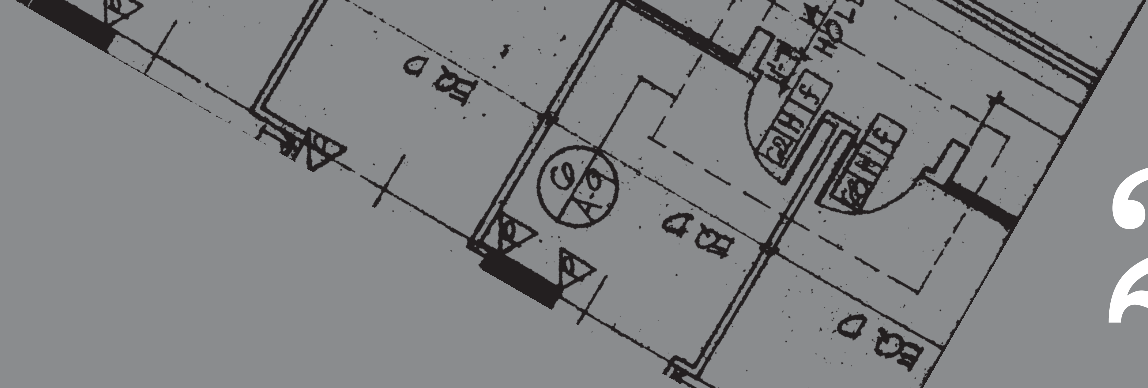
COMBINED BALANCE SHEETS

The New York Community Trust and Community Funds, Inc. (including its Long Island and Westchester Divisions)

December 31,	2003	2002
Assets		
Cash and cash equivalents	$ 9,731,105	5,646,716
Investments (note 3)	1,762,883,728	1,539,856,306
Receivables	1,679,807	2,851,220
Prepaid pension expense (note 4)	1,563,007	1,910,748
Fixed assets, net	301,974	582,569
Total assets	**$ 1,776,159,621**	**1,550,847,559**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other liabilities (note 4)	$ 1,122,800	1,104,719
Grants payable to beneficiaries	20,924,262	16,480,581
Total liabilities	**22,047,062**	**17,585,300**
Net assets:		
Unrestricted:		
Endowment	1,653,874,736	1,437,936,796
Available for grants	39,819,481	35,560,943
Available for administration	6,253,737	6,837,524
Total net assets-unrestricted	1,699,947,954	1,480,335,263
Temporarily restricted:		
September 11th Fund (note 6)	54,164,605	52,926,996
Total net assets	**1,754,112,559**	**1,533,262,259**
Total liabilities and net assets	**$ 1,776,159,621**	**1,550,847,559**

See accompanying notes to combined financial statements.



COMBINED STATEMENTS OF ACTIVITIES

The New York Community Trust and Community Funds, Inc. (including its Long Island and Westchester Divisions)

Years ended December 31,		2003	2002
Changes in unrestricted net assets:			
Revenues:			
Contributions	$	78,634,510	76,784,207
Interest and dividends		41,965,401	44,046,703
Gain (loss) on investments (net of investment expenses of $7,599,059 in 2003 and $7,090,790 in 2002)		225,825,635	(216,691,389)
		346,425,546	(95,860,479)
Net assets released from restrictions (note 6)		—	64,657,000
Total unrestricted revenues (losses)		**346,425,546**	**(31,203,479)**
Expenses:			
Grants and services to beneficiaries		117,991,766	126,484,987
Cash assistance program (note 6)		—	64,657,000
Grantmaking expenses		3,076,860	2,181,929
Administrative expenses		4,341,251	4,586,443
Development expenses		1,402,978	1,266,099
Total expenses		**126,812,855**	**199,176,458**
Increase (decrease) in unrestricted net assets		219,612,691	(230,379,937)
Changes in temporarily restricted net assets:			
Contributions		906,500	6,237,456
Transfer from the September 11th Fund (note 6)		—	55,000,000
Interest and dividends		331,109	528,844
Net assets released from restrictions (note 6)		—	(64,657,000)
Increase (decrease) in temporarily restricted net assets		1,237,609	(2,890,700)
Increase (decrease) in net assets		220,850,300	(233,270,637)
Net assets at beginning of year		**1,533,262,259**	**1,766,532,896**
Net assets at end of year	$	**1,754,112,559**	**1,533,262,259**

See accompanying notes to combined financial statements.

COMBINED STATEMENTS OF CASH FLOWS

The New York Community Trust and Community Funds, Inc. (including its Long Island and Westchester Divisions)

Years ended December 31,	2003	2002
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 220,850,300	(233,270,637)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation expense	280,595	286,975
(Gain) loss on investments	(233,424,694)	209,600,599
Decrease in receivables	1,171,413	4,551,559
Decrease (increase) in prepaid pension expense	347,741	(197,730)
Increase (decrease) in accounts payable and other liabilities	18,081	(11,077)
Increase (decrease) in grants payable to beneficiaries	4,443,681	(1,086,231)
Net cash used in operating activities	**(6,312,883)**	**(20,126,542)**
Cash flows from investing activities:		
Purchases of investments	(762,475,550)	(770,212,286)
Proceeds from sales of investments	772,872,822	771,237,597
Net cash provided by investing activities	**10,397,272**	**1,025,311**
Net increase (decrease) in cash and cash equivalents	4,084,389	(19,101,231)
Cash and cash equivalents at beginning of year	5,646,716	24,747,947
Cash and cash equivalents at end of year	**$ 9,731,105**	**5,646,716**

See accompanying notes to combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

The New York Community Trust and Community Funds, Inc. (including its Long Island and Westchester Divisions)

December 31, 2003 and 2002

(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 combined 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 combined 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 ninety days or less, except for those short-term investments managed as part of long-term investment strategies.

