



2020 ANNUAL REPORT

HOSTELLING INTERNATIONAL CANADA

Pacific Mountain Region





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Letter from the CEO

HI Canada – Pacific Mountain (HIC PM) Region’s fiscal year begins on April 1, when spring is upon us and our natural world is emerging from its winter slumber. It’s an optimistic time of year. Fiscal Year 2019-2020 started in this mood with the excitement and anticipation of opening a new HI Jasper. We looked forward to our annual hosting of tens of thousands of HI members and travellers during the summer high season.

The middle months of the year were marked by a notable softening in market conditions and reduced overnights, prompting an increased focus on expense management. While decreasing demand is always a concern, it felt like a slowdown that is typical of the hospitality sector’s cyclical nature.

Then COVID-19 struck. With many long-serving volunteers, board and staff members, HIC PM Region had persevered through many challenging times over the years. Severe economic recessions. Natural disasters. Geopolitical conflicts that disrupted travel. The chilling effect of terrorism on travel. However, nothing had prepared the organization for what it was about to face.

From late February to March 26, 2020, HIC PM Region went from being determined to remain open, confident that it could keep its guests and staff safe, to closing all hostels and laying off 217 out of 250 staff. The Association had effectively ceased all hostel operations without knowing what the future held.

Despite the daunting situation and the shock that comes from witnessing something you care for levelled by circumstances beyond one’s control, the people that support and are personally invested in our not-for-profit organization have met the challenge. Our volunteers, members, guests and staff have enabled the Association to persevere and I thank them for their invaluable support. Special thanks to our volunteer Board of Directors, who have invested significant time and effort in guiding the organization during the pandemic.

I look forward to putting the pandemic behind us and once again having all our hostels welcoming members and travellers from around the world to the diverse and wonderful communities we serve.

Sincerely,

Robb Cryder

Acting CEO

HI Canada – Pacific Mountain Region



Letter from the Chair

The 2019-2020 fiscal year has been unlike any before. The year started off on a very high note for HI Canada – Pacific Mountain Region. In September 2019, the Board of Directors was delighted to host the grand opening of our beautiful new hostel in Jasper. As many of our members will know, this project has been decades in the making and those who have had the opportunity to visit the new HI Jasper facility can attest that it was well worth the wait.

Alongside our partner associations around the world, HIC PM Region has been working to keep our members and guests safe and comfortable in our properties throughout the global pandemic. In March, the Board of Directors supported the very difficult, but inevitable, decision to close all our hostels. The Board has been actively monitoring the situation and working with all our partners to ensure the sustainability and long-term viability of the Association. The Board also approved temporary lease arrangements with BC Housing for HI Vancouver Central, HI Vancouver Downtown and HI Victoria to support vulnerable populations in our communities through this difficult time.

Despite the pandemic, the Board continued to find ways to focus on connecting with our members, notably hosting our first virtual member update online. The event was well attended with members from across the region taking the time to learn about the ways that our staff are working diligently to keep them safe in

our hostels in this new reality and also to share their thoughts on what's important to them. This feedback is invaluable to the Board as we work to provide strategic leadership to the Association and continue to learn how to best serve our members and guests.

I am very pleased to report to our members that 13 of our hostels were reopened in June and, all things considered, have had a successful summer. I take this opportunity to thank all our incredibly hard-working and dedicated volunteers, members, guests and staff for rising to the challenges presented by the pandemic and standing by the Association through this very difficult time.

I encourage our members to explore the hostels throughout our region and thank you for supporting the Association during this challenging period. As this is my last year on the Board, I will conclude by saying that it has been an honour to serve as your Chair of the Board of Directors over the past year. Thank you for your ongoing support and I hope to see you in one of our hostels soon!

Meghan Trepanier

Chair, Board of Directors

HI Canada – Pacific Mountain Region

Meet the Board



MEGHAN TREPANIER, Chair

Raised in the Thompson-Okanagan, Meghan became involved with hostelling during family trips to the wilderness hostels in the Rocky Mountains. Over the years, she has continued travelling and hostelling across Canada and around the world. She knows the Pacific Mountain Region well, having been to all but one of its hostels.



PETER NIETRESTA, 1st Vice-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.



CURTIS HEMMING, 2nd Vice-Chair

An HI member since 1998, Curtis believes hostelling is a great way to meet new people and see new places. Beyond his career in government relations and research, Curtis has also worked in a potash mine, co-hosted a radio morning show, cleaned railway cars in -40° and was once on a travel reality show.



LENORE NEUDORF, Director

Lenore is passionate about hostelling and the connections and fellowship it provides. As a senior executive and lawyer, she has brought extensive experience to Hostelling International for over 15 years, both regionally and nationally. In her free time, Lenore loves to visit with family and friends and pursue her interest in fibre arts.



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.



DAVE BENTLEY, Director

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.



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.

Association Update

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HI Canada – Pacific Mountain Region spans British Columbia, Alberta, Saskatchewan, Manitoba, Yukon, the Northwest Territories and Nunavut. The Association has 13,281 members and 34 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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Notable Events

OPENING OF HI JASPER

The brand new HI Jasper welcomed its first guests on June 4, 2019, and officially celebrated its grand opening at a special event on September 21, 2019. Read more about the hostel’s first ten months of operation on page 11.

COVID-19 PANDEMIC

The COVID-19 pandemic has had a devastating effect on the global travel and tourism industry, and HIC PM Region was not spared. This fiscal year ended with all HIC PM Region hostels closed as a result of this pandemic. Read more about how the region has been affected on page 12.

TECHNOLOGY INVESTMENTS

HIC PM Region continued to invest in technology as it strives to meet one of its strategic priorities to adopt current technology. This year’s initiatives included:

- Upgrading the operating systems of computers to Microsoft’s Windows 10. For newer computers this could be accomplished by a software upgrade, but many computers were too old and required replacing.
- Implementation of the property management system GuestCentrix continued. The Australian parent company, CMS Hospitality, was purchased by a Canadian company, Valsoft. This is a positive development as it will provide more development resources for HI Canada.
- The Association is decommissioning servers as it moves its systems and data to a cloud-based solution. This will result in improved data security and cost savings.
- A new invoicing and payment system called Global Search has been deployed. All management and storage of invoices is now electronic.
- Development continued on the new booking engine and improved booking experience for guests. This reservation system is more streamlined for users, allows for flexible pricing strategies and offers more and better opportunities for packages and promo codes.

Overnight Performance

After historically high overnights in fiscal year 2017, overnights have trended downward and this continued in 2020, prior to the closure of hostels in the latter half of March. Alberta’s weak economy had a negative impact, as did an increasing supply of alternative accommodations, such as Airbnb. This factor was particularly impactful in Vancouver and Whistler.

The negative impact of the coronavirus began to be felt by mid-February and increased exponentially through the month of March. By March 26th, HIC PM Region had closed all owned hostels.

