



KOPERASI
KASIH
INDONESIA

Annual Report 2011





Contents

KKI borrowers during fun trip to Taman Matahari, June

- **Letters to KKI Supporters**
- **Koperasi KASIH Indonesia: An Overview**
- **2011 Milestones**
- **The Team**
- **Direct Impact**
- **Indirect Impact**
- **Targets and Challenges**
- **Analysis for 2011 Financial Statement**
- **Unaudited Balance Sheet**
- **Unaudited Profit & Loss Statement**

Dear KKI supporters (donors, friends, supporter-at-heart),

I am pleased to share with you KKI's very first annual report ☺

This annual report, and all the things that KKI has achieved in its first year, were not achieved because of KKI team's hard work only, but also because of your support.

Throughout this year, you have given us an enormous support. We received 100 million IDR after 1 month of operations, and throughout the year total donations of ~418 million IDR. We did not buy any furniture as all of it came from donations. And on top of that, continuous moral support and most important, your prayer, have helped us to go through challenging periods, both in business and personally. Thank you so much, friends.

KKI started small in February 2011, with a big dream. We want to help millions of Indonesians to exit poverty permanently, with us providing the way. To achieve this goal, we combined the proven microfinance approach with needed financial educations. KKI chose to develop all of its system from scratch to get complete learning.

By the end of 2011, KKI has supported 439 members. It is below the target of 500. Total loan of ~315 millions IDR were disbursed. Risk performance was well-maintained with 0.3% non performing loan and 1.3% portfolio at risks >30 days. We surveyed first 200 borrowers and found out that ~70% of borrowers experienced an increase in their daily income by around 20-30%. Results from financial education is lower but we are not giving up. ~20% reduced their children's spending on snack by 15-25% during the training period.

In addition to the direct impact above, KKI has helped 3 institutions to start their own microfinance program. We also shared our work to ~25 youth forums (> 1,500 people). Moreover, KKI was also blessed by exposures given by 9 media throughout 2011, which made people from various places contacted us and request our presence ☺

From financial condition point of view, KKI ended the year with an assets of ~508 millions IDR and experiencing total loss of ~19.6 millions IDR. Most of KKI's assets is in form of cash (72%) and outstanding loan (26%). KKI's main revenue source is loan disbursement (92%) and main expense source is salary (75%).

Our management team is a young and talented people and we learned a lot about how to manage the whole business and how to take calculated risks. Based on this learning, we are confident that we could push ourselves and the team to achieve target in 2012.

KKI MUST achieve 2,000 borrowers by the end of 2012. This goal is important because of 2 reasons: (1) founder's capital allocated for operational expenses (all donations are used for loan only) will be running out by end of 2012 and (2) not achieving 2,000 by end of 2012 means management team is not doing good enough job and not making enough impact, and therefore might be better to make impact somewhere else. Challenges to achieve this goal lie both internally (finding needed human capital) and externally (raising 94,000 USD).

We hope that you will continue to be with and supporting us in 2012. We will do our best to help others, and to make us countable and dependable for those who wants to support others through us.

As a last statement, I would like to quote this one sentence:

GOD is great, and with GOD nothing is impossible. So as KKI's dream. So as yours.

GOD bless you, your family and all that you do.

With best regards and wishes,



Leonardo Kamilius

Chairman, Koperasi KASIH Indonesia

Our VISION

To help millions of Indonesians exit poverty and reach prosperity with their own effort, with us providing the way

