2018 Annual Report
HOSTELLING INTERNATIONAL CANADA
Pacific Mountain Region
OUR MISSION

To build a community of conscious travellers who share a greater understanding of people, places and cultures.

Table of Contents

Message From the CEO ................................................. 4
Message From The Chair .............................................. 6
Board Member Bios ..................................................... 8
Association Update ..................................................... 10
Hostel Spotlight ......................................................... 14
Hostel Highlights ....................................................... 16
Sustainability ............................................................... 18
Our People ................................................................. 22
Our Awards ................................................................. 25
Our Members ............................................................. 26
Marketing ................................................................. 28
Groups ..................................................................... 31
Governance ............................................................... 32
Ownership Linkage ..................................................... 35
Financials ................................................................. 37
The 2017-2018 fiscal year was a record financial year for HI Canada Pacific Mountain Region, thanks to strong domestic and international demand and strategic revenue management. We continued to see an upward trend in revenue in nearly all our hostels with notable growth in our wilderness hostels whose annual occupancy has increased another 5% this year.

I’m pleased to share that this year we have finally begun the construction of a new 157-bed hostel in the town of Jasper. Site clearing got underway in late March 2018 and the hostel is on track to open to the public in the spring of 2019. The project includes a main lodge with guest accommodations and common areas, two staff buildings and a small maintenance building. Due to the limited construction season in Jasper, we have opted to design and build these facilities using modular construction methods, built off site in a controlled environment and later assembled on site.

The oil industry’s slowdown has continued to affect some of our hostels, especially in Edmonton. While there were some promising increases in the final three months of the year, we have once again taken the opportunity during this slow time to renovate and upgrade HI Edmonton both in the guest areas and behind the scenes with a new environmentally friendly mechanical system.

The year’s consistent cash flow allowed us to cautiously invest back into the hostel with capital projects like this and to put funds in our reserves for future projects. Read on for details on other projects we undertook this year.

Staffing has remained very stable during the past year with several internal promotions. We continue to develop our internal training and offer over 25 training programs throughout the region.

We facilitated another staff exchange with the Bavaria Region of Germany exchanging hostel managers for approximately a three-week period. This time, Jason Wong, manager of HI Calgary, spent time touring the DJH Bavarian network in October while HI CPM Region welcomed Kevin Kirschke, manager of HI DJH Passau.

Our network is set to expand this year and we’re currently in discussions with several potential new affiliate partners. We look forward to welcoming a new affiliate at Red Mountain Ski Resort in Rossland, BC, in late December 2018. We have been consulting with the owners for the past year on the design and construction of this new hostel and have started some initial training programs for their management team. This property will further enhance the HI hostel network in the Kootenays alongside HI Nelson and HI Fernie.

We continue to work closely with our external partners. With Parks Canada, we are involved in the new proposed trail system along the Icefields Parkway between Jasper and the campsite just south of the Columbia Icefields Centre. We’re also involved with Destination Canada and their millennial market programming.

We continue to meet with our local, provincial and national members of government to introduce them to hostelling and its mission in our region. This year we also became members of the Indigenous Tourism Association of Canada.

Sustainability remains a priority at the hostels, with projects that cover our three pillars: environmental, financial and social.

I would like to extend a big thank you to our volunteers across the region who have donated over 4,000 hours to the association this year. You have made the experience of our guests and your fellow members that much more memorable. You’ve made a difference and should be very proud of that.

I would also like to thank the board members for their time and dedication to the region as well as all the staff.

I look forward to meeting you in my travels around the region during the upcoming year.

Sincerely,

Alistair McLean
CEO
Hostelling International Canada Pacific Mountain Region
It is with great pleasure that I am able to report to members that it has been another successful year for Hostelling International Canada Pacific Mountain Region (HI C PM). This year HI C PM operated with 33 hostels in British Columbia, Alberta, Saskatchewan and Manitoba. It was also a milestone year for hostel development in our region, with significant progress being made on the new HI Jasper project.

The Board continued to focus on linking with members, including hosting member update events in Victoria (February), Edmonton (April) and Vancouver (May). The Board heard from members about what’s important to them as they travel in our region and these updates gave the board significant insight as we provide strategic leadership to the organization.

The highlight for the region this year was the start of construction of a new HI Jasper. I know that there are many members throughout the region who will be delighted to learn that the hostel is expected to be fully operational and ready to receive guests in May 2019. Please make sure to include a visit to this marvelous new facility in your travel plans for next year.

Of course, as a non-profit organization, we rely on the hard work and dedication of volunteers who provide their experience and efforts to support and promote hostelling. I want to thank the volunteers who helped us succeed, including the incredibly talented folks who make up the Board. It is because of their dedication and hard work that we attained this year’s success.

Staff also plays the vital role of meeting the needs of our 15,000 members and our guests. Through their efforts, our travellers’ experiences are enriched by staying at our hostels. The key to our success is a focus on service, sustainability and the environment as our hostels continue to offer the community atmosphere that guests expect and enjoy.

We have much to celebrate! This look back at the previous year lets us reflect on the progress we have made and positions us to embrace the future with optimism. We will continue to learn how to best serve our guests and to understand the needs of our members. That is what our job as a Board is all about and this is where we will continue to focus.

As this is the last year of my two-year term I would like to conclude by saying that it has been an honour and privilege to serve as your Chair of the Board of Directors. Thank you for your support. I hope that I will run into you at one of our wonderful hostels!

Sincerely,

Lenore Neudorf
Chair, Board of Directors
Hostelling International Canada
Pacific Mountain Region
Board Member Bios

LENORE NEUDORF
CHAIR

Lenore is passionate about hostelling and the connections and fellowship it provides. As a senior executive and lawyer, she has brought extensive experience to HI Canada 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.

MEGHAN TREPANIER
1ST VICE 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
2ND VICE CHAIR

Peter is passionate about the hostelling movement and HI’s members. As an avid global hosteller, he 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.

ANDREW CROSSETT
DIRECTOR

Backpacking, road tripping and hiking adventures have taught Andrew how hostelling fosters friendships and camaraderie, which cross all walks of life and bridge borders. He has travelled to six continents and regularly visits Banff and Jasper National Parks. Andrew is a graduate of SAIT and runs his own photography business in Calgary.

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 taekwondo 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.

MEGAN TREPANIER
1ST VICE 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.

THOMAS HEYD
DIRECTOR

Thomas has been a hosteller and HI member since his youth. Volunteering as a director is a way for him to give back for all the hostelling experiences he’s enjoyed over the years on frequent travels in Europe, the USA, Canada and beyond. He believes that the board’s role is to help facilitate exchange and exploration through quality, affordable accommodation.

ANDREW CROSSETT
DIRECTOR

Backpacking, road tripping and hiking adventures have taught Andrew how hostelling fosters friendships and camaraderie, which cross all walks of life and bridge borders. He has travelled to six continents and regularly visits Banff and Jasper National Parks. Andrew is a graduate of SAIT and runs his own photography business in Calgary.

