



HOSTELLING INTERNATIONAL
CANADA
PACIFIC MOUNTAIN REGION
ANNUAL REPORT 2012



ENDS POLICIES

A community of travellers, when experiencing people, places, and cultures in Western Canada and the world, have as many genuine hostelling options as the organization can sustain.

Members and travellers can experience Pacific Mountain Region's unique geographical and cultural landscapes through a network of strategically-located hostels.

Members and travellers in the Pacific Mountain Region can participate in a genuine hostelling experience.

VISION STATEMENT

The Western Canada market leader in the provision of high quality, affordable and innovative network of hostelling accommodation and programs.

VALUES STATEMENT

Community

As good neighbours we will share with and contribute to our communities through learning, participation, volunteerism, and inclusion.

People

As an open, collegial organization, everyone will be treated with consideration, respect, dignity, and fairness and will have opportunities to influence strategic direction and to participate in the governance process.

Operational Excellence

As a responsible and responsive organization, we will strive for operational excellence to ensure financial sustainability and growth.

We will be leaders and innovators in the hostelling community committed to "finding a better way".

Service Philosophy

Our success begins and ends with our guests and members. It is up to us to have an impact that enriches their travelling adventures.

Work Environment

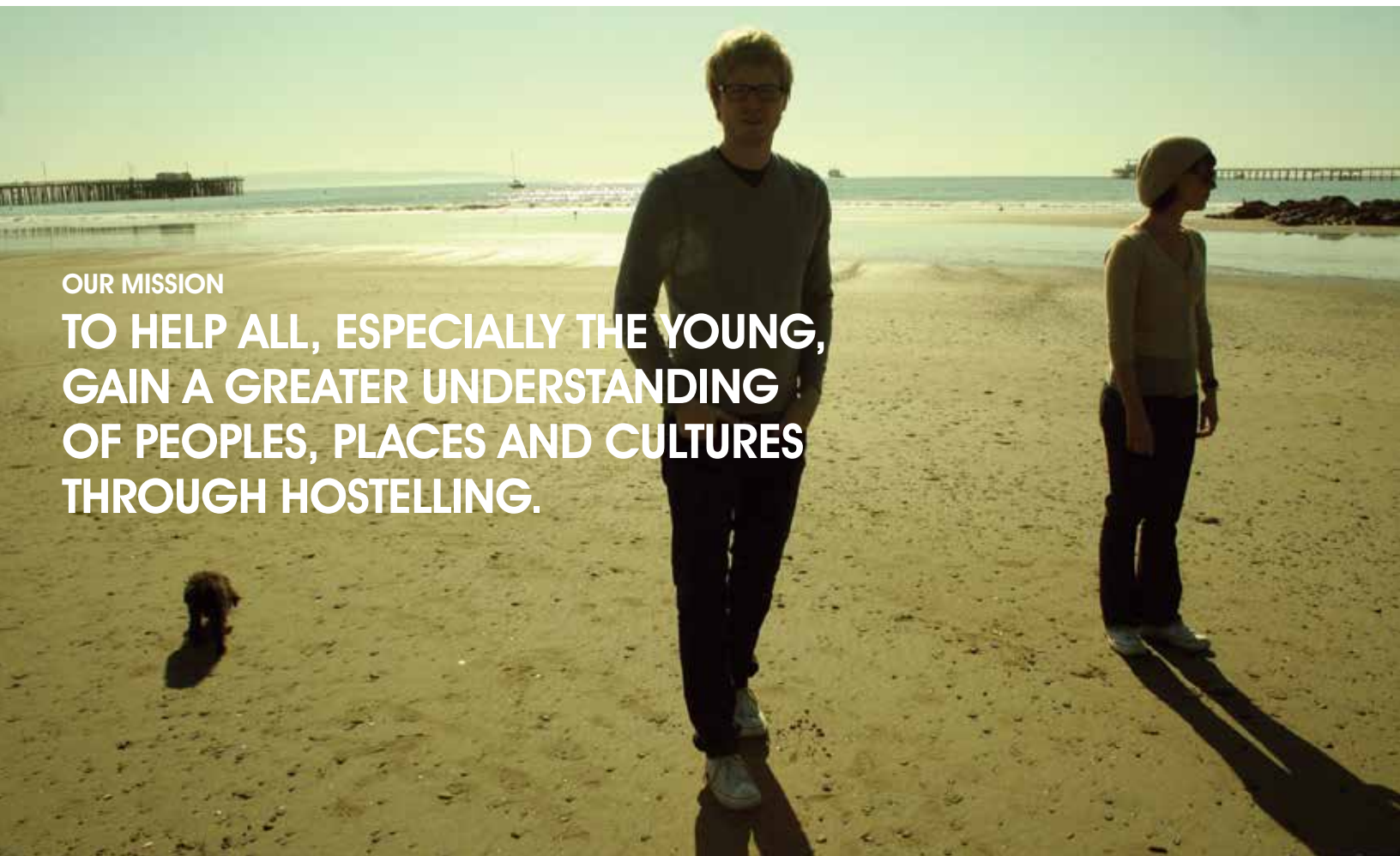
We provide an open and supportive work environment where honesty and constructive opinions are encouraged at all levels. We believe that empowering people leads to great things, including a work environment that people feel fortunate to be a part of.

Environment

Our philosophy of being kind to the earth lives through our environmentally responsible operations and through our education of guests, members and staff.

OUR MISSION

**TO HELP ALL, ESPECIALLY THE YOUNG,
GAIN A GREATER UNDERSTANDING
OF PEOPLES, PLACES AND CULTURES
THROUGH HOSTELLING.**



MESSAGE FROM THE CHAIR

It has been a pleasure to serve as the Chair of your volunteer Board of Directors over the past year. The Board has worked as a cohesive team to ensure that the Association is governed in an effective manner on behalf of our members. We welcomed two new Directors to the Board in September 2011 and both Sue Willgren and Murray Lightle have already made significant contributions to the work of the Board. We're sad to see Alastair Campbell retire from our Board at the 2012 AGM after six years of exemplary service to you, our members. We wish Alastair the best in his second retirement!

We have been very busy this past year working on a number of initiatives and I am pleased to report that we have made substantial progress in the governance of the Association on behalf of our members. Linking with the grass roots on governance issues is an important role for the Board in a member-based organization and one that we have taken to the next level over the past year. We engaged with our members both through a comprehensive survey and through six focus group sessions across the region, and we also offered a videoconference forum. We will use this valuable feedback to set the future direction for hostelling in our region. We thank all those members that participated in this process during the past year.

Our Board of Directors is elected by the membership to two-year terms. Over the course of the past year we have worked to shift the voting process from a paper based mail-in ballot to an electronic voting system that we hope will allow more members to participate. Whether you are at home in Calgary or travelling through the outback of Australia, voting will now be a simple, secure and environmentally friendly click away! We hope more members take the time to vote for their governance leadership.

Finally, as a leader in HI-Canada, we continue to strive to improve the functioning of the network and the effectiveness of our national organization. We have worked and will continue to work with our regional partners to ensure that the way we do our work across Canada makes sense in today's environment. We continue to make significant contributions to national projects both at the governance and operational levels.

I hope that you will join me in participating in a genuine hostelling experience at one of our many unique and special hostels in the Pacific Mountain Region.

Sincerely,



Peter Nietresta

Chair
Hostelling International-Canada
Pacific Mountain Region



MESSAGE FROM THE CEO

This Annual Report looks at the many achievements and challenges we have experienced over the past year and at the new beginnings planned. The report this year has expanded and provides a new look at the Association. Your Board of Directors and staff have had a busy year working hard for you our members, our staff and our guests.

The ongoing effect of the global economic downturn and the strong Canadian dollar continued to impact negatively on our occupancy levels particularly in our resort locations and urban centres. We started to see a reversal in the beginning of 2012 in our Alberta properties with the Alberta economy starting an earlier rebound. We continued to see an increase in hostel usage by Canadians, which resulted from regional marketing initiatives and the provincial government's marketing of stay-home vacations.

As a not-for-profit organization any surpluses are re-invested into hostel upgrades, network expansion and benefits for our members and guests. We also re-invest all funds earned at our two Alberta casino licences, which are heavily staffed by our members volunteering their time, in capital projects at the Alberta hostels.

NATIONAL & INTERNATIONAL INVOLVEMENT

We continue to operate under the Association Ends policy, which cascades down to a five-year strategic plan and individual hostel business plans that are updated on an annual basis. We continue to be involved in many fronts on the national and international hostel association levels. A new role this year is our Director of Partnerships acting as HI-Canada's sustainability representative with Hostelling International. I sat on an international e-membership project, and we continue to be involved in national work groups both at the operations and board levels.



SUSTAINABILITY & NEW PROGRAMS

Sustainability initiatives are becoming more of a focus for our association. Three years ago we carried out a study on our greenhouse gas (GHG) emissions across the region and our business and capital plans now take into consideration how we can reduce these GHG levels, and not only look at environmental sustainability but financial and social sustainability as well. The HI-Canada network adopted a new sustainability charter in June 2012. We had two association members (our Board Chair and Director of Partnerships) sit on the national workgroup that created the charter. Our Director of Partnerships also represents HI-Canada on an international sustainability workgroup.

