

**ANNUAL REPORT 2010**

# **HOTEL CON CORAZON**



**ENJOY TODAY,  
CARE FOR TOMORROW**

# EDUCATION IS THE KEY TO A BETTER FUTURE.

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IT IS ONE OF THE MOST POWERFUL TOOLS FOR REDUCING POVERTY. AT HOTEL CON CORAZON WE INVEST 100% OF OUR PROFITS IN EDUCATION AND 100% OF OUR ENERGY IN OFFERING YOU A PLEASANT STAY.

**ENJOY TODAY,  
CARE FOR TOMORROW.**

## MESSAGE TO THE CAREHOLDERS

Amsterdam/Granada, Summer 2011

Dear careholder\*,

We are very happy to share with you the results of Hotel con Corazón's second year in operation. In 2010, we extended our tutoring pilot scheme that had been initiated in 2009. This was also the year of personnel changes in Nicaragua; you can read all about their experiences in this annual report. Within the Board in the Netherlands, Bart Terlingen and Jorma Turkenburg handed over their portfolios to Kim Oostveen and Jiska van Duijnhoven.

**Hotel** – During 2010 we exceeded expectations by having an overall occupancy rate of 60% and profits of almost US\$ 52,000. On TripAdvisor we remained the most popular hotel in the country. We were included in yet another Nicaragua guidebook (Moon). Above all, the staff continuously received outstanding reviews for their hospitality.

**Education** – The Corazón education pilot scheme continued in two schools in Las Lagunas – a rural neighborhood on the outskirts of Granada. Corazón tutors gave classes in reading, writing and math to the youngest children in elementary school. We also started providing homework support to the older pupils and English classes for the more advanced students. In addition, we continued to provide financial support to two local NGOs – La Esperanza Granada and Empowerment International – and we facilitated sports activities, the library bus and music lessons. All in all, we ended the year with 98 children benefitting from our educational support programs.

**Expansion** – We are in the middle of defining a strategy for multiplying our Granada success. We anticipate that we will take important steps towards a second Hotel con Corazón in 2011.

Once more we want to thank you for your continued support, interest, word-of-mouth recommendations or other involvement, all of which has turned Hotel con Corazón into a movement, as we like to call it. Stay tuned for new developments.

Saludos con Corazón!

### Members of the Board

Petra de Boer (Marketing & Communication)

Jiska van Duijnhoven (Finance)

Kim Oostveen (Education)

Onno Oostveen (Business Development)

Marcel Zuidhof (Human Resources)

**\*A Corazón careholder is anyone who supports the goals of Hotel con Corazón – financially, commercially, in labor or in spirit.**



Members of the Board and Communications Team in the Netherlands: (from left to right) Peter Arends, Freek Janssen, Petra de Boer, Audrey Schillings, Marcel Zuidhof, Kim Oostveen, Jiska van Duijnhoven, Gil Crielaard, Onno Oostveen.

## HOTEL OPERATIONS

**2010 was a special year for Hotel con Corazón. In the hotel's first full year of operation, 2009, it had achieved results above expectations. Could the hotel continue to further increase its occupancy rates and fabulous guest reviews on TripAdvisor?**

Moreover, hotel management changed twice this year. The first official hotel manager, Freek Sanders, left in June. The new ongoing managers, Hans and Monique van Hal, started in October 2010. During the intervening period Jiska van Duijnhoven took care of business to ensure continuity and a smooth transition.

### Occupancy

The average occupancy rate in 2009 was 45%, already exceeding the initial targets set by the founders. In 2010, this improved even more, with an occupancy rate of 60% (up by a further 15% occupancy). The hotel has become increasingly popular amongst NGO groups.

Also, tour groups were responsible for a growing share of the occupancy – the operators included Koning Aap, Sawadee Reizen and Berg & Meer Reizen.

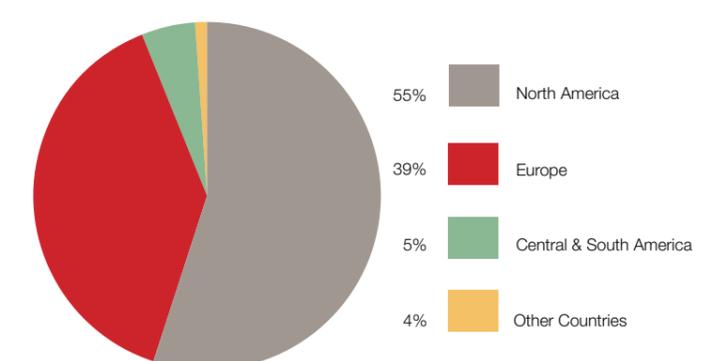
### Restaurant

The hotel restaurant had a facelift in 2010 with the introduction of an à la carte menu. Dishes are typical Nicaraguan cuisine with an international twist. The restaurant is open not only for guests but also for passersby.

### Tree House Travels

Local experience tours are provided by the travel agency Tree House Travels, which has been fully integrated into the hotel in 2010. The agency has hired a tour guide, offering visitors the opportunity to get to know the local people and their culture. Read more in the Granada chapter on page 22.

### Country of origin hotel guests 2010



## ABOUT OUR GUESTS

In 2010 we welcomed 1,500 different guests from 37 different nationalities, including exotic countries like Tanzania, Korea, Indonesia and Israel.

More than half of our guests are from North America (USA: 46%, Canada: 9%). Almost 40% comes from Europe, primarily from The Netherlands (14%), Germany and the United Kingdom. We are happy to see that the number of visitors coming from Central America is rising a bit, they account for 5% of our occupancy.

