



2021 ANNUAL REPORT

HOSTELLING INTERNATIONAL CANADA

Pacific Mountain Region





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Letter from the CEO

Fiscal Year 2021 began on April 1, 2020, with all HI Canada – Pacific Mountain Region hostels closed. The COVID-19 pandemic had begun just prior to the start of the new fiscal year, causing a collapse in tourism and travel. This is particularly disorienting for an organization that is accustomed to welcoming the world to its facilities 365 days a year. The larger hostels in our network had never closed for a single day since opening their doors, some decades ago.

With the future of the HIC PM Region uncertain, our Board of Directors and employees committed themselves to meeting the unprecedented safety and financial challenges they faced. There were many meetings. There was much planning and strategizing. Safety protocols were developed and implemented so that when a hostel was open it would be safe for staff and guests. Over the year, hostels were opened and closed and opened again in response to the ever-changing government guidance and rate of infection in Western Canada. Applications for government assistance were submitted with many approvals. Urban hostels, for which there was no market, were leased to governments to provide housing for vulnerable populations and much needed revenue for our organization. We were determined to endure.

I am pleased to say that as a result of this determination, the Association has remained stable, although the challenges for it and the hospitality sector are far from over.

Some say the measure of a person is how they respond in a crisis, and by this gauge the employees and the volunteer directors of the HI Canada – Pacific Mountain Region have been remarkable. I thank them for their effort and dedication, and I am proud to have worked shoulder to shoulder with them as we fought to preserve an organization that means so much to all of us.

Our diverse membership includes people from all walks of life, and the past year may have been difficult for many of you. The pandemic has caused much hardship. I wish you all my very best and can promise that our team looks forward to accommodating you and bringing back a degree of normality, camaraderie and adventure to your life.

Sincerely,

Robb Cryder

Acting CEO

HI Canada – Pacific Mountain Region



Letter from the Chair

As I write this report on the shores of the Athabasca River in Jasper National Park, on a phenomenal Victoria Day weekend, I cannot help but reflect on the year that we have all endured. There are many words that come to mind to describe the year, depending on one's perspective. In the context of the hostelling world, I would say that "unpredictable" is an apt descriptor applied over and over again. Whether it's as individuals or as a broader society, as a not-for-profit hostelling association or as Directors, managers or staff, we have all had to respond and adapt to the unpredictable circumstances that have emerged repeatedly over the year.

While I can only speak to what I am aware of, I am immensely grateful to everyone at HI Canada – Pacific Mountain Region for their own unique contributions to responding to the unpredictable. Our Acting CEO Robb Cryder stepped up to the challenge of leading his team through this time of crisis. Robb's leadership opened safe hostels to our members and guests, while managing a host of unusual lease arrangements for a number of our hostels, allowing them to serve communities in need and keep our association viable. Our volunteer Board of Directors was resilient and rose to the challenge of eight-hour weekend board meetings on Zoom while facing difficult decisions. As Directors, we have yet to meet one another in person but we were able to work with our Acting CEO and other stakeholders to respond to the challenges, while keeping our bigger mission-based goals in

mind with each decision we made. Finally, a note of appreciation to the HI Canada National Board and the Council of Executive Directors for adjusting priorities and reducing our national fees at a time of financial challenge.

As we emerge from the pandemic, I am confident that we are well positioned to again host our members and guests and fully experience people, places and cultures through all that hostelling is able to offer. We live in an amazing part of the world, and I encourage everyone to experience it through our hostels!

Peter Nietresta

Chair, Board of Directors

HI Canada – Pacific Mountain Region

Meet the Board



PETER NIETRESTA, Chair

Peter is passionate about the hostelling movement and HI's members. As an avid global hosteller, Peter is committed to enhancing opportunities for member engagement so that the Board can remain in tune with member expectations and improve the hostelling experience in Western Canada.



DAVE BENTLEY, 1st Vice-Chair

David backpacked solo through the Middle East and the Mediterranean in the 80s, and has continued to travel since with his wife and family in Western Canada as well as in Europe and Asia. Recently retired, David looks forward to travelling more frequently, while also helping maintain the sustainability, affordability and accessibility of hostels in the region.



JOHN HARROP, 2nd Vice-Chair

John has been a hosteller for much of his life and appreciates the year-round, life-enriching experiences they provide to travellers of all ages. He has worked as an architect in Canada and abroad and focused on affordable housing and sustainable and barrier-free design. His first passion, however, is skiing, particularly in the backcountry where he enjoys telemarking.



KIT KEENER, Director

Lee (Kit) has visited more than 40 countries including Russia, China, India and Egypt. Over the years, he has been a ski patroller, a sailor, a mountaineer, a cellist, a tae kwon do state champion, a hosteller (since 1968) and Professor Emeritus of mathematics at the University of Northern BC in Prince George, where he lives with his family.



STEVE AHLUWALIA, Director

Steve is an HI volunteer and former employee who once spent eight months travelling from Mexico City to Santiago by bus and boat. He is passionate about the impact intercultural travel can have on individuals and their communities. With an MBA and a degree in engineering, Steve is committed to improving HIC PM Region's financial and environmental sustainability.



VICTORIA OPPENLANDER, Director

One of Victoria's favourite hostel experiences was meeting a fellow hosteller in Berlin, and then by sheer happenstance, running into them in a shop in Banff about five months later. It's this sense of community among hostellers that she hopes to foster through her work on the board.



KRYSTAL KEHOE, Director

Krystal currently works as a marketing manager in the BC tourism industry. She regularly cycles, mountain bikes and snowboards, and she loves to explore by bike, which has led to memorable hostelling experiences. Krystal believes hostelling is a great opportunity for people to travel affordably and sustainably, while meeting other like-minded individuals.



IVAN SOMLAI, Director

Ivan has been hostelling since the 60s. His work has taken him to about 35 countries for multisectoral consulting as well as various university programmes. He has also been engaged overseas to develop a mountaineering course and a mountain rescue centre, and has worked as a ski patroller in Quebec, Ontario and Alberta.

Association Update

+ + + + + + + + + + + + + + + + +

HI Canada – Pacific Mountain Region (HIC PM Region) spans British Columbia, Alberta, Saskatchewan, Manitoba, Yukon, the Northwest Territories and Nunavut. The Association has 10,386 members and 33 hostels. As one of three regional associations, HIC PM Region covers the largest geographic area and has the most members and hostels.

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Overnight Performance

Fiscal Year 2021 began with all of the Association’s hostels closed. The first hostels would be opened on June 29, 2020, which were limited to HI Vancouver Jericho Beach, HI Penticton, HI Nordegg, HI Calgary, the resort hostels of HI Whistler, HI Jasper, HI Banff and HI Lake Louise and some wilderness hostels in the national parks and Kananaskis. Most of the urban hostels, which normally accommodate approximately half of our guest overnights, remained closed to guests and members for the year.

Overnights over the summer were significantly lower than prior years. This was partly due to the pandemic and the closed Canadian border and partly due to reducing the occupancy of shared accommodation to 50% to enhance the safety of our guests. Even so, that the Association was able to safely provide accommodation to our members and guests at all was considered a success. However, with COVID-19 cases increasing

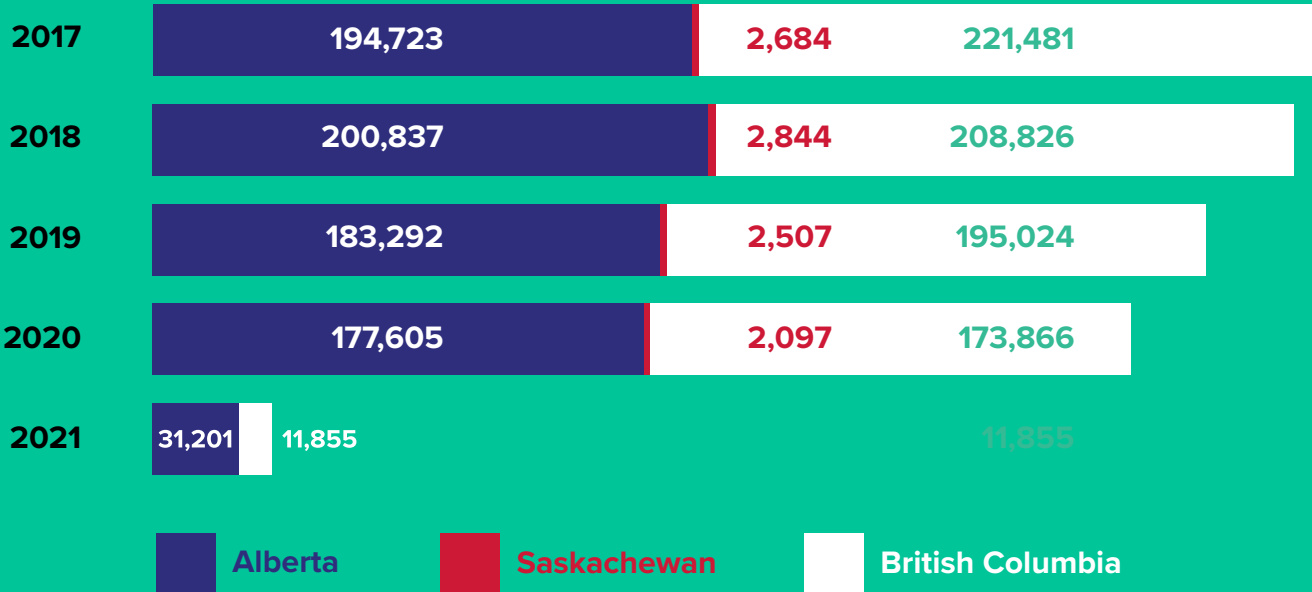
into September and the need to conserve cash through the fall, all hostels were closed again by early October.

The intention was to open the resort hostels on December 18th in time for the holiday season, but the COVID-19 case rate was at a level at which management was not confident that staff and guests could be kept healthy and safe. Toward the end of January 2021, the number of active COVID-19 cases had declined, and the resort hostels were opened on the 28th on a reduced four-day weekly schedule to match the travel patterns of a regional market. The three resort hostels in Alberta would remain open for the balance of the fiscal year, but HI Whistler was closed when the Province of BC introduced a travel advisory against non-essential travel.

Total overnights for the year were 43,056 compared with 353,568 the previous year, a decrease of 88%.



Overnights Breakdown



| | 2020 | 2021 |
|-------------------|---------|--------|
| REGIONAL TOTAL | 353,568 | 43,056 |
| AVERAGE OCCUPANCY | 48.6% | 5.9% |



Who stayed with us?

HIC PM Region experienced a sharp decline in overnight stays during the April 2020 – March 2021 fiscal period, generating 12.1% of the overnights in the previous fiscal year.

Prior to the pandemic, international travellers account for two-thirds of the region’s total overnights. But with the closure of Canada’s border, HIC PM Region’s international market dropped from over 250,000 international overnights to less than 7,000—a 98% decrease.

With the absence of international travellers, HIC PM region counted on Canadian travellers to help fill the void. Over 36,000 overnights were generated by Canadians, with nearly 50% of the region’s overnight stays made by Alberta residents, followed by BC at 24%, Quebec at 11% and Ontario at 12%.

