



2019 ANNUAL REPORT

HOSTELLING INTERNATIONAL CANADA

Pacific Mountain Region



OUR MISSION

To help all, especially the young,
gain a greater understanding of people,
places and cultures through hostelling.





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Letter from the CEO



This year we are proud to announce that we have completed and opened the new 157-bed hostel in the town of Jasper. This is exciting news for us all after a few decades of anticipation. The project includes a main lodge with guest accommodation and common areas, two staff buildings and a small maintenance building. Due to the limited construction season in Jasper, we choose to design and build these facilities using 44 modules built off-site in a controlled environment and assembled on-site.

Our previous fiscal year was a record financial year with the upward swing of the travel market despite the continued soft Edmonton market. However, this year, this market turned downwards again and nearly every property saw some level of reduced occupancy. We still ended with a good year, though.

Staffing has remained very stable during the past year with several internal promotions when vacancies appeared. We continue to develop our internal training programs and offered over 25 training programs throughout the region. With the opening of the larger HI Jasper, our staffing levels will increase slightly in the coming year.



We modified our hostel manager exchange program with the Bavaria Region of Germany from every year to every two years. The next exchange occurs in late September 2019.

The downturn in overnights was offset by an increased average daily rate, which allowed us to cautiously invest back into the hostels with many capital projects and put funds in our reserves for future projects. Please see the recent capital projects listed further on in this annual report.

I am pleased to say that we continue to look at expanding our network of hostels and we opened a new affiliate in Rossland, BC, at RED Mountain Resort in December 2018. We continue our search for affiliates in Winnipeg and Saskatoon.

We continue to meet with our local, provincial and national members of government to introduce them to hostelling and its mission in our region.

Sustainability remains a priority, and projects at the hostels may

cover any of our three pillars: environmental, economic and social sustainability. We have set a goal of reducing our CO2e emissions by 30% by 2030.

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. You have made the guest and member experience that much more memorable. You have 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,

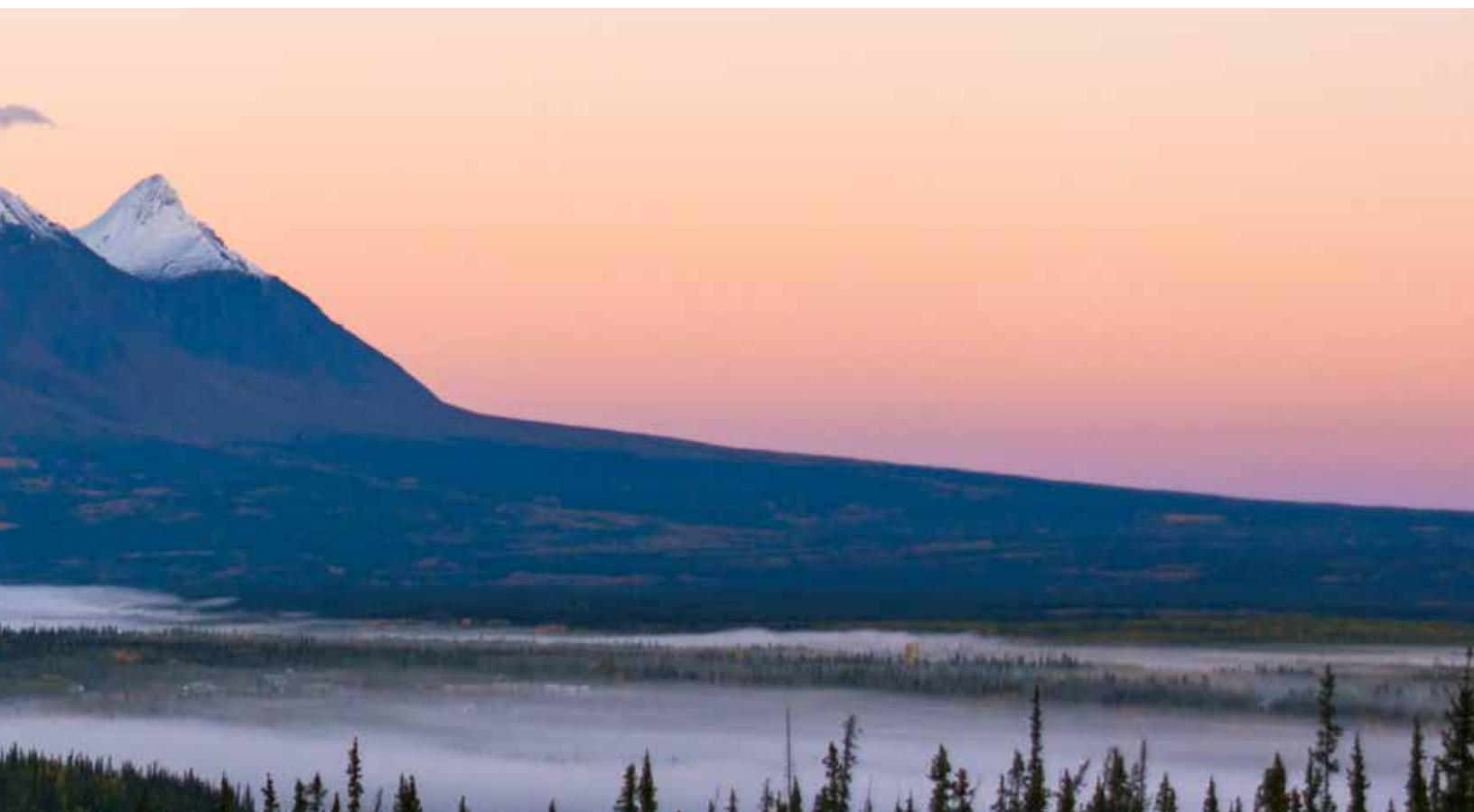


Alistair McLean

CEO

CHAIR CED

HI Canada - Pacific Mountain Region



Letter from the Chair



It was a banner year for HI Canada Pacific Mountain Region (HIC PM Region). We operated 34 hostels in British Columbia, Alberta, Saskatchewan and Manitoba. In December 2018, we opened a new affiliate hostel in Rossland, BC, and in June 2019, we opened our brand new hostel in Jasper, Alberta.

In 1988, the former Northern Alberta Region began planning to build a new hostel in Jasper. Twenty years later, in 2008, they merged with HIC PM Region as they realized they couldn't build the new Jasper hostel on their own. This year, after more than 30 years of planning and another regional merger, we finally opened the new hostel.