Many NGOs that stayed with us in the past are returning with their guests. We offer NGOs a 10% discount as we are all working towards to same goal: improving the standard of living for the people of Nicaragua. We also see many people returning to the hotel at the end of their vacation. They opt to spend their last day(s) in Granada instead of close to the airport in Managua.



## ROTATING HOTEL MANAGEMENT

Four dutch professionals decided to take a break from their jobs in the Netherlands to realize a dream abroad. Why did they go, what did they learn and what are they most proud of?



### Freek Sanders (39)

**Profession:** Entrepreneur

"Two years ago I started reflecting on my career and realized that one of my dreams was to run a hotel. When I heard that Onno (an old college friend) and his co-founder Marcel needed a hotel manager, I contacted them and asked if I could do the job. In April 2009 I started my management period, which lasted until May 2010.

This period has taught me that it is very important to focus on doing things that give you energy. Running a hotel on my own was challenging. Fortunately, I got a lot of energy from working on the educational program together with Kim. To see how eight students progressed from not being able to read one letter to reading a full text in just four months was very rewarding. Another highlight was that with the whole team we managed to maintain our number one position on TripAdvisor in 2010. That is worth a lot."



### Jiska van Duijnhoven (35)

**Profession:** Consultant in Supply Chain Management

"I took nine months of unpaid leave and was determined to use part of this time for a different purpose than making money or simply spending it travelling. As convinced as I was (and am) about the need to combine 'doing good' with a fair bit of business sense, I was delighted when I heard about Hotel con Corazón.

As a consultant, there were many ways I could assist: there was an inventory management system to set up, a local accountant that needed to be managed more closely. Eventually, it turned out that the hotel needed an interim hotel manager – most of my time in the hotel would be dedicated to just managing the daily operations.

My proudest moment was when, in roughly two weeks of scheduled maintenance, we managed to repaint the complete hotel, repair the roof, organize a thorough hygienic makeover of the bar and kitchen, reconstruct the back garden and treat all the carpentry. And not least, on the last day the full team was there to clean up the great mess that had accumulated during the maintenance period. The next day we could reopen the hotel as if it was new again."



### Hans (39) & Monique van Hal (38)

**Professions:** Independent Telecommunications Consultant & Executive Secretary

"We have always dreamed of a foreign adventure. Not just travelling abroad for a few weeks, but to experience a different culture from the inside.

In 2007, we met the founders of Hotel con Corazón, Marcel and Onno. Our enthusiasm about the project led us to become active fundraisers. We bought a share in the hotel, convinced some friends to do the same, participated in the sponsored run and organized a fundraising party. Only a year after our first encounter, we decided that managing the hotel would be a great opportunity for us. We visited the hotel for three weeks in May 2010, to get to know the hotel and learn tips and tricks from Freek. In October we returned to take over the management.

One of the things that struck us the most is the cultural difference. Things tend to be a bit slower than what we are used to in the Netherlands. Also, as managers we were expected to know just about everything about the hotel – which, of course, we didn't at first.

Our personal highlight of 2010? Because of the great work done by our predecessors, we took over the hotel in perfect shape. The financial system had just been updated and maintenance had been carried out. That gave us some time to get used to our new role. October is always a quiet month in Nicaraguan tourism. Once the number of guests increased in November and December, we were very proud to see the professionalism and commitment of the hotel staff. The year ended with a delightful Christmas dinner for 30 guests organized by the staff."

## EDUCATION PROGRAM

**The ‘heart’ in Hotel con Corazón is that the hotel contributes to the sustainable development of Nicaragua, by investing in education and employment.**

When writing the initial business plan in 2006, the original goal was to sponsor 300 children so they could go to school and complete their education. This goal was based on estimates about average costs of providing adequate educational support. Reality, of course, is always a bit more unmanageable than theory.

In 2008, Hotel con Corazón started its education efforts by supporting two local NGOs, through which we were reaching out to approximately 12 children. In 2009, we intensified our support by starting our own program in Las Lagunas, allowing us to reach more children and to introduce our own – business driven – measurement system. This program is significantly more labor intensive – and thus more expensive – than anything foreseen in the initial business plan. At the same time, the tutoring pilot allowed us to research in practice how our hotel profits could be invested optimally. We therefore decided to re-evaluate our initial goal of supporting 300 children and to focus more on the quality of the output instead of just quantity. We have introduced key performance indicators to monitor progress, and now we aim for a growth of at least 15% per year in the number of children supported.

### Strategy

**The Corazón education program is based on three strategic principles:**

1. Children are encouraged to enhance their self-reliance, by helping them to work independently and requiring them to put a serious effort into their school work.
2. We facilitate and focus on education (instead of on physical improvements or on obedience to rules and regulations – which is a government task).
3. We don't support just the children, but also involve those in their social environment, including their parents.

### Projects

In 2010, we continued to sponsor two local educational NGOs: Empowerment International and La Esperanza Granada. Empowerment International received funding for their peer-tutoring program. Through La Esperanza Granada, we gave a university grant to an architecture student.



Also in 2010, the hotel continued its successful 2009 tutoring pilot scheme carried out at two public elementary schools in Las Lagunas, a rural neighborhood just outside of Granada. Here we provide classes in reading, writing and math, as well as creative classes, sports and games. The tutoring sessions take place four afternoons a week. To ensure that the family supports the educational progress of their child, the tutors go on home visits every Friday. Once a month parents are invited to the ‘School for Parents’, to stimulate their involvement and to teach them skills that will allow them to help their children with their schoolwork.