The higher proportion of Alberta visitors is not surprising given the higher number of regional hostels that reopened in the province relative to British Columbia. The tendency to travel closer to home and the Alberta hostels’ desirable locations in the national parks also created greater demand for hostels in Jasper, Banff, Lake Louise and our network of wilderness hostels along the Icefields Parkway.

| | 2019-2020 | 2020-2021 |
|-----------------|-----------|-----------|
| Alberta | 39% | 49% |
| BC | 30% | 24% |
| Ontario | 13% | 12% |
| Quebec | 10% | 11% |
| Atlantic Region | 4% | 1% |
| Saskatchewan | 2% | 2% |
| Manitoba | 2% | 1% |



Financial Summary

The pandemic had several impacts on the financial results from fiscal year 2021. As seen in the Combined Statement of Operations, total revenue for the year was \$5,065,227 versus \$16,824,805 the previous year, a decrease of 70%. This change was primarily due to overnight revenue declining from \$14,269,414 in fiscal year 2020 to \$1,729,808 in fiscal year 2021. Reduced domestic travel, no international travel, hostel closures, reduced capacity by 50% in shared accommodation and four-day-week operating schedules all contributed to this precipitous year-over-year decline in overnight revenue.

Helping offset the decline in overnight revenue was an increase in other operating revenue to \$3,310,700 from \$2,347,792. This increase was due to the revenue generated by leasing several urban hostels for the purpose of housing vulnerable populations. These locations are HI Victoria, HI Vancouver Downtown, HI Vancouver Central and HI Calgary. HI Edmonton is expected to be leased in early Fiscal Year 2022.

The decrease in domestic and international travel and the closure of hostels took a toll on membership sales and revenue, which decreased to \$24,712 from \$207,599 the prior year. The Association is evaluating a new model for membership to reverse the decline in members.

To mitigate the impact of the pandemic, the Association accessed government programs offering financial support. The most important program was the federal Canadian Emergency Wage Subsidy (CEWS), which provided a subsidy of \$2,338,037. HI Lake Louise Alpine Centre also received a \$40,000 loan through the federal Canadian Emergency Business Account (CEBA), 25% of which is forgivable if repaid by December 31, 2022.

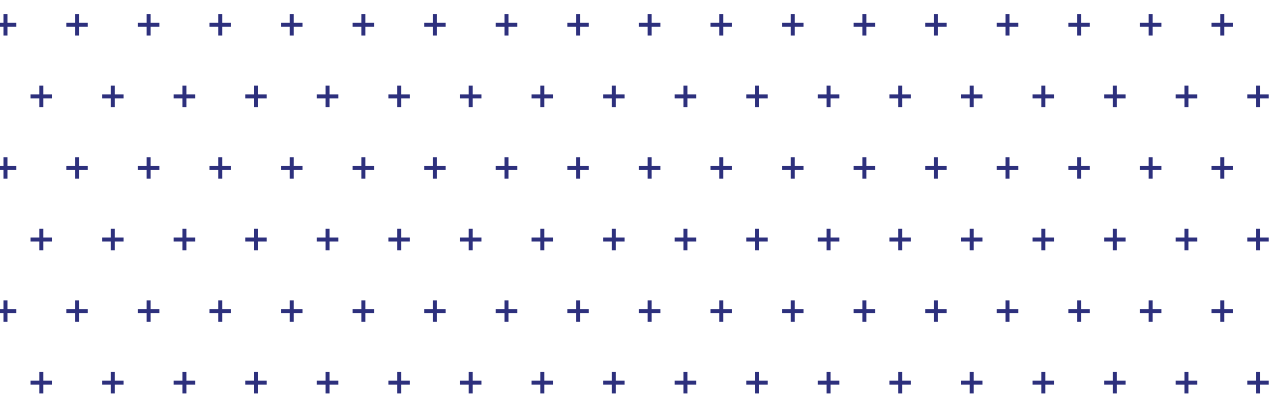
Support from the provinces was less material. The Government of British Columbia’s signature program was the Small and Medium Sized Business Recovery Grant, but eligibility did not include not-for-profit organizations. Financial support from the Government of Alberta included a \$20,000 grant from Travel Alberta through its Cooperative Investment Grant program. The

successful application pitched a marketing initiative that would promote Alberta hostels to outdoor enthusiasts through social media channels. Two additional grant applications have been submitted to Travel Alberta along with applications for Alberta’s Small and Medium Sized Enterprise Relaunch Grant. Management expects to receive confirmation of the status of these applications early in the next fiscal year.

In the face of the pandemic and the associated financial crisis in the tourism sector, the reduction and management of expenses was key to stabilizing the finances of the organization. This goal, combined with the contraction of operations and the offsetting impact of government subsidies, expenses decreased by 61% to \$6,217,499. This compares to \$15,962,299 the previous year. The non-cash expense depreciation accounts for \$2,065,031 of this total, which is an increase of \$271,962. This increase is explained by having to fully depreciate the capital assets of HI Vancouver Central due to its sale. A significant factor in reducing expenses was taking the difficult decision to lay off the majority of staff at the outset of the pandemic. Staff levels fluctuated through the year to reflect the level of hostel operations.

Expenses for hostel operations totalled \$3,134,229, a decrease of 75%. This reduction is primarily due to hostel closures, leased hostels for which staffing is generally provided by the tenants and the reduced operating schedules such as the four-day week at the resort hostels through the winter.

Administration and membership expenses were \$1,018,239, a decrease of 39%. Administration levels were reduced with the termination of three positions, and the temporary consolidation of the CEO and COO position. It is worth noting that even when no hostels are operating, there are still accounting, human resources, information technology, public relations, membership administration and administrative support that an organization requires. This has proved to be especially true during a pandemic.



Excess of revenue over expenses for the year was \$9,561,507 compared to \$318,094 last year. The significant increase is due to the sale of HI Vancouver Central, which resulted in a disposal of fixed asset gain of \$11,087,056

As recorded in the Combined Statement of Cash Flows, the cash and cash equivalents at the end of the fiscal year were \$16,600,920. Not only does this cash position ensure that the Association will remain viable through the crisis, but it also provides capital to develop a large, modern hostel in Vancouver. All excess of revenue over expenses is re-invested into the operations and development of the Association.

Turning to the Combined Statement of Financial Position, or Balance Sheet, net assets increased to \$37,912,461 from \$28,350,954 last year. On the asset side, the sale of HI Vancouver Central reduced the capital assets by the property’s book value, but this is more than offset by the increase in cash and cash equivalents due to the disposal of fixed asset gain, which increased the assets. On the liability side, the accounts payable and accrued liabilities decreased by \$586,417 and loans payable decreased by \$538,242. At the end of the fiscal year the loans payable totalled \$9,678,787, of which \$6,545,000 was attributable to the development of HI Jasper, which opened in 2019.

Net Surplus and Total Operating Revenue

NET SURPLUS



TOTAL OPERATING REVENUE



Hostel Highlights

HI Canada – Pacific Mountain Region (HIC PM Region) spans British Columbia, Alberta, Saskatchewan, Manitoba, Yukon, the Northwest Territories and Nunavut. The Association has 10,386 members and 33 hostels. As one of three regional associations, HIC PM Region covers the largest geographic area and has the most members and hostels.



HI BEAUTY CREEK WILDERNESS HOSTEL

The installation of a solar photovoltaic system was completed. The system allowed for all propane lighting to be removed and replaced with LED lighting. This enhances guest safety and reduces the operating cost and environmental impact of the hostel. With this project completed, all propane lighting in the wilderness hostel network has been removed and replaced with LED lighting.



HI LAKE LOUISE ALPINE CENTRE

A project to refurbish the rooms on the third floor of the main building was interrupted by the pandemic when a government order required the contractor to discontinue work. The work resumed in fiscal year 2021 and the upgrades were finished in early September. The rooms were converted to private accommodation and have been well received by guests seeking more privacy in the current environment.

Financial Highlights

Despite the depressed operating environment, there were still some notable financial achievements.

HI JASPER

HI Jasper’s overnight revenue totalled \$556,426, which accounted for almost a third of the Association’s annual revenue. This was especially welcome as the hostel opened only recently in June 2019, highlighting the importance of geographic diversity in the network and providing hostel locations that appeal to our regional members.

HI LAKE LOUISE ALPINE CENTRE

Although our Association is generally thought of as an accommodation provider, Bill Peyto’s Café operating at HI Lake Louise Alpine Centre makes an important financial contribution. This has never been more evident or appreciated than in fiscal year 2021, when the food and beverage operation had gross sales of \$507,100 and a net surplus of \$199,215. These impressive totals were achieved despite having a reduced seating capacity and closures in response to the public health crisis.



Affiliate Update

During the first year of the pandemic, we coordinated regular calls with our affiliate group of hostels. The primary goal was to offer support to our partners as they navigated their way with us through the pandemic. These calls offered support in the following areas: health and safety for guests and staff, marketing (promotions, hostel signage and PR) and operational updates on network availability.

Beyond the practical nature of these calls, these catchups were also an effective way of supporting each other during a very difficult and stressful time.

Affiliate Spotlight: HI Fernie, Raging Elk Adventure Lodging

Just like the Association's owned hostels, our independently owned affiliates also faced the decision to close early in the pandemic. HI Fernie, Raging Elk Adventure Lodging, was no exception, undergoing a series of closures and reopenings throughout fiscal year 2021.

Undeterred, hostel owners Sadie and Joe Howse took the opportunity to revamp their accommodation offerings. They began construction on new deluxe pods in the spring. These small one-person pods are stacked in two levels, offering additional privacy and distancing, which have been high priorities during the pandemic.

Each pod contains a twin bed, dimmable lighting, a blackout curtain, a lockable cabinet with an electrical outlet (perfect for safely charging devices), a space to hang clothes, luggage storage, shelving, a mirror and a small side door.

These pods are a first in Fernie and the HI Canada network, and now replace all of HI Fernie's traditional dorm rooms. Private dorms, family rooms and private rooms continue to be on offer.

Fernie is a four-season resort town in the East Kootenays region of Interior BC. Known primarily for its ski opportunities at Fernie Alpine Resort, the small town also welcomes mountain bikers and outdoor adventurers in the off-season. HI Fernie, Raging Elk Adventure Lodging, has been operating for 24 years.

hihostels.ca/fernie

VIDEO: Discover the pods



Hostel Spotlight: HI Vancouver Central

After 18 years of welcoming hundreds of thousands of travellers from around the world, HI Vancouver Central has left the HI family.

By March 26th, 2020, HI Vancouver Central was closed, along with the rest of HI Canada's hostels across the country. With tourism at a total standstill, HI Canada leased the building for use as housing for vulnerable individuals. One year after the hostel closed its doors to travellers, the building was sold to BC Housing for the continued support of those in need. We are happy to know the building will continue to serve the city and its residents in such a positive way.

But while we say goodbye to this building, we're not saying goodbye to Vancouver. The sale of the hostel is part of HI Canada – Pacific Mountain Region's long-term strategy to strengthen its presence in the Vancouver youth travel market. For several years, one of the Association's strategic goals has been to replace HI Vancouver Central and HI Vancouver Downtown with a large, modern flagship hostel. The sale of HI Vancouver Central is an important step toward achieving this goal.