We were able to build the new **HI Jasper** this year as our region is in good financial health. We have had large annual surpluses for several years, including this year. This has enabled us to achieve a good credit rating, qualify for mortgage financing at good rates, fund capital expenditures and maintain our existing properties, as well as pay higher



staff salaries due to minimum wage increases in British Columbia and Alberta. Our mix of city, resort and wilderness hostels appeals to different visitors looking for diverse experiences. Although we have many international and national guests, we are pleased that over 60% of our overnight stays are made by members.

Linking with members is very important to the board. We hold member update events each year as we travel to board meetings throughout the region. This year we held events in Calgary in November and in Vancouver in February. The board uses information gathered from these sessions to fine-tune our strategic leadership throughout the region.

I would like to thank all the volunteers who helped us this year. We rely on the hard work and dedication of volunteers, including the very talented members of the board, who provide their time and expertise to support and promote hostelling. They are a big part of our success. I would also like to thank our staff, who focus on service, sustainability

and the environment to ensure that our hostels are clean, safe and provide good value for money. I invite you to read our 2018-19 annual report to learn more about the work undertaken this year by HIC PM Region.

Sincerely,



Chair, Board of Directors
HI Canada - Pacific Mountain Region



Meet the Board



Betty LaFave

CHAIR

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.

Lenore Neudorf

1ST VICE 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.



Kit Keener

2ND VICE CHAIR

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.

Meghan Trepanier

DIRECTOR

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

DIRECTOR

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.

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.



Curtis Hemming

DIRECTOR

An HI member since 1998, Curtis sees incredible value in the experiences HI provides to travellers in Canada and abroad. For him, hostelling is a great way to meet new people and see new places. Though he has spent much of 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 degrees and was once on a travel reality show.

Kevin Pals

DIRECTOR

Growing up in Alberta, Kevin enjoyed all the outdoor activities offered in the Rockies. He has also lived in and travelled to several countries and experienced first-hand the value that travel and hostelling brings to young people. Kevin currently works with a destination marketing organization in Vancouver. He knows the region well and is excited by the great experiences that HI offers any traveller.



Association Update

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HIC Canada Pacific Mountain Region (HIC PM Region) spans BC, Alberta, Saskatchewan, Manitoba, Yukon, the Northwest Territories and Nunavut. The association has 15,931 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.

+ + + + + + + + + +

Highlights

- HIC PM Region continued to operate **HI Castle Mountain** Wilderness Hostel. As part of a Lands Claim Agreement between the Siksika First Nation and the Canadian Federal Government, the Parks Canada lease for **HI Castle Mountain** was terminated on December 31, 2017, and the land and hostel were transferred to the Siksika First Nation. The Siksika First Nation were to assume management of the hostel on January 1, 2019. When this did not occur, the association agreed to continue operating the hostel until December 31, 2019.
- RED Mountain Resort, near Rossland, BC, completed construction of their 78-bed hostel. A member of the association's affiliate program, **HI RED Mountain**, Nowhere Special, hosted its first guests in December 2018. The hostel's modern design and layout provide a top guest experience and the hostel is a tremendous addition to the HIC PM Region network.
- One of HIC PM Region's strategic priorities is to keep pace with advances in technology. Fiscal 2019 was a turning point as many initiatives were taken to help reach this goal:
 - We retained a digital transformation agency to assist the association in a modernization process. This included journey mapping the guest experience.
 - Some hostels have switched to a new Property Management System (PMS). The large hostels will use a Canadian-owned product called GuestCentrix. This PMS is also used by HI USA, YHA Australia, YHA New Zealand and HI Belgium. Smaller hostels will switch to WebRezPro, which is also used by many HIC affiliate hostels.
 - A new booking experience is in the works. Improvements include fewer screens to navigate, advance payment options and an enhanced use of promotion codes.

Building a New HI Jasper

After decades of planning, construction finally began on the new **HI Jasper** in June 2018. The mayor of Jasper, Richard Ireland, attended the sod-turning event alongside Jasper National Park superintendent Alan Fehr and representatives from HIC PM Region and Horizon North, the hostel construction firm.

Site preparations began back in March 2018 and because of Jasper's short construction season, the building was built off-site by Horizon North using modular construction: 66 individual modules were pre-built in a controlled environment in Kamloops and then delivered to the site in the fall to be assembled. Many of the modules were delivered with furniture already installed, saving on construction time and environmental costs, thanks to fewer deliveries into the park and less waste.

After Mother Nature delivered a few hurdles in the form of a very cold winter leading to frozen water pipes, **HI Jasper** welcomed its first guests on June 4, 2019. The hostel has space for 157 guests a night in private rooms and four-person shared rooms, and also features an on-site cafe, spacious and modern common areas plus staff accommodation in separate buildings. The final guests of the old HI Jasper checked out on June 4th, and the building and property are scheduled to be returned to Parks Canada in September 2019.

An official grand opening event will be held at the hostel in September.



Overnight Performance

Following two years of historically high overnights, Alberta's weak economy, Western Canada's softening tourism market and increased competition from accommodation-sharing websites resulted in significantly lower overnights in 2019.

The association saw a total of 380,825 overnights, marking a decrease of 7.7% compared to the previous year. Overnights increased at three hostels: **HI Penticton** (up 24%), **HI Victoria** (22%) and **HI Vancouver Jericho Beach** (1%).

In British Columbia, **HI Vancouver Central** saw the most overnights at 55,211, while in Alberta, **HI Banff Alpine Centre** had the most in both the province and the region at 63,961.

Financial Summary

Fiscal 2018 was a tough act to follow. Last year's strong results were driven in large part by the promotion of and free access to national parks as part of the federal government's Canada 150 celebrations. However, on the heels of the region's best ever financial performance, fiscal 2019 was not without its own successes.

After three strong years, Western Canada's tourism and hospital sector began to weaken in the second half of the year. Although occupancy levels declined, the average daily rates (ADR) increased in most markets. Total revenue decreased by less than 1% to \$16,949,947. While overnight revenue and ancillary revenue remained essentially flat, membership revenue decreased by \$57,000, which accounts for the slight decline.

Revenue per available pillow (RevPap), which is a metric that uses the occupancy rate and the ADR, increased slightly from \$20.72 to \$20.87. This was due to an increase in the ADR, which went from \$34.55 to \$37.68.

Despite the less favourable operating environment, there were still some notable financial achievements based on net surplus. **HI Lake Louise Alpine Centre's** café increased from \$208,000 to \$240,000. HI Victoria increased from \$4,200 to \$78,400. HI Banff Alpine Centre posted the highest net surplus at \$1,107,000.

