Pioneers, Inc.

Consolidated Financial Statements

For The Years Ended September 30, 2017 And 2016

Batts Morrison Wales & Lee
Certified Public Accountants

REPORT OF INDEPENDENT AUDITOR

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, 2017 and 2016, 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, 2017 and 2016, 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 26, 2018

PIONEERS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	September 30, 2017	September 30, 2016
ASSETS		
Cash and cash equivalents (Note B)	$ 1,830,915	$ 1,492,369
Investments (Note D)	21,252,301	21,114,147
Other assets	1,294,369	710,875
Land, buildings, and equipment, net (Note E)	18,790,553	18,741,332
Total assets	**$ 43,168,138**	**$ 42,058,723**

LIABILITIES AND NET ASSETS

	2017	2016
LIABILITIES		
Accounts payable and accrued expenses	$ 1,389,385	$ 1,727,974
Line of credit (Note F)	3,500,000	3,900,000
Total liabilities	**4,889,385**	**5,627,974**
NET ASSETS		
Unrestricted	15,759,354	15,671,989
Temporarily restricted (Note G)	22,519,399	20,758,760
Total net assets	**38,278,753**	**36,430,749**
Total liabilities and net assets	**$ 43,168,138**	**$ 42,058,723**

PIONEERS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES

	For The Year Ended September 30, 2017			For The Year Ended September 30, 2016
	Unrestricted	Temporarily Restricted	Total	
Public support and revenue and net assets released from restrictions				
Temporarily restricted contributions	$ —	$ 57,507,217	$ 57,507,217	$ 54,054,599
Net unrestricted gain on investments	1,805,224	—	1,805,224	1,520,295
Campground revenue	1,227,944	—	1,227,944	1,086,442
Unrestricted contributions	1,105,995	—	1,105,995	1,158,786
Temporarily restricted grant revenue	—	927,123	927,123	879,000
Interest and dividend income	498,106	—	498,106	488,313
Other income	296,107	—	296,107	386,536
Net assets released from restrictions	56,673,701	(56,673,701)	—	—
Total public support and revenue and net assets released from restrictions	**61,607,077**	**1,760,639**	**63,367,716**	**59,573,971**
Expenses				
Program activities				
Evangelism and church planting	43,848,309	—	43,848,309	40,897,954
Ministry to constituency	2,834,105	—	2,834,105	2,730,036
Training	1,978,120	—	1,978,120	2,072,820
Membership development	1,973,845	—	1,973,845	1,901,047
Short-term overseas ministries	484,640	—	484,640	576,878
Total program activities	51,119,019	—	51,119,019	48,178,735
Supporting activities				
Management and general	6,247,484	—	6,247,484	6,039,836
Fundraising - general	2,385,459	—	2,385,459	2,183,412
Campground expenses	922,454	—	922,454	862,613
Fundraising - appointees	845,296	—	845,296	841,308
Total supporting activities	10,400,693	—	10,400,693	9,927,169
Total expenses	**61,519,712**	**—**	**61,519,712**	**58,105,904**
Change in unrestricted net assets	**87,365**	**—**	**87,365**	**(75,096)**
Change in temporarily restricted net assets	**—**	**1,760,639**	**1,760,639**	**1,543,163**
CHANGE IN NET ASSETS	**87,365**	**1,760,639**	**1,848,004**	**1,468,067**
NET ASSETS - Beginning of year	**15,671,989**	**20,758,760**	**36,430,749**	**34,962,682**
NET ASSETS - End of year	**$ 15,759,354**	**$ 22,519,399**	**$ 38,278,753**	**$ 36,430,749**

PIONEERS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended September 30, 2017	2016
OPERATING CASH FLOWS		
Cash received from contributors and grantors	$ 59,024,278	$ 56,057,040
Other revenue received	1,524,051	1,472,978
Investment income received	498,106	488,313
Cash paid for operating activities and costs	(61,071,957)	(57,769,558)
Net operating cash flows	**(25,522)**	**248,773**
INVESTING CASH FLOWS		
Purchases of investments	(6,164,850)	(2,374,268)
Proceeds from sales of investments	7,831,920	1,994,967
Purchases of and improvements to land, buildings, and equipment	(909,059)	(7,047,331)
Net investing cash flows	**758,011**	**(7,426,632)**
FINANCING CASH FLOWS		
Borrowings	28,015,000	9,060,000
Repayments	(28,415,000)	(5,160,000)
Proceeds from contributions restricted for construction	6,057	35,345
Net financing cash flows	**(393,943)**	**3,935,345**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**338,546**	**(3,242,514)**
CASH AND CASH EQUIVALENTS - Beginning of year	**1,492,369**	**4,734,883**
CASH AND CASH EQUIVALENTS - End of year	**$ 1,830,915**	**$ 1,492,369**
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	$ 1,848,004	$ 1,468,067
Adjustments to reconcile change in net assets to net operating cash flows		
Contributions restricted for construction	(6,057)	(35,345)
Depreciation	848,106	558,456
Loss on disposals of land, buildings, and equipment	11,732	11,030
Net gain on investments	(1,805,224)	(1,520,295)
Change in other assets	(583,494)	(101,416)
Change in accounts payable and accrued expenses	(338,589)	(131,724)
Net operating cash flows	**$ (25,522)**	**$ 248,773**

The Accompanying Notes are an Integral
Part of These 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 ("GAAP"), the consolidated financial statements of the Organization include the accounts of the following organizations:

- 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.

