



Annual Report

Hotel con Corazon Foundation

2018

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1 Year report from the Board

The year 2018 has been turbulent one for Foundation Hotel con Corazon. The project team in Oaxaca finished the building fase of the project and entered into operation. We opened in June 2018 this second hotel and it directly gained a growing stream of visitors. The reviews brought our second hotel within a few months into the top segment. In Nicaragua however we were confronted with a political unstable situation with large scale protest and street violence. As a consequence many countries (including important ones for us such as the USA, Canada, Netherlands, UK, Germany, Belgium, France and Spain) issued negative travel advise to Nicaragua. At the end of the year some negative advices were lifted, but the damage was done to the Nicaraguan tourist industry.

In March, Hotel con Corazón was selected as one of 10 "responsible travel" scale-up companies (out of 800 applicants worldwide) by Booking.com. Together with the other 9 finalists, founders Onno Oostveen and Marcel Zuidhof participated in the 3-week Booster Accelerator program to develop plans to scale our impact and our business. As a result we have developed plans to expand to 3 more locations in Central America. So by 2022 we expect to have 5 hotels in the region.

The first half of 2018 in Mexico was dedicated to the finishing of the construction and doing all the finishings. The final look&feel of the hotel was done over and beyond expectations by our managers Saskia Fiselier and Erica Donkers. The design is perceived by our guests as stunning, but at the same time also feels as a home away from home, exactly what we aim for. The staff in Mexico was hired and trained. How well they perform can be read in theon-line reviews with an average score of 9.9 The occupancy was beyond our expectations (and business plan) with rates rising to 80% at the end of the year. The firsts months of 2019 show a similar pattern with february almost hitting a record 90%. All in all, it means we will be able to start our education program by august 2019, at a level higher than we had anticipated.

Nicaragua however, is the flip side of the coin, the people's protests started on April 18th and lasted till mi-july. Violence between protesters, armed forces and paramilitary groups made the country unsafe to travel. By mid-may tourism had come to a complete standstill and hasn't recovered since then. Untill the end of 2018 we still had hopes that recovery of tourism woud start, and some positive signals by end of september made us decide to remain open with a reduced staff. However the december holiday season did not bring the improvement, so in January 2019 we had to take the painful decision to let go 80% of our staff and with the 10%-15% occupation we have possibly break even. We also had to decide to reduce the education team by not replacing 1 tutor that had resigned and reallocating the resources to the different projects. That way and thanks tou our prudent financial reservations we made over the years we will be able to continue our support to the children in pur program throughout 2019 and 2020 even if the hotel will not make any profits in that period.

Our new manager in Granada, Nicaragua, Gretcheen Gonzalez, did a tough job keeping the hotel running as good as possible in the turbulence. We brought down our costs to the bare minimum while maintaining the hotel in the best condition. We feel proud to have a brave Nicaraguan woman on board.

2 Financial Statements
Balance Sheet

	<u>31-dec-18</u>	<u>31-dec-17</u>	<u>31-dec-16</u>	
Bank accounts;	€ 184.584,02	€ 113.490,69	€ 212.539,70	1)
Receivables:	€ 40.000,00	€ 1.809,00	€ 2.510,75	2)
Total Assets:	<u>€ 224.584,02</u>	<u>€ 115.299,69</u>	<u>€ 215.050,45</u>	
Equity:	€ -91.246,06	€ -84.199,90	€ -80.536,51	3)
<u>Long term liabilities:</u>				
Social shares:	€ 110.380,00	€ 110.380,00	€ 110.380,00	4)
Loan from Nicaragua:	€ 112.698,30	€ 64.652,47	€ 64.652,47	5)
<u>Short term liabilities:</u>				
Project commitments:	€ 77.567,59	€ 12.859,26	€ 93.423,57	6)
Donations to be refunded:	€ 826,44	€ 826,44	€ 14.442,79	7)
R/C Nicaragua:	€ 14.357,75	€ 10.781,42	€ 11.047,05	8)
Other short term debts:	€ -	€ -	€ 1.641,08	9)
Total:	<u>€ 224.584,02</u>	<u>€ 115.299,69</u>	<u>€ 215.050,45</u>	

Financial Statements

Income & Expenditure

	<u>2018</u>	<u>2017</u>	<u>2016</u>	
<u>Funds received for projects:</u>				10)
Mexico:	€ 1.325,00	€ 17.667,12	€ 22.788,56	
Leon 2.0	€ -	€ 1.922,80	€ 2.806,77	
Costa Rica	€ 1.788,00	€ 4.969,70		
Headquarters - Booking.com	€ 100.000,00			
<u>General funds:</u>				11)
Private donations:	€ 2.615,00	€ 1.169,00	€ 10.385,02	
Corporate:	€ 72,06		€ 1.945,90	
Operating hotels:	€ -	€ 3.000,00		
Interest:	€ 3,07	€ 14,65	€ 126,06	12)
Total income:	<u>€ 105.803,13</u>	<u>€ 28.743,27</u>	<u>€ 38.052,31</u>	
<u>Spent on projects:</u>				
Headquarters project	€ 32.804,67			
Total new commitments/projects:	€ 70.308,33	€ 24.559,62	€ 25.595,33	14)
General costs:	€ 5.831,65	€ 7.847,04	€ 3.890,34	15)
Currency losses:	€ 3.904,64	€ -	€ 267,31	16)
Total spent:	<u>€ 112.849,29</u>	<u>€ 32.406,66</u>	<u>€ 29.752,98</u>	
Result ("loss"):	<u>€ -7.046,16</u>	<u>€ -3.663,39</u>	<u>€ 8.299,33</u>	

3 Notes to the financial statements

	<u>31-dec-18</u>	<u>31-dec-17</u>	<u>31-dec-16</u>
1) <u>Bank accounts:</u>			
Rabobank Eur:	€ 174.598,42	€ 64.464,40	€ 78.334,42
Rabobank USD:	€ 9.985,60	€ 49.026,29	€ 55.095,69
Triodos Mexico: *	€ -	€ -	€ 79.109,59
	<u>€ 184.584,02</u>	<u>€ 113.490,69</u>	<u>€ 212.539,70</u>

* These Triodos accounts were handed over in 2017 to Stichting Hotel con Corazon Mexico.