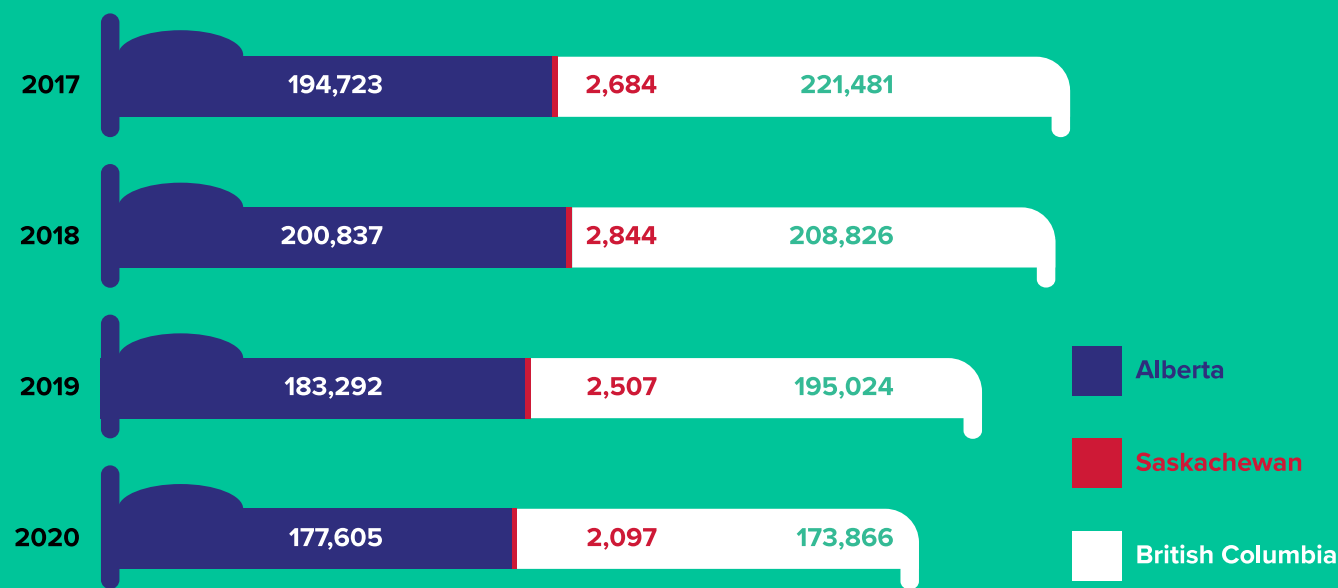
Overnights in March fell from 25,991 in 2019 to 14,590 in 2020, a 43.9% decline. Total overnights for the year were 353,568 compared with 380,825 the

previous year, a decrease of 7.2%.

Despite the generally sluggish business and the hostel closures, overnights did increase this year at HI Vancouver Jericho Beach (2%), HI Hilda Creek Wilderness Hostel (3%), HI Mount Edith Cavell Wilderness Hostel (16%) and HI Nordegg, Shunda Creek Hostel (23%). HI Jasper’s overnights for fiscal year 2020 increased by 50% to 25,618, but this was based on ten months of operation, and compared to the old hostel, which had a lower capacity.

HI Banff Alpine Centre had the highest overnights in the region totalling 59,326. In BC, HI Vancouver Central had the highest overnights at 51,540.

Overnights Breakdown



| | 2019 | 2020 |
|-------------------|---------|---------|
| REGIONAL TOTAL | 380,825 | 353,568 |
| AVERAGE OCCUPANCY | 55.4% | 48.6% |



Financial Summary

As reflected in the lower overnight statistics, the 2020 fiscal year was challenging financially. This was the case even before the novel coronavirus developed into a pandemic that froze the world economy.

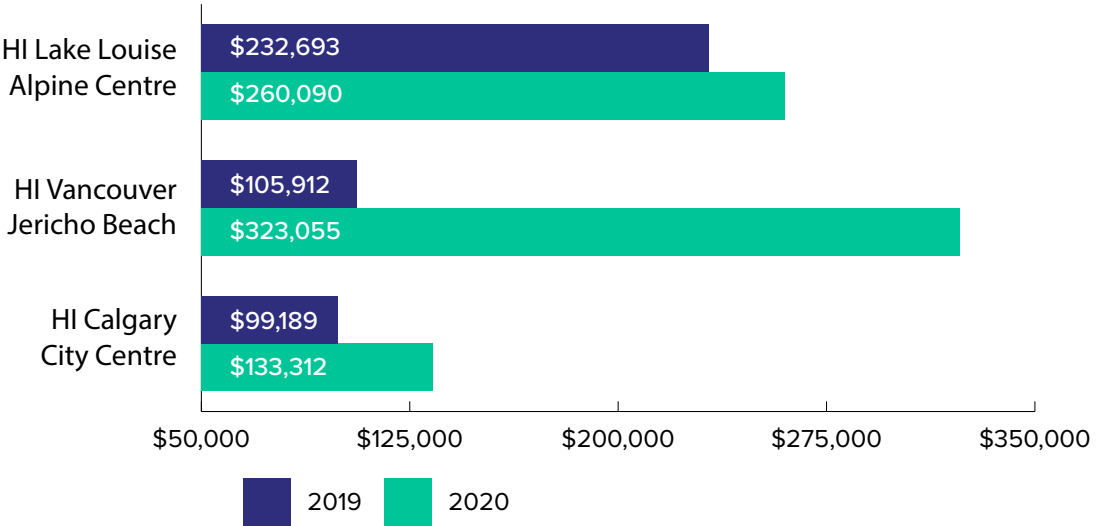
Total revenue for the year decreased less than 1% at \$16,824,805 versus \$16,949,947 for the previous year. Overnight revenue totalled \$14,269,414, which was a decline of less than 1%. This total was bolstered by the new 157-bed HI Jasper, which replaced the old 70-bed hostel, resulting in more overnights at a higher rate from this market. This helped offset weakness in other markets and the financial impact of the hostel closures in March.

Food & beverage and merchandise sales totalled \$2,347,792, an increase of 7.2%. Sleepy Hollow Café at HI Jasper was a significant contributor to this revenue increase which came in at \$129,653.

Unfortunately, membership revenue continued its long-term decline, decreasing from \$388,926 in FY2019 to \$207,599. This significant one-year drop was primarily due to a change in policy whereby bookings that came from online travel agencies (OTAs) would always be charged the non-member rate and not be eligible for the member rate. This is part of HI Canada’s book direct strategy, which encourages and incentivises guests to book through *hihostels.ca*. Booking through this site is commission free, whereas the Association remits commissions of 12 to 18% for bookings on commercial reservation sites such as *booking.com* and *hostelworld.com*.

Revenue per available pillow (RevPap), which is a metric that combines the occupancy rate and the average daily rate (ADR), decreased slightly from \$19.74 to \$19.62. While overnights were lower this year, a higher ADR at most hostels, and much higher at the new HI Jasper, resulted in a RevPap that was in line with the previous year.

Despite the less favourable operating environment, there were still some notable financial achievements based on net surplus:



HI Jasper generated a negative cash flow of \$120,729. The financial performance was impacted by a delayed opening date of June 4 rather than late April as well as rate discounting due to some customer service issues for the first months of operation. On a brighter note, from July through September, the occupancy rate was over 90%. As well, the hostel accommodated 25,618 overnights despite the March closure and only operating for ten months of the fiscal year.

Expenses increased by 5.3% to \$15,962,299 from \$15,151,873 the previous year. The non-cash expense depreciation accounts for \$1,793,069 of this total, which is an increase of \$424,633. This is explained by the development of HI Jasper.

Of the total expenses, hostel operations accounted for \$12,490,130, which increased by 2.3% over the previous year. The larger team at HI Jasper was a factor, as was the increase in the minimum wage in BC. On the other hand, the March 2020 closure resulted in a significant reduction in the salary expense for the month.

Administration and membership costs were \$1,679,100, which rose 6.4%. A primary factor in this increase was additional IT investment to improve efficiencies, data analysis and marketing efforts. The administration and membership costs represent 10.5% of total expenses for the year.

Excess of revenue over expenses for the year was \$318,094. This compares to \$1,685,424 in FY2019. Part of the variance is accounted for by the decommissioning of the old HI Jasper, which totaled \$212,213 and, in the financial statements, is described as loss on disposal of capital assets. The increase in depreciation (\$424,633) and interest payments (\$172,131) are also significant factors.

HIC PM Region’s balance sheet underwent some notable changes in FY2020. Capital assets increased from \$29,414,756 to \$37,264,782 with the completion of HI Jasper. Similarly, loans payable increased from \$3,948,299 to \$10,217,029 to reflect the financing for the project. The loan for HI Jasper is for a 15-year term which protects the Association from a future increase in interest rates. The interest rate was set when the yield curve was virtually flat, meaning there was a minimal difference between short-term and long-term rates. This debt obligation and degree of leverage was carefully assessed by the Board of Directors and management to ensure it would be manageable, even in a downturn.

Although the liquid assets decreased over the course of the year, by the end of FY2020 the Association still had \$2,930,412 in cash and investments. These assets have provided financial security during the suspension of operations and on a go-forward basis in a challenging operating environment.

Top 5 Countries of Origin

- Germany
- United States
- Australia
- England & Wales
- France

Net Surplus vs. Total Revenue

NET SURPLUS



TOTAL REVENUE



Hostel Highlights



HI LAKE LOUISE ALPINE CENTRE

The phased refurbishment of the hostel continued with the third floor of the main building. The upgrades include new flooring, paint and art. Unfortunately, COVID-19 interrupted the renovation as the contractor was required to withdraw its workers. The upgrading will be completed in FY2021.