Expenses, in the meantime, increased 5.8% from \$14,314,658 to \$15,151,873. As in previous years, the increase in the minimum wage in BC and Alberta continues to put upward pressure on wages that is well above inflation. The impact of this increase is not limited to front line staff, as it also puts pressure on supervisory wages. For the year, salaries increased 7.9%.

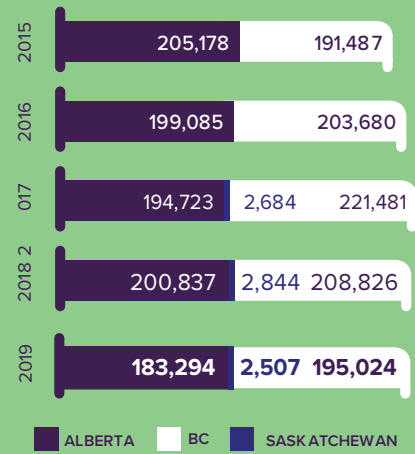
The association has aimed to offset the increase in minimum wage by increasing the ADR. However, this fiscal year there are signs that the increase in rates has been largely negated by decreasing occupancy. Going forward, HIC PM Region's management will remain focused on affordability and ensuring that the number of guests is maximized.

Fiscal 2019 was a transitional year for HIC PM Region's financial position and its balance sheet. The development of the new **HI Jasper** resulted in some notable changes. Current assets were reduced from \$7,494,016 to \$4,393,331 to pay a deposit for the project, while capital assets increased from \$25,877,823 to \$29,414,756 to reflect this investment.

Loans payable continued to decline, ending the fiscal year at \$3,948,299 versus \$4,508,468 last year. This debt is attributable to **HI Whistler** (\$3,184,671) and **HI Vancouver Central** (\$763,628). Net assets at the end of the fiscal year are \$28,032,860.

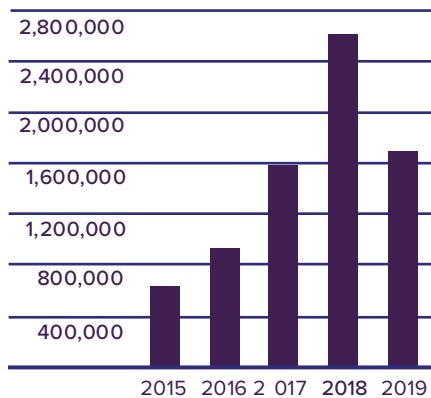
Overnights Breakdown

| | 2018 | 2019 |
|----------------|---------|---------|
| REGIONAL TOTAL | 412,507 | 308,825 |
| AVERAGE | 60.0 % | 55.4% |
| OCCUPANCY | | |

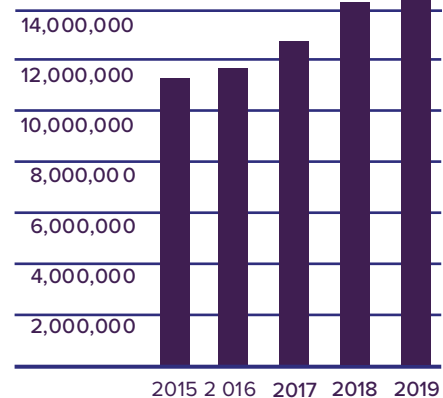


Net Surplus vs. Total Revenue

NET SURPLUS



TOTAL REVENUE



Top 5 Countries of Origin

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

Hostel Spotlight



HI Mount Edith Cavell, Wilderness Hostel

There's something about being miles away from everything that can make an amazing view even better. That's certainly the case at **HI Mount Edith Cavell** Wilderness Hostel, tucked 12 kilometres off the nearest highway, 1,800 metres up in the mountains of Jasper National Park. The view is dominated by the 3,300-metre peak of Mount Edith Cavell, named after a heroic British nurse executed by the German Army during the First World War.

It's so remote, you can only get to it by car for a few months of the year. And for most of the winter, the hostel is closed in order to protect a threatened caribou population that migrates through the area. Human activities leave tracks that make it easier for wolves to travel about the area, preying on the caribou. So between about mid-October to mid-February each year, the hostel sits quietly in the snow and awaits the spring's visitors, though until the snow melts in about June or so, the only way in is to ski or snowshoe.

Like most of HIC PM Region's wilderness hostels in the Rockies, **HI Mount Edith Cavell** comprises a collection of small buildings that were originally used within prisoner of war camps during the Second World War. Purchased in the late 1940s by what was then the Canadian Youth Hostel Association, the buildings were placed along the Icefields Parkway to create simple and rustic stopping points for travellers in the area. Seventy years later, the hostel



hosts about 1,800 visitors per year, many of whom are hikers, cyclists and skiers looking to explore the wilderness. Those venturing onwards can access Angel Glacier and Cavell Meadows beyond the hostel, as well as an Alpine Club of Canada hut about 18 kilometres away.

The hostel now has solar electricity to power LED lights and a computer, and more recent improvements include a boardwalk between the buildings, stairs to the accommodations and cookhouse as well as a new deck, picnic tables and outhouse. The view, though, is still just as impossible to capture with words as it ever was.

For more information on HIC PM Region's wilderness hostels, including seasonal closures and key-lock access rules, visit hihostels.ca/wildernesshostels.

Hostel Highlights

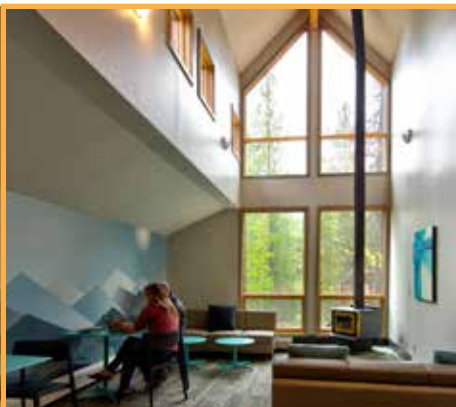


HI Vancouver Central

The building in which the hostel operates is approximately 100 years old and presents many maintenance challenges. One that increasingly required attention was leaking water supply pipes. Physically removing the pipes would be too costly and disruptive. Some investigation led to a cost-effective solution by a company that blows a non-toxic resin into the pipe essentially creating a new pipe inside the old pipe, which is an approach that has been used previously by Simon Fraser University, BCIT and Radisson Hotel Group.

HI Penticton

This hostel in BC's Okanagan region received new windows and a hot water tank. The vinyl windows have reduced the hostel's environmental impact and utility expenses while improving guest comfort.



HI Lake Louise Alpine Centre

Last year, a refurbishment of the second building was completed. The upgrades included new flooring, paint and art. This year, a similar upgrade took place in the main building. Additional upgrades included reflooring the kitchens in both buildings.

