



UNITAS INVESTMENT FUND, INC.

Financial Statements

August 31, 2009 and 2008

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Directors
Unitas Investment Fund, Inc.:

We have audited the accompanying statements of net assets of the Unitas Investment Fund, Inc. (Unitas), including the condensed schedule of investments as of August 31, 2009 and 2008, and the related statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of Unitas' management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Unitas' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Unitas Investment Fund, Inc. as of August 31, 2009 and 2008, and the results of its operations and the changes in its net assets for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

December 11, 2009

UNITAS INVESTMENT FUND, INC.

Statements of Net Assets

August 31, 2009 and 2008

Assets	2009	2008
Investments, at fair value:		
Common stock (cost \$41,915,193 and \$75,371,016, respectively)	\$ 46,541,016	75,024,273
Commingled fund (cost \$10,000,000 and \$10,000,000, respectively)	10,546,990	12,013,872
Real estate investment trust (cost \$964,846 and \$976,415, respectively)	1,094,978	925,790
Fixed income securities (cost \$169,953,352 and \$203,185,914, respectively)	167,695,610	192,831,278
Total investments, at fair value	225,878,594	280,795,213
Cash and cash equivalents	289,413	12,550
Receivables for investment securities sold	3,879,309	8,516,834
Total assets	\$ 230,047,316	289,324,597
Liabilities and Net Assets Available for Participants		
Liabilities:		
Payable for investments purchased	\$ 594,557	4,618,839
Other liabilities	381,875	12,550
Total liabilities	976,432	4,631,389
Net assets available for participants	229,070,884	284,693,208
Total liabilities and net assets available for participants	\$ 230,047,316	289,324,597

See accompanying notes to financial statements.

UNITAS INVESTMENT FUND, INC.

Condensed Schedule of Investments

August 31, 2009

	<u>Percentage of investments</u>	<u>Percentage of net assets</u>	<u>Fair value</u>
Common stock:			
Common stock – United States:			
Materials	0.74%	0.73%	\$ 1,666,765
Industrials	2.94	2.90	6,635,032
Consumer nondurables	1.57	1.54	3,538,307
Consumer services	2.30	2.27	5,193,374
Energy	1.97	1.94	4,451,408
Financial services	2.85	2.81	6,445,486
Healthcare	2.80	2.76	6,324,795
Telecommunication	0.91	0.89	2,044,361
Technology	3.39	3.34	7,656,590
Utilities	0.92	0.91	2,086,357
Total common stock – United States (cost \$41,458,495)	<u>20.39</u>	<u>20.09</u>	<u>46,042,475</u>
Common stock – International Foreign (cost \$456,698)	<u>0.22</u>	<u>0.22</u>	<u>498,541</u>
Total common stock (cost \$41,915,193)	<u>20.61</u>	<u>20.31</u>	<u>46,541,016</u>
Commingled fund:			
International – Sprucegrove (cost \$10,000,000)	<u>4.67</u>	<u>4.60</u>	<u>10,546,990</u>
Real estate investment trusts:			
United States (cost \$964,846)	<u>0.48</u>	<u>0.48</u>	<u>1,094,978</u>
Fixed income securities:			
United States:			
U.S. Treasury bonds and notes	2.57	2.54	5,815,618
U.S. Treasury Bills	1.06	1.05	2,395,342
U.S. agencies	5.39	5.31	12,176,664
Corporate obligations	13.81	13.61	31,196,265
Municipal bonds	0.51	0.50	1,141,855
Prime obligations fund – Federated	21.25	20.96	48,005,967
Prime obligations fund – Vanguard	12.40	12.22	28,007,443
Taxable fixed income funds – Pimco	12.65	12.47	28,569,967
Government money market funds	4.60	4.53	10,386,489
Total fixed income securities (cost \$169,953,352)	<u>74.24</u>	<u>73.19</u>	<u>167,695,610</u>
Total investments (cost \$222,833,391)	<u>100.00%</u>	<u>98.58%</u>	<u>\$ 225,878,594</u>

See accompanying notes to financial statements.

UNITAS INVESTMENT FUND, INC.

