

H HOTEL CON CORAZON ANNUAL REPORT 2016

EIGHT YEARS OF MEANINGFUL PARTNERSHIP

In 2016, we celebrated eight significant years of working with the community of Las Lagunas in Granada, Nicaragua. To better understand whether our efforts are making a difference, we initiated a collaborative process to plan and implement an impact study. We can proudly report many positive results since Hotel con Corazón began the education program:

- Increased parent involvement
- Growth in students' knowledge and skill development
- Boost in pride and confidence of students, parents and tutors
- Greater awareness of the importance of education
- Success in applied learning
- Better behaviour and communication at home
- Noticeable town improvements

HIGHLIGHTS

- January: We held a summer camp in collaboration with students from the University of New York. 76 children from Granada participated, including some who are not currently attending school, with the hope that they get motivated again to finish school.



The students are painting the Preescolar San Pablo School

- Together with volunteer consultants from Deloitte, we have improved our data system. This will give us better statistical data on student progress.
- April: 150 people participated in a Zumbathon. Through this 3-hour dance event we raised funds (228.51 Cordobas) towards a Hotel con Corazón in León.



- Fundación Hotel con Corazón was recognized by CANATUR, the Nicaraguan national chamber of tourism, with the prestigious award "El Güegüense to Tourism Excellence" in the category of Corporate Social Responsibility 2016.
- December. Two of our university scholarship students graduated. Reneo Mayorga received his diploma in Higher Education in Physics and Mathematics and is now working as a professor. Blanca Marengo graduated as a Veterinary Technician and decided to continue her studies at the university.



HOTEL CON CORAZÓN IS A SOCIAL ENTERPRISE. WE MAKE A HEALTHY PROFIT TO INVEST IN EDUCATION. 100% OF OUR PROFITS GO TO PROJECTS THAT SUPPORT CHILDREN TO FINISH THEIR SCHOOLING. THAT WAY THEY CAN HELP THEMSELVES AND THEIR COUNTRY TO BUILD A BRIGHTER FUTURE.

IMPACT BY NUMBERS

In 2016, we served over 250 community members:

- 191 students participated in primary and secondary school tutorials
- 19 university scholarships were awarded
- 26 scholarships were awarded through other NGOs
- 14 employees received a 10% salary bonus for their own or their children's education

We have tripled our beneficiary numbers since we started our program in 2009. Read more about this in the 'Impact Study 2009-2016'.

<https://www.hotelconcorazon.com/images/impact/impact-2016.pdf>

CORAZON MEXICO BECOMES REALITY

The second Hotel con Corazón will open its doors in Mexico at the end of 2017. Thanks to our supporters we reached our funding target of € 550,000. We bought a great piece of land with lots of green – a true oasis in the city of Oaxaca.

You can follow our adventures on the blog and via our Facebook page! We regularly post updates about the construction process, and our research on educational projects we can support.

www.corazonoaxaca.blogspot.mx / www.facebook.com/hotelconcorazonmexico



This design of the architect will be reality end of 2017

TYPICAL CON CORAZÓN

Four business principles guide our decisions:



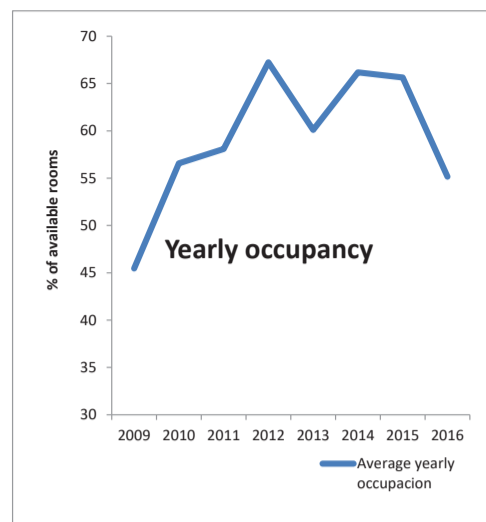
- 1. Fun and fresh**
Contemporary, no-nonsense and having fun together.
- 2. A place to be you**
Simple luxury and genuine service to offer a home away from home.
- 3. "Local color"**
International spirit in our hearts and local blood in our veins.
- 4. Good business**
We want to make a healthy profit for a good cause.

ENJOY TODAY, CARE FOR TOMORROW

FINANCIAL REPORT 2016

TOUGH YEAR

The year 2016 was a tough one for Hotel con Corazón. For the first time in our history, our occupancy rate was well below the average of previous years. In 2016, we had 55.2% occupancy compared to an average of 64.8% for the years 2012 to 2015. The market in Granada has changed significantly in recent years, with more hotels competing in our segment as well as increasing numbers of reservations being made via websites like Booking.com and Expedia.com. Our competitors embraced these new channels to market much earlier than we did. However, by early 2017, we had also joined all the important online agents for our market. We have started to learn this new way of marketing our rooms.