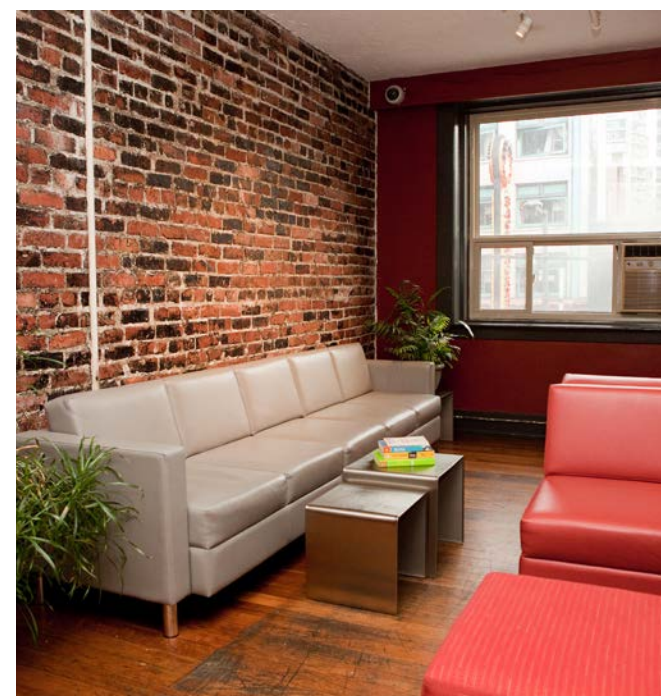
HIC PM Region, members and guests have been well served since HI Vancouver Central opened in 2002. The hostel hosted over a million overnights, welcoming travellers from around the world, many of them young and on backpacker budgets.

But "Central" was more than an affordable bed. A fresh and free breakfast was served every morning in the modest kitchen, fuelling backpackers as they set out to explore the city's unmatched combo of urban adventure and natural beauty. Daily activities were always on offer and constantly refreshed. Any day of the week you could find something to do and someone to do it with. From pub crawls to comedy shows, cut-rate NHL hockey tickets, Stanley Park bike tours and, of course, Erik's legendary walking tours.

HI Vancouver Central would not have been the place it was without the many staff and volunteers who made this hostel special and successful. Many of these valued colleagues were there from its opening day to its closing day. The Association is very grateful for their contributions.

Much thanks to everyone at both operational and governance levels who have fully supported this strategic decision. As we begin to look forward to the end of the pandemic, we can do so with the prospect of a brighter future for hostelling in Vancouver with contemporary facilities that will advance our non-profit mission while better meeting the needs of today's hostellers.

HI Vancouver Central was one of three HI hostels in Vancouver. HI Vancouver Jericho Beach reopened for its usual summer season in May. HI Vancouver Downtown will reopen to guests in the spring of 2022.



COVID-19 Pandemic



Though we're all tired of the word, it truly was an unprecedented year. With all of the Association's owned hostels closed by April 1st, the fiscal year started off with a sense of quiet darkness. Hostels that had never been locked sat empty. Approximately 90% of the Association's workforce had been laid off. However, almost immediately, work began on planning for recovery and reopening, though when it would happen was uncertain.

Work also began on securing leases for some of the closed urban properties, where our empty buildings could serve our communities by providing much-needed accommodation for vulnerable people as the pandemic raged on. HI Victoria, HI Vancouver Central and HI Vancouver Downtown were leased by the BC Housing Corporation. Later, HI Calgary City Centre would join their ranks.

To support essential expenses, the Association applied for the Canada Emergency Wage Subsidy, which would cover up to 75% of salaries and wages through the year.

In May, as the first wave of the pandemic began to subside, HI Canada launched a traveller sentiment survey, distributed among members, email subscribers, website visitors, social media platforms and partners. We sought to gauge feelings around travel and hostels among our members, guests and target markets. The results were largely reassuring, with travellers indicating their desire to return to travel and to hostels as soon as it was safe to do so.

By early June, the decision was made to reopen most owned properties at the end of the month. A COVID-19 Safety Plan had been developed and was fine-tuned as government advice and industry standards evolved. The primary tenets of the plan involved reduced capacity (dorms maxing out at 50% capacity), more private room and private dorm inventory, scheduled kitchen use at a reduced capacity and, of course, enhanced cleaning measures.

Pivoting to highlight private room options is quite a departure from hostelling's usual approach, where shared rooms are a defining feature. HI Canada's newly launched booking engine and property management systems allowed for the seamless management of dorm-to-private room options.

HI Canada has always offered flexible booking policies, especially when booking direct, and this didn't change. Guests were able to cancel their direct bookings at no charge up to 24 hours prior to arrival.

To encourage the now almost exclusively domestic market to get away from home and explore new places close to home, all members and Canadian guests whose stays had been cancelled in the spring were offered 15% off their summer reservations.

HI Whistler, HI Banff Alpine Centre, HI Lake Louise Alpine Centre, HI Jasper, HI Calgary City Centre, HI Penticton, HI Nordegg and select wilderness hostels (HI Kananaskis, HI Mosquito Creek, HI Rampart Creek, HI Beauty Creek and HI Athabasca Falls) reopened for an unusual but ultimately successful summer season.

As we rolled into autumn and case counts began to climb into the pandemic's second wave, the decision was made to once again close hostels to conserve financial resources during their off-season. While there were hopes to reopen resort properties in time for ski season, the pandemic's persistent second wave postponed those plans. HI Whistler, HI Banff Alpine Centre, HI Lake Louise Alpine Centre and HI Jasper reopened on a four-day Thursday-to-Sunday schedule in late January and were able to salvage a reasonable ski season that gave many Western Canadians the opportunity to get outside and enjoy the slopes. This time, though, these hostels opened with private room and private dorm accommodation only.

In the meantime, the Rent-a-Hostel option at the wilderness hostels was more popular than ever. For a flat rate, guests could book out an entire wilderness hostel for their single-household group. Many wilderness hostels were booked solid through the winter months. The six-bed HI Hilda Creek Wilderness Hostel was particularly popular thanks to its compact size and prime access to backcountry ski routes.

During these periods of reduced operations, the Association stayed in close contact with active and laid-off employees through an employee newsletter that offered regular operational updates as well as guidance around federal and provincial income supports and mental health resources.

It was by far the most challenging year HI Canada has faced in its 88 years. Many international partners in the Hostelling International family faced the same difficult decisions that were tackled here at home, and the global hostelling landscape looks a little different than it did a year-and-a-half ago. HIC PM Region is fortunate to have weathered this storm with limited long-term impact, thanks to the agility and adaptability of everyone involved.

Read more about our COVID-19 response at hihostels.ca/staysafe.





Our People

Responding to the Pandemic

ASSOCIATION COVID-19 SAFETY PLAN

The human resources team led the development of the Association COVID-19 Safety Plan. This plan provides guidelines to ensure the safety of our employees and guests and the safe operation of our hostels as we accommodate guests during the COVID-19 pandemic. The development of the safety plan resulted in the COVID-19 Safety Plan Policies & Procedures document, training materials for managers, supervisors and employees, the creation of Hostel Cleanliness and Disinfection Plans and a series of meetings and surveys to track guest feedback and monitor and improve the safety system. Two employee surveys were conducted during the 2020 summer opening, and we received 100% agreement from respondents on the following questions: *I have access to the information I need to do my job well since the COVID-19 outbreak and I know where to go to for support regarding my health, safety and well-being at work.*

TEMPORARY LAYOFFS

After the initial layoffs in March 2020, the Association has undergone a series of closures and re-openings (detailed on page 13), which resulted in multiple rounds of temporary lay-offs and re-calls for staff.

EMPLOYEE COMMUNICATIONS

Shortly after our first closure in March 2020, we reached out to all employees on temporary layoff to provide an update, reinforce our connection and to let employees know we cared about them. Over the course of the pandemic, we followed up ten more times through email newsletters to provide updates, helpful links and support for accessing relief programs, mental health resources and to express gratitude for the hard work and sacrifices of our employees during the pandemic. With all staff recalled from temporary layoff, the newsletter will evolve into regular employee communication on our collaboration platform to ensure all staff have the critical information they need as we transition to rebuilding after the pandemic.

STAFFING THROUGH THE PANDEMIC

| | Active staff | Staff on leave |
|-----------------------------|--------------|----------------|
| Pre-pandemic | 327 | 2 |
| At lowest point in pandemic | 35 | 210 |
| As of March 31, 2021 | 94 | 35 |

Staff Spotlight: Linda Dip

Linda Dip has been the manager of HI Lake Louise Alpine Centre for 14 years. In all those years she had never locked the front doors. Not that she could—the doors to the hostel lobby didn't even have a lock on them. Like so many hostels around the world, this one was open 24 hours a day, 7 days a week, 365 days a year, as thousands of guests from around the world would pass through into this impressive mountain lodge set amongst towering trees in Lake Louise. Then came March 2020.

As news of the coronavirus spread, hostel staff put up signs reminding guests to be diligent about washing their hands, keeping their distance and watching for symptoms. Within a week, the WHO declared a pandemic. Cancellations started rolling in, the borders closed and not long after came the decision to close HI Lake Louise Alpine Centre and most other HI hostels across Canada. Linda quickly ordered a lock and had it installed on the front doors. On March 22nd, for the first time, she closed and locked the hostel's doors. And then she went home and cried.

It was like this at HI hostels across the country. Decisions were made quickly by managers and head office staff in light of a constantly evolving and uncertain situation. One by one, the hostels were closed, booked guests were notified that their stays would have to be cancelled, refunds were issued, staff were laid off and the doors were locked. Like the flood lights going off one by one at a football stadium, the HI network went quiet and dark within a matter of days. In HI Canada's 87 years, nothing like this had ever happened before.

"That was a very emotional day for me. Even thinking about it, I still get teary eyed," Linda says about March 22nd. "I felt scared, sad, overwhelmed about what was happening, what was going to happen, but mostly, I felt uneasy about the unknown. That day, all of our staff came in to do a final close-up and finished cleaning the restaurant and the hostel. I did a final walk-through of both buildings to ensure all windows and doors were locked. All the staff signed out and went home, and I remember going to my office, sitting there alone in an empty building, in complete disbelief about what was happening. It felt surreal."

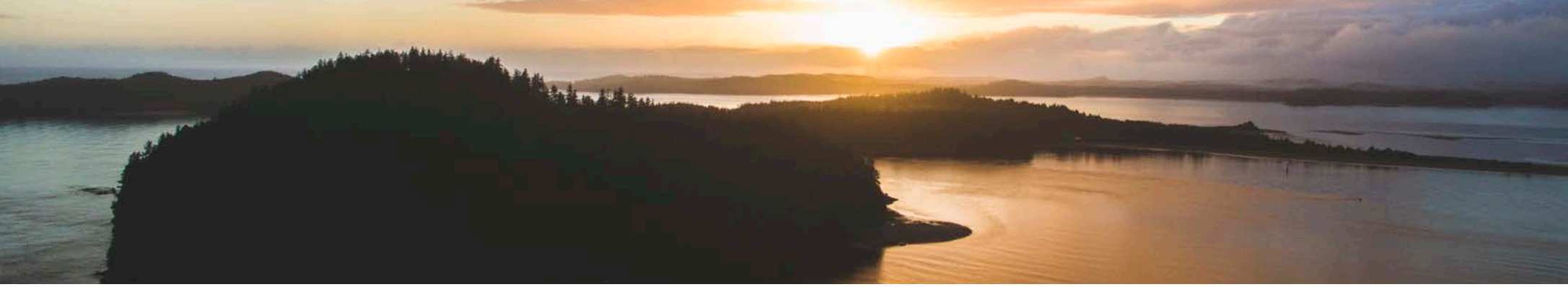
One frequent guest of HI Lake Louise who was there in those final days later wrote a letter to the hostel about what she witnessed during those difficult days, as Linda had the task of laying off most of her 30-person staff.