Other Improvements

HI Whistler

The furniture in the reception area was reupholstered and the chairs in the media room were replaced. A commercial combination oven, which uses microwave and convection heat, was purchased for the café. This addition will enable the café to expand its menu and expedite service without adding additional staffing.

HI Nordegg, Shunda Creek Hostel

New carpeting was installed at **HI Nordegg**. Additional amenities include a new barbeque and the provision of slippers for all guests.

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.



Sustainability

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Making neighbourhoods great places to live is one of the best ways to make them amazing places to visit.

Part of operating our hostels sustainably means contributing to the communities we operate in, treading lightly on the earth and being a positive force in the economy. And all of that helps support sustainable tourism. We are proud to have several long-term community initiatives. Here are a few examples:

+ + + + + + + + + +

Community Highlights

Thrifting in Vancouver

All year, **HI Vancouver Central** encourages guests to lighten their load by donating any unwanted or unneeded clothing items. The hostel then donates these items to the nearby Wildlife Thrift Store, which in turn donates proceeds to Positive Living BC, Coast Mental Health, The Gathering Place Community Centre and Vancouver Rape Relief and Women's Shelter.

Clean-Ups and Food Banks

HI Lake Louise Alpine Centre, HI Edmonton, HI Whistler and HI Jasper all participate in community clean-ups, trail reclamations or lake clean-ups. **HI Victoria, HI Lake Louise Alpine Centre, HI Penticton** and others organize local food bank donations.

Food Recovery in Banff

HI Banff Alpine Centre initiated a partnership with Banff Food Recovery Group, which collects edible food that commercial operators are not able to use and makes it available to people in the community. This diverts good food from the landfill and serves the community.

HI Whistler's Neighbourly Block Party

For a second year, **HI Whistler** co-hosted the Annual Cheakamus Community Block Party. The event strengthens the community around the hostel by bringing the neighbourhood together. The event featured lots of activities and entertainment for kids, free hot dogs, \$2 tacos and a casual beer garden on the hostel's patio for the adults. The event also raised funds for the Whistler BMX Club.

Emissions and Energy Consumption

In May 2018, we began a formal journey in reducing our CO₂e emissions by declaring a goal aligned with the Paris Accord's target of a 30% reduction by 2030. The only difference is that we set our benchmark year at 2011 (the Paris Accord targets will be measured against 2005 data). Our data shows that we are well on our way with investments made since fiscal 2011. At the end of fiscal 2019, we've seen a 15% reduction in CO₂e emissions.



HI Edmonton

HI Edmonton was selected as a Showcase Building in the City of Edmonton's Building Energy Benchmarking Program, which recognized the hostel's remarkable achievement of a 14% reduction in weather-normalized energy use between 2016 and 2017.

Among the hostel's energy-conserving features are:

- new condensing boilers
- a domestic hot water recirculation pump
- sensor or photocell controls on all outdoor lighting
- employee engagement in making a habit of turning off unnecessary lights



Our People

Developments in HR

Policy and Procedures Review

This year, the HR department conducted a review of all human resources policies and procedures. This resulted in six new policies and five major policy updates. These periodic reviews ensure that HR policies are always current with legal trends and social developments (for example, substance use and cannabis). Some of the highlights from this initiative include a new branded employee guide that incorporates HI Canada’s vision, mission and values, as well as new Safety at Work and Respectful Workplace posters.

Academic Internship Council

We secured a partnership with the Academic Internship Council, which is a division of the Council on International Educational Exchange. This program helps connect international students with internships around the world. Our goal is to host one intern per year in different hostels, to help youth gain work and life experience in Canada. The first intern started at **HI Vancouver Downtown** this year in a housekeeping role. What was intended to be a three-month placement ended up extending to one year.

Staff Exchange

In January and February 2019, HI Canada launched the first national exchange program for front-line staff, supervisors and managers. This new program allows staff to experience the best practices of different hostels and contributes to their personal and professional development.

Two staff members from Quebec Ontario Region and three staff from Pacific Mountain Region swapped places for five-day exchanges that allowed them to experience working in their host hostel and explore the area. The program was well received by all involved and several recommendations have been made to ensure its success in the future.

Management Training

A new training series was offered in an effort to prepare newly hired supervisors and managers-in-training for their roles. This series of seven webinars covered a variety of topics including coaching and discipline, recruitment and team building.

You Kick Ass!

HIC 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.

In 2018, **HI Edmonton** assistant manager Freddy Joyal received more You Kick Ass nominations than any other staff member in the region: 32 in total! Each year, one of the year’s nominees is randomly drawn as a \$250 grand prize winner. This year, it was James Ugray from **HI Banff Alpine Centre**.

Total number of
NOMINATIONS
this year.

986

Staff Spotlight: James Ugray

If you've visited **HI Banff Alpine Centre** in the past, say, decade, you've probably met James Ugray, aka Jimmy. Jimmy has been working at the hostel's front desk, on and off but mostly on, for the past 12 years, and while it's not uncommon to see his praises being sung in online reviews, he's also left quite a mark on his colleagues, garnering 17 You Kick Ass nominations this year alone, and snagging this year's grand prize draw.

He was nominated for everything from coming in to help when he wasn't scheduled to work, all the way to driving a fellow coworker to the doctor. But over and over again, Jimmy is recognized for his ability to bring new staff on board, not just training them on their front desk responsibilities, but warmly welcoming them to the **HI Banff Alpine Centre** crew and the greater Banff community. He's also been praised more than once for his diplomatic approach to dealing with troublesome guests and for his killer graphic design skills on hostel signage.

Jimmy headed to the Rockies after completing university in Ottawa, and while he applied for 18 jobs before arriving and was offered two, he turned them down in hopes of landing a job at **HI Banff**. The hostel's assistant manager at the time, Lisa Rayman, still remembers first meeting Jimmy when she hired him. "He asked to give me a hug 'cause he felt close already," she says. "I realized in that moment that I had scored a sincere and empathetic character." She says he picked up on everything very quickly, from customer service to sales. "He has added so much integrity into the hostel and the front desk," Lisa says. "I know for a fact he has changed lives."

Since his start at the hostel, Jimmy has taken a few breaks from the job but always finds his way back. He says the mountains are his favourite part about working in Banff. "They seem to attract a lot of amazing individuals so it keeps it fresh, but brings old, dear friends back again and again."

And as for his seemingly endless positivity? Keeping that fresh is simple, he says. "Some days are harder than others, but if you keep [gratitude] close in your thoughts every day, it eventually becomes an automated mechanism that shapes the way you look at things. You start to see just how miraculous every day is."