Our APPROACH

KKI's approach is designed to **create sustainable IMPACT in sustainable WAY**

- **Sustainable IMPACT:** KKI provides worldly-recognized and locally-adapted **microfinance services** and highly-needed **financial educations**:
 - ✓ Microfinance is “Banking and/or financial services targeted to low-and-moderate income businesses or households” (ACCION)
 - ✓ “Access to formal financial services is by now widely recognized as critically important to alleviating poverty” (World Bank)
 - ✓ Financial management ability is very important as they who manage their money better exit poverty faster (KKI's observations)
 - **Sustainable WAY:** KKI operates as a social business instead of non-profit. It is an institution who solve social issue using business approach
 - ✓ **Does social business really help?** It does. It fits people who has capacity to create value but lacks needed resources
 - ✓ **Why not non-profit?** Giving support for free to people who could create value in continuous manner will grow “beggar mentality” in them
 - ✓ **Why social business is sustainable?** KKI need donation to reach 2,000 borrowers. Afterwards, it could cover its own costs
-

Our UNIQUENESS

Idealism and persistence to instill financial behavioral changes in our members set us apart from others:

- **Financial education is seen as inessential.** Many assumes more income means better life
- **What is often missed is that it is not only about how much one earns but how it is managed.** KKI observes that members with average income but could manage it well improve life faster than others who do not
- However, **financial education is not justifiable financially.** Therefore most are not interested
- **KKI's end goal is social impact, not profit.** Therefore we keep our idealism and persistence in this aspect
- **We are not just idealist. We are visionary and creative.** We do not stop when others say financial education could not be done without disturbing profit. For example, we instill behavioral changes by including compulsory savings in our loan products and develop soap-opera video, which makes training cheap and standardized

January

KKI was established by Leonardo Kamilius, Petrus Partono and Lucyana Siregar with the first office in Cilincing, North Jakarta

February

Loans disbursed to first 24 borrowers

March

First individual donation received, 100 million IDR

April

First media exposure, KKI founder Leonardo Kamilius was featured in Jakarta Globe's My Jakarta

December

- KKI ended the year with 439 borrowers and 0.1% bad debts
- First company donation received
- Legal entity formed (Dinas KUMKM DKI Jakarta no. 268/BH/XII.2/1.829.31 /XII/2011)

September

Ferry Setiawan joined management team after graduated from Faculty of Economics, University of Indonesia

July

Leonardo and Lucyana decided to split with Petrus. Petrus established his own cooperative. KKI moved to rented office

May

First major system revision made, KKI applies joint liability



First disbursement to 24 borrowers, February

KKI's management team consists of 3 alumni of Faculty of Economics University of Indonesia. 4 field officers are local qualified people. KKI also has 1 part-time and 1 intern

Management



Leonardo Kamilius

- **Position:** Founder & CEO
- **Education:** University of Indonesia, Faculty of Economics (2004 graduate)
- **Last experience:** Business Analyst at McKinsey & Company (2008 – 2011)



Lucyana Siregar

- Position:** Founder & COO
- Education:** University of Indonesia, Faculty of Economics (2004 graduate)
- Last experience:** Accountant at Sinar Mas Land (2010)



Ferry Setiawan

- Position:** Operations Supervisor
- Education:** University of Indonesia, Faculty of Economics (2007 graduate)
- Joined KKI directly after graduation

Field Officers



Yuswati

- 40 years old
- Joined KKI in May 2011
- Worked at clothing manufacturer



Denni Pasaribu

- 20 years old
- Joined KKI in May 2011
- Formerly working at clothing manufacturer



Astri

- 29 years old
- Joined KKI in October 2011
- Worked in Malaysia as coordinator of cleaning service



Sri (Nining)

- 35 years old
- Joined KKI in October 2011
- Worked at clothing manufacturer and paint company

Part-time public relation



Rosmida Mangunsong

- 57 years old
- Joined KKI in August 2011
- Experienced health cadre, work part-time as PR officer

Intern



Handy Salim

- Analyst, developing feasibility study and business plan for basic need business (Sep-Nov)
- Prasetya Mulya Business School, undergraduate, class of 2007

KKI supported 439 borrowers in 2011, below the target of 500. Risks were well-maintained. Early impacts from loan and educations were observed from survey to 1st 200 borrowers

