Consolidated Statements of Financial Position

December 31,	2018	2017
ASSETS		
Cash and cash equivalents	$ 43,179,460	37,898,274
Investments (note 4)	2,522,482,571	2,766,374,760
Receivables	771,247	1,241,099
Fixed assets, net	1,209,977	568,704
Total assets	$ 2,567,643,255	2,806,082,837
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 772,846	767,417
Grants payable	57,717,685	63,556,910
Deferred rent credits (note 6)	1,154,172	794,085
Pension liability (note 7)	4,685,035	5,240,433
Accrued postretirement medical benefit obligation (note 7)	3,267,288	3,584,813
Total liabilities	67,597,026	73,943,658
Net assets - without donor restrictions	2,500,046,229	2,732,139,179
Total liabilities and net assets	$ 2,567,643,255	2,806,082,837

See accompanying notes to consolidated financial statements.

Consolidated Statements of Activities

Years ended December 31,	2018	2017
Changes in net assets:		
Revenues:		
Contributions	$ 77,890,041	81,312,770
Investment (loss) return, net	(133,985,119)	389,731,114
Other	61,590	52,028
Total revenues, net	(56,033,488)	471,095,912
Expenses (note 5):		
Grantmaking	169,491,860	231,475,844
Administrative	6,452,350	6,012,535
Development	1,556,840	1,586,864
Total expenses	177,501,050	239,075,243
(Decrease) increase in net assets before other pension and postretirement medical changes	(233,534,538)	232,020,669
Other pension and postretirement medical changes (note 7)	1,441,588	935,087
(Decrease) increase in net assets	(232,092,950)	232,955,756
Net assets at beginning of year	2,732,139,179	2,499,183,423
Net assets at end of year	$ 2,500,046,229	2,732,139,179

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31,	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Decrease) increase in net assets	$ (232,092,950)	232,955,756
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Net depreciation (appreciation) on investments	190,046,279	(350,637,072)
Depreciation and amortization expense	354,832	273,610
Decrease in receivables	469,852	10,400
Increase in accounts payable	5,429	160
(Decrease) increase in grants payable	(5,839,225)	21,535,103
Increase (decrease) in deferred rent credits	360,087	(352,927)
Decrease in pension liability	(555,398)	(722,950)
(Decrease) increase in accrued postretirement medical benefit obligation	(317,525)	422,144
Net cash used in operating activities	(47,568,619)	(96,515,776)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(713,870,079)	(633,794,733)
Proceeds from sales of investments	767,715,989	737,311,674
Capital expenditures	(996,105)	(45,034)
Net cash provided by investing activities	52,849,805	103,471,907
Net increase in cash and cash equivalents	5,281,186	6,956,131
Cash and cash equivalents at beginning of year	37,898,274	30,942,143
Cash and cash equivalents at end of year	$ 43,179,460	37,898,274
Supplemental disclosure of cash flow information:		
Taxes paid on unrelated business income	$ 78,215	297,612

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(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 net assets without donor restrictions. 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 without donor restrictions.

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 $3,729,970 in 2018 and $3,379,893 in 2017.

Grants and services to beneficiaries (Grantmaking) 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, 2018 and 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.

In 2018, The Trust adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Certain amounts in 2017 were reclassified to conform with the current year presentation.

(3) Liquidity and Availability of Financial Assets

Resources available to The Trust to fund general expenditures, such as operating expenses and grants, have seasonal variations related to the timing of spending plan distributions and receipt of gifts. The Trust actively manages its resources, utilizing a combination of short, medium, and long-term operating investment strategies to align its cash inflows with anticipated outflows. Furthermore, there are likely to be additional components of The Trust's investments that may be available and liquid within one year. These components include certain portions of marketable alternatives, as well as return of capital from both private equity and real estate holdings. At December 31, 2018, financial assets available within one year to fund general expenditures were as follows:

Cash and cash equivalents	$	43,179,460
Short term investments		315,752,999
Total	$	358,932,459

(4) 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.

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, 2018 and 2017, respectively:

	2018				
	Total	Level 1	Level 2	Level 3	Investments measured at NAV
U.S. equities	$ 983,210,771	982,836,220	—	374,551	—
International equities	461,511,762	461,511,762	—	—	—
Cash and cash equivalents	315,752,999	315,752,999	—	—	—
Fixed income/mutual funds	262,956,525	262,956,525	—	—	—
Hedge funds	146,251,159	—	—	—	146,251,159
Private equity	119,099,623	—	—	62,259,281	56,840,342
Fixed income/government bonds	92,323,316	49,579,366	42,743,950	—	—
Fixed income/corporate bonds	62,470,365	62,470,365	—	—	—
Fixed income/other	41,477,299	32,477,299	9,000,000	—	—
Real estate	33,044,996	—	—	33,044,996	—
Other	4,383,756	2,884,044	1,182,861	316,851	—
	$ 2,522,482,571	2,170,468,580	52,926,811	95,995,679	203,091,501

	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

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 amounted to approximately $35 million at December 31, 2018.