Length of Service

30 Years

Tom Eberhardt, Hostel Manager, HI Victoria

25 Years

Ken Campbell, General Manager, HI Banff Alpine Centre

15 Years

Linda Dip, General Manager, HI Lake Louise Alpine Centre

Grant Millar, Membership Manager, Regional Office

Abida Mohamed, Housekeeper, HI Calgary City Centre

Angelina Stojanovic, Housekeeper, HI Vancouver Downtown

10 Years

Jane Robinson, Reservations Agent, HI Central Reservations

Michel Tremblay, General Manager, HI Jasper

Liang Zhou, Accounting Clerk, Regional Office

5 Years

Kelly Moran, Food & Beverage Manager, HI Banff Alpine Centre

Jeffrey Sasseville, Hostel Manager, HI Athabasca Falls Wilderness Hostel

Jimmy Krause, Night Audit, HI Victoria

Staff Promotions and New Positions

Christa Laughlin, General Manager, HI Jasper

Ashley Olsvik, Assistant General Manager, HI Jasper

Erin Bartlett, Housekeeping Supervisor, HI Jasper

Dave Feniak, Maintenance Supervisor, HI Jasper

Michel Tremblay, Manager, HI Jasper Park Wilderness Properties

Logan Conroy, Hostel Manager, HI Victoria

Janice Kingsley, Hostel Manager, HI Vancouver Jericho Beach / Central Reservations

Stephen Campbell, Applications Manager, Regional Office

Jennifer Harnett, Hostel Manager, HI Nordegg, Shunda Creek Hostel

Orsi Kelemen, Housekeeping Supervisor, HI Whistler

Our Awards

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At the recent HI Canada Managers Meetings (CMM) held this year in London, UK, HIC PM Region hostels were presented with a number of Barclay Awards.

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Cleanliness Award

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

WINNERS

- HI Athabasca Falls – Small Hostel
- HI Tofino – Large 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 Vancouver Central

Friendliness Award

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

WINNERS

- HI Mosquito Creek – Small Hostel
- HI Edmonton – 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 Whistler – Large Hostel

Environmental Award

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

WINNER

- HI Whistler – Large Hostel

NOTES: Ratings awards are calculated using [hostelz.com](#), an aggregate website that measures customer ratings scores across several key booking platforms.

Our Members

Membership Update

This year, Canadian membership increased slightly by 3.1%, while membership revenue dropped to \$388,926. This reduction in revenue could be partly attributed to Greyhound ceasing operations in Western Canada. See inset for more details.

Partnerships

Hostelling International's international office has been very active in establishing new global partnerships with attractions, tour operators and travel services that offer discounts to all HI members. This has added a lot of value to Canadian members travelling abroad. The recently revamped hihostels.ca includes a section to showcase these international discounts, such as 30% off Vatican Museums and 25% off MyPostcard's virtual postcard service.

The member discount pages on our own website, hihostels.ca, have been very popular with prospective partners and there has been a noticeable increase in organizations proactively approaching us. Our goal in the coming year is to sign new partnership agreements with organizations that align closely to HI Canada's mission and values.

New Discounts

- **National:** Travel Insurance Inc. - **5%** off travel insurance
- **Calgary:** National Music Centre – **20%** off general admission
- **Whistler:** YVR Skylynx – **30%** off airport shuttle
- **Jasper:** Jasper Folk Festival – **10%** off general admission
- **Jasper:** Folding Mountain Brewing – **10%** off all food
- **Edmonton:** Rooster Café and Kitchen – **15%** off all food
- **Vancouver:** Vancouver Maritime Museum – **25%** off admission

Changes to Greyhound

In October 2018, Greyhound unfortunately shut down their operations in Western Canada (except for a route between Vancouver and Seattle). Greyhound has been selling HI Canada memberships at their stations for over a decade, so the closure of ticketing desks from Northern Ontario to British Columbia drastically impacted membership sales in Western Canada this year.

Beyond membership sales, Greyhound also offers HI Canada members a very attractive 25% discount on bus travel, which is no longer accessible to members travelling in Western Canada. We're working to develop partnerships with other transportation operators that are establishing or expanding alternative services in the region. These new opportunities will allow HIC PM Region to add value back to members living in and visiting the region, while also supporting local businesses.

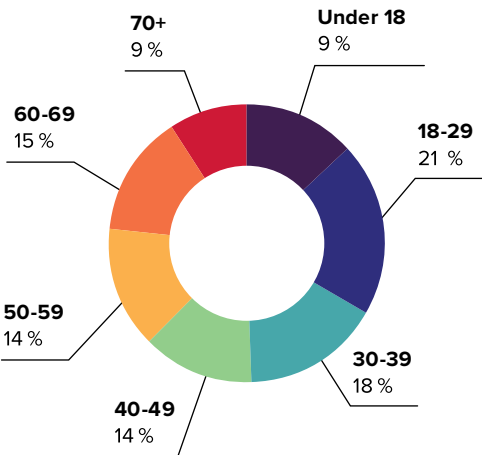


Our Members in Numbers

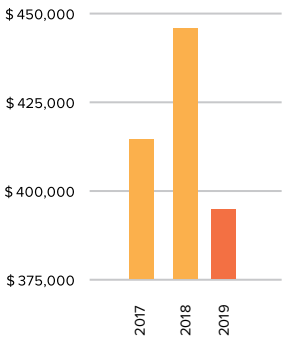
MEMBERS BY TYPE

| | 2017 | 2018 | 2019 |
|----------|--------|--------|--------|
| Adult | 8,273 | 6,548 | 7,051 |
| Lifetime | 7,605 | 7,773 | 7,912 |
| Junior | 906 | 966 | 865 |
| Group | 137 | 169 | 103 |
| TOTAL | 16,921 | 15,456 | 15,931 |

AGE DEMOGRAPHICS



MEMBERSHIP REVENUE



Partner Spotlight: VIA Rail

As Canada's only national passenger rail line, VIA Rail is one of the best ways for travellers to explore the country. While only one route runs between Toronto and Western Canada, this route provides access to a number of HIC PM Region hostels, including a scenic connection between Edmonton and Jasper. The new HI Jasper hostel is now just a 10-minute walk from the VIA station.

VIA Rail offers a 15% discount to HI members not only for their own train travel but for three of their nonmember friends as well (if they're travelling together). The company is also very eager to partner with HIC PM Region as a prize donor on contest campaigns and assists with sponsored travel when we have bloggers travelling across Canada on our behalf.