Outreach

- Total borrowers : 439 (target: 500)
- Active borrowers : 303
- % of woman : ~97%
- % live with <2 USD/day/person: ~91%
- Number of active groups : 17
- Total cooperative members : 20
- Number of branch : 1
- Number of district served : 1 (Cilincing)
- Number of sub-district served : 3

Financial figures

- Number of loans : 608
- Number of weekly loans : 499
- Number of other loans : 109
- Loan disbursed : ~315 million IDR
- Loan outstanding : ~132 million IDR
- Average loan per borrowers : ~725,000 IDR
- Savings : ~17 million IDR
- Portfolio at risk > 30 days : 1.3%
- Non performing loan (>90 days) : 0.3%



Ibu Barkah, ex-borrowers, showing her "savings" book. She did not save money diligently before joining KKI

Clients' progress

Survey was executed internally to the first 200 borrowers with following results:

- Progress in income*:
 - % of borrowers experiencing increase in income after receiving loan: ~70%
 - Average increase in daily income: 20-30%
- Progress in financial behavior*:
 - % of borrowers reducing their children's snack spending during training periods: ~20%
 - Average decrease in daily spending: 15-25%

Note: It is not conclusive that the these results are solely caused by KKI's supports

Ad-hoc supports

- Fun trip to Taman Matahari at Puncak
 - ~175 members
 - June 26, 2011
 - Bus was donated by various people
- Savings competition with rice and other interesting prizes
 - > 50 members
 - From February to May 2011
 - Prizes were donated by Petrus P.
- Takoyaki-making class:
 - ~ 20 members
 - June 2011
 - Class was delivered by students from Dental Faculty, University of Indonesia

KKI put aside some of its resources to help others to start microfinance program and to share inspiration to > 1,500 Indonesia's future leaders. Media exposures were a good bonus

Supporting other programs

- **Koperasi Sejahtera**
 - Koperasi Sejahtera was established by alumni of Christian Student Organization at FE UI. It aims to contribute to poverty alleviation effort
 - KKI shared its systems to Koperasi Sejahtera; They have started with 8 families in Tangerang
- **Center of Entrepreneurship BEM UI 2011**
 - CoE is one of BEM UI's Social Development Division programs for 2011. It aims to support capital need of micro entrepreneurs in Depok
 - KKI shared its systems to the committee and deliver one training session to borrowers. 15 people will be given micro loan
- **SxC Microfinance**
 - This program is arranged by students from Bandung Institute of Technology as part of the StudentsxCEOs program
 - KKI shared its systems to SxC Microfinance, which will start with 4-6 borrowers in Bandung

Sharing (25 forums, > 1,500 viewers)

- Character Building: Dare Yourself to be Social Entrepreneur (UI, April)
- *Socioentrepreneur*, Solusi Pembangunan Indonesia (FE UI, May)
- Mandiri, Berani, dan Berjaya (UI, May)
- Opportunities at the bottom of the Pyramid (StudentsxCEOs Summit 2011, June)
- Makna Kontribusi Sosial: Apa yang Sudah Anda Lakukan? (GYC, July)
- Microbusiness (FE Trisakti, August)
- Talkshow: Magic of Inspiration (FE UI, August)
- Pengabdian untuk bangsa Indonesia (UI, October)
- Potret Pemuda Indonesia (FIM, October)
- Institution visit, social development, Konferensi Mahasiswa Indonesia (BEM UI, October)
- Pembukuan Bisnis Sederhana dan Pengembangan Bisnis (CoE UI, October)
- Building Community Development (UI, November)
- Peran Strategis Pemuda dalam Social Entrepreneurship (OIS, FISIP UI, November)
- Kontribusi Pemuda untuk Indonesia (Program Pembinaan SDM Strategis Nurul Fikri, November)
- The Young Social Entrepreneur (UI, November)
- Social Entrepreneurs seminar series (Kalbis Institute, MM program, December)

Media Exposures

Television programs:

- Metro Xin Wen (Metro TV) – September 6
- Provocative Proactive (Metro TV) – November 3