"I observed the faces of many employees and guests," the guest wrote. "Some had fear written in them, others sadness and uncertainty. I myself was wondering if I should build an igloo outside after the hostel closed. And then I realized how much harder it must have been for Linda, the bearer of the bad news to her employees, telling them they will be unemployed."

"I observed employees leaving her office, one by one, some of them I've gotten to know very well over the years. Some of them had tears in their eyes, others put on a braver front."

"And in the middle of this war-like atmosphere, I saw Linda giving orders with an absolutely cool, polite resolve, not stopping for a moment, not wavering."





She absolutely knew what she was doing and how to do it, as if she was managing a pandemic closure of the hostel every day. For a second, it felt like watching a catastrophic war movie with a female heroine Linda, except that... it was a real-life pandemic.”

In the small village of Lake Louise, which is often bursting with tourists year-round, a rare quiet fell over the town and its namesake lake. “When the pandemic started, Lake Louise was the quietest I have ever seen it. It was nice to be able to go to Lake Louise and not be surrounded by tons of people. There was a calm, peaceful feeling in our community for a few months.”

Behind the scenes, hostel managers and head office teams were busy planning for recovery, even if they didn’t necessarily know when it would begin. Operations, human resources and marketing teams pulled together COVID-19 safety plans, consulted with public health officers and industry associations, ordered supplies like masks, shields and sanitizer, trained staff and carefully monitored case numbers and government directives. On June 29th, HI Lake Louise Alpine Centre reopened its doors, along with a handful of other hostels in Alberta and BC.

Hostelling looked a lot different. Dorm rooms at HI Lake Louise Alpine Centre operated at half capacity. Access to the kitchens was limited, and guests were required to wear masks and keep their distance from others. Plexiglass shields had been installed at the front desk and signage posted throughout the hostel reminded guests not about meetups, group hikes or bonfires, but about proper hand washing, social distancing and wearing masks. Regularly scheduled activities, those hallmark social gatherings that make hostels what they are, were cancelled. Many of the best parts of hostelling just weren’t

possible in this new reality. Guests took the changes in stride, and feedback around the safety measures and operational changes was overwhelmingly positive.

“Guests have been very compliant with the new protocols placed around the hostel,” says Linda. “They know that their safety is our top priority and there has been great feedback from guests about our hostel’s physical distancing measures and increased cleaning measures.”

As for operating and working at a hostel, it was a ton of work, says Linda.

“So much work went on behind the scenes before we could open. I felt confident operating as our association’s COVID-19 safety plan was solid and covered every aspect of operations for every department,” she says. “All of our staff were trained on the new protocols and have been doing an amazing job ensuring they are following our safety plans.”

As summer travel waned and hostels headed into their traditionally slower shoulder seasons, the decision was made again to close hostels to conserve depleted financial resources. HI Lake Louise Alpine Centre reopened in mid-January for stays between Thursday and Sunday only, to allow visitors to take advantage of the Rockies’ ski season. But still, Linda remained optimistic about the future, and a not-so-distant return to normal.

“I miss the social element the most,” says Linda. “I can’t wait to open the sauna and pool table and have daily activities for guests. I want to see guests mingling with each other. It really is a completely different vibe when everyone is socializing and sharing stories about their travels. I can’t wait until we can safely open our borders and see all of our international guests and friends again.”

Length of Service Recognition

30 YEARS

ROBB CRYDER •
Acting Chief Executive Officer, Regional Office

25 YEARS

LISA GREY-DREAPER •
Hostel Manager, HI Penticton

20 YEARS

JASON WONG •
Hostel Manager, HI Calgary City Centre

15 YEARS

LIN XU •
Director of Finance, Regional Office

STEPHEN CAMPBELL •
Manager, Applications Systems, Regional Office

LEO BARRETTE •
Maintenance Manager, HI Banff Alpine Centre

10 YEARS

JEREMY HEAD •
Front Desk Agent, HI Penticton

RICHARD BOURNEUF •
Hostel Manager, HI Mosquito Creek Wilderness Hostel

RYAN MURFITT •
General Manager, HI Whistler



Our Members

Membership Update

Membership revenue and registered members saw significant decreases due to the impact of the pandemic on travel. During this difficult period, our Member Services team continued to offer support to our members where possible. In particular, we offered our members exclusive discounts at our hostels during times that they were open

As we moved through the height of the pandemic, we recognized that many new members had not been able to use their card either at hostels or with partners, many of whom were also forced to close or reduce their operations as a result of the pandemic. To compensate, we offered complimentary six-month extensions to members. Moving into the recovery phase of the pandemic, we are also offering new and renewing members 18 months of membership, at no additional charge. Our organization has been very grateful for the support our members have shown us during the pandemic.

Member Discounts

Over the year, we maintained relationships with our member discount partners. The focus has been on supporting them wherever possible and being able to offer value to our members when travel returns to pre-pandemic levels.



PARTNER SPOTLIGHT: PHONEBOX

In preparation for when international travellers can return to Canada, we signed a new national partnership with PhoneBox. PhoneBox is a Canadian wireless network provider that offers affordable mobile plans on 4G LTE networks. Each plan comes with unlimited Canada-wide calling, international text and picture messaging and a top-up system to purchase additional data whenever needed. There are no fixed-term contracts, activation fees or cancellation fees with each plan, which makes it great for travellers in Canada temporarily.

PhoneBox gives members the flexibility they need to stay connected with family and friends when travelling. SIM cards can be shipped directly anywhere in Canada or around the world for free. This allows international members to set themselves up before arriving in Canada.

HI members save \$10 on their first month and pay no SIM card fee.

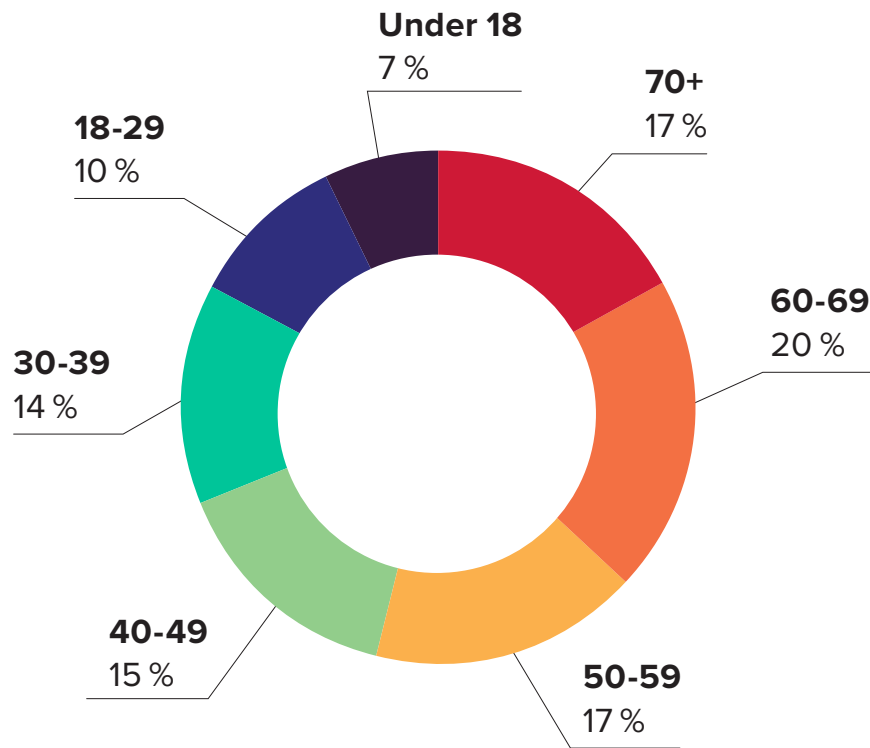
[Visit GoPhoneBox.com](https://www.gophonebox.com)

Our Members in Numbers

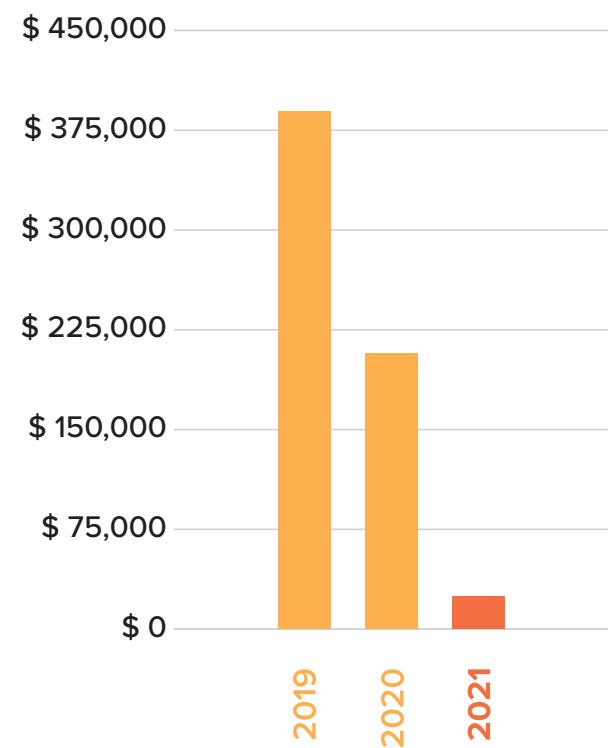
MEMBERS BY TYPE

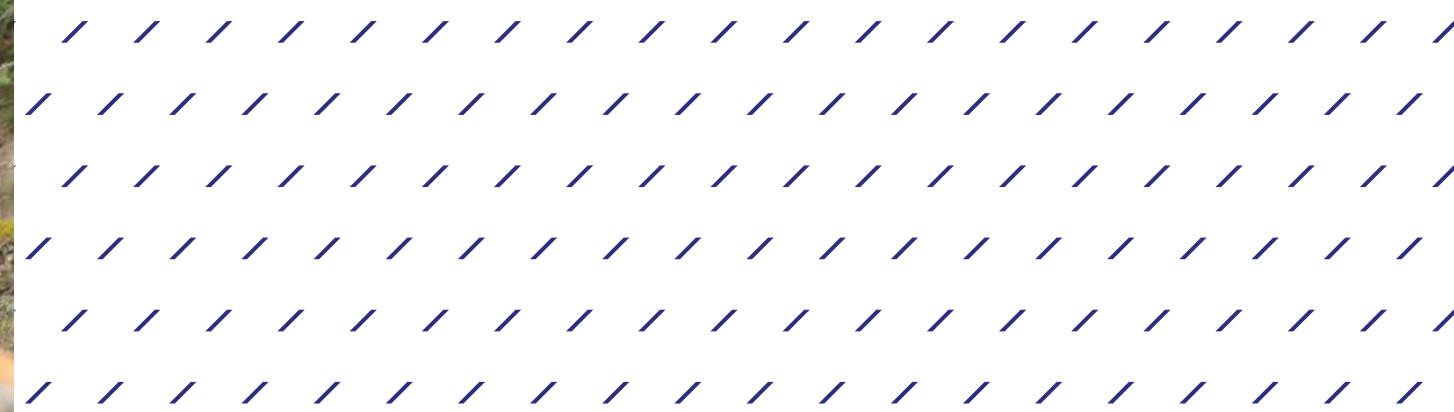
| | 2019 | 2020 | 2021 |
|----------|--------|--------|--------|
| Adult | 7,051 | 4,346 | 1,542 |
| Lifetime | 7,912 | 8,059 | 8,131 |
| Group | 103 | 107 | 66 |
| Junior | 865 | 769 | 647 |
| TOTAL | 15,931 | 13,281 | 10,386 |

AGE DEMOGRAPHICS



MEMBERSHIP REVENUE





Marketing Report

Marketing During the Pandemic

The sudden outbreak of COVID-19 and the resulting pandemic has thrown the global travel industry into great turmoil. International tourism was down 75% in 2020 with over 1 billion fewer tourist arrivals compared to the previous year. Destination Canada reported a dramatic 65% drop in tourism revenues for 2020 or approximately \$42 billion less over 2019.

