



## **Annual Report**

**Stichting Hotel con Corazon**

**2020**

## **Contents**

- 1) Year report from the Board
- 2) Financial statements  
Balance sheet  
Income & Expenditure
- 3) Notes to the financial statements
- 4) Granada: P&L + Cash flow
- 5) Outlook 2021

## 1 Year report from the Board

At the time of writing this report we find ourselves still in consequences of the covid-19 pandemic. In Nicaragua international tourism is still absent, however, we see clear signs of recovery in the hotel occupancy in Mexico, and the prospects for travel to gradually resume are clear. We also refer to it in the "outlook 2021" paragraph at the

### **Nicaragua (Hotel still fully owned by stichting)**

On most aspects Nicaragua shows a totally different outlook than Mexico. After the political turmoil in 2018, tranquility returned to the streets and the recovery of tourism finally started at the end of 2019. However, the pandemic hit Nicaragua a lot harder than Mexico and Costa Rica. It has no domestic tourism of importance and all mayor airlines stopped operating flights to Managua. It forced us to abolish the tutoring program in primary schools and terminate the employment for our 3 teachers. This was due both to very low attendance by the students related to school closures as well as our own cash flow reasons. As a consequence, we only continued with the scholarship students in highschool (7) and university (7). At the end of the year nevertheless, we did a fundraising campaign and were able to collect funds to support 37 students with a scholarship; 18 highschool and 19 university students.

The hotel has been virtually empty since April 2020, and only the manager and the 2 nightguards remained on our payroll. One of the nightguards is also our maintenance person, and for the occasional guests we have cleaning people 'on call'.

### **Mexico (hotel controlled indirectly by Stichting)**

Our 7 scholarship students all made it to the 2nd year. As in most of the world they spent most of 2020 at home with 'remote schooling' which for poor families in Mexico is an additional challenge. Fortunately, the work with our education partner organization 'The Oaxaca Learning Centre' has surpassed our expectations. Sadly, the pandemic prevented us from recruiting a new cohort of students in august 2020.

The hotel started 2020 on the same high note as it ended 2019, with record occupancies and profits in Q1. However, covid-19 brought tourism to a complete standstill in Q2 & Q3. When in Q4 domestic tourism picked up, we could rehire our staff and managed to close the year break-even at operational level.

On March 31<sup>st</sup> 2020 the first debt repayment of €34.646 was due, and also the 2<sup>nd</sup> repayment in March 2021 proved too soon. So out of prudence we proposed in December 2020 to our debt-holders to extend the loan term from 10 years to 12 years to which 85% have already agreed, and none of the remaining 15% have indicated they Furthermore, we have taken the opportunity of 'spare time' from management and staff during the pandemic year to shift from Excel to Xero; an international cloud-based accountancy system both in Nicaragua and Mexico. It will make our numbers more robust and our reporting less cumbersome, and last but not least, scalable to new hotels. We had an overall net loss in Mexico of -€49.957 due to interest, depreciation and reserves for education.

### **Expansion**

In October 2020, 4 investors invested €900.000 in Hotel con Corazón Social Enterprise, diluting the share of de Stichting from 100% to 84%. This capital is earmarked for the investment in hotel #3, planned to be constructed in Costa Rica. The search for real estate in Costa Rica proved more troublesome than we anticipated early 2020. Eg. a chosen beach property in Sámara had no water availability, a mountain property in Monteverde had destination plan. Thereafter the pandemic prevented us from travelling during most of 2020, although in November we travelled again and opened up new possibilities. Given the difficulties in Costa Rica, we also started our search for real estate in San Cristóbal de las Casas in Chiapas, Mexico. Wherever we will close a first deal we will develop the next

As of March, Onno and Marcel relied on Dutch government covid-19 support for the remainder of the year. There was however some travel related expense and management support from 2019 still to be allocated to the Stichting