PETER NIETRESTA
2ND VICE CHAIR

Peter is passionate about the hostelling movement and HI’s members. As an avid global hosteller, he 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.

ANDREW CROSSETT
DIRECTOR

Backpacking, road tripping and hiking adventures have taught Andrew how hostelling fosters friendships and camaraderie, which cross all walks of life and bridge borders. He has travelled to six continents and regularly visits Banff and Jasper National Parks. Andrew is a graduate of SAIT and runs his own photography business in Calgary.

THOMAS HEYD
DIRECTOR

Thomas has been a hosteller and HI member since his youth. Volunteering as a director is a way for him to give back for all the hostelling experiences he’s enjoyed over the years on frequent travels in Europe, the USA, Canada and beyond. He believes that the board’s role is to help facilitate exchange and exploration through quality, affordable accommodation.

BETTY LAFAVE
DIRECTOR

Betty has stayed in hostels all over the world but her favourite is HI Nordegg, Shunda Creek Hostel in Alberta. She has been a CPA for over 30 years and has been the Board’s financial expert for the past four years. Betty lives in Edmonton and enjoys cycling, hiking, camping, backpacking, downhill and cross-country skiing.

MICHAEL SHUI
DIRECTOR

Michael is a stay-at-home dad who loves to travel. He believes hostelling offers an affordable way to discover places and people, whether it’s in your own backyard or around the world. This is Michael’s fourth year volunteering for this organization and he hopes his involvement will encourage other families to try hostels in their travels.

KIK 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 taekwondo 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.

BETTY LAFAVE
DIRECTOR

Betty has stayed in hostels all over the world but her favourite is HI Nordegg, Shunda Creek Hostel in Alberta. She has been a CPA for over 30 years and has been the Board’s financial expert for the past four years. Betty lives in Edmonton and enjoys cycling, hiking, camping, backpacking, downhill and cross-country skiing.

MICHAEL SHUI
DIRECTOR

Michael is a stay-at-home dad who loves to travel. He believes hostelling offers an affordable way to discover places and people, whether it’s in your own backyard or around the world. This is Michael’s fourth year volunteering for this organization and he hopes his involvement will encourage other families to try hostels in their travels.
Hostelling International Canada Pacific Mountain Region (HI C PM Region) spans British Columbia, Alberta, Saskatchewan, Manitoba, Yukon, the Northwest Territories and Nunavut. The Association has 15,456 members and 33 hostels. As one of HI Canada’s three regional associations, HI C PM Region covers the largest geographic area and has the most members and hostels.

Highlight

- As part of a Lands Claim Agreement between the Siksika First Nations and the Canadian government, the Parks Canada lease for HI Castle Mountain Wilderness Hostel was terminated on December 31, 2017, and the land and hostel were to be transferred to the Siksika First Nations. HI C PM Region currently operates the hostel, but the plan is for the Siksika First Nations to assume management of the hostel on January 1st, 2019. HI C PM Region has offered to affiliate the hostel but this arrangement has not been finalized.

- Red Mountain Resort, near Rossland, BC, is constructing a purpose-built 78-bed hostel that is scheduled to open in December 2018. In the past year, HI C PM Region staff have assisted the resort in the design and financial assessment of the project. HI C PM Region is excited to welcome the Red Mountain hostel to its affiliate program.

Overnight Performance

Overnights in Fiscal 2018 decreased slightly by 1.1% to 452,507, compared to last year’s 472,243. Alberta and BC saw very different scenarios. HI Vancouver Jericho Beach was the only BC hostel that increased overnights, while overnights increased in all hostels in Alberta except for HI Lake Louise Alpine Centre. In Saskatchewan, HI Regina’s overnights increased by 6% to 2,844.

Wilderness hostels experienced the most significant year-over-year increases: HI Rampart Creek was up 11.5%, HI Castle Mountain up 16.8%, HI Maligne Canyon up 20.8% and HI Mount Edith Cavell was up 21.8%.

After three consecutive years of declining overnights, HI Edmonton saw an increase of 9%. HI Calgary City Centre was up 5.3%. This is attributable to the improving Alberta economy and more people once again heading to the province to look for work.

In BC, HI Vancouver Central had the highest number of overnights at 63,517. While in Alberta, HI Banff Alpine Centre topped the list at 66,330.

Overnights Breakdown

<table>
<thead>
<tr>
<th>REGIONAL TOTAL</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>OVERNIGHTS</td>
<td>417,243</td>
<td>412,507</td>
</tr>
<tr>
<td>AVERAGE OCCUPANCY</td>
<td>61.2%</td>
<td>60.0%</td>
</tr>
</tbody>
</table>

Association Update

- HI C PM Region is delighted to announce that the new HI Jasper hostel is scheduled to begin welcoming guests in May 2019. Providing 157 beds a short walk from the town centre, the hostel will offer amenities that include a café, fully equipped guest kitchen, meeting room, secured bike and ski storage and a variety of common spaces that encourage social interaction.

The building primarily consists of modular construction, meaning it will be manufactured in a plant and trucked to the site where it will be assembled. This form of construction provides greater cost and schedule certainty. HI C PM Region is pleased to be working with Horizon North Logistics, which has a long history in modular construction and innovative applications of the technology.
Financial Performance

**FINANCIAL SUMMARY**

The tourism and hospitality sector in Western Canada continued its strong performance that began in 2016, although Alberta performed modestly better than BC. Parks Canada’s free park entry in honour of Canada’s 150th birthday helped hostels in Banff, Jasper and Yoho National Parks. These tailwinds enabled the Association to achieve historical highs for revenue and net surplus in 2017.

Another continuing trend is that the average daily rates (ADR) have increased for all levels and types of accommodation and HI C PM Region has been a beneficiary. Total revenue increased by 11.6% to $17,005,583. The primary driver was overnight revenue, which increased from $12,714,273 to $14,268,151 or 12.2%. Revenue per available pillow (RevPap), which is a metric that uses the occupancy rate and the ADR, increased by 13% from $18.33 to $20.72. This was primarily due to strong growth in the average daily rate, which went from $30.10 to $34.55. On average this translates to an additional $4.45 in revenue per overnight.

The positive operating environment combined with effective management resulted in some excellent individual results. HI Banff Alpine Centre is the first hostel in the HI C network to surpass a $1 million net surplus, finishing the year at $1.12 million. This level of performance enables HI C PM Region to reinvest in its facilities and expand its network, including the development of the new HI Jasper.

Expenses increased by 5.6% to $14,314,658, up from $13,558,717. The minimum wage increase in BC and Alberta is increasing salaries at a rate significantly above inflation. The impact of an increase in minimum wages is not limited to front line staff, as it also puts upward pressure on supervisory wages. For the year, salaries increased 7.6%. However, this increase was more than offset by the increase in ADR, resulting in an excess of revenue over expenses from operations of $2,662,877 compared to $1,683,426 last year.