2) Receivables

Funds received bij payment systems (Mollie, Paypal) not yet transferred in cash.
And in 2018 a short term loan to the Mexico operation to finish the start-up fase of: € 40.000 to be repaid in 2019.

3) Equity

The value that we need to create in Nicaragua to be able to refund long term debts.

4) Social shares

Shares that were given out in 2006 en 2007 to create the first funding for Granada.
In return shareholders receive a free night per year (with a fair maximum of 10).

5) Loan from Nicaragua

Amounts received from Granada to safeguard part of the cash.
Non interest bearing.

6) Project commitments

The value of the donations received (minus crowdfunding costs) that will be invested in projects.
Breakdown end of year:

	<u>31-dec-18</u>	<u>31-dec-17</u>	<u>31-dec-16</u>
Mexico	€ -1.115,00 *	€ 3.160,00	€ 90.616,81
Leon 2.0	€ 4.729,56	€ 4.729,56	€ 2.806,77
Costa Rica	€ 6.757,70	€ 4.969,70	
Headquarters project Booking.com	€ 67.195,33		
	<u>€ 77.567,59</u>	<u>€ 12.859,26</u>	<u>€ 93.423,57</u>

* for international cash transfer reasons we prepaid the interest obligations for Mexico Holding since the transfer from Mexico took some time.

7) Donations to be refunded

In 2016 we decided to end the projects for Cambodia, Leon and Suriname.
Leon has been fully refunded to the sponsors in 2016.
Cambodia had a small amount to be refunded that was settled in 2017.
Suriname was fully settled in June 2017.

	<u>31-dec-18</u>	<u>31-dec-17</u>	<u>31-dec-16</u>
Cambodia to be refunded:	€ 826,44	€ 826,44	€ 521,44

8) R/C Nicaragua

Funds that are paid or received in/on Dutch bank accounts for Nicaragua.
Consisting of donations, booking fees or reservation payments for hotel rooms.

9) Other debts

Costs relating to 2017 not yet paid out.

10) Funds received for projects

All earmarked received donations/loans minus crowdfunding costs for specific projects.

11) General funds

All non earmarked funds received for the foundation in general.
And the management fee that operating hotels pay on their earnings: 2%
Granada started paying July 1st 2017.

- 12) Interest received on the savings account.
- 13) We received a grant of € 100.000 from Booking.com from their Booking booster program. This grant is used for transforming the foundation to a social enterprise. The grant was used to hire staff (Marcel Zuidhof and Wieke Jong) to professionalize our proposal for "social investors".
- 14) Movement to project commitments
This amount reflects the commitment to invest in projects. Positive amounts are additions to the commitments. Negative amounts are refunds for cancelled projects. For the movements on the balance sheet see note 6).
- 15) General cost
- | Costs relating to the organisation of the foundation: | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|-------------|
| Hosting of the hotel website. | | € 297,66 | € 199,65 |
| Marketing (travel guide) | | € 544,50 | |
| Strategy meeting facilitation | | | € 500,00 |
| Bank costs. | € 308,29 | € 645,25 | € 280,80 |
| Tickets/travel for buss dev. missions. | | € 1.483,56 | € 1.092,80 |
| Impact study | | € 1.355,00 | |
| Search new management Granada | | € 500,00 | |
| Interimmanagement Granada | | € 2.317,00 | |
| Membership + meeting Social enterprise/NCDO. | | € 701,80 | € 423,50 |
| Change of statutes | | | € 731,50 |
| Other (general crowdfunding/office costs) | € 5.523,36 | € 2,27 | € 662,09 |
| | € 5.831,65 | € 7.847,04 | € 3.890,34 |
- 16) Currency losses
Mainly consisting of the fact that we have a loan from Nicaragua in USD, and a USD dollar account that does not reflect the exact same amount as the loan.

2019 will be a challenging year for Hotel con Corazón Foundation. 5 major tasks lie ahead of us. First of all we need to keep our education efforts in Nicaragua at the high level while our hotel business does not produce any profits. Managing our cash-flow therefor is extremely important. Secondly we need to keep the hotel in Nicaragua in the best possible shape in a tourist industry that only shows small sparks of recovery. Thirdly we will start our education programs in Oaxaca, aimed at keeping teenagers in school. Fourth we have to build out our success in the Mexico Hotel by combining high occupancy levels with good financial profitability. And last but not least, we will follow up on the Booster accelerator plans and will execute our plans to expand our impact and business to 3 new locations.

As a consequence of our growth to 5 locations over the next 4 years, we are transforming from a non-profit to a social enterprise. In short it means that we will become a limited company in which Hotel con Corazón Foundation has a controlling 51% share to safeguard the social mission of the hotels. In this Social Enterprise we welcome impact investors and philanthropy investors. These are investors that expect a modest financial return whilst seeking a big social return on their investment. We are currently in talks with many of them. The stakes are high, as for 3 new locations we require €3.500.000. This year our aim is to have raised 75% of this total amount.

Clearly 2018 has been a pivotal year for Hotel con Corazón. With a second hotel successfully up and running, we have proven that our concept works. Also in new locations. The booking Booster accelerator has helped us make solid plans to grow to a next phase. 2019 will however not be less pivotal, signing up investors for the growth plan is important to be able the execution of the plan.