Marketing

Website Performance

In September 2018, HI Canada retained the services of a Vancouver-based web product design company, Domain7, who will oversee the maintenance and development of hihostels.ca. So far, their team has made improvements to the site's speed, updated the booking widget and improved the site's performance and security. The website is now fully secure. Improvements have also been made to navigation and user flow, while enhanced analytic tracking allows for a better understanding of usage patterns and traffic.

To streamline our guests' booking experience, HI Canada is working with BoomWorks and other national associations to develop a new booking engine for hihostels.ca. The site currently uses three separate booking engines, all of which offer a slightly different user experience.

By leveraging partnerships with other national associations who have already implemented or will implement the same booking platform, we're able to pool resources to offer one booking experience for all.

The website continued to see an increase in traffic with a 9.4% increase in users compared to the previous year. While HI Canada caters to travellers of all ages, the 25 to 34 cohort represents 43% of website users, followed by 18 to 24 at 18% and 35 to 44 at 16%.

When the website was redeveloped in 2017, mobile usability was a priority and we continue to see the trend of increasing mobile usage over desktop. Mobile use now represents 54% of all website traffic.

Marketing Spotlight: Global Traveller Survey

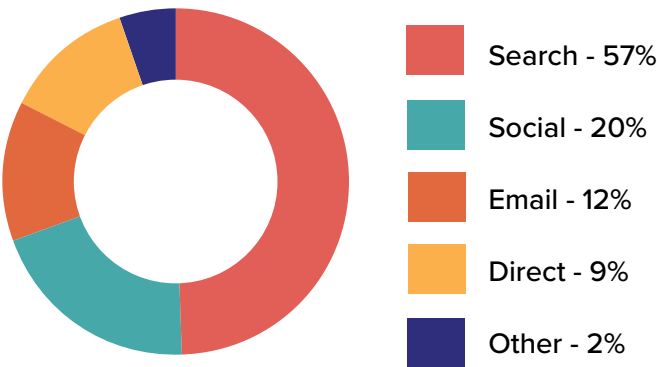
In September 2018, HI Canada, in partnership with PacRim partners HI USA, YHA Australia and YHA New Zealand, launched a longitudinal research study to monitor guest trends and benchmark changes between our markets in order to use these findings to better inform marketing and distribution strategies. This cooperatively funded study strives to gather information on:

- Traveller booking sources
- Brand awareness and perceptions
- Booking patterns and preferences
- Travel patterns and preferences

Early insights reveal that North American respondents are most excited about experiencing different cultures and adventure, while European respondents are drawn more to creating memories and gaining life experience. However, safety and running out of money remained top concerns in all regions of the world. When it comes to booking habits, 75% of Asian respondents reported booking all of their accommodation before their trip, compared to only 40% of European respondents. In terms of customer satisfaction and brand loyalty, North American respondents graded HI higher than respondents in the rest of the world.

HI Canada Magazine & Communications

This year, the magazine generated 141,849 unique page views, more than double the page views seen in the previous year. Over half of that traffic originated from organic search.





Campaign Spotlight: The Cold Doesn't Stop Us Here Video

As a follow-up to the 2016 summer brand video, filmed across the country in 2015, we sent a videographer across the country in March 2018 to showcase the hardiness of travellers who choose to experience Canada in its low season. The two-minute video was filmed across the country including in Canmore, Banff, Mosquito Creek, Lake Louise, Calgary, Vancouver, Squamish and Whistler.

The promotional video was inspired by a recent survey that found that while Canada is a highly attractive destination for young travellers, many of them would not consider coming during the winter because of the cold. Anyone who has been in Canada over the winter knows the country doesn't stop for a little snow—in fact, as many would argue, that's when outdoor places come alive. The goal of the video was to show that Canada is a great place to visit, no matter the season.

The video garnered over 30,000 views on Facebook and over 1,800 views on YouTube.

Groups

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

Groups are integral to Hostelling International. 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 13% of all overnights. Here are some of the amazing groups we welcomed this year.

+ + + + + + + + + +

Joy of Nature

For the sixth year, HIC PM Region worked with Alberta Recreation and Parks Association, the Alberta Council for Environmental Education and Parks Canada to sponsor the Joy of Nature contest, which rewards a deserving school or youth group with a two-night stay in Jasper National Park. This year, groups from Thorhild Central School, Fort McKay E-Learning Centre and Victoria Park High School in Lethbridge enjoyed stays at **HI Nordegg**, **Shunda Creek Hostel**, **HI Athabasca Falls Wilderness Hostel** and **HI Jasper**, respectively, along with outdoor activities in the area. Next year, a fourth prize based at **HI Kananaskis Wilderness Hostel** will be added to the program.

From group leaders: *"The mountain provided beautiful vistas and the weather was perfect with good snow and comfortable temperatures. As nice as the scenery was, students really appreciated the staff they got to know. Many noticed the various hometowns/countries of employees on their name tags and heard different languages being spoken at times. Combined with the hostel guestbook, students realized that Jasper truly is a global tourist destination."*

Destination Education

Once again, HIC PM Region worked alongside OceanWise and Science World as the accommodation partner in the Destination Education Competition. This year, a group of 30 students from Cumberland Community School in the Comox Valley on Vancouver Island travelled to Vancouver to re-imagine their role in creating a healthier community and world. From their base at **HI Vancouver Jericho Beach**, the students experienced hands-on educational visits to the Vancouver Aquarium and TELUS World of Science and helped out with cleanup and restoration efforts at Jericho Beach Park.





Edmonton People in Need Shelter Society

Once or twice a year, the Edmonton People in Need Shelter Society plans a mountain getaway for about 20 to 25 of their clients between the ages of 22 and 82 who live with chronic and severe mental health diagnoses. Finding the right accommodation can be challenging, as the group requires a suitable group setting with certain creature comforts in order to adequately tend to the group's medical needs. This year, the group stayed at **HI Castle Mountain Wilderness Hostel** while visiting local attractions like Bow Lake, Johnston Canyon and Lake Louise.

From the organizers: *"HI Castle Mountain has been by far our favourite location. The layout works perfectly with the two large dorms and the common areas in the middle. The facilities are always clean and very well kept, and the staff are helpful and accommodating. Our clients love being able to sit in the huge living room and enjoy the nature views. We have also made some of our greatest memories sitting around the campfire just outside the hostel, sharing stories and life experiences."*

Girl Guides

For many years, **HI Vancouver Jericho Beach** has hosted a group of BC Girl Guides for a two-night stay as they work to earn their Discover Hostelling crest. This past April, a small group spent two days learning about the power of hostelling, from communal living, intercultural exchange and making new friends.