HI C PM Region’s balance sheet continues to strengthen. Loans payable were reduced from $4,991,619 to $4,508,468, accounted for by the outstanding debt for HI Whistler ($3,582,340) and HI Vancouver Central. Current assets increased from $5,185,436 to $7,494,016, of which $6,943,351 is cash and cash equivalents. Total assets at the end of the fiscal year are $33,432,694.

Fiscal 2014 and 2015 figures are impacted by the closure of HI Calgary City Centre and HI Kananaskis due to flooding.
HI Nelson, Dancing Bear Inn has long been a staple of downtown Nelson, BC, but it recently went through a change of ownership that threw newlyweds Jamie Renney and Tucker Braund into one of their biggest adventures yet.

The two had been living in Calgary and made frequent trips out to the mountains, including to Nelson where Jamie’s mother was born and raised. These trips would often leave them feeling a bit blah when they would return to the city for the work week, and that set the wheels in motion for talks about their next move.

After honeymooning at a surf camp in Bali, meeting travellers and making friends from all over the world, they came home and set out for another weekend trip to Nelson. They stayed at HI Nelson, Dancing Bear Inn, which also happened to be for sale at the time. Though they had no previous experience running or even working in a hostel, one thing led to another and after some meetings with the bank, some luck and a leap of faith, they became the new owners of the hostel in 2015.

They didn’t put their own mark on the place too quickly.

“The hostel is such a staple in the community here in Nelson and we wanted to honour the legacy it holds in this town,” Jamie says. “The previous owners and creators of the hostel were very well organized with their systems and operations, which made the transition enjoyable. We have staff that have been at the Dancing Bear longer than we have and they taught us our positions. They are still teaching us to this day and we are so lucky to have the amazing team that we do.”

One of HI CPM’s nine affiliate hostels, HI Nelson is in a heritage building on Baker Street and offers a mix of private and shared rooms, plus one of the coziest lounges in the network and an updated backyard garden space. More recently the pair has rolled out a few updates, most notably in the hostel’s updated branding and website, but the heart of their work still lies in what drew them to the business in the first place — meeting people and creating experiences, like the time they grabbed a bunch of Nelson Leafs junior hockey tickets and brought along hostel guests who had never seen a hockey game before, creating their very own Dancing Bear cheering section at the rink.

“We both fell in love with Nelson on our first visits here,” Jamie says. “And it’s very cool to see other people’s reaction to how awesome this place is.”
Hostel Highlights

HI Edmonton
The hostel has been undergoing a multi-phase refurbishment that is now complete. The most noticeable upgrades include new flooring, paint, common room furniture, lighting and lockers. Less noticeable is the new heating system, which will reduce the hostel’s heating costs and environmental impact while increasing guest comfort.

HI Lake Louise Alpine Centre
The first phase of a refurbishment was completed. New wall and floor coverings, common room furniture and art are among the upgrades to the sleeping and common rooms in the second building. In the main building, the two washrooms off the lounge area were renovated. A second phase of upgrading has been budgeted for Fiscal 2019.

HI Vancouver Jericho Beach
Several upgrades occurred at this hostel that has been in operation since 1971. New furniture was purchased for the common areas. Two rooms with a capacity of 36 beds received new flooring, paint, beds, mattresses, curtains and electrical system upgrades.

Other Improvements

HI CALGARY CITY CENTRE
Following up on the renovation of the hostel’s exterior, a new heating system was installed. This will increase guest comfort and reduce the operating expense and environmental impact of the hostel.

HI VANCOUVER DOWNTOWN
The flooring on the two sets of stairs in the West building and basement was replaced. In the foyer, an obsolete reservation system was removed and the new HI Canada logo installed on the largest wall.

HI MOUNT EDITH CAPELL WILDERNESS HOSTEL
A new outhouse was constructed, replacing one that had developed a notable tilt over the years. The replacement included a new holding tank and a modern ventilating system that results in improved guest comfort.
Sustainability

Operating sustainably means we contribute to the community, act as a positive force in the economy and tread lightly on the earth. Fortunately, all of that comes pretty naturally to us.

Building Sustainable Communities

We are pleased to have several long-term community involvements. The team at HI Jasper are involved in regular trail clean-up and reclamation initiatives in partnership with Parks Canada. HI Banff Alpine Centre and the wilderness hostels regularly donate group stays to local youth and school groups.

At our Vancouver hostels, our managers and their teams are participating in the Employment Works program with Pacific Autism Family Network. The program provides people on the autism spectrum with exposure to different workplace settings as part of a familiarization toward finding potential employment for the participants. We are honoured to be able to contribute to the economy in our support of this training.

Community Highlights

HI WHISTLER’S COMMUNITY BLOCK PARTY

This year, HI Whistler embraced what we hope will be a recurring contribution to the community. The hostel helped organize, plan and execute the 1st Annual Chwakamux Community Block Party. With the hostel at the heart of the action, the HI Whistler team hosted a BBQ complete with locally made gelato, a live DJ, face painting and balloon creations. About 350 locals attended, and lots of great feedback was received in person and online. Making neighbourhoods great places to live is one of the best ways to make them wonderful places to visit, and that’s a key contribution to sustainable tourism.

UN YEAR FOR SUSTAINABLE TOURISM

This year, we participated in Hostelling International’s celebration of the UN’s Year for Sustainable Tourism (2017). HI C PM Region’s Adaptive Wilderness Adventure partnership activities were chosen to showcase the mobility opportunities in the global HI network. Working with Paralympic Sports Alberta and the Rocky Mountain Adaptive Sport Centre, we hosted a group at HI Athabasca Falls Wilderness Hostel in May to celebrate our involvement in this sustainable tourism initiative. More importantly, the participants were there to experience the wilderness and to try out a couple of activities in Jasper—road hand-cycling and kayaking.

ICEFIELDS PARKWAY HAND-CYCLING TRIP

Later in September, the Ultimate Wheelchair Sports Foundation organized a multi-day hand-cycling trip with stops at HI Athabasca Falls, HI Rampart Creek and HI Lake Louise Alpine Centre. Any cycling trip through the mountains is a remarkable achievement, but this one was just a little more so with its blend of bicycles and hand-cycles covering over 100 kilometres a day.

One of the group members said: “Wanted to provide a little update regarding our trip. It was a huge success! Very pleasantly surprised by the hostels, the hospitality of the hosts and the accessibility and willingness to help out if needed. We were all impressed. We will definitely plan to do this again next year. Thanks to you we were able to organize a wheelchair accessible, affordable outdoor experience our members won’t forget anytime soon!”
Every day we strive to minimize our environmental impact at our hostels. While some projects are flashy and obvious—like solar panel installation—sometimes it’s the unassuming ones that steal the show. Two “behind the scenes” projects that are delivering amazing results are:

**HI WHISTLER** – Even though the work was done last year, it’s worth mentioning that HI Whistler continues to operate on only 10% of the natural gas it once did. Capital investments of $120,000 into this hostel’s heating and hot water systems have resulted in annual reductions of 90% in natural gas consumption. Over those first two years, we have avoided emitting 100 tonnes of CO₂e emissions. That is the equivalent of taking more than twenty passenger cars off the road.