HI VANCOUVER JERICHO BEACH

Upgrading of sleeping rooms continued, with two dorms getting new electrical outlets, bedside lights, flooring and paint. This is in response to guest demand for increased comfort and the provision of charging stations for electronic devices. One of the washrooms was also upgraded with new shower tile and the creation of a private changing area for each shower.



HI VANCOUVER CENTRAL

The first phase in replacing the awning and painting the exterior was undertaken. Extensive preparation was required before painting, primarily because of the age and central location of the building. The plan is to paint the exterior when the financial resources are available.

Other Improvements

HI EDMONTON

Approximately \$18,000 was invested in upgrading to LED lighting and motion detectors. These improvements reflect the Association’s commitment to reducing its environmental footprint and operating expenses.

HI CALGARY CITY CENTRE

New cabinets were installed in the kitchen. As well, twenty new mattresses were purchased as part of a phased approach to replacing all mattresses.

HI BANFF ALPINE CENTRE

Approximately \$6,000 was invested in replacing windows. New furniture was purchased for the lobby area.

HI NORDEGG, SHUNDA CREEK HOSTEL

Over \$20,000 was invested in upgrading the septic system. This included replacing the main tank and conducting work on the septic field.

HI REGINA

Washroom renovations took place and approximately \$4,400 was spent on materials. One of the part-time staff is a contractor and he provided the labour for the project.

HI YOHO NATIONAL PARK, WHISKEY JACK WILDERNESS HOSTEL

The hostel operates in an older wooden building and is exposed to harsh alpine conditions. An engineer was retained to assess the structure of the building and recommend upgrades. The management team in Banff acted on the recommendations in the report.

Affiliate Update

HIC PM Region is affiliated with 13 independently owned and operated hostels in British Columbia, Alberta and Manitoba. HI Canada's affiliate community is a mutually beneficial program that expands the reach of our regional and national networks while providing hostel owners with access to HI's Canada brand, expertise and promotions.

We're always looking for opportunities to continue to expand our network. Early in 2020, the operations team reached out to private hostels in several Western Canadian communities. The plan was to gauge their interest in becoming an affiliate hostel in the HIC PM Region. Due to COVID-19, the response rate wasn't what was hoped, but when normal travel returns, there will be a renewed effort to expand our network as per our Sub End 1.31.

Affiliate Spotlight: HI RED Mountain, Nowhere Special

Opened in late 2018, this hostel in the southern Kootenays is the latest affiliate addition to the HIC PM Region. Just 13 kilometres north of the US border and five minutes from the scenic mountain town of Rossland, this hostel is a paradise for adventure seekers.

Only a two-minute walk to the chairlifts at the award-winning RED Mountain Ski Resort, this ski-in, ski-out hostel is the perfect base for exploring the outdoors in all seasons.

HI RED Mountain was designed with support and consultation with the HIC PM Region team. The end result is a must-visit, design-driven hostel that was built with the modern backpacker in mind and has been described as "fashionable and functional."

There are a range of rooms to suit every type of traveller, and the common spaces are specifically designed to enhance the community feel within the hostel. The highlight has to be the outdoor zone, which has taken the typical hostel kitchen to a whole other level. With two gas grills, outdoor seating and a fire pit, this feature had proven to be very popular with guests.

Hopefully on your next trip in southern BC, you'll get the chance to try this new hostel out for yourself.

hihostels.ca/redmountain



Hostel Spotlight: HI Jasper

Decades in the making, the new HI Jasper finally arrived in 2019—and it was well worth the wait.

The newest addition to the HI Canada network, HI Jasper is a brand-new purpose-built, modern hostel in downtown Jasper, replacing the original HI Jasper on Whistlers Mountain, a few kilometres from town.

After a delayed opening in early June and a few hiccups in its first summer of operation, HI Jasper saw average occupancy rates of over 90% from July through September. The hostel was officially opened at a grand opening ceremony in September, attended by HI Canada staff and board members, the general public and VIPs from organizations involved in the project, including Jasper deputy mayor Rico Damota, Jasper National Park superintendent Alan Fehr, Tourism Jasper GM James Jackson, Grande Yellowhead Public School District superintendent Carolyn Lewis and Horizon North Modular Solutions president Joe Kiss.

During the event, a plaque was unveiled in the hostel's common area to officially dedicate the space to long-time HI Canada friend and volunteer Brian Kelly, who passed away unexpectedly in 2014. Kelly, who volunteered with HI for 23 years, was recognized for his unwavering commitment to building the new hostel.

Through the fall and winter, the Association strengthened its relationships in the Jasper community. In October, HI Jasper worked with Tourism Jasper to promote the area's Dark Sky Festival. Through the winter, the hostel worked with Marmot Basin to offer ski and stay packages at the hostel and a member discount on lift tickets. HI Jasper also sponsored the Jasper Folk Music Festival, the Jasper Victims Society annual golf tournament and was beginning to work with Jasper Pride on sponsorship of their annual celebrations, which were unfortunately cancelled in 2020.

It was disappointing to close the hostel in late March after only ten months of operation, however strong community ties and the quality of the property combined with its clear ability to meet the needs of budget travellers in this incredible part of the world will certainly ensure a successful recovery.



COVID-19 Pandemic

The ongoing COVID-19 pandemic has had a devastating impact on HIC PM Region and our hostels. As cases spread around the globe and began to arrive in Canada, regional staff mobilized quickly to share Coronavirus-related updates and information from provincial and federal health agencies. As part of a global organization, we tapped into our extensive network and learned from those who were grappling with similar effects of the virus overseas through best practices and shared resources.

Offering, as always, flexible cancellation policies, and adapting them to these unprecedented circumstances (i.e. refunding prepaid reservations) had significant and immediate financial impact on the Association. The majority of our overnights were cancelled for March, resulting in a 60% decrease over the previous year.

When Canada’s borders closed on March 16th and public health agencies advocated staying home and limiting non-essential travel, HIC PM Region made the difficult but necessary decision to close all of its owned hostels. By March 26th, all of our hostel doors—many of which are normally open 24 hours a day, 7 days a week—were closed and locked. As a result of these closures, 217 of the region’s 250 employees were temporarily laid off.

Looking for alternative revenue-generating methods to sustain these closures, former HIC PM Region CEO Alistair McLean successfully negotiated three key lease agreements with BC Housing in communities that lacked adequate shelter for vulnerable individuals during the peak of the pandemic. We’re proud to be able to contribute to our neighbourhoods in this way.

Nationally, HI Canada launched a survey during the closure period to gauge the sentiment among members and followers about their desire to travel once restrictions were lifted. The results were generally positive. The results indicated that 79% of respondents said they would be more likely than not to travel once restrictions were lifted, and 71% of those who were interested in travelling when possible said they would choose to stay in a hostel.



Closure sign posted at
HI Lake Louise Alpine Centre in March

By June, with the BC and Alberta governments relaxing stay-at-home advisories, we reopened many of our hostels in locations that offered Canadian travellers a safe and affordable getaway. In consultation with hostel managers, other regions and provincial and local health authorities, a focused regional workgroup developed a comprehensive safety plan that included reduced capacity in all hostels, physical distancing guidelines and strict disinfection measures throughout all open properties.

Read more about these safety measures at hihostels.ca/staysafe.



Reopened Hostels

- HI Vancouver Jericho Beach
- HI Whistler
- HI Penticton
- HI Calgary City Centre
- HI Banff Alpine Centre
- HI Lake Louise Alpine Centre
- HI Jasper
- HI Kananaskis
- HI Mosquito Creek
- HI Rampart Creek
- HI Beauty Creek
- HI Athabasca Falls



Our People

Developments in HR

RESPECTFUL WORKPLACE

The clearest evidence of respect in the workplace can be found in productive, creative employees who share an awareness and appreciation of one another. In 2019, we piloted an online workshop that took a very human approach to the issue of respect and provided participants with a shared language to create and maintain a respectful workplace. Based on this pilot we added a Respectful Workplaces module to our core supervisor development curriculum.

