Pioneers, Inc.

Consolidated Financial Statements

For The Years Ended September 30, 2015 And 2014

BATTS MORRISON WALES & LEE
CERTIFIED PUBLIC ACCOUNTANTS

Batts Morrison Wales & Lee
Certified Public Accountants

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, 2015 and 2014, 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, 2015 and 2014, 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
January 13, 2016

PIONEERS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	September 30, 2015	September 30, 2014
ASSETS		
Cash and cash equivalents (Note B)	$ 4,734,883	$ 3,789,016
Temporary investments (Note D)	19,214,551	17,520,547
Investments restricted for long-term purposes (Note D)	—	1,898,252
Other assets	609,459	779,195
Land, buildings, and equipment, net (Note E)	12,263,487	9,041,686
Total assets	**$ 36,822,380**	**$ 33,028,696**

LIABILITIES AND NET ASSETS

	2015	2014
LIABILITIES		
Accounts payable and accrued expenses	$ 1,859,698	$ 1,294,606
Total liabilities	**1,859,698**	**1,294,606**
NET ASSETS		
Unrestricted	15,747,085	12,834,530
Temporarily restricted (Note F)	19,215,597	18,899,560
Total net assets	**34,962,682**	**31,734,090**
Total liabilities and net assets	**$ 36,822,380**	**$ 33,028,696**

PIONEERS, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

	For The Year Ended September 30, 2015			For The Year Ended September 30, 2014
	Unrestricted	Temporarily Restricted	Total	
Public support and revenue and net assets released from restrictions				
Temporarily restricted contributions	$ —	$ 51,319,675	$ 51,319,675	$ 49,430,601
Unrestricted contributions	1,506,355	—	1,506,355	1,401,768
Temporarily restricted grant revenue	—	1,490,000	1,490,000	3,039,000
Net (loss) gain on investments	(552,027)	—	(552,027)	1,133,864
Campground revenue	972,284	—	972,284	827,235
Interest and dividend income	502,166	—	502,166	469,968
Other income	98,382	—	98,382	210,213
Net assets released from restrictions	52,493,638	(52,493,638)	—	—
Total public support and revenue and net assets released from restrictions	55,020,798	316,037	55,336,835	56,512,649
Expenses				
Program activities				
Evangelism and church planting	37,099,069	—	37,099,069	34,432,746
Ministry to constituency	2,289,260	—	2,289,260	2,184,235
Membership development	1,967,444	—	1,967,444	1,790,254
Training	1,784,117	—	1,784,117	1,818,311
Short-term overseas ministries	639,408	—	639,408	827,007
Total program activities	43,779,298	—	43,779,298	41,052,553
Supporting activities				
Management and general	4,846,181	—	4,846,181	4,135,786
Fundraising - general	1,912,192	—	1,912,192	1,806,615
Campground expenses	802,739	—	802,739	743,474
Fundraising - appointees	767,833	—	767,833	984,689
Total supporting activities	8,328,945	—	8,328,945	7,670,564
Total expenses	52,108,243	—	52,108,243	48,723,117
Change in unrestricted net assets	**2,912,555**	**—**	**2,912,555**	**3,843,691**
Change in temporarily restricted net assets	**—**	**316,037**	**316,037**	**3,945,841**
CHANGE IN NET ASSETS	**2,912,555**	**316,037**	**3,228,592**	**7,789,532**
NET ASSETS - Beginning of year	**12,834,530**	**18,899,560**	**31,734,090**	**23,944,558**
NET ASSETS - End of year	**$ 15,747,085**	**$ 19,215,597**	**$ 34,962,682**	**$ 31,734,090**