**HI EDMONTON** – The heating and hot water systems at this gas-guzzling hostel were replaced with energy efficient models just before the winter weather struck. The capital investment of $180,000 is producing results. In the six months that the systems have been installed, natural gas consumption is showing a reduction of 23% in comparison to previous years. So far, the capital investments have helped us to avoid emitting another 36 tonnes of CO₂e. That’s already the equivalent of seven more passenger cars off the road for a year.
Our People

Developments in HR

HI C PM Region’s trans inclusion process, outlined in last year’s report, was selected as a finalist for the 7th annual Canadian HR Awards in the Excellence in Diversity & Inclusion category, and was also featured in a panel discussion at the 2018 Diversity and Inclusion Masterclass in Toronto.

You Kick Ass!

HI C PM Region’s employee recognition program, aka You Kick Ass, publicly recognizes exceptional employee performance. Both guests and fellow staff can nominate an employee for recognition.

Did You Know

- The Leadership Development Program was offered in Vancouver to 13 employees from six hostels.
- First Aid training was provided to 67 staff and volunteers from nine hostels.
- HR staff attended one career fair and conducted two outreach sessions to promote internships and jobs at hostels in the region.

You Kick Ass!

HI C PM Region’s employee recognition program, aka You Kick Ass, publicly recognizes exceptional employee performance. Both guests and fellow staff can nominate an employee for recognition.

Total number of Nominations this year... 1124

Staff Spotlight: Joella Joseph

Joella is now the assistant manager at HI Vancouver Central, but she’s been more than that at HI Canada over the past few years. She was also the region’s You Kick Ass winner in February this year, after being nominated by manager Maicke Andresen for all her great work on group bookings while working at HI Vancouver Downtown.

Joella is originally from Alberta and started working at HI Calgary City Centre’s front desk in 2015. A couple years later she was looking for a change of scenery and relocated to Vancouver where she started working at the front desk at HI Vancouver Downtown. A few months later she was promoted to manager in training and most recently made the move into the assistant manager role at HI Vancouver Central.

Joella’s favourite thing about the city is all the variety. “You run into actors from your favourite shows,” she says. “You can go to the beach and go snowboarding in the same day. Life is pretty exciting here. I’ve felt a lot like being adventurous and taking chances here.”

She says the best part about working at HI Vancouver Downtown is her colleagues. “Everyone is like family. I’m so happy to know them, and we’ve made lasting connections,” she says. “It’s a really easy-going environment.”

Beyond Vancouver, her favourite place “is really just on the road,” she says. “I love driving the Coquihalla and listening to music. The mountains and water are so beautiful and it is the place I feel most proud to be Canadian. At some point, my dream is to drive across Canada and work at other HIs while seeing the other amazing things this country has to offer.”
At the recent North American Managers Meetings (NAMM) held this year in Puerto Rico, HI C PM Region hostels were presented with a number of Barclay Awards.

### Cleanliness Award
The award recognizes the highest cleanliness ratings for a small and large hostel across the country.

**WINNERS**
- HI TOFINO – Large Hostel
- HI RAMPART CREEK – Small Hostel

### Friendliness Award
This award recognizes the highest staff ratings for a small and large hostel across the country.

**WINNER**
- HI MALIGNE CANYON – Small Hostel
- HI TOFINO – Large Hostel

### Ratings Improvement Award
This award recognizes the small and large hostel that demonstrated the best overall ratings improvement over the same period last year.

**WINNER**
- HI CANMORE – Large Hostel
- HI VANCOUVER CENTRAL – Small Hostel

### Environmental Award
This award recognizes the highest overall ECO-QAS environmental inspection ratings.

**WINNER**
- HI WHISTLER – Large Hostel
- HI VANCOUVER CENTRAL – Small Hostel

### Membership Award, Best Increase
This award recognizes the hostel with the largest increase in membership revenue per overnight compared to the same period last year.

**WINNER**
- HI TOFINO – Large Hostel

### Inspection Ratings Award
This award recognizes the best overall inspection ratings from the QAS (Quality Assured Standards) hostel inspections from the past year.

**WINNER**
- HI CANMORE – Small Hostel
- HI CALGARY – Large Hostel

### Staff Promotions

- **Sasha Viminitz** - Assistant General Manager > HI Banff Alpine Centre
- **Lewis Kelly** - Assistant General Manager > HI Banff Alpine Centre
- **Meghan Goodwin** - Café Supervisor > HI Whistler
- **Lorrie McDonald** - Rooms Division Supervisor > HI Banff Alpine Centre
- **Lindsay Goodwin** - Housekeeping Supervisor > HI Whistler
- **Amy Bridley** - Assistant General Manager > HI Whistler
- **Joshua Govenlock** - Kitchen Supervisor > HI Lake Louise Alpine Centre
- **Heather Parking** - Hostel Manager > HI Regina

### Length of Service Awards

**30 years**
- Volker Schelhas - Wilderness Hostel Manager > HI Maligne Canyon

**20 Years**
- Shelby Sy - Director of Marketing > HI Regional Office

**15 Years**
- Snezana Djajic - Housekeeping Supervisor > HI Vancouver Central
- Miki Satlo - Housekeeper > HI Vancouver Central
- Quilina Solis - Housekeeper > HI Vancouver Central

**10 Years**
- Alicia Arata - Assistant Housekeeping Supervisor > HI Vancouver Central
- Terri Grassick - Night Auditor > HI Vancouver Downtown
- Sandra Hahn - Housekeeper > HI Vancouver Downtown
- Jessica Cerato - HM Manager > HI Regional Office

**5 Years**
- Daniel Moses - Maintenance Staff > HI Edmonton
- Lori Mandziak - Night Auditor > HI Vancouver Central
- Derek Mclay - Assistant Hostel Manager > HI Victoria
- Daniel Hempen - Assistant General Manager > HI Lake Louise Alpine Centre

### Hostel of the Year Award (Canada)
This hostel recognizes the best overall rating for a small and large hostel across the country.

**WINNER**
- HI TOFINO – Large Hostel
- HI MALIGNE CANYON – Small Hostel
Moose Travel Network was founded in 1997 by two Canadian entrepreneurs who wanted to show the Canada they know and love to travellers. Inspired by the backpacker busses of Australia and New Zealand, they now carry thousands of passengers across tens of thousands of kilometres throughout Canada.

