



Annual Report

Hotel con Corazon Foundation

2019

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1 Year report from the Board

Granada

The situation in Granada was quieter in 2019 than 2018 and tourism slowly came and comes back. However in modest numbers. We have finished the year in break even and paid our education expenditure from our reserves. Since government budgets for schooling were deteriorating our investment was more than needed.

Oaxaca

2019 was our first full year of business. We generated enough funds to start an education pilot. We started with 9 high school students. They received scholarships directly from the hotel funds and motivational programs outsourced to our education partner "The Oaxaca learning Centre".

The hotel performed better than expected with an occupation rate of 79% (budget was 56%). This resulted in a gross margin that was much higher than expected. Although we did spend a significant amount on the improvement of our building (a.o. water installations) since that was not done properly during the construction.

Expansion

In 2019 we started the setup of Hotel con Corazón Social Enterprise BV. This was done to create a new legal structure that facilitates our growth plans. The first concrete step in that process was to merge Foundation Hotel con Corazón Mexico with Foundation Hotel con Corazón (realised per 19/7/2019). The next step was to setup the legal entity Hotel con Corazón Social Enterprise. This was realised by the end of 2019 (18/12/2019).

In 2018 and 2019 we searched investors for our expansion plan of €3,5mln. By the end of 2019 we secured €2,2mln. These investors will be shareholders in the newly created Social Enterprise. Foundation Hotel con Corazón will have a majority stake in both voting and profit rights in this entity.

Visits to Costa Rica to set up the third Corazón project have resulted in a short list of locations and concrete negotiations on certain plots.

2 Financial Statements

Balance Sheet

	<u>31-dec-19</u>	<u>31-dec-18</u>	<u>31-dec-17</u>	
Financial assets:	€ 227.720,64	€ -	€ -	0)
Bank accounts:	€ 109.322,14	€ 184.584,02	€ 113.490,69	1)
Receivables:	€ 42.678,74	€ 40.000,00	€ 1.809,00	2)
Total Assets:	<u>€ 379.721,52</u>	<u>€ 224.584,02</u>	<u>€ 115.299,69</u>	
<u>Equity:</u>	€ 145.489,47	€ -91.246,06	€ -84.199,90	3)
<u>Long term liabilities:</u>				
Social shares:	€ 110.380,00	€ 110.380,00	€ 110.380,00	4)
Loan from Nicaragua:	€ 82.698,30	€ 112.698,30	€ 64.652,47	5)
Loan from Benekids for Costa Rica:	€ 18.500,00			
<u>Short term liabilities:</u>				
Project commitments:	€ 5.781,73	€ 77.567,59	€ 12.859,26	6)
Donations to be refunded:	€ -	€ 826,44	€ 826,44	7)
R/C Nicaragua:	€ 16.672,02	€ 14.357,75	€ 10.781,42	8)
Other short term debts:	€ 200,00	€ -	€ -	9)
Total:	<u>€ 379.721,52</u>	<u>€ 224.584,02</u>	<u>€ 115.299,69</u>	
	€ -			

Amounts in Eur

Income & Expenditure

	<u>2019</u>	<u>2018</u>	<u>2017</u>	
<u>Funds received for projects:</u>				10)
Mexico:	€ -	€ 1.325,00	€ 17.667,12	
Leon 2.0	€ -	€ -	€ 1.922,80	
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	
Corporate:	€ -	€ 72,06		
Operating hotels:	€ -	€ -	€ 3.000,00	
Interest:	€ 2,88	€ 3,07	€ 14,65	12)
Total income:	<u>€ 2,88</u>	<u>€ 105.803,13</u>	<u>€ 28.743,27</u>	
<u>Spent on projects:</u>				
Headquarters project	€ 77.385,86	€ 32.804,67		13)
Movement commitments/projects:	€ -77.385,86	€ 70.308,33	€ 24.559,62	14)
General costs:	€ 2.198,34	€ 5.831,65	€ 7.847,04	15)
Currency losses:	€ -193,38	€ 3.904,64	€ -	16)
Total spent:	<u>€ 2.004,96</u>	<u>€ 112.849,29</u>	<u>€ 32.406,66</u>	
Result ("loss"):	<u>€ -2.002,08</u>	<u>€ -7.046,16</u>	<u>€ -3.663,39</u>	