The disruption caused by COVID-19 in consumers' travel plans, intentions and confidence has undoubtedly caused a great deal of challenges for the tourism industry. From non-essential travel restrictions and closed borders to decreased availability and capacity in airline travel, physical distancing limitations and our own resulting hostel closures, HI Canada – Pacific Mountain Region had to act quickly to manage the changed travel landscape caused by the pandemic.

Core Actions

BUILD CUSTOMER CONFIDENCE THROUGH FLEXIBILITY

HI Canada has always offered industry-best standards in flexible booking and cancellation policies. Flexible policies, especially with regards to payment and cancellation, are valued more than ever during this pandemic. HI reinforced this message, alongside flexible room choices to boost customer confidence.

During the pandemic, HIC PM Region moved to offer greater flexibility:

- 1. Travellers with non-refundable bookings or deposits were given refunds.
- 2. The region suspended the Pay Now and Save promotion that offered non-refundable discounted stays at hostels.
- 3. Group payment and cancellation policies were relaxed.

SHIFT FOCUS TO PRIVATE ROOMS

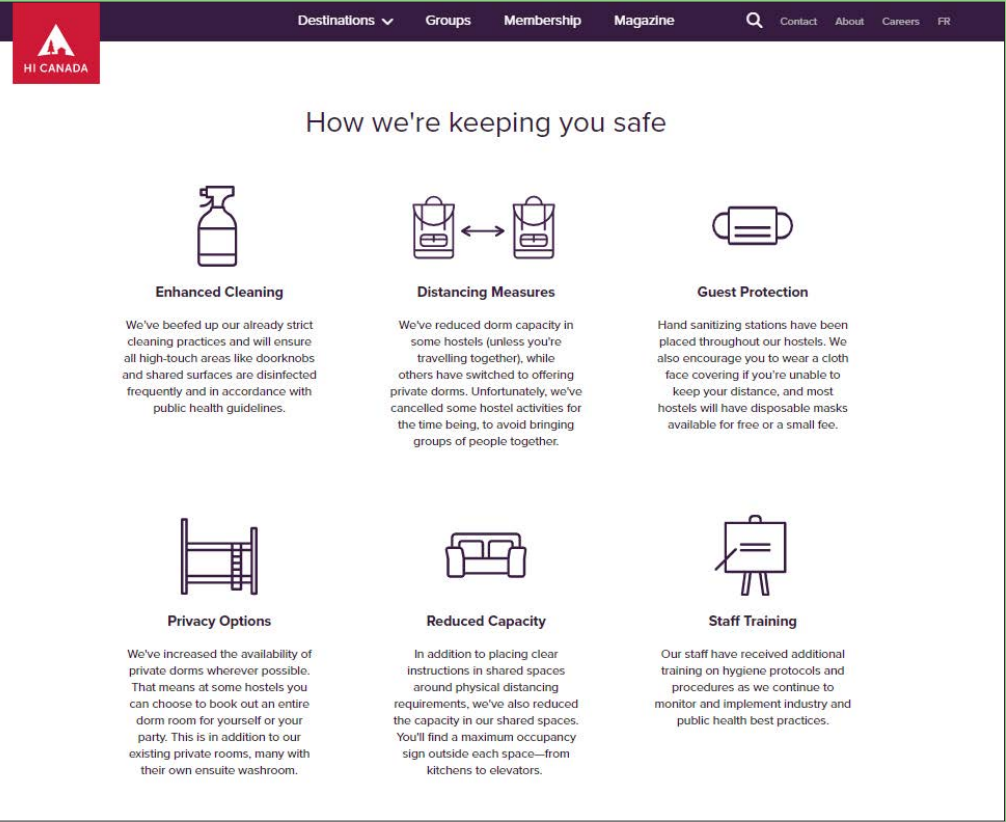
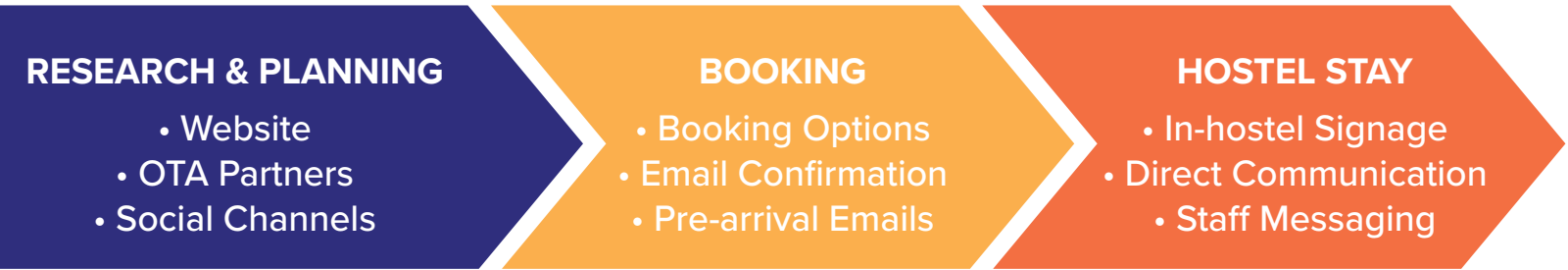
With the new reality of physical distancing, safe cohorts and single-household travel companions, it was clear that private rooms would become an increasingly popular choice for travellers during the pandemic. To increase our inventory of private room products, shared dorms were offered as privatized dorms.

PROMOTE SAFETY

HI Canada’s 2020 traveller survey revealed that 95% of guests consider a hostel’s cleaning and safety protocols as being very important in their hostel choices. Compared to other hostel brands, HI/YHA benefits from a strong association to high comfort and safety.

HIC PM Region worked to leverage this brand association and clearly communicated our strong emphasis on staff and guest safety across all communication channels. A clear and detailed outline of all additional operational changes, cleaning measures and safety protocols was put in place in response to COVID-19 and was shared on hihostels.ca, email, transactional communications, within the hostel and more.

COMMUNICATING THROUGHOUT THE CUSTOMER JOURNEY



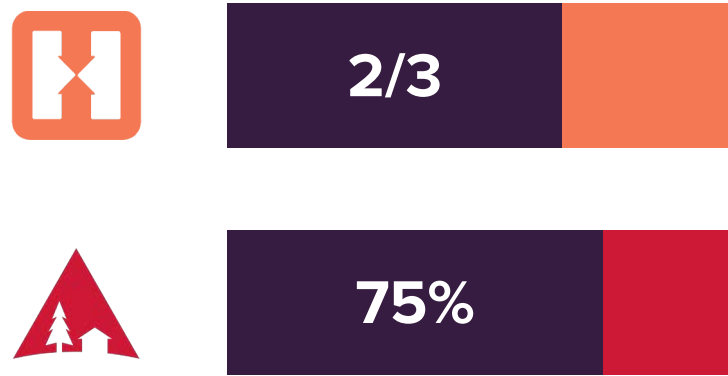
CONSUMER RESEARCH AND MARKET DATA

HI Canada, Hostelworld, Booking.com, various media and other travel organizations conducted traveller surveys throughout the pandemic to gain insight on consumer travel intentions during this unprecedented time. These have revealed good signs of optimism. Despite the uncertainty and fear, survey results point to a resilient travel community, especially with our core youthful demographic and their #yolo (you only live once) mentality who are eager to head outdoors and travel once restrictions are lifted.

HI Canada and Hostelworld travel surveys pointed to a strong desire to travel and stay in hostels. In Hostelworld’s survey of over 3,500 respondents, two-thirds indicated they intend to travel within the first two months of travel restrictions being lifted. HI Canada’s 2020 survey reflected a similar market resilience with over 60% of 500 respondents indicating they hoped to travel in the summer of 2020.

STRONG SUPPORT FOR HOSTELS

Hostel perception remained positive with two-thirds of Hostelworld respondents planning to stay at least as often in hostels after travel restrictions are lifted. HI Canada’s smaller survey showed an even stronger inclination to hostel, with over 75% of respondents planning to hostel for their next trip.



DORMS ARE OKAY BUT PRIVATE ROOMS ARE PREFERRED

A surprising 30% of HI Canada’s respondents said they are comfortable to very comfortable staying in shared dorms on their next trip. This decision is very much driven by a respondent’s age. For the under-35 age group, the intention to stay in dorms rose to 42% in the HI Canada survey. Hostelworld’s survey, of which 78% of respondents were aged under 35, nearly 50% of respondents intend to stay in dorms in their post-pandemic travels.

Perceived safety is the greatest barrier to staying in shared dorms. So it is natural that both HI Canada and Hostelworld’s surveys found an increased desire to stay in private rooms and pay for the privilege to do so during their next travels.

Website and Online Performance

With the sharp drop in domestic and international travel due to COVID-19, it will come as no surprise that HI Canada’s online performance took an equally sharp turn.

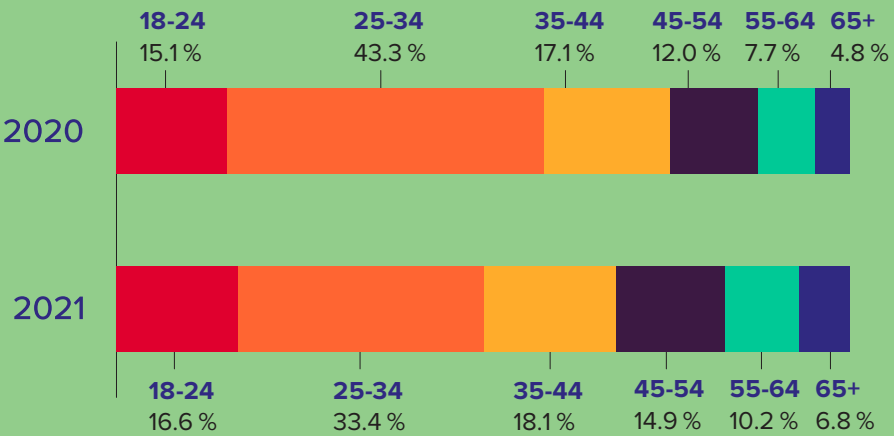
During the period of April 1, 2020, to March 31, 2021, the website saw a 64% drop in users and a 66% decline in pageviews over the previous year.