- Liputan 6 Siang (SCTV) – September 2011



Radio shows

- 101.4 Trax FM – November 24



- KBR68H, 89.2 FM – December 2



Newspapers

- Jakarta Globe – April 26



- Media Indonesia – November 21



Magazines

- Reader's Digest Indonesia – August 2011



- MarketPlus Magazine – December 2011

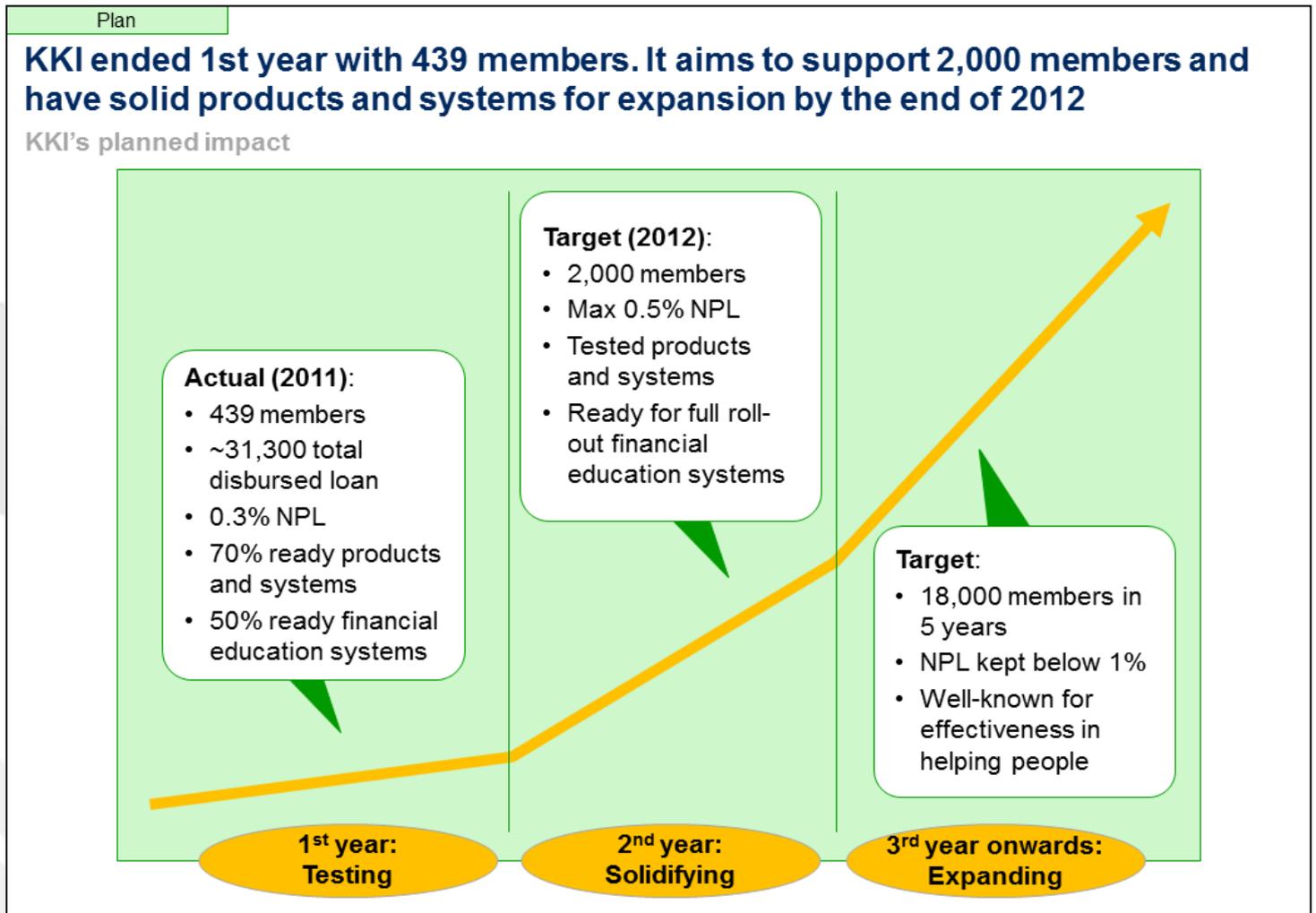


KKI launched its website on Feb 21

www.kasihindonesia.com

Visit for complete information and links

Achieving 2,000 borrowers is a must for KKI in 2012. To achieve it, KKI is looking to recruit 6 more field officers, raise 94,000 USD and develop further its risk management system



Targets for 2012

- **Supporting 2,000 borrowers:**
KKI aims to achieve full capacity for its first office by the end of 2012
- **Achieving operational break even point:**
Supporting 2,000 borrowers means KKI could cover all of its operational expenses and start recovering year 1 losses
- **Maintaining solid risk-performance:**
The 2,000 borrowers must be maintained with maximum 0.5% non performing loan
- **Proof-test products and systems:**
KKI wants to have a fully-tested replicable products and systems by the end of 2012
- **Rolling-out educational videos:**
KKI's innovative ideas to teach financial education via soap opera video shall be executed in 2012

Challenges we are addressing

- **Finding qualified human resources:**
Recruiting 6 more qualified field officers is proven to be quite challenging
- **Raising 94,000 USD:**
KKI needs an additional funding of 94,000 USD to be as loan for the 2,000 members and to cover early operational expenses. Ideally, these would be in form of grants or zero-interest loan
- **Creating sustainable risk management system:** Strong risk performance in 2011 was achieved with many interventions from management. In 2012, we want our borrowers to look over their friends
- **Pushing ourselves harder:**
Beyond everything else, KKI management team wants to push themselves and the team harder in order to reach the targets

Highlights from **balance sheet**

- KKI ended its 2011 financial year with total assets of ~508 million IDR:
 - 95% of these assets was funded by owned capital; The rest 5% came from short-term obligations, mostly borrowers' savings in KKI
 - 87% (~418 million) of owned capital came from donations of 48 individuals and 1 institution; The rest came from founder's capital, deducted by loss
