



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Pioneers, Inc.
Orlando, Florida

We have audited the accompanying consolidated statements of financial position of Pioneers, Inc. (“the Organization”) as of September 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pioneers, Inc. as of September 30, 2011 and 2010, the consolidated changes in its net assets and its consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Batts Morrison Wales & Lee, P.A.
BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
January 13, 2012

PIONEERS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	September 30,	
	2011	2010
ASSETS		
Cash and cash equivalents (Note B)	\$ 1,211,129	\$ 2,392,234
Temporary investments (Note D)	7,834,539	5,895,256
Other assets	807,184	857,475
Land, buildings and equipment, net (Note E)	8,345,854	8,079,360
Total assets	\$ 18,198,706	\$ 17,224,325

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 1,320,731	\$ 1,220,424
Total liabilities	1,320,731	1,220,424
NET ASSETS		
Unrestricted	5,122,952	5,201,133
Temporarily restricted (Note F)	11,755,023	10,802,768
Total net assets	16,877,975	16,003,901
Total liabilities and net assets	\$ 18,198,706	\$ 17,224,325

PIONEERS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2011

	Unrestricted	Temporarily Restricted	Total
Public support and revenue:			
Contributions	\$ 675,018	\$ 40,143,906	\$ 40,818,924
Grant revenue	742,500	640,000	1,382,500
Campground revenue	596,406	—	596,406
Net loss on temporary investments	(357,471)	—	(357,471)
Interest and dividend income	209,788	—	209,788
Other income	258,179	—	258,179
	<u>2,124,420</u>	<u>40,783,906</u>	<u>42,908,326</u>
Total public support and revenue			
Net assets released from restrictions	<u>39,831,651</u>	<u>(39,831,651)</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>41,956,071</u>	<u>952,255</u>	<u>42,908,326</u>
Expenses:			
Program activities:			
Evangelism and church planting	30,305,753	—	30,305,753
Ministry to constituency	1,559,281	—	1,559,281
Training	1,314,426	—	1,314,426
Membership development	1,270,948	—	1,270,948
Short-term overseas ministries	505,599	—	505,599
	<u>34,956,007</u>	<u>—</u>	<u>34,956,007</u>
Total program activities			
Supporting activities:			
Management and general	4,747,667	—	4,747,667
Fund raising - general	1,280,611	—	1,280,611
Campground expenses	557,211	—	557,211
Fund raising - appointees	492,756	—	492,756
	<u>7,078,245</u>	<u>—</u>	<u>7,078,245</u>
Total supporting activities			
Total expenses	<u>42,034,252</u>	<u>—</u>	<u>42,034,252</u>
CHANGE IN NET ASSETS	(78,181)	952,255	874,074
NET ASSETS - Beginning of year	<u>5,201,133</u>	<u>10,802,768</u>	<u>16,003,901</u>
NET ASSETS - End of year	<u>\$ 5,122,952</u>	<u>\$ 11,755,023</u>	<u>\$ 16,877,975</u>