AWARENESS OF MENTAL HEALTH AT WORK

More than 40% of Canadians will experience challenges with their mental health during their working years. Of those, two out of three suffer in silence rather than seeking help.

At our annual manager meeting in November, the Canadian Mental Health Association facilitated a workshop designed to provide our hostel managers with the knowledge and tools to talk about mental health and mental illness as well as practical strategies to respond in a supportive way to co-workers who may be experiencing a mental illness.

This workshop started a conversation about mental health in the workplace and kicked off a series of learning opportunities and tools for managers and supervisors to help create mentally healthy work environments.



SECOND HI CANADA EMPLOYEE EXCHANGE

After the successful first national employee exchange in early 2019, three HI Canada staff participated in the second installment in the fall. This program demonstrates the strength of our network and is an exciting opportunity for employees to experience other hostels and meet colleagues from across the country.

Emily, a front desk agent at HI Lake Louise Alpine Centre, and Soya, a front desk agent at HI Vancouver Downtown, travelled to HI Montreal and HI Ottawa Jail respectively, while Gab, a front desk agent at HI Montreal visited HI Banff Alpine Centre.

"I think it is very important to visit and know the other HI hostels in our regions because it makes us more aware of the different products HI Canada has to offer and be better ambassadors of our brand. I believe this program will help us achieve it."

-Gab, HI Montreal



Length of Service Recognition

25
YEARS

LISA GREY-DREAPER • Hostel Manager, HI Penticton
DOUGLAS J ROSS • Assistant Hostel Manager, HI Vancouver Downtown
KENNETH SIMMS • Housekeeper, HI Banff Alpine Centre

20
YEARS

CAROLINE KRAUSS • Housekeeper, HI Vancouver Downtown
JASON WONG • Hostel Manager, HI Calgary City Centre

15
YEARS

LEO BARRETTE • Maintenance Manager, HI Banff Alpine Centre
STEPHEN CAMPBELL • Manager, Applications Systems, Regional Office
MAGGIE CHEUNG • Senior Accountant, Regional Office
LOGAN CONROY • Hostel Manager, HI Victoria
ELIZABETH FERGUSON • Director of Partnerships, Regional Office
ALISTAIR MCLEAN • Chief Executive Officer, Regional Office
SANJA STANKOVIC • Housekeeper, HI Vancouver Downtown
TIEN THUY TANG • Accounting Clerk, Regional Office
LIN XU • Director of Finance, Regional Office

10
YEARS

MAICKE ANDRESEN • Hostel Manager, HI Vancouver Downtown
RANDALL BLACK • Caretaker, HI Penticton
RICHARD BOURNEUF • Hostel Manager, HI Mosquito Creek Wilderness Hostel
JEREMY HEAD • Front Desk Agent, HI Penticton
RYAN MURFITT • General Manager, HI Whistler
ROBERT PEPIN • Housekeeper, HI Edmonton
JANE ROBINSON • Reservations Agent, Central Reservations

5
YEARS

DONDRE CAMPBELL • Housekeeping Supervisor, HI Lake Louise Alpine Centre
PAUL CAMPBELL • Housekeeper, HI Vancouver Jericho Beach
DAVID CHU • Housekeeper, HI Vancouver Central
FELIAM GAMARRA-CUEVA • Front Desk Agent, HI Edmonton
LUL HAJI • Housekeeper, HI Edmonton
ISAAC JORDAN • Front Desk Agent, HI Penticton
FREDDY JOYAL • Assistant Hostel Manager, HI Edmonton
MELISSA LA FRANCE • Night Cleaner / Security, HI Lake Louise Alpine Centre
GILLES LORION • Maintenance, HI Calgary City Centre
SHISHIR BABU PEZHUMCHUVATTIL • Front Desk Agent, HI Edmonton
MEAGAN SMITH • Front Desk Agent, HI Edmonton
EMILY WATSON • Front Desk Agent, HI Vancouver Central
KURT TJ WILSON • Line Cook, HI Lake Louise Alpine Centre

New Positions & People on the Move

- **ALICIA ARATA** promoted to housekeeping supervisor at HI Vancouver Downtown
- **ZACH GILLETTE** promoted to housekeeping supervisor at HI Vancouver Jericho Beach
- **LISA HAATVADT** promoted to maintenance supervisor at HI Vancouver Central
- **DAWN JOYAL** promoted to assistant manager at HI Calgary City Centre (from HI Banff Alpine Centre)
- **HEATHER KANG** returned from maternity leave as communications strategist and digital content manager at HIC PM Regional Office
- **LEWIS KELLY** promoted to general manager at HI Jasper
- **JANICE KINGLSEY** went on maternity leave as manager at HI Vancouver Jericho Beach / Central Reservations (covered by Elodie Morvan)
- **EMMA LAWRENCE** hired as café supervisor at HI Jasper
- **ASHLEY MARSHALL** promoted to assistant hostel manager at HI Calgary City Centre
- **MAWATH QUATANI** hired as membership administrative assistant at HIC PM Regional Office
- **MADELINE THOMAS** promoted to assistant general manager at HI Banff Alpine Centre



Staff Spotlight: Emma Lawrence

In late 2018, Emma came to Canada from a “wee village” in the highlands of Scotland, near Inverness. While she’s explored BC, Alberta, Ontario, Quebec and even spent a summer in Montreal, she’s always considered the Canadian Rockies a dream destination. Seeing an opening for a café supervisor in a yet-to-open HI hostel in Jasper was the perfect opportunity to combine her previous hospitality experience with the mountain lifestyle.

In March 2019, Emma got the job and was tasked with getting HI Jasper’s on-site Sleepy Hollow Café up and running. There were some hiccups along the way as the hostel’s opening was pushed back. Like a lot of staff on HI Jasper’s opening team, Emma wore many hats in those days.

“All summer Emma put in a lot of work to not only get the café up and running, but helping in other departments when needed,” says Justace Borders, manager-in-training at HI Jasper. “She picked up housekeeping shifts while still supervising the café. She stayed extra hours to help finish folding when housekeeping was behind. She learned the front desk in order to fill in when we were short-staffed. Emma goes above and beyond to make sure that guests have a clean bed and a good cup of coffee in the morning. She is a leader and HI Jasper is lucky to have her.”

When reflecting on those early months on the job, Emma still looks back on the opening day of the café – also her birthday – as the highlight. “It had been months in the making,” she says. “I think at the time I didn’t realize how amazing we did to pull together and open a brand new hostel. Despite the many long and hard days, we managed to keep positive and optimistic. I think those challenges last summer prepared me well for the new challenges we are facing in 2020.”

When HI Jasper closed due to the pandemic at the end of March, Emma, along with 216 other HIC PM Region staff, was temporarily laid off. She was able to continue to call the hostel’s staff accommodation home during the closure. “I felt very supported by HI, which was comforting in itself,” she says. “I was so grateful to be allowed to stay in my staff accomm and ride out the worst of the pandemic in a very safe space. I think being in a place with people I knew well helped with the anxieties that came with that unknown situation. I felt very lucky to be ‘stuck’ in a place like Jasper, and having the freedom of the outdoors to escape to.”

Read more about HI Jasper’s Sleepy Hollow Cafe at hihostels.ca/sleepyhollow and pop in for a cup of coffee next time you’re in town.

A row of colorful wooden Adirondack chairs (blue, yellow, red) on a wooden pier overlooking a body of water. In the background, there are green street lamps and a boat on the water under a cloudy sky.

In 2019, the Canadian Managers' Meeting (CMM), where HI Canada's national hostel awards are given out, took place in February 2019 and the awards from that meeting can be found in last year's report. The 2020 CMM was scheduled to take place in April 2020, but was cancelled as a result of the pandemic. However, hostel managers from across the region gathered in Vancouver in November for the annual HIC PM Region Managers' Meeting, and our own regional awards were handed out there.

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Our Members

Membership Update

It has been a challenging year, with significant drops experienced in both revenue and members registered. On a positive note, the membership review process is now nearing completion. The next steps include a formal member consultation on the proposed changes and implementation once approved.

