

Consolidated Statements of Financial Position

December 31,	2007	2006
ASSETS		
Cash and cash equivalents	\$ 61,887,775	\$ 31,748,269
Investments (note 3)	2,066,329,336	2,004,840,225
Receivables	2,463,666	2,047,459
Pension asset (note 4)	2,340,380	2,834,740
Fixed assets, net	2,669,866	3,179,465
Total assets	\$ 2,135,691,023	\$ 2,044,650,158
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 534,155	\$ 565,308
Grants payable	35,982,319	106,710,770
Deferred rent credits (note 5)	2,857,648	1,851,420
Accrued postretirement benefit obligation (note 4)	2,440,927	1,660,707
Total liabilities	41,815,049	110,788,205
Net assets:		
Unrestricted:		
Endowment	2,030,947,358	1,878,198,598
Available for grants	55,827,774	46,981,816
Available for administration	7,100,842	7,727,589
Total net assets – unrestricted	2,093,875,974	1,932,908,003
Temporarily restricted:		
September 11th Fund	—	953,950
Total net assets	2,093,875,974	1,933,861,953
Total liabilities and net assets	\$ 2,135,691,023	\$ 2,044,650,158

See accompanying notes to consolidated financial statements.

Consolidated Statements of Activities

Years ended December 31,	2007	2006
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues:		
Contributions	\$ 175,657,416	\$ 88,588,294
Investment return	178,729,186	234,257,982
Less:		
Investment expenses	(12,189,425)	(10,709,310)
Provision for unrelated business income taxes	(1,188,125)	(1,565,365)
	165,351,636	221,983,307
Other	40,000	21,500
Net assets released from restrictions	1,003,354	6,091,665
Total unrestricted revenues	342,052,406	316,684,766
Expenses:		
Grants and services to beneficiaries	166,053,450	157,444,070
Principal distribution from terminated fund	—	67,914,000
September 11th Fund grants	1,003,354	7,551,087
Grantmaking expenses	4,444,535	3,870,597
Administrative expenses	5,808,926	5,193,719
Development expenses	2,161,614	1,874,446
Total expenses	179,471,879	243,847,919
Increase in unrestricted net assets before effect of adoption of SFAS No. 158	162,580,527	72,836,847
Effect of adoption of SFAS No. 158 (note 4)	(1,612,556)	—
Increase in unrestricted net assets	160,967,971	72,836,847
Changes in temporarily restricted net assets:		
Contributions	22,922	463,632
Interest and dividends	26,482	91,956
Net assets released from restrictions	(1,003,354)	(6,091,665)
Decrease in temporarily restricted net assets	(953,950)	(5,536,077)
Increase in net assets	160,014,021	67,300,770
Net assets at beginning of year	1,933,861,953	1,866,561,183
Net assets at end of year	\$ 2,093,875,974	\$ 1,933,861,953

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31,	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 160,014,021	\$ 67,300,770
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net appreciation in fair value of investments	(104,420,640)	(162,239,671)
Depreciation and amortization expense	557,248	189,477
Effect of adoption of SFAS No.158	1,612,556	—
Gain on disposal of fixed assets	—	(5,402)
Increase in receivables	(416,207)	(737,391)
(Increase) decrease in pension asset	(572,843)	402,130
(Decrease) increase in accounts payable	(31,153)	181,184
Increase in deferred rent credits	1,006,228	1,851,420
Increase in accrued postretirement benefit obligation	234,867	296,694
(Decrease) increase in grants payable	(70,728,451)	77,415,716
Net cash used in operating activities	<u>(12,744,374)</u>	<u>(15,345,073)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(483,016,050)	(552,538,196)
Proceeds from sales of investments	525,947,579	587,615,367
Capital expenditures	(47,649)	(21,013)
Net cash provided by investing activities	<u>42,883,880</u>	<u>35,056,158</u>
Net increase in cash and cash equivalents	30,139,506	19,711,085
Cash and cash equivalents at beginning of year	31,748,269	12,037,184
Cash and cash equivalents at end of year	<u>\$ 61,887,775</u>	<u>\$ 31,748,269</u>
Supplemental disclosure of cash flow information:		
Taxes paid on unrelated business income	\$ 1,188,125	\$ 1,743,113

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 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, 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 \$1,107,366 in 2007 and \$821,779 in 2006.

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 2006 amounts have been reclassified to conform to the 2007 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.

The investments of NYCT are held in individual trusts at the bank designated by the donor in the instrument of gift. CFI invests 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	2007 Total	2006 Total
U.S. large cap equities	\$ 369,796,097	\$ 235,623,130	\$ 605,419,227	\$ 577,050,461
Fixed income	244,395,081	130,246,914	374,641,995	363,196,775
International equities	173,780,038	181,310,564	355,090,602	354,903,376
Cash equivalents	106,487,397	176,414,052	282,901,449	314,093,515
U.S. mid/small cap equities	103,710,290	56,403,033	160,113,323	163,278,187
Private equity	1,225,453	71,558,637	72,784,090	54,257,562
Absolute return funds	—	71,067,150	71,067,150	49,214,979
Real estate	27,516,451	26,853,176	54,369,627	44,280,396
Balanced funds	—	40,257,729	40,257,729	56,606,369
Hedge funds	3,154,108	34,042,731	37,196,839	25,416,466
Other	4,336,400	8,150,905	12,487,305	2,542,139
	<u>\$1,034,401,315</u>	<u>\$1,031,928,021</u>	<u>\$ 2,066,329,336</u>	<u>\$ 2,004,840,225</u>

Certain of The Trust's investments in private equity and real estate involve future cash commitments. These future cash commitments amount to approximately \$66.2 million at December 31, 2007.