### Other 2010 educational activities included:

- Paying another university scholarship for an excellent student who cannot afford her own education – in return she works as a tutor in the program at Las Lagunas;
- Joined by teachers, tutors, parents and children, a project to clean and paint the school buildings in the beginning of the school year in Las Lagunas;
- Providing 188 backpacks to 5th and 6th grade students in the tutorial program – in return they helped with the cleaning and painting of the schools;
- Together with the parents providing an official optical exam and glasses for seven children with bad eyesight;
- Together with Foundation Cucu, funding playgrounds next to the school, to help make attending school more fun.

### Besides its own projects, Hotel con Corazón continued the financial support of various third-party educational activities:

- The learning room in Hotel con Corazón, stocked and used by the Puedo Leer Foundation for reading lessons and by Fútbol sin Fronteras, whose trainers give biweekly sports lessons;
- Music lessons for all classes carried out by the organization Ritmo en los Barrios in Las Lagunas;
- Monthly book exchange visits to Las Lagunas by the Bibliobus (library bus) from Managua.



MINALIXA

## THE PARENTS

**In the 'School for Parents', parents learn how to support their children with their schoolwork.**

- **"The workshops for parents help me to have a better idea of how to support my son."**

Margarita del Socorro Chamorro Vargas  
(Mother of Lucas)

- **The project of Hotel con Corazón has strengthened and supported my son. The level of education in the countryside is very low and with the provided help, my son has advanced a lot.**

Reynaldo Antonio Morales (Father of Junior)

- **"I like it a lot that the tutors visit me."**

Maritza del Socorro Guadamuz  
(Mother of María Ileana y Carlos)

- **"This boy was pretty behind, I was ready to take him away from school and I couldn't help him either, but thanks to God, he has advanced a lot with help of the project."**

Ramón Obando (Father of Geovanny)

- **"I feel happy, because they have helped my daughter a lot and Arelly also is happy with everything she learns."**

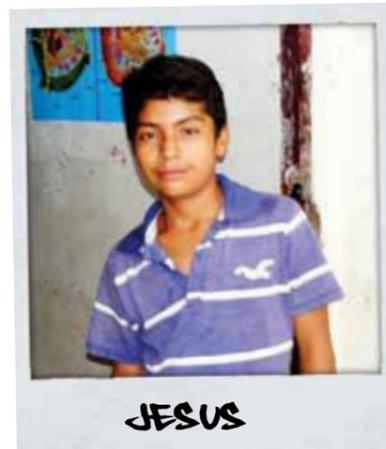
Minalixa Obando Canales (Mother of Arelly)

## THE KIDS

**In 2010 more than 50 children participated in the Corazón tutorials for 1st, 2d and 3d graders.**

- **"Before I skipped classes and repeated the grade many times. When I started to come during the afternoons I also didn't skip classes in the morning any more and succeeded to go beyond to 3rd grade."**

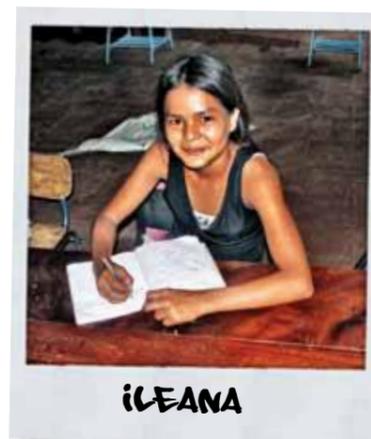
Jesús Ramiro Selva Ramos (14 years, 3rd grade)



JESUS

- **"I like to come during the afternoon, because I learn more. They teach me to read and study more."**

Anielka Auxiliadora Reyes Canales (7 years, 2nd grade)



ILEANA

- **"I've learned a lot in maths, which is the most difficult subject for me."**

Ileana Isabel Guadamuz Sánchez (12 years, 4th grade)



ALFREDO

- **"During the afternoon, I'm having a very good time. We do a lot of things that help me, like studying, playing and painting."**

Alfredo Chamorro Morales (11 years, 3rd grade)

- **"My teacher is very fond of us and advises us a lot."**

Gloria Auxiliadora Canales Estrada (11 years, 3rd grade)



GLORIA



JAIRO

- **"I started without being able to read, nor add nor subtract. Now, I have advanced a lot."**

Jairo José Mendoza Canales (10 years, 3rd grade)



LISBETH

## THE TUTORS

**Eight tutors give classes in reading, writing, math, creativity and sports. On Friday they go on home visits.**

- **"It's great to see the positive changes in my pupils, both in thinking and behaviour. They reflect more, have more confidence, are more open and expressive."**

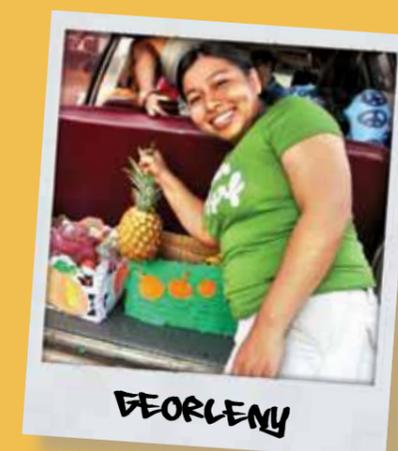
Yahoska Urbina Centeno (Tutor of 3rd grade)

- **"It's my challenge to integrate everybody in the activities and the social workshops."**

Lisbeth Calderón Reyes (Tutor arts and crafts)

- **"It makes me proud to hear the children read well."**

Georleny Vallejo Calero (Tutor of 1st grade)



GEORLENY

**Output**

A total of 98 children were sponsored by Hotel con Corazón in 2010 – both through the partnering organizations as well as via our own tutorial program and scholarship.