Condensed Schedule of Investments

August 31, 2008

	<u>Percentage of investments</u>	<u>Percentage of net assets</u>	<u>Fair value</u>
Common stock:			
Common stock – United States:			
Basic industries	4.40%	4.34%	\$ 12,355,349
Materials	2.44	2.41	6,850,363
Consumer nondurables	1.84	1.81	5,165,182
Consumer services	3.09	3.05	8,683,684
Energy	3.21	3.17	9,015,180
Financial services	3.42	3.38	9,610,138
Healthcare	2.46	2.42	6,895,695
Media	1.23	1.21	3,440,628
Technology	4.17	4.11	11,713,215
Utilities	0.46	0.45	1,294,839
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Total common stock – United States (cost \$75,371,016)	26.72	26.35	75,024,273
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Commingled fund:			
International – Sprucegrove (cost \$10,000,000)	4.28	4.22	12,013,872
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Real estate investment trust:			
United States (cost \$976,415)	0.33	0.33	925,790
	<hr/>	<hr/>	<hr/>
Fixed income securities:			
United States:			
U.S. Treasury bonds and notes	1.64	1.61	4,592,027
U.S. core bond fund – Western Asset	19.25	18.98	54,044,968
U.S. agencies	4.75	4.69	13,348,974
Corporate obligations	14.27	14.07	40,061,291
Municipal bonds	0.19	0.18	526,021
Government money market funds	28.57	28.18	80,257,997
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Total fixed income securities (cost \$203,185,914)	68.67	67.71	192,831,278
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Total investments (cost \$289,533,345)	100.00%	98.61%	\$ 280,795,213
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See accompanying notes to financial statements.

UNITAS INVESTMENT FUND, INC.

Statements of Operations

Years ended August 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues and losses:		
Investment income:		
Dividends and interest	\$ 7,502,983	10,652,411
Investment income	<u>7,502,983</u>	<u>10,652,411</u>
Realized and unrealized gains (losses) on investments:		
Net realized loss on investments	(24,761,072)	(3,032,775)
Net unrealized gain (loss) on investments	<u>7,916,163</u>	<u>(15,911,189)</u>
Net losses on investments	<u>(16,844,909)</u>	<u>(18,943,964)</u>
Total revenues and losses	<u>(9,341,926)</u>	<u>(8,291,553)</u>
Expenses (note 5):		
Investment fees	595,221	1,330,749
Mission fees	444,804	633,181
General and administrative expenses	<u>116,327</u>	<u>161,325</u>
Total expenses	<u>1,156,352</u>	<u>2,125,255</u>
Net decrease in net assets available for participants	<u>\$ (10,498,278)</u>	<u>(10,416,808)</u>

See accompanying notes to financial statements.

UNITAS INVESTMENT FUND, INC.

Statements of Changes in Net Assets

Years ended August 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Net assets available for participants at beginning of year	\$ 284,693,208	348,762,269
Net decrease in net assets available for participants	(10,498,278)	(10,416,808)
Add investor deposits	55,260,785	83,667,201
Less investor withdrawals	<u>(100,384,831)</u>	<u>(137,319,454)</u>
Net assets available for participants at end of year	<u>\$ 229,070,884</u>	<u>284,693,208</u>

See accompanying notes to financial statements.

UNITAS INVESTMENT FUND, INC.

Notes to Financial Statements

August 31, 2009 and 2008

(1) Organization

Unitas Investment Fund, Inc. (Unitas) is a not-for-profit corporation organized under the laws of the State of New York. Unitas is classified as a 501(c)(3) organization and is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code and a similar provision of the New York State income tax laws. Unitas was organized for the purpose of offering the Roman Catholic Diocese of Rockville Centre (the Diocese), its parishes and other Roman Catholic organizations the opportunity to invest in harmony with the teachings and beliefs of the Roman Catholic Church.

Unitas offers its investors the following investment options, individually referred to as a “fund” and collectively referred to as “funds”:

- The Unitas Money Market Fund, which invests in short-term debt securities and money market instruments.
- The Unitas Long-Term Funds, comprised of:
 - The Unitas Total Fixed Income Fund, which invests the majority of its assets in fixed income securities, mutual funds, and other investment pools that invest in fixed income securities;
 - The Unitas Balanced Fund, which invests approximately 50% of its assets in the Unitas Total Fixed Income Fund and 50% of its assets in equity securities;
 - The Unitas Income Weighted Fund, which invests approximately 60% of its assets in the Unitas Total Fixed Income Fund and approximately 40% of its assets in equity securities;
 - The Unitas Equity Weighted Fund, which invests approximately 40% of its assets in the Unitas Total Fixed Income Fund and approximately 60% of its assets in equity securities; and
 - The Unitas Structured Debt Fund, which is closed to new investors and invests in residential-mortgage-backed securities, credit/bank loans and investment grade corporate debt and asset backed securities.

All financial assets are held for Unitas in custody accounts by a commercial bank and are actively managed by third-party investment managers.

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles, including the guidance provided by the American Institute of Certified Public Accountants, *Audit and Accounting Guide for Investment Companies*.

(b) *Cash Equivalents*

Cash equivalents include highly liquid instruments with original maturities of three months or less.

UNITAS INVESTMENT FUND, INC.

