Consolidated Statements of Financial Position

December 31,	2017	2016
ASSETS		
Cash and cash equivalents	$ 37,898,274	30,942,143
Investments (note 3)	2,766,374,760	2,519,254,629
Receivables	1,241,099	1,251,499
Fixed assets, net	568,704	797,280
Total assets	$ 2,806,082,837	2,552,245,551
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 767,417	767,257
Grants payable	63,556,910	42,021,807
Deferred rent credits (note 4)	794,085	1,147,012
Pension liability (note 5)	5,240,433	5,963,383
Accrued postretirement medical benefit obligation (note 5)	3,584,813	3,162,669
Total liabilities	73,943,658	53,062,128
Net assets:		
Unrestricted:		
Endowment	2,659,173,063	2,437,845,831
Available for grants	66,783,722	57,027,427
Available for administration	6,182,394	4,310,165
Total net assets	2,732,139,179	2,499,183,423
Total liabilities and net assets	$ 2,806,082,837	2,552,245,551

See accompanying notes to consolidated financial statements.

Consolidated Statements of Activities

Years ended December 31,	2017	2016
Changes in net assets:		
Revenues:		
Contributions	$ 81,312,770	124,537,416
Investment return:		
Interest and dividends	56,439,945	55,323,273
Net appreciation on investments	350,637,072	106,630,796
Less:		
Investment expenses	(17,048,291)	(17,498,483)
Provision for unrelated business income taxes	(297,612)	(989,086)
	389,731,114	143,466,500
Other	52,028	51,349
Total unrestricted revenues, net	471,095,912	268,055,265
Expenses:		
Grants and services to beneficiaries	224,214,541	195,554,486
Grantmaking expenses	5,944,281	5,644,674
Administrative expenses	6,241,495	5,926,907
Development expenses	2,674,926	2,540,102
Total expenses	239,075,243	209,666,169
Increase in net assets before other pension and postretirement medical changes	232,020,669	58,389,096
Other pension and postretirement medical changes (note 5)	935,087	660,485
Increase in net assets	232,955,756	59,049,581
Net assets at beginning of year	2,499,183,423	2,440,133,842
Net assets at end of year	$ 2,732,139,179	2,499,183,423

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31,	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 232,955,756	59,049,581
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net appreciation on investments	(350,637,072)	(106,630,796)
Depreciation and amortization expense	273,610	269,205
Decrease (increase) in receivables	10,400	(410,249)
Increase in accounts payable	160	157,622
Increase in grants payable	21,535,103	20,424,580
Decrease in deferred rent credits	(352,927)	(352,927)
Decrease in pension liability	(722,950)	(175,227)
Increase (decrease) in accrued postretirement medical benefit obligation	422,144	(39,758)
Net cash used in operating activities	(96,515,776)	(27,707,969)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(633,794,733)	(587,056,467)
Proceeds from sales of investments	737,311,674	621,478,378
Capital expenditures	(45,034)	(50,596)
Net cash provided by investing activities	103,471,907	34,371,315
Net increase in cash and cash equivalents	6,956,131	6,663,346
Cash and cash equivalents at beginning of year	30,942,143	24,278,797
Cash and cash equivalents at end of year	$ 37,898,274	30,942,143
Supplemental disclosure of cash flow information:		
Taxes paid on unrelated business income	$ 297,612	989,086

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(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 greater metropolitan region. 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 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, from a spending plan distribution, income, and 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 $3,379,893 in 2017 and $3,162,385 in 2016.

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 are 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, 2017, no fund was 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 to sell 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 or published prices in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than 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 (ASU) 2009–12, *Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)*, allows The Trust, as a practical expedient, to estimate the fair value using net asset value (NAV) for commingled investments that do not have a readily determinable fair value.

Most of The Trust's investments are in publicly traded securities or in commingled funds, including common trust funds that are invested in publicly traded securities. Fair value for these investments is based on quoted market or published prices. The Trust also invests in hedge funds and private equity investments, including private real estate investments. The fair value of these investments has been determined primarily through the net asset values provided by the fund managers utilizing quoted market prices for underlying securities, market values for comparable companies, an income-based approach, or discounted cash flow projections. The Trust received gifts of interests in a limited partnership investment holding company and a limited liability company (LLC), which are carried at fair value, based on either an appraisal or The Trust's interest in the net assets of the LLC. These valuations are reviewed for reasonableness by management of The Trust.

The Trust invests for long-term growth 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 investments of NYCT are held in individual trusts at the bank designated by the donor in the instrument of gift.