Their special blend of group travel and hop-on, hop-off transportation has helped countless backpackers explore the vastness of Canada easily and on a budget. Moose is one of HI C PM’s original discount partners, and HI hostels have always been regular stops on many of their routes in Pacific Mountain Region, including HI Banff, HI Lake Louise, HI Jasper, HI Athabasca Falls, HI Whistler and our HI Vancouver hostels.

Our Members

Membership Update
Registered Canadian members dropped by 8.65% this year, a trend that was shared with other regions in Canada who had similar decreases. Membership revenue continued to rise, primarily due to strong sales of memberships to record international visitors to Canada.

Over the last six months, a strategic review of membership was undertaken with initial findings due to be presented in June at the NAGM in Kananaskis. Many other national associations are facing a similar decrease in membership and are also reviewing their membership model.

Online Performance
The new website and member database have proved successful in improving online performance. When comparing the last two years, we saw an increase of 32% in online memberships sold.

In addition to better performance, the streamlined and sortable member discount section has proved to be a much more effective way to promote member value in Canada and internationally. Our peers in the international network have been very positive in their feedback on this new platform.

Trade Shows
This year we participated in one consumer and two business trade shows.

The Outdoor Adventure Show in Vancouver was a consumer trade show that attracted many consumers who may be interested in using hostels on their travels. At our booth, we held a competition to “Guess the Weight” of a backpack to win it. We used a backpack from one of our key sales partners, MEC. Our booth was very busy and we were able to introduce hostelling to many new people.

The business trade shows were held in Calgary and Vancouver with Flight Centre. As one of their preferred partners, we were invited along with other global travel suppliers to promote our product. This was the first time we had participated in this show and it was a very effective way to educate agents on the benefits of the HI membership.

New Discounts
• NATIONAL: VIA Rail — increased discount to 15%
• WHISTLER: Coast Mountain Brewing 15% off a tasting flight
• WHISTLER: Ziptrek Ecotours 15% off tours
• CALGARY: Telus Spark 15% off admission
• CALGARY: Hear’s My Soul Café 10% off
• EDMONTON: Willie’s Bakery and Café 15% off
• VICTORIA: Exit Escape 20% off

Our Members in Numbers

MEMBERS BY TYPE

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult</td>
<td>10,551</td>
<td>11,422</td>
<td>8,273</td>
<td>6,548</td>
</tr>
<tr>
<td>Lifetime</td>
<td>7,204</td>
<td>7,417</td>
<td>7,605</td>
<td>7,773</td>
</tr>
<tr>
<td>Junior</td>
<td>982</td>
<td>986</td>
<td>906</td>
<td>966</td>
</tr>
<tr>
<td>Group</td>
<td>304</td>
<td>194</td>
<td>137</td>
<td>169</td>
</tr>
<tr>
<td>TOTAL</td>
<td>19,041</td>
<td>20,019</td>
<td>19,921</td>
<td>15,456</td>
</tr>
</tbody>
</table>

AGE DEMOGRAPHICS

| Under 18 | 13% | 15-29 | 13% | 30-39 | 16% | 40-49 | 13% | 50-59 | 14% | 60-69 | 14% | 70+ | 9% |

MEMBERSHIP REVENUE

<table>
<thead>
<tr>
<th>Membership Revenue</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>$450,000</td>
<td>$425,000</td>
<td>$400,000</td>
<td>$375,000</td>
</tr>
</tbody>
</table>

Partner Spotlight – Moose Travel Network
Moose Travel Network
Marketing

Rebranding Project

On April 20, 2017, HI Canada launched its totally overhauled website — hihostels.ca — fresh on the heels of a rebranding project that also resulted in revised brand guidelines and graphic design elements.

With the help of Montreal-based web development firm Cloudraker and brand consultant Pierre Bernard-Dawe-Blanchett, HI Canada’s new brand brought about some big changes — like the new red and white logo and bright, colourful design featured in last year’s annual report — and some less visible ones, like strengthened brand statements and guidelines that focus on community and our common values: open-mindedness, togetherness and mindfulness. That element is incorporated in marketing and promotional materials across the country.

The new website was designed to represent this new brand look and feel, while also vastly improving the functionality of the site. Chief among these is mobile usability, and the new site adopted a mobile-first design, featuring large edge-to-edge images, clear and consistent page sections, a prominent booking engine and easy toggling between French and English versions of the site.

In November, the website was awarded the Grand Prix award in the consumer brand category at Infopresse’s annual Boomerang Awards. The Boomerang Awards showcase the best of Quebec’s marketing and interactive design industry, with 200 entries in 27 categories this year.

Website Performance

The new website was designed with a few performance enhancements in mind, and its first year has shown some impressive improvements. Users and sessions were both up compared to Fiscal 2017 (24% and 50% increases respectively), and most notably, mobile use more than doubled, accounting for 52% of total website users this year.

Online bookings generated 79% of all overnight revenue this year. And while booking revenue generated on hihostels.ca increased this year to $3,720,920, it represented a smaller overall percentage of total online revenue (down 5% compared to the previous year). This is attributed to direct bookings losing market share to online travel agents (OTAs), especially Booking.com, which saw a 90% increase this year and accounted for 39% of all online booking revenue for the region.
European youth going forward.

to promote travel and hostels in Canada to associations, which allows us to continue for the
6,310 new email contacts generated on Facebook and reached 813,296 people with flights, accommodation and activities USA or to Australia and New Zealand, to win one of two trips to Canada and the Facebook Two contests were rolled out via this demographic. promote hostels and overseas travel among a two-part social media campaign to Social Chain to develop group worked with four countries. Based on this research, the to hostelling as well as the PacRim Group's when it comes Gen Z Europeans This research revealed some of the attitudes and budget travel. is becoming increasingly important for youth Europe's Gen Z market—a demographic that Social Chain together with a UK-based marketing agency, markets. In 2017, the associations banded together with a UK-based marketing agency, Social Chain, to conduct market research on Europe’s Gen Z market—a demographic that is becoming increasingly important for youth and budget travel.

This research revealed some of the attitudes held by Gen Z Europeans when it comes to hosteling as well as the PacRim Group’s four countries. Based on this research, the group worked with Social Chain to develop a two-part social media campaign to promote hostels and overseas travel among this demographic.

Two contests were rolled out via Facebook and offered followers the chance to win one of two trips to Canada and the USA or to Australia and New Zealand, with flights, accommodation and activities covered. The North American contest reached 813,296 people on Facebook and generated 6,310 new email contacts for the associations, which allows us to continue to promote travel and hostels in Canada to European youth going forward.

Campaign Spotlight: Social Chain

HI Canada formed the PacRim group along with HI USA, YHA Australia and YHA New Zealand in 2017 to better coordinate market-ing efforts between these national associa-tions as they share many international target markets. In 2017, the associations banded together with a UK-based marketing agency, Social Chain, to conduct market research on Europe’s Gen Z market—a demographic that is becoming increasingly important for youth and budget travel.

