

consolidated statements of financial position

THE NEW YORK COMMUNITY TRUST AND COMMUNITY FUNDS, INC.
(INCLUDING ITS LONG ISLAND AND WESTCHESTER DIVISIONS)

December 31,	2005	2004
ASSETS		
Cash and cash equivalents	\$ 12,037,184	14,701,655
Investments (note 3)	1,879,088,283	1,789,216,458
Receivables	1,750,930	1,686,990
Prepaid expenses (note 4)	3,236,870	3,603,633
Fixed assets, net	<u>1,491,107</u>	<u>1,608,804</u>
Total assets	\$ <u>1,897,604,374</u>	<u>1,810,817,540</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other liabilities (note 4)	\$ 1,748,137	1,494,319
Grants payable	<u>29,295,054</u>	<u>23,686,820</u>
Total liabilities	<u>31,043,191</u>	<u>25,181,139</u>
Net assets:		
Unrestricted:		
Endowment	1,812,123,974	1,727,628,987
Available for grants	41,710,376	38,371,789
Available for administration	<u>6,236,806</u>	<u>6,854,692</u>
Total net assets – unrestricted	1,860,071,156	1,772,855,468
Temporarily restricted:		
September 11th Fund (note 6)	<u>6,490,027</u>	<u>12,780,933</u>
Total net assets	<u>1,866,561,183</u>	<u>1,785,636,401</u>
Total liabilities and net assets	\$ <u>1,897,604,374</u>	<u>1,810,817,540</u>

See accompanying notes to consolidated financial statements.

consolidated statements of activities

THE NEW YORK COMMUNITY TRUST AND COMMUNITY FUNDS, INC.
(INCLUDING ITS LONG ISLAND AND WESTCHESTER DIVISIONS)

Years ended December 31,	2005	2004
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues:		
Contributions	\$ 126,518,677	75,872,172
Interest and dividends	53,988,971	42,201,632
Gain on investments (net of investment expenses of \$9,326,123 in 2005 and \$8,709,568 in 2004)	53,271,379	101,630,459
Other (note 4)	86,500	2,033,212
	<u>233,865,527</u>	<u>221,737,475</u>
Net assets released from restrictions (note 6)	6,336,373	49,115,539
Total unrestricted revenues	<u>240,201,900</u>	<u>270,853,014</u>
Expenses:		
Grants and services to beneficiaries	136,970,963	139,638,866
September 11th Fund grants (note 6)	6,336,373	49,115,539
Grantmaking expenses	3,271,722	3,024,414
Administrative expenses	4,892,140	4,724,391
Development expenses	1,515,014	1,442,290
	<u>152,986,212</u>	<u>197,945,500</u>
Total expenses	<u>152,986,212</u>	<u>197,945,500</u>
Increase in unrestricted net assets	<u>87,215,688</u>	<u>72,907,514</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	8,760	2,601,487
Transfer from the September 11th Fund (note 6)	—	4,964,919
Interest and dividends	36,707	165,461
Net assets released from restrictions (note 6)	(6,336,373)	(49,115,539)
	<u>(6,290,906)</u>	<u>(41,383,672)</u>
Decrease in temporarily restricted net assets	<u>(6,290,906)</u>	<u>(41,383,672)</u>
Increase in net assets	80,924,782	31,523,842
Net assets at beginning of year	<u>1,785,636,401</u>	<u>1,754,112,559</u>
Net assets at end of year	<u>\$ 1,866,561,183</u>	<u>1,785,636,401</u>

See accompanying notes to consolidated financial statements.

consolidated statements of cash flows

THE NEW YORK COMMUNITY TRUST AND COMMUNITY FUNDS, INC.
(INCLUDING ITS LONG ISLAND AND WESTCHESTER DIVISIONS)

Years ended December 31,	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 80,924,782	31,523,842
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	317,720	351,210
Gain on investments	(62,597,502)	(110,340,027)
Loss on disposal of fixed assets	2,949	10,919
Amortization of landlord credits	(123,428)	(50,461)
Increase in receivables	(63,940)	(7,183)
Decrease (increase) in prepaid expenses	366,763	(2,040,626)
Increase in accounts payable and other liabilities	253,818	371,519
Increase in grants payable	5,608,234	2,762,558
Net cash provided by (used in) operating activities	24,689,396	(77,418,249)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(664,636,728)	(597,552,961)
Proceeds from sales of investments	637,362,405	681,560,258
Capital expenditures	(79,544)	(1,618,498)
Net cash (used in) provided by investing activities	(27,353,867)	82,388,799
Net (decrease) increase in cash and cash equivalents	(2,664,471)	4,970,550
Cash and cash equivalents at beginning of year	14,701,655	9,731,105
Cash and cash equivalents at end of year	\$ 12,037,184	14,701,655

See accompanying notes to consolidated financial statements.

notes to consolidated financial statements

THE NEW YORK COMMUNITY TRUST AND COMMUNITY FUNDS, INC.
(INCLUDING ITS LONG ISLAND AND WESTCHESTER DIVISIONS)

(1) Organization

The New York Community Trust and Community Funds, Inc. (including its Long Island and Westchester Divisions) 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 more than 1,700 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, except for those net assets restricted for the September 11th Fund (see note 6), 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 \$514,285 in 2005 and \$203,341 in 2004.