- KKI's assets proportion was 99% short-term and 1% fixed assets:
 - 72% of KKI's assets was in form of cash (in hand or in bank). This was because KKI received > 250 million IDR in Q4 2011 and it takes time to build internal capacity to disburse those money
 - 26% was in form of outstanding loan. In 2012, KKI aims to have at least 80% of its assets as outstanding loan. KKI is building recruiting field officers to widen its outreach
 - Only 1% of KKI's asset was in form of fixed assets, constituted by bicycle. This is because KKI rented its office and get all furniture as donations

Highlights from **profit & loss statement**

- KKI recorded total loss of ~19 million IDR for its 11 months of operation:
 - KKI's total revenues were ~50 million IDR, 92% of which came from loan-related revenues (interests and administration fees)
 - KKI's total expenses were ~70 million IDR, 94% of which came from operational expenses, mainly salary (75%). Despite salary's biggest contribution, it is actually much lower than what it should had been, as 3 of management team members were all underpaid: Leonardo did not get any salary in 2011, Lucyana received average salary of 1.75 million/month and Ferry received salary of 1.5 million/month

2012 financial outlook

- **Source of capital: Donation remains as priority in 2012.** KKI aims to maintain proportion of owned capital from total assets at 80% or more in order to maintain low risks. This means KKI will still be focusing on raising donation instead of loan in 2012
- **Investment allocation: Majority will remain as short-term assets.** KKI will purchase ~3 second hand motorcycles in Q3 2012, which will add proportion of fixed assets. However, >85% of assets will still be short-term, mainly outstanding loans
- **Financial performance: Bigger loss are to be expected in 2012.** KKI will invest in building internal capacity to reach 2,000 members by adding 6 more field officers. In addition, management team's salary (Lucyana and Ferry) will be increased to 3.5 million and 2.5 million/month, which is still below market rate. Leonardo will still not receive salary for 2012. Therefore, it is to be expected that KKI will incur a significantly higher losses in 2012. However, it shall be considered as an investment as KKI will be able to cover its monthly operational expenses when 2,000 borrowers are reached and start recovering the losses

