



# PIONEERS, INC.

## CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013





## REPORT OF INDEPENDENT AUDITORS

The Board of Directors  
Pioneers, Inc.  
Orlando, Florida

We have audited the accompanying consolidated financial statements of Pioneers, Inc. ("the Organization"), which comprise the consolidated statements of financial position as of September 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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, 2014 and 2013, the changes in its consolidated net assets, and its consolidated cash flows for the years then ended in accordance 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  
February 27, 2015

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**PIONEERS, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	September 30,	
	2014	2013
<b>ASSETS</b>		
Cash and cash equivalents (Note B)	\$ 3,789,016	\$ 1,391,115
Temporary investments (Note D)	17,520,547	14,483,737
Investments restricted for long-term purposes (Note D)	1,898,252	1,031,439
Other assets	779,195	752,907
Land, buildings, and equipment, net (Note F)	9,041,686	7,678,775
<b>Total assets</b>	<b>\$ 33,028,696</b>	<b>\$ 25,337,973</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,294,606	\$ 1,393,415
<b>Total liabilities</b>	<b>1,294,606</b>	<b>1,393,415</b>
<b>NET ASSETS</b>		
Unrestricted	12,834,530	8,990,839
Temporarily restricted (Note G)	18,899,560	14,953,719
<b>Total net assets</b>	<b>31,734,090</b>	<b>23,944,558</b>
<b>Total liabilities and net assets</b>	<b>\$ 33,028,696</b>	<b>\$ 25,337,973</b>

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

**PIONEERS, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**

	For The Year Ended September 30, 2014			For The Year Ended September 30, 2013
	Unrestricted	Temporarily Restricted	Total	
	Unrestricted	Temporarily Restricted	Total	September 30, 2013
<b>Public support and revenue and net assets released from restrictions</b>				
Temporarily restricted contributions	\$ —	\$ 49,430,601	\$ 49,430,601	\$ 45,252,127
Temporarily restricted grant revenue	—	3,039,000	3,039,000	1,755,500
Unrestricted contributions	1,401,768	—	1,401,768	946,710
Net gain on investments	1,133,864	—	1,133,864	1,063,735
Campground revenue	827,235	—	827,235	730,236
Unrestricted grant revenue	—	—	—	500,000
Interest and dividend income	469,968	—	469,968	322,430
Other income	210,213	—	210,213	172,260
Net assets released from restrictions	<u>48,523,760</u>	<u>(48,523,760)</u>	<u>—</u>	<u>—</u>
<b>Total public support and revenue and net assets released from restrictions</b>	<u>52,566,808</u>	<u>3,945,841</u>	<u>56,512,649</u>	<u>50,742,998</u>
<b>Expenses</b>				
Program activities				
Evangelism and church planting	34,432,746	—	34,432,746	33,082,965
Ministry to constituency	2,184,235	—	2,184,235	1,942,876
Training	1,818,311	—	1,818,311	1,675,736
Membership development	1,790,254	—	1,790,254	1,417,920
Short-term overseas ministries	<u>827,007</u>	<u>—</u>	<u>827,007</u>	<u>837,488</u>
Total program activities	<u>41,052,553</u>	<u>—</u>	<u>41,052,553</u>	<u>38,956,985</u>
Supporting activities				
Management and general	4,135,786	—	4,135,786	4,255,646
Fund raising - general	1,806,615	—	1,806,615	1,330,101
Fund raising - appointees	984,689	—	984,689	876,859
Campground expenses	<u>743,474</u>	<u>—</u>	<u>743,474</u>	<u>600,513</u>
Total supporting activities	<u>7,670,564</u>	<u>—</u>	<u>7,670,564</u>	<u>7,063,119</u>
<b>Total expenses</b>	<u>48,723,117</u>	<u>—</u>	<u>48,723,117</u>	<u>46,020,104</u>
<b>Change in unrestricted net assets</b>	<b>3,843,691</b>	<b>—</b>	<b>3,843,691</b>	<b>2,554,175</b>
<b>Change in temporarily restricted net assets</b>	<u>—</u>	<u>3,945,841</u>	<u>3,945,841</u>	<u>2,168,719</u>
<b>CHANGE IN NET ASSETS</b>	<b>3,843,691</b>	<b>3,945,841</b>	<b>7,789,532</b>	<b>4,722,894</b>
<b>NET ASSETS - Beginning of year</b>	<u>8,990,839</u>	<u>14,953,719</u>	<u>23,944,558</u>	<u>19,221,664</u>
<b>NET ASSETS - End of year</b>	<u>\$ 12,834,530</u>	<u>\$ 18,899,560</u>	<u>\$ 31,734,090</u>	<u>\$ 23,944,558</u>