We launched two new exciting social projects this year, which are further detailed in this report. At HI-Vancouver Jericho Beach, a not-for-profit cooking school leases out the hostel's café to provide chef classes to at-risk youth, and also operate the café for hostel guests. Over in the Rockies, through a partnership with the Paraplegic Association and Parks Canada, HI-C-PM Region's wilderness hostels are welcoming participants in the first handcycle tour down the Icefields Parkway between Jasper and Banff. Read about these exciting projects in the Sustainability and Partnerships sections of this report.

We also continue our involvement in the international level of hostelling especially with our North American partners, HI-USA, and our South Pacific partners, YHA Australia and YHA New Zealand. In October 2011, we signed an agreement with the Bavaria Region of the German Hostelling Association and will be exchanging information on many topics from sustainability initiatives, educational programs, marketing initiatives and general operational issues.

VOLUNTEER SUPPORT

I would like to thank those volunteers across the region who have donated over 8,000 hours of their time, their talents and their stories to our region at the hostels, in the regional office and at special events—**a big thank you.** You have made the experience of our fellow members and guests from around the world a most memorable one. You have made a difference in their lives. Be proud of that.

Last year in this letter I paid particular thanks to volunteer Erik Graff. This year I am pleased to announce that Erik was recognized and awarded the prestigious WorldHost Customer Service Award from the BC Tourism Industry. This fantastic achievement only goes to one person each year in recognition of their outstanding contribution to enhancing the travel experience for visitors to British Columbia. This is the first time someone from the hostelling world has won this award. Congratulations, Erik!

With this devotion by our volunteers and our staff, we make a difference. Through you, we continue to inspire people here and around the world toward greater awareness, compassion and connection with each other, the Earth and its cultures. We believe that when members and travellers connect with each other in meaningful ways across cultures, belong to a global community with shared commitment and have the tools necessary to take action, they can and will make a significant and sustainable difference in our world.

I look forward to meeting you in my travels across our region this year.

A handwritten signature in dark ink, appearing to read 'Alistair McLean'.

Alistair McLean

CEO

Hostelling International-Canada
Pacific Mountain Region

OUR HOSTEL NETWORK



See a playlist of our videos on YouTube.

OUR HOSTELS

From mountain valleys to bustling city streets, HI-C-PM Region's hostels can be found among all the varied landscapes a traveller can find throughout this part of Canada. The smallest hostel has room for only six hostellers, while the biggest can sleep 258. Across the region at peak season, HI-C-PM's 30 hostels can accommodate 2,076 travellers every single night and provide each of them with a comfy bed, quality amenities and friendly, passionate customer service. And, a lot of the time, not a bad view to boot.

Our hostels in Western Canada's urban centres give travellers access to vibrant citylife right out the front door, while at any of our 12 hostels in the region's National Parks, don't be surprised to find wildlife just outside the front door. Whatever kind of life you're after, our hostels can get you in the thick of it, with costs minimized and experiences maximized.

Twenty-two hostels in the region are owned and operated by HI-C-PM Region, while the remaining eight are privately owned. All revenue generated by the Association goes directly back into strengthening this hostel network and to improving the services we offer to every single one of our guests—up to 2,076 of them at a time.

OUR HOSTELS IN ACTION

Over the past year, HI-C-PM Region developed a series of web videos that promote the hostel network and the beautiful part of Canada they call home. These videos tie together the images that exemplify the hostel experience with music and commentary from staff and guests. These videos do what words and images alone can't, and are easily shared across various digital channels.

The HI-Wilderness Hostels video was filmed over a weekend and not only highlights the wilderness hostels along the Icefields Parkway, but it also features hostellers in the midst of cycling this iconic route. Between shots of this group enjoying the hostels and cycling before a mountain backdrop, these cyclists talk about how perfect the wilderness hostels are for their outdoor pursuits.

A playlist of videos featuring hostels in Vancouver, Whistler, Edmonton, Jasper, Lake Louise, Banff and Calgary is already up and running on YouTube, and more will be added in the future. View them all at youtube.com/user/hostelscanada

HI-Calgary City Centre,
2011/2012 recipient of the Ivy
Devereux Award for best hostel
in the HI-Canada network.



HI-CALGARY CITY CENTRE

This year, HI-Calgary City Centre won HI-Canada's *Ivy Devereux Award* as the network's best hostel with over 10,000 overnights. Not bad, but perhaps not that surprising, considering Calgary was where the idea of hostelling in Canada was born in the minds of Mary Belle and Catharine Barclay almost 80 years ago, and considering HI-Calgary City Centre was Canada's first purpose-built urban hostel when it opened 36 years ago. The staff there know what they're doing, and that's reflected in the hostel's continued high praise for its customer service.

In fact, HI-Calgary City Centre's online feedback scores are consistently among the highest in the network, and on hostelworld.com the hostel has received the monthly top-rated award for the entire country several times this year. Across hostel rating websites, like hihostels.com and hostelworld.com, cumulative reviews from past guests put the overall rating of the hostel at 85–88%, and the friendliness of staff alone between 91 and 92%.

Behind the scenes, HI-Calgary City Centre's high marks continue and after 2011's HI inspections, the hostel was the fourth highest rated in the HI-Canada network, marking a 3.3% improvement over 2010.

But the hostel's success, and positive feedback from guests, hasn't come without obstacles. Over the years, the hostel's prime downtown location suffered a bit of

a decline. Hostel manager Jason Wong worked closely with City staff and the police to improve the ambience around not only the hostel but the surrounding neighbourhood as well. Brighter lighting was added to the park area adjacent to the hostel and shrubs were trimmed back. Landscaping work was done in the hostel's backyard, and a covered deck and BBQ area were added to maximize the hostel's outdoor space for guest enjoyment.

HI-Calgary City Centre enjoyed a few years without a competitor hostel in the downtown core, but that ended in 2010 when a competitor opened up shop nearby. Still, HI-Calgary City Centre maintained market share thanks to the hard work by Jason and his team. To stay ahead of members and guests expectations, staff enhanced member discounts around Calgary, and introduced a free pancake breakfast for guests. The hostel's high rankings and consistent positive feedback have only increased.

Today, the future of HI-Calgary City Centre is uncertain. The lease on the property expires in January 2015. The Association recognizes a hostel in Calgary is crucial to the network, not only as a gateway to the hostels and adventures in Banff National Park and beyond, but also as an important symbol of Canada's strong hostelling history.

HOSTEL HIGHLIGHTS

PROPERTY UPGRADES & UPDATES

HI-C-PM Region places a high priority on enhancing the guest experience through improved facilities and preserving the value of the Association's physical assets. These capital improvements are paid for by revenue generated through operations and by funds generated through the HI-K100 race, casino licenses and government grants.

HI-JASPER & HI-BANFF ALPINE CENTRE

The water-heating boilers were replaced at both properties, effectively improving customer service by providing more reliable hot water. Additional benefits come from the system's improved efficiency, which reduces the hostel's impact on the environment and operating expenses.

HI-VICTORIA

The flooring was replaced throughout most of the property and all walls and ceilings were painted. These improvements were made according to an interior design program developed by a designer that has worked on other properties including HI-Whistler.

HI-VANCOUVER CENTRAL

The interior of the facility was painted, which has significantly brightened and modernized the hostel. There are plans to replace the flooring in the common areas and rooms in the next fiscal year.

HI-WHISTLER

Cheaky's Café, which is operated by the Association on the main floor of the hostel, was granted a food primary liquor license. Beer and wine sales combined with an expanded menu resulted in the doubling of sales. Next year the intention is to license the extensive patio space at the south end of the building.

HI-CALGARY CITY CENTRE

Last year it was reported that the lease for HI-Calgary City Centre, which expires in December 2015, would not be renewed. The Association continues to work on addressing this key strategic issue and is confident that a resolution will be in place so that HI-C-PM Region's operations in Calgary will not be interrupted.



HI-Banff Alpine Centre

REGIONAL OCCUPANCY & PERFORMANCE

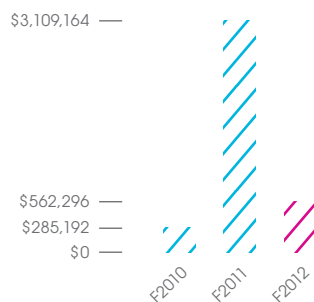
The tourism industry continued its sluggish performance in Western Canada and the hostelling sector was not immune. In Fiscal 2012, HI-C-PM Region recorded 379,529 overnights, a decline compared to the 387,487 accommodated the previous year. This is a 2% decrease. Despite the overall decline, there were some bright spots. A number of hostels posted improved overnight numbers including: HI-Whistler, HI-Vancouver Downtown, HI-Calgary City Centre and HI-Edmonton. Some smaller properties that saw increases were HI-Castle Mountain Wilderness Hostel, HI-Nordegg, HI-Mount Edith Cavell Wilderness Hostel and HI-Beauty Creek Wilderness Hostel.