Despite the challenges that COVID-19 has presented, the membership department continues to work on improving membership value and helping members whenever possible. When travel resumes, membership will play an important role in the Association's recovery.

New Partners

With the cessation of Greyhound Bus service in Western Canada, we have been actively seeking partners to help our members travel affordably around our network of hostels. Some progress has been made with the signing of these new partners, and we will look to continue this work in future years.



SUNDOG TRANSPORTATION & TOURS

Jasper-based SunDog Transportation and Tours has been providing transportation, tours and activities to visitors of Western Canada since 1997. Our partnership with SunDog now offers members hostel-to-hostel service between Edmonton, Jasper, Lake Louise and Banff. In addition to direct transportation, SunDog also offers a range of tours in the Jasper area that allow visitors to make the most of their visit to this national park.

HI members save between 15% and 25% on both tours and transportation. We are also currently working with SunDog to develop overnight and transportation packages.

sundogtours.com

POPARIDE

POPARIDE

Poparide is a ride-sharing service now used by thousands of people across North America. Travellers can use the Poparide app or website to connect with drivers and passengers to carpool to between destinations across Canada. Drivers and passengers are vetted through a verification and review process and fees cover only the associated costs like gas, insurance and car maintenance.

Poparide is committed to fostering sustainable travel, connecting people, optimizing costs and reducing the environmental impact of travel. With our new partnership, HI members can save \$5 on their first ride, which allows them to reach hostels that otherwise would be difficult to get to.

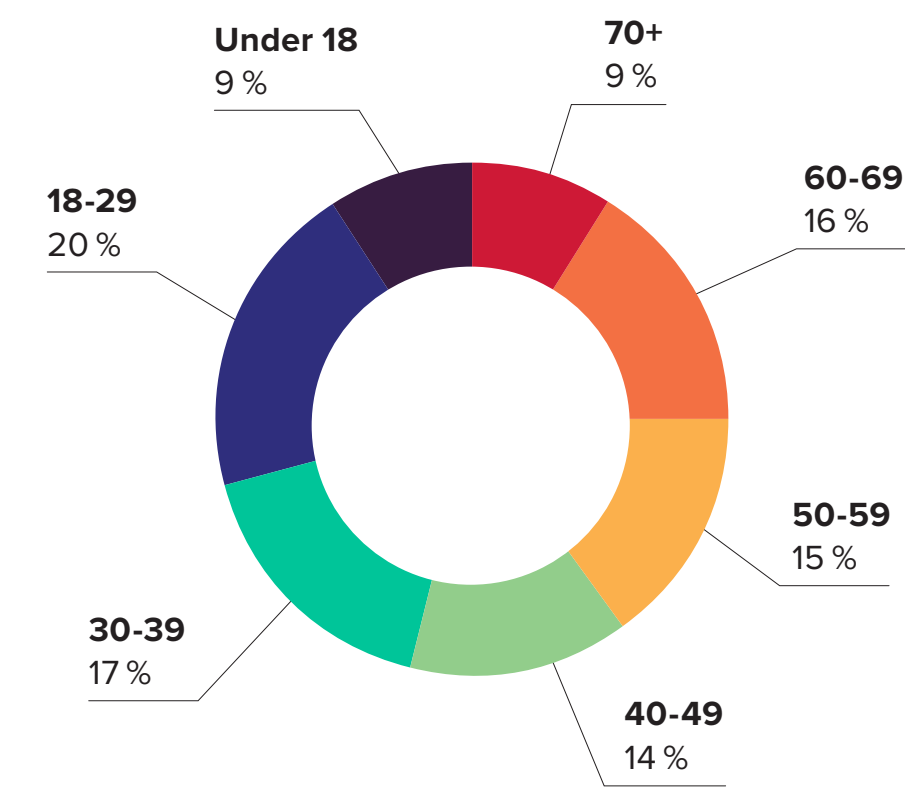
poparide.com

Our Members in Numbers

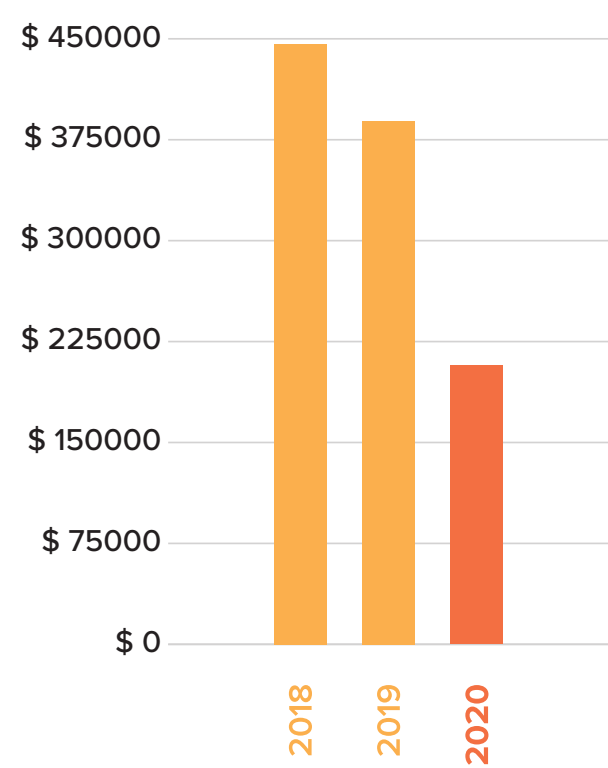
MEMBERS BY TYPE

| | 2018 | 2019 | 2020 |
|--------------|---------------|---------------|---------------|
| Adult | 6,548 | 7,051 | 4,346 |
| Lifetime | 7,773 | 7,912 | 8,059 |
| Group | 119 | 103 | 107 |
| Junior | 966 | 865 | 769 |
| TOTAL | 15,406 | 15,931 | 13,281 |

AGE DEMOGRAPHICS



MEMBERSHIP REVENUE



New Member Discounts

This year, we continued to develop partnerships that increase the value of HI membership to both local and visiting members. Here is a sample of some of the new discounts that our members can now take advantage of:

VANCOUVER

Vancouver Mysteries
25% off murder mystery games

VANCOUVER

H.R. MacMillan Space Centre
25% off museum admission

VANCOUVER

Whitecaps FC
30% off soccer match tickets

JASPER

Jasper Yellowhead Museum and Archives
20% off museum admission

WHISTLER

Forged Axe
15% off axe throwing

NATIONAL

Pop A Ride
\$5 off your first rideshare

ROCKIES

Sundog Tours and Transportation
15-25% off transportation and tours



Marketing

Website and Online Performance

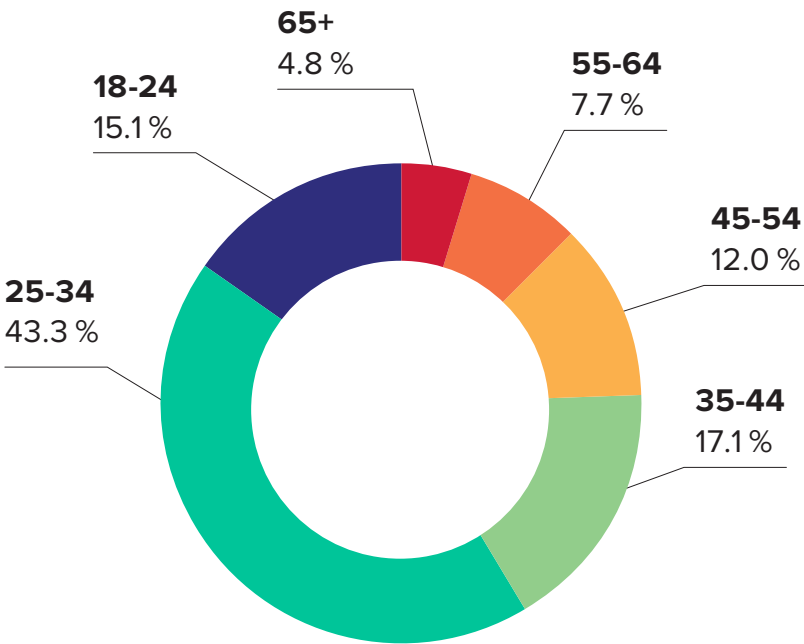
In June 2019, HI Canada launched a brand new booking engine for HI Jasper and HI Vancouver Jericho Beach. HI Calgary, HI Vancouver Downtown and HI Whistler soon followed onto the same system over the fall and winter. This new booking engine offers a vastly improved user experience to members and guests with an expanded feature list including prepay options, packages and promo codes. The goals of the new booking engine include increased booking conversions and decreased reliance on expensive OTA distribution partners like *Booking.com* and *Expedia*.

