

Priests for Life is a recognized Catholic association and a 501(c)(3) corporation whose mission is to end abortion and euthanasia. With a full-time staff of over 60 people, it is a family of ministries, encompassing Deacons for Life, Seminarians for Life, Rachel's Vineyard, the Silent No More Awareness Campaign, Gospel of Life Ministries, and more.

Our Pastoral Team (Partial list)

Fr. Frank A. Pavone
National Director and Chairman

Fr. Denis G. Wilde, OSA
Associate Director

Fr. Walter Quinn, OSA
Priest Associate

Fr. Scott Daniels, OP
Priest Associate

Fr. Victor Salomón
Director, Hispanic Outreach

Msgr. Michael T. Mannion
Pastoral Consultant

Janet A. Morana
Executive Director
Co-Founder, Silent No More Awareness Campaign

Dr. Alveda King
Director, African-American Outreach

Dr. Theresa and Kevin Burke
Founders, Rachel's Vineyard Ministries

Mr. Bryan Kemper
Director, Youth Outreach

Advisory Board of Bishops (Partial list)

His Eminence Cardinal Christoph Schönborn
Archbishop of Vienna

His Eminence Renato Cardinal Martino
President Emeritus, Pontifical Council for Justice and Peace

Most Reverend Charles J. Chaput, O.F.M. Cap
Archbishop of Philadelphia

Most Reverend Thomas J. Olmsted
Bishop of Phoenix

Most Reverend Michael F. Burbidge
Bishop of Raleigh

Most Reverend James Wall
Bishop of Gallup

(See additional bishops online)

Medical Consultants

Anthony Levatino, M.D.
William R. Lile, Jr., M.D.
Daniel Lee Holland, M.D.
Byron Calhoun, M.D.
Matthew P. Harrison, M.D.

Media Consultants

Drew Mariani; Teresa Tomeo

General Correspondence:

P.O. Box 141172
Staten Island, NY 10314
Phone: (718) 980-4400
Fax: (718) 980-6515
mail@priestsforlife.org
www.PriestsForLife.org
www.RachelsVineyard.org
www.SilentNoMoreAwareness.org

Orders Department

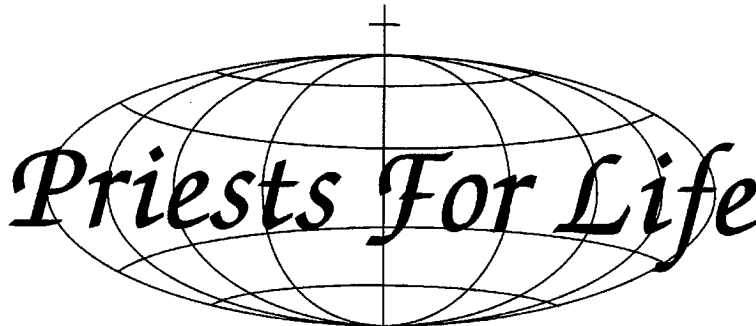
(888) 735-3448, ext. 237
www.priestsforlife.org/store

Media Department

347-286-7277
media@priestsforlife.org

Financial Support

Priests for Life is supported only by your tax-deductible gifts. Visit www.priestsforlife.org/donate.



Assisting God's People to Proclaim, Celebrate, and Serve the Gospel of Life.

Your Eminences and Your Excellencies,

Today, I am pleased to be able to provide you with a copy of our Independent Financial Audit report for the year ended December 31, 2010. You will note that the Independent Auditors' Report included on page 3 is an "unqualified" or "clean" opinion in the accounting vernacular. Priests for Life has received this same type of auditors' report since our first independent audit in 2001.

Included with the Report are some brief explanatory comments to assist in the review of the financial information. As we all know, our country has gone through a difficult economic period during the past several years. Nevertheless Priests for Life has been able to maintain the same level of its activities and even expanded its outreach. Our ability to maintain our programs and projects in this environment speaks well of the organization's financial management of its assets.