FINANCIAL PERFORMANCE

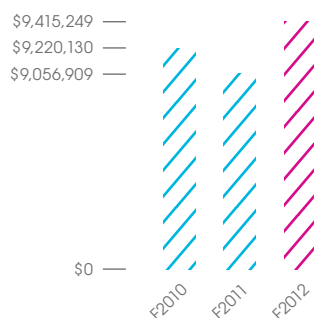
From all of the HI-C-PM Region's operations, net revenue of \$11,757,295 was recorded in Fiscal 2012. However, the Association posted a net deficit of \$562,926 due to a significant depreciation expense of \$1,411,707. Adding back this non-cash expense, the organization achieved positive cash flow of \$848,781. It is also noteworthy that there was an increase of \$336,000 in cash and cash equivalents versus the previous year.

Net Surplus vs Total Revenue

Net Surplus (Deficit)



Overnight Revenue



Overnights

Alberta

🏠 = 50,000

F2009	216,573	🏠 🏠 🏠 🏠 🏠 🏠
F2010	195,242	🏠 🏠 🏠 🏠 🏠 🏠
F2011	188,455	🏠 🏠 🏠 🏠 🏠 🏠
F2012	190,235	🏠 🏠 🏠 🏠 🏠 🏠

British Columbia

🏠 = 50,000

F2009	194,891	🏠 🏠 🏠 🏠 🏠 🏠
F2010	183,121	🏠 🏠 🏠 🏠 🏠 🏠
F2011	199,392	🏠 🏠 🏠 🏠 🏠 🏠
F2012	189,294	🏠 🏠 🏠 🏠 🏠 🏠

Regional Total

🏠 = 50,000

F2009	411,464	🏠 🏠 🏠 🏠 🏠 🏠 🏠 🏠 🏠 🏠
F2010	378,363	🏠 🏠 🏠 🏠 🏠 🏠 🏠 🏠 🏠 🏠
F2011	387,847	🏠 🏠 🏠 🏠 🏠 🏠 🏠 🏠 🏠 🏠
F2012	379,529	🏠 🏠 🏠 🏠 🏠 🏠 🏠 🏠 🏠 🏠

Average Occupancy

🏠 = 15%

F2009	62.6%	🏠 🏠 🏠 🏠 🏠 🏠
F2010	53.7%	🏠 🏠 🏠 🏠 🏠 🏠
F2011	55.0%	🏠 🏠 🏠 🏠 🏠 🏠
F2012	53.2%	🏠 🏠 🏠 🏠 🏠 🏠



SHOWN GROWTH
OVER LAST YEAR

EXPERIENCED DECLINES
FROM LAST YEAR

% of total international
market

OUR GUESTS—CANADIAN MARKET

While international visitors continue to generate the majority of HI-C-PM Region's total overnights, the Canadian market has steadily shown modest increases, particularly from Ontario residents. In Fiscal 2012, the Canadian market made up 35.3% of the Region's total overnights, up 0.5% over the previous fiscal year.

The area showing the strongest growth is Canadian Groups, accounting for a 13% increase in total group bookings over last year.

OUR GUESTS—INTERNATIONAL VISITORS

Germany, the region's number one inbound market has shown tremendous growth in previous years. In contrast to its 14% increase last year, Germany generated 0.6% fewer overnights this year over last year. Despite this performance, Germany still represents 16% of the total international visitors to the region. France, New Zealand and Switzerland also posted solid increases in overnights this year. Most notably, China posted an impressive 58% increase in total overnights in BC and Alberta. In contrast, the strong Canadian dollar continues to negatively impact overnight visits from the UK, the US and Japan.

CANADA'S TOP 15 OVERSEAS MARKETS

16%	Germany
14%	Australia
7%	USA
5%	France
5%	UK
4%	Switzerland
3%	Japan
3%	Ireland
3%	Korea
2%	New Zealand
2%	Netherlands
2%	Spain
1%	Sweden
1%	Brazil
1%	China

ONLINE PRESENCE

Internet bookings are increasingly important for the region, now accounting for nearly 47% of total overnight revenue. Bookings on **hihostels.ca** showed modest growth but hostels saw significant increases in bookings through third-party websites like **Hostelworld**, **Hihostels.com** and **Hostelbookers**.

	2010	2011	2012
Overnight Revenue from Online Sources	\$3,535,644	\$3,839,466	\$4,399,063
Total Overnight Revenue	\$9,288,328	\$9,652,083	\$9,454,849
Percentage of Overnight Revenue Generated Online	37%	40%	47%

PROGRAMS

Hostels are as much a place to spend a night as they are a place to have fun and meet good people at the same time. To make that a whole lot easier, hostels around the region offer regular programs and activities to guests, which not only make for good times and new friends, they also give visitors some insight about where we live and how we roll.

Hockey games, summer BBQs, walking tours, pub crawls and pancake breakfasts are all routine at HI-C-PM hostels. Here are some of the newest activities to catch hostellers' eyes this year:

Penticton

Over the last twelve months HI-Penticton has added two new programs to its roster, which allow guests to experience the bountiful Okanagan fruit-growing season. **Fruit for the Taking**, running during July and August, and **On the Loose**, between June and September, are both tours to various orchards in the area where guests can feast on the delicious fruit.

Vancouver

Two new activities are getting good attendance and great reviews at Vancouver hostels. At **Dinner Night at HI-Vancouver Downtown**, a chef comes in once a week to show guests how to make a new recipe (and they get to eat it and meet new people to boot). HI-Vancouver Central is now hosting a new karaoke party in the hostel kitchen every Sunday night, and must be drawing in some pretty good singing chops because people keep showing up and having a good time.



Erik's Tour

OUR MEMBERS

Hostelling International runs on the support of its members, and to show our appreciation of that support, it's important that the value of an HI-Membership continues to expand. This year, HI-C-PM Region's membership department focused on development within HI-Canada's National Strategic Plan for membership. A three-year plan was developed that will influence how the membership's value will be enhanced over the next three years.

Sales training benchmarks were established by taking an inventory of current training methods, which will allow for future recommendations. A database of Membership Sales Agents was launched as part of the HI-Canada website as well, which makes it easier for non-members to find out where they can buy HI-Memberships in person across the country.

MEMBERSHIP

At the end of Fiscal 2012, HI-C-PM Region had 21,221 members in British Columbia, Alberta and the Yukon, representing a 3.2 percent decrease in the region's membership base over the previous year. Online sales dropped quite sharply this year by 20 percent, but this dip was offset by very strong sales of memberships by Greyhound agents.

Just about six percent of Canadian members joined or renewed online at www.hihostels.ca, 10 percent joined through MSAs and the remainder purchased their memberships at a hostel.

In response to declining online sales, HI-C-PM Region is playing a vital role in the redevelopment of the HI-Membership's web presence. This overhaul will better represent the membership's value to website visitors in an effort to encourage more online sales.

MEMBERSHIP TYPE	2010/2011	2011/2012	% CHANGE
Adult Members	14,495	13,582	-6.3%
Youth Members	1,323	1,252	-5%
Lifetime Members	5,897	6,161	4.5%
Group Members	220	226	2.7%
Total Regional Members	21,935	21,221	-3.2%

INDUSTRY PARTNERSHIPS

The region's membership staff are constantly working to build new relationships throughout the regional travel industry. These partnerships come in the way of discount partners or membership sales agents (or sometimes both!), and serve to boost the value of the membership and expand the HI network by making membership more valuable and accessible across the region.

PARTNER SPOTLIGHT: SNOWBUS

Snowbus provides bus service between Vancouver and Whistler for skiers, snowboarders and their gear during the ski season. Since joining the HI member discount family, they not only offer their student rate to all HI members, but they also offer hostel-to-hostel service between HI-Vancouver Central and HI-Whistler, which encourages hostel use among non-local Snowbus users. The Vancouver hostels' front desk staff are able to book Snowbus tickets directly for guests. This partnership exposes both the hostel network and the HI-Membership to a key demographic during an important season in this area.

PARTNER SPOTLIGHT: FLIGHT CENTRE

Flight Centre works with HI-C-PM Region on two levels—both as a Membership Sales Agent and as a discount partner. Travellers booking flights or tours with the popular travel agent can also purchase an HI-Membership at the same time. They can also use that membership to get a discount on domestic and international flights as well as a number of targeted tour products.

Flight Centre has launched a dedicated HI landing page at flightcentre.ca/hotels/hostels to promote the membership and its perks.

This year, a training program was rolled out to all Flight Centre locations in the Pacific Mountain Region, to ensure staff were familiar with the membership and its perks. For every HI-Membership sold through Flight Centre, HI-Canada donates \$1 to the Make-a-Wish Foundation.