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(c) ***Realized Gains and Losses***

Realized gains and losses are calculated on a trade-date basis using the first-in, first-out method.

(d) ***Participants' Balances***

Unitas allows for weekly (short-term funds) and quarterly (long-term funds) additions to and withdrawals from the funds. Investment income as well as net gains (losses) on sales of securities and unrealized appreciation (depreciation) in fair value of investments is credited (charged) monthly to the participants' balances, based on their pro rata participation in the funds.

(e) ***Derivative Financial Instruments***

All derivative financial instruments are recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. From time to time, investment managers may invest in derivative instruments such as futures contracts and equity index swaps. The fair value of any derivatives held is based upon values provided by a third-party financial institution, which is reviewed by management for reasonableness.

(f) ***Estimates***

Certain estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets available for participants when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ.

(g) ***Risks and Uncertainties***

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets.

(h) ***Recent Accounting Standards***

Effective September 1, 2008, Unitas adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157), as amended. SFAS 157 defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

UNITAS INVESTMENT FUND, INC.

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August 31, 2009 and 2008

- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement.

The adoption of SFAS 157 did not have a material impact on Unitas' financial statements.

In connection with the adoption of SFAS 157, Unitas elected to early adopt the measurement provisions of Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures - Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in funds that do not have readily determinable fair values including the commingled fund. This guidance amends SFAS 157 and allows for the estimation of the fair value of investments within its scope using net asset value per share or its equivalent. Net asset value, in many instances, may not equal fair value that would be calculated pursuant to SFAS 157.

Effective August 31, 2009, Unitas adopted SFAS No. 165, *Subsequent Events* (SFAS 165). SFAS 165 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The adoption of SFAS 165 had no significant impact on Unitas' financial statements.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, An Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 addresses the accounting for uncertainties in income taxes recognized in an organization's financial statements and prescribes a threshold of more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosures. FIN 48 is currently effective for Unitas' August 31, 2010 financial statements. The adoption of FIN 48 is not expected to have a significant impact on Unitas' financial statements.

(3) Investments

The following table presents the fair value hierarchy of investments as of August 31, 2009:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	46,541,016	46,541,016	—	—
Commingled fund	10,546,990	—	10,546,990	—
Real estate investment trust	1,094,978	—	1,094,978	—
Fixed income securities	167,695,610	135,357,490	32,338,120	—
Total	<u>225,878,594</u>	<u>181,898,506</u>	<u>43,980,088</u>	<u>—</u>

UNITAS INVESTMENT FUND, INC.

Notes to Financial Statements

August 31, 2009 and 2008

(4) Financial Highlights

Financial highlights for the years ended August 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Total return ⁽¹⁾	(2.07)%	(3.58)%
Rates to average plan participant's balance:		
Expenses ⁽²⁾	0.50	0.67
Net investment income ⁽²⁾	(4.06)	(2.61)

Financial highlights are calculated for the participant balances taken as a whole. An individual participant's return and ratios may vary based on participation in different funds and timing of capital transactions.

- (1) Total return is measured by comparing the ending value of the participants' capital accounts to the beginning value of such participants' capital accounts adjusted for cash flows related to contributions or withdrawals during the period. Returns are geometrically linked based on the timing of cash flows during the period. An individual participant's return may vary from these returns based on the timing of transactions and the investment options chosen.
- (2) The net investment income and the expense ratios for individual participants may vary from these ratios based on the timing of transactions.

(5) Fees and Expenses

(a) Investment Fees

Investment fees include management, custodial and administration fees. These costs are assessed to each participant quarterly.

(b) Mission Fees

A mission fee that will be used for parish assistance to further the mission and ministry of the Church may be charged quarterly to investors. This fee is paid to the Mission Assistance Corporation, a Diocesan entity.

The mission fee will only be charged if, after the mission fee is imposed, the fund would still have a positive return. The mission fee in the Short-Term Fund and Long-Term Funds is equal to 0.0042% monthly (0.05% annually) and 0.125% quarterly (0.5% annually), respectively.

(c) General and Administrative Expenses

Unitas has no employees and pays no compensation directly. The Diocese and Unitas have entered into an administrative contract that sets forth the terms upon which Unitas will reimburse the Diocese for the expense of its employees who assist in the management and administration of the funds on a part-time basis. For the years ended August 31, 2009 and 2008, the Diocese charged Unitas \$116,313 and \$161,325, respectively, for administrative services.

UNITAS INVESTMENT FUND, INC.

Notes to Financial Statements

August 31, 2009 and 2008

(6) Subsequent Events

In connection with the preparation of the financial statements, Unitas evaluated subsequent events through December 11, 2009, which was the date the financial statements were approved for issuance, and concluded that no additional disclosures are required.