This letter is being sent to all the members of our Advisory Board of Bishops, the Ordinaries of the six priests that serve Priests for Life full-time, and various other bishops nationally and internationally who are involved with our work. If you have any specific questions, or would like to discuss this information in more detail, we would be pleased to arrange those discussions.

Signers:

Fr. Denis Wilde, O.S.A.

Fr. Denis Wilde
Associate Director

Fr. Frank A. Pavone

Fr Frank Pavone
National Director

Frank Norris
Frank Norris
Director of Development

Danielle Malina Jones

Danielle Malina-Jones
Finance Director

Avelino Valonzo

Avelino Valonzo
Chief Operating Officer

Discussion of Priests for Life Independent Auditors' Report

For the Year Ended December 31, 2010

Overview

Since its formation in 1990, Priests for Life has established itself as one of the preeminent pro-life organizations in the United States. The programmatic achievements and effectiveness of its outreach have been made possible by the success of its multi-faceted fundraising programs and the concentration of those contributed amounts in a strategic combination of programs, projects and partnerships. These relationships have provided the opportunity to maximize the impact of its organizational expenditures, whether through grants to other 501 (c)(3) organizations, through the outreach and educational programs it conducts or through the publications, television programming and videos it produces.

Attached is the Independent Auditors' Report for the year ended December 31, 2010. The report includes the requisite financial statements, schedules and notes. This discussion is intended to focus on the two primary financial statements: the Statement of Financial Position or Balance Sheet and the Statement of Activities and Changes in Net Assets or Profit and Loss Statement. The first of these statements presents a snapshot of the organization's assets and liabilities as of the last day of the year. The second statement provides a summary of the revenue and expense activity for the entire year. In addition, the report includes the Schedule of Functional Expenses which provides a detailed breakdown of expenses by category and by programmatic area.

Statement of Financial Position

This statement is commonly referred to as a 'Balance Sheet' and is intended to describe the organization's assets and liabilities on the final day of the operating year. An analysis of the statement provides insights into what types of assets are available, whether liquid or physical, to fulfill the organization's mission. The statement also includes a summary of the liabilities that have been incurred during the past year or prior periods. The difference between these two amounts is the net assets or reserves. In a commercial organization, this amount would be referred to as the company's net worth.

At December 31, 2010, Priests for Life has total assets of \$2.8 million, including cash and investments totaling \$320,000; contributions and pledges receivable of \$1.1 million; amounts due from Gospel of Life Ministries of \$878,000. Other non-current assets, including equipment, leaseholds and security deposits total \$350,000. Of the current assets, the most liquid or available to fund activities are cash, investments and receivables.

A review of the assets at year end indicates that the organization has limited its investments in fixed assets or infrastructure assets to those required for the day-to-day activities. The largest individual asset is the amount due from Gospel of Life. This amount has been accumulated since 2007 and represents

funds advanced to produce television programs and to provide working capital to pay for the development of various programs and initiatives. These programs include fundraising initiatives to establish an independent revenue source to fund ongoing activities and repay the amount advanced by Priests for Life. The support provided to the Gospel of Life is consistent with the stated mission of Priests for Life and provides the financial leverage to extend the organization's influence and impact.

Liabilities total \$1.8 million at year end, including \$1.7 million due this year. The balance is payable within the following twelve month period. With the exception of \$8,000 relating to automobile financing, all of the organization's liabilities represent trade payables incurred in the normal course of business.

As indicated earlier, the difference between total assets and total liabilities is referred to as the organization's Net Assets or reserves. At year end, this amount is \$1.0 million. The financial statements include two categories within Net Assets – Unrestricted and Temporarily Restricted. The temporary restriction relates to the availability of the Pledges Receivable as of December 31, 2010. These amounts were not received, but were pledged, and therefore, not technically available until 2011. This type of a restriction is a timing restriction and does not limit or restrict the use of the funds.

