ELON UNIVERSITY

2008 Annual Report

Contents

National Recognition

RANKED #2 IN *U.S.NEWS & WORLD REPORT*

U.S. News ranked Elon #2 among 119 Southern master's-level universities in its 2008 "America's Best Colleges" guide — the highest ranking Elon has ever received. In addition, Elon was cited by the magazine in its national ranking of excellence in seven programs: first-year experiences, study abroad, internships, undergraduate research, learning communities, service learning and senior capstone experiences.

MBA RANKED #2 IN THE SOUTH BY *BUSINESSWEEK*

BusinessWeek magazine ranked Elon the best school in North Carolina and #12 in the nation in its inaugural list of top part-time MBA programs. The university was ranked #2 overall in the South region, as well as #7 nationally in student satisfaction and #8 nationally in academic quality.

NAMED BEST VALUE BY *KIPLINGER'S*

Elon is ranked among the nation's top 50 best value private universities in the 2008 edition of *Kiplinger's Personal Finance* magazine. The university is ranked #1 in the total costs category and #25 overall on its Best Value list.

More than 1,000 private institutions were considered for the ranking, which is based on six quality benchmarks and six financial measures. Elon is the lowest-cost university among the top 50.

TOPS IN COMMUNITY SERVICE

For the second year in a row, Elon earned a presidential award as a national leader in service learning and civic engagement. The Corporation for National & Community Service named Elon to the President's Higher Education Community Service Honor Roll With Distinction for exemplary service efforts and service to disadvantaged youth. The honor roll is the highest national recognition a school can achieve for its commitment to service programs that promote civic awareness.

NAMED AMONG "BEST 366 COLLEGES" BY PRINCETON REVIEW

Elon was named one of the nation's best-administered schools in the 2008 college guide published by The Princeton Review. "The Best 366 Colleges" ranked Elon #9 on its list of most beautiful campuses and #19 on its "School Runs Like Butter" list.

Quality Academics

LUMEN PRIZE RECOGNIZES ACADEMIC EXCELLENCE

Elon has established the Lumen Prize as the university's premier award recognizing student scholarship.

Each year, 15 rising juniors will receive $15,000 scholarships that support and celebrate their academic achievements and potential. The awards can be used during the students' junior and senior years to fund tuition costs as well

as research, international study, internships, equipment and supplies, and other approved expenses.

The name for the Lumen Prize comes from Elon's historic motto "Numen Lumen," Latin for "spiritual light" and "intellectual light." The words signify the highest purposes of an Elon education.

ELON LAW ACHIEVES AMERICAN BAR ASSOCIATION APPROVAL

The Elon University School of Law, which opened in 2006, has been granted provisional accreditation by the American Bar Association, substantially meeting ABA standards for curriculum, faculty, facilities, funding, library and admissions.

The approval, achieved at the earliest possible date under accreditation guidelines, means Elon Law graduates may take bar exams in any U.S. jurisdiction and may practice professionally with full rights after passing the bar. Elon applied for provisional approval with the ABA in fall 2007 and spent the past academic year conducting a self-study and hosting ABA representatives who conducted a thorough review of all aspects of the school. Under ABA rules, Elon Law will become eligible for full approval in summer 2010.

"The ABA approval perfectly positions Elon Law to continue its progress toward becoming a national model of engaged learning in legal education," said David Gergen, chair of the school's advisory board and director of the Center for Public Leadership at the Kennedy School of Government at Harvard University.

DETWILER NAMED ELON'S FIRST TRUMAN SCHOLAR AND UDALL SCHOLAR

Senior Breanna Detwiler became the first student in Elon history to receive the prestigious Truman Scholarship in 2008, earning a $30,000 scholarship for graduate study. The Warrenton, Va., native was also the first Elon student to receive a Morris K. Udall Scholarship, which is given to undergraduates dedicated to careers that help the environment.

Detwiler manages the Elon Community Garden, is a member of Whole Earth and College Democrats, and works on the Student Environmental Sustainability Council.

FACULTY SCHOLARSHIP FLOURISHES

Faculty scholarship continued to thrive in 2007–2008, with many professors writing and editing articles for leading academic publications and journals. In addition, faculty members published books on subjects ranging from the Holocaust to preventing business fraud to the culture of NASCAR.

ELON ACADEMY WELCOMES SECOND CLASS

The Elon Academy has expanded enrollment to 50 high school students, who spent a month at the university this summer taking academic courses and learning about college life.

A second class of students from the Alamance-Burlington School System entered the academy in June, joining the charter class in the academic enrichment program sponsored by the university.

All 50 students took courses during the day and participated in leadership development classes, service projects and college planning activities. The Elon Academy is a three-year program that serves academically talented students with financial need or no family history of college attendance.