Koperasi KASIH Indonesia

Balanced Sheet

December 31, 2011
(in Indonesian Rupiah)

Assets		Liabilities and Equity	
Assets		Liabilities	
<i>Current assets:</i>		<i>Current liabilities:</i>	
Cash and equivalents	Rp 11,027,650	Borrowers' savings	Rp 16,583,850
Cash in bank	Rp 356,204,367	Borrowers' initial savings	Rp 8,051,000
'Tumbuh' Loan (weekly)	Rp 109,532,688	Employee savings	Rp 310,000
Emergency Loan (monthly)	Rp 304,000		
Fasting Month Loan (monthly)	Rp 123,108	Short-term liabilities	Rp -
'Mandiri' Loan (monthly)	Rp 1,561,533	Other current liabilities	Rp 461,000
Housing Loan (monthly)	Rp 2,100,000		
Educational Loan (monthly)	Rp 5,740,000		
Other monthly loans	Rp 11,206,629		
Other loans	Rp 1,000,000		
Prepaid office rental	Rp 3,500,001		
Total current assets	Rp 502,299,975	Total current liabilities	Rp 25,405,850
<i>Fixed assets</i>		<i>Members' savings</i>	
Land	Rp -	Members' principal savings	Rp 692,000
Building	Rp -	Members' compulsory savings	Rp 60,000
Vehicles	Rp 6,404,500	Members' voluntary savings	Rp 5,000
Office equipment	Rp -		
Accum. Depreciation – building	Rp -	<i>Long-term liabilities</i>	
Accum. Depreciation – vehicles	Rp (577,688)	Long-term liabilities	Rp -
Accum. Depreciation – Office eqp.	Rp -		
Total fixed assets	Rp 5,826,813	Total long-term liabilities	Rp 757,000
		Equity	
		Leonardo Kamilius	Rp 82,750,210
		Donations	Rp 418,850,000
		Retained earnings	Rp (19,636,272)
		Total equity	Rp 481,963,938
Total Assets	Rp 508,126,788	Total liabilities and equity	Rp 508,126,788

Koperasi KASIH Indonesia

Profit & Loss Statement

For the year ended at December 31, 2011

(in Indonesian Rupiah)

		2011
INTEREST INCOME		
Interest income from TUMBUH (weekly loan)		Rp 29,824,300
Interest income from other loans		Rp 1,753,407
	Total interest income	Rp 31,577,707
INTEREST EXPENSE		Rp -
	Net interest income	Rp 31,577,707
OTHER INCOME		
Income from administration fees		Rp 14,440,000
Interest income from bank		Rp 1,497,890
Donations for operational expenses		Rp 2,500,000
Other income		Rp 84,500
	Total other income	Rp 18,522,390
TOTAL INCOME		Rp 50,100,097
OPERATIONAL EXPENSES		
Salary		Rp (52,514,300)
Office expenses; Water, electricity, etc.		Rp (5,677,910)
Office rental expenses		Rp (3,499,999)
Photocopying expenses		Rp (2,467,650)
Office supplies		Rp (813,700)
Vehicle depreciation expenses		Rp (577,688)
Interest for borrowers' savings		Rp (204,600)
Transportation expenses		Rp (100,000)
	Total operational expenses	Rp (65,855,847)
OTHER EXPENSES		
Legal entity establishment expense		Rp (3,500,000)
Bank administration expenses		Rp (380,523)
	Total other expenses	Rp (3,880,523)
TOTAL EXPENSES		Rp (69,736,370)
NET PROFIT BEFORE TAX		Rp (19,636,272)