PIONEERS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended September 30, 2015	2014
OPERATING CASH FLOWS		
Cash received from contributors and grantors	$ 54,008,178	$ 51,795,554
Cash paid for operating activities and costs	(50,923,451)	(48,493,132)
Other revenue received	1,070,666	1,037,448
Investment income received	502,166	469,968
Net operating cash flows	**4,657,559**	**4,809,838**
INVESTING CASH FLOWS		
Purchases of investments	(8,779,998)	(2,769,759)
Proceeds from sales of investments	8,432,219	—
Purchases of and improvements to land, buildings, and equipment	(3,671,765)	(1,717,993)
Net investing cash flows	**(4,019,544)**	**(4,487,752)**
FINANCING CASH FLOWS		
Proceeds from contributions restricted for construction	307,852	2,075,815
Net financing cash flows	**307,852**	**2,075,815**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**945,867**	**2,397,901**
CASH AND CASH EQUIVALENTS - Beginning of year	**3,789,016**	**1,391,115**
CASH AND CASH EQUIVALENTS - End of year	**$ 4,734,883**	**$ 3,789,016**
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	$ 3,228,592	$ 7,789,532
Adjustments to reconcile change in net assets to net operating cash flows		
Contributions restricted for construction	(307,852)	(2,075,815)
Depreciation	389,486	296,390
Loss on disposals of land, buildings, and equipment	60,478	58,692
Loss (gain) on temporary investments, net	552,027	(1,133,864)
Change in other assets	169,736	(26,288)
Change in accounts payable and accrued expenses	565,092	(98,809)
Net operating cash flows	**$ 4,657,559**	**$ 4,809,838**

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, which was established to be a Christian non-denominational mission organization for the purpose of partnering with churches to facilitate the development of reproducing indigenous churches among tribal people of the Americas. AmeriTribes administratively dissolved during September 2014.

- 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.

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.

Reclassifications

Certain amounts included in the consolidated financial statements for the year ended September 30, 2014, have been reclassified to conform to classifications adopted during the year ended September 30, 2015. The reclassifications had no material effect on the accompanying consolidated financial statements.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through January 13, 2016, the date as of which the consolidated financial statements were available to be issued.

NOTE C – CONCENTRATIONS

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.

The Organization's investments are held by one custodian.

NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following:

	September 30, 2015	September 30, 2014
Exchange-traded funds – equity indexes	$ 11,723,977	$ 12,417,696
Exchange-traded funds – bond indexes	7,490,574	7,001,103
Total investments	$ 19,214,551	$ 19,418,799

Investments were held for the following purposes:

	September 30, 2015	September 30, 2014
Temporary investments for general operations	$ 19,214,551	$ 17,520,547
Investments restricted for construction	—	1,898,252
Total investments	$ 19,214,551	$ 19,418,799

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

The Organization's investments held as of September 30, 2015 and 2014, are valued on a recurring basis using Level 1 inputs.

NOTE E – LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consisted of the following:

Category	September 30, 2015	2014
Land	$ 3,745,388	$ 3,566,171
Land improvements	1,064,955	1,040,216
Buildings	6,714,134	6,045,715
Furniture and equipment	2,320,277	2,230,070
Construction in progress, net	3,576,102	1,240,386
Total land, buildings, and equipment	17,420,856	14,122,558
Less: Accumulated depreciation	(5,157,369)	(5,080,872)
Land, buildings, and equipment, net	$ 12,263,487	$ 9,041,686

For the years ended September 30, 2015 and 2014, depreciation expense was $389,486 and $296,390, respectively.

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes:

	September 30, 2015	2014
Various missionary-related activities	$ 15,065,679	$ 13,531,617
Projects	4,149,918	3,469,691
Construction	—	1,898,252
Total temporarily restricted net assets	$ 19,215,597	$ 18,899,560

Net assets released from restrictions were $52,493,638 and $48,523,760 for the years ended September 30, 2015 and 2014, respectively.

NOTE G – 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 $600,000 of claims incurred in a calendar year. The Organization has stop-loss insurance coverage for claims incurred which exceed $600,000 per individual per event, with an unlimited individual lifetime stop loss payment amount. As of September 30, 2015 and 2014, 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.

NOTE H – COMMITMENTS

The Organization is a party to a contract related to the construction of the Fletcher Center. As of September 30, 2015, the contract amounted to approximately $8,700,000, of which approximately $6,100,000 remained outstanding and will be paid as work on the project is completed.

During the year ended September 30, 2015, the Organization entered into a revolving line of credit agreement with a bank with an available balance of up to $3 million. Interest on any outstanding balance is payable monthly at the one-month LIBOR plus 1.00% per annum. The line of credit is secured by a certain investment account and is payable in full on August 20, 2018. No amounts were outstanding on the line of credit as of September 30, 2015.