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

PIONEERS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2010

	Unrestricted	Temporarily Restricted	Total
Public support and revenue:			
Contributions	\$ 267,135	\$ 34,770,698	\$ 35,037,833
Grant revenue	490,000	392,000	882,000
Campground revenue	560,861	—	560,861
Net gain on temporary investments	374,001	—	374,001
Interest and dividend income	165,968	—	165,968
Other income	376,550	—	376,550
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Total public support and revenue	2,234,515	35,162,698	37,397,213
Net assets released from restrictions	33,274,719	(33,274,719)	—
	<hr/>	<hr/>	<hr/>
Total public support and revenue and net assets released from restrictions	35,509,234	1,887,979	37,397,213
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Expenses:			
Program activities:			
Evangelism and church planting	25,353,724	—	25,353,724
Training	1,335,970	—	1,335,970
Ministry to constituency	1,072,817	—	1,072,817
Membership development	1,020,701	—	1,020,701
Short-term overseas ministries	516,114	—	516,114
	<hr/>	<hr/>	<hr/>
Total program activities	29,299,326	—	29,299,326
	<hr/>	<hr/>	<hr/>
Supporting activities:			
Management and general	4,331,934	—	4,331,934
Fund raising - general	941,639	—	941,639
Campground expenses	652,717	—	652,717
Fund raising - appointees	416,176	—	416,176
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Total supporting activities	6,342,466	—	6,342,466
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Total expenses	35,641,792	—	35,641,792
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CHANGE IN NET ASSETS	(132,558)	1,887,979	1,755,421
NET ASSETS - Beginning of year	5,333,691	8,914,789	14,248,480
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NET ASSETS - End of year	\$ 5,201,133	\$ 10,802,768	\$ 16,003,901
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PIONEERS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended September 30,	
	2011	2010
OPERATING CASH FLOWS		
Cash received from contributors and grantors	\$ 42,201,424	\$ 35,919,833
Cash paid to suppliers and employees	(41,537,620)	(34,976,984)
Investment income received	209,788	165,968
Other revenue received	854,585	937,411
Net operating cash flows	1,728,177	2,046,228
INVESTING CASH FLOWS		
Purchases of temporary investments	(2,822,627)	(500,080)
Proceeds from sales of temporary investments	525,873	452,525
Purchases of and improvements to land, buildings and equipment	(612,528)	(861,146)
Net investing cash flows	(2,909,282)	(908,701)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,181,105)	1,137,527
CASH AND CASH EQUIVALENTS - Beginning of year	2,392,234	1,254,707
CASH AND CASH EQUIVALENTS - End of year	\$ 1,211,129	\$ 2,392,234
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ 874,074	\$ 1,755,421
Adjustments to reconcile change in net assets to net operating cash flows:		
Depreciation	346,034	361,315
(Gain) loss on temporary investments, net	357,471	(374,001)
Change in other assets	50,291	(316,420)
Change in accounts payable and accrued expenses	100,307	619,913
Net operating cash flows	\$ 1,728,177	\$ 2,046,228

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

PIONEERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

Pioneers, Inc. (“the Organization”) is a Virginia not-for-profit corporation which is authorized to conduct activities in the state of Florida. The purpose of the Organization, a Christian ministry, is to evangelize and plant churches among the major blocks of unreached people worldwide. The Organization is headquartered in Orlando, Florida. The Organization also has a franchise agreement with Kampgrounds of America, under which it operates a campground at its headquarters location, which does business as Orlando Lake Whippoorwill KOA. The Organization also operates a retail business known as “Heartcraft,” which sells crafts purchased from businesses that have been established alongside church planting efforts in foreign countries. The Organization also conducts conferences and sells books and media items.

During the year ended September 30, 2010, AmeriTribes, Inc. (“AmeriTribes”) ceded control of its governing board to the Organization. AmeriTribes is organized in Arizona as a not-for-profit corporation, the principal activity of which is to be a Christian non-denominational mission organization for the purpose of partnering with established churches to facilitate the development of reproducing indigenous churches among tribal people of the Americas. Accordingly, in conformity with accounting principles generally accepted in the United States of America, the Organization’s financial statements include the accounts of AmeriTribes. All significant interorganization transactions and balances have been eliminated.

Effective October 1, 2010, Arab World Ministries, Inc. (“AWM”) ceded control of its governing board to the Organization. AWM is organized in New Jersey as a not-for-profit corporation, the principal activity of which is converting people to the Lord Jesus Christ and discipling them into spiritual maturity through the establishment of new churches. Accordingly, in conformity with accounting principles generally accepted in the United States of America, the Organization’s financial statements include the accounts of AWM. All significant interorganization transactions and balances have been eliminated.

Pioneers Foundation, Inc. (“the Foundation”) was formed in January 2010 for the purpose of furthering the missionary purposes of the Organization. The Foundation is a Florida not-for-profit corporation which is controlled by the Organization by virtue of provisions contained in the Foundation’s governing documents. The Foundation has had no financial activity since its inception. Subsequent to September 30, 2010, the Foundation was dissolved.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as “net assets released from restrictions.”