Statement of Activities and Changes in Net Assets

The Statement of Activities includes a financial summary of the activities that occurred during the organization's operating year. The majority of Priests for Life's revenue is received from contributions from individuals who have been contacted through the organization's outreach and through extensive fundraising efforts. In 2010, these contributions amounted to over \$10.0 million. In addition, the organization received over \$500,000 in grants from organizations and others.

Operating expenses are summarized on the Statement of Activities in what is known as their 'functional' classification. The two primary classifications are program services and supporting activities, which include management and general activities and fundraising. Program services are activities that result in goods and services being distributed to beneficiaries in fulfillment of the organization's mission. Supporting activities are all other activities of a not-for-profit organization other than program services, including business management, financial and legal oversight and all administrative functions. Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor mailing lists; preparing and distributing fundraising manuals, instructions and other materials; and conducting other activities involved with soliciting contributions from individuals, foundations, and others.

Total operating expenses amounted to over \$12.1 million in 2010. Of this amount, \$9.0 million (74%) were expensed on Program Services. The balance of the expenditures were attributable to Management and General expenses (\$1.9 million or 16%) and to Fundraising (\$1.2 million or 10%).

In 2010, expenses exceeded revenues by \$1.4 million. This operating deficit was the result of a number of contributing factors. These factors resulted both from economic variables that impacted the United States in general and charitable donations specifically, and from the organizational mandate under which Priests for Life operates. Between 2007 and 2010, Priests for Life raised approximately \$42.5 million –primarily from individual contributions received on a monthly or weekly basis throughout the year. Overall contributions amounted to \$9.3 million in 2007; \$10.8 million in 2008; \$12 million in 2009 and \$10.7 million in 2010. The increases in contributions between 2007 and 2008 (16%) and between 2008 and 2009 (12%) were fairly typical of the range of increases and of the increased public support that Priests for Life had experienced during the past five year period. The decrease between 2009 and 2010 of over \$1.3 million (-10.8%) was a significant change from prior experience.

The decrease in charitable donations between 2009 and 2010 was experienced on a national basis, impacting large not-for-profit organizations, as well as local grass-roots community based groups. The decrease affected organizations working at every socio-economic level, on every type of social program and support and in every part of the country. According to Giving USA Foundation, the drop in contributions was “the largest drop in more than 40 years as a result of the Great Recession”. The Center on Philanthropy declared that “the sobering reality is that many nonprofits are still hurting, and if giving continues at that rate, it will take five to six more years just to return to the level of giving we saw before the Great Recession”.

While a decrease in overall contributions was not wholly unexpected based on the economic forecasts and trends that were being tracked daily on news sources, to experience an overall change of approximately 23% (increase of 12% and decrease of 10.8%) from the 2008 contribution level was. Over the years, Priests for Life had established itself as the defining pro-life organization in this country. It has used this position to leverage its work and its partnerships to become a true agent of change. From this position, it has the ability to affect dialogue and promote pro-life positions as no other single organization has. This position imposes responsibilities on the organization to maintain the momentum; to continue to provide leadership; to support other organizations that represent diverse groups – all with the objective of furthering the mission of Priests for Life. Although there was a significant decrease in the level of contributions in 2010, the organization’s leadership recognized the importance of maintaining the level of program activities and support. Priests for Life continued to finance activities to support programs and projects that had been developed and introduced. To do otherwise, would have been to take a step back.

In the not-for-profit community, there has been a continuing dialogue concerning an organization’s net assets or reserves. Groups that have to depend on a large operating infrastructure or physical operations generally have larger reserves. For example, think about a university or a hospital and the reserves it would need to insure continued operation. At the other end of the spectrum are service organizations that provide educational, counseling or advisory services. Typically, these organizations have smaller or minimal reserves because their fixed costs are lower and they are able to adjust their spending to better match their revenue stream. The continuing question has been, how much does an organization need in reserves or why shouldn’t a not-for-profit spend all of its contributions. As of December 31, 2009, Priests for Life had accumulated approximately \$2.4 million of net assets or

reserves. During 2010, when it experienced a decrease in contributions of \$1.3 million from the previous year, Priests for Life was able to continue its operations and activities at a level that exceeded the 2009 level – through the use of its reserves. This is quite a significant accomplishment.