**ACTIVITIES CARRIED OUT IN 2010**

	<b>Number of children participating</b>	<b>Average costs per child in 2010 in US\$</b>
Tutorials, creative lessons and sports (1 <sup>st</sup> , 2 <sup>nd</sup> & 3 <sup>rd</sup> grades)	54*	\$ 350
Homework classes (4 <sup>th</sup> and 5 <sup>th</sup> grades)	11	\$ 200
English classes (6 <sup>th</sup> grade)	21	\$ 0**
Support via Empowerment International	10	\$ 300
Scholarship for university student via La Esperanza Granada	1	\$ 250***
Scholarship for university student (direct)	1	\$ 250
<b>Total number of children in the 2010 projects</b>	<b>98</b>	

**Additional support activities**

Bibliobus book exchange for all grades in Las Lagunas	200	\$ 2
Music lessons to all grades in Las Lagunas	250	\$ 4

\* The tutorial scheme started with 60 children and 54 completed it. High absence levels, behavioral problems or parents deciding to withdraw their children from the program were the causes of the dropouts.

\*\* A volunteer native English speaker gives the English classes.

\*\*\* The scholarship given to the La Esperanza Granada student includes a requirement that she works 20 hours a week at one of the primary schools as volunteer coordinator. The total costs –including the stipend– were US\$1,000.

**Results**

By the second half of 2010, we had set up a monitoring system to measure the progress in the Corazón tutorial program in Las Lagunas. The table below shows the Key Performance Indicators for the program.

**Key Performance Indicators (KPIs)**

**for Las Lagunas Tutorial Program 2010**

	<b>July–Aug</b>	<b>Sept–Oct</b>	<b>Nov–Dec</b>
Number of children participating in the tutorials	55	54	54
Average attendance in the tutorials	Not Measured	90%	95%
Number of children attending school classes in the morning	50	50	50
Average attendance at school classes in the morning	Not Measured	80%	95%
Number of children in tutorials who passed their class	45	44	41
Number of children in tutorials who failed their class	6	5	6
Number of children in tutorials who needed to retake their exams	4	5	7
Number of children in tutorials who finished 6th grade (out of 20)	20	20	20
Number of children in tutorials who intend to continue their studies after finishing 6th grade (out of 20)	12	12	18
Number of parents participating in the ‘School for Parents’	22	33	33
Number of tutors	8	8	8

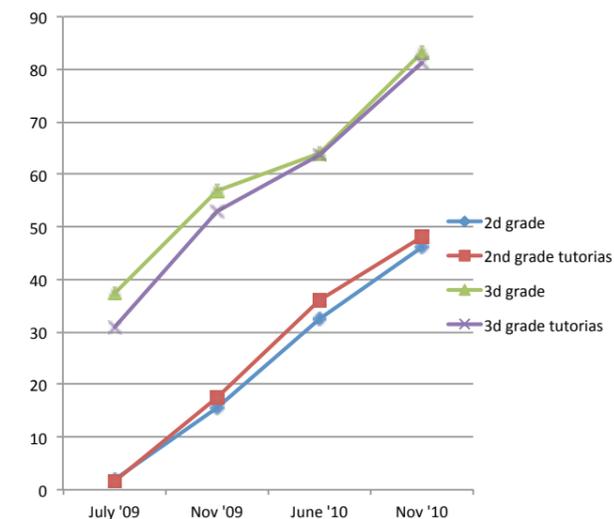
**Reading tests**

Progress is also measured through reading tests taken by all children at the end of each semester. The test is taken according to the World Bank standard which states that children should be able to read 60 words per minute (wpm) at the end of the 2nd grade and 90 wpm at the end of the 3d grade.

The reading tests in November 2010 showed a positive result: those children attending the tutorials who had initially been weaker than their classmates were now able to read almost as many words per minute as their peers. The tutorial students that did not have arrears were now able to read even more words per minute than their classmates. Considering that the students in de tutorial program on average have more difficulty with learning, both teachers and tutors are proud to see that now all children in the tutorial program can read.

**Results Reading Tests**

Average # words read per minute



**Other results**

- Teachers, parents and tutors acknowledged that the children in the tutorial program have progressed both on an educational and on a personal level. They can read better and have improved their comprehension of mathematics. On a personal level, they have more self-esteem, dare to speak out loud and make mistakes, they are more respectful towards each other and the tutors are quieter in the classroom.
- Thanks to more frequent contact, communications between the tutors and the schoolteachers improved. They now coordinate every two weeks about the children's progress and how they can best support them together.

They also discuss how the tutorial program can be improved to support the regular class content.

- The quality of the contact with parents also improved, especially because of the ‘School for Parents’ project. The home visits were adjusted to meet the needs of individual children and the parents. Every month a special topic is discussed, to help the parents to better support their kids in their schoolwork. Now, parents attend more frequently and school attendance by the children is also increasing.

**Conclusions**

The data show the positive educational results of the tutorials. The extra attention given to the children and their parents via the tutorials encourages them to continue to go to school, resulting in higher school attendance. The number of children finishing elementary school and wanting to continue their education has increased. In addition to better school results, many children also show better personal skills and self-confidence. When progress like this can be seen, everyone involved in the projects is engaged and eager to cooperate. Contact with the parents has intensified.

At the same time, the tutorials also show that we are in the midst of a learning process. We need to continue to pay attention to the home environment in order to keep the children coming to school. Also, supporting children by helping them with their homework and with other personal stimuli is crucial. This turns out to be challenging in a social environment with a high illiteracy rate. It creates a learning environment for the entire education team and we need to keep everyone involved to stay engaged.

**LESSONS LEARNED**

- Building up a network of trust and – therefore – support from the children, parents and teachers requires time.
- To make the program the responsibility of the entire community, parents and teachers must be actively involved.
- Get to know the motives for all parties: what do they need to participate?
- Make clear to all parties involved what the costs –in dollars, time and commitment– are, and what they can do to contribute their share.