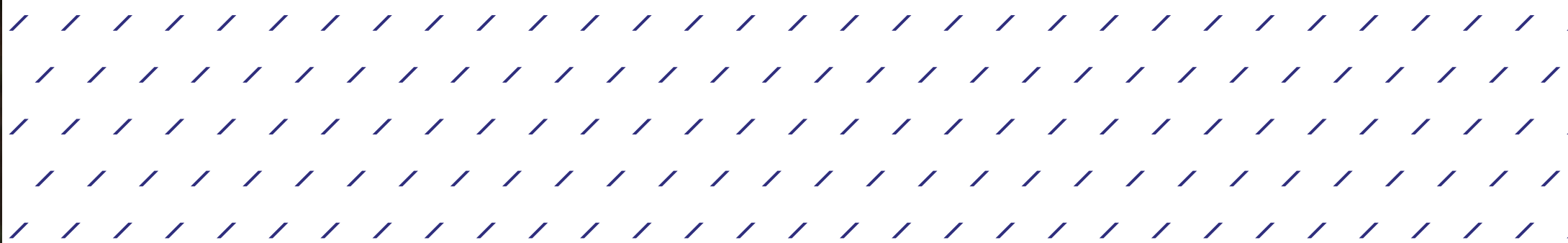
GEOGRAPHIC LOCATION

The decline in traffic occurred across all geographic regions but most notably from HI Canada’s core international markets such as Australia (-86%), France (-75%), Germany (-84%), United Kingdom (-75%) and the United States (-68%).

AGE

While still the network’s largest age cohort by a very wide margin, the 25-34 age group saw a disproportionate decline in online users due to the closed Canadian border. The inability of young, international backpackers and working holidaymakers to travel to Canada over this period is largely responsible for this drop.





Marketing Spotlight: Travel Alberta Grant

In the summer of 2020, HIC PM Region secured \$20,000 in cooperative grant funding from Travel Alberta. The Association partnered with the Alpine Club of Canada to apply for the funding to support fall and winter advertising campaigns with the goal of generating overnight stays at HI and ACC hostels in Alberta.

A portion of the funding was used to retain a digital marketing agency to set up social media and Google ads with the remainder spent on ad spend and influencer partnerships.

By the campaign’s end in March 2021, the associated ads had generated over 25,000 clicks to hihostels.ca and an increase of 823 new Facebook followers. In addition to website traffic, a significant increase in engagement on social resulted in an increased audience of interested and engaged Albertans. Promotion of the region’s Rent-a-Hostel program was particularly successful as a result of this campaign (see more on Rent-a-Hostel on page 25).

Magazine & E-newsletter

HI Canada’s magazine features up to five new original articles each month that promote destinations across Canada as well as the thoughts, stories and viewpoints of hostellers. Each month, new content is shared via our e-newsletter and on social media. As the reality of closed borders and stay-at-home orders sank in, we quickly pivoted article themes to support travellers stuck at home, with content that encouraged them to keep their travel bug alive virtually, through travel shows, movies, podcasts and virtual tours and kept them entertained and engaged with timeless travel stories.

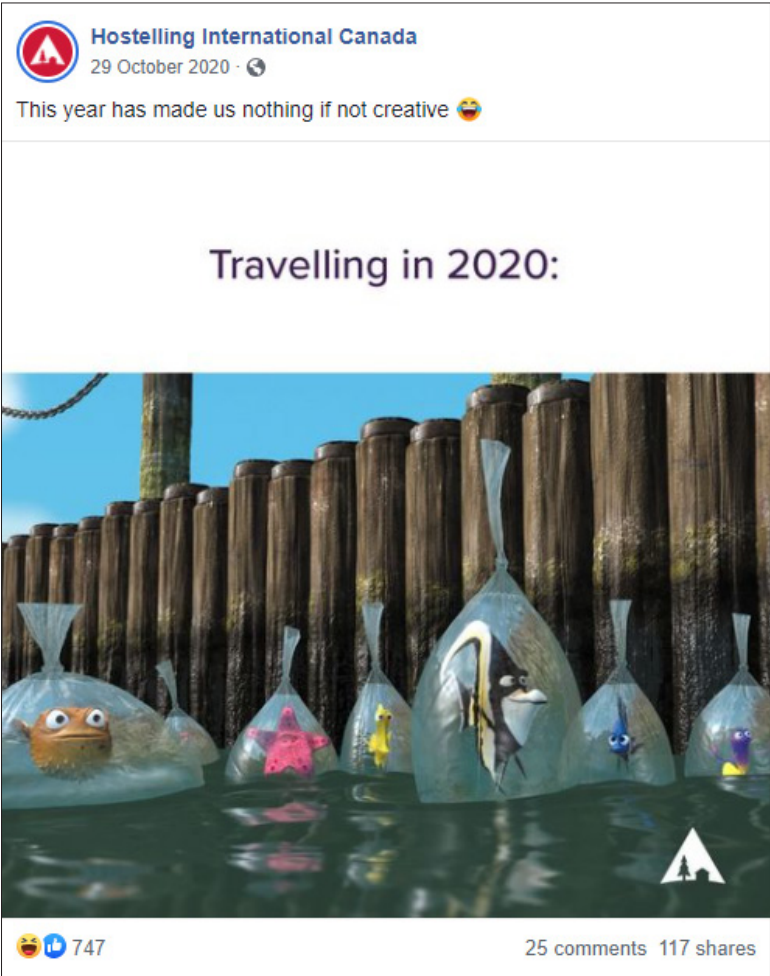
Though magazine content saw less of a decline in pageviews than the website overall, magazine content typically relies a great deal on paid distribution through social channels. As a result of budget cuts in response to the pandemic, traffic to magazine content from social media dropped 94% in Fiscal 2021. Newsletter subscribers and traffic from the newsletter remained relatively steady, despite significantly lower new and renewed memberships, which is currently one of the primary sources of subscribers.

HI CANADA MAGAZINE AT A GLANCE

- Pageviews: 120,655 **(-48%)**
- Traffic from Facebook: 8230 **(-94%)**
- Traffic from newsletter: 11,594 **(-9%)**
- Newsletter subscribers: 30,667 **(-6%)**

Social Media

After their most successful year ever, HI Canada’s Facebook and Instagram platforms experienced drastic slowdowns in 2020, due to reduced budgets. However, these channels continued to resonate with travellers unable to travel, through timely and relatable memes and images that sought to find the lighter side of being stuck at home and provide a bit of distraction and relief from pandemic fatigue.



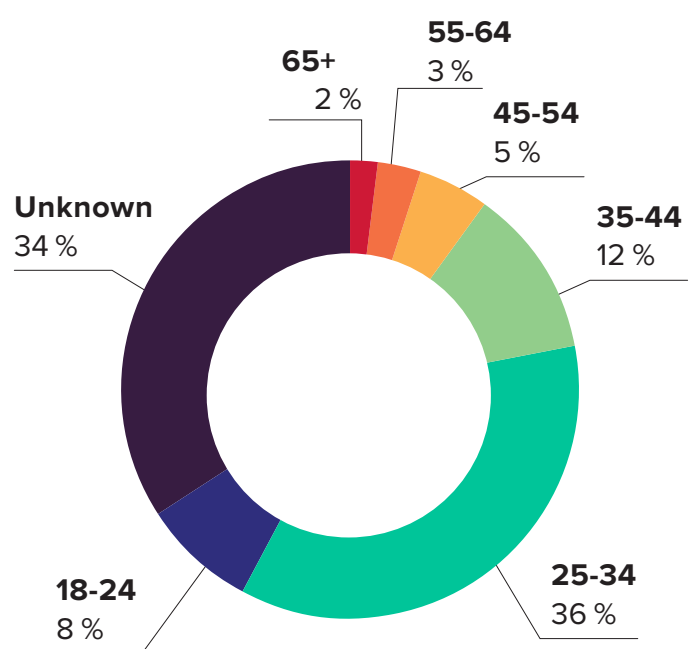
TOP 5 COUNTRIES

- Canada
- Mexico
- United States
- France
- United Kingdom

FACEBOOK PERFORMANCE AT A GLANCE

Average new followers per month: 122 **(-73%)**
Average interactions per month: 1,746 **(-95%)**
Average reach per month: 105,799 **(-88%)**

FACEBOOK FOLLOWERS AT A GLANCE



Trade Shows

During the last year, our travel trade team attended two virtual conferences. As the travel industry grinded to a halt, these conferences were an opportunity to nurture existing relationships and create new ones to help us when travel resumes to pre-pandemic levels.



RENDEZVOUS CANADA

Hosted by Destination Canada and the Tourism Industry Association of Canada, this conference allows HI Canada to connect with international buyers and Canadian tourism organizations.



WORLD YOUTH STUDENT TRAVEL CONFERENCE

Hosted by WYSE (World Youth Student and Educational) Travel Confederation, WYSTC is the international conference connecting organizations dedicated to supporting the youth market.



Influencers

+ +

Despite the pandemic’s considerable effect on travel in 2020, HIC PM Region continued to work with travel influencers, many of whom used the “opportunity” of closed borders to explore their own backyard in Canada while unable to travel abroad as they normally would. In exchange for complimentary overnights, these influencers shared their own hostel experience and our heightened safety measures, showcasing hostelling as a safe and comfortable way to explore close to home during these challenging times.

+ +



KELLIE PAXIAN

BC-based travel influencer Kellie Paxian visited hostels in the Rockies in July 2020. She shared the experience in content on her own platforms and wrote about it in an article for HI Canada’s online magazine. She also suggested Rockies hostels as ideal accommodation in an article for VIVA Lifestyle & Travel Magazine, which was distributed inside The Globe & Mail.



MIKE DOWNIE

This Vancouver-based travel YouTuber is typically out exploring the world, but while home in Canada during the pandemic, he explored his backyard, staying at HI Shuswap Lake, HI Jasper and HI Lake Louise Alpine Centre. He produced two YouTube videos showcasing these hostels and their surroundings, which to date have generated over 396,000 views.



OFF TO MONTREAL

In the summer, Montreal-based French-language blog **offtomontreal.com** visited hostels in Alberta and shared the experience on their Instagram account with their over 17,000 followers. Original French-language content highlighting Alberta hostels reaches an important Quebec market for the Rockies, especially in 2020 as domestic travel took priority.



BRE MIRYNECH

Canmore-based adventure influencer Bre Mirynech is no stranger to wilderness experiences and was a perfect fit to help promote the region’s Rent-a-Hostel program in the off-season. She stayed with a small group of friends at HI Mosquito Creek Wilderness Hostel and highlighted her experience—from a communal taco bar in the kitchen to sunny mid-fall hikes from the front door—on her own platforms and in HI Canada’s online magazine.

[Read more](#)



NOMADE MAGAZINE

The editor of Nomade Magazine, a Quebec-based travel blog and print magazine, visited hostels in the Rockies in the summer and highlighted their experience and links to the relevant hostels on their website at **nomademagazine.com**. Their Instagram captures of their experience were shared to their 15.8K followers, primarily from Quebec.

[Read more](#)



Rent-a-Hostel

As restrictions on indoor gathering sizes rolled out in Alberta in the fall in response to the pandemic, wilderness hostels were faced with mounting challenges around their normal operations. In response, the Association quickly pivoted towards a Rent-a-Hostel model for these remote properties, which allowed single-household groups to book out an entire wilderness hostel for their exclusive use at an appealing and competitive rate.

With the assistance of Travel Alberta grant funding, Rent-a-Hostel options were promoted widely to a primarily Albertan audience on social media platforms and through Google Ads. Interested parties were prompted to fill out a reservation inquiry form where they also had the option to subscribe to last-minute vacancy updates via email. As reservation cancellations and changes were common as the pandemic evolved, the last-minute email system allowed for vacancies to be quickly filled as demand for this product persisted through the winter and into spring.