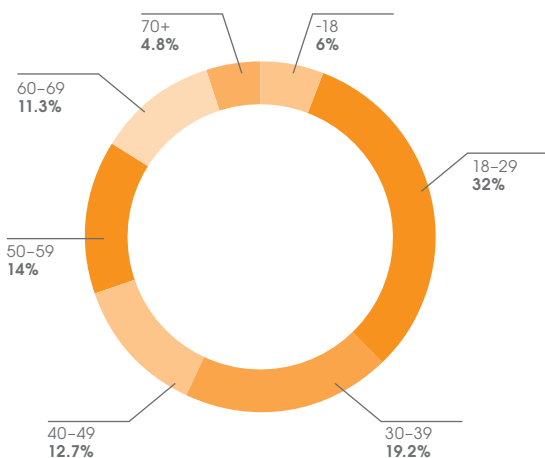
FLIGHT CENTRE *Unbeatable*

MEMBERSHIP SALES AGENTS

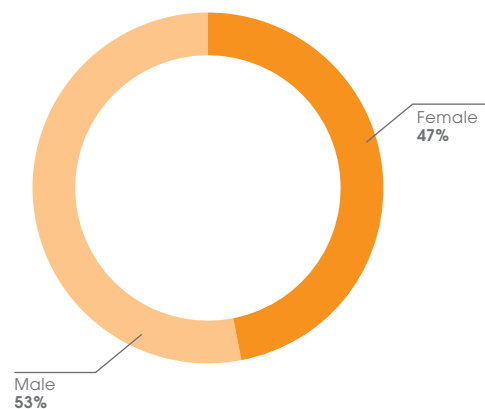
A widespread network of Membership Sales Agents (MSAs) continues to promote the HI-Membership to a big portion of the Canadian travel market. Outlets like Flight Centre, Mountain Equipment Co-op, Travel CUTS and others sell memberships directly from their stores. This year, an online database of these sales agents was launched at www.agents.hihostels.ca, making it easier for non-members to search for a nearby sales agent by town, province or postal code.

ON-THE-GROUND MEMBERSHIP MARKETING

Getting the word out about the HI-Membership is just as important as ever. This year, HI staff spread the travel word at the Flight Centre Travel Expo, which attracted 6,000 eager travellers, as well as at the Adventure Travel Show, which drew in 17,600 aspiring adventurers.



MEMBERSHIP BREAKDOWN—AGE



MEMBERSHIP BREAKDOWN—SEX

IN THE COMMUNITY



HI-WHISTLER SETTLES IN TO ITS NEW COMMUNITY

On July 1, 2011, HI-Whistler turned 1 and already in its short life, the hostel has become an important player in the Whistler community. To mark its first birthday (which it shares with Canada), the hostel hosted an outdoor Canada Day pancake breakfast for guests and the rest of the neighbourhood.

That month the hostel also connected with the outdoorsy ways of its neighbourhood and sponsored one of the Whistler Off-Road Cycling Association's (WORCA) Toonie race, by providing a venue for the event and food for the 200 participants, making it a great opportunity for locals to check out the hostel.

HI-Whistler also organized a neighbourhood clean-up day where staff and helpers picked up garbage around the neighbourhood surrounding the hostel.



Neighbourhood clean-up day at Whistler

DIGITAL COMMUNITIES

An engaged community is a happy community and HI-C-PM Region continues to engage its members through regular member communications via the regional blog, Backpacker Buzz, and its monthly companion e-newsletter, as well as through the mail in the region's six-page section in every issue of Outpost magazine, a subscription to which is included in every adult and lifetime membership.

The Backpacker Buzz Blog saw 14,359 unique visitors over the year, many of whom are directed to the blog through the monthly e-newsletter, which forwards new and interesting blog posts to 22,000 subscribers, over 90% of which are current or former HI members.

Backpacker Buzz stories and blog posts are also shared through the region's social media channels like Facebook and Twitter. Backpacker Buzz has 623 fans on Facebook, while the region's HI-Membership page has nearly 1,000. On Twitter, HI-C-PM Region's feed, @hostelscanada, has 960 followers, who receive regular short updates about what's going in the world of HI. Many hostels run their own Facebook and Twitter profiles as well (HI-Banff Alpine Centre has 1,674 Facebook fans and 669 Twitter followers!).

On the print side of things, Outpost magazine goes out every two months to over 8,500 current HI members. HI-C-PM Region contributes six pages of content to every issue, which covers travel stories and information focusing on the region, Canada and the global HI network.



2011 RACES

HI-C-PM Region's annual fundraising races attracted runners around Alberta again this year, thanks to the help of committed (and much-appreciated) volunteers and sponsors. Over the course of the race season, over 500 people volunteer their time. To all of the volunteers, thank you very much for your time. Thank you also to all of the sponsors and, in particular, BDO, Gord's Running Store and Big Rock, all of whom support all of the races throughout the season.

Spring Trio 5/10/15km—April 11, 2011

Our numbers were down a bit this year, likely because we had to shift dates to accommodate Easter and a conflicting event on our usual weekend. However, we had beautiful weather and enough runners to make it worthwhile.

Kananaskis 100 Mile Relay Race (K-100)—June 25, 2011

This was the 25th anniversary of the K-100 and we had a beautiful day for it. In honour of the anniversary, we developed a video slide show of photos and film from over the relay's 25 years. We also had a live band at the post race event at Nakiska sponsored by Big Rock.

Banff Ekiden Relay—October 15, 2011

The third year of HI's revival of the Banff Ekiden Relay went very smoothly with a 15% increase in teams over the previous year. Word seems to be spreading that this event is back on the calendar and we look forward to continued growth.

Last Chance Half Marathon—November 13, 2011

We filled our 500-person cap earlier than ever in 2011, with the race full almost one month ahead. As is often the case, pathway construction forced some last-minute changes to the route but feedback was very positive. The weather cooperated once again for this late-season race with temperatures hovering around 8°C.

OUR PEOPLE

CONNECT

HI-C-PM Region spans two provinces, hundreds of kilometres and two time zones so keeping the region's 275 staff members connected with one another can be a bit of a challenge. That's why CONNECT was launched. This online intranet site allows staff members to log in to access important administrative forms, connect with staff at different hostels, share ideas and learn about what's happening elsewhere in the region. This password-protected website also hosts an image gallery and document library so hostel management can quickly and easily refer to organizational policies or download the perfect image or logo for an in-house poster.

This site is essentially a regional social media site and taps into the digital savviness of staff in the region, while encouraging dialogue, collaboration and an open-door atmosphere—all crucial components of the region's values.





LENGTH OF SERVICE RECOGNITION

5 years

- **Tierry Simard**, Maintenance
HI-Lake Louise Alpine Centre—01 April 2006
- **Anthony Brook**, Alberta Groups
HI-C-PM Regional Office—07 April 2006
- **Mike Semproni**, Assistant Hostel Manager,
HI-Vancouver Central—27 April 2006
- **Nora Zelaya**, Housekeeping
HI-Vancouver Central—27 April 2006
- **Dany Monast**, Night Audit
HI-Calgary City Centre—10 May 2006
- **Lydia Simpson**, Membership Assistant
HI-C-PM Regional Office—19 June 06
- **Sarah Nhung**, Front Desk Agent
HI-Calgary City Centre—06 July 2006
- **Jenny Huang**, Accounting Assistant
HI-C-PM Regional Office—2 July 2006
- **Aaron Poirier**, HR Director
HI-C-PM Regional Office—09 September 2006
- **Rory Kelly**, Assistant Hostel Manager
HI-Edmonton—18 September 2006
- **Micah Hermesmann**, Programming Coordinator,
HI-Vancouver Central—11 October 2006
- **Andrea Lukic**, Front Desk Agent
HI-Vancouver Central—23 March 2007

15 years

- **Marcel Meunier**, Housekeeping
HI-Vancouver Downtown—17 May 1996
- **Merima Cupina**, Housekeeping Supervisor,
HI-Vancouver Central—13 June 1996
- **Keith Luciw**, Hostel Manager
HI-Vancouver Central—2 January 1997

PROMOTIONS & NEW POSITIONS

- **Liephea Prum**, Groups Reservations Agent
HI-Central Reservations—August 2011
- **Ryan Murfitt**, Assistant General Manager
HI-Lake Louise Alpine Centre—January 2012
- **Emilie St. Pierre**, Assistant Manager
HI-Jasper—April 2011
- **Sparrow Baranyai**, Hostel Manager
HI-Nordegg—May 2011
- **Doug Ross**, Assistant Manager
HI-Vancouver Downtown—June 2011
- **Marc Belair**, General Manager
HI-Whistler—September 2011
- **Joanne Okey**, Assistant General Manager,
HI-Whistler—October 2011
- **Brendan Ward**, Hostel Manager
HI-Athabasca Falls Wilderness Hostel—October 2011

DID YOU KNOW?

HOSTELCAREERS.CA STATISTICS

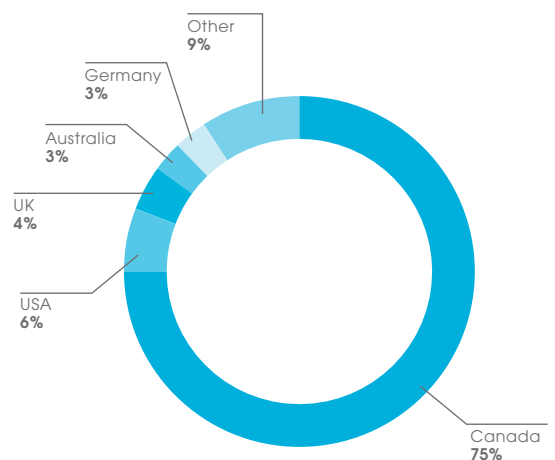
Hostelcareers.ca is the central jobs site for employment opportunities throughout HI-C-PM Region. There, visitors can view and apply for jobs, read about the benefits of employment with HI-C-PM and check out profiles of current employees.