## EDUCATION MANAGERS

The Hotel con Corazón education program was set up by Kim Oostveen from the Netherlands. In the spring of 2010, Kim handed over the local coordination of the program to Nicaraguan native Skarleth Bermúdez.

### Kim Oostveen (39)

**Profession:** Project Manager in Community Development and Social Skills for Youth

"I have been involved in Hotel con Corazón ever since my brother Onno and his friend Marcel drafted their first plans. Because of my professional background in community development, I was asked to give input on their initial plans and became very active in organizing fundraising activities.

Just before the opening of the hotel in October 2008, I spent six weeks in Nicaragua to help out. That was when I decided to stay and set up the educational project, together with hotel manager Freek Sanders. We realized that we wouldn't be able to reach 300 children with existing local projects, so we hired tutors to start our own educational program.



What I learned from this period is that we all have different motives. If you don't recognize and acknowledge these motives, you won't gain trust and support. The tutor program works really well, though it is very labor-intensive. We need to look for alternative solutions if we want to achieve our goal of reaching out to 300 children.

I am very proud to see that we have made so many children eager to learn and have the whole community involved. Our tutors have done an amazing job.

When I left in April 2010, one of them told me: 'You have made me very proud of my own people again.' That is the best thing she could have told me – I really believe in empowering people by making them help themselves. People need to believe in what they can do. Also, the contact with the children's parents has been above expectations."



### Skarleth Bermúdez (32)

**Profession:** Teacher

"Prior to joining Hotel con Corazón, I was a teacher in a private school. A friend told me they were looking for a coordinator for the tutorial project. I was not yet familiar with the Foundation and its educational activities, but a good conversation with Kim made me enthusiastic about the project. It seemed very valuable to me.

It has always been my desire to work in a public school. One reason is that they have a much stronger need for good education than in the private schools I was used to. Teachers do not need to have a degree.

Once I started, it struck me that the tutorial project was even more comprehensive than I had thought. We really need to put a lot of energy into motivating parents (and children); that can be a very slow process. At the same time it is very rewarding to see the children progress. They like to come to the lessons and show great improvement. The contact with tutors and parents is improving as well, which is really good news.

What am I most proud of? Children are not only improving in reading, writing and math, but also in their behavior. We see that children who have been with us for a while cooperate better and show more respect towards each other. That is a truly terrific side effect of our program."



## PROFESSIONAL DEVELOPMENT

One of the goals of Hotel con Corazón is to stimulate local economic growth and realize lasting development. We do this by employing local people and encouraging their professional growth.

Our aim is to empower our personnel through the hotel's management style. Nicaraguans generally are used to a rather authoritarian system. We choose to have the employees participate in the decision-making by holding weekly team meetings and try to stimulate the group process by offering a daily team meal – either lunch or dinner. Our experience has been that this way team members grow and gain confidence in their own abilities and decision-making skills. The empowerment and group support pays off, as we continue to get extremely positive comments about the staff on TripAdvisor. As a result, they are willing to take extra steps to provide the high levels of service required by our guests.

### Study support

Hotel employees and tutors can receive a study allowance of 10% on top of their salary. In addition, the hotel introduced a scholarship program for large study expenses, as follows:

- Employees pay one third of their course fees from their own savings or salary;
- One third is offered by the hotel as a loan, to be paid back via salary deductions;
- One third is a gift from the hotel.

At the end of 2010 one of our tutors was the first to start using this grant system, and we expect that once she gets her degree, more employees will follow.

We actively stimulate employees to pursue professional growth by exploring jobs outside the hotel. As a result some employees continue a career elsewhere. For example, one of our receptionists moved up to a managerial job at a hostel in La Laguna de Apoyo.

### Interns

The hotel also offers internships for talented local and international students. During 2010, two students from the Instituto Técnico para la Administración y Economía (INTAE) in Granada and a student from the Universidad de Occidente (UDO) also in Granada completed their internships in the hotel. In addition, two students from the Netherlands worked in the hotel and one in the education program.



## FINANCIALS

### Profit & loss 2010

This section gives an overview of the financial situation during the year 2010, Hotel con Corazón's second full operational year.

HOTEL 2010			
Revenues		US\$	
Hotel	\$	165,568	
Restaurant	\$	9,359	
Bar	\$	10,538	
Tree House Travels	\$	4,012	
Other	\$	4,231	
<b>Total revenues hotel</b>			<b>\$ 193,708</b>
Costs			
Personnel	\$	41,585	
Purchases hotel	\$	19,394	
Stocking restaurant	\$	9,026	
Stocking bar	\$	8,290	
Maintenance hotel	\$	17,158	
Gas	\$	3,563	
Electricity	\$	12,966	
Water	\$	2,485	
Permits and operational taxes	\$	5,561	
Administration	\$	7,391	
Cleaning	\$	4,163	
Promotion	\$	2,017	
Transportation	\$	3,095	
Tree House Travels	\$	2,822	
Other	\$	2,562	
<b>Total expenses hotel</b>			<b>\$ 142,080</b>
<b>Operational profit</b>			<b>\$ 51,628</b>
<b>Income taxes</b>	<b>\$</b>	<b>1,750</b>	
<b>Net profit</b>			<b>\$ 49,878</b>

## FINANCIALS

### Actual 2010 versus 2009

The main revenue driver is room occupancy, which was 60% on average during 2010 – equal to the budgeted rate. Compared to 2009, the occupancy rate had increased by 15% occupancy, resulting in total revenues going up from US\$ 147,000 in 2009 to almost US\$ 194,000 in 2010.