Schedule of Functional Expenses

The Schedule of Functional Expenses is included in the report to provide further information regarding the organization's expenditures during the year. The schedule is prepared to include the 'natural' expenses categories usually found in an expenses summary, together with expenditure categories that are unique to the organization. Included in this latter grouping are items such as International Development, Media Campaign, Clergy Fax/Email Blasts and Social Networking.

To the extent possible, expenses included in the schedule are charged to a specific 'natural' category and to a particular functional classification based on their particular usage. The majority of program service expenses are recorded in the organization's financial records in this manner. For expenses that are not readily identifiable with a specific purpose or have a more general application, allocation methodologies are used to distribute appropriate amounts to the respective functional classifications. For example, salaries are utilized as the allocation basis for a number of expense categories including payroll taxes, fringe benefits, office supplies, communications, occupancy and others.

As mentioned earlier, total program services accounts for \$9 million or 74% of total expenses in 2010. Various not-for-profit oversight groups establish acceptable percentages that organizations should meet or exceed when evaluating effective use of charitable contributions. The National Charities Information Bureau (NCIB) and United Way have established certain standards for the amount of an organization's budget that should be spent in each category. For example, NCIB recommends that at least 60 percent of annual expenses should be related to program services. Based on this evaluation metric, Priests for Life has historically exceeded this goal.

Auditing Firm

Priests for Life has utilized the services of a number of financial consultants and advisors since its formation in 1990. These companies and individuals have provided services ranging from bookkeeping to financial statement preparation to financial advisory services. They have participated in strategic discussions and have provided a level of expertise that the organization would not have been able to retain on a salaried basis.

As part of our financial management and internal control process, Priests for Life is audited each year by an independent certified public accounting firm. In the past, Priests for Life has utilized auditing firms for varying periods of time and has made changes based on individual recommendations, as well as pricing

considerations. These firms have ranged in size from those included in the 'Big Eight' grouping to regional, mid-size and small firms. Our current auditor, Brooks & Associates, LLC, was introduced to us two years ago by one of our financial advisors who was familiar with their reputation and work in the Washington, DC area. Brooks & Associates provides a wide spectrum of accounting, auditing and financial services to both commercial and government clients. Brooks & Associates is certified as an 8(a) contractor. This classification provides opportunities to team with several of the larger more sophisticated accounting and consulting firms, such as Bearing Point, Ernst & Young and PricewaterhouseCoopers.

The firm has assisted over 25 Federal agencies in providing practical solutions to complex accounting, audit, and financial reporting issues.

Additionally, B&A provides training to Federal employees and contractors nationwide. These courses include instruction in financial reporting, the U.S. General Ledger, and Generally Accepted Accounting Principles issued by the Federal Accounting Standards Advisory Board (FASAB). B&A teaches on behalf of the Department of Treasury – Financial Management Services and The Graduate School, USDA. The firm also provides customized training to Federal agencies, individuals, and accounting firms.

A partial list of past federal clients of Brooks & Associates follows:

- U. S. Department Of Homeland Security – U. S. Coast Guard
- Defense Finance & Accounting Services (DFAS)
- Defense Logistics Agency
- U.S. Housing Urban Development
- U.S. Department of Interior – Bureau of Indian Affairs
- U.S. Department of Transportation – Federal Highway Administration
- U.S. Department of Transportation – Federal Transit Administration
- National Aeronautical & Space Administration
- U.S. Office of Personnel Management
- U.S. Department of Treasury – Financial Management Services
- U.S. Department of Treasury – Office of Chief Financial Officer
- U.S. Department Of Commerce – Bureau of Census/National Institute Standards & Technology

- U.S. Department Of Agriculture – National Finance Center/Office of Chief Financial Officer
- Department of Defense – Washington Headquarters Services
- Graduate School – USDA

