investment income reinvested	(5,265,344)	(4,940,252)
Net loss (recovery) on development initiatives	76,427	(368,658)
	(3,344,611)	(2,040,350)
Changes in non-cash working capital:		
Accounts receivable	3,491	(3,491)
Prepaid expenses	1,998	138
Accounts payable and accrued liabilities	277,305	(95,124)
	(3,061,817)	(2,138,827)
Changes in development initiatives		
Repayments of development initiatives	812,479	662,201
	(2,249,338)	(1,476,626)
Cash flows from investing activities		
Purchase of investments	(10,638,530)	(21,515,519)
Proceeds on disposal of investments	8,000,412	12,392,903
Reinvested income	5,524,824	5,139,091
Investment fees paid	(259,480)	(198,839)
	2,627,226	(4,182,364)
Net increase (decrease) in cash and cash equivalents	377,888	(5,658,990)
Cash and cash equivalents, beginning of the year	5,791,598	11,450,588
Cash and cash equivalents, end of the year	$ 6,169,486	$ 5,791,598

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

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

March 31, 2026

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.

Fund accounting

ETSI-BC reports its activities on a fund accounting basis. ETSI-BC currently has a General Fund (with a $Nil balance), and a Regional Account 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.

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

March 31, 2026

1. Summary of Significant Accounting Policies (continued)

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.

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.

Temporary investments

Temporary investments are stated at the lower of cost and market value.

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%

Measurement Uncertainty

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.

1. Summary of Significant Accounting Policies (continued)

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 trading 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.

Audited Financial Statements

Docusign Envelope ID: 8BB5B04A-1A23-8B8D-83E5-BCA24444562B

2. Managed Investment Portfolio

The carrying amounts of investments are comprised of the following:

	2026	2025
Bonds, measured at amortized cost	**$ 20,930,229**	$ 18,687,278
Equities, measured at fair value	**35,141,958**	30,823,881
Real estate funds, measured at fair value	**3,636,340**	2,598,173
Infrastructure Fund	**6,431,546**	4,545,694
	$ 66,140,073	$ 56,655,026

Details of investment activity during the year is as follows:

	2026	2025
Opening balance	**$ 56,655,026**	$ 45,421,578
Income earned and reinvested	**5,524,824**	5,139,091
Withdrawals, redemptions, and sales	**(7,552,918)**	(11,176,167)
Deposits, contributions, and purchases	**7,552,918**	16,173,645
Gain on disposal of investments, net	**844,919**	990,465
Investment management fees paid	**(259,480)**	(117,713)
	62,765,289	56,430,899
Fair value re-measurement	**3,374,784**	224,127
	$ 66,140,073	$ 56,655,026

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

ETSI-BC uses investment managers Connor Clark & Lunn ("CC&L").

3. Comparative Figures

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

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4. Grants Payable, Returned and Cancelled

Included in accounts payable is $511,368 (2025 - $237,746) relating to grants approved and not yet paid. This amount arises from legally enforceable contribution agreements that obligate ETSI-BC to future payments upon the completion of funded projects.

The difference between grants approved and grant expense is reconciled as follows:

Grants approved	$ 2,995,408
Grants outstanding from prior years	237,746
Total grants approved	$ 3,233,154
Grants disbursed current year	$ 2,636,771
Current year grants cancelled	35,015
Prior year grants cancelled	50,000
Total grants disbursed and cancelled	2,721,786
Grants outstanding	511,368
Total grants disbursed and payable	$ 3,233,154
Grants Payable at March 31, 2026	
Carried forward from prior years	$ 55,000
Approved in current year	456,368
Total Returned and Cancelled Grants	$ 511,368
Grants approved	$ 2,995,408
Grants cancelled	(85,015)
Grants recovered	(23,542)
Pillar 5 registration fees	(15,992)
2026 Grants	$ 2,870,859

Grants were either returned because the recipient did not utilize all the funds to complete their funding objectives or were cancelled as the recipient did not meet the funding requirements.