The magazine’s content serves two main pur-poses. Traffic-generating content is intended to draw visitors from search engines and encourage website users to spend a bit more time on the site. Hostel pages also feature relevant articles, and articles link back to the hostels where appropriate. Engagement-generating content ties more closely to the brand experience through personal travel stories and lists, which is intended to generate clicks and reactions on social media channels and through the monthly emails.

In fiscal 2018, after the website relaunch, the magazine generated 64,123 unique page views, and nearly 50% of that traffic originated from organic search.

WHERE MAGAZINE TRAFFIC COMES FROM

<table>
<thead>
<tr>
<th>Source</th>
<th>Traffic Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Search</td>
<td>49.7%</td>
</tr>
<tr>
<td>Social</td>
<td>20.0%</td>
</tr>
<tr>
<td>Direct</td>
<td>12.9%</td>
</tr>
<tr>
<td>Email</td>
<td>12.3%</td>
</tr>
<tr>
<td>Other Websites</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

HI Canada Magazine & Communications

The new website also includes a revamped online magazine that features travel stories and tips from across Canada and around the world, as well as news from HI Canada. The magazine content feeds into HI Canada’s e-newsletter, which also underwent a refresh last year, and which is produced and distributed once a month in English and French to members and non-members who opt to receive it.

Groups

We love groups! Whether it’s a school group, a sports team, a group of friends having a reunion or any other reason a bunch of people want to get together, we’re happy to host. This year, group bookings accounted for 10% of all overnights and generated $589,380 in revenue in the region. Here are just a couple highlights from the year.

Destination Education

In April 2017, HI C.PM Region worked with the Vancouver Aquarium and Science World as the accommodation provider in a grand prize for their Destination Education Competition. The winners, Brooks Secondary School from Powell River, won an all-expenses-paid trip to Vancouver to learn more about the science behind sustainable choices. The group of 25 students and chaperones spent two nights at HI Vancouver Jericho Beach, and in addition to activities at both the Aquarium and Science World, they also participated in shoreline cleanup efforts in Jericho Park.

Joy of Nature Competition

For the fifth year in a row, HI C.PM Region participated in the Joy of Nature Competition in partnership with Parks Canada, the Alberta Council for Environmental Education, the Alberta Recreation & Parks Association, Jasper Raft Tours and Jasper Skytram. The competition is open to youth groups in Alberta that are committed to outdoor educa-tion and physical activity. This year, the Calgary Islamic School won a trip for 12 girls that included an afternoon at the Polkaves Stewardship Education Centre in Jasper National Park, a trip up the Jasper Skytram, a rafting trip and a night at HI Athabasca Falls Wilderness Hostel.

A note from one of the teachers: “The students had a BLAST, we really did not want to come home. Experience of driving to Jasper, sleeping in a hostel and taking part in outdoor education games outside, along with the snowboarding was the best thing that has ever happened to the group of girls that came. Sleeping in the hostel was an interesting adventure in and of itself. The students have NEVER done anything like this before. They couldn’t sleep from the excitement! The girls spent the majority of the night playing board games and telling stories, another great way for the students to all bond. Till this day they talk about how cool it was to all be in one room together, and they still laugh about the morning prayer alarms that went off at 4 a.m.”
The Governance Committee was exceptionally busy this year undertaking its usual policy monitoring tasks as well as completing an extensive re-write of our executive limitations policies and a needed refresh of our Ends policies.

Executive limitations, which serve to establish a framework around the CEO’s chosen means to deliver on the Association’s Ends, need to adapt to the nature of the Association as it evolves and grows. By reviewing and streamlining these policies and adopting a new reporting framework, the Board will be able to ensure more effectively that the association is run in a manner consistent with our member’s values while minimizing risks.

The most exciting work that we completed this year was changes to our Ends policies. These policies serve as the “guiding light” for hosteling in Western Canada and give broad direction to our CEO and his team on what is most important for the Association to achieve. The Board is grateful to our members for their valuable input, through a comprehensive survey and other means, as it was instrumental in the changes we have made. A couple of key concepts have been prioritized as a result of member feedback. A key focus going forward will be fostering an inclusive community-minded environment in our hostle network that all ages can enjoy. We will deliver on this by cultivating enriching experiences while providing consistently clean, secure and sustainable hostelling options in Western Canada. The Board keenly looks forward to the opening of the new HI Jasper in 2019 as a tangible demonstration of our commitment to these principles.

As Chair of the Governance Committee, I want to thank the Committee for the many conference calls they participated in and for all their valuable input over the year. With a committed core of governance volunteers, as well as passionate members stepping up to let us know what’s important, we will ensure that the Association remains committed to our members’ values and provides excellent hostelling options for all for many years to come!

Peter Nietresta
Chair – Governance Committee
Hostelling International Canada
Pacific Mountain Region
Ownership Linkage

Our owners are members who contribute their time and energy, through their interest and volunteer work, to hostelling in general and particularly within Pacific Mountain Region. The Board of Directors’ Ownership Linkage Committee works to ensure that the board understands what the owners want and that the owners understand how their desires contribute to board decisions.

Over the past year, the Ownership Linkage Committee has hosted three member updates throughout the region in Victoria, Edmonton and Vancouver, with spectacular turnouts. We met over 100 of our members through these events, where we were able to not only share travel stories but also get valuable feedback on various board activities, priorities and major projects.

One such project, which you’re probably already aware of, is the new hostel currently being built in Jasper. We have heard loud and clear from our members over the years that this project is a top priority, and we are very excited to finally see it underway. From the early reactions of our members, we can tell that many of you have been very excited by this news as well. The committee is always eager to hear from our owners and encourages you to attend future events or speak with any of the directors at any time.

Andrew Crossett
Chair – Ownership Linkage
Hostelling International Canada
Pacific Mountain Region
Financials

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

COMBINED FINANCIAL STATEMENTS — YEAR ENDED MARCH 31, 2018

JUNE 4th, 2018 – Independent Auditor’s Report
To the Directors of True North Hostelling Association
O/A Hostelling International Canada – Pacific Mountain Region

We have audited the accompanying combined financial statements of True North Hostelling Association O/A Hostelling International Canada – Pacific Mountain Region, which comprise the combined statement of financial position as at March 31, 2018 and the combined statements of operations and changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

MANAGEMENT’S RESPONSIBILITY FOR THE COMBINED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with Canadian 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.

AUDITOR’S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of True North Hostelling Association O/A Hostelling International Canada – Pacific Mountain Region as at March 31, 2018 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.

