

financial statements

Consolidated Statements of Financial Position

December 31,	2006	2005
ASSETS		
Cash and cash equivalents	\$ 31,748,269	12,037,184
Investments (note 3)	2,004,840,225	1,879,529,145
Receivables	2,047,459	1,310,068
Prepaid expenses (note 4)	2,834,740	3,236,870
Fixed assets, net	1,328,045	1,491,107
Total assets	\$ 2,042,798,738	1,897,604,374
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other liabilities (note 4)	\$ 2,226,015	1,748,137
Grants payable	106,710,770	29,295,054
Total liabilities	108,936,785	31,043,191
Net assets:		
Unrestricted:		
Endowment	1,878,198,598	1,812,123,974
Available for grants	46,981,816	41,710,376
Available for administration	7,727,589	6,236,806
Total net assets – unrestricted	1,932,908,003	1,860,071,156
Temporarily restricted:		
September 11th Fund	953,950	6,490,027
Total net assets	1,933,861,953	1,866,561,183
Total liabilities and net assets	\$ 2,042,798,738	1,897,604,374

See accompanying notes to consolidated financial statements.

Consolidated Statements of Activities

Years ended December 31,	2006	2005
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues:		
Contributions	\$ 88,588,294	126,518,677
Investment return	234,257,982	117,927,134
Less:		
Investment expenses	(10,709,310)	(9,326,123)
Provision for unrelated business income taxes	(1,565,365)	(1,340,661)
	<u>221,983,307</u>	<u>107,260,350</u>
Other	21,500	86,500
Net assets released from restrictions	<u>6,091,665</u>	<u>6,336,373</u>
Total unrestricted revenues	<u>316,684,766</u>	<u>240,201,900</u>
Expenses:		
Grants and services to beneficiaries	157,444,070	136,970,963
Principal distribution from terminated fund	67,914,000	—
September 11th Fund grants	7,551,087	6,336,373
Grantmaking expenses	3,870,597	3,271,722
Administrative expenses	5,193,719	4,892,140
Development expenses	<u>1,874,446</u>	<u>1,515,014</u>
Total expenses	<u>243,847,919</u>	<u>152,986,212</u>
Increase in unrestricted net assets	<u>72,836,847</u>	<u>87,215,688</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	463,632	8,760
Interest and dividends	91,956	36,707
Net assets released from restrictions	<u>(6,091,665)</u>	<u>(6,336,373)</u>
Decrease in temporarily restricted net assets	<u>(5,536,077)</u>	<u>(6,290,906)</u>
Increase in net assets	67,300,770	80,924,782
Net assets at beginning of year	<u>1,866,561,183</u>	<u>1,785,636,401</u>
Net assets at end of year	<u>\$ 1,933,861,953</u>	<u>1,866,561,183</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31,	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 67,300,770	80,924,782
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	312,905	317,720
Net appreciation in fair value of investments	(162,239,671)	(62,242,294)
(Gain) loss on disposal of fixed assets	(5,402)	2,949
Amortization of landlord credits	(123,428)	(123,428)
Increase in receivables	(737,391)	(419,148)
Decrease in prepaid expenses	402,130	366,763
Increase in accounts payable and other liabilities	477,878	253,818
Increase in grants payable	77,415,716	5,608,234
Net cash (used in) provided by operating activities	<u>(17,196,493)</u>	<u>24,689,396</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(550,686,776)	(664,636,728)
Proceeds from sales of investments	587,615,367	637,362,405
Capital expenditures	(21,013)	(79,544)
Net cash provided by (used in) investing activities	<u>36,907,578</u>	<u>(27,353,867)</u>
Net increase (decrease) in cash and cash equivalents	19,711,085	(2,664,471)
Cash and cash equivalents at beginning of year	12,037,184	14,701,655
Cash and cash equivalents at end of year	<u>\$ 31,748,269</u>	<u>12,037,184</u>
Supplemental disclosure of cash flow information:		
Taxes paid on unrelated business income	\$ 1,743,113	1,165,413

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) 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 1,800 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, 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 \$821,779 in 2006 and \$514,285 in 2005.

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 (NYCT) or the Board of Directors of Community Funds, Inc. (CFI), and usually paid within one year.

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 2005 amounts have been reclassified to conform to the 2006 presentation.

(3) Investments

Most of The Trust's investments are in publicly traded securities or in common trust funds and commingled funds that are invested in publicly traded securities. Fair value for these investments is based on quoted market prices and published net asset values. For other investments, fair value is determined based upon information provided by the fund managers, which is reviewed for reasonableness, and other valuation techniques.

Investments consist of the following at December 31, 2006 and 2005:

	2006	2005
Mutual funds	\$ 839,703,437	802,646,183
Common trust/other commingled funds	399,101,778	336,781,188
Common stocks	382,152,568	381,090,591
Short-term investments	128,293,310	116,217,195
U.S. Government obligations	100,778,847	99,026,903
Corporate bonds	74,918,433	72,256,010
Limited partnerships	70,332,898	60,788,375
Other	9,558,954	10,722,700
	<u>\$ 2,004,840,225</u>	<u>1,879,529,145</u>

Notes to Consolidated Financial Statements

The investments of NYCT are held in individual trusts at the bank designated by the donor in the instrument of gift. Assets in CFI are invested for long-term growth of principal and income in real terms, consistent with a reasonable degree of risk. Donor-advised funds that require a high degree of liquidity are invested in cash equivalents. The breakdown is as follows:

	NYCT	CFI	2006 Total	2005 Total
U.S. large cap equities	\$ 365,363,358	225,933,658	591,297,016	597,147,337
Fixed income	228,466,703	131,280,962	359,747,665	370,396,911
International equities	192,467,653	159,275,252	351,742,905	235,220,336
Cash equivalents	55,545,236	259,083,263	314,628,499	300,296,958
U.S. mid/small cap equities	106,936,156	56,261,752	163,197,908	165,720,301
Balanced funds	22,299,966	34,306,403	56,606,369	94,568,056
Private equity	2,148,164	52,109,398	54,257,562	47,071,840
Absolute return funds	—	49,214,979	49,214,979	37,716,157
Real estate	11,023,644	25,353,539	36,377,183	28,993,712
Hedge funds	—	25,228,000	25,228,000	—
Other	1,706	2,540,433	2,542,139	2,397,537
	<u>\$ 984,252,586</u>	<u>1,020,587,639</u>	<u>2,004,840,225</u>	<u>1,879,529,145</u>

Certain of The Trust's investments in private equity and real estate involve future cash commitments. These future cash commitments amount to approximately \$40.4 million at December 31, 2006.

(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.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. SFAS No. 158 requires an employer to recognize the funded status of a benefit plan, measured as the difference between plan assets at fair value and the benefit obligation, on its balance sheet. The Trust will be required to adopt this standard in its December 31, 2007 financial statements. The effect of adopting this standard is expected to be minimal.

The following sets forth financial information about the plans as of December 31, 2006 and 2005:

	Pension benefits		Other benefits	
	2006	2005	2006	2005
Benefit obligation at December 31	\$ 11,699,125	11,296,678	2,871,553	2,940,153
Fair value of plan assets at December 31	13,088,571	12,164,182	—	—
Funded status	<u>\$ 1,389,446</u>	<u>867,504</u>	<u>(2,871,553)</u>	<u>(2,940,153)</u>
Prepaid (accrued) benefit costs recognized in the consolidated statements of financial position	\$ 2,834,740	3,236,870	(1,660,707)	(1,364,013)
Benefit costs	402,130	273,749	353,716	348,365
Benefits paid	268,864	218,809	57,022	56,418
Accumulated benefit obligation	8,962,697	8,420,182	—	—

Notes to Consolidated Financial Statements

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, 2006. The health care trend rate assumption for 2007 is 8.5% declining each year to 6.0% in 2012.

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 \$545,000 and \$121,000, through 2016, 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 \$453,114 and \$429,396 in 2006 and 2005, 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 \$1.2 million in 2007 through 2009, \$1.3 million in 2010 through 2011 and a total of \$11.7 million thereafter through 2020.

Rent expense for the years ended December 31, 2006 and 2005 amounted to \$1,321,171 and \$925,183, respectively.

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, 2006 and 2005, 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.

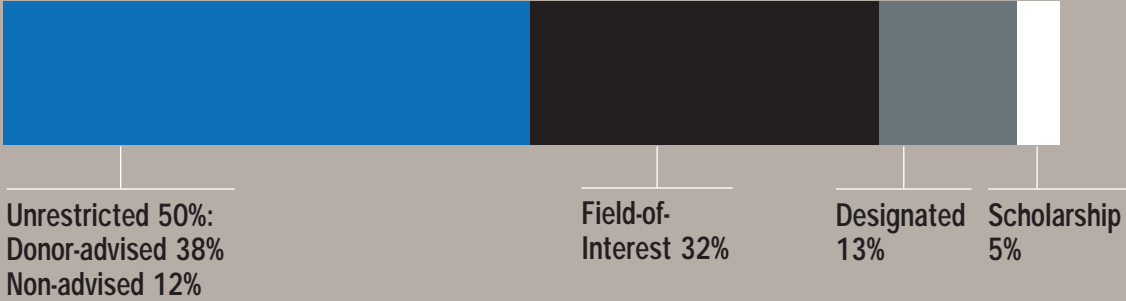
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The New York Community Trust and Community Funds, Inc. (including its Long Island and Westchester Divisions) as of December 31, 2006 and 2005, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

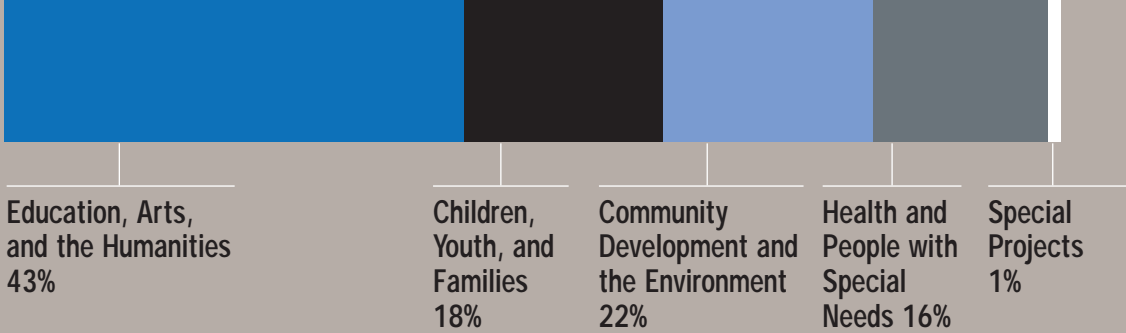
April 30, 2007

Financial Highlights

ASSETS BY FUND TYPE



GRANTS BY PROGRAM AREAS



TOTAL EXPENDITURES



Investment Committee

Bruce W. Calvert, Chairman
 Retired Chairman & CEO
 AllianceBernstein Holding, LP

Kathleen A. Corbet*
 President
 Standard & Poor's

Elizabeth B. Dater*
 Managing Director
 AG Asset Management

Donald R. Kurtz*
 Former Managing Director
 North American Equity Assets
 General Motors Investment Management Corp.

Lorie A. Slutsky
 President
 The New York Community Trust

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