Amounts in Eur

## 2 Financial Statements

### Balance Sheet

	<u>31/Dec/20</u>		<u>31/Dec/19</u>		<u>31/Dec/18</u>
Financial assets:	€ 227.720,64	0)	€ 227.720,64		€ -
Bank accounts:	€ 66.366,00	1)	€ 109.322,14		€ 184.584,02
Receivables:					
Loan to Corazon Mexico Holding BV:	€ -		€ 42.678,74		€ 40.000,00
Loan to Corazon Social Enterprise BV:	€ 77.889,81	2)	€ -		€ -
Total Assets:	<u>€ 371.976,45</u>		<u>€ 379.721,52</u>		<u>€ 224.584,02</u>
General reserve:	€ 211.477,00	3)	€ 145.489,47		€ -91.246,06
Liabilities:					
<i>Long term liabilities:</i>					
Social shares:	€ 110.380,00	4)	€ 110.380,00		€ 110.380,00
Loan from Nicaragua:	€ 31.619,45	5)	€ 82.698,30		€ 112.698,30
Loan from Benekids for Costa Rica:	€ 18.500,00		€ 18.500,00		
<i>Short term liabilities:</i>					
Project commitments:	€ -		€ 5.781,73		€ 77.567,59
Donations to be refunded:	€ -		€ -		€ 826,44
R/C Nicaragua:	€ -	6)	€ 16.672,02		€ 14.357,75
Other short term debts:	€ -	7)	€ 200,00		€ -
Total reserve & liabilities:	<u>€ 371.976,45</u>		<u>€ 379.721,52</u>		<u>€ 224.584,02</u>

Amounts in Eur

**Income & Expenditure**

	<u>2020</u>		<u>2019</u>		<u>2018</u>
<u>Income:</u>					
Donations:	€ 62.623,65	8)	€ -		€ 2.615,00
Other income:	€ -		€ -		€ 72,06
Interest:	€ -		€ 2,88		€ 3,07
Exchange gains:	€ 16.070,84	9)	€ 193,38		€ -
Total income:	<u>€ 78.694,49</u>		<u>€ 196,26</u>		<u>€ 105.803,13</u>
 <u>Spent on projects:</u>					
Headquarters project:	€ -		€ 77.385,86		€ 32.804,67
Movement commitments/projects:	€ -		€ -77.385,86		€ 70.308,33
Management support Netherlands:	€ 12.000,00	10)	€ -		€ -
General costs:	€ 2.652,25	11)	€ 2.198,34		€ 5.831,65
Exchange rate losses:	€ -		€ -		€ 3.904,64
Total spent:	<u>€ 14.652,25</u>		<u>€ 2.198,34</u>		<u>€ 112.849,29</u>
 Result:	 <u>€ 64.042,24</u>		 <u>€ -2.002,08</u>		 <u>€ -7.046,16</u>

Amounts in Eur

### 3 Notes to the financial statements

#### 0) Financial assets

December 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/20</u>	<u>31/Dec/19</u>	<u>31/Dec/18</u>
1) <u>Bank accounts</u>			
Rabobank Eur:	€ 60.383,12	€ 100.741,44	€ 174.598,42
Rabobank USD:	€ 5.982,88	€ 8.523,91	€ 9.985,60
Triodos Mexico: *	€ -	€ 56,79	€ -
	<u>€ 66.366,00</u>	<u>€ 109.322,14</u>	<u>€ 184.584,02</u>

\* The Triodos account has been canceled per 25/2/2020.

#### 2) Receivables

Hotel con Corazon Social Enterprise To cover working capital Jun-Dec 2020	€ 42.880,28
Hotel con Corazon Social Enterprise To cover working capital Jan-May 2020	€ 17.009,53
Hotel con Corazon Social Enterprise Benekids loan via Stichting to SE	<u>€ 18.000,00</u>
Subtotal receivables	<u>€ 77.889,81</u>

#### 3) General reserve ("equity")

General reserve in a foundation (NGO) is the equivalent of equity in a limited liability company

#### 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).  
It has always been our internal ambition to buy back these shares, financial results permitting  
However after 3 years of adverse conditions we concluded we let go of this ambition  
It means that next year this liability will disappear from the balance sheet

#### 5) Loan from Nicaragua

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

#### 6) 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.

#### 7) Other short term debts

To be repaid shortly.

#### 8) Donations

Crowdfunding for COVID-19 set back	€ 34.464,65
Reallocation of RC Granada to free donations	€ 16.672,00
Reallocation donation reserved for CR and Leon to fr	<u>€ 11.487,00</u>
Subtotal	<u>€ 62.623,65</u>

#### 9) Exchange gains

Nicaragua sends its reserves to The Netherlands to safeguard it. This reserve has been created since 2009 and the receivable in Nicaragua is stated in local currency (Cordobas). This year we revalued the loan and that created a capital gain of €16.000.