The following tables present The Trust's investments at December 31, 2017 and 2016, respectively:

	2017				
	Total	Level 1	Level 2	Level 3	Investments measured at NAV
U.S. equities	$ 1,084,910,409	1,084,504,871	—	405,538	—
International equities	596,980,336	596,980,336	—	—	—
Cash and cash equivalents	329,808,409	329,808,409	—	—	—
Fixed income/mutual funds	228,441,387	228,441,387	—	—	—
Hedge funds	173,533,305	—	—	—	173,533,305
Private equity	112,809,462	—	—	61,544,618	51,264,844
Fixed income/government bonds	97,526,562	57,141,950	40,384,612	—	—
Fixed income/corporate bonds	66,284,067	66,284,067	—	—	—
Fixed income/other	40,672,282	32,672,282	8,000,000	—	—
Real estate	32,994,312	—	—	32,994,312	—
Other	2,414,229	747,976	1,280,403	385,850	—
	$ 2,766,374,760	2,396,581,278	49,665,015	95,330,318	224,798,149

	2016				
	Total	Level 1	Level 2	Level 3	Investments measured at NAV
U.S. equities	$ 1,008,103,242	1,007,227,882	—	875,360	—
International equities	458,291,895	458,291,895	—	—	—
Cash and cash equivalents	294,577,190	294,577,190	—	—	—
Fixed income/mutual funds	240,910,071	240,910,071	—	—	—
Hedge funds	192,050,977	—	—	—	192,050,977
Private equity	104,879,689	—	—	52,802,557	52,077,132
Fixed income/government bonds	92,487,816	50,760,240	41,727,576	—	—
Fixed income/corporate bonds	63,535,876	63,535,876	—	—	—
Fixed income/other	35,995,033	30,995,033	5,000,000	—	—
Real estate	24,651,533	—	—	24,651,533	—
Other	3,771,307	1,965,454	1,525,802	280,051	—
	$ 2,519,254,629	2,148,263,641	48,253,378	78,609,501	244,128,109

The Trust's investments valued at NAV include:

Hedge Funds – Consist mainly of multi-strategy funds that attempt to generate consistent positive returns by focusing on opportunities that are not correlated with the overall markets. This category also includes two funds that seek to achieve equity-like returns with lower volatility than the equity markets. These funds may be redeemed at net asset value at least annually and in most cases more frequently. Advance notice of 30-90 days is required to redeem these investments.

Private Equity – These funds focus on buyouts—primarily of midcap companies. Certain funds of funds also have a small allocation to venture capital. As the underlying investments are liquidated, assets are distributed. The liquidation occurs over the life of each vehicle, which is typically 10 years. Certain of The Trust's investments in private equity involve future cash commitments, which amount to approximately $30.9 million at December 31, 2017.

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

	Level 3 assets	
	2017	2016
Fair value at January 1	$ 78,609,501	79,907,996
Gains and losses, net	17,080,133	463,158
Net purchases (sales)	180,621	(1,407,265)
Capital distributions	(539,937)	(354,388)
Fair value at December 31	$ 95,330,318	78,609,501

(4) Commitments

On March 30, 2004, The Trust entered into a lease agreement for office space expiring March 31, 2020. In June 2017, CFI signed the Amendment of Lease to extend the lease term through August 31, 2030. Future minimum annual rental payments are approximately $1.5 million in 2018 and 2019, $1.2 million in 2020, $2.0 million in 2021, and a total of $17.9 million thereafter through 2030.

Rental expense is recognized on a straightline 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, 2017 and 2016 amounted to $1,384,625 and $1,417,520, respectively.

(5) 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	
	2017	2016	2017	2016
Fair value of plan assets	$ 25,052,525	21,179,644	—	—
Benefit obligation	30,292,958	27,143,027	3,584,813	3,162,669
Funded status	$ (5,240,433)	(5,963,383)	(3,584,813)	(3,162,669)
Benefit costs	$ 1,075,210	1,212,803	305,250	258,095
Benefits paid	$ 1,144,228	910,976	67,952	58,985
Plan contribution	$ 687,775	977,779	9,548	11,366

The accumulated amounts not yet recognized as a component of net periodic benefit cost were $4,918,292 and $(174,825) at December 31, 2017 for the pension and postretirement medical plans, respectively. The estimated amounts that will be amortized into net periodic benefit cost in 2018 are $170,000 and $(28,000), respectively.

