

FINANCIAL STATEMENTS

Consolidated Statements of Financial Position

December 31,	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 36,578,530	\$ 33,705,925
Investments (note 3)	1,702,584,549	1,491,968,108
Receivables	522,698	1,804,042
Fixed assets, net	<u>2,125,482</u>	<u>2,389,736</u>
Total assets	<u>\$ 1,741,811,259</u>	<u>\$1,529,867,811</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 542,209	\$ 556,669
Grants payable	20,779,617	38,348,137
Deferred rent credits (note 5)	2,768,934	2,813,291
Pension liability (note 4)	2,339,876	2,705,909
Accrued postretirement medical benefit obligation (note 4)	<u>2,490,224</u>	<u>2,617,039</u>
Total liabilities	<u>28,920,860</u>	<u>47,041,045</u>
Net assets:		
Unrestricted:		
Endowment	1,658,151,059	1,429,833,670
Available for grants	51,934,126	50,114,690
Available for administration	<u>2,805,214</u>	<u>2,878,406</u>
Total net assets	<u>1,712,890,399</u>	<u>1,482,826,766</u>
Total liabilities and net assets	<u>\$ 1,741,811,259</u>	<u>\$1,529,867,811</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Activities

Years ended December 31,	<u>2009</u>	<u>2008</u>
Changes in net assets:		
Revenues:		
Contributions	\$ 84,038,325	\$ 59,813,005
Investment return	289,946,625	(474,020,489)
Less:		
Investment expenses	(9,278,074)	(11,298,935)
Provision for unrelated business income taxes	(797,881)	(1,166,543)
	<u>279,870,670</u>	<u>(486,485,967)</u>
Other	40,025	45,080
Total unrestricted revenues	<u>363,949,020</u>	<u>(426,627,882)</u>
Expenses:		
Grants and services to beneficiaries	123,411,403	167,769,641
Grantmaking expenses	4,603,901	4,185,957
Administrative expenses	5,490,962	5,320,580
Development expenses	2,106,349	2,361,511
Total expenses	<u>135,612,615</u>	<u>179,637,689</u>
Increase (decrease) in net assets before other pension and postretirement medical changes	228,336,405	(606,265,571)
Other pension and postretirement medical changes (note 4)	1,727,228	(4,783,637)
Increase (decrease) in net assets	<u>230,063,633</u>	<u>(611,049,208)</u>
Net assets at beginning of year	1,482,826,766	2,093,875,974
Net assets at end of year	<u>\$ 1,712,890,399</u>	<u>\$ 1,482,826,766</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31,	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 230,063,633	\$ (611,049,208)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Net (appreciation) depreciation in fair value of investments	(248,342,475)	531,441,730
Depreciation and amortization expense	280,039	318,576
Decrease in receivables	1,281,344	659,624
(Decrease) increase in accounts payable	(14,460)	22,514
(Decrease) increase in grants payable	(17,568,520)	2,365,818
Decrease in deferred rent credits	(44,357)	(44,357)
(Decrease) increase in pension liability	(366,033)	5,046,289
(Decrease) increase in accrued postretirement medical benefit obligation	(126,815)	176,112
Net cash used in operating activities	<u>(34,837,644)</u>	<u>(71,062,902)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(437,569,097)	(615,129,757)
Proceeds from sales of investments	475,295,131	658,049,255
Capital expenditures	(15,785)	(38,446)
Net cash provided by investing activities	<u>37,710,249</u>	<u>42,881,052</u>
Net increase (decrease) in cash and cash equivalents	2,872,605	(28,181,850)
Cash and cash equivalents at beginning of year	33,705,925	61,887,775
Cash and cash equivalents at end of year	<u>\$ 36,578,530</u>	<u>\$ 33,705,925</u>
Supplemental disclosure of cash flow information:		
Taxes paid on unrelated business income	<u>\$ 797,881</u>	<u>\$ 1,166,543</u>

See accompanying notes to consolidated financial statements.