In Fiscal 2012

- 23,979 unique visitors came to the site
- from 129 different countries
- 159,735 page views

TRAINING STATISTICS

- 33 employees from 12 hostels participated in **fundamental skills training for managers and supervisors** in October 2011.
- 79 employees from all levels participated in the **Association Learning & Development Needs Assessment**.
- 63 employees were certified in **First Aid/Emergency CPR**.



SITE VISITORS BREAKDOWN

SPOTLIGHT ON ORIENTATION

For HI-C-PM Region to fully realize its mission and vision, it's vital that new employees have an understanding of our operations, what is expected of them and how their work contributes to the organization. The region's new employee orientation program is the product of focus groups and pilots at HI-Banff Alpine Centre, HI-Vancouver Central, HI-Whistler and HI-Vancouver Jericho Beach during which 43 employees offered their feedback on the pilot project. Since its inception, 47 new hires have successfully completed the program.

This orientation program empowers individuals to see the full picture of the Association and encourages new employees to understand how the goals of the Association mesh with their own role as an employee. Orientation for all employees is completed through activities in the Orientation Passport. Each of the self-guided modules has specific performance objectives and may be completed in a group or one-on-one.

Orientation Passport Modules

1. Our Story, Our Places: Hostelling International's History, Mission, and Overview
2. What You Need To Know (About Working at HI): Employee Policies and Procedures
3. Health and Safety: Employee Health and Safety Training
4. Customer Service: Introduction to our Service Standards and Service Recovery Process.

EMPLOYEE RECOGNITION

To recognize and encourage the good work of HI-C-PM employees, the region's employee recognition program (You Kick Ass!) was re-launched this year. In Fiscal 2012, fellow employees nominated their colleagues 578 times. Bi-monthly, one of those nominees is selected as a prizewinner, while all nominations are shared across the region via CONNECT, the region's newly launched Intranet.

Out of 74 nominations, Cindy Laporte from HI-Lake Louise Alpine Centre was the lucky winner of this year's first **You Kick Ass!** draw.



STAFF SPOTLIGHT—SHAELA

I started working at HI-Victoria in December 2011 and, although I have only been here a short time, I have already learned so much about both HI and myself. I came across the job opening online, applied, met with our manager and 2 weeks later I was taking reservations and meeting people from all over the world!

There are no words for how many doors have been opened to me since I've become a part of HI, the possibilities, the adventures, the opportunities...the list is endless and every day I am reminded how fortunate I am to have been welcomed into an amazing team such as ours.

When I wake up in the morning, no matter how early it may be, I pride myself on knowing that today I will make a difference in someone's stay; whether it's helping them find work, giving them directions or just accommodating them the

best I can...knowing that you've gone above and beyond to help someone and doing so with a smile is incredibly rewarding. I couldn't be happier and optimism is key. Traveling has always been a huge passion of mine and I can't think of a better job to have considering we have hostels all over the world and as every day I learn a little more, there's no reason I shouldn't travel and work with HI for years to come! I love my job and I love my team. I'm not lucky; I've been blessed.

A man, Alastair Campbell, is standing on a wooden dock. He is wearing a blue long-sleeved shirt with a logo, khaki shorts, white socks, and grey sneakers. He is holding a black paddle. The background features a calm lake, a dense forest of evergreen trees, and large, rugged mountains covered in snow under a clear blue sky.

OUR VOLUNTEERS

Volunteers help keep HI-C-PM Region running smoothly across the region, year-round, whether it's helping run programs and events or helping run the regional office.



Erik Graff & David Avery

The dedication of over 550 volunteers in our region is invaluable. This year, recognition went to two special volunteers marking their many years of service.

Erik Graff has been volunteering with HI for 17 years, while **David Avery** has been a key part of the volunteer team for 15 years.

VOLUNTEER SPOTLIGHT: ALASTAIR CAMPBELL

This year, the Board along with HI staff and members alike bid a heartfelt “Bon voyage” to Alastair Campbell, a well-known and much-respected member of HI-C-PM Region’s board for the past six years, who retires in September 2012.

Alastair (“with an ‘A,’” he’ll remind you, especially if HI-C-PM Region CEO Alistair “with an ‘I’” is anywhere nearby) joined the Board in June 2006 and served three full two-year volunteer terms for the Association. From 2007–2009, he served as Vice Chair of the Board, and again from 2010–11, and in between, from 2009–10, served as Chair of the Board.

He was instrumental as part of the HI-Northern Alberta Merger workgroup, which worked hard to negotiate the successful coming together of operations in HI-C-Pacific Mountain Region and HI-C-Northern Alberta Region in 2008.

“Alastair brought a wealth of passion and commitment to his various roles on the Board over the years,” says CEO Alistair McLean. “He not only had the leadership and advocacy skills to guide and improve the Association, he had an inspiring and unwavering passion for travelling,

hostelling and living well, which was evident in all of his contributions on the Board.”

Alastair never shied from sharing the virtues of hostels and hostelling with a willing ear, and was particularly keen on encouraging mature travellers to give hostelling a try. Hostels have long since shaken off the misnomer of “youth” hostels and there’s little doubt Alastair was part of that much-needed shift in ideology around what hostelling is and who it’s for.

With a bit more spare time on his hands now, Alastair will cram more travelling, hostelling and adventures into his life, keeping up his activities with the Tyrol Ski & Mountain Club in Whistler and guiding cycling trips in British Columbia and Quebec. This August, he’ll be part of the Jasper to Banff cycling trip offered by Hostelling International and Mountain Madness Tours.

You can be sure Alastair won’t stray too far from the hostels of Western Canada from his home base in North Vancouver and you probably won’t have to look too hard for him—chances are he’ll be the first one to say hello.

OUR AWARDS

HI-C-PM Region was recognized this past year by
HI-Canada and was presented with the following awards:

Ivy Devereux Award—

Best hostel +10,000 overnights

HI-Calgary City Centre

(profile on page 7)

Dorothy Simonetti Award—

Outstanding service by a staff member

Shelbey Sy

Chuck & Marjorie Harris Award—

Outstanding contribution by a group (volunteers or staff)

SDC Work Group—Liz Ferguson & Peter Nietresta

BEST ENVIRONMENTAL PROGRAM

**HI-MOSQUITO CREEK WILDERNESS HOSTEL'S NEW
CANADIANS PROGRAM**

On March 3, 2011, in partnership with Parks Canada and the Calgary Catholic Immigration Society, HI-Mosquito Creek Wilderness Hostel hosted a group of families and individuals for a free night at HI-Mosquito Creek. These guests were all recent immigrants to Canada from China, Korea, Algeria, Russia, Greece and Hong Kong and had never stayed in a hostel before.

Guests got to learn about the Canadian national parks system and meet a rescue dog before snowshoeing through the woods behind the hostel towards West Nile Peak. An international potluck dinner was served (with a dish provided by each family), followed by a roaring bonfire. The next day, after breakfast and some tobogganing, the group returned to Calgary having experienced some genuine Canadian mountain experiences.



BEST SPECIAL EVENT PROGRAM

HI-BANFF ALPINE CENTRE'S SCHOOL LUNCH PROGRAM

Since the late 1990s, HI-Banff Alpine Centre has been donating lunch once a year to Banff Elementary School students and their families. Just before Christmas, the hostel's dedicated staff donate their time to make 325 bag lunches with food donated from the hostel. The lunches are sold to students and their families for \$2.00 each, and all proceeds go back to the school for extra-curricular activities.



HI AND SUSTAINABILITY

A man with a backpack is standing on a rocky beach, looking out at the ocean under a clear blue sky. The man is wearing a white t-shirt, shorts, and sunglasses. The ocean is a deep blue-green color, and the sky is a solid blue. The beach is covered in small rocks and some seaweed.

As action is being taken at the international level to align the global network with the principles of responsible and sustainable tourism, HI-C-Pacific Mountain Region has taken a leadership role in the adaptation of the HI-Sustainability Charter into a Canadian context.



The Charter allows us to assess the success of our regional sustainability initiatives and, in the future, allow us to measure ourselves against international standards like the Global Sustainable Tourism Council and to report on our programs in accordance with the Global Reporting Initiative.

Sustainability initiatives are a big part of HI-C-PM Region's annual planning wherein every hostel is required to identify a number of ecological, socio-cultural and economical goals that speak to their communities and the environment as opposed to their bottom lines. Here are some of the new sustainability projects that were launched this year:

ECOLOGICAL INITIATIVES

HI-Banff Alpine Centre initiated an aggressive waste management program involving the input and cooperation from all employees. Not only was the volume of waste to land fill reduced by 18%, but the initiative also included a clever awareness campaign to encourage the participation of hostel guests.

HI-Penticton went back to basics when the manager polished up the existing outside roll-down shutters and incorporated the drawing of those blinds as standard operating procedure during the peak summer heat with the objective of reducing the hostel's reliance on an air conditioning system. In BC, that means that we're using less hydro-electrical power and, as a result, reducing demands on suppliers to expand hydro-power generation, thereby further impacting wildlife habitat.