Priests for Life

Financial Statements

And

Independent Auditors' Report

For the Year Ended

December 31, 2010

Table of Contents

INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	5
STATEMENT OF CASH FLOWS.....	6
SCHEDULE OF FUNCTIONAL EXPENSES	8
NOTES TO THE FINANCIAL STATEMENTS.....	9



www.brooksandassociatesllc.com

9701 Apollo Drive, Suite 381, Largo, MD 20774
301-386-5558/301-386-5540 (f)

Board of Directors
Priests for Life
20 Ebbitts Street
Staten Island, NY 10306

June 20, 2011

Independent Auditors' Report

We have audited the accompanying Statement of Financial Position of Priests for Life (a Not-for-Profit Organization), as of December 31, 2010 and the related Statements of Activities and Changes in Net Assets, and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Priests for Life as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements referred to in the forgoing opinion are set forth on pages 4-16, inclusive of this report. Our audit was conducted primarily for the purpose of expressing an opinion on these basic financial statements taken as a whole. The Schedule of Functional Expenses on page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountant

Brooks & Associates, LLC

Priests for Life
Statement of Financial Position
For the Year Ended December 31, 2010

Assets:	
Current Assets	
Cash	\$ 237,860
Investments (Note 3)	83,181
Accounts Receivable	
Contributions	563,135
Pledges (Note 4)	505,883
Employee Loans	181,858
Prepaid Expenses	-
Due from Gospel of Life Ministries (Note 5)	<u>878,701</u>
Total Current Assets	2,450,618
Equipment and Leasehold Improvements, Net (Note 6)	216,786
Artwork - Religious Articles	54,850
Security Deposits	<u>78,589</u>
Total Assets	<u>\$ 2,800,843</u>
Liabilities:	
Current Liabilities:	
Accounts Payable and Accrued Expenses	\$ 1,396,378
Bank Line of Credit	-
Loans Payable - Current Portion (Note 7)	136,354
Note Payable - Current Portion (Note 8)	<u>138,385</u>
Total Current Liabilities	1,671,117
Long-term Liabilities	
Note Payable	<u>129,305</u>
Total Liabilities	<u>1,800,422</u>
Commitments and Contingencies	
Net Assets:	
Unrestricted	494,538
Temporarily Restricted (Note 9)	<u>505,883</u>
Total Net Assets	<u>1,000,421</u>
Total Liabilities and Net Assets	<u>\$ 2,800,843</u>

The accompanying footnotes are an integral part of these financial statements.

Priests for Life
Statement of Activities and Change in Net Assets
For the Year Ended December 31, 2010

Support, Revenue and Gains

Contributions and Grants	\$ 10,665,731
Investment Income	7,259
Other Investment Income	10,294
	<hr/>
Total Support, Revenue and Gains	10,683,284

Expenses

Program Services- Education	8,982,137
Management and General	1,931,722
Fundraising	1,215,852
	<hr/>
Total Expenses	12,129,711
Change in Net Assets	(1,446,427)
Net Assets - Beginning of Year	2,446,848
	<hr/>
Net Assets - End of Year	\$ 1,000,421

The accompanying footnotes are an integral part of these financial statements.