Building and Maintaining Outstanding Facilities

PREMIER DINING AND LIVING AT COLONNADES

The Colonnades residential and dining complex opened in August 2007, featuring attractive single rooms and a variety of tasty dining options.

Adjacent to Elon's Ernest A. Koury, Sr. Business Center, the Colonnades includes two residence halls with 154 single bedrooms, as well as laundry rooms and common areas on each floor. The 24,000-square-foot dining facility offers seven meal options, including locally grown produce, steaks, seafood and international dishes.

LINDNER HALL TO COMPLETE ACADEMIC VILLAGE

Elon began construction this spring on Lindner Hall, the 30,000-square-foot centerpiece of the university's Academic Village.

The building will be the new administrative home of Elon College, The College of Arts and Sciences, and will house the departments of history and geography, and sociology and anthropology. It will feature high-tech classrooms, a computer lab, spaces for faculty and student mentoring, and a large, ornate reading room on the first floor.

When it opens in fall 2009, Lindner Hall will be the greenest facility on campus. An estimated 8 to 10 percent of all power consumed by the building will be generated by solar power cells and solar energy.

Carl and Martha Lindner of Cincinnati, Ohio, provided a $2.5 million gift to name the building. Their son, Christopher, is an Elon student.

ENVIRONMENTAL SUSTAINABILITY EFFORTS HAVE AN IMPACT

During 2007–2008, Elon continued to make environmental sustainability an institutional priority. Plans are underway to upgrade to green technology across campus, reduce carbon emissions and energy consumption, and inform the campus community about environmental issues.

Members of the Elon community have responded by increasing recycling efforts and cutting their energy, water and paper consumption. New buildings, such as the Colonnades Dining Hall and Lindner Hall, have sustainability as a primary focus. In addition, Elon hired a sustainability coordinator to help lead efforts to reduce the university's environmental impact.

Supporting Elon

BENEFACTORS SET ALL-TIME GIVING RECORD

Donors to Elon made history by contributing a record $16.6 million in gifts and pledge payments to the university during 2007–2008, including an all-time high of $8.9 million to the endowment. These gifts will be counted toward the university's upcoming fundraising campaign to build the endowment and secure the university's future.

Alumni, parents, faculty, staff and friends made generous gifts to the university to support scholarships, undergraduate research, study abroad and innovative programs in business and service. Their gifts also supported efforts to maintain the university's outstanding facilities and sustain Elon's beautiful campus.

NEW GRANDPARENT PROGRAM THRIVES

Elon has launched a new initiative to engage grandparents more fully in the life of the university. More than 150 grandparents visited campus during Family Weekend in September 2007, enjoying special cultural and academic events that were tailored to their interests.

As part of the new focus on grandparents, Elon also launched The Grandparent Leadership Society, which recognizes grandparents of alumni or current students who make annual gifts of $5,000 or more or a lifetime pledge of at least $25,000 to the university.

‘Phantom’ fever sweeps Elon

Elon was one of six schools in the nation selected to perform Andrew Lloyd Webber’s legendary musical “The Phantom of the Opera” in 2008. All seven of the university’s productions sold out weeks in advance as students, alumni, faculty and community members rushed to get tickets for the Department of Performing Arts’ largest production ever.

More than $47,000 was raised through opening-night ticket sales for the Performing Arts Scholarship Fund. Donors who purchased $500 packages were treated to a backstage tour, dinner and a post-production reception with cast members.

Phoenix Athletics

Tennis team records most successful Division I season

Elon’s men’s tennis team enjoyed its most successful season since joining the NCAA Division I ranks, finishing 2007 at NO. 44 in the Fila Collegiate Men’s Tennis Rankings. In addition to winning a second consecutive Southern Conference regular season championship, the team gave Elon its first SoCon tournament crown and first automatic NCAA tournament bid in any sport since joining the SoCon four years ago.

Phoenix football finishes season ranked #21

The Phoenix football team enjoyed one of its most successful seasons ever in 2007, finishing with a 7–4 record and ranked #21 nationally in the NCAA Division I Football Championship Subdivision Coaches’ Poll. It marked Elon’s highest national finish in eight years and capped a season highlighted by victories over Wofford and Georgia Southern.

Head coach Pete Lembo was named Elon’s first Southern Conference Coach of the Year in football, while quarterback sensation Scott Riddle became the Phoenix’s first SoCon Freshman of the Year in the sport. Wide receiver Terrell Hudgins, punter Brandon Lane, return specialist Michael Mayers and linebacker Corey Weaver earned First Team All-SoCon honors.

GOLF PROGRAM RECEIVES HIGH MARKS

The 2007–2008 *Golf Digest College Guide* named Elon one of the top golf schools in the nation. The Phoenix men's and women's programs ranked among the top 100 in each of the *College Golf Guide*'s three categories — schools that balance academics and athletics; schools that emphasize golf and players launching professional careers in golf; and schools that focus on academics while maintaining competitive golf programs.