HOW DOES HOSTELLING HELP THE PLANET?

At our wilderness hostels without indoor plumbing we estimate that the average guest consumes 15 litres of water per day. Statistics Canada tells us that the average Canadian uses 324 litres per day. Using those figures, we reckon that in the past fiscal year, by staying at one of these hostels, our guests helped us to hold off on the consumption of over 4 million litres of water and left it in the wild. That's enough to fill nearly two Olympic-sized swimming pools! When it's not so easy to turn on the tap, it's more difficult to consume.

Using the data collected in our annual CO² emission review, we recently did a very rough calculation of our per overnight carbon footprint and boiled the math down to around 7kg/overnight. Compare this to the claim made by Intercontinental hotel chain where each room is responsible for 59kg/night.

SOCIO-CULTURAL

HI-Vancouver Jericho Beach entered into a new partnership with the North Shore Culinary School, whose vision is to provide youth and adults with skills that are relevant in the workplace and will allow participants to be meaningfully employed and fully engaged in their community. The school has opened an onsite cafe-restaurant, NSCS Discovery Cafe that will serve hostellers and locals alike, year-round.

HI-Penticton joined a community clean-up effort by hosting the operational meeting of the Penticton ATV Club for the Annual Spring Trail Clean-Up. The club devotes a weekend to an area in the wilderness that they have deemed a dumping ground. Together, they hauled 18 tonnes of debris to the dump, including an eight-person hot tub, seventeen mattresses, five fridges, commercial freezers, hot water tanks, four burnt-out vehicles and enough lumber to build a 12' by 12' cabin.

ECONOMICAL

Even though the Earth Easy Project was initiated in Fiscal 2010, it's worth highlighting it again as it exemplifies the kind of active contribution we can make in the protection of the natural capital we share with the larger community. In partnership with the Jericho Stewardship Group, this project enables travellers to offset their environmental impact by either joining a group of local volunteers that meets monthly to remove invasive plants and to contribute new growth to Jericho Park by planting natural plants and shrubs, or by making donations to help buy the plants and shrubs that will be planted.

HI-Calgary City Centre initiated a connection with the Blackfoot Crossing Historical Park, located near Brooks, Alberta, to increase the opportunities our guests have to learn about the indigenous culture in southern Alberta. Modest in its beginnings, this relationship began by erecting a small teepee in the hostel's backyard and by encouraging guests to make the trip out to the site to learn about the Siksika Nation and see the place where Treaty Seven was signed. Our experience this year has laid the groundwork for an expanded series of initiatives in Alberta for the future.

OUR PARTNERS



Partnerships with community organizations and government programs help broaden the awareness of Hostelling International as a not-for-profit organization. With the support of other groups, HI can extend beyond normal operating practices and establish itself as a key member of the communities and landscapes the hostels call home.

PARKS CANADA

Since over a third of the HI hostels in BC and Alberta are located in a National Park, it's no surprise that the partnership HI-C-PM Region holds with Parks Canada continues to flourish. We are exceptionally pleased that Parks Canada received HI-Canada's inaugural Partner of the Year award in November 2011. The winner of this award is determined by a vote of HI's nationwide membership. We are equally happy that this recognition has inspired partnership discussion between Parks Canada and HI in the Atlantic provinces.

In January 2012, independent of any prompting from HI-C-PM Region, Parks Canada, whose mandate includes the management of national historical sites, designated Bragg Creek as a National Historic Site on the strength of its status as the location of the first hostel in North America.

CANADIAN PARAPLEGIC ASSOCIATION

In September 2011, we began an exciting collaboration with the Canadian Paraplegic Association in Alberta by exploring the possibility of improving the accessibility of our hostels on the Icefields Parkway for persons with limited mobility. This coming September, an Icefields Parkway handcycling trip will include both dis-abled and able-bodied cyclists who will stay at HI hostels along their journey.

At its core, the initiative aims to expand our abilities to offer an exceptional hostelling experience for a sector of the population that is underserved in the adventure travel arena and to support an initiative that will help to break down myths of the ambitions of those with the physical challenges or limited mobility. The project is supported by the federal government's Enabling Accessibility Fund.



GOVERNANCE



HI-C-PM Region's eight-member Board of Directors is the governing body of the Association. The Board is responsible for setting the high-level direction for the Association through its governance policies and for ensuring the organization's mission is pursued diligently and transparently.

HI-C-PM Region's CEO reports to the Board and is responsible for the day-to-day operations of the association with the help of a capable management team, staff and volunteers that are integral to the smooth operation of the Association.

The Board meets four times a year for weekend meetings that rotate among various locations in our region. There's also a retreat following the Annual General Meeting in September to orient new Board members to the Association and to one another. All Directors serve and contribute to at least two of the following committees that meet via web-conference in between Board meetings:



2011/2012 Regional Board Members

- Ownership Linkage Committee
- Governance Committee
- Nominating Committee
- Audit Committee
- CEO Relationship Committee

Like HI members, HI-C-PM Region Directors are passionate about hostelling, the region's hostels and advancing the mission of the Association. They draw on their diverse backgrounds and offer a wealth of professional experience, but at the core, they all love hostelling and travelling around our region and the world.



BELIEVE IN HOSTELLING

YOU BELIEVE IN HOSTELLING!

We began our quest to better connect with our members in December 2011. Four board members, Jason Demers, Peter Nietresta, James Wyatt and Sue Willgren, formed the **Ownership Linkage Committee**, which spearheaded the **Believe in Hostelling campaign**. This campaign involved an online survey distributed via email to members that solicited feedback about what hostelling means to them and how it can be improved in our region.

After analyzing the over 500 responses gathered through the survey, the Committee embarked on a cross-region tour to meet with members in the region's biggest centres—Calgary, Edmonton, Vancouver, Victoria, Kelowna and Red Deer—to discuss the results and encourage additional feedback.

At each of these sessions, discussion centred around the structure of HI-C-PM Region, environmental sustainability, Board communication with members and member engagement.

The Members were asked questions such as:

- "What does a green hostel mean to you?"
- "What are examples of organizations that are doing a great job in sustainability?"
- "How many communications would you like to see from your Board?"
- "In what way would you like to receive communications?"
- "What can you contribute to the organization as a volunteer?"

The information and feedback collected from the survey and these face-to-face sessions is being used to shape the organization as it moves into the future. The Board of Directors thanks each and every one of our members for their valuable feedback. Contact the committee at any time at dialogue@hihostels.ca

FINANCIALS



Combined Financial Statements of

TRUE NORTH HOSTELLING ASSOCIATION
O/A HOSTELLING INTERNATIONAL – CANADA
PACIFIC MOUNTAIN REGION

Year ended March 31, 2012

Independent Auditor's Report

To the Directors of True North Hostelling Association
O/A Hostelling International – Canada
Pacific Mountain Region

We have audited the accompanying combined financial statements of True North Hostelling Association O/A Hostelling International – Canada – Pacific Mountain Region, which comprise the combined statement of financial position as at March 31, 2012, and the combined statements of operations and net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE COMBINED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of True North Hostelling Association O/A Hostelling International – Canada – Pacific Mountain Region as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

COMBINED STATEMENT OF FINANCIAL POSITION

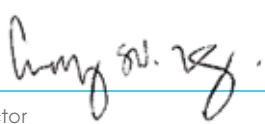
As at March 31, 2012

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 742,512	\$ 406,425
Short-term investments (note 3)	1,827,476	2,239,283
Accounts receivable	266,282	316,783
Inventory	123,468	143,211
Prepaid expenses	192,097	190,046
	3,151,835	3,295,748
Restricted cash (note 9(c))	5,000	5,000
Capital assets (note 4)	26,696,283	27,635,991
	\$ 29,853,118	\$ 30,936,739
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 920,662	\$ 948,865
Unearned revenue and deposits	252,364	150,842
Loans payable (note 5)	7,701,044	8,308,815
	8,874,070	9,408,522
Deferred contributions (note 6)	105,852	66,104
Deferred capital contributions (note 7)	826,260	852,251
	9,806,182	10,326,877
Net assets:	20,046,936	20,609,862
	\$ 29,853,118	\$ 30,936,739

Commitments and contingencies (note 9)

See accompanying notes to these combined financial statements.