Priests for Life
Statement of Cash Flow
For the Year Ended December 31, 2010

Change in Net Assets	<u>\$ (1,446,427)</u>
Adjustment To Reconcile Change In Net Assets	
To Net Cash (Used) By Operating Activities:	
Depreciation and Amortization	54,196
Realized Gains on Investments	-
Unrealized Gains (Losses) on Investments	6,033
Contributions and Marketable Securities	-
 (Increase) Decrease in Assets:	
Contributions Receivable	411,853
Pledges Receivable	(14,188)
Prepaid Expenses	-
 Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Expenses	<u>316,650</u>
 Total Adjustments	 <u>774,544</u>
Net Cash (Used) by Operating Activities	<u>(671,883)</u>
 Cash Flows From Investing Activities:	
Increase Investments	(3,098)
Purchases of Property and Equipment	16,245
Prepaid Expenses	-
Other Assets	(87,124)
Employee Loan Advances	(15,294)
Due from Gospel of Life Ministries	<u>(117,427)</u>
Net Cash Provided by Investing Activities	(206,698)
 Cash Flows From Financing Activities:	
(Increase) in Notes Payable	267,690
Line of Credit : Net Payments	-
Proceeds from Loan , Net Payments	<u>99,288</u>
Net Cash (Used) by Financing Activities	<u>366,978</u>
Net Increase (Decrease) in Cash	(511,603)
Cash and Cash Equivalents - Beginning of Year	<u>749,463</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 237,860</u></u>

The accompanying footnotes are an integral part of these financial statements.

Schedule of Functional Expenses

Priests for Life
Schedule of Functional Expenses
For the Year Ended December 31, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$1,610,245	\$ 536,749		\$ 2,146,994
Payroll Taxes	118,565	39,522		158,087
Fringe Benefits	528,878	176,293		705,171
Professional Fundraising Fees			\$ 268,186	268,186
Accounting/Auditing Fees		71,421		71,421
IT Systems		262,855		262,855
Legal Fees		182,921		182,921
International Development				
European Initiative	219,828			219,828
UN Outreach	78,824			78,824
Strategic Planning	166,747			166,747
Management Advisory	261,205			261,205
Grants	769,929			769,929
Office Supplies	93,713	31,238		124,951
Communications	90,409	30,136	29,112	149,657
Postage and Shipping	189,320	140,296	764,397	1,094,013
Occupancy	523,555	122,885		646,440
Interest		23,541		23,541
Maintenance and Repairs	195,114	65,038		260,152
Equipment Maintenance	16,376	5,459		21,835
Travel	943,119	11,528		954,647
Insurance		34,778		34,778
Advertising and Marketing	276,654			276,654
Printing and Publications	1,715,388			1,715,388
Credit Card/Bank Charges		42,907		42,907
Conferences and Meetings	181,188	51,127		232,315
Dues and Subscriptions		48,834		48,834
List Acquisition			154,157	154,157
Video/Audio Tapes	48,392			48,392
Media Campaign				
Secular Media	127,183			127,183
Religious Media	333,452			333,452
Clergy Fax/E-Mail Blasts	234,508			234,508
Pro-Life Polling	45,718			45,718
Social Networking	213,826			213,826
Depreciation		54,196		54,196
Other Expenses	-	-	-	-
Total Expenses	<u>\$ 8,982,137</u>	<u>\$ 1,931,722</u>	<u>\$ 1,215,852</u>	<u>\$ 12,129,711</u>

The accompanying footnotes are an integral part of these financial statements.

Priests for Life
Notes to Financial Statements
Year Ended December 31, 2010

NOTE - 1

ORGANIZATION AND PURPOSE

Priests for Life was formed on December 21, 1990 exclusively for charitable, scientific and education purposes, as an officially approved association of the Catholic Church. More specifically, Priests for Life was formed to identify, educate and support Roman Catholic clergy for whom the intrinsic value of each human life is the focus of their pastoral ministry and to assist these clergy in the role of teaching and preaching of the defense of human life from abortion and euthanasia in the context of a consistent ethic of life. Priests for Life also functions in a spirit of ecumenical and inter-religious collaboration, willingly assisting clergy and laity of all religions in their efforts to defend human life.

NOTE - 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The accounting records of Priests for Life are maintained on the accrual basis. Revenue and related assets are recognized when earned, and expenses and related liabilities are recognized when obligations are incurred.

B. Basis of Presentation

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, Priests for Life reports information regarding financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2010, Priests for Life has no permanently restricted net assets.

C. Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as, well as cash on hand. Cash equivalents are short term, highly liquid investments managed as part of its long-term investments.