The initial results have been very positive. The Prepay & Save option was selected by nearly one in four reservations booked at HI Whistler between November and March.

Our website, **hihostels.ca**, showed increased growth over the previous fiscal year with a 20% increase in users and an 11% increase in sessions. Mobile devices continue to dominate overall website usage at nearly 60%, which is a trend we expect to continue as more and more people use their devices to access the internet and plan travel.

Organic Google traffic continues to be the largest traffic source for the website, accounting for over one third of total traffic. What is most notable this year is the increasing role of Facebook as a traffic driver, seeing a 250% increase over the previous year. Facebook now represents nearly 8% of referrals to the website.

WEBSITE VISITORS BY AGE



TOP COUNTRIES OF ORIGIN

- Canada
- United States
- United Kingdom
- France
- Australia
- Germany
- Mexico
- The Netherlands

Marketing Spotlight: Social Media

HI Canada’s national social media presence saw considerable success and growth this year, particularly on the world’s largest social network, Facebook.

As the result of improved content, a comprehensive advertising strategy and careful performance analysis, our reach (the number of people reached by our content) on Facebook increased more than five times over compared to the previous year. Traffic from Facebook to magazine articles on our website more than tripled. It was, by far, HI Canada’s best year on social media.

The national strategy on social media is to appeal to the emotional connection hostellers have with independent, budget travel, which goes much beyond what our hostels offer as places of accommodation. We share inspiring articles from our magazine, relatable, funny memes about the highs and lows of travel (which are among our top performing posts of all time), conversation starters, beautiful images and content that celebrates our values as a non-profit, sustainability-minded global organization with deep passion for and knowledge of Canada.

Instagram:



Reality:



Click this image to see our most popular Facebook post of the year.

TOP 5 COUNTIES

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

FACEBOOK PERFORMANCE AT A GLANCE

Average new followers per month: 459 **(+170%)**
Average interactions per month: 35,018 **(+ 674%)**
Average reach per month: 905,423 **(+407%)**

INFLUENCER MARKETING

Over the past year, we’ve ramped up our influencer marketing campaigns. This involves working with primarily Instagram users who have significant follower and engagement numbers and whose own “brands” align with HI Canada’s products and values. By offering complimentary accommodation in exchange for on-brand, original, first-person content shared on their own accounts, the HI Canada brand reaches new audiences outside of the context of traditional advertising. The primary goal of influencer campaigns is increased brand awareness.

2019 INFLUENCER MARKETING AT A GLANCE

- **12** influencer campaigns
- **28** hostels featured
- **43** blog articles
- **40** Facebook posts
- **41** Instagram posts
- **10** Facebook videos
- **200+** Instagram stories
- **1,760,000** people reached



Magazine & E-newsletter

HI Canada’s magazine features four to five new original articles each month that promote destinations across Canada as well as highlighting the thoughts, stories and viewpoints of hostellers. Each month, new content is shared via our e-newsletter (and on social media).

When COVID-19 began to impact travel to/from Canada, seemingly overnight, we quickly pivoted the kinds of content we were producing on social media and within our magazine and newsletter. We shelved content that promoted international travel and instead focused on stories and articles that would offer comfort to travellers suddenly stuck at home with undertones of the importance of staying home and staying safe. Our magazine and newsletter also offered an opportunity, alongside operational communications, to provide a more human look at how the pandemic affected our organization. Telling people to stay home runs counter to HI Canada’s DNA, so quickly adapting our content marketing efforts allowed us to remain relevant and useful to audiences even with travel on hold.

HI CANADA MAGAZINE AT A GLANCE

- Pageviews: 230,842 (+40%)
- Pageviews from Facebook: 79,967 (+237%)
- Newsletter subscribers: 30,667 (+11%)





Groups

Group stays are an integral part of HIC PM Region’s operations. From school groups to sports teams, groups love the communal nature of hostels that makes them more than just a place to stay. Kitchens make food prep for groups a breeze, while shared accommodation options allow for socialization and team-building. Here are just a few of the groups that we hosted this year.

LE TRIOLET

For ten years, Quebec high school group Le Triolet stays with HI Banff Alpine Centre for its annual ski trip to the Rockies. This year, a group of 55 spent a week at the hostel, generating just over \$35,000 in accommodation and catering revenue. The group books out multiple dorm rooms (and private rooms for group leaders) and dines at the on-site Cougar Pete’s restaurant for all breakfasts and many dinners, bookending their daily adventures on local ski hills.

SNOWSKOOL

For over 15 years, UK-based SnowSkool has chosen HI Banff Alpine Centre as the accommodation provider for its ski and snowboard instructor training programs at Sunshine Village. Each year, about 50-70 aspiring ski instructors stay at the hostel while taking one of the company’s 13-week training programs at the local ski hill. Over the span of about five months each winter, these groups make use of the hostel’s communal amenities to cook, sleep, hang out and learn. This year, our relationship with SnowSkool generated \$175,592 in revenue for the hostel.

OTTERBURN CANOE CLUB

In August 2019, members of the Otterburn Canoe Club from Otterburn Park, Quebec stayed at HI Regina during the National Rowing Championships. The group booked out the entire hostel and went on to win their division in the competition.

“I would like to say a big, big, big thank you for everything that you’ve done for us before and during the competition. Our athletes are still talking about the week we spent with you guys and I’m guessing that they are going to keep talking about it for quite a while. It was such a great week for our club and it’s mostly because of you guys.”

-Antoine Laliberté, head coach

Governance Report

Over the last year, the governance committee of the HIC PM Region board has continued the central exercise of revising and monitoring operational performance on the basis of board policy. Policy changes that we have undertaken are in some instances directly inspired by input from the membership. In the previous year we established a schedule for this monitoring and review and this schedule has been employed successfully this past year.

The board exercises its governance responsibilities by using the policy governance model. This model clearly separates board governance from HIC PM Region operations. Under this model, the CEO, as the board’s only employee, makes all operational decisions. However, these decisions must not violate executive limitations policies and must be made with the objective of best furthering the organization’s ends as described in a set of ends policies. The board also reviews itself by regular self-assessments of effectiveness and performance. One motivation for such a review is to ensure that the board adheres to the principles of policy governance.

The committee is also responsible for the arrangement and presentation of board educational topics. This year, we included sessions on not-for-profit status, regional and local partnerships, and the pros and cons of online travel agents (OTAs). Our education mandate was somewhat hindered by the pandemic during the second half of the board year.





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 member update sessions, one in Calgary and one in Vancouver. We heard directly from owners during these events, shared stories and gave presentations about the new HI Jasper hostel.

We had to postpone our other member update sessions due to the COVID-19 pandemic, but look forward to seeing our members at future updates when it is safe to do so.

In addition to the two update sessions, we hosted HIC PM Region’s members and the Town of Jasper at the grand opening of HI Jasper in September. Tours of the new hostel showcased the 25,000-square-foot property, which includes 47 rooms, an on-site cafe, a fully equipped kitchen and recreation facilities.

Over the past year 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, just email dialogue@hihostels.ca at any time and a Director will be happy to speak with you.

Curtis Hemming
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

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of True North Hostelling Association (operating as Hostelling International - Canada - Pacific Mountain Region) and entities referred to in note 2 to the combined financial statements (together, the Association) as at March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Association's combined financial statements comprise:

- the combined statement of financial position as at March 31, 2020;
- the combined statement of operations and changes in net assets for the year then ended;
- the combined statement of cash flows for the year then ended; and
- the notes to the combined financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the combined financial statements section of our report.

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

Independence

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

RESTRICTION ON DISTRIBUTION AND USE

Our report is intended solely for the Directors of the Association, in accordance with the terms of our engagement, and should not be distributed to or used by parties other than the Directors of the Association.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE COMBINED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Association’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 Association or to cease operations, or has no realistic alternative but to do so.