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

Grants and services to beneficiaries are expensed upon approval of the Distribution Committee of The New York Community Trust or the Board of Directors of Community Funds, Inc.

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 2004 amounts have been reclassified to conform to the 2005 presentation.

(3) Investments

Investments are carried at fair value. Investments in non-publicly traded securities are based upon information provided by fund managers, which are reviewed for reasonableness, and other valuation techniques. The carrying amounts of all other financial instruments approximate fair value.

Investments consist of the following at December 31, 2005 and 2004:

	2005	2004
U.S. large cap equities	\$ 621,735,258	691,932,689
Fixed income	402,618,676	452,670,002
Cash equivalents	302,331,054	164,268,297
International equities	241,014,939	208,481,312
U.S. mid/small cap equities	166,166,337	154,566,856
Limited partnership interests	37,494,663	44,356,938
Absolute return funds	37,716,157	—
Real estate-marketable and nonmarketable	33,088,062	37,575,539
Balanced funds	27,142,629	29,439,362
Private equity	7,382,971	4,073,434
Other	2,397,537	1,852,029
	<u>\$ 1,879,088,283</u>	<u>1,789,216,458</u>

notes continued

The investments of The New York Community Trust (NYCT) are held in individual trusts at the bank designated by the donor in the instrument of gift. The investments of Community Funds, Inc. (CFI) are determined based on the liquidity requirements of individual funds. The breakdown is as follows:

	2005	2004
NYCT Bank Trusts	\$ 915,645,963	918,943,737
CFI Investment Pool	568,870,612	518,336,661
Short-term fixed income	272,434,582	170,660,050
CFI mutual funds	71,645,855	123,449,327
Other	50,491,271	57,826,683
	<u>\$ 1,879,088,283</u>	<u>1,789,216,458</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.

The following sets forth financial information about the plans as of December 31, 2005 and 2004:

	Pension benefits		Other benefits	
	2005	2004	2005	2004
Benefit obligation at				
December 31	\$ 11,296,678	10,361,166	2,940,153	1,153,931
Fair value of plan				
assets at December 31	<u>12,164,182</u>	<u>12,029,438</u>	<u>—</u>	<u>—</u>
Funded status	<u>\$ 867,504</u>	<u>1,668,272</u>	<u>(2,940,153)</u>	<u>(1,153,931)</u>
Prepaid (accrued) benefit				
costs recognized in the				
consolidated statements				
of financial position	\$ 3,236,870	3,510,619	(1,364,013)	(1,072,066)
Benefit costs (credit)	273,749	(1,947,612)	348,365	92,254
Benefits paid	218,809	288,126	56,418	51,745
Accumulated benefit obligation	8,420,182	8,008,292	—	—

In 2004, an adjustment was made to prepaid pension to reflect a change in the method of allocation of plan assets which is included in other revenue.

The discount rates used to value the pension and other benefit plans range from 5.5% to 5.75%. 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, 2005. The health care trend rate assumption for 2005 was 9.5% declining each year to 6.5% in 2011.

The pension plan is invested in a balanced portfolio of equity and fixed income securities. Annual projected benefit payments for the pension and other benefit plans are expected to average \$460,000 and \$101,000, through 2015, respectively.

The Trust also sponsors a defined contribution retirement plan for employees, in which contributions are based upon a specified percentage of salaries. Retirement plan expense was \$429,396 and \$385,196 in 2005 and 2004, 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 for the new lease are approximately \$1.2 million in 2006 through 2009, \$1.3 million in 2010, and a total of \$13.0 million thereafter through 2020.

Rent expense for the years ended December 31, 2005 and 2004, net of sublease income of \$537 in 2005 and \$92,000 in 2004, amounted to \$925,183 and \$1,010,500, respectively.

(6) September 11th Fund

The Trust and United Way of New York City (United Way) established the September 11th Fund (the Fund) to help respond to the events of September 11, 2001. To assure that monies from the Fund were spent effectively, without undue delays, and in a manner that ensured accountability, they appointed a governing committee (the September 11th Fund Board) and retained a chief executive. The Trust and United Way authorized the Fund to establish grant guidelines and determine distributions from the Fund.

Both The Trust and United Way accepted contributions and processed grants for the Fund. The accompanying consolidated financial statements only show the amounts received and grants processed by The Trust. As of January 1, 2004, The Trust became the Fund's disbursing agent, and remaining balances at United Way were transferred. The Trust processed grants of \$6,336,373 in 2005 and \$49,115,539 in 2004 for the Fund.

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. (The Trust) (including its Long Island and Westchester Divisions) as of December 31, 2005 and 2004, 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, 2005 and 2004, 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.