

FINANCIAL STATEMENTS

Consolidated Statements of Financial Position

December 31,	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 36,802,457	\$ 36,578,530
Investments (note 3)	1,838,529,866	1,702,584,549
Receivables	645,433	522,698
Fixed assets, net	<u>1,907,806</u>	<u>2,125,482</u>
Total assets	<u>\$1,877,885,562</u>	<u>\$1,741,811,259</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 642,182	\$ 542,209
Grants payable	18,200,848	20,779,617
Pension liability (note 4)	3,332,975	2,339,876
Accrued postretirement medical benefit obligation (note 4)	2,499,560	2,490,224
Deferred rent credits (note 5)	<u>2,608,863</u>	<u>2,768,934</u>
Total liabilities	<u>27,284,428</u>	<u>28,920,860</u>
Net assets:		
Unrestricted:		
Endowment	1,798,492,905	1,658,151,059
Available for grants	49,728,250	51,934,126
Available for administration	<u>2,379,979</u>	<u>2,805,214</u>
Total net assets	<u>1,850,601,134</u>	<u>1,712,890,399</u>
Total liabilities and net assets	<u>\$ 1,877,885,562</u>	<u>\$ 1,741,811,259</u>

Consolidated Statements of Activities

Years ended December 31,	<u>2010</u>	<u>2009</u>
Changes in net assets:		
Revenues:		
Contributions	\$ 106,535,663	\$ 84,038,325
Investment return	195,031,676	289,946,625
Less:		
Investment expenses	(10,379,218)	(9,278,074)
Provision for unrelated business income taxes	(1,214,500)	(797,881)
	<u>183,437,958</u>	<u>279,870,670</u>
Other	<u>48,345</u>	<u>40,025</u>
Total unrestricted revenues	<u>290,021,966</u>	<u>363,949,020</u>
Expenses:		
Grants and services to beneficiaries	140,835,396	123,411,403
Grant making expenses	4,380,189	4,603,901
Administrative expenses	4,866,405	5,490,962
Development expenses	2,273,232	2,106,349
Total expenses	<u>152,355,222</u>	<u>135,612,615</u>
Increase in net assets before other pension and postretirement medical changes	137,666,744	228,336,405
Other pension and postretirement medical changes (note 4)	<u>43,991</u>	<u>1,727,228</u>
Increase in net assets	<u>137,710,735</u>	<u>230,063,633</u>
Net assets at beginning of year	<u>1,712,890,399</u>	<u>1,482,826,766</u>
Net assets at end of year	<u>\$ 1,850,601,134</u>	<u>\$ 1,712,890,399</u>

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Consolidated Statements of Cash Flows

Years ended December 31,	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 137,710,735	\$ 230,063,633
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net appreciation in fair value of investments	(155,226,829)	(248,342,475)
Depreciation and amortization expense	234,111	280,039
Loss on early disposal of fixed assets	2,945	—
(Increase) decrease in receivables	(122,735)	1,281,344
Increase (decrease) in accounts payable	99,973	(14,460)
Decrease in grants payable	(2,578,769)	(17,568,520)
Decrease in deferred rent credits	(160,071)	(44,357)
Increase (decrease) in pension liability	993,099	(366,033)
Increase (decrease) in accrued postretirement medical benefit obligation	9,336	(126,815)
	<u>(19,038,205)</u>	<u>(34,837,644)</u>
Net cash used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(417,407,919)	(437,569,097)
Proceeds from sales of investments	436,689,431	475,295,131
Capital expenditures	(19,380)	(15,785)
	<u>19,262,132</u>	<u>37,710,249</u>
Net cash provided by investing activities		
Net increase in cash and cash equivalents	223,927	2,872,605
Cash and cash equivalents at beginning of year	36,578,530	33,705,925
Cash and cash equivalents at end of year	<u>\$ 36,802,457</u>	<u>\$ 36,578,530</u>
Supplemental disclosure of cash flow information:		
Taxes paid on unrelated business income	<u>\$ 1,214,500</u>	<u>\$ 797,881</u>

See accompanying notes to consolidated financial statements.