MEN'S BASKETBALL REACHES SOCON CHAMPIONSHIP

The men's basketball team made an exciting run to the Southern Conference Tournament title game in March, knocking off three teams before losing to nationally ranked Davidson. The squad, which ended the season with its best record since moving to NCAA Division I play, featured two all-conference performers and three all-tournament honorees.

BASEBALL CLAIMS SOCON TITLES

For the second time in three years, the Phoenix baseball team advanced to the NCAA Regionals, capping a season that saw the squad for the first time claim the Southern Conference regular season and tournament titles in the same year.

In another milestone, for the first time in the history of Elon baseball, three players were drafted into the major leagues during the same season.

Under head coach Mike Kennedy, the team finished the season 44–18 (19–8 SoCon), one victory shy of equaling the school record for wins in a season.

Major Speakers

PROMINENT LEADERS ENHANCE ACADEMIC CLIMATE

Former President Bill Clinton and Pulitzer Prize-winning columnist George Will led the list of prominent speakers at Elon during 2007–2008.

Clinton visited Elon in April 2008 to campaign for his wife, Sen. Hillary Rodham Clinton, in her bid for the Democratic presidential nomination. Will delivered the Baird Pulitzer Prize Lecture in September 2007.

Also speaking at Elon were Tony Award-winning director and producer Harold Prince, former presidential adviser David Gergen, astronaut Buzz Aldrin and award-winning journalist Charlayne Hunter-Gault.

Financial Overview 2007–2008

We are pleased to present the details of the strong financial results of another productive year at Elon University. The university's financial strength is indicative of accomplishments in academics, cultural arts, athletics, student life and many other programs. The details of some of these achievements are found on the preceding pages.

During the 2007–2008 academic year, Elon has moved ever closer to reaching all the goals of its current NewCentury@Elon strategic plan. This plan, initiated at the turn of the millennium, has strengthened Elon University in numerous ways by increasing the breadth and depth of its programs and providing key facilities and resources to support this progress. As substantial progress continues, close attention is continually paid to maintaining and beautifying Elon's stately campus. The university remains committed to its policy, set by a visionary Board of Trustees, of no deferred maintenance, resulting in one of the most impressive campuses in the nation.

All of these accomplishments have further strengthened the demand to attend Elon. More than 9,300 students applied for the 1,286 seats in the fall 2007 freshman class. This demand provides a solid financial base for the institution and all major financial indicators moved in a favorable direction this past year, which is shown in the following pages. Some highlights include an increase in assets and net assets (assets minus liabilities) of 3.6% and 6.8% respectively, and a concomitant reduction of liabilities of 5.2%. This strong financial foundation, combined with the significant program achievements noted in this report, place Elon in an excellent position for further progress in all areas during the coming year.

Leo M. Lambert
President

Gerald Whittington
Vice President for Business, Finance and Technology

Management Statement of Responsibility

The management of Elon University has prepared the accompanying financial statements in accordance with generally accepted accounting principles and is responsible for their integrity, objectivity and fair presentation.

The management of Elon University maintains a system of internal control designed to provide reasonable assurance, on a cost-effective basis, that assets are safeguarded, transactions are executed in accordance with management's authorization and financial records are reliable for preparing financial statements. This system of control provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or detected within a timely period. Key elements in the systems include the communication of policies and procedures, selection and training of qualified personnel, and organizational arrangements that provide an appropriate division of responsibility. Management believes that, as of May 31, 2008 and 2007, Elon University's system of internal control was adequate to accomplish the objectives discussed herein.

Elon University's Board of Trustees addresses its oversight responsibility for the financial statements through its Audit Committee, which is composed of Trustees who are independent of Elon University management. The Audit Committee meets at least three times annually with the university's management and independent auditor to review matters relating to financial reporting, auditing and internal control. To ensure auditor independence, the independent auditor has full and free access to the Audit Committee during the meetings both with management present and in executive session without management present.

The independent accounting firm is engaged to audit, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Elon University. The auditor was given unrestricted access to all financial records and related data including minutes of all meetings of the Board of Trustees and its committees. All representations made to the independent auditor by university management during their audit were true and accurate and to the best of their knowledge and belief.