Temporarily restricted net assets

All contributions are received as donations to the Organization and not to specific individuals. Contributions which donors request to be used to support the ministry activities of specific missionaries or specific projects are under the full control of the Organization. In order to conservatively account for such contributions, the Organization recognizes them as temporarily restricted until they are expended for appropriate ministry purposes.

Assessments

The Board of Directors has established a policy that contributions for the support of ministry activities of certain missionaries are assessed a fee to be used to maintain the U.S. Mobilization Base and to maintain the international division.

PIONEERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

The Organization considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Temporary investments

Temporary investments include marketable equity and debt securities and are carried at estimated fair value.

Land, buildings and equipment

Land, buildings and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

Income taxes

The Organization, AmeriTribes, AWM and the Foundation are exempt from federal income tax as organizations described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. Each entity is further classified as a public charity and not a private foundation for federal tax purposes. The Organization engages in certain unrelated business activities. However, the Organization has not incurred unrelated business income taxes related to such activities. As a result, no income tax provision or liability has been provided for in the accompanying consolidated financial statements. The entities have not taken any material uncertain tax positions for which the associated tax benefits may not be recognized under accounting principles generally accepted in the United States of America.

Use of estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these consolidated financial statements include those related to the useful lives of buildings and equipment. Actual results could differ from the estimates.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through January 13, 2012, the date as of which the consolidated financial statements were available to be issued.

NOTE C – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents in deposit accounts and money market funds which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

NOTE D – TEMPORARY INVESTMENTS

Temporary investments consisted of the following:

	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
Equity mutual funds	\$ 5,263,639	\$ 3,854,461
Bond mutual funds	2,570,900	1,887,465
U.S. government securities	<u>—</u>	<u>153,330</u>
Total temporary investments	<u>\$ 7,834,539</u>	<u>\$ 5,895,256</u>

PIONEERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D – TEMPORARY INVESTMENTS (Continued)

Accounting principles generally accepted in the United States of America (“GAAP”) define fair value as the price the Organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. GAAP also established a hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – quoted prices in active markets for identical assets

Level 2 – other significant observable inputs (such as quoted prices for similar investments)

Level 3 – significant unobservable inputs

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Estimated fair values of assets measured on a recurring basis as of September 30, 2011, are as follows:

	Estimated Fair Value	Estimated Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities	\$ 5,263,639	\$ 5,263,639	\$ —	\$ —
Marketable debt securities	<u>2,570,900</u>	<u>2,570,900</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 7,834,539</u>	<u>\$ 7,834,539</u>	<u>\$ —</u>	<u>\$ —</u>

Estimated fair values of assets measured on a recurring basis as of September 30, 2010, are as follows:

	Estimated Fair Value	Estimated Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities	\$ 3,854,461	\$ 3,854,461	\$ —	\$ —
Marketable debt securities	<u>2,040,795</u>	<u>2,040,795</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 5,895,256</u>	<u>\$ 5,895,256</u>	<u>\$ —</u>	<u>\$ —</u>

Financial assets with estimated values determined using Level 1 inputs are based on unadjusted quoted market prices within active markets.

PIONEERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following:

<u>Category</u>	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 3,566,171	\$ 2,234,039
Land improvements	970,174	966,763
Buildings	5,642,333	5,490,264
Furniture and equipment	1,939,421	1,676,085
Construction in progress	<u>851,046</u>	<u>1,694,705</u>
Total land, buildings and equipment	12,969,145	12,061,856
Less: Accumulated depreciation	<u>(4,623,291)</u>	<u>(3,982,496)</u>
Land, buildings and equipment, net	<u>\$ 8,345,854</u>	<u>\$ 8,079,360</u>

For the years ended September 30, 2011 and 2010, total depreciation expense was \$346,034 and \$361,315, respectively.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes:

	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
Various missionary-related activities	\$ 9,480,185	\$ 8,469,180
Projects	<u>2,274,838</u>	<u>2,333,588</u>
Total temporarily restricted net assets	<u>\$ 11,755,023</u>	<u>\$ 10,802,768</u>