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**PIONEERS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For The Years Ended September 30,	
	2014	2013
<b>OPERATING CASH FLOWS</b>		
Cash received from contributors and grantors	\$ 51,795,554	\$ 47,413,072
Cash paid for operating activities and costs	(48,493,132)	(45,474,181)
Other revenue received	1,037,448	902,496
Investment income received	469,968	322,430
<b>Net operating cash flows</b>	<b>4,809,838</b>	<b>3,163,817</b>
<b>INVESTING CASH FLOWS</b>		
Purchases of investments	(1,902,946)	(6,806,226)
Proceeds from sales of investments	—	4,018,814
Net investment in assets restricted for long-term purposes	(866,813)	(1,031,439)
Purchases of and improvements to land, buildings, and equipment	(1,717,993)	(370,595)
<b>Net investing cash flows</b>	<b>(4,487,752)</b>	<b>(4,189,446)</b>
<b>FINANCING CASH FLOWS</b>		
Proceeds from contributions restricted for future construction	2,075,815	1,041,265
<b>Net financing cash flows</b>	<b>2,075,815</b>	<b>1,041,265</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>2,397,901</b>	<b>15,636</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>1,391,115</b>	<b>1,375,479</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 3,789,016</b>	<b>\$ 1,391,115</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS</b>		
Change in net assets	\$ 7,789,532	\$ 4,722,894
Adjustments to reconcile change in net assets to net operating cash flows		
Contributions restricted for future construction	(2,075,815)	(1,041,265)
Depreciation	296,390	350,740
Loss on disposals of land, buildings, and equipment	58,692	8,733
Gain on temporary investments, net	(1,133,864)	(1,063,735)
Change in other assets	(26,288)	(100,186)
Change in accounts payable and accrued expenses	(98,809)	286,636
<b>Net operating cash flows</b>	<b>\$ 4,809,838</b>	<b>\$ 3,163,817</b>

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. In addition, the Organization operates a retail business known as “Latitudes,” which sells crafts purchased from businesses that have been established alongside church planting efforts in foreign countries. The Organization also sells books and media items.

In conformity with accounting principles generally accepted in the United States of America, the consolidated financial statements of the Organization include the accounts of the following organizations, which are separate legal entities:

- AmeriTribes, Inc. (“AmeriTribes”), a not-for-profit Arizona 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. AmeriTribes ceded control of its governing board to the Organization.
- Arab World Ministries, Inc. (“AWM”), a not-for-profit New Jersey 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. AWM ceded control of its governing board to the Organization.

All significant interorganization transactions and balances have been eliminated in consolidation.

**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 an allocation of up to 10% to be used to maintain the U.S. Mobilization Base and are assessed an allocation of up to 2% to support international leadership.

**Cash and cash equivalents**

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

**PIONEERS, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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**

Each of the organizations included in these consolidated financial statements is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. Each organization 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 organizations 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. Federal and state tax authorities may generally examine the organizations' income tax positions or (if applicable) returns for periods of approximately three to six years.

**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 used in estimating the fair value of investments and 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 February 27, 2015, the date as of which the consolidated financial statements were available to be issued.

**NOTE C – CONCENTRATIONS**

The organizations maintain their 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 organizations have not experienced any losses in such accounts, and believe they are not exposed to any significant credit risk related to cash and cash equivalents.

The Organization's investments are held by one custodian.