Other revenues – a little over US\$ 4,000 – consisted of commissions received by the hotel for services performed by partners (such as taxi and bicycle rent), hosting of events, and sales of community products.

HOTEL - ACTUAL 2009 VERSUS 2010		
	Actual 2009 US\$	Actual 2010 US\$
Total revenue	\$ 147,188	\$ 193,708
Total expenses	\$ 132,004	\$ 142,080
<b>Operational profit</b>	<b>\$ 15,183</b>	<b>\$ 51,628</b>
<i>Margin</i>	10%	27%
<i>Average room occupancy</i>	45%	60%

Hotel costs increased by 8% compared to 2009. The three highest cost drivers – personnel, hotel purchases and maintenance – together accounted for more than half of the hotel's expenses.

Hotel con Corazón employs 11 full-time employees. The salary guideline we follow is to pay between 10 and 20% above minimum wage. During 2010 the Nicaraguan authorities increased the minimum wage level three times, by 6% each time, resulting in a total salary rise for Hotel con Corazón of more than 18%. Additionally, we introduced a bonus system for the employees, paying out an incentive in months with an average occupancy rate higher than 70%. The reasoning behind this is to reward

the flexibility and effort required of the personnel during these very busy periods.

Maintenance costs were high, even though no new investments were anticipated. The harsh conditions of the tropical climate (heat and extreme rainfall), in combination with the quality of materials used, have had bad effects on the building. Many small repairs were made during the year and larger maintenance work was needed twice. The expectation for 2011 is that most structural problems are now resolved and that therefore maintenance costs will go down.

All together, 2010 has resulted in an operational profit of US\$ 51,628, and a net profit of just under US\$ 50,000.

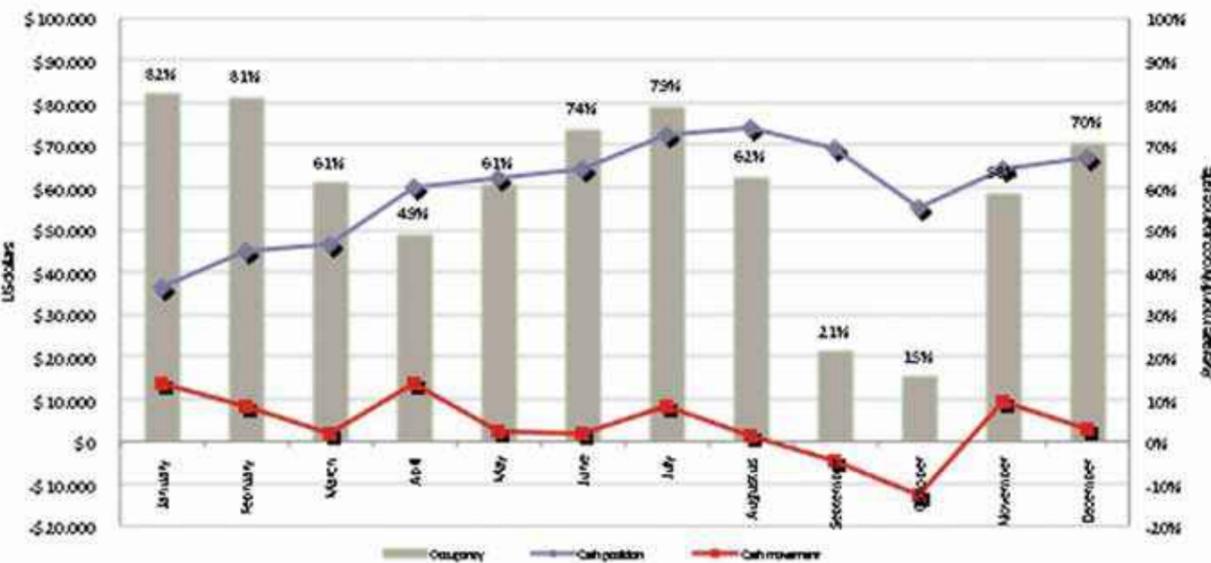
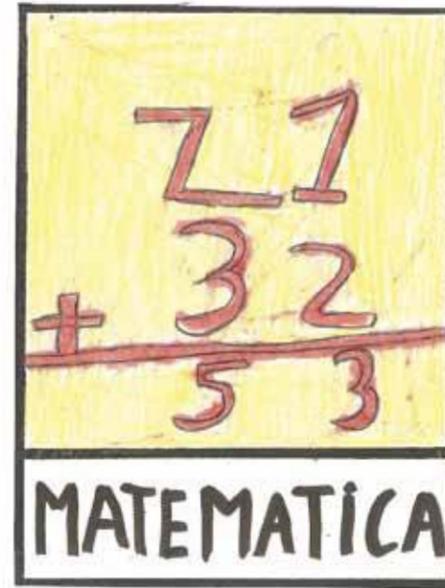


## FINANCIALS

### Occupancy and cash flow 2010

This table shows the cash movement and cash position relative to occupancy of the hotel. The cash movement in 2010 followed the pattern of occupation, but was still volatile. Even though cost control has been increased, bills tend to arrive irregularly. The most important trend was that the cash position increased significantly during 2010: from US\$ 23,000 at the start of the year to US\$ 67,000 at the end of December.

In the slow months, September and October, the occupancy rates showed their usual dips. In addition to the lower occupancy rates, the hotel was also closed for almost two weeks to take care of scheduled maintenance and to allow personnel to take annual vacation leave.



### Cash flow statement

CASH IN		US\$	US\$
Operational profit	\$	51,628	
Decrease tax credit	\$	13,027	
Donations	\$	7,169	
<b>Total cash in</b>			<b>\$ 71,824</b>
CASH OUT			
Education program	\$	25,688	
Income taxes	\$	1,750	
<b>Total cash out</b>			<b>\$ 27,439</b>
<b>Cash result</b>			<b>\$ 44,386</b>

## FINANCIALS

### Profit appropriation

The 2010 profit appropriation is displayed in the table below.