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 \$1,930,275 in 2010 and \$1,705,981 in 2009.

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, 2010, there were 5 funds with a market value of approximately \$400,000, and a deficiency of about \$100,000, 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.

(3) Investments and Fair Value Measurements

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. A fair value hierarchy 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.

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Accounting Standards Update 2010-12 (ASU-2010-12) 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 at December 31, 2010 and 2009, respectively:

	<u>2010 Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. large cap equities	\$ 475,965,290	\$ 431,790,586	\$ 44,174,704	\$ —
International equities	299,447,155	158,870,031	140,577,124	—
Cash equivalents	211,180,630	211,180,630	—	—
Fixed income/mutual funds	195,325,061	195,325,061	—	—
U.S. mid/small cap equities	146,958,298	96,110,634	50,847,664	—
Hedge funds	117,432,777	—	117,432,777	—
Fixed income/corporate bonds	86,830,975	59,621,813	27,209,162	—
Private equity	85,152,647	—	—	85,152,647
Fixed income/government bonds	73,561,413	36,830,417	36,730,996	—
Real estate	62,701,009	26,523,339	—	36,177,670
Balanced funds	47,620,232	29,664,151	17,956,081	—
Fixed income/common trust funds	24,550,962	—	24,550,962	—
Other	11,803,417	3,176,486	2,572,260	6,054,671
	<u>\$1,838,529,866</u>	<u>\$1,249,093,148</u>	<u>\$462,051,730</u>	<u>\$127,384,988</u>

	<u>2009 Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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 income/mutual funds	156,720,005	156,720,005	—	—
Hedge funds	119,647,721	—	119,647,721	—
Fixed income/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 income/government bonds	44,174,603	20,620,032	23,554,571	—
Balanced funds	41,064,680	26,793,470	14,271,210	—
Fixed income/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>

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, these investments have been categorized as Level 2 assets.

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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 \$32 million at December 31, 2010.

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

	Level 3 Assets	
	2010	2009
Fair value at January 1	\$121,238,129	\$203,873,653
Realized losses	(246,300)	(110,348)
Unrealized gains and losses	8,908,196	(1,330,400)
Sales	(10,501,342)	(1,428,493)
Purchases	—	10,696,239
Capital calls	12,582,203	6,362,458
Capital distributions	(4,595,898)	(1,953,656)
Reclassification of hedge funds to Level 2	—	(94,871,324)
Fair value at December 31	<u>\$127,384,988</u>	<u>\$121,238,129</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, 2010 and 2009, respectively:

	2010 Fair value	Level 1	Level 2	Level 3
U.S. large cap equities	\$10,157,264	\$10,157,264	\$ —	\$ —
U.S. Treasury and Agency	1,318,701	513,752	804,949	—
Corporate bonds	1,126,587	835,585	291,002	—
International equities	1,123,353	1,123,353	—	—
Cash equivalents	505,104	505,104	—	—
	<u>\$14,231,009</u>	<u>\$13,135,058</u>	<u>\$1,095,951</u>	<u>\$ —</u>
	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>

(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:

	<u>Pension benefits</u>		<u>Postretirement medical benefits</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Benefit obligation	\$ 17,563,984	\$ 15,322,334	\$ 2,499,560	\$ 2,490,224
Fair value of plan assets	14,231,009	12,982,458	—	—
Funded status	<u>\$ (3,332,975)</u>	<u>\$ (2,339,876)</u>	<u>\$(2,499,560)</u>	<u>\$ (2,490,224)</u>
Benefit costs	\$ 902,181	\$ 1,080,700	\$ 199,508	\$ 215,959
Benefits paid	\$ 535,333	\$ 461,013	\$ 55,263	\$ 62,279
Plan contribution	\$ —	\$ —	\$ —	\$ —

The accumulated amounts not yet recognized as a component of net periodic benefit cost was \$4,539,379 and \$85,595 at December 31, 2010 for the pension and postretirement medical plans, respectively. The estimated amount that will be amortized into net periodic benefit cost in 2011 is \$225,976 and \$(40,337), respectively.