Approved by the Board of Directors


Director


Director

COMBINED STATEMENT OF OPERATIONS AND NET ASSETS

For the year ended March 31, 2012

	2012	2011
Revenue:		
Overnights	\$ 9,415,249	\$ 9,056,909
Memberships	547,034	747,997
Other, including food, beverage and merchandise	2,490,471	2,543,964
	12,452,754	12,348,870
Expenses:		
Hostel	\$ 10,100,616	\$ 9,893,400
Administration and membership	1,289,571	1,308,349
Amortization of capital assets	1,411,707	1,180,681
	12,801,894	12,382,430
Deficiency of revenue over expenses from operations	(349,140)	(33,560)
Other expenses (income)		
Interest	\$ (35,425)	\$ (31,706)
Interest expenses	249,111	221,105
Loss on extraordinary items	100	—
Gain on sale of capital assets	—	(3,332,122)
	213,786	(3,142,723)
(Deficiency) excess of revenue over expenses for the year	\$ (562,926)	\$ 3,109,163
Net assets—Beginning of year	20,609,862	16,450,699
Addition during the year (land value of New Whistler)	—	1,050,000
Net assets—End of year	20,046,936	20,609,862
Cash provided by (used in)		
Operating activities:		
(Deficiency) excess of revenue over expenses for the year	\$ (562,926)	\$ 3,109,163
Items not involving cash:		
Amortization of capital assets	1,411,707	1,180,681
Amortization of deferred capital contributions	(50,991)	(94,021)
Gain on sale of capital assets	—	(3,332,122)
	797,790	863,701
Changes in non-cash working capital:		
Accounts receivable	50,501	(40,342)
Inventory	19,743	57,358
Prepaid expenses	(2,051)	(7,282)
Accounts payable and accrued liabilities	(28,203)	(127,368)
Unearned revenue and deposits	101,522	19,981
Deferred contributions	64,748	66,104
	1,004,050	832,152

COMBINED STATEMENT OF CASH FLOWS

For the year ended March 31, 2012

	2012	2011
Financing activities:		
Proceeds from loan issuance	\$ —	\$ 6,520,000
Repayment of loans payable	(607,771)	(473,341)
	(607,771)	6,046,659
Investing activities:		
Sale (purchase) of short-term investments	411,806	(247,211)
Purchase of capital assets	(471,998)	(11,067,424)
Proceeds on sale of capital assets	—	3,722,797
	(60,192)	(7,591,838)
Increase (decrease) in cash and cash equivalents	336,087	(713,027)
Cash and cash equivalents—Beginning of year	406,425	1,119,452
Cash and cash equivalents—End of year	742,512	406,425
Supplementary information:		
Interest paid—net of interest received	213,686	189,399

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

1. Operations:

The True North Hostelling Association, O/A Hostelling International—Canada—Pacific Mountain Region (the “Association”) is a group of not-for-profit organizations whose mission is to “help all, especially the young, gain greater understanding of people, places and cultures through hostelling”. The Association is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes. The Association’s investments in 1025 Granville Street Trust and The Travel Shop Ltd. are not tax exempt entities. However, these entities have not generated taxable income.

2. Significant accounting policies:

a. Basis of presentation

The combined financial statements of the Association are the representation of management prepared in accordance with Canadian generally accepted accounting principles for not-for-profit entities as prescribed by the Canadian Institute of Chartered Accountants (“CICA”). The combined financial statements include the combined accounts of the True North Hostelling Association, the Canadian Hostelling Association—British Columbia Region, 1025 Granville Street Trust, the Canadian Hostelling Association—Southern Alberta Region, the Canadian Hostelling Association—Northern Alberta District, and The Travel Shop Ltd. Transactions between these entities have been eliminated upon combination.

The Association accounts for its investment in a 69.57% owned joint venture, which operates as the Canadian Alpine Center and International Hostel at Lake Louise (“CAC”), by the proportionate consolidation method whereby the Association’s proportionate share of the assets, liabilities and the related revenue and expenses of the CAC joint venture are included in the combined financial statements (note 11).

b. Cash and cash equivalents:

The Association considers deposits in banks, certificates of deposit and short-term investments with original maturity of three months or less as cash and cash equivalents.

For the year ended March 31, 2012

c. Investments:

Short-term investments consist of guaranteed investment certificates and term deposits which can be realizable within one year. Investments are classified as held for trading and measured at fair value.

d. Inventory:

Inventory is stated at the lower of cost, on a first-in, first-out basis, and net realizable value. Cost includes all costs of purchase and net realizable value is the estimated selling price in the ordinary course of operations less the estimated costs necessary to make the sale.

e. Capital assets:

Capital assets are stated at cost less accumulated amortization. Except as described below for the Calgary Hostel, amortization is provided over their estimated useful lives using the declining balance method at the following rates:

Asset	Rate
Buildings and leasehold improvements	5%
Automobiles	30%
Computer equipment and software	30%–50%
Furniture and equipment	20%

Buildings include certain properties located on Federal, Provincial or Municipal lands whereby the Association has licenses of occupancy. These licenses are typically for a term of 10 years, with a nominal annual fee and historically have been renewed without issue. Therefore, the Association amortizes these buildings over the estimated useful lives instead of the underlying land license. The Association reviews its properties annually, and if the useful lives are determined to be shorter, will adjust the amortization prospectively.

The Association has received notice that Calgary Hostel license will be terminated by the City of Calgary, effective September 30, 2015. In the prior year, the Association has prospectively adjusted the amortization for this building to a straight-line basis over the remaining life of the hostel. The Association is currently investigating alternative sites in Calgary, Alberta.

The Association reviews its capital assets for impairment whenever circumstances indicate that the carrying value may not be recoverable. In the event of an impairment loss the assets carrying value will be reduced and charged through the statement of operations and net assets.

f. Revenue recognition:

The Association follows the deferral method of accounting for contributions. Unrestricted contributions, including government grants, are recorded as revenue when received or receivable if the amounts can be estimated and collection is reasonably assured. Other unrestricted revenue, including revenue from hostel operations, is reported as revenue at the time the services are provided or the products are delivered. Revenue from the sale of memberships is recognized in the year the memberships are purchased. Investment income is recognized as revenue when it is earned.

Externally restricted contributions are reported as revenue when the restrictions imposed by the contributors on the use of the monies are satisfied as follows:

- i. Non-capital contributions for specific purposes are recognized as revenue in the year in which the related expense is incurred.
- ii. Contributions of or for the purchase of capital assets having a limited life are recognized as revenue on the same basis as the amortization expense related to the capital asset purchased is recorded. Where the capital asset involved is land to be held-for-use by the Association, the contribution is reported as a direct increase in net assets rather than as revenue.
- iii. Some of the contributions received by the Association are restricted for certain activities without the contributor specifying which portion is to be used to acquire capital assets. These contributions are recognized as revenue when spent for the particular purpose covered by the restriction, regardless of the fact that some of the expenses may relate to the purchase of capital assets.

For the year ended March 31, 2012

Volunteers contribute a significant amount of time each year to assist the Association in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these combined financial statements.

g. Financial instruments:

The Association designates its cash and cash equivalents and short-term investments as held for trading and therefore are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and loans payable are classified as other financial liabilities and are measured at amortized cost.

The Association has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861, *Financial Instruments—Disclosure and Presentation*.

h. Use of estimates:

The preparation of 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 areas of estimate include useful lives of capital assets and contingent liabilities. Actual results could differ from those estimates.

	2012	2011
3. Short-term investments:		
Guaranteed Investment certificates (internally restricted for New Jasper Hostel)	\$ 1,668,143	\$ 1,408,462
Guaranteed investment certificates and term deposits—other	159,333	830,821
	1,827,476	2,239,283

4. Capital assets:

	Cost	Accumulated amortization	Net	Net
Land	\$ 5,713,574	\$ —	\$ 5,713,574	\$ 5,713,574
Buildings & leasehold improvements	29,876,552	10,168,201	19,708,351	20,391,888
Automobiles	230,621	174,896	55,725	79,605
Computer equipment & software	883,360	725,858	157,502	166,319
Furniture and equipment	4,039,510	2,989,257	1,050,253	1,273,727
	40,743,617	14,058,212	26,685,405	27,625,113
Hostel development planning & assets under construction	10,878	—	10,878	10,878
	40,754,495	14,058,212	26,696,283	27,635,991

\$10,878 (2011—\$10,878) in 2012 relates to the future hostel development planning in Jasper, Alberta.

	2012	2011
5. Loans payable:		
Line of credit (a)	\$ 5,000	\$ 20,000
CAC loan payable (b)	84,265	157,458
Whistler mortgage (c)	5,875,695	6,243,087
1025 Granville Street Trust loan (d)	1,736,084	1,888,270
	7,701,044	8,308,815

- a. The Association has a line of credit with a maximum limit of \$500,000, bearing interest at prime plus 0.75% per annum. As at March 31, 2012 the line of credit balance is \$5,000.
- b. This demand term loan represents the Association's share of the CAC loan payable. It bears interest at prime plus 0.75% per annum, and matures July 31, 2014 with blended bi-weekly payments of \$4,300. Both this loan and the line of credit in a) are secured by the Lake Louise Hostel assets, and a debenture covering a fixed charge on the leases for land.
- c. This demand term loan was obtained to finance the acquisition of the Whistler property. It bears interest at 3.30% per annum with blended monthly payments of \$45,775.
- d. The demand term loan bears interest at 3.30% per annum, with blended monthly payments of \$15,100.

The loans a, c and d are secured by the following:

- General security agreement covering a first ranking security interest in all property of the Association;
- Guarantee and postponement of claims in full amount each provided by the Canadian Hostelling Association—British Columbia Region, Northern Alberta District and Southern Alberta Region, supported by a general security agreement covering all present and after-acquired property and a floating charge on land;
- Certificate of insurance on the 1025 Granville Street Hostel, New Whistler Hostel and Downtown Hostel showing the bank as a first mortgagee; and
- Collateral mortgage in full amount constituting a first fixed charge on the lands and improvements on the above three hostels.