D. Investments

Investments in marketable securities with readily determined fair values and all investments in debt securities are carried at their fair values in the Statement of Financial Position. Unrealized

gains and losses are included in the change in net assets in the accompanying Statement of Activities and Changes in Net Assets.

E. Property & Equipment

Fixed assets are stated at cost less accumulated depreciation. Repairs and maintenance costs are expensed when incurred. The estimated useful lives of depreciable assets range from 3 - 5 years. Depreciation is recorded over the estimated useful lives of the related assets using the straight-line methodology.

F. Artwork - Religious Articles

Priests for Life capitalize its artwork of religious articles. Acquisitions are capitalized at cost if purchased and at appraised or fair value at date of acquisition if received by donation.

In accordance with SFAS No. 93, "Recognition of Depreciation by Not-for-Profit Organizations", Priests for Life does not record depreciation on its artwork of religious articles.

G. Donated Services

No amounts have been reflected in the accompanying financial statements for donated services. Priest for Life generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Priests for Life with specific programs, campaign solicitations and various committee assignments.

H. Income Taxes

Priests for Life is exempt from Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and, therefore, have made no provisions for Federal income taxes in the accompanying financial statements. In addition, Priests for Life qualifies for the charitable contribution deduction under Section 170 (b) (1) (A) and has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509 (a) (2) of the Internal Revenue Code.

I. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net assets, revenue, and expenses for the reporting period. Actual results could differ from those estimates. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and /or nature of any donor restrictions.

J. Public Support and Revenue

Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other donor- restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of restrictions. When restrictions expire (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 Statement of Activities and Changes in Net Assets as net assets released from restrictions. Dividend and interest income are recognized when earned.

K. Functional Allocation of Expenses

The costs of providing various program and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Costs related to the operation and maintenance of the physical plant, including depreciation of plant assets, are allocated to program and supporting services (which includes management and general and fundraising expenses) based upon several allocation metrics, including staff compensation .

L. Subsequent Events

There were no subsequent events noted as of December 31, 2010.

NOTE – 3

INVESTMENTS

Investments are reported at fair value based upon quoted market values. Investments at fair value consisted of the following at December 31, 2010:

Type of Investment	Amount
Mutual Funds	\$17,920
Common Stocks	65,261
Total	\$83,181

Investment returns for the year ended December 31, 2010 are summarized as follows:

Type of Return	Amount
Interest and dividends (including interest on employee loans)	\$ 11,520
Capital gains distributions	-
Total Net realized and unrealized gains (losses) on investments carried at fair value	\$ 6,033
Total	\$ 17,553

NOTE – 4

PLEDGES RECEIVABLE

As of December 31, 2010, pledges receivable consist of unconditional promises to give by individual donors for the period through December 31, 2010. In accordance with SFAS No. 116, “*Accounting for Contributions Received and Contributions Made*”, Priests for Life has recognized these promises as temporarily restricted contributions in the accompanying financial statements. (See also Note 9.)

NOTE – 5

DUE FROM GOSPEL OF LIFE MINISTRIES

As of December 31, 2010, Priests for Life is owed \$878,701 by Gospel of Life Ministries (GOLM). Since the formation of GOLM in 2006, Priests for Life has provided support, both in an organizational sense, as well as in terms of financial support. GOLM is not affiliated with the Catholic Church, but rather is an interdenominational effort supported by Faith and Action, the National Clergy Council, Priests for Life and the National Pro-Life Religious Council. The purpose of Gospel of Life Ministries is to bring evangelical and Catholic Christians together to defend life from abortion throughout the United States and the world.

After GOLM was founded, the organizers immediately began to develop the outreach programs that were necessary to lay the groundwork for future activities. In particular, these activities included the introduction of two cable-based television shows, **Gospel of Life** and **Life on the Line**. The shows were produced on a weekly basis and chronicled the lives and activities of individuals who had experienced abortion; included panel discussions with representatives of the

various supporting organizations and other experts in the pro-life field. The majority of the costs associated with producing these shows were borne by Priests for Life.