	2016	2015
Revenues		
Hotel	\$ 185.951	\$ 221.645
Restaurant	\$ 9.495	\$ 6.749
Bar	\$ 11.051	\$ 10.815
Corazon Trips	\$ 26.988	\$ 37.126
Other	\$ 2.943	\$ 1.450
Total revenues hotel	\$ 236.428	\$ 277.785
Costs		
Personnel	\$ 82.125	\$ 82.334
Purchases hotel	\$ 23.063	\$ 25.638
Stocking restaurant	\$ 4.336	\$ 1.521
Stocking bar	\$ 4.652	\$ 4.055
Maintenance hotel	\$ 4.960	\$ 6.570
Gas, water electricity	\$ 20.633	\$ 20.986
Admin & promotion	\$ 9.463	\$ 11.667
Cleaning	\$ 3.185	\$ 4.002
Transportation	\$ 624	\$ 833
Corazon Trips	\$ 18.625	\$ 27.256
Total expenses hotel	\$ 171.665	\$ 184.863
Operational profit	\$ 64.763	\$ 92.922
Income taxes	\$ 4.677	\$ 7.636
Reservation - maintenance	\$ 7.500	\$ 7.500
Reservation - installations	\$ 6.000	\$ 6.000
Net profit	\$ 46.586	\$ 71.786

We had a good year in the restaurant, with more lunches and evening meals, higher revenues and more satisfied hotel guests. This year Corazón Trips had a lower revenue per guest rate but a slightly better margin (31% compared to 27% last year).

Since a large part of our costs is fixed, lower room occupancy heavily influences our profits. We were, however, able to reduce the spend on temporary staff and this compensated for the mandatory annual salary increase of 5%. Due to lower occupancy, there was also less electricity usage (for air conditioning) but, on the other hand, water and gas were more expensive in 2016.

In total, we had an operational profit of \$65,000 compared to last year's \$93,000 (and 2014's

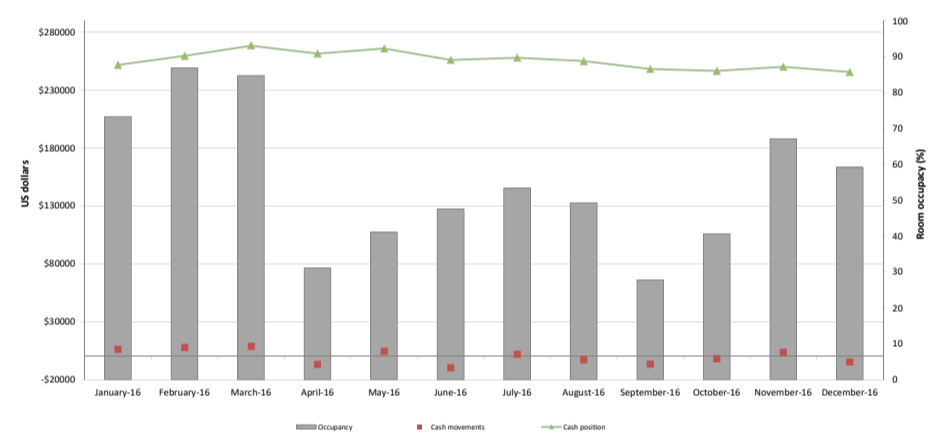
\$104,000). After deductions for taxes and long-term maintenance reservations, we did not have enough profit this year to completely cover educational project costs. Hence this was the first year when we have had to use the reservations that were built up in previous years. After this deduction of \$9,000, we still had \$151,000 in educational projects reservations at the end of 2016.

On TripAdvisor we gained no less than 64 new 5-star ratings, which helped to keep Hotel con Corazón always within the top three spots. These reviews have brought our total to 626 reviews. Since joining Booking.com, we have picked up excellent reviews at a fast pace. By the end of 2016, we had gained 21 reviews and ended up with a very nice 9.4 rating!

Cash flow

In 2016 we did not grow in available funds but were almost cash neutral. A total of only \$28 was added to our bank accounts.

Cash movements (US\$) and room occupancy (%)



Balance sheet

	31-12-2016	31-12-2015		31-12-2016	31-12-2015
Building	\$ 224.289	\$ 224.289	Equity	\$ 704.114	\$ 704.114
Reconstruction	\$ 315.917	\$ 315.917	Reservations	\$ 262.612	\$ 255.952
Other tangible assets	\$ 149.481	\$ 149.481		\$ -	
Banks and cash	\$ 195.934	\$ 195.850	Taxes and costs to be paid	\$ 4.092	\$ 9.016
Bank account NL	\$ 82.459	\$ 83.545	Savings accounts employees	\$ -	\$ -
Other short term assets	\$ 2.737	\$ -		\$ -	
Total:	\$ 970.818	\$ 969.083	Total:	\$ 970.818	\$ 969.083

	2016	2015
Reservations 2009-2015	\$ 255.952	\$ 225.354
Reservations 2016		
Major structural maintenance	\$ 7.500	\$ -149
Installations maintenance	\$ 6.000	\$ 6.000
Reservations personnel	\$ 2.372	\$ 1.735
Education reservations	\$ -9.212	\$ 23.013
Total reservations	\$ 6.660	\$ 30.598
Total reservations	\$ 232.014	\$ 255.952

Profit appropriation

	2016	2015
Net profit	\$ 46.586	\$ 71.786
Education investment	\$ 55.799	\$ 48.774
Education Reservations	\$ -9.212	\$ 23.013
Result	\$ -	\$ -



Become an Amigo con Corazón ('Friend with heart') and join us on Facebook, Instagram, or sign in for our newsletter at www.hotelconcorazonworldwide.com and find out about all our plans.

For more information, please visit our website

www.hotelconcorazon.com

or follow us!



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