(1) Organization

The New York Community Trust and Community Funds, Inc. (including its Long Island and Westchester Divisions) (The Trust) are community foundations created to build permanent charitable endowments for the areas they serve. The Trust, as the consolidated foundations are hereinafter referred to, is tax exempt under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined not to be a private foundation under Section 509(a)(1) of the Code. The Trust administers nearly 2,000 individual charitable funds, each established with an instrument of gift describing either the general or specific purposes for which grants are to be made, usually from income only, but in some cases from principal.

(2) Summary of Significant Accounting Policies

Accounting standards provide that if the governing body of an organization has the ability to remove a donor restriction, the contributions should be classified as unrestricted net assets. However, under New York State law and The Trust's governing instruments, the assets are held as endowment funds until such time (if ever) as the governing body deems it prudent and appropriate to expend some part of the principal or appreciation. Accordingly, the consolidated financial statements classify all net assets as unrestricted, but segregate the portion that is held as endowment from the funds that are currently available for grants and administration.

Cash equivalents represent short-term investments with original maturities of 90 days or less, except for those short-term investments managed as part of long-term investment strategies.

Fixed assets are recorded at cost and are depreciated on a straight-line basis over the estimated life of the respective asset. Leasehold improvements are depreciated over the life of the respective improvement or the remaining term of the lease, whichever is shorter. Fixed assets are reported net of accumulated depreciation of \$1,705,981 in 2009 and \$1,425,942 in 2008.

Investment expenses include fees for bank trustees, investment managers, and custodians.

Grants and services to beneficiaries are expensed with approval of the Distribution Committee of The New York Community Trust (NYCT) or the Board of Directors of Community Funds, Inc. (CFI), and usually paid within one year.

The Trust has adopted a constant growth spending plan for many of its funds. This approach allows spending to increase at a steady rate within the confines of a floor, a ceiling and a cap. The spending plan is not applied to funds in CFI that are considered to be underwater, as defined by New York State law. At December 31, 2009 there were about 10 funds with a market value of approximately \$3.6 million, and a deficiency of about \$0.2 million, considered to be underwater.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based upon management's current judgments. Actual results could differ from those estimates.

Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

(3) Investments

Accounting Standards Codification Topic 820 (ASC 820), *Fair Value Measurements and Disclosures*, defines fair value 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. This pronouncement does not require any new fair value measurements, but does establish a fair value hierarchy, which requires The Trust to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of the hierarchy are:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset such as quoted prices for similar assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

Accounting Standards Update 2009-12 (ASU-2009-12) *Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)*, which amends ASC 820, allows the Trust, as a practical expedient, to estimate the fair value of investments in investment companies for which the investment does not have a readily determinable fair market value using net asset value.

Most of The Trust's investments are in publicly traded securities or in commingled funds, including common trust funds, which are invested in publicly traded securities. Fair value for these investments is based on quoted market prices and observable net asset values. The Trust also invests in hedge funds, private equity and certain real estate investments. The fair value of these investments has been determined primarily through independent appraisals using an income based approach and the net asset values provided by the fund managers utilizing quoted market prices of the underlying securities, market values of comparable companies and discounted cash flow projections. These valuations are reviewed for reasonableness by management of The Trust.

The following tables present The Trust's fair value hierarchy as defined by ASC 820 at December 31, 2009 and 2008 respectively:

	2009 Fair value	Level 1	Level 2	Level 3
U.S. large cap equities	\$ 469,754,397	\$ 425,031,123	\$ 44,723,274	\$ —
International equities	271,911,891	145,224,684	126,687,207	—
Cash equivalents	203,289,328	203,289,328	—	—
Fixed inc. / mutual funds	156,720,005	156,720,005	—	—
Hedge funds	119,647,721	—	119,647,721	—
Fixed inc. / corporate bonds	111,658,845	72,307,777	39,351,068	—
U.S. mid/small cap equities	111,386,485	68,663,886	42,722,599	—
Private equity	82,279,016	—	—	82,279,016
Real estate	52,674,830	20,108,918	—	32,565,912
Fixed inc. / government bonds	44,174,603	20,620,032	23,554,571	—
Balanced funds	41,064,680	26,793,470	14,271,210	—
Fixed inc. / common trust funds	26,312,891	—	26,312,891	—
Other	11,709,857	4,482,680	833,976	6,393,201
	<u>\$1,702,584,549</u>	<u>\$1,143,241,903</u>	<u>\$ 438,104,517</u>	<u>\$ 121,238,129</u>