As of December 31, 2007 and 2006, 90.3 % and 92.7 % of investments, respectively, were readily marketable.

(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.

Effective December 31, 2007, The Trust adopted Financial Accounting Standards Board Statement (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. Obligations and funded status at December 31 are as follows:

	Pension benefits		Other benefits	
	2007	2006	2007	2006
Benefit obligation	\$ 12,312,451	\$ 11,699,125	\$ 2,440,927	\$ 2,871,553
Fair value of plan assets	14,652,831	13,088,571	—	—
Funded status	<u>\$ 2,340,380</u>	<u>\$ 1,389,446</u>	<u>\$ (2,440,927)</u>	<u>\$ (2,871,553)</u>
Benefit costs	\$ 248,727	\$ 402,130	\$ 285,812	\$ 353,716
Benefits paid	\$ 287,915	\$ 268,864	\$ 50,945	\$ 57,022
Plan contribution	\$ 821,570	—	—	—

Amounts recognized in the statement of financial position related to the effect of adoption of SFAS No. 158 for the year ended December 31, 2007 consist of a decrease to the pension asset of \$1,067,203 and an increase to the accrued postretirement benefit obligation of \$545,353. The incremental effect of applying SFAS No. 158 is a decrease to unrestricted net assets of \$1,612,556.

The discount rates used to value the pension and other benefit plans range from 5.75% 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% as of December 31, 2007. The health care cost trend rate assumption for 2008 is 8.0% declining each year to 5% in 2014.

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 \$618,000 and \$96,000, through 2017, 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 \$478,659 and \$453,114 in 2007 and 2006, 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 2008 through 2009, \$1.3 million in 2010 through 2012, and a total of \$10.4 million thereafter through 2020.

Rental expense is recognized on a straight-line basis, in accordance with SFAS No. 13, *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, 2007 and 2006 amounted to \$1,246,411 and \$1,321,171, 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., including its Long Island and Westchester Divisions (collectively, The Trust), as of December 31, 2007 and 2006, 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.

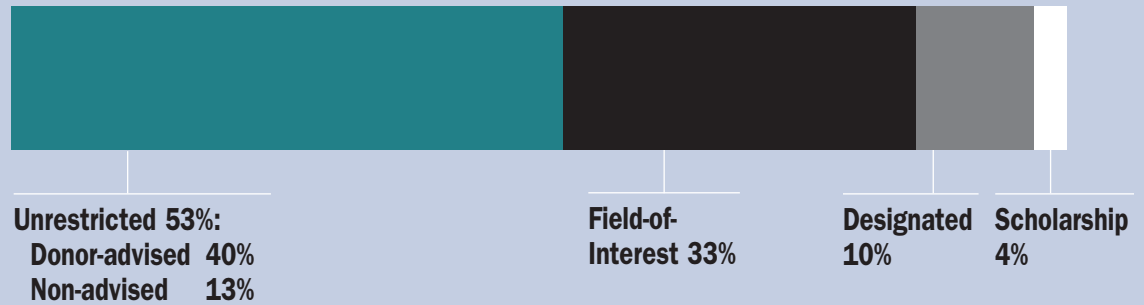
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The New York Community Trust and Community Funds, Inc. (including its Long Island and Westchester Divisions) as of December 31, 2007 and 2006, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

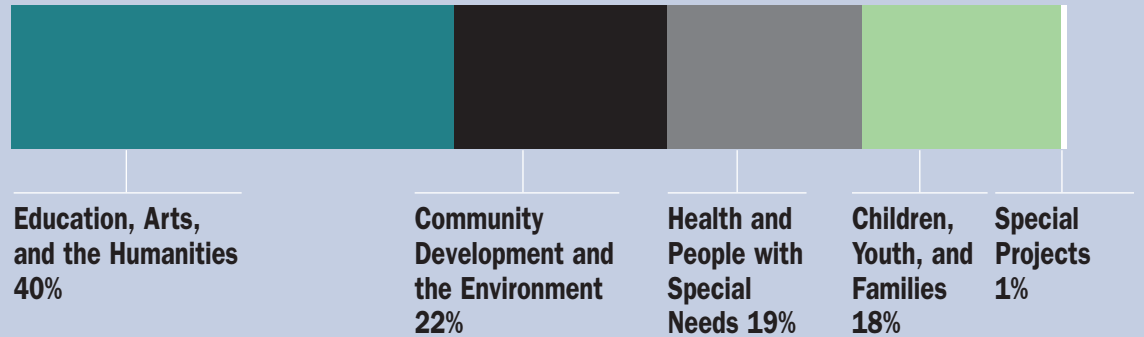
May 12, 2008

Financial Highlights

ASSETS BY FUND TYPE



GRANTS BY PROGRAM AREAS



TOTAL EXPENDITURES



Investment Committee

Bruce W. Calvert, Chairman

Principal
CalCap Management LLC

Kathleen A. Corbet

Chief Executive Officer
Cross River Capital, LLC

Elizabeth B. Dater

Managing Director
AG Asset Management

Donald R. Kurtz

Retired Managing Director
North American Equity Assets
General Motors Investment Management Corp.

Lorie A. Slutsky

President
The New York Community Trust

Affiliation for identification purposes only.