Prior to the development of the television programs, the leadership of GOLM had determined that funds provided by any of the supporting organizations would be reimbursed once GOLM developed its own fundraising program. Priests for Life anticipates being fully repaid by the end of 2014.

NOTE – 6

EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

As of December 31, 2010, equipment and leasehold improvements consisted of the following:

Type of Equipment	
Computer Equipment and Software	\$393,987
Leaseholds Improvements	442,572
Furniture	142,003
Office Equipment	45,424
Telephone and Video Equipment	46,033
Automobiles	109,487
<i>Less: accumulated depreciation and Amortization</i>	<i>(962,720)</i>
Equipment and Leasehold Improvements, Net	\$216,786

Depreciation and amortization expense totaled \$54,196 for the year ended December 31, 2010.

NOTE – 7

LOANS PAYABLE

Loans payable consists of three separate loans for the purchase of three vehicles, totaling \$7,665. All the loans have maturities of 60 months with interest rates ranging from 7.9% to 14.69%. The loans are secured by the vehicles.

In addition, Priests for Life entered into unsecured, short-term borrowing arrangements to provide working capital funds during the year. These agreements, totaling \$128,689 at December 31, 2010, are payable by December 31, 2011, and bear interest at the rate of 10% annually.

NOTE -- 8

NOTE PAYABLE

During the year, Priests for Life executed an unsecured Note Payable with a vendor to formalize the payment terms of an outstanding accounts payable balance. The agreement provides for equal monthly installments over a twenty-four month term, with interest payable at an annual rate of 2%. As of December 31, 2010, \$138,385 is payable during the next twelve-month period, and the balance, \$129,305, is due during the year ending December 31, 2012.

NOTE -- 9

RESTRICTION OF NET ASSETS

Temporarily Restricted Net Assets

As of December 31, 2010, Temporarily Restricted Net Assets are available for the following purpose:

Status of Restriction	Amount
Time Restrictions	\$505,883

As of December 31, 2010, net assets released from donor restrictions are as follows:

Status of Restriction	Amount
Time Restrictions Expired	\$491,695

(See also Note 4).

NOTE – 10

EMPLOYEE BENEFIT PLAN

Priests for Life has a tax deferred annuity plan (“Plan”) which qualifies under Section 403 (b) of the Internal Revenue Code. The plan covers all full-time employees. Employees can make contributions to the plan up to the maximum amount allowed under the law. In addition, Priests for Life matches 25% of employee contributions made to the plan. Total pension expense for the year ended December 31, 2010 was \$49,544.

NOTE – 11

LEASE OBLIGATIONS

Priests for Life leases real property under lease arrangements classified as operating leases. Rent expense under these leases as of December 31, 2010 was \$491,538.

NOTE – 12

RELATED PARTY TRANSACTIONS

During 2010 and in prior years, Priests for Life provided funding for programs and activities conducted by Gospel of Life Ministries, Inc., a 501(c) (3) not-for-profit organization. These funds, amounting to \$878,701 as of December 31, 2010, are reflected as Due from Gospel of Life Ministries on the accompanying Statement of Financial Position. These funds will be repaid to Priests for Life by Gospel of Life.

Two of the officers of the Board of Directors of Priests for Life are also officers of the Board of Directors of Gospel of Life Ministries.

During 2010, Priests for Life provided donations to Rachel’s Vineyard Ministries, a 501(c) (3) not-for-profit organization, in the amount of \$437,055.

Two of the officers of the Board of Directors of Priests for Life are also officers of the Board of Directors of Rachel’s Vineyard Ministries.

NOTE – 13

COMMITMENTS AND CONTINGENCIES

As of the report date, Priests for Life had not filed its annual report with various state charities registration bureaus as required by those states.

Upon receipt of this certified report, Priests for Life intends to comply with the filing requirements. The liability, if any, for non-compliance is not presently determinable and accordingly, no provision for such liability, if any, has been recorded in the accompanying financial statements.