Chartered Professional Accountants
PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 325 Howe Street, Suite 1400, Vancouver, BC V6C 3S7
T 604 664 7300 • F 604 664 7806

“PwC” refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.
### COMBINED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended March 31, 2016

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Overnights</td>
<td>14,268,151</td>
<td>12,744,273</td>
</tr>
<tr>
<td>Memberships</td>
<td>445,924</td>
<td>414,354</td>
</tr>
<tr>
<td>Other, including food, beverage and merchandise</td>
<td>2,291,508</td>
<td>2,113,516</td>
</tr>
<tr>
<td></td>
<td>17,005,583</td>
<td>15,242,143</td>
</tr>
<tr>
<td>Expenses</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Hostel</td>
<td>11,392,374</td>
<td>10,727,874</td>
</tr>
<tr>
<td>Administration and membership</td>
<td>1,545,873</td>
<td>1,465,959</td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>1,376,411</td>
<td>1,364,884</td>
</tr>
<tr>
<td></td>
<td>14,314,658</td>
<td>13,558,717</td>
</tr>
<tr>
<td>Excess of revenue over expenses from operations</td>
<td>2,690,925</td>
<td>1,683,426</td>
</tr>
<tr>
<td>Other expenses (income)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Interest income</td>
<td>(90,398)</td>
<td>(40,766)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>118,025</td>
<td>140,334</td>
</tr>
<tr>
<td>Less on extra ordinary items</td>
<td>421</td>
<td>10,528</td>
</tr>
<tr>
<td>(Gain) loss on disposal of capital assets</td>
<td>–</td>
<td>(1,337)</td>
</tr>
<tr>
<td></td>
<td>28,048</td>
<td>108,759</td>
</tr>
<tr>
<td>Excess of revenue over expenses for the year</td>
<td>2,662,877</td>
<td>1,574,667</td>
</tr>
<tr>
<td>Net assets - Beginning of year</td>
<td>23,684,559</td>
<td>22,069,169</td>
</tr>
<tr>
<td>Merger with Prairie Region Inc. (note 2)</td>
<td>–</td>
<td>40,723</td>
</tr>
<tr>
<td>Net assets - End of year</td>
<td>26,347,436</td>
<td>23,684,559</td>
</tr>
</tbody>
</table>

### COMBINED STATEMENT OF FINANCIAL POSITION

As at March 31, 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5,048,867</td>
<td>3,347,531</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>1,938,724</td>
<td>1,364,010</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>80,955</td>
<td>77,639</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>262,126</td>
<td>232,381</td>
</tr>
<tr>
<td>7,494,016</td>
<td>5,185,436</td>
<td></td>
</tr>
<tr>
<td>Restricted cash</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>55,855</td>
<td>55,591</td>
</tr>
<tr>
<td>Capital assets (note 4)</td>
<td>25,877,823</td>
<td>25,853,528</td>
</tr>
<tr>
<td>33,432,694</td>
<td>31,099,555</td>
<td></td>
</tr>
<tr>
<td>Liabilities and Net Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities (note 4)</td>
<td>1,379,372</td>
<td>1,222,377</td>
</tr>
<tr>
<td>Unearned revenue and deposits</td>
<td>394,543</td>
<td>344,177</td>
</tr>
<tr>
<td>Loans payable (note 6)</td>
<td>4,508,468</td>
<td>4,991,819</td>
</tr>
<tr>
<td>6,282,383</td>
<td>6,558,373</td>
<td></td>
</tr>
<tr>
<td>Deferred contributions (note 6)</td>
<td>5,559</td>
<td>1,725</td>
</tr>
<tr>
<td>Deferred capital contributions (note 2)</td>
<td>797,316</td>
<td>855,098</td>
</tr>
<tr>
<td>7,085,258</td>
<td>7,444,996</td>
<td></td>
</tr>
<tr>
<td>NET ASSETS</td>
<td>26,347,436</td>
<td>23,684,559</td>
</tr>
<tr>
<td>33,432,694</td>
<td>31,099,555</td>
<td></td>
</tr>
</tbody>
</table>

Commitments and contingencies (note 6)

Approved by the Board of Directors

Betty LaFave – Director
Lenore Neudorf – Director
### COMBINED STATEMENT OF CASH FLOWS

For the year ended March 31, 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH PROVIDED BY (USED IN)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of revenue over expenses for the year</td>
<td>2,662,877</td>
<td>1,574,667</td>
</tr>
<tr>
<td>Contributions from Prairie Region Inc.</td>
<td>–</td>
<td>40,723</td>
</tr>
<tr>
<td>Items not involving cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>1,378,411</td>
<td>1,364,884</td>
</tr>
<tr>
<td>Amortization of deferred capital contributions</td>
<td>(57,782)</td>
<td>(59,504)</td>
</tr>
<tr>
<td>Deferred contributions used</td>
<td>(137,275)</td>
<td>(82,290)</td>
</tr>
<tr>
<td>Gain/loss on disposal of capital assets</td>
<td>–</td>
<td>(1,336)</td>
</tr>
<tr>
<td><strong>Total operating activities</strong></td>
<td>3,844,231</td>
<td>2,837,144</td>
</tr>
<tr>
<td>Changes in non-cash working capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>531</td>
<td>(86,434)</td>
</tr>
<tr>
<td>Inventory</td>
<td>(3,316)</td>
<td>10,998</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(29,745)</td>
<td>(11,847)</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>156,693</td>
<td>68,308</td>
</tr>
<tr>
<td>Unearned revenue and deposits</td>
<td>50,367</td>
<td>108,321</td>
</tr>
<tr>
<td><strong>Total changes in non-cash working capital</strong></td>
<td>4,019,061</td>
<td>2,926,490</td>
</tr>
<tr>
<td>Financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from loan issuance</td>
<td>–</td>
<td>13,035</td>
</tr>
<tr>
<td>Repayment of loans payable</td>
<td>(483,151)</td>
<td>(594,034)</td>
</tr>
<tr>
<td>Deferred contributions received</td>
<td>141,509</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total financing activities</strong></td>
<td>(342,042)</td>
<td>(580,999)</td>
</tr>
<tr>
<td>Investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in investments</td>
<td>(574,978)</td>
<td>(1,319,870)</td>
</tr>
<tr>
<td>Decrease in restricted cash</td>
<td>–</td>
<td>(5,000)</td>
</tr>
<tr>
<td>Contributions from Prairie Region Inc.</td>
<td>–</td>
<td>(31,766)</td>
</tr>
<tr>
<td>Purchase of capital assets</td>
<td>(1,400,705)</td>
<td>(1,483,709)</td>
</tr>
<tr>
<td>Proceeds on sale of capital assets</td>
<td>–</td>
<td>9,500</td>
</tr>
<tr>
<td><strong>Total investing activities</strong></td>
<td>(1,975,683)</td>
<td>(2,920,255)</td>
</tr>
<tr>
<td>Increase in cash and cash equivalents</td>
<td>1,701,336</td>
<td>(574,764)</td>
</tr>
<tr>
<td>Cash and cash equivalents - Beginning of year</td>
<td>3,347,531</td>
<td>3,922,295</td>
</tr>
<tr>
<td>Cash and cash equivalents - End of year</td>
<td>5,048,867</td>
<td>3,347,531</td>
</tr>
</tbody>
</table>

### NOTES TO COMBINED FINANCIAL STATEMENTS

#### 1. Operations

The True North Hostelling Association O/A Hostelling International Canada – Pacific Mountain Region (the "Association") is a group of not-for-profit organizations whose mission is to "help all, especially the young, gain greater understanding of people, places and cultures through hosteling". 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 which 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 the representation of management prepared 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. 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"), 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).