From November 2020 to March 2021, Rent-a-Hostel reservations generated \$55,000 in revenue and 409 email subscribers.

More information: hihostels.ca/rentahostel

COMMENTS FROM RENT-A-HOSTEL GUESTS

"The rent a hostel was a great idea. We wouldn't have stayed if we didn't have it to ourselves."

"We had the most wonderful time during our weekend away at HI Mosquito Creek Wilderness Hostel. It was such a cool experience to have the place rented out for just our group of friends, and it was the perfect location to base ourselves for a weekend of outdoor adventuring."

"It was very reassuring to be able to rent the hostel and know I had a self-contained unit to myself."

Governance Report

Over the last year, the board of directors has continued its exercise of revising and monitoring operational performance based on board policy and following an approved monitoring schedule for operational performance. Because of the pandemic, the year has been a challenging one for HIC PM Region, and this has been reflected in the committee’s work. In particular, the committee monitors achievement of the ends of the region as spelled out in our policy handbook. With multiple and lengthy hostel closures it has been extremely difficult to focus on some of these ends. Focus, rather, has been on maintaining financial integrity.

The committee has a responsibility to offer education sessions to the directors. This has been curtailed in the last few board meetings, though not eliminated. The online nature of all these meetings in the past year is not conducive to many sorts of educational topics. For example, we have been anxious to invite Parks Canada to provide a session or sessions on certain aspects of park operation, but the planned venue, the new HI Jasper, has not been available because of COVID-19.

The members have indicated that affordability is an end that should be accentuated, and a member survey on this topic is planned for when we are operating more normally. Another member desire is to see the expansion of our hostel network and operations has been working hard to further this end.

With the pandemic winding down, we expect that 2021 – 2022 will be a highly successful and much less turbulent year.

Kit Keener

Chair, Governance Committee





Ownership Linkage

The owners of HIC PM Region are members who contribute time and energy to the organization through their interest and volunteer work. The role of the board of directors' Ownership Linkage Committee is to ensure the board receives regular feedback from the owners, but to also help owners understand how their goals and concerns guide board decisions.

Over the past year, the Ownership Linkage Committee hosted two virtual member update sessions and welcomed members from across the region. We heard directly from owners during these events, shared stories and gave presentations about what hostelling looks like during the COVID-19 pandemic. While we have enjoyed our virtual gatherings, we look forward to seeing our members in person at future updates when it is safe to do so.

The Committee has also been developing improvements to the current HI membership structure. Stay tuned for more details.

The Ownership Linkage Committee is always pleased to receive feedback and good ideas from our owners, so we encourage you to attend a future event. Until then, email dialogue@hihostels.ca at any time and a director will be happy to speak with you.

Victoria Oppenlander

Chair, Ownership Linkage Committee



Financials

True North Hostelling Association O/A Hostelling International Canada – Pacific Mountain Region

INDEPENDENT AUDITOR'S REPORT

To the Directors of True North Hostelling Association (Operating as Hostelling International - Canada - Pacific Mountain Region).

OUR OPINION

We have audited the accompanying combined financial statements of True North Hostelling Association (Operating as Hostelling International – Canada – Pacific Mountain Region) (the “Entity”), which comprise:

- the combined statement of financial position as at March 31, 2021
- the combined statement of operations for the year then ended
- the combined statement of changes net assets for the year then ended
- the combined statement of cash flows for the year then ended
- and notes to the combined financial statements, including a summary of significant accounting policies (hereinafter referred to as the “financial statements”).

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Entity as at March 31, 2021 and its combined results of operations and its combined 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 “*Auditors’ Responsibilities for the Audit of the Financial Statements*” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

OTHER MATTER – COMPARATIVE INFORMATION

The combined financial statements for the year ended March 31, 2020 were audited by another auditor who expressed an unmodified opinion on those combined financial statements on July 2, 2020.

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 the Entity’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

AUDITORS’ 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 auditors’ 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks,

and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ 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 auditors’ report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants
VANCOUVER, CANADA, JULY 12, 2021



COMBINED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021, WITH COMPARATIVE INFORMATION FOR 2020

| | 2021 | 2020 |
|--|-------------------|-------------------|
| | \$ | \$ |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 16,600,920 | 1,772,425 |
| Short-term investments <i>(note 3)</i> | — | 355,956 |
| Accounts and other receivables | 413,387 | 445,642 |
| Inventory | 86,168 | 99,186 |
| Prepaid expenses | 216,175 | 332,521 |
| | 17,316,650 | 3,005,730 |
| Restricted cash | — | 5,000 |
| Long-term investments <i>(note 3)</i> | — | 802,031 |
| Capital assets <i>(note 4)</i> | 32,039,632 | 37,264,782 |
| | 49,356,282 | 41,077,543 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities <i>(note 5)</i> | 761,399 | 1,347,816 |
| Unearned revenue and deposits | 288,328 | 423,401 |
| Loans payable <i>(notes 6)</i> | 970,883 | 563,341 |
| | 2,020,610 | 2,334,558 |
| Deferred contributions <i>(note 7)</i> | 75,455 | 45,043 |
| Deferred capital contributions <i>(note 8)</i> | 639,852 | 693,300 |
| Loans payable <i>(note 5)</i> | 8,707,904 | 9,653,688 |
| | 11,443,821 | 12,726,589 |
| NET ASSETS | 37,912,461 | 28,350,954 |
| | 49,356,282 | 41,077,543 |

Commitments and contingencies *(note 9)*

Related party transaction *(note 10)*

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

Approved by the Board of Directors

Dave Bentley

Dave Bentley – Director

Victoria Oppenlander

Victoria Oppenlander – Director

COMBINED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2021, WITH COMPARATIVE INFORMATION FOR 2020

| | 2021 | 2020 |
|--|---------------------|-------------------|
| | \$ | \$ |
| Revenue | | |
| Overnights | 1,729,808 | 14,269,414 |
| Membership | 24,712 | 207,599 |
| Other, including food, beverage and merchandise | 3,310,707 | 2,347,792 |
| | 5,065,227 | 16,824,805 |
| Expenses | | |
| Hostels | 3,134,229 | 12,490,130 |
| Administration | 1,018,239 | 1,679,100 |
| Amortization of capital assets | 2,065,031 | 1,793,069 |
| | 6,217,499 | 15,962,299 |
| Excess (deficiency) before the undernoted | (1,152,272) | 862,506 |
| Other (income) expenses: | | |
| Interest income | (5,700) | (27,623) |
| Interest expenses | 334,175 | 327,839 |
| Loss on non-recurring items | 44,802 | 31,983 |
| (Gain) loss on disposal capital assets | (11,087,056) | 212,213 |
| | (10,713,779) | 544,412 |
| Excess of revenue over expenses | 9,561,507 | 318,094 |
| Net assets - Beginning of year | 28,350,954 | 28,032,860 |
| Net assets - End of year | 37,912,461 | 28,350,954 |

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

COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2021, WITH COMPARATIVE INFORMATION FOR 2020

| | 2021 | 2020 |
|---|-------------------|--------------------|
| | \$ | \$ |
| CASH PROVIDED BY (USED IN) | | |
| Operations | | |
| Excess of revenue over expenses | 9,561,507 | 318,094 |
| Items not involving cash: | | |
| • Amortization of capital assets | 2,065,031 | 1,793,069 |
| • Amortization of deferred capital contributions | (53,448) | (54,943) |
| • Deferred contributions used | (25,906) | (99,243) |
| • (Gain) loss on sale of capital assets | (11,087,056) | 212,213 |
| • Forgiveness of loan (note 5) | (6,957) | — |
| | 453,171 | 2,169,190 |
| Changes in non-cash operating working capital | | |
| Accounts receivable | 32,255 | (4,439) |
| Inventory | 13,018 | (11,559) |
| Prepaid expenses | 116,346 | (17,905) |
| Accounts payable and accrued liabilities | (586,417) | (91,648) |
| Unearned revenue and deposits | (135,074) | (14,774) |
| | (106,701) | 2,028,865 |
| Financing | | |
| Proceeds from loan issuance | 27,826 | 7,000,000 |
| Deferred contributions received | 56,318 | 75,134 |
| Repayment of loans payable | (559,111) | (731,270) |
| | (474,967) | 6,343,864 |
| Investments | | |
| Change in investments | 1,157,987 | 306,126 |
| Decrease in restricted cash | 5,000 | — |
| Purchase of capital assets | (254,000) | (9,855,308) |
| Proceeds on sale of capital assets | 14,501,176 | — |
| | 15,410,163 | (9,549,182) |
| Increase (decrease) in cash and cash equivalents | 14,828,495 | (1,176,453) |
| Cash and cash equivalents - Beginning of year | 1,772,425 | 2,948,878 |
| Cash and cash equivalents - End of year | 16,600,920 | 1,772,425 |
| Supplemental cash flow information | | |
| Interest paid - net of interest received | 328,475 | 300,216 |

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021

1. OPERATIONS

The True North Hostelling Association (Operating as 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, to 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 has an investment in the 1025 Granville Street Trust (the “Trust”), which is not a tax-exempt entity. However, its beneficiary, the Canadian Hostelling Association - British Columbia Region, to which the Trust allocates its income, is a tax exempt entity.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including the Canadian federal and provincial governments, enacting emergency measures to combat the spread of the virus. The economic conditions and the Association’s response to the pandemic had a material impact on the Association’s operating results and financial position in 2020 through the impact of the pandemic of the operations of the regional associations. The Association claimed \$2,338,037 (2020 - nil) in relation to the Canadian Emergency Wage Subsidy (“CEWS”), which was introduced by the Canadian government to assist organizations who had lost a certain percentage of their eligible revenue. The Association also applied for and received the Canadian Emergency Business Account loan (note 6). An estimate of the financial effect on the Association is not predictable at this time. The Association continues to closely monitor the impact on its financial implications and continuing operations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These combined financial statements of the Association are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”). 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 Canadian Hostelling Association - Prairie Region Inc. 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 Centre and International Hostel at Lake Louise (“LLAC” or “CAC joint venture”), 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 these combined financial statements (note 12).

These combined financial statements are prepared for the Board of Directors of Hostelling International-Canada solely for their information purposes. As a result, the combined financial statements may not be suitable for another purpose. The businesses included in these



combined financial statements have not operated as a single entity. These combined financial statements are; therefore, not necessarily indicative of results that would have occurred if the businesses had operated as a single business during the year presented or of future results of the combined businesses. Transactions between the entities, balances and unrealized gains/losses on transactions between the entities are eliminated in these combined financial statements.

(b) Investments

Short-term investments consist of guaranteed investment certificates, term deposits, and mutual funds that can be realizable within one year. Investments with maturities over a year are classified as long-term investments. All investments are measured at fair value.

(c) Supplies

Supplies consist of food, beverages and other supplies and is measured at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method and includes the price of purchase and related taxes. Supplies are written down to its net realizable value when the cost of inventory is not estimated to be recoverable due to obsolescence, damage or declining selling prices.

(d) Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that either the full or partial amount of the asset no longer has long-term service potential to the Association. If such conditions exist, an impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value or replacement cost.