- Lake Whip 1 LLC ("Lake Whip"), a Florida limited liability company organized to own certain real estate. The Organization is the sole member of Lake Whip.

- William Carey LLC ("WC LLC"), a Florida limited liability company organized for general business purposes. The Organization is the sole member of WC LLC.

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.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and AWM 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. The Organization and AWM are further classified as public charities and not private foundations for federal tax purposes. Lake Whip and WC LLC are treated as disregarded entities 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.

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 January 26, 2018, 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. The Organization's line of credit is held by one bank.

NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following:

	September 30,	
	2017	2016
Exchange-traded funds – equity indexes	$ 16,863,042	$ 13,651,507
Exchange-traded funds – bond indexes	4,389,259	7,462,640
Total investments	$ 21,252,301	$ 21,114,147

NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

GAAP defines 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, 2017 and 2016, are valued on a recurring basis using Level 1 inputs.

NOTE E – LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consisted of the following:

	September 30,	
Category	2017	2016
Land	$ 3,745,388	$ 3,745,388
Land improvements	1,331,920	1,072,744
Buildings and improvements	15,545,425	6,716,844
Furniture and equipment	4,204,512	2,439,926
Construction in progress, net	266,343	10,414,849
Total land, buildings, and equipment	25,093,588	24,389,751
Less: Accumulated depreciation	(6,303,035)	(5,648,419)
Land, buildings, and equipment, net	$ 18,790,553	$ 18,741,332

For the years ended September 30, 2017 and 2016, depreciation expense was $848,106 and $558,456, respectively.

NOTE F – LINE OF CREDIT

The Organization has a revolving line of credit agreement with a bank with an available balance of up to $4.5 million. Interest on any outstanding balance is payable monthly at the one-month LIBOR plus 1.00% per annum (2.24% and 1.53% as of September 30, 2017 and 2016, respectively). The line of credit also contains various financial and other covenants, the most restrictive of which requires the Organization to maintain a certain minimum amount of net assets. The line of credit is secured by a certain investment account and is payable in full on August 20, 2018.

NOTE F – LINE OF CREDIT (Continued)

As of September 30, 2017 and 2016, $3,500,000 and $3,900,000, respectively, was outstanding on the line of credit. For the years ended September 30, 2017 and 2016, interest expense was approximately $57,000 and $11,000, respectively.

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes:

	September 30,	
	2017	2016
Various missionary-related activities	$ 18,530,043	$ 16,651,437
Projects	3,989,356	4,107,323
Total temporarily restricted net assets	$ 22,519,399	$ 20,758,760

Net assets released from restrictions were $56,673,701 and $53,390,436 for the years ended September 30, 2017 and 2016, respectively.

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 $700,000 of claims incurred in a calendar year. The Organization has stop-loss insurance coverage for claims incurred which exceed $700,000 per individual per event, with an unlimited individual lifetime stop loss payment amount. As of September 30, 2017 and 2016, the Organization has recorded an actuarially-calculated estimated liability of $500,000 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 I – PROPERTY DEVELOPMENT

During March 2017, the Organization granted title to certain undeveloped property ("the Property") to Lake Whip. In connection therewith, Lake Whip entered into a Ground Lease ("the Lease") with Lake Nona Hotel, LLC ("Lake Nona"), an unrelated third party. Lake Nona plans to construct a hotel on the Property. Pursuant to the Lease, which has an initial term of fifty years (but which may be canceled sooner), Lake Nona will begin paying fixed annual rent of $50,000 to Lake Whip upon receipt of a certificate of occupancy for the hotel (the date of which is expected to be during mid-2018). In addition to the fixed annual rent, Lake Nona is also required to pay an amount equal to 10% of Lake Nona's annual net profit (as the term "net profit" is defined in the Lease) to Lake Whip, as well as certain common area maintenance, property taxes, and other amounts. Upon expiration or earlier termination of the Lease, the property, with improvements, will no longer be subject to the Lease. No amounts have been recognized in the accompanying consolidated financial statements related to Lake Whip's future interest in the improvements to the property due to significant uncertainty regarding the timing of the Lease termination and the future value (and recoverability) of such improvements.

Pioneers is also obligated to pay 50% of the costs to construct certain road improvements in connection with developing the Property. During the year ended September 30, 2017, Lake Whip capitalized approximately $108,000 in connection with such payments, and was obligated to fund approximately $457,000 of additional road improvements as construction is completed.