

Excess tax benefit from share-based payment activity	—	—	(1,348)	—	—
Provision for transaction losses	10,512	15,080	18,478	13,520	32,967
Provision for uncollectible receivables related to merchant cash advances	—	—	2,431	1,844	4,616
Deferred tax assets	—	—	(2,664)	(2,664)	(207)
Impairment of intangible assets	—	2,430	—	—	—
Changes in operating assets and liabilities:					
Settlements receivable	(19,854)	(27,704)	(50,361)	(57,781)	(40,729)
Merchant cash advance receivable	—	—	(31,733)	(28,438)	(18,725)
Other current assets	(7,605)	(2,384)	(14,190)	(12,760)	(4,457)
Other assets	(1,615)	2,668	(636)	(3,043)	1,102
Accounts payable	2,028	(942)	179	(1,916)	2,048
Customers payable	47,101	21,148	52,956	59,482	89,446
Charge-offs and recoveries to accrued transaction losses	(7,335)	(13,613)	(17,514)	(11,361)	(25,415)
Accrued expenses	3,909	9,912	8,113	11,047	13,950
Other current liabilities	1,433	103	3,007	2,265	1,524
Other liabilities	8	14,288	23,295	21,782	8,801
Net cash (used in) provided by operating activities	(42,925)	(60,577)	(109,394)	(87,548)	2,890
Cash flows from investing activities:					
Purchase of property and equipment	(13,033)	(47,931)	(28,794)	(21,261)	(30,484)
Payment for acquisition of intangible assets	—	—	(400)	(400)	(110)
(Increases) decreases in restricted cash	(34,758)	40,000	(7,075)	(3,402)	(252)
Business acquisitions (net of cash acquired)	—	(2,872)	11,715	11,715	(4,500)
Net cash used in investing activities:	(47,791)	(10,803)	(24,554)	(13,348)	(35,346)
Cash flows from financing activities:					
Proceeds from issuance of preferred stock, net	221,754	1	148,748	98,822	—
Principal payments on capital lease obligation	(190)	—	—	—	—
Proceeds from debt	—	—	30,000	30,000	—
Principal payments on debt	—	—	—	—	(30,000)
Proceeds from the exercise of stock options	5,616	18,906	14,056	12,626	12,209
Excess tax benefit from share-based payment award	—	—	1,348	—	—
Net cash provided by (used in) financing activities	227,180	18,907	194,152	141,448	(17,791)
Effect of foreign exchange rate on cash and cash equivalents	(4)	(760)	(1,080)	(404)	(970)
Net increase (decrease) in cash and cash equivalents	136,460	(53,233)	59,124	40,148	(51,217)
Cash and cash equivalents, beginning of period	82,949	219,409	166,176	166,176	225,300
Cash and cash equivalents, end of period	\$219,409	\$ 166,176	\$ 225,300	\$ 206,324	\$ 174,083

See accompanying notes to consolidated financial statements.

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SQUARE, INC. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Square, Inc. (together with its subsidiaries, "Square" or the "Company") was founded in 2009. The Company has extended its solution from payments and point-of-sale services to financial services and marketing services.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, as well as related