5. 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) 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 is comprised of interest rate risk and other price risk.

(i) 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.

(ii) 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 rate 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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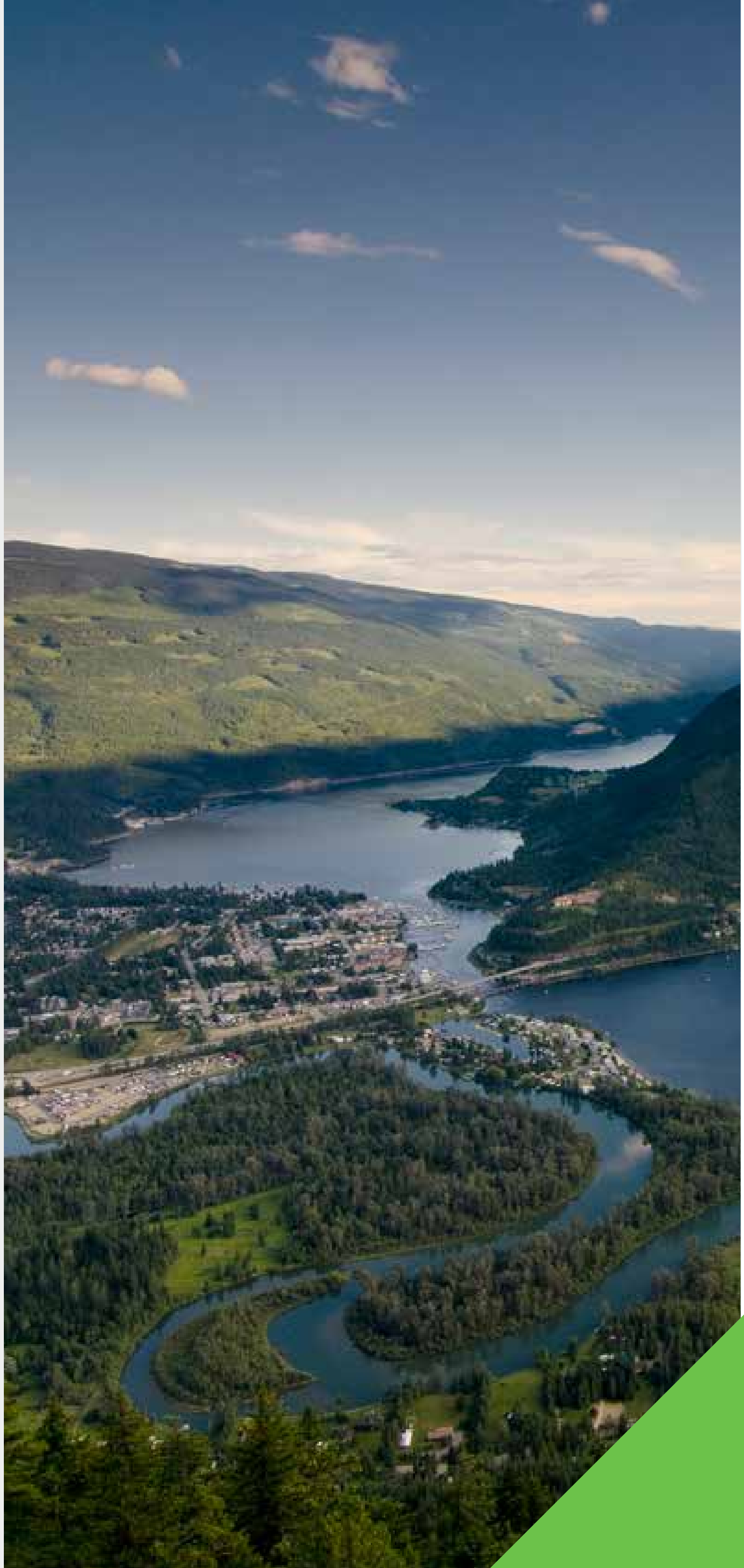

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