Leo M. Lambert
President

Gerald Whittington
Vice President for Business, Finance and Technology

Independent Auditor's Report

The Board of Trustees
Elon University
Elon, North Carolina

We have audited the accompanying consolidated statements of financial position of Elon University (a nonprofit organization) as of May 31, 2008 and 2007, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the University'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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Elon University as of May 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

STOUT STUART MCGOWEN & KING LLP

Burlington, North Carolina
August 27, 2008

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
May 31, 2008 and 2007

		2008		2007
ASSETS:				
Cash and cash equivalents	$	1,966,791	$	2,531,711
Accounts receivable, net		1,745,616		1,665,617
Prepaid expenses and other assets		571,479		541,559
Inventories		77,333		43,611
Contributions receivable, net		11,808,841		10,708,186
Investments		135,847,203		130,177,207
Loans to students, net		3,685,008		4,008,245
Bond issue costs		633,696		693,156
Benefit under interest rate swap agreements		-		120,292
Construction in progress		1,821,064		14,520,833
Property and equipment, net		188,310,890		169,536,052
Total Assets	$	346,467,921	$	334,546,469
LIABILITIES:				
Accounts payable	$	3,752,278	$	6,288,147
Accrued liabilities		8,836,876		7,828,748
Student deposits		3,896,655		3,727,995
Deferred revenue		1,804,432		1,691,878
Other liabilities		1,076,965		1,828,293
Notes payable		-		72,053
Bonds payable		61,090,000		64,490,000
Obligation under interest rate swap agreements		832,640		-
U.S. Government advances for student loans		4,299,479		4,370,154
Total Liabilities		85,589,325		90,297,268
NET ASSETS:				
Unrestricted				
Designated for capital projects and reserves (mandatory/nonmandatory)		15,666,830		26,541,739
Net investment in plant		144,420,347		122,142,590
Accumulated gains on endowment		19,068,863		26,673,747
Total Unrestricted		179,156,040		175,358,076
Temporarily restricted		12,984,074		10,560,622
Permanently restricted		68,738,482		58,330,503
Total Net Assets		260,878,596		244,249,201
Total Liabilities and Net Assets	$	346,467,921	$	334,546,469

See accompanying notes.

CONSOLIDATED STATEMENT OF ACTIVITIES
for the year ended May 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CHANGES IN NET ASSETS:				
Revenues and gains:				
Tuition and fees	$ 120,481,965	$ -	$ -	$ 120,481,965
Tuition discount	(19,744,010)	-	-	(19,744,010)
Net tuition	100,737,955	-	-	100,737,955
Sales and service of auxiliary enterprises	24,479,925	-	-	24,479,925
Federal grants	611,465	-	-	611,465
State grants	1,845,406	-	-	1,845,406
Other grants	214,981	475,451	-	690,432
Contributions	2,811,811	2,009,080	4,307,779	9,128,670
Contributions - pledges	20,000	2,353,631	5,699,029	8,072,660
Investment income - endowment	622,402	446,765	192,846	1,262,013
Other investment income	1,965,334	315,525	-	2,280,859
Gain (Loss) on investments	(5,487,413)	34,208	119,392	(5,333,813)
Loss on disposal of property and equipment	(388,086)	-	-	(388,086)
Athletics	2,281,130	121,500	-	2,402,630
Other sources	1,247,369	110,605	10,561	1,368,535
Total Revenues and Gains	130,962,279	5,866,765	10,329,607	147,158,651
Net Assets released from / to restrictions	3,364,941	(3,443,313)	78,372	-
Total Revenues and Gains and Other Support	134,327,220	2,423,452	10,407,979	147,158,651
Expenses:				
Instruction	60,335,124	-	-	60,335,124
Student services	20,189,255	-	-	20,189,255
Auxiliary enterprises	22,671,872	-	-	22,671,872
Academic support	7,431,762	-	-	7,431,762
Institutional support	18,948,311	-	-	18,948,311
Total Expenses	129,576,324	-	-	129,576,324
Increase in Net Assets before change in interest rate swap agreements	4,750,896	2,423,452	10,407,979	17,582,327
Change in value of interest rate swap agreements	(952,932)	-	-	(952,932)
Increase (Decrease) in Net Assets	3,797,964	2,423,452	10,407,979	16,629,395
Net Assets - Beginning of Year	175,358,076	10,560,622	58,330,503	244,249,201
Net Assets - End of Year	$ 179,156,040	$ 12,984,074	$ 68,738,482	$ 260,878,596

See accompanying notes.