Notwithstanding certain of the loans are repayable on demand and/or maturing in the next twelve months, the Association is currently scheduled under the above debt agreements to make periodic payments over a period beyond one year. Principal repayments required on loans payable over each of the next four fiscal years and thereafter, assuming renewal at similar terms and conditions, are estimated as follows:

2013	\$ 562,944
2014	515,490
2015	523,892
2016	541,111
Thereafter	5,557,607
	7,701,044

	2012	2011
6. Deferred contributions:		
Balance—Beginning of year	\$ 66,104	\$ —
Contributions received during the year	72,726	66,104
Contributions utilized for operating expenses	(32,978)	—
Balance—End of year	105,852	66,104

7. Deferred capital contributions:

Balance—Beginning of year	852,251	946,272
Addition	25,000	—
Amortization during the year	(50,991)	(94,021)
Balance—End of year	826,260	852,251

8. Capital management:

The Association defines capital to be its net assets. In carrying out its purpose, the Association uses its capital to fund the annual capital upgrades to current facilities, fund future expansion projects and to meet its "End Statements". The Association is not subject to any other external capital requirements or restrictions.

9. Commitments and contingencies:**a. Operating leases**

The Association leases certain premises under operating leases that will expire in fiscal 2028. Minimum annual rental payments under these premises leases are as follows:

2013	\$ 74,013
2014	2,776
2015	2,776
2016	2,776
Thereafter	33,308

b. National levy

The Association pays a levy to the Canadian Hostelling Association based on membership sales and overnights recorded for the last completed fiscal year. The levy paid in 2012 totalled \$426,497 (2011—\$433,717) and is recorded in Hostels' expenses.

c. Letter of credit

A letter of guarantee of \$5,000 has been issued by the Association's bank for the Association's line of credit. The security for the letter of guarantee has been provided by \$5,000 restricted cash on deposit with the bank.

d. Jasper Hostel

The Association may be required to restore the site of a hostel in Jasper National Park under certain conditions. The extent of the restoration and the related cost is not reasonably determinable at this time and the Association has not accrued the potential cost in these combined financial statements.

e. Litigation

From time to time, in connection with its operations, the Association is named as defendant in actions for damages and costs allegedly sustained by the plaintiffs, usually related to employment matters. As the outcome is indeterminable, no provision has been made. Similar actions in the past have generally been resolved with minimal damages or expenses in excess of amounts covered by insurance. Settlements of claims, in excess of those provided, are accounted for as current period transactions.

10. Financial instruments:**a. Credit risk**

Due to the nature of the hostel business, the Association does not face any significant concentrations of credit risk. The Association mitigates its exposure to credit risk by only dealing with reputable third parties.

b. Interest rate risk

The Association is exposed to interest rate risk as the demand term loan bears interest at variable rates and fluctuates with movements in the prime lending rate and as the loan payable rate is fixed annually upon renewal and fluctuates with the prevailing rates at the time of renewal.

c. Fair value

The carrying values of accounts receivable, accounts payable and accrued liabilities and demand term loan payable approximate fair values due to the relatively short periods to maturity of these items. The carrying values of the revolving line of credit and the loans payable approximate their fair values as the loans bear interest at floating rate or are set annually based on the current market rates.

11. Investment in joint venture:

The combined financial statements include the Association's proportionate share of the revenue, expenses, assets and liabilities of the CAC joint venture as follows:

	2012	2011
Assets:		
Current assets	\$ 98,240	\$ 156,016
Capital assets	2,075,570	2,181,163
	2,173,810	2,337,179
Liabilities and Net Assets:		
Accounts payable and other current liabilities, excluding current portion of loans payable	\$ 57,397	\$ 55,321
Loan payable	84,265	157,458
Deferred contributions	420,751	442,895
Net assets	1,611,397	1,681,505
	2,173,810	2,337,179
Revenue	1,393,149	1,285,665
Excess of revenue over expenses	\$ 37,712	\$ 8,707
Cash flow from operating	\$ 141,253	\$ 79,432
Cash flow from financing	(197,513)	(17,742)
Cash flow from investing	(20,516)	(5,166)

LIST OF HOSTELS

BC

HI-Vancouver Jericho Beach
HI-Vancouver Downtown
HI-Vancouver Central
HI-Victoria
HI-Penticton
HI-Whistler
HI-Yoho National Park, Whiskey Jack Wilderness Hostel

Affiliate BC Hostels

HI-Tofino
HI-Nanaimo
HI-Prince Rupert (Joined 2012)
HI-Shuswap Lake
HI-Nelson
HI-Cranbrook
HI-Fernie

AB

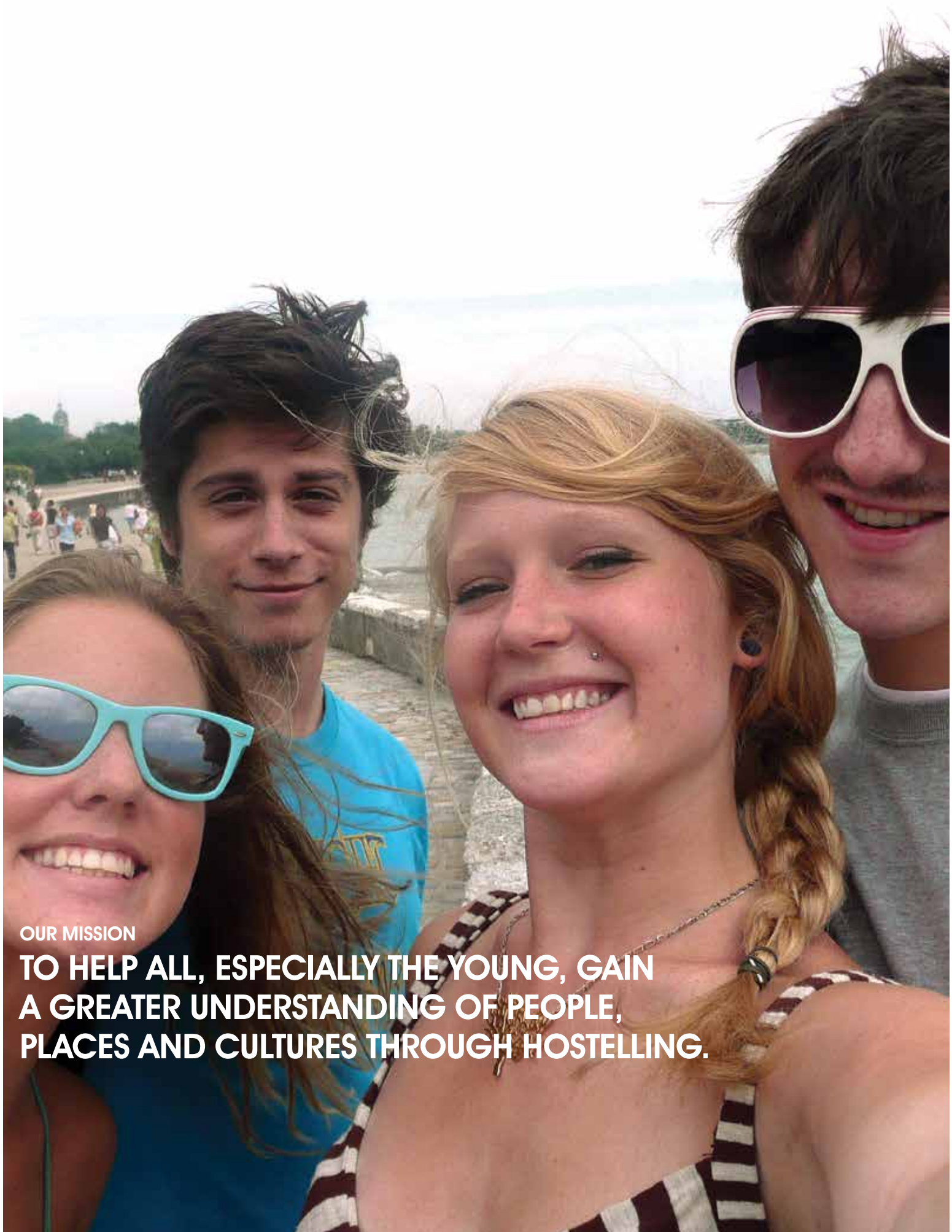
HI-Jasper
HI-Banff Alpine Centre
HI-Lake Louise Alpine Centre
HI-Calgary
HI-Edmonton
HI-Nordegg
HI-Rampart Creek

Alberta Wilderness Hostels

HI-Athabasca Falls
HI-Beauty Creek
HI-Castle Mountain
HI-Hilda Creek
HI-Kananaskis
HI-Maligne Canyon
HI-Mosquito Creek
HI-Mt Edith Cavell

Affiliate AB Hostels

HI-Canmore



OUR MISSION

**TO HELP ALL, ESPECIALLY THE YOUNG, GAIN
A GREATER UNDERSTANDING OF PEOPLE,
PLACES AND CULTURES THROUGH HOSTELLING.**



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