In the prior year, the Board approved the combination of the Canadian Hostelling Association - Prairie Region Inc. with the Association, beginning September 1, 2016. As a result, the accounts of Canadian Hostelling Association - Prairie Region Inc. have been reflected in the combined statements for the seven months ended March 31, 2017.

##### 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 which 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 if the useful lives are determined to be shorter, will adjust the amortization prospectively.

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 cost during development and construction included cost that are directly attributable to the construction to or development activity and other carrying cost. 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 receivable, 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 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. Internally restricted net assets

The Association has certain balances which are internally restricted for the new Jasper Hostel. These amounts are included in the combined statement of financial position accounts as follows:

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>1,857,760</td>
</tr>
</tbody>
</table>

NOTES TO COMBINED FINANCIAL STATEMENTS
4. Capital assets

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Accumulated</td>
</tr>
<tr>
<td></td>
<td></td>
<td>amortization</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Land</td>
<td>5,811,031</td>
<td>—</td>
</tr>
<tr>
<td>Buildings and leasehold improvements</td>
<td>35,345,492</td>
<td>(16,682,010)</td>
</tr>
<tr>
<td>Automobiles</td>
<td>264,418</td>
<td>(221,199)</td>
</tr>
<tr>
<td>Computer equipment and software</td>
<td>1,321,658</td>
<td>(1,158,077)</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>4,866,976</td>
<td>(4,079,142)</td>
</tr>
<tr>
<td></td>
<td>47,609,575</td>
<td>(22,140,428)</td>
</tr>
<tr>
<td>Hostel development planning and assets under construction a)</td>
<td>408,676</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>48,018,251</td>
<td>(22,140,428)</td>
</tr>
</tbody>
</table>

a) Relates to the future hostel development planning in Jasper, Alberta.

5. Loans payable

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Line of credit a)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Line of credit b)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Whistler mortgage c)</td>
<td>3,582,340</td>
<td>3,926,603</td>
</tr>
<tr>
<td>1025 Granville Street Trust loan d)</td>
<td>926,528</td>
<td>1,065,016</td>
</tr>
<tr>
<td></td>
<td>4,508,468</td>
<td>4,991,619</td>
</tr>
</tbody>
</table>

da) 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.

db) The Association’s joint venture with the CAC has a revolving line of credit of $100,000, bearing interest at prime plus 1.00% per annum.

dc) This mortgage includes three demand term loans that were obtained to finance the acquisition of the Whistler property. These loans with blended monthly payments of $46,571 bear interest rates at 2.77%, 2.77% and 2.71%, respectively.

dd) The demand term loan bears interest at 2.71% per annum, with blended monthly payments of $14,715.

All the above loans are secured by the following:

a) 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.

Notwithstanding that certain of the loans are repayable on demand and/or maturing in the next 12 months, the Association is currently scheduled under the above debt agreements to make periodic payments over a period beyond one year. Principal repayments required on loans payable over each of the next four fiscal years and thereafter, assuming renewal at similar terms and conditions, are estimated as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>Thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$22,414</td>
<td>$593,777</td>
<td>$572,426</td>
<td>$2,258,422</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,508,468</td>
</tr>
</tbody>
</table>

6. Deferred contributions

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Balance - Beginning year</td>
<td>1,725</td>
<td>84,015</td>
</tr>
<tr>
<td>Contributions received during the year</td>
<td>141,099</td>
<td>—</td>
</tr>
<tr>
<td>Contributions utilized to offset expenses incurred during the year</td>
<td>(137,275)</td>
<td>(82,290)</td>
</tr>
<tr>
<td>Balance - End of year</td>
<td>5,559</td>
<td>1,725</td>
</tr>
</tbody>
</table>

7. Deferred capital contributions

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Balance - Beginning year</td>
<td>855,098</td>
<td>914,602</td>
</tr>
<tr>
<td>Amortization during the year</td>
<td>(57,782)</td>
<td>(59,504)</td>
</tr>
<tr>
<td>Balance - End of year</td>
<td>793,316</td>
<td>855,098</td>
</tr>
</tbody>
</table>
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, 2018, $127,365 (2017 - $102,640) 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:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>98,521</td>
</tr>
<tr>
<td>2020</td>
<td>98,521</td>
</tr>
<tr>
<td>2021</td>
<td>98,521</td>
</tr>
<tr>
<td>2022</td>
<td>98,521</td>
</tr>
<tr>
<td>Thereafter</td>
<td>86629</td>
</tr>
</tbody>
</table>

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 2018 totalled $444,113 (2017 - $369,217) and is recorded in hostel expenses. The variance in the previous year’s national levy is due to a $60,000 credit back from Hostelling International Canada.

c) Litigation

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

10. Financial instruments

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 receivable, 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:

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>936,398</td>
</tr>
<tr>
<td>Capital assets</td>
<td>2,004,922</td>
</tr>
<tr>
<td>Liabilities and Net Assets</td>
<td>2,940,420</td>
</tr>
<tr>
<td>Accounts payable and other current liabilities</td>
<td>135,483</td>
</tr>
<tr>
<td>Deferred contributions</td>
<td>309,290</td>
</tr>
<tr>
<td>Net assets</td>
<td>2,495,647</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
</tr>
<tr>
<td>1,981,559</td>
<td>1,640,593</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess of revenue over expenses</td>
<td>368,986</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows provided by operating activities</td>
<td>500,789</td>
</tr>
<tr>
<td>Cash flows used in financing activities</td>
<td>(104,348)</td>
</tr>
<tr>
<td>Cash flows provided by (used in) investing activities</td>
<td>192,066</td>
</tr>
</tbody>
</table>

12. Subsequent event

The Association has been advised by Parks Canada that the licence of occupation for the Hostelling International Castle Mountain hostel will not be renewed after the current December 31, 2018 expiry due to this land being transferred to the Siksika First Nation as part of a recent federal land claim settlement. The Association does not anticipate a material financial impact from this event.
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

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

AFFILIATE HOSTELS

Alberta
HI Canmore

British Columbia
HI Cumberland, Riding Fool Hostel
HI Fernie, Raging Elk
HI Nanaimo, Painted Turtle
HI Nelson, Dancing Bear Inn
HI Prince Rupert, Pioneer Backpackers Inn
HI Shuswap Lake, Squilax General Store
HI Squamish, Adventure Inn
HI Tofino, Whalers on the Point

Manitoba
HI Rossburn, 9 Finger Ranch