#### 10) Management support Netherlands

M. Zuidhof and O. Oostveen have supported Granada management. Both physical visits and with video calls.

#### 11) General cost

Costs relating to the organisation of the foundation.	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Consisting of:</u>			
Bank costs	€ 504,19	€ 415,37	€ 308,29
Office and other costs	<u>€ 1.955,45</u>	<u>€ 1.782,97</u>	<u>€ 5.523,36</u>
Subtotal	<u>€ 2.459,64</u>	<u>€ 2.198,34</u>	<u>€ 5.831,65</u>

#### 4 Granada

##### Profit & Loss hotel

###### Income

Hotel revenue	€	22.085,54
Trips revenues	€	2.563,16
Other revenues	€	1.541,60
Hotel donations	€	<u>7.607,94</u>
<b>Total income</b>	<b>€</b>	<b><u>33.798,24</u></b>

###### Costs

Operating expenses	€	7.494,78
Hotel cost	€	1.413,25
Trips cost	€	2.011,07
Services (utilities)	€	7.734,80
Maintenance	€	3.062,38
Personnel	€	15.037,73
Financial expenses	€	<u>-488,39</u>
<b>Total costs</b>	<b>€</b>	<b><u>36.265,62</u></b>

##### **Profit / loss**

**€ -2.467,38**

##### **Education projects**

Personnel costs	€	9.953,11
Stipends secondary school	€	1.323,41
Stipends university	€	6.212,24
Other costs	€	<u>1.185,87</u>
<b>Total education costs</b>	<b>€</b>	<b><u>18.674,64</u></b>

##### **Cashflow**

Cash flow from operations	€	-2.467,38
Education costs	€	<u>-18.674,64</u>
<b>Total cash flow (negative)</b>	<b>€</b>	<b><u>-21.142,02</u></b>

## 5 Outlook 2021

Tourism is already showing strong signs of recovery in Mexico and with vaccinations on both sides of the Atlantic progressing. We also expect Costa Rica to benefit from this upturn. Nicaragua however will take longer to recover.

### Expansion

In April 2021 a new trip to Costa Rica revealed 2 trends: at the beach the real estate market has heated up, supposedly by Americans and Canadians buying up houses and land. However, in the mountains there is no such trend and our increased network of locals has opened up more available pieces of land. In parallel we will continue our search in San Cristóbal (MX), as well.

### Mexico

After the summer break this year the students should enter their final year of high school, which means that our activities will shift from academic support to professional orientation and/or selection of further studies. As far as the hotel goes, after a promising Q4 in 2020, Q1 of 2021 was showing a bit weaker than we anticipated, however Q2 looks quite good again. And although we do not foresee transatlantic travel to happen before the 2nd half of this year, Mexican and North American guests are making reservations at a constant rate. With vaccinations in our key markets progressing steadily we foresee occupancy to end well above 40% this year. In 2021 we have implemented new front-desk software (PMS - Property Management System). We have chosen MEWS, a next-generation cloud based software that is conquering the world of independent hotels. It provides us with contactless check-in and check-out, integration with our new Xero accounting software and Mailchimp customer database as well as with Booking.com and Expedia. It prepares us for a more professional management of Operations, Marketing&Sales and Finance. It will enable us to focus even more on guest experience and our The covid-19 measures we are taking will still require a delicate balance between taking care of our staff, building 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 with more students benefiting from our concept as soon as circumstances allow for it.

### Nicaragua

The 37 students are showing strong signs of motivation with this opportunity they have been given to continue their career. We anticipate that at the end of 2021 we will have to do another round of crowdfunding to be able to support these students, as recovery of tourism in Nicaragua will be slower. Although since October 2020 we operate the hotel at a bare minimum of a manager and 2 night guards, we expect that more drastic measures might be necessary over the coming months. We have been reorientating our focus with services and pricing for locals, and in recent months we were able to reduce our losses, but we have given ourselves till the end of July to see if these reductions are sufficient. A temporary closing of the hotel until tourism recovers on a broader scale could be the outcome. At the moment of writing this report only a handful of smaller airlines was operating to Managua. Presidential elections in November are an uncertainty for the recovery of tourism. President Ortega is running for an (unconstitutional) 4<sup>th</sup> term in office, and protests could return to the streets of Nicaragua in the last quarter of this year. American Airlines however, is planning to resume the Miami-Managua connection in August, so we'll see if

### Financial outlook

Given the bank balances and receivables on January 1st 2021 of €144.256 and the 'hard' liabilities of €50.199 we had €94.136 in available funds. The scholarships program costs €18.000/year and with the expected 2021 hotel loss of €10.000 our total cash-out over 2021 will be €28.000. If 2022 and 2023 would be similar we would have a 'runway' until end of 2023. However, we will intend to fund the scholarships for 2022 with another round of crowdfunding in December 2021. That way we expect to improve our cash position and extend our worst case

### Conclusion

All in all, we are looking at a highly uncertain 2021 for Nicaragua, a solid recovery in Mexico and a hopeful year for Costa Rica.