CONSOLIDATED STATEMENT OF ACTIVITIES
for the year ended May 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CHANGES IN NET ASSETS:				
Revenues and gains:				
Tuition and fees	$ 105,782,335	$ -	$ -	$ 105,782,335
Tuition discount	(16,705,605)	-	-	(16,705,605)
Net tuition	89,076,730	-	-	89,076,730
Sales and service of auxiliary enterprises	21,676,525	-	-	21,676,525
Federal grants	481,559	-	-	481,559
State grants	1,631,354	-	-	1,631,354
Other grants	203,718	2,651,428	-	2,855,146
Contributions	1,876,402	1,718,229	1,837,036	5,431,667
Contributions - pledges	19,000	2,356,442	8,066,248	10,441,690
Investment income - endowment	598,779	596,918	-	1,195,697
Other investment income	2,845,327	315,820	-	3,161,147
Gain (Loss) on investments	10,282,882	187,621	460,239	10,930,742
Loss on disposal of property and equipment	(688,075)	-	-	(688,075)
Athletics	1,662,007	24,493	-	1,686,500
Other sources	1,238,558	103,197	514,734	1,856,489
Total Revenues and Gains	130,904,766	7,954,148	10,878,257	149,737,171
Net Assets released from / to restrictions	19,867,399	(19,897,493)	30,094	-
Total Revenues and Gains and Other Support	150,772,165	(11,943,345)	10,908,351	149,737,171
Expenses:				
Instruction	52,584,404	-	-	52,584,404
Student services	18,525,254	-	-	18,525,254
Auxiliary enterprises	20,636,893	-	-	20,636,893
Academic support	6,596,362	-	-	6,596,362
Institutional support	17,299,920	-	-	17,299,920
Total Expenses	115,642,833	-	-	115,642,833
Increase in Net Assets before change in interest rate swap agreements	35,129,332	(11,943,345)	10,908,351	34,094,338
Change in value of interest rate swap agreements	(253,403)	-	-	(253,403)
Increase (Decrease) in Net Assets	34,875,929	(11,943,345)	10,908,351	33,840,935
Net Assets - Beginning of Year	140,482,147	22,503,967	47,422,152	210,408,266
Net Assets - End of Year	$ 175,358,076	$ 10,560,622	$ 58,330,503	$ 244,249,201

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended May 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	$ 16,629,395	$ 33,840,935
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	8,798,765	7,610,680
Amortization of bond issue costs	59,460	64,328
Contributions of property	(817,775)	(70,930)
Contributions restricted to endowment	(10,006,808)	(9,903,282)
(Gain) Loss on investments	5,333,813	(10,930,742)
Loss on disposal of property and equipment	388,086	688,075
(Increase) decrease in assets:		
Accounts receivable	(79,999)	(832,205)
Prepaid expenses and other assets	(29,920)	(83,181)
Inventories	(33,722)	19,331
Contributions receivable	(1,100,655)	(6,042,286)
Loans to students	323,237	496,731
Benefit under interest rate swap agreements	120,292	253,403
Increase (decrease) in liabilities:		
Accounts payable	(2,535,869)	305,863
Accrued liabilities	1,008,128	130,319
Student deposits	168,660	330,290
Deferred revenue	112,554	223,693
Other liabilities	(751,328)	1,544,901
Obligation under interest rate swap agreements	832,640	-
U.S. Government advances for student loans	(70,675)	(97,911)
Net Cash Provided by Operating Activities	18,348,279	17,548,012
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	44,613,519	37,615,347
Purchases of investments	(54,874,132)	(33,010,259)
Proceeds from disposal of property and equipment	19,954	2,100
Purchases of property and equipment	(15,207,295)	(28,596,546)
Net Cash Used by Investing Activities	(25,447,954)	(23,989,358)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on bonds	(3,400,000)	(2,775,000)
Principal payments on other debt	(72,053)	(137,895)
Contributions restricted to endowment	10,006,808	9,903,282
Net Cash Provided by Financing Activities	6,534,755	6,990,387
Net Increase (Decrease) in Cash and Cash Equivalents	(564,920)	549,041
Cash and Cash Equivalents at Beginning of Year	2,531,711	1,982,670
Cash and Cash Equivalents at End of Year	$ 1,966,791	$ 2,531,711
Supplemental disclosure:		
Cash payments for interest (net of amount capitalized)	$ 2,086,674	$ 2,351,104

See accompanying notes.

NOTE A: Summary of Significant Accounting Policies

(1) Organization:

The university is a private institution of higher education located in Elon, North Carolina.

(2) Tax Status:

Elon University is a not-for-profit organization that is exempt from federal and North Carolina income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

(3) Consolidation:

Occasionally the university will establish separate entities for use in specific investment transactions. To date, these entities have been limited in form to single-member Delaware limited liability companies (LLC), with the university as the single member. The consolidated financial statements include the accounts of the university and all such single-member LLCs. All inter-organizational balances and transactions have been eliminated.

(4) Basis of Presentation:

The accompanying consolidated financial statements of the university have been prepared on the accrual basis of accounting and in accordance with the reporting principles of not-for-profit accounting as defined by Statement of Financial Accounting Standards (SFAS) No. 116 "Accounting for Contributions Received and Contributions Made," and SFAS No. 117 "Financial Statements of Not-for-Profit Organizations."

SFAS No. 116 requires unconditional promises-to-give be recorded as receivables and revenue within the appropriate net asset category. SFAS No. 117 establishes standards for general-purpose external financial statements of not-for-profit organizations, including a Consolidated Statement of Financial Position, a Consolidated Statement of Activities and a Consolidated Statement of Cash Flows.