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

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined 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 combined 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 Association’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 Association’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PRICEWATERHOUSECOOPERS LLP

Chartered Professional Accountants

VANCOUVER, BRITISH COLUMBIA, JULY 2, 2020



COMBINED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020

| | 2020
\$ | 2019
\$ |
|---|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 1,772,425 | 2,948,878 |
| Short-term investments (note 3) | 355,956 | 601,007 |
| Accounts and other receivables | 445,642 | 441,203 |
| Inventory | 99,186 | 87,627 |
| Prepaid expenses | 332,521 | 314,616 |
| | 3,005,730 | 4,393,331 |
| Restricted cash | 5,000 | 5,000 |
| Long-term investments (note 3) | 802,031 | 863,106 |
| Capital assets (note 4) | 37,264,782 | 29,414,756 |
| | 41,077,543 | 34,676,193 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 8) | 1,347,816 | 1,439,464 |
| Unearned revenue and deposits | 423,401 | 438,175 |
| Loans payable (notes 5 and 5(f)) | 563,341 | 550,723 |
| | 2,334,558 | 2,428,362 |
| Deferred contributions (note 6) | 45,043 | 69,152 |
| Deferred capital contributions (note 7) | 693,300 | 748,243 |
| Loans payable (note 5) | 9,653,688 | 3,397,576 |
| | 12,726,589 | 6,643,333 |
| NET ASSETS | 28,350,954 | 28,032,860 |
| | 41,077,543 | 34,676,193 |

Commitments and contingencies (note 9)

COVID-19 (note 12)

Approved by the Board of Directors

Victoria Oppenlander

Victoria Oppenlander – Director

Dave Bentley

Dave Bentley – Director

COMBINED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2020

| | 2020
\$ | 2019
\$ |
|--|-------------------|-------------------|
| Revenue | | |
| Overnights | 14,269,414 | 14,371,408 |
| Memberships | 207,599 | 388,926 |
| Other, including food, beverage and merchandise | 2,347,792 | 2,189,613 |
| | 16,824,805 | 16,949,947 |
| Expenses | | |
| Hostel | 12,490,130 | 12,205,406 |
| Administration and membership | 1,679,100 | 1,578,030 |
| Amortization of capital assets | 1,793,069 | 1,368,437 |
| | 15,962,299 | 15,151,873 |
| Excess of revenue over expenses from operations | 862,506 | 1,798,074 |
| Other expenses (income) | | |
| Investment income | (27,623) | (43,058) |
| Interest expense | 327,839 | 155,708 |
| Loss on extraordinary items | 31,983 | – |
| Loss on disposal capital assets | 212,213 | – |
| | 544,412 | 112,650 |
| Excess of revenue over expenses for the year | 318,094 | 1,685,424 |
| Net assets - Beginning of year | 28,032,860 | 26,347,436 |
| Net assets - End of year | 28,350,954 | 28,032,860 |

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020

| | 2020
\$ | 2019
\$ |
|--|--------------------|--------------------|
| CASH PROVIDED BY (USED IN) | | |
| Operating activities | | |
| Excess of revenue over expenses for the year | 318,094 | 1,685,424 |
| Items not involving cash | | |
| • Amortization of capital assets | 1,793,069 | 1,368,437 |
| • Amortization of deferred capital contributions | (54,943) | (56,326) |
| • Deferred contributions used | (99,243) | (3,723) |
| • Loss on sale of capital assets | 212,213 | – |
| | 2,169,190 | 2,993,812 |
| Changes in non-cash working capital | | |
| Accounts and other receivables | (4,439) | (277,859) |
| Inventory | (11,559) | (6,672) |
| Prepaid expenses | (17,905) | (52,490) |
| Accounts payable and accrued liabilities | (91,648) | 60,092 |
| Unearned revenue and deposits | (14,774) | 43,632 |
| | 2,028,865 | 2,760,515 |
| Financing activities | | |
| Proceeds from loan issuance | 7,000,000 | – |
| Deferred contributions received | 75,134 | 67,316 |
| Deferred capital contributions received | – | 7,253 |
| Repayment of loans payable | (731,270) | (560,169) |
| | 6,343,864 | (485,600) |
| Investing activities | | |
| Change in investments | 306,126 | 530,466 |
| Purchase of capital assets | (9,855,308) | (4,905,370) |
| | (9,549,182) | (4,374,904) |
| Decrease in cash and cash equivalents | (1,176,453) | (2,099,989) |
| Cash and cash equivalents - Beginning of year | 2,948,878 | 5,048,867 |
| Cash and cash equivalents - End of year | 1,772,425 | 2,948,878 |
| Supplementary information | | |
| Interest paid - net of interest received | 300,216 | 112,652 |

NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2020

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 1025 Granville Street Trust that is not a tax exempt entity. However, this entity has not generated taxable income.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

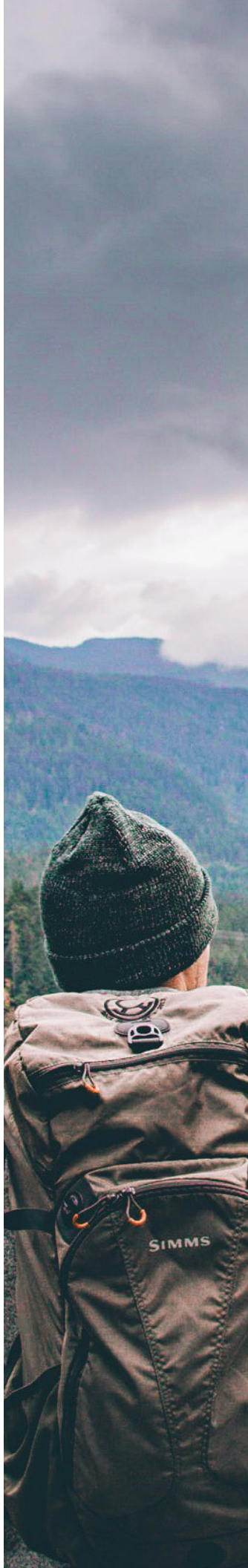
The combined financial statements of the Association are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The combined financial statements include the combined accounts of the True North Hostelling Association, the Canadian Hostelling 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 (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 the combined financial statements (note 11).

The 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 the 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.

Cash and cash equivalents

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





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.

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.

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided for using the declining balance method at the following annual rates:

- 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 will adjust the amortization prospectively if the useful lives are determined to be shorter.

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 combined statement of operations and changes in net assets.

Assets under construction are recorded at cost and include direct costs during development and construction included cost that are directly attributable to the construction or to the development activity and other carrying costs. When construction is substantially complete or the asset is ready for use, it is subsequently amortized over its estimated useful life.

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:

- a) Non-capital contributions for specific purposes are recognized as revenue in the year in which the related expense is incurred.
- b) Contributions 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.
- c) 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.

Financial instruments

The Association's financial instruments consist of cash and cash equivalents, investments, accounts and other receivables, accounts payable and accrued liabilities and loans payable.

Cash and cash equivalents and investments are measured at fair value.

Accounts receivable, accounts payable and accrued liabilities and loans payable are initially measured at fair value and subsequently carried at amortized cost.