	Pension benefits		Postretirement medical benefits	
	2017	2016	2017	2016
Weighted average assumptions used to determine obligations as of December 31:				
Discount rate	3.50%	4.00%	3.60%	4.20%
Rate of compensation increase	4.00	4.00	—	—
Weighted average assumptions used to determine periodic cost as of December 31:				
Discount rate	4.00%	4.10%	4.20%	4.40%
Expected return of plan assets	6.70	6.80	—	—
Rate of compensation increase	4.00	4.00	—	—

The health care cost trend rate assumption for 2018 is 4.4%, increasing to 5.0% in 2023.

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 $1,536,000 and $105,000, respectively, through 2027.

The following tables present The Trust's fair value hierarchy for the investments of its defined benefit pension plan as of December 31, 2017 and 2016, respectively:

2017

	Fair value	Level 1	Level 2	Level 3
Equities	$ 17,887,961	17,887,961	—	—
Fixed income	6,877,397	5,405,095	1,472,302	—
Cash equivalents	287,167	287,167	—	—
	$ 25,052,525	23,580,223	1,472,302	—

2016

	Fair value	Level 1	Level 2	Level 3
Equities	$ 16,213,565	16,213,565	—	—
Fixed income	4,402,663	3,537,434	865,229	—
Cash equivalents	563,416	563,416	—	—
	$ 21,179,644	20,314,415	865,229	—

The Trust also sponsors a defined contribution retirement plan in which contributions are based upon a specified percentage of salaries and years of service. The expense for this retirement plan was $661,305 in 2017 and $616,935 in 2016.

(6) Subsequent Events

The Trust evaluated its December 31, 2017 consolidated financial statements for subsequent events through April 26, 2018, the date the consolidated financial statements were available to be issued. The Trust is not aware of any subsequent events that 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 financial statements of The New York Community Trust and Community Funds, Inc. (including its Long Island and Westchester Divisions) (collectively, The Trust), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related consolidated notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

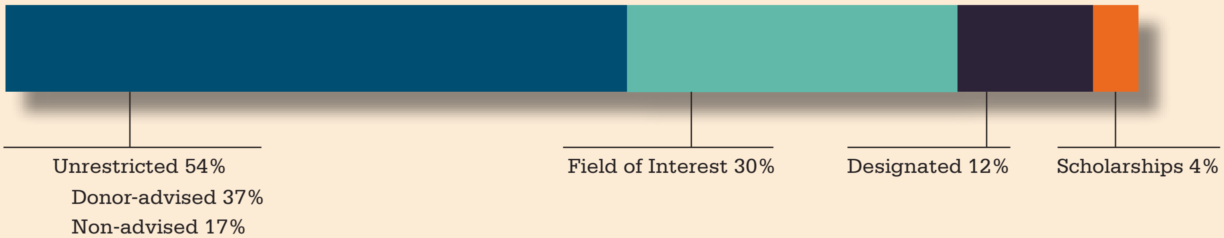
April 26, 2018

KPMG LLP

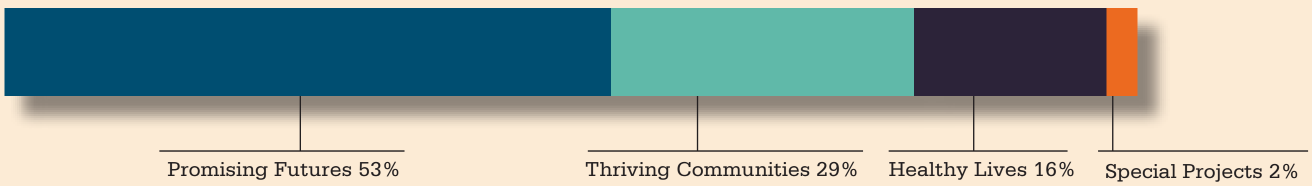
KPMG LLP, is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Financial Highlights

ASSETS BY FUND TYPE $2,806,083,000



GRANTS BY PROGRAM AREA $224,215,000



TOTAL EXPENDITURES $239,075,000

Investment Committee Members

Kevin R. Byrne, Chairman
Chief Executive Officer
Pacific Global Asset Management
(A subsidiary of Pacific Life Insurance Company)

Bruce W. Calvert
Retired Chairman & Chief Executive Officer
Alliance Capital Management (now AllianceBernstein)

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

David F. Holstein
Retired Portfolio Manager
Capital Group

Raymond Kanner
Retired Managing Director & Chief Investment Officer
IBM Retirement Funds

Rosemarie Liu Shomstein
Retired Senior Vice President &
Deputy Chief Investment Officer
AXA Equitable Life Insurance Company

Lorie A. Slutsky
President, The New York Community Trust

Donald R. Kurtz (Emeritus)
Retired Managing Director, General Motors Investment
Management Corp.

Affiliations for identification purposes only.