Ultimate Wheelchair Challenge

In September, the Ultimate Wheelchair Sports Foundation, based in Calgary, organized a bike ride along the Icefields Parkway between Lake Louise and Jasper for people with disabilities. Along the 230-kilometre route, cyclists stayed at **HI Hilda Creek** and **HI Athabasca Falls Wilderness Hostels**.

From the organizers: *"We successfully completed a stunning trip on the parkway! The weather held up excellent, no snow. Our stay at HI Athabasca Falls was excellent; Jeff is amazingly accommodating and took great care of us. HI Hilda Creek provided the rustic experience with campfire and alpine view. Some accessibility challenges, but our crew were prepared for worse. Thinking a zipline to the washroom would be great!"*

Latitude Global Volunteering

For over a decade, Latitude Global Volunteering has used **HI Vancouver Downtown** as the homebase for their orientation programs, which happen a few times a year. This global charity helps youth from around the world find international volunteer placements. The organization appreciates the hostel environment—including a meeting room, free wifi and breakfast and easy access to local events and tours—as it welcomes volunteers from around the globe, who, after a two-day orientation at the hostel, travel onwards to their placements throughout Canada. The hostel hosts about 80 to 90 volunteers each year.



Governance

Over the last year, the board of directors established a schedule for monitoring operational performance in accordance with board policies, while also revising policy where necessary. Sometimes these policy changes are in direct response to input from the membership.

Now that this monitoring process is well established, the board has begun to focus on a review of association ends statements. Many of these statements have been revised based, as above, on membership input. For example, the membership gave us a clear indication of their desire to expand our hostel network, and this has led us to adopt a substantially more ambitious end to encourage this. Network expansion is a slow, incremental process so this end requires a longer timeline.

The board also reviews itself, both by regular self-assessments as well as occasional “360 Reviews” of board performance, as was recently completed. In order to increase the effectiveness of board operation, the governance committee has developed a series of board education topics for each board meeting. This committee is also evaluating strategies to improve the efficiency of board meetings.

Kit Keener

Chair, Governance Committee

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 HI Canada 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 interests contribute to board decisions.

Over the past year, the Ownership Linkage Committee has hosted two member update sessions: one in Calgary and the other in Vancouver. We took these opportunities to hear from owners, share stories and provide updates on the much-anticipated opening of the new **HI 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 welcome members there this year. To help celebrate the grand opening, the association will host a group of members, selected through an email contest, during the grand opening weekend. If you haven't already, we hope you'll have the opportunity to visit Jasper soon and take advantage of the new and improved **HI Jasper**.

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. We can be reached at dialogue@hihostels.ca.

Kevin Pals
Chair, Ownership Linkage





Financials

True North Hostelling Association O/A Hostelling International -Canada - Pacific Mountain Region Combined Financial Statements March 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Directors of True North Hostelling Association O/A 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 O/A Hostelling International - Canada - Pacific Mountain Region and its subsidiaries (together, the Association) as at March 31, 2019 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, 2019;
- 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.

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.

Chartered Professional Accountants
Vancouver, British Columbia June 5, 2019

*PricewaterhouseCoopers LLP PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400,
Vancouver, British Columbia, Canada V6C 3S7 T: +1 604 806 7000, F: +1 604 806 7806*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership

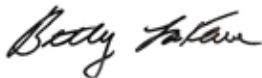
COMBINED STATEMENT OF FINANCIAL POSITION

As at March 31, 2019

| | 2019
\$ | 2018
\$ |
|---|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 2,948,878 | 5,048,867 |
| Short-term investments (note 4) | 601,007 | 1,938,724 |
| Accounts receivable | 441,203 | 163,344 |
| Inventory | 87,627 | 80,955 |
| Prepaid expenses | 314,616 | 262,126 |
| | 4,393,331 | 7,494,016 |
| Restricted cash | 5,000 | 5,000 |
| Long-term investments (note 4) | 863,106 | 55,855 |
| Capital assets (note 5) | 29,414,756 | 25,877,823 |
| | 34,676,193 | 33,432,694 |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 9) | 1,439,464 | 1,379,372 |
| Unearned revenue and deposits | 438,175 | 394,543 |
| Loans payable (note 6) | 3,948,299 | 4,508,468 |
| | 5,825,938 | 6,282,383 |
| Deferred contributions (note 7) | 69,152 | 5,559 |
| Deferred capital contributions (note 8) | 748,243 | 797,316 |
| | 6,643,333 | 7,085,258 |
| NET ASSETS | 28,032,860 | 26,347,436 |
| | 34,676,193 | 33,432,694 |

Commitments and contingencies (note 10)

Approved by the Board of Directors



Betty LaFave – Director



Lee K. Keener – Director

For the year ended March 31, 2019

COMBINED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

| | 2019 | 2018 |
|---|------------|------------|
| | \$ | \$ |
| Revenue | | |
| Overnights | 14,371,408 | 14,268,151 |
| Memberships | 388,926 | 445,924 |
| Other, including food, beverage and merchandise | 2,189,613 | 2,291,508 |
| | 16,949,947 | 17,005,583 |
| Expenses | | |
| Hostel | 12,205,406 | 11,392,374 |
| Administration and membership | 1,578,030 | 1,545,873 |
| Amortization of capital assets | 1,368,437 | 1,376,411 |
| | 15,151,873 | 14,314,658 |
| Excess of revenue over expenses from operations | 1,798,074 | 2,690,925 |
| Other expenses (income) | | |
| Investment Income | (43,058) | (90,398) |
| Interest expense | 155,708 | 118,025 |
| Loss on extra ordinary items | — | 421 |
| | 112,650 | 28,048 |
| Excess of revenue over expenses for the year | 1,685,424 | 2,662,877 |
| Net assets - Beginning of year | 26,347,436 | 23,684,559 |
| Net assets - End of year | 28,032,860 | 26,347,436 |