The discount rates used to value the pension and postretirement medical benefit plans range from 5.5% to 6.0%. The weighted average expected return on plan assets and rate of compensation increase for the calculation of the pension benefits is 8% and 4%, respectively, as of December 31, 2010. The health care cost trend rate assumption for 2011 is 7.8% declining each year to 6.1% in 2016.

The pension plan is invested in a balanced portfolio of equity and fixed income securities. Annual projected benefit payments for the pension and postretirement medical benefit plans are expected to average \$1,010,000 and \$99,000, through 2020, 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 \$509,116 and \$538,166 in 2010 and 2009, 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 2011 through 2014, \$1.5 million in 2015, and a total of \$6.3 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, 2010 and 2009 amounted to \$1,277,887 and \$1,321,980, respectively.

(6) Subsequent Events

The Trust evaluated its December 31, 2010 consolidated financial statements for subsequent events through May 5, 2011, 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 statement.

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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, 2010 and 2009, 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, 2010 and 2009, 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.

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INVESTMENT COMMITTEE

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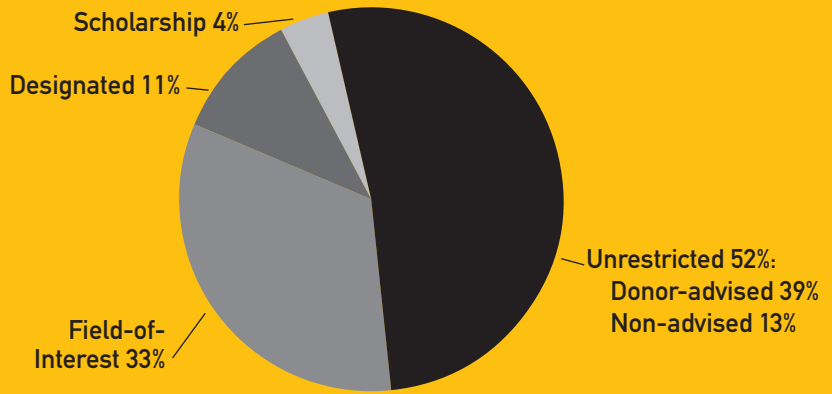
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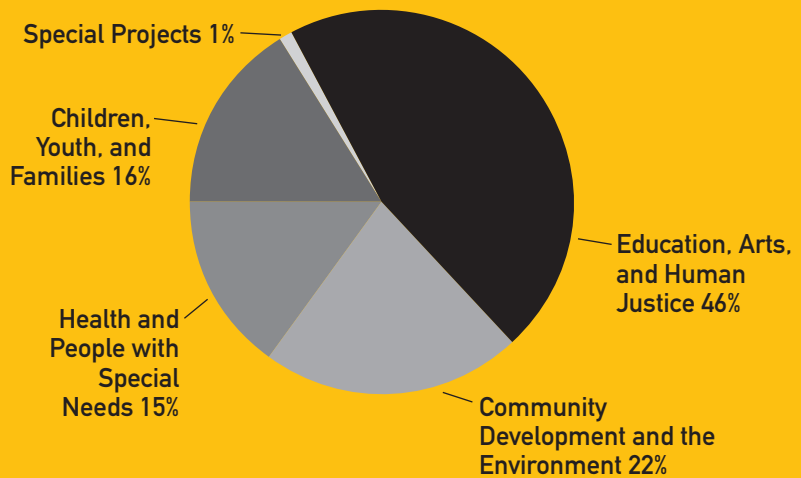
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FINANCIAL HIGHLIGHTS

ASSETS BY FUND TYPE



GRANTS BY PROGRAM AREAS



TOTAL EXPENDITURES