Investments are carried at fair value. The fair value of investments in common trust funds is based upon the fair value provided by the trust managers. Limited partnership interests are reported at fair value as determined by the general partner of each limited partnership. The carrying amount of all other financial instruments approximates fair value.

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 amortized 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 $2,029,518 in 2003 and $1,792,946 in 2002.

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 combined financial statements prepared by management and are based upon management's current judgments. Actual results could differ from those estimates.

Certain 2002 amounts have been reclassified to conform to the 2003 presentation.

(3) Investments

Investments consist of the following at December 31,	2003	2002
Mutual funds	$ 788,620,022	526,761,689
Common stocks	337,519,267	268,483,018
Common trust funds	245,347,203	359,366,328
Short-term investments	122,602,780	102,600,954
Corporate bonds	112,143,411	128,691,543
U.S. Government obligations	87,720,622	91,599,639
Limited partnerships and other	68,930,423	62,353,135
	$ 1,762,883,728	1,539,856,306

NOTES CONTINUED

(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, 2003 and 2002:

	Pension benefits		Other benefits	
	2003	2002	2003	2002
Benefit obligation at December 31	$ 9,434,838	7,271,340	1,055,197	873,716
Fair value of plan assets at December 31	10,875,500	7,595,680	—	—
Funded status	$ 1,440,662	324,340	(1,055,197)	(873,716)
Prepaid (accrued) benefit costs recognized in the combined balance sheets	$ 1,563,007	1,910,748	(1,031,557)	(994,240)
Benefit costs	$ (347,741)	(197,730)	84,865	59,929
Benefits paid	$ 297,876	253,390	47,548	30,223

The weighted average discount rate for the pension and other benefits plans for December 31, 2003 and 2002 are 6.0% and 6.5%, respectively. The weighted average expected return on plan assets and rate of compensation increase for the calculation of the pension benefits are 8.0% and 5.0% respectively as of December 31, 2003 and 2002. The health care trend rate assumption for 2003 was 8.5%, declining each year to 5% in 2010.

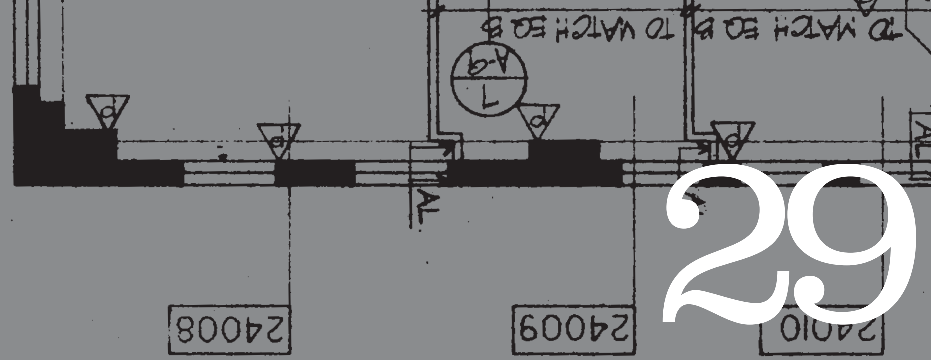
The Trust also sponsors a defined contribution retirement plan for employees, in which contributions are based upon a specified percentage of salaries. Retirement plan expense was $393,300 and $357,412 in 2003 and 2002, respectively.

(5) Commitments

The Trust leases office space in New York under a lease expiring on December 31, 2004, which requires future minimum rental payments of $954,940. In addition, 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 as follows:

2004	$ —
2005	879,424
2006	1,172,566
2007	1,172,566
2008	1,172,566
Thereafter	15,505,643
Total:	**$ 19,902,765**

Rent expense for the years ended December 31, 2003 and 2002, net of sublease income of $88,000 in 2003 and $84,000 in 2002, amounted to $976,000 and $965,000, respectively.



NOTES CONTINUED

(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 for the Fund. As of December 31, 2003, more than $520 million (unaudited) had been contributed and grants of more than $470 million (unaudited) had been made from the Fund. The accompanying financial statements only show the amounts received by The Trust. The remaining contributions were received by and the grants were made by United Way, which acted as the Fund's dispersing agent through December 31, 2003; the transactions are recorded on United Way's financial statements. The financial statement of the Fund was audited for the year ended July 31, 2003.

At its December 6, 2001 meeting, the September 11th Fund Board authorized the Cash Assistance Program for victims. Because United Way's charter does not permit it to make grants to individuals, it could not act as disbursing agent and so made transfers of $55 million and $75 million in 2002 and 2001, respectively, from the September 11th Fund to The Trust to administer this program. As of July 18, 2002, those transferred amounts had been granted to individuals.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined balance sheets of The New York Community Trust and Community Funds, Inc. (including its Long Island and Westchester Divisions) as of December 31, 2003 and 2002 and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these combined 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the combined 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, 2003 and 2002, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

April 23, 2004