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	
	2018	2017
Fair value at January 1	$ 95,330,318	78,609,501
Gains and losses, net	1,147,257	17,080,133
Net purchases	184,021	180,621
Capital distributions	(665,917)	(539,937)
Fair value at December 31	$ 95,995,679	95,330,318

(5) Functional Expenses

Salaries and benefits, occupancy, and office expenses are attributable to grantmaking, administrative, or development functions, and are allocated consistently based on estimates of time and effort. The following tables illustrate the functional expenses for the years ended December 31, 2018 and 2017, respectively:

	2018				2017			
	Grantmaking	Administrative	Development	Total	Grantmaking	Administrative	Development	Total
Grants and services to beneficiaries	$ 161,883,378	—	—	161,883,378	224,214,541	—	—	224,214,541
Salaries	4,053,165	2,947,756	368,469	7,369,390	3,880,321	2,822,052	352,756	7,055,129
Employee benefits	1,866,126	1,357,183	169,648	3,392,957	1,801,528	1,310,202	163,775	3,275,505
Occupancy	1,032,530	750,931	93,866	1,877,327	965,707	702,332	87,792	1,755,831
Office expenses	501,141	506,408	45,337	1,052,886	38,456	63,193	875,347	976,996
Marketing and communications	25,364	62,759	773,669	861,792	434,673	422,236	35,370	892,279
Professional fees	73,354	672,960	24,451	770,765	71,204	579,271	23,735	674,210
Travel and meetings	56,802	154,353	81,400	292,555	69,414	113,249	48,089	230,752
Total	$ 169,491,860	6,452,350	1,556,840	177,501,050	231,475,844	6,012,535	1,586,864	239,075,243

(6) 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 2019, $1.2 million in 2020, $2.0 million in 2021, 2022 and 2023, and a total of $14 million thereafter through 2030.

Rental expense is recognized on a straight-line 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, 2018 and 2017 amounted to $1,415,940 and $1,384,625, respectively.

(7) 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	
	2018	2017	2018	2017
Fair value of plan assets	$ 25,335,584	25,052,525	—	—
Benefit obligation	30,020,619	30,292,958	3,267,288	3,584,813
Funded status	$ (4,685,035)	(5,240,433)	(3,267,288)	(3,584,813)
Benefit costs	$ 1,031,823	1,075,210	343,150	305,250
Benefits paid	$ 971,659	1,144,228	66,572	67,952
Plan contribution	$ 744,217	687,775	4,481	9,548

The accumulated amounts not yet recognized as a component of net periodic benefit cost were $4,075,288 and $(773,409) at December 31, 2018 for the pension and postretirement medical plans, respectively. The estimated amounts that will be amortized into net periodic benefit cost in 2019 are $97,000 and $(50,000), respectively.

	Pension benefits		Postretirement medical benefits	
	2018	2017	2018	2017
Weighted average assumptions used to determine obligations as of December 31:				
Discount rate	4.10%	3.50%	4.20%	3.60%
Rate of compensation increase	4.00	4.00	—	—
Weighted average assumptions used to determine periodic cost as of December 31:				
Discount rate	3.50%	4.00%	3.60%	4.20%
Expected return of plan assets	6.20	6.70	—	—
Rate of compensation increase	4.00	4.00	—	—

The health care cost trend rate assumption for 2019 is 7.7%, decreasing to 4.9% in 2024.

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 $1,636,000 and $110,000, respectively, through 2028.

The following tables present The Trust's fair value hierarchy for the investments of its defined benefit pension plan as of December 31, 2018 and 2017, respectively:

	2018			
	Fair value	Level 1	Level 2	Level 3
Equities	$ 17,043,426	17,043,426	—	—
Fixed income	7,790,564	6,313,785	1,476,779	—
Cash equivalents	501,594	501,594	—	—
	$ 25,335,584	23,858,805	1,476,779	—

	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	—

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 $683,437 in 2018 and $661,305 in 2017.

(8) Subsequent Events

The Trust evaluated its December 31, 2018 consolidated financial statements for subsequent events through April 25, 2019, 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, 2018 and 2017, 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.

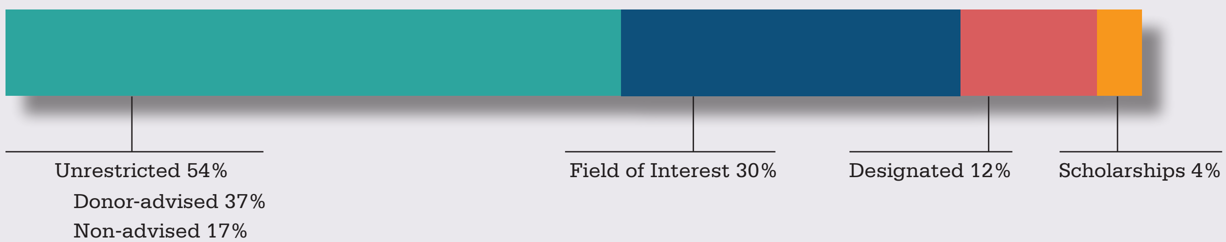
Opinion
In our opinion, the consolidated financial statements referred to above present fairly in all material respects the financial position of The New York Community Trust and Community Funds, Inc. (including its Long Island and Westchester Divisions) as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

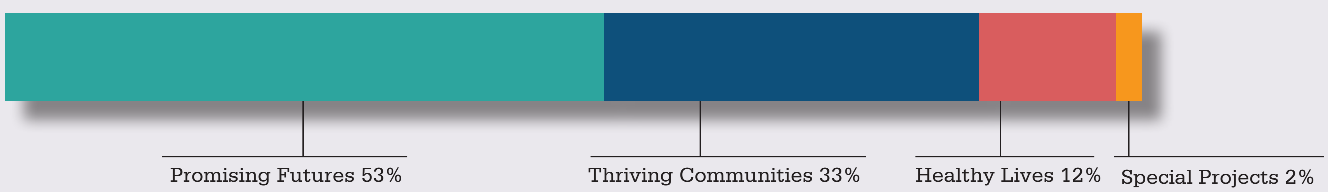
April 25, 2019

2018 Financial Highlights

TOTAL ASSETS BY FUND TYPE



GRANTS BY PROGRAM AREA $161,883,000



TOTAL EXPENDITURES $177,501,000

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.