PROFIT APPROPRIATION		US\$	US\$
<b>Net profit</b>		\$	<b>49,878</b>
<b>Education investment</b>		\$	<b>18,519</b>
<b>Reservations</b>			
Major structural maintenance	\$	7,500	
Installations maintenance	\$	6,000	
Education reservations	\$	10,000	
<b>Total reservations</b>		\$	<b>23,500</b>
<b>Increase in working capital</b>		\$	<b>7,859</b>
<b>Result</b>		\$	<b>0</b>

The education investment in 2010 was US\$ 18,519.

We invested this part of the hotel's profit because Hotel con Corazón wants to build up the education program step by step, with the aim to learn and adjust where necessary.

As part of the reservation program (see 2009's annual report) Hotel con Corazón makes three kinds of provisions: for major structural maintenance, for installations

maintenance and for education in case of calamity or low utilization rates of the hotel. Total reservations made in 2010 were as budgeted – US\$ 23,500.

The total reservations taken up to and including 2010 add up to US\$ 47,000.

The remainder of the profits was added to the hotel's working capital.



## FINANCIALS

### Education investment

PROFIT AND LOSS EDUCATION PROGRAM			
Revenues		US\$	US\$
Hotel con Corazón investments		\$ 18,519	
Project donations		\$ 4,560	
Hotel guests donations		\$ 2,609	
<b>Total revenues education</b>			<b>\$ 25,688</b>
Costs			
Las Lagunas			
Personnel costs		\$ 12,265	
Transport costs		\$ 2,011	
Other project costs		\$ 1,897	
Improvements in the schools		\$ 3,283	
<b>Total</b>		<b>\$ 19,455</b>	
Contributions and expenses			
Through Empowerment International		\$ 2,762	
Through La Esperanza Granada		\$ 999	
Other contributions and expenses		\$ 2,472	
<b>Total</b>		<b>\$ 6,233</b>	
<b>Total costs education</b>			<b>\$ 25,688</b>
<b>Result</b>			<b>\$ 0</b>

### Revenues

The total expenditure on education projects in 2010 was US\$ 25,688, with which we were able to provide educational support to 98 children. US\$ 18,519 of the investment in education programs came from the hotel revenue. The hotel received an additional US\$ 7,169 in donations from hotel guests and sponsors, including Brian and Nancy Davis, Foundation Cucu, Foundation Give a Kid a Backpack, Maaswaal College and a Spanish school.

### Costs

The total cost of the education support activities in Las Lagunas was almost US\$ 20,000. The majority was spent on salaries for eight tutors plus the education manager. Compared to 2009, expenditure on this tutorial program tripled, because in 2009 the pilot had run for only 3 months, compared to the full 12 months in 2010. In addition, fringe benefits (insurance and thirteenth month) for the tutors, were set up and one of the tutors received a grant.

Other contributions and expenses were invested in:

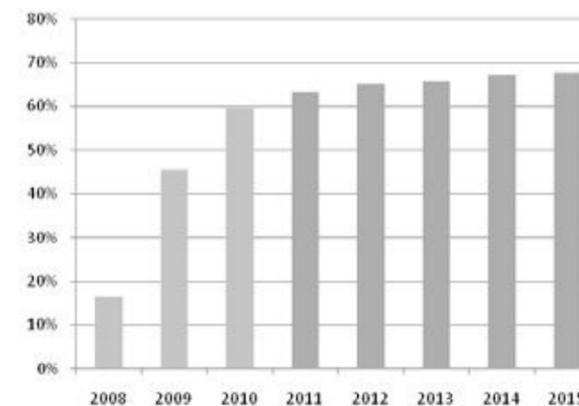
- The peer-tutoring program run by Empowerment International: US\$ 2,762;
- University scholarship including stipend via La Esperanza Granada: US\$ 999;
- University scholarship (direct via Hotel con Corazón): US\$ 250;
- Ritmo en los Barrios: US\$ 600
- Bibliobus: US\$ 340
- Backpacks for 188 children, all participants of the tutorials and all 5th and 6th graders – in return, they painted and cleaned the schools: US\$ 265;
- Building playgrounds next to the school in Las Lagunas: US\$ 997;

## OUTLOOK FOR 2011

### Hotel

The table below shows the actual average room occupancy rates for 2008 to 2010 and the projected occupancy rates for the next five years.

### Actual and projected average room occupancy rates



The actual costs, both in 2009 and 2010, have been higher than forecasted. However, the occupancy rate is expected to go up slightly and the hotel prices have been increased. The graph also shows that no real big growth in occupancy is expected any more in the coming years. The months of September and October, and to a lesser extent May and June, are generally very slow months, mainly due to the rainy season. With occupancy rates in those months well below 40%, the yearly average is not expected to go over 70%.

At the end of 2010, the hotel started paying valued added taxes of 15%, due to exhaustion of the tax credit built up during construction. This will have a negative effect on cash flow in 2011 and future years.

### Education

All the above considered, Hotel con Corazón expects to be able to slowly increase its education investment to an average US\$ 50,000 per year in the coming years. With this increased investment the objective is to gradually increase the number of children supported per year as shown in the table below.

### Plans for 2011

The objective for 2011 is to increase the number of children supported from 98 to 116. This will be achieved by accepting new 2nd graders into the tutoring program in Las Lagunas and by improving the quality of methods and measurement. Children exiting the tutorials at the end of the 3rd grade are offered homework support in the 4th and 5th grades. 6th graders and beyond may move on to English classes. Adolescents leaving elementary school are encouraged to continue with their education at secondary school. Once entered in the 'Corazón education program', the intention is to support all children to continue their educational career, on the condition that they show good progress. Also we intend to increase our investment – and thus the number of children supported – through our partner programs.