	<u>2008 Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. large cap equities	\$ 344,712,789	\$ 304,360,892	\$ 40,351,897	\$ —
Cash equivalents	248,587,361	248,587,361	—	—
International equities	191,453,995	80,120,127	111,333,868	—
Fixed inc. / mutual funds	127,598,087	127,598,087	—	—
U.S. mid/small cap equities	123,373,721	97,710,506	25,663,215	—
Fixed inc. / government bonds	105,766,752	60,663,579	45,103,173	—
Hedge funds	94,871,324	—	—	94,871,324
Private equity	71,177,250	—	—	71,177,250
Fixed inc. / corporate bonds	61,942,310	38,879,649	23,056,705	5,956
Real estate	48,190,289	16,867,047	—	31,323,242
Balanced funds	33,254,986	21,006,360	12,248,626	—
Fixed inc. / common trust funds	31,440,942	—	31,440,942	—
Other	9,598,302	2,164,643	937,778	6,495,881
	<u>\$1,491,968,108</u>	<u>\$ 997,958,251</u>	<u>\$ 290,136,204</u>	<u>\$ 203,873,653</u>

The Trust's alternative investments include:

Equity Oriented Hedge Funds - The principal investment is a fund of hedge funds that mainly take both long and short positions in equities. The long positions may be leveraged. The funds may also employ options, warrants, futures, commodities, fixed income securities, currency forward contracts and other financial instruments. A second holding is a direct investment in a hedge fund that takes long and short positions in commodity-based marketable equities, primarily in the energy sector.

Absolute Return Hedge Funds - These consist of three multi-strategy funds that attempt to generate consistent positive returns by focusing on opportunities that are not correlated to the returns of the overall markets. The main strategies include merger arbitrage and other event-driven investments, distressed securities and securities of companies undergoing various types of restructurings, and convertible and capital structure arbitrage. Some funds also invest in leveraged loans, real estate equity and debt, and private equity.

Real Estate - This includes an investment in a fund that holds properties that are net leased to tenants with below investment grade credit ratings. The fund's holdings are analogous to high-yield bonds collateralized with real estate. As the result of a gift, there is also an investment in a limited liability company that owns land in New York City leased to the owner of a high rise office building.

Private Equity - Although the investments are largely in funds of funds, they also include two direct investments in private equity partnerships. Both the funds of funds and the two partnerships focus on buyouts – primarily of midcap companies. Three of the funds of funds also have a small allocation to venture capital. In addition, The Trust through gifts acquired interests in a limited partnership investment holding company and a limited liability company. The assets of the LP holding company consist almost entirely of publicly traded common stock in one company.

The Trust's investments in hedge funds may be redeemed at the net asset value as of the measurement date and at least annually thereafter, in certain cases more frequently. Advance notice of 30-90 days is required to redeem these investments. As such, ASU 2009-12 states that these investments should be categorized as Level 2 assets.

Capital invested in Level 3 assets is returned as the underlying investments are liquidated. The liquidation will occur over the term of the individual investment with the termination of these investments scheduled at various times between 2013 and 2019. Certain of The Trust's investments in private equity and real estate involve future cash commitments which amount to approximately \$40 million at December 31, 2009.