(5) Classification of Net Assets:

The accompanying consolidated financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.
- Temporarily Restricted – Net assets whose use by the university is subject to donor-imposed stipulations that can be fulfilled by actions of the university pursuant to those stipulations or that expire by the passage of time.
- Permanently Restricted – Net assets subject to donor-imposed stipulations that are used for a specific purpose, preserved and not sold or if sold, reinvested in other similar assets. Such assets primarily include the university's permanent endowment funds.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor stipulations or by law. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as a reclassification between applicable classes of net assets (assets released from restriction).

(6) Fund Accounting:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to Elon University, the accounts of the university are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified, for accounting purposes, into funds that are in accordance with the activities or objectives specified. Separate accounts are maintained for each fund.

(7) Cash and Cash Equivalents:

For purposes of the financial statements, cash consists of demand deposits and highly liquid debt instruments with an original maturity of ninety days or less. The university maintains its cash balance in five commercial banks. Three of the five bank accounts are insured by the Federal Deposit Insurance Corporation up to $100,000 each. Uninsured balances were approximately $2,096,205 and $2,726,674 at May 31, 2008 and 2007, respectively. The remaining two bank accounts are non-domestic accounts used for study abroad purposes. Money market funds held for long-term investment are classified as investments.

A separate demand deposit account is required and maintained by the university which holds cash for the Federal Perkins Loan Program. The balances in this account were $888,288 and $684,642 at May 31, 2008 and 2007, respectively.

(8) Accounts Receivable:

Accounts receivable includes obligations from students in the normal course of operations which consist principally of billings for Summer Session I and post graduate programs. Student receivables are stated at the amount billed, are uncollateralized, and unpaid accounts bear no interest.

Payment for all classes is due on or before registration day of each semester. Students are not allowed to register until payment has been made. The university does extend credit plans to its students in the normal course of business. These credit plans must be prearranged and all payments are due before the close of the semester. The total amount included in accounts receivable at May 31, 2008, past due 120 days or more was $96,789. Payments of accounts receivable are allocated to the specific student account.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that exceed 120 days from the billing date and, based on an assessment of

NOTE A: Summary of Significant Accounting Policies continued

current creditworthiness, estimates the portion, if any, of the balance that will not be collected. The total of the allowance was $ 30,000 and $33,000 at May 31, 2008 and 2007, respectively.

(9) Contributions Receivable:

Contributions receivable are stated at their present value, net of an allowance for uncollectible contributions receivable. The allowance is based on management's analysis of specific promises made. Present value was calculated using 3.3% and 3% discount rates at May 31, 2008 and 2007, respectively.

(10) Inventories:

Inventories are stated at the lower of cost or market. Cost is being determined on a first-in, first-out basis. Inventories consist of office supplies, computer hardware and fuel.

(11) Investments:

Investments include a diverse portfolio of securities and investment vehicles. The university reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Consolidated Statements of Financial Position. Certain alternative investments, primarily minority ownership in funds of hedge funds and other private equity type assets, are typically valued by third-parties and corroborated by management via internal and external resources. Unrealized gains and losses are included in the change in net assets in the accompanying Consolidated Statements of Activities. The university reports its real estate investments at fair value as of the dates the investments were purchased by or donated to the university.

(12) Endowment Funds:

A donor's stipulation that requires a gift be invested in perpetuity or for a specified term creates an endowment fund. Net appreciation on endowment funds is not permanently restricted unless such net appreciation has been permanently restricted by the donor or by law. North Carolina statutes do not require net appreciation on endowment funds to be permanently restricted unless restricted by the donor. Accordingly, market appreciation on permanently restricted endowment funds is classified in the financial statements as part of unrestricted net assets. It is the practice of the university to prudently invest pooled endowment funds consistent with the endowment asset allocation policy approved by the Board of Trustees. The university's spending policy fluctuates based on the moving 3-year average of the market value of the pooled endowment. The rate ranges between 5% and 4.5%, based on the 3-year average. The spending policy rate was 4.7% and 4.8% at May 31, 2008 and 2007, respectively.

(13) Split-Interest Agreements:

Split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts and charitable gift annuities. Assets held in these trusts are included in investments. The contribution is recognized when the agreement is signed and the institution receives the assets. Annuity and other split-interest obligations are adjusted annually at the end of each fiscal year.

(14) Bond Issue Costs:

Bond issue costs are capitalized and amortized over the life of the underlying bonds using the straight-line method.

(15) Interest Rate Swap Agreements:

Cash flows from hedging transactions are classified in the same category as the cash flow of the related hedged item.

(16) Property and Equipment:

It is the university's policy to capitalize property and equipment valued over $2,000. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment donated with explicit restrictions on their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily or permanently restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the university reports expirations of donor restrictions when the donated or acquired assets are placed in service. The university reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Expenses related to the purchase of capital assets are charged to departmental budgets. The capitalization of assets is recorded outside the departmental budgets, in conjunction with the related depreciation expense, thereby not relieving the department budgets of asset purchases.