During 2011 the Board will be developing a business case for the education program in which goals, costs and revenues are qualified and quantified.

### Actual and projected total number of children supported per year

	Actual		Projected		
	2009	2010	2011	2012	2013
Primary school (Las Lagunas)	48	86	84	100	120
Secondary school	0	0	15	20	25
University	0	1	1	3	5
Via other NGO's	11	11	16	21	26
<b>TOTAL</b>	<b>59</b>	<b>98</b>	<b>116</b>	<b>144</b>	<b>176</b>

## GRANADA

Nicaragua's tourism hub



When Marcel and Onno first arrived in Nicaragua five years ago, they were on a clear mission: to identify a business opportunity to generate funds for education. Tourism stood out right away. Nicaragua is still an undiscovered pearl, with enormous growth potential for international tourism.

At that time Granada was the obvious choice for a location in which to settle. Its economy continues to grow and it is becoming the national tourism hub. The fertile agricultural land around the city produces organic coffee and cacao; bananas are grown nearby and cattle raised.

### Geography

- Situated in the Pacific lowlands on the south-western shore of Lake Nicaragua
- 45km south of the capital Managua; 30km from the international airport Augusto C Sandino (MGA)
- 2 hours by car to the beaches on the Pacific Ocean coast; 1 hour flight by plane to the Caribbean coast
- A growing population: 92,000 (in 2002); 109,000 (in 2009)

#### Geography and History sources:

Wikipedia, Via Nica, Escape Artist, Lonely Planet

### History

The city of Granada was founded in 1524 – it was one of the first European cities on the mainland of the Americas. The Central American Federation went on to become independent in 1835. Granada vied to be capital of Nicaragua, but it lost its capital status to Managua in 1852 (thus ending the rivalry between the cities of Granada and León). In 1856, Granada burned down and was rebuilt according to its original city plan.

**Granada is also called 'the Great Sultan' in honor of its Moorish namesake city across the Atlantic.**

### City Life

Colonial buildings with long, open porches on which sit typical wicker rocking chairs surround the Central Plaza in Granada. Heading east from the main square runs one of several stylish avenues, Calle La Calzada, with a great variety of hotels, restaurants and bars. The city invites you to meander through its little streets or get lost in the central market – where you can find an overwhelming selection of food and many other items for sale.

### Surrounded by nature

Granada is surrounded by spectacular nature. Among many options, visitors can:

- Rent a kayak to paddle on Lake Nicaragua around Las Isletas (365 islets of volcanic origin);
- Hike up through the permanent cloud forest surrounding the dormant Mombacho Volcano;
- Spend the night on the banks of the Laguna de Apoyo, an amazing nearby crater lake with pristine waters.

### Experience tours

Visiting is one thing, but experiencing local culture is something else entirely. Hotel con Corazón has its own in-house tour agency, Tree House Travels, which offers local experience tours.

#### Visitors can:

- Bake tortillas with **Doña Delia** in her own kitchen;
- Make a **piñata** together with mentally impaired adults;
- Take the '**chicken bus**' to one of the '**white towns**' and enjoy a home-cooked meal;
- Take a **bike tour** through a local barrio;
- Plus many, many more activities ...

## ABOUT HOTEL CON CORAZON

### Mission

Our mission is to help people in developing countries build a brighter future by investing in education and work.

- We stimulate children to finish their education – all the way from primary school up to higher education – so they increase their employment prospects.
- We stimulate local economic development by running a profitable business – a healthy enterprise that creates jobs and provides income and professional development opportunities for its employees.

### Strategy

- The initial investment capital to launch the business was acquired through fundraising in Europe, between 2006 and 2008.
- As of 2009, the hotel in Nicaragua provides a healthy stream of revenue: the business is profitable, provides good working conditions and is run with respect for local culture and the environment.
- 100% of the hotel profits are invested in local education projects.
- In time, local operations will be handed over to local management.

Currently the Board is investigating the possibility of setting up a second Hotel con Corazón.



## CORAZON BUSINESS PRINCIPLES

**Fun and fresh:** We want to be a contemporary enterprise with a no-nonsense attitude. We aim for simplicity, try to surprise our guests and our 'careholders', and have fun in our day-to-day operations.

**A place to be you:** Hotel con Corazón wants to offer all of its guests a home away from home, whether they are young or old, tourists or business travelers, visiting for a short or long stay. We offer simple luxury and warm service. Guests can hang out in the patios, take part in activities or cool down by the pool – whatever suits their desires.

**'Local color':** Even though Hotel con Corazón was set up by two Dutch guys, Nicaraguan blood flows through the hotel's veins. The building has been restored in colonial style; we employ local staff and purchase from and work together with many (mainly small) local enterprises.

**Good business:** Hotel con Corazón is true to its name. We aim to make a profit for a good cause. Our intentions are honest and trustworthy. To be able to act accordingly we work and report as transparently as possible.

**EDUCATION IS THE KEY TO A BETTER FUTURE. IT IS ONE OF THE MOST POWERFUL TOOLS FOR REDUCING POVERTY.**

**AT HOTEL CON CORAZÓN WE INVEST 100% OF OUR PROFITS IN EDUCATION AND 100% OF OUR ENERGY IN OFFERING YOU A PLEASANT STAY.**

**ENJOY TODAY,  
CARE FOR TOMORROW**

# HOTEL CON CORAZÓN

## **Colophon**

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**Copy:** Board, Management and Communications

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