Use of estimates

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

3. INVESTMENTS

| | 2020 | 2019 |
|---|------------------|------------------|
| | \$ | \$ |
| Term deposits GIC's | 162,767 | 430,251 |
| Fixed income fund | 57,302 | 56,087 |
| Canadian equities fund | 802,030 | 863,106 |
| Foreign equities fund | 135,888 | 114,669 |
| | 1,157,987 | 1,464,113 |
| Short-term investments – maturing in less than one year | 355,956 | 601,007 |
| Long-term investments – maturing in greater than one year | 802,031 | 863,106 |
| | 1,157,987 | 1,464,113 |

4. CAPITAL ASSETS

| | | | 2020 | 2019 |
|--|-------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated
amortization | Net | Net |
| | \$ | \$ | \$ | \$ |
| Land | 5,811,031 | — | 5,811,031 | 5,811,031 |
| Buildings and leasehold improvements | 49,211,037 | 19,121,556 | 30,089,481 | 18,134,118 |
| Automobiles | 264,418 | 243,975 | 20,443 | 30,253 |
| Computer equipment and software | 1,535,117 | 1,251,154 | 283,963 | 172,018 |
| Furniture and equipment | 5,426,424 | 4,366,840 | 1,059,584 | 767,920 |
| | 62,248,027 | 24,983,525 | 37,264,502 | 24,915,340 |
| Hostel development planning
and assets under construction * | 280 | — | 280 | 4,499,416 |
| | 62,248,307 | 24,983,525 | 37,264,782 | 29,414,756 |

5. LOANS PAYABLE

| | 2020 | 2019 |
|--------------------------------------|-------------------|------------------|
| | \$ | \$ |
| Whistler mortgage (c) | 2,789,092 | 3,184,671 |
| 1025 Granville Street Trust loan (d) | 607,937 | 763,628 |
| Jasper mortgage (e) | 6,820,000 | – |
| | 10,217,029 | 3,948,299 |
| Less: Current portion (f) | 563,341 | 550,723 |
| | 9,653,688 | 3,397,576 |

- 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.
- 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.
- c) This mortgage includes two demand 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
- d) The demand term loan for 1025 Granville Street Trust bears interest at 3.76% per annum, with blended monthly payments of \$15,153.
- e) The swap loan for New Jasper bears swap rate of 2.12% for 15 years plus stamping fee of 1.41% renew in five years.
- f) As at March 31, 2019, loans payable amounting to \$3,397,576 have been reclassified as a non-current liability to amend the presentation so that it is consistent with maturity profile of the loans.

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

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

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:

| | \$ |
|------------|-------------------|
| 2021 | 563,341 |
| 2022 | 970,883 |
| 2023 | 1,007,160 |
| 2024 | 1,049,237 |
| Thereafter | 6,626,408 |
| | 10,217,029 |

6. DEFERRED CONTRIBUTIONS

| | 2020 | 2019 |
|--|---------------|---------------|
| | \$ | \$ |
| Balance - Beginning of year | 69,152 | 5,559 |
| Contributions received during the year | 75,134 | 67,316 |
| Contributions transferred to revenue | (99,243) | (3,723) |
| Balance - End of year | 45,043 | 69,152 |

7. DEFERRED CAPITAL CONTRIBUTIONS

| | 2020 | 2019 |
|--|----------------|----------------|
| | \$ | \$ |
| Balance - Beginning of year | 748,243 | 797,316 |
| Contributions received during the year | – | 7,253 |
| Amortization during the year | (54,943) | (56,326) |
| Balance - End of year | 693,300 | 748,243 |

8. GOVERNMENT REMITTANCES

Government remittances consist of amounts (such as property taxes, sales taxes, payroll withholding taxes and workers’ compensation premiums) required to be paid to government authorities and are recognized when the amounts become due. At March 31, 2020, \$77,141 (2019 – \$103,089) is included within accounts payable and accrued liabilities.

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:

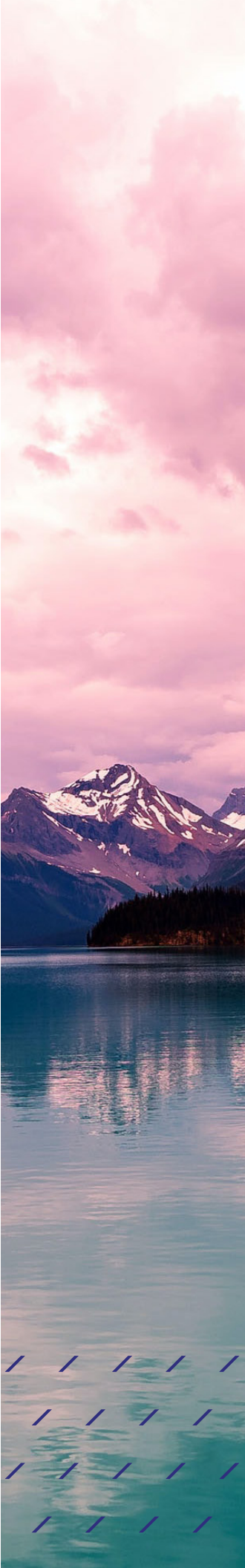
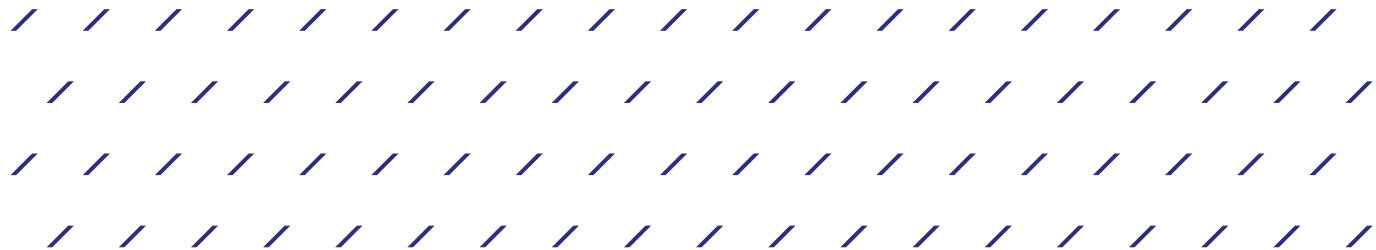
| | \$ |
|------------|----------------|
| 2021 | 99,571 |
| 2022 | 99,571 |
| 2023 | 70,564 |
| 2024 | 6,223 |
| Thereafter | 17,092 |
| | 293,021 |

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 levy paid in 2020 totalled \$245,377 (2019 – \$440,361) 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. FINANCIAL INSTRUMENTS

Credit risk

Due to the nature of the contributions and hostel operations, the Association does not face any significant concentrations of credit risk.

Interest rate risk

The Association is exposed to interest rate risk as the lines of credit bear interest at variable rates and fluctuate 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.

Fair value

The carrying values of cash and cash equivalents, accounts and other receivables, and accounts payable and accrued liabilities approximate fair values due to the relatively short periods to maturity of these items. The carrying values of the loans payable approximate their fair values as the loans bear interest at floating rates or are set annually based on the current market rates.

11. 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:

| | 2020
\$ | 2019
\$ |
|---|------------------|------------------|
| Assets | | |
| Current assets | 1,145,988 | 913,292 |
| Capital assets | 1,992,553 | 2,068,773 |
| | 3,138,541 | 2,982,065 |
| Liabilities and Net Assets | | |
| Accounts payable and other current liabilities | 88,691 | 176,627 |
| Deferred contributions | 279,134 | 293,826 |
| Net assets | 2,770,716 | 2,511,612 |
| | 3,138,541 | 2,982,065 |
| Revenue | 1,972,052 | 2,028,366 |
| Excess of revenue over expenses | 328,670 | 328,979 |
| Cash flows provided by operating activities | 344,940 | 470,062 |
| Cash flows provided by (used in) financing activities | 69,565 | (313,044) |
| Cash flows provided by (used in) investing activities | 470,012 | (187,617) |

12. SUBSEQUENT EVENT

In March 2020, the World Health Organization declared a global pandemic related to the virus known as novel coronavirus, which causes the disease COVID-19. The impact on global commerce has been far reaching and will continue to evolve over time. The rapid development of COVID-19 makes it difficult to predict or quantify what the ultimate impact will be on the Association. Management believes that the Association has sufficient sources of financing to continue its operations without significant negative impacts into the summer of 2021.

As a result of the pandemic, the Association's hostels were temporarily closed starting from March 20, 2020 and remain closed as of the issuance date of these combined financial statements. However, five affiliate hostels have reopened already and there are plans to reopen 13 owned hostels on June 29, 2020 in BC and Alberta.

The Association is utilizing the wage subsidy program initiated by the federal government in order to recover some costs and reduce its operating costs.

Owned Hostels

Alberta

- HI Athabascas 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

British Columbia

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

Saskatchewan

- HI Regina

Hostelling International Canada

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

Affiliate Hostels

Alberta


- HI Canmore


British Columbia


- HI Cumberland, Riding Fool Hostel
- HI Fernie, Raging Elk Hostel
- 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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