Works of art are capitalized by the university at their cost, or fair value if donated. Depreciation is not recognized on these assets because of their nature.

Library resources are capitalized at their cost, or fair value if donated. They are depreciated using the straight-line method over their estimated useful life.

(17) Contributions:

Contributions are recognized when the donor makes a promise to give a gift to the university that is, in substance, unconditional. Contributions, on which the donor imposes no restrictions, are reported as increases in unrestricted net assets. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. It is the university's policy to release restrictions on contributions received for long-lived assets when the asset is acquired or put into service.

If the university is able to satisfy a donor's restrictions in the same period the contribution is received, the restricted contribution is reported as unrestricted support. The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when

NOTE A: Summary of Significant Accounting Policies continued

the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(18) Use of Estimates:

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(19) Fair Value of Financial Instruments:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that fair value.

The carrying amounts for cash and cash equivalents, accounts receivable, prepaid expenses and student deposits approximate fair value due to the short maturity of these instruments. The methods used to determine the carrying amounts for inventory, investments, contributions receivable, and property and equipment are outlined in separate notes. A reasonable estimate of the fair value of loans to students under government loan programs and the accompanying liability to the U.S. government could not be made because the notes receivable are not salable and can only be assigned to the U.S. government or its designees. The carrying value of loans to students under Elon University's loan programs approximates fair value, and the amount is comprised of a high volume of relatively small dollar loans.

Notes payable consists of general obligation notes for the purchase of real estate. The carrying value of the notes payable approximates fair value as interest rates are commensurate with current market rates on similar debt with the same maturities. The carrying values of the university's 2006, 2001C, 2001B, 2001A, 2000, 1998 and 1997 bond issues approximate fair values as a portion of the interest obligations vary and are commensurate with market values. The carrying value of the fixed portion of these issues is adjusted annually.

(20) Reclassifications:

Certain items in the 2007 report have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported change in net assets.

NOTE B: Contributions Receivable

The payment timing of outstanding contributions receivable at May 31, 2008, are estimated to be:

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
One year	$ 2,392,240	$ 1,349,623	$ 19,000	$ 3,760,863
2 - 4 years	4,853,177	2,378,391	-	7,231,568
5 Plus years	815,168	1,242	-	816,410
Total	$ 8,060,585	$ 3,729,256	$ 19,000	$ 11,808,841

The payment timing of outstanding contributions receivable at May 31, 2007, are estimated to be:

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
One year	$ 2,824,156	$ 1,051,206	$ 19,000	$ 3,894,362
2 - 4 years	4,242,887	2,464,031	-	6,706,918
5 Plus years	102,714	4,192	-	106,906
Total	$ 7,169,757	$ 3,519,429	$ 19,000	$ 10,708,186

Contributions receivable are shown net of a collection allowance of $652,971 and $592,301 and a discount of $597,606 and $545,538 at May 31, 2008 and 2007, respectively. Individual pledge balances that exceeded 10% of total receivables amounted to $2,413,400 and $6,496,755 at May 31, 2008 and 2007, respectively.

NOTE C: Investments

Investments at May 31, 2008 and 2007, are as follows:

	2008				2007			
	Cost		Market		Cost		Market	
Investments:								
Money Market Funds	$	32,568,448	$	32,568,448	$	30,855,791	$	30,855,791
Certificates of Deposit		6,184,844		6,184,844		5,872,525		5,872,525
Equities		818,522		553,055		894,026		597,221
Fixed Income		5,476,043		5,281,680		8,422,235		8,405,591
U.S. Government Obligations		3,618,793		3,520,427		3,468,141		3,350,931
Real Estate		954,161		954,161		1,199,161		1,199,161
Other		254,446		254,446		-		-
	$	49,875,257	$	49,317,061	$	50,711,879	$	50,281,220
Endowment and Similar Funds:								
Money Market Funds	$	3,066,771	$	3,066,771	$	3,522,359	$	3,522,359
Equities		51,165,687		57,401,213		54,619,703		69,108,036
Fixed Income		16,167,356		15,853,755		6,914,314		6,795,524
Real Estate		617,793		617,793		230,293		230,293
Other		101,249		101,249		-		-
Alternative Investments		9,316,677		9,489,361		242,184		239,775
	$	80,435,533	$	86,530,142	$	65,528,853	$	79,895,987
Total	$	130,310,790	$	135,847,203	$	116,240,732	$	130,177,207

Investment returns are reported net of investment fees. The amount of fees paid during the fiscal years ended May 31, 2008 and 2007, were $535,946 and $343,868 respectively.