COMBINED STATEMENT OF CASH FLOWS

For the year ended March 31, 2019

| | 2019
\$ | 2018
\$ |
|--|-------------|-------------|
| CASH PROVIDED BY (USED IN) | | |
| Operating activities | | |
| Excess of revenue over expenses for the year | 1,685,424 | 2,662,877 |
| Items not involving cash | | |
| Amortization of capital assets | 1,368,437 | 1,376,411 |
| Amortization of deferred capital contributions | (56,326) | (57,782) |
| Deferred contributions used | (3,723) | (137,275) |
| | 2,993,812 | 3,844,231 |
| Changes in non-cash working capital | | |
| Accounts receivable | (277,859) | 531 |
| Inventory | (6,672) | (3,316) |
| Prepaid expenses | (52,490) | (29,745) |
| Accounts payable and accrued liabilities | 60,092 | 156,993 |
| Unearned revenue and deposits | 43,632 | 50,367 |
| | 2,760,515 | 4,019,061 |
| Financing activities | | |
| Repayment of loans payable | (560,169) | (483,151) |
| Deferred contributions received | 67,316 | 141,109 |
| Deferred capital contributions received | 7,253 | — |
| | (485,600) | (342,042) |
| Investing activities | | |
| Change in investments | 530,466 | (574,978) |
| Purchase of capital assets | (4,905,370) | (1,400,705) |
| | (4,374,904) | (1,975,683) |
| (Decrease) increase in cash and cash equivalents | (2,099,989) | 1,701,336 |
| Cash and cash equivalents - Beginning of year | 5,048,867 | 3,347,531 |
| Cash and cash equivalents - End of year | 2,948,878 | 5,048,867 |
| Supplementary information | | |
| Interest paid - net of interest received | 112,652 | 27,627 |

1. OPERATIONS

The True North Hostelling Association O/A Hostelling International - Canada - Pacific Mountain Region (the Association) is a group of not-for-profit organizations whose mission is to “help all, especially the young, gain greater understanding of people, places and cultures through hostelling”. The Association is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes. The Association 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 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), 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 12).

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 realized 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.

NOTES TO 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 \$nil (2018 - \$1,857,760) balances which are internally restricted for the new Japser Hostel. These amounts are included in cash and cash equivalents.

4. INVESTMENTS

| | 2019 | 2018 |
|---|-----------|-----------|
| | \$ | \$ |
| Term deposits GIC's | 430,251 | 44,240 |
| Fixed income fund | 56,087 | 1,000,840 |
| Canadian equities fund | 863,106 | 636,418 |
| Foreign equities fund | 114,669 | 313,081 |
| | 1,464,113 | 1,994,579 |
| Short-term investments -maturing in less than one year | 601,007 | 1,938,724 |
| Long-term investments - maturing in greater than one year | 863,106 | 55,855 |
| | 1,464,113 | 1,994,579 |

5. CAPITAL ASSETS

| | Cost | Accumulated
amortization | 2019
Net | 2018
Net |
|--|------------|-----------------------------|-------------|-------------|
| | \$ | \$ | \$ | \$ |
| Land | 5,811,031 | — | 5,811,031 | 5,811,031 |
| Buildings and leasehold improvements | 35,937,911 | 17,803,793 | 18,134,118 | 18,663,482 |
| Automobiles | 264,418 | 234,162 | 30,253 | 43,219 |
| Computer equipment and software | 1,391,397 | 1,219,379 | 172,018 | 163,581 |
| Furniture and equipment | 5,019,448 | 4,251,528 | 767,920 | 787,834 |
| | 48,424,205 | 23,508,865 | 24,915,340 | 25,469,147 |
| Hostel development planning and
assets under construction * | 4,499,416 | — | 4,499,416 | 408,676 |
| | 52,923,621 | 23,508,865 | 29,414,756 | 25,877,823 |

* The Association has commenced construction on a new 157 bed hostel and staff accommodation in Jasper, Alberta townsites for approximately \$11.5 million with a planned opening in the Summer of 2019.

6. LOANS PAYABLE

NOTES TO COMBINED FINANCIAL STATEMENTS

| | 2019 | 2018 |
|---|-----------|-----------|
| | \$ | \$ |
| Whistler mortgage <i>(c)</i> | 3,184,671 | 3,582,340 |
| 1025 Granville Street Trust loan <i>(d)</i> | 763,628 | 926,128 |
| | 3,948,299 | 4,508,468 |

- 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 has a revolving line of credit of \$100,000, bearing interest at prime plus 1.00% per annum.
- c) 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 \$42,174 bear interest rates 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.

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

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

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:

| | \$ |
|------------|-----------|
| 2020 | 550,723 |
| 2021 | 571,414 |
| 2022 | 592,883 |
| 2023 | 615,161 |
| Thereafter | 1,618,118 |
| | 3,948,299 |

7. DEFERRED CONTRIBUTIONS

| | 2019 | 2018 |
|--|---------|-----------|
| | \$ | \$ |
| Balance - Beginning of year | 5,559 | 1,725 |
| Contributions received during the year | 67,316 | 141,109 |
| Contributions transferred to revenue | (3,723) | (137,275) |
| Balance - End of year | 69,152 | 5,559 |

8. DEFERRED CAPITAL CONTRIBUTIONS

| | 2019
\$ | 2018
\$ |
|--|------------|------------|
| Balance - Beginning of year | 797,316 | 855,098 |
| Contributions received during the year | 7,253 | — |
| Amortization during the year | (56,326) | (57,782) |
| Balance - End of year | 748,243 | 797,316 |

9. 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, 2019, \$103,089 (2018 - \$127,365) is included within accounts payable and accrued liabilities.

10. 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:

| | \$ |
|------------|--------|
| 2020 | 99,371 |
| 2021 | 99,371 |
| 2022 | 99,371 |
| 2023 | 70,364 |
| Thereafter | 19,715 |

b) Nationallevy

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 2019 totalled \$440,361 (2018 - \$444,113) and is recorded in hostel expenses.

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.

d) Capital Commitments

The Association has a commitment of approximately \$11.5m for the construction of a hostel and staff accommodation in Jasper, Alberta. As at March 31, 2019, the remaining commitment is \$6.7 million which will be funded by a bank arrangement and due to be paid once construction is completed. Subsequent to the year end, a non-revolving term facility of up to \$8 million has been arranged to fund this remaining commitment.

11. FINANCIAL INSTRUMENTS

Credit Risk

Do 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.

12. INVESTMENT IN JOINT VENTURE

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

| | 2019 | 2018 |
|---|-----------|-----------|
| | \$ | \$ |
| Assets | | |
| Current assets | 913,292 | 936,398 |
| Capital assets | 2,068,773 | 2,004,022 |
| | 2,982,065 | 2,940,420 |
| Liabilities and Net Assets | | |
| Accounts payable and other current liabilities | 176,627 | 135,483 |
| Deferred contributions | 293,826 | 309,290 |
| Net assets | 2,511,612 | 2,495,647 |
| | 2,982,065 | 2,940,420 |
| Revenue | 2,028,366 | 1,981,559 |
| Excess of revenue over expenses | 328,979 | 368,986 |
| Cash flows provided by operating activities | 740,062 | 500,789 |
| Cash flows used in financing activities | (313,044) | (104,348) |
| Cash flows (used in) provided by investing activities | (187,617) | 192,066 |

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 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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