**PIONEERS, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE D – INVESTMENTS**

Investments consisted of the following:

	<u>September 30,</u>	
	<u>2014</u>	<u>2013</u>
Exchange-traded funds – equity indexes	\$ 12,417,696	\$ 9,672,755
Exchange-traded funds – bond indexes	<u>7,001,103</u>	<u>5,842,421</u>
Total investments	<u>\$ 19,418,799</u>	<u>\$ 15,515,176</u>

Investments were held for the following purposes:

	<u>September 30,</u>	
	<u>2014</u>	<u>2013</u>
Temporary investments for general operations	\$ 17,520,547	\$ 14,483,737
Investments restricted for construction	<u>1,898,252</u>	<u>1,031,439</u>
Total investments	<u>\$ 19,418,799</u>	<u>\$ 15,515,176</u>

**NOTE E – FAIR VALUE MEASUREMENTS**

Accounting principles generally accepted in the United States (“GAAP”) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 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.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical items

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

Level 3 – significant unobservable inputs

Estimated fair values of assets measured on a recurring basis as of September 30, 2014, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Exchange-traded funds:				
Equity indexes	\$ 12,417,696	\$ 12,417,696	\$ —	\$ —
Bond indexes	<u>7,001,103</u>	<u>7,001,103</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 19,418,799</u>	<u>\$ 19,418,799</u>	<u>\$ —</u>	<u>\$ —</u>



**PIONEERS, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE E – FAIR VALUE MEASUREMENTS (Continued)**

Estimated fair values of assets measured on a recurring basis as of September 30, 2013, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Exchange-traded funds:				
Equity indexes	\$ 9,672,755	\$ 9,672,755	\$ —	\$ —
Bond indexes	<u>5,842,421</u>	<u>5,842,421</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 15,515,176</u>	<u>\$ 15,515,176</u>	<u>\$ —</u>	<u>\$ —</u>

**NOTE F – LAND, BUILDINGS, AND EQUIPMENT**

Land, buildings, and equipment consisted of the following:

<u>Category</u>	<u>September 30,</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 3,566,171	\$ 3,566,171
Land improvements	1,040,216	1,049,633
Buildings	6,045,715	5,858,850
Furniture and equipment	2,230,070	2,196,457
Construction in progress, net	<u>1,240,386</u>	<u>96,333</u>
Total land, buildings, and equipment	14,122,558	12,767,444
Less: Accumulated depreciation	<u>(5,080,872)</u>	<u>(5,088,669)</u>
Land, buildings, and equipment, net	<u>\$ 9,041,686</u>	<u>\$ 7,678,775</u>

For the years ended September 30, 2014 and 2013, depreciation expense was \$296,390 and \$350,740, respectively.

**NOTE G – TEMPORARILY RESTRICTED NET ASSETS**

Net assets were temporarily restricted for the following purposes:

	<u>September 30,</u>	
	<u>2014</u>	<u>2013</u>
Various missionary-related activities	\$ 13,531,617	\$ 10,959,222
Projects	3,469,691	2,963,058
Future construction	<u>1,898,252</u>	<u>1,031,439</u>
Total temporarily restricted net assets	<u>\$ 18,899,560</u>	<u>\$ 14,953,719</u>

Net assets released from restrictions were \$48,523,760 and \$44,838,908 for the years ended September 30, 2014 and 2013, respectively.

**PIONEERS, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE H – SELF-FUNDED MEDICAL PROGRAMS**

The Organization maintains self-funded medical and prescription drug benefit plans for eligible employees and their eligible dependents. The Organization has contracted with a third party administrator to process claims. The Organization provides coverage for each employee up to the first \$500,000 of claims incurred in a calendar year. The Organization has stop-loss insurance coverage for claims incurred which exceed \$500,000 per individual per year, with an unlimited individual lifetime stop loss payment amount. As of September 30, 2014 and 2013, the Organization has recorded an actuarially-calculated estimated liability of \$450,000 related to the self-funded medical programs. Such amounts are included in “accounts payable and accrued expenses” on the accompanying consolidated statements of financial position.