3 Notes to the financial statements

0) Financial assets

In 2019 Foundation Hotel con Corazon Mexico and Foundation Hotel con Corazon have merged. Mexico foundation was shareholder in Hotel con Corazon Mexico Holding BV and therefor since the merger Foundation Hotel con Corazon is shareholder in Mexico Holding. Towards the end of 2019 Hotel con Corazon Social Enterprise BV was setup and Mexico Holding was transferred under this legal entity. Resulting in the financial asset of Hotel con Corazon Social Enterprise with a value 227k€.

	<u>31-dec-19</u>	<u>31-dec-18</u>	<u>31-dec-17</u>
1) <u>Bank accounts:</u>			
Rabobank Eur:	€ 100.741,44	€ 174.598,42	€ 64.464,40
Rabobank USD:	€ 8.523,91	€ 9.985,60	€ 49.026,29
Triodos Mexico: *	€ 56,79	€ -	€ -
	<u>€ 109.322,14</u>	<u>€ 184.584,02</u>	<u>€ 113.490,69</u>

* The Triodos account is handed over in 2017 to Stichting Hotel con Corazon Mexico.

2) Receivables

In 2018 a short term loan of €40.000 was given to the Mexico operation to finish the start-up fase. To be repaid in 2019; first payment of € 7.544 is done, final payment is done 11th of Jan 2020. Moreover the excess spent of the Booking grant of €10.190,53 will be paid back by the Social Enterprise once it is set up.

3) Equity

The value that we need to create, 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. The Booking.com grant has been used fully. The excess amount will be paid back once Corazon Social Enterprise is set u

	<u>31-dec-19</u>	<u>31-dec-18</u>	<u>31-dec-17</u>
Mexico	€ 4.485,00	€ -1.115,00	€ 3.160,00
Leon 2.0	€ 4.729,56	€ 4.729,56	€ 4.729,56
Costa Rica	€ 6.757,70	€ 6.757,70	€ 4.969,70
Headquarters project Booking.com	€ -10.190,53	€ 67.195,33	€ -
	<u>€ 5.781,73</u>	<u>€ 77.567,59</u>	<u>€ 12.859,26</u>

7) Donations to be refunded

In 2016 we decided to end the projects for Cambodia, Leon and Suriname. Donations already received were refunded.

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 short term debts

To be repaid shortly.

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 mainly used to
- 14) Movement to project commitments
This amount reflects the commitment to invest in projects. Positive amounts are additions to the commitments. Negative amounts are deductions to the commitments. For the movements on the balance sheet see note 6).
- 15) General cost
Costs relating to the organisation of the foundation.
- | | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|------------------------|-------------------|-------------------|---------------|
| Bank costs. | € 415,37 | € 308,29 | € 645,25 |
| Office and other costs | <u>€ 1.782,97</u> | <u>€ 5.523,36</u> | <u>€ 2,27</u> |
| | € 2.198,34 | € 5.831,65 | € 7.847,04 |
- 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.

4 Outlook 2020

Coronavirus

Obviously it is impossible to write about the 2020 outlook without speaking about the Covid-19 crisis. Tourism has come to a stop worldwide, so the funding for our impact projects in the future is uncertain. As a consequence, unfortunately we will not be able to recruit new students.

As far as the hotels go, Covid-19 will most likely result in a largely lost year. At the eve of the crisis our situation was extraordinarily good in Oaxaca and we were steadily recovering in Nicaragua.

The Covid-19 measures we are taking require a delicate balance between taking care of our staff, buildings and possessions on the one hand; and ensuring financial stability for the post-crisis period on the other. With only 1 goal in mind: to make a positive social impact again as soon as circumstances allow for it.

Expansion program:

Costa Rica: we still want to buy land in 2020 and start building hotel #3 in Costa Rica. We also plan to purchase land and/or building for Hotel #4 in either Mexico or Costa Rica. To finance this we will need to complete the required funds. Currently €2,2mln of €3,5mln is committed.

Operations:

To manage our business better and serve our guests better we will implement state of the art systems (accounting system and reservation system).