Capital assets are amortized on a declining balance basis over their estimated useful lives as follows:

| ASSET | RATE |
|---|-----------|
| • Buildings and building lease improvements | 5% |
| • Automobiles | 30% |
| • Computer equipment and software | 30% - 50% |
| • Furniture and equipment | 20% |

Buildings consist of the hostel located on federal lands whereby the Association has license of occupancy for a term ending in 2028 and does not expect any renewal issue. Therefore, the Association amortizes the building over the estimated useful life instead of the underlying land license. The Association reviews its property annually, and if the remaining useful life is determined to be shorter, will adjust the amortization prospectively.

Leasehold improvements are amortized on a declining balance basis over the shorter of their useful lives or the term of the lease. The building under construction is amortized once it is available for use.

(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. 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. 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.

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

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

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, the Association 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 the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(h) Measurement uncertainty

The preparation of combined 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 combined financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

3. INVESTMENTS

| | 2021 | 2020 |
|------------------------------|------|-----------|
| | \$ | \$ |
| Term deposits GIC's | — | 162,767 |
| Fixed income fund | — | 57,302 |
| Canadian equities fund | — | 802,030 |
| Foreign equities fund | — | 135,888 |
| | — | 1,157,987 |
| Less: short-term investments | — | 355,956 |
| Long-term investments | — | 802,031 |
| | — | 1,157,987 |

4. CAPITAL ASSETS

| | 2021 | 2020 |
|---|----------------|----------------|
| | Net book value | Net book value |
| | \$ | \$ |
| Land | 4,311,031 | 5,811,031 |
| Buildings and leasehold improvements | 45,335,421 | 30,089,481 |
| Automobiles | 208,661 | 20,443 |
| Computer equipment and software | 1,413,796 | 283,963 |
| Furniture and equipment | 4,998,512 | 1,059,584 |
| | 56,267,421 | 37,264,502 |
| Hostel development planning and assets under construction | 9,731 | 280 |
| | 56,277,152 | 37,264,782 |

5. GOVERNMENT REMITTANCES

Included in accounts payable and accrued liabilities are government remittances payable of \$32,329 (2020 - \$77,141) relating to goods and services tax, tourism levies and Workers' Compensation Board.

6. LOANS PAYABLE AND CREDIT FACILITIES

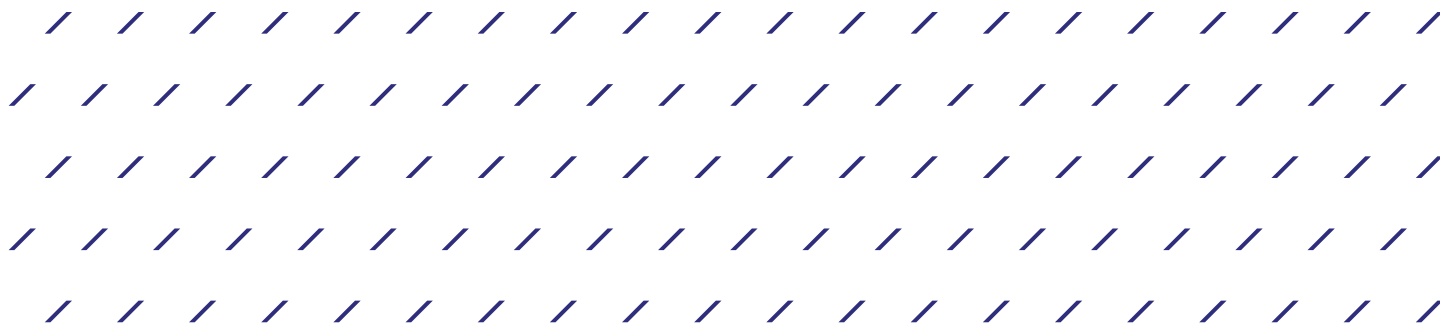
| | 2021 | 2020 |
|--|-----------|------------|
| | \$ | \$ |
| Whistler mortgage (c) | 2,585,172 | 2,789,092 |
| 1025 Granville Street Trust loan (d) | 527,746 | 607,937 |
| Jasper mortgage (e) | 6,545,000 | 6,820,000 |
| LLAC Canadian Emergency Business Account (f) | 20,869 | — |
| | 9,678,787 | 10,217,029 |
| Less: Current portion | 970,883 | 563,341 |
| | 8,707,904 | 9,653,688 |

(a) The Association has a revolving line of credit of \$500,000 (going up to a maximum limit of \$1,000,000 from November 1 to May 30), bearing interest at prime rate plus 0.75% per annum. As at March 31, 2021, the Organization has not utilized this facility.

(b) The Association's joint venture with the CAC joint venture has a revolving line of credit of \$100,000, bearing interest at prime rate plus 1.00% per annum. As at March 31, 2021, the joint venture has not utilized this facility.

(c) This mortgage includes two term loans that were obtained to finance the acquisition of the Whistler property. These loans with blended monthly payments of \$42,174 bear interest at 3.58% and 3.76%, respectively, maturing in 2023.

(d) The term loan for 1025 Granville Street Trust bears interest at 3.76% per annum, with blended monthly payments of \$15,153, maturing in 2023.



(e) The swap loan for New Jasper bears swap rate of 2.12% for 15 years plus stamping fee of 1.41%, maturing on December 29, 2034.

(f) During the year ended March 31, 2021, the Association applied for and received \$27,828 from the Government of Canada in relation to the Canadian Emergency Business Account (“CEBA”), which was intended to provide capital to organizations to assist during COVID-19. The loan is unsecured and bears no interest to December 31, 2022. If the loan is repaid by December 31, 2022, \$6,957 of the loan will be forgiven. If the loan is not repaid by December 31, 2022, the loan will bear interest at 5% per annum, with interest payments being payable until the full principal is repaid, with the loan maturing on December 31, 2025.

The forgivable portion of the loan of \$6,957 (2020 - nil) is recognised against hostel expenses in the combined statement of operations and changes in net assets.

The above three loans noted in (c), (d) and (e) are secured by the following:

- (i) a general security agreement covering a first ranking security interest in all property of the Association;
- (ii) a 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;
- (iii) a certificate of insurance on the 1025 Granville Street Hostel, New Whistler Hostel and Downtown Hostel showing the bank as a first mortgagee; and
- (iv) a collateral mortgage in full amount constituting a first fixed charge on the lands and improvements on the above three hostels.

The above three loans noted in (c) (d) and (e) are subject to certain restrictive financial and non-financial covenants. As at March 31, 2021, the Association was in compliance with these covenants.

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:

| | \$ |
|------------|------------------|
| 2022 | 970,883 |
| 2023 | 1,028,030 |
| 2024 | 1,050,414 |
| 2025 | 893,930 |
| Thereafter | 5,735,530 |
| | 9,678,787 |

7. DEFERRED CONTRIBUTIONS

| | 2021 | 2020 |
|---|---------------|---------------|
| | \$ | \$ |
| Balance - Beginning of year | 45,043 | 69,152 |
| Contributions received during the year | 56,318 | 75,134 |
| Contributions utilized for capital projects during the year | (25,906) | (99,243) |
| Balance - End of year | 75,455 | 45,043 |

8. DEFERRED CAPITAL CONTRIBUTIONS

| | 2021 | 2020 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| Balance - Beginning of year | 693,300 | 748,243 |
| Amortization during the year | (53,448) | (54,943) |
| Balance - End of year | 639,852 | 693,300 |

9. COMMITMENTS AND CONTINGENCIES

(a) Operating leases

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

| | \$ |
|------------|----------------|
| 2022 | 99,900 |
| 2023 | 70,893 |
| 2024 | 6,552 |
| 2025 | 6,552 |
| Thereafter | 15,156 |
| | 199,053 |



(b) National levy

The Association pays a levy to Hostelling International Canada based on membership sales and overnights recorded for the last completed fiscal year. The Association paid \$137,172 (2020 - \$245,377) in respect of the levy and is recorded in hostel expenses.

(c) Litigation

From time to time, in connection with its operations, the Association is named as the 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. RELATED PARTY TRANSACTION

During the year, the Association provided management services for \$78,750 (2020 - \$78,750) to the CAC joint venture.

These transactions have been measured at the exchange amount as agreed to by the related parties and are in the normal course of operations. The Association’s proportionate share of the management services fee provided to the CAC joint venture has been eliminated in the preparation of these combined financial statements.

11. FINANCIAL RISKS

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association’s main credit risks relate to its accounts receivable.

The Association continuously reviews the financial situation of its members. The Association establishes allowances for doubtful accounts while keeping in mind the specific credit risk of clients, their historic tendencies and economic situation.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Association to a fair value risk while the floating-rate instruments subject it to a cash flow risk. The Association does not use derivative financial instruments to alter the effects of this risk.

(c) Currency risk:

The Association realizes some of its revenues and purchases in foreign currencies. Consequently, it is exposed to fluctuations of these currencies. As at March 31, 2021, assets include a cash balance of \$142,390 (2020 - \$524,772) in US dollars.

12. INVESTMENT IN JOINT VENTURE

The combined financial statements include the Association’s 69.57% proportionate share of the revenue, expenses, assets and liabilities, and cash flows of the CAC joint venture as follows:

| | 2021 | 2020 |
|---|----------------------------|----------------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | 732,649 | 1,145,988 |
| Capital assets | 1,981,621 | 1,992,553 |
| | 2,714,270 | 3,138,541 |
| Liabilities and Net Assets | | |
| Accounts payable and other current liabilities | 121,717 | 88,691 |
| Deferred contributions | 265,178 | 279,134 |
| Net assets | 2,327,375 | 2,770,716 |
| | 2,714,270 | 3,138,541 |
| Revenue | 634,222 | 1,972,052 |
| Excess (deficiency) of revenue over expenses | (53,780) | 328,670 |
| Cash flows provided by operating | 50,161 | 344,940 |
| Cash flows used in financing | (354,807) | (69,565) |
| Cash flows used in investing | (107,444) | (47,012) |

13. SUBSEQUENT EVENT

Subsequent to year-end, the Association listed its Regina hostel for sale for a value in excess of its carrying value. The Association has not reclassified the asset as held for sale as a formal plan of sale did not exist at March 31, 2021.

Owned Hostels

Alberta

- HI Athabasca Falls
- HI Banff Alpine Centre
- HI Beauty Creek
- HI Calgary City Centre
- HI Castle Mountain
- HI Edmonton
- HI Hilda Creek
- HI Jasper
- HI Kananaskis
- HI Lake Louise Alpine Centre
- HI Maligne Canyon
- HI Mosquito Creek
- HI Mount Edith Cavell
- HI Nordegg
- HI Rampart Creek

Hostelling International Canada

Pacific Mountain Region

300-761 Cardero Street, Vancouver, BC V6G 2G3
604.684.7111 | hihostels.ca

British Columbia

- HI Penticton
- HI Vancouver Downtown
- HI Vancouver Jericho Beach
- HI Victoria
- HI Whistler
- HI Yoho National Park

Saskatchewan

- HI Regina

Affiliate Hostels

Alberta


- HI Canmore

British Columbia

- HI Cumberland, Riding Fool Hostel
- HI Fernie, Raging Elk Adventure Lodging
- HI Nanaimo, Painted Turtle Guesthouse
- HI Nelson, Dancing Bear Inn
- HI Prince Rupert, Pioneer Backpackers Inn
- HI RED Mountain, Nowhere Special
- HI Shuswap Lake, Squilax General Store
- HI Squamish, Adventure Inn
- HI Tofino, Whalers on the Point

Manitoba

- HI Rossburn, 9 Finger Ranch

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