The following table presents a reconciliation for all Level 3 assets measured at fair value for the period January 1 to December 31:

	Level 3 Assets	
	2009	2008
Fair value at January 1	\$203,873,653	\$200,021,917
Realized losses	(110,348)	—
Unrealized losses	(1,330,400)	(20,744,621)
Sales	(1,428,493)	(2,702,447)
Purchases	10,696,239	8,779,012
Capital calls	6,362,458	19,787,514
Capital distributions	(1,953,656)	(1,267,722)
Reclassification of hedge funds to Level 2	(94,871,324)	—
Fair value at December 31	<u>\$121,238,129</u>	<u>\$203,873,653</u>

The following tables present The Trust's fair value hierarchy for the investments of its defined benefit pension plan (see note 4) as of December 31, 2009 and 2008 respectively:

	2009 Fair value	Level 1	Level 2	Level 3
U.S. large cap equities	\$ 8,816,510	\$ 8,816,510	\$ —	\$ —
International equities	1,446,848	1,446,848	—	—
U.S. Treasury and Agency	1,354,044	493,298	860,746	—
Corporate bonds	944,108	722,202	221,906	—
Cash equivalents	420,948	420,948	—	—
	<u>\$ 12,982,458</u>	<u>\$11,899,806</u>	<u>\$ 1,082,652</u>	<u>\$ —</u>

	2008 Fair value	Level 1	Level 2	Level 3
U.S. large cap equities	\$ 6,226,783	\$ 6,226,783	\$ —	\$ —
U.S. Treasury and Agency	1,994,499	795,131	1,199,368	—
International equities	1,163,522	1,163,522	—	—
Cash equivalents	668,824	668,824	—	—
Corporate bonds	663,059	445,720	217,339	—
	<u>\$ 10,716,687</u>	<u>\$ 9,299,980</u>	<u>\$ 1,416,707</u>	<u>\$ —</u>

(4) Pension and Postretirement Medical Benefit Plans

The Trust administers a noncontributory defined benefit pension plan covering substantially all employees. Benefits are based on years of service and the employee's compensation during the five highest consecutive years during the last ten years of employment. The Trust also provides medical

insurance benefits for its eligible retired employees. Obligations and funded status at December 31 are as follows:

	Pension benefits		Postretirement medical benefits	
	2009	2008	2009	2008
Benefit obligation	\$ 15,322,334	\$ 13,422,596	\$ 2,490,224	\$ 2,617,039
Fair value of plan assets	12,982,458	10,716,687	—	—
Funded status	\$ (2,339,876)	\$ (2,705,909)	\$ (2,490,224)	\$ (2,617,039)
Benefit costs	\$ 1,080,700	\$ 218,298	\$ 215,959	\$ 271,411
Benefits paid	\$ 461,013	\$ 240,662	\$ 62,279	\$ 50,945
Plan contribution	\$ —	\$ —	\$ —	\$ —

The accumulated amounts not yet recognized as a component of net periodic benefit cost was \$4,448,461 and \$220,504 at December 31, 2009 for the pension and postretirement medical plans, respectively. The estimated amount that will be amortized into net periodic benefit cost in 2010 is \$226,613 and \$28,009, respectively.

The discount rates used to value the pension and postretirement medical benefit plans range from 6.00% to 6.18%. The weighted average expected return on plan assets and rate of compensation increase for the calculation of the pension benefits is 8% and 4% as of December 31, 2009. The health care cost trend rate assumption for 2010 is 8.3% declining each year to 5.9% in 2015.

The pension plan is invested in a balanced portfolio of equity and fixed income securities. Annual projected benefit payments for the pension and post-retirement medical benefit plans are expected to average \$874,000 and \$108,000, through 2019, respectively.

The Trust also sponsors a defined contribution retirement plan for employees, in which contributions are based upon a specified percentage of salaries. The expense for this retirement plan was \$538,166 and \$522,372 in 2009 and 2008, respectively.

(5) Commitments

On March 30, 2004, The Trust entered into a lease agreement for office space expiring March 31, 2020. Future minimum rental payments are approximately \$1.3 million in 2010 through 2014, and a total of \$7.7 million thereafter through 2020.

Rental expense is recognized on a straight-line basis, in accordance with ASC 840, *Accounting for Leases*. The excess of recognized expense over actual rent payments as well as landlord provided improvements has been recorded as deferred rent credits. Rent expense for the years ended December 31, 2009 and 2008 amounted to \$1,321,980 and \$1,262,904, respectively.

(6) Subsequent Events

The Trust adopted ASC 855, *Subsequent Events*, and evaluated its December 31, 2009 consolidated financial statements for subsequent events through May 12, 2010, the date the consolidated financial statements were available to be issued. The Trust is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.



Independent Auditors' Report

Distribution Committee of The New York Community Trust and
Board of Directors of Community Funds, Inc.:

We have audited the accompanying consolidated statements of financial position of The New York Community Trust and Community Funds, Inc. (including its Long Island and Westchester Divisions) (collectively, The Trust) as of December 31, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of The Trust's management. 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 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 The Trust's 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The New York Community Trust and Community Funds, Inc. (including its Long Island and Westchester Divisions) as of December 31, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

May 12, 2010

INVESTMENT COMMITTEE

INVESTMENT COMMITTEE

Bruce W. Calvert, Chairman
Principal
CalCap Management LLC

Philip Y. Edwards
Principal
Curcio Webb

Kathleen A. Corbet
Chief Executive Officer
Cross Ridge Capital LLC

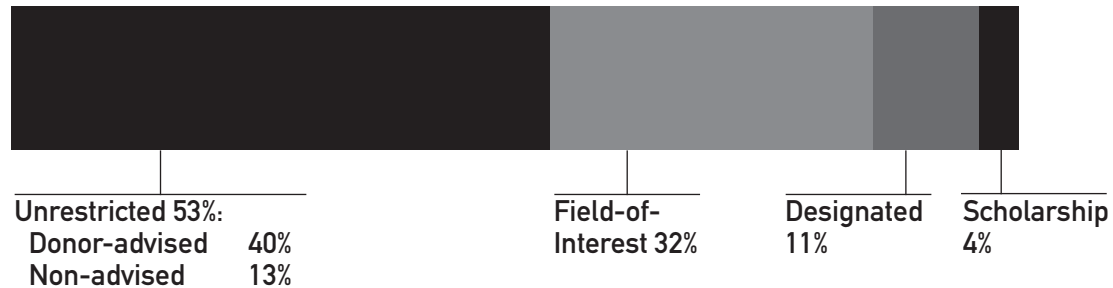
Donald R. Kurtz
Retired Managing Director
General Motors Investment
Management Corp.

Elizabeth B. Dater
Managing Director
Angelo, Gordon & Co.

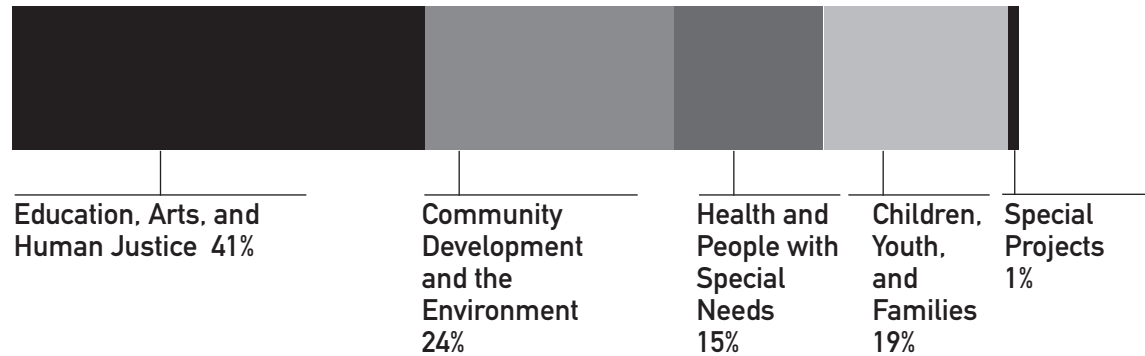
Lorie A. Slutsky
President
The New York Community Trust

Affiliation for identification purposes only.

ASSETS BY FUND TYPE



GRANTS BY PROGRAM AREAS



TOTAL EXPENDITURES