Proceeds from the 2006 bond issue in the amount of $7,732,497 were included in investment money market funds at May 31, 2007. During the current fiscal year, these funds were expended in their entirety for improvements to campus facilities.

Alternative investments include minority ownership in funds of hedge funds and other private equity type assets. These investments may limit the timing of an investor's withdrawal and as such, are not as liquid as other investments.

All investments are subject to risk of loss or decline in value. As such, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amount reported in the university's consolidated financial statements.

ENDOWMENT AND SIMILAR FUNDS - INVESTED NET ASSETS

The permanently restricted portion of the endowment consists of the historic gift value of those assets and restricted gains. The temporarily restricted portion of the endowment consists of planned giving agreements. The unrestricted portion of the endowment consists of investment gains and board designated assets.

Endowment and Similar Funds - Invested Net Assets at May 31, 2008 and 2007, are as follows:

	2008		2007	
Permanently restricted	$	67,982,637	$	57,597,270
Temporarily restricted		250,826		234,948
Unrestricted		18,296,679		22,063,769
Total	$	86,530,142	$	79,895,987

NOTE D: Planned Giving Agreements and Trusts

The university is a party to four types of planned giving agreements. The specific terms vary between donors and the agreements can be generally described as follows:

PERPETUAL TRUSTS

These are trusts created by donors for the benefit of the university and are reported as investments in the Consolidated Statements of Financial Position. Third party trustees hold the assets. The university has a perpetual and enforceable right to income generated from the trusts. They are valued based on the estimated future cash receipts from the trusts' assets. The university has a one-half right to income generated from one of these trusts and full rights to income generated from the remaining trusts.

	2008	2007
Income restricted to scholarship:		
Asset Value	$ 1,036,953	$ 1,097,051
Income	42,185	40,043
Income restricted to professorship:		
Asset Value	$ 820,881	$ 918,444
Income	37,273	35,815
Unrestricted income:		
Asset Value	$ 2,377,640	$ 2,477,193
Income	64,859	48,779

POOLED (OR LIFE) INCOME FUND

These are arrangements in which the university pools, invests, and manages life income gifts from several different donors. The funds are unitized and donors are assigned a specific number of units based on the relationship of the fair value of their contribution to the fair value of the pool as a whole at the time the donor enters the pool. During the term of the life income gifts, the donor, or beneficiaries specified by the donor, receives the actual income earned on the donor's units in the pool. Upon death, the donor's units revert to the university. The assets are recorded as investments in the Consolidated Statements of Financial Position at fair value.

	2008	2007
Asset Value	$ 252,054	$ 250,139

CHARITABLE GIFT ANNUITIES

These are arrangements between donors and the university in which the donors contribute assets to the university in exchange for a promise by the university to pay a fixed amount for a specified period of time to individuals named by the donors. No trust exists, the assets received are held as general assets of the university, and the annuity liability is a general obligation of the university and is included in accrued liabilities in the Consolidated Statements of Financial Position. The assets received are recognized at fair value when received, and an annuity payment liability is recognized at the present value of future cash flows expected to be paid to the beneficiary.

	2008	2007
Annuities Liability	$ 406,822	$ 461,504
Change in value of charitable gift annuities	35,156	37,746

CHARITABLE REMAINDER UNITRUSTS

A charitable remainder unitrust is an arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the university receives the assets remaining in the trust. The distributions to the beneficiaries are for a specified percentage of the trust's fair value as determined annually. Distributions to the beneficiaries are made from income and then principal to the extent income is not sufficient. Obligations to the beneficiaries are limited to the assets of the trust. The present value of the unitrust liability is included in accrued liabilities in the Consolidated Statements of Financial Position.

	2008	2007
Unitrust Liability	$ 571,001	$ 348,064
Total contributions to charitable remainder unitrusts	250,134	-
Change in value of charitable remainder unitrusts	52,838	(478,321)

NOTE E: Loans to Students

Federal Perkins loans are low-interest federally funded student loans that participating schools make to eligible undergraduate students. Elon student loans are made from institutional and donor funds to eligible enrolled students. No interest accrues on these student loans while a student is enrolled at least halftime at any accredited school of higher education.

	2008		2007	
Perkins loans receivable are due from students payable in monthly or quarterly minimum installments of $40 or $120, respectively. Interest is computed at an annual rate of 5%. These loans are unsecured. Receivables are net of an allowance for doubtful accounts totaling $40,000 at May 31, 2008 and 2007.	$	3,424,688	$	3,692,656
Elon loans receivable are due from students payable in monthly installments of $50 minimum. Interest is computed at an annual rate of 5%. These loans are secured by a co-signer. Receivables are net of an allowance for doubtful accounts totaling $33,641 at May 31, 2008 and 2007.		260,320		315,589
Total	$	3,685,008	$	4,008,245

NOTE F: Construction in Progress

Projects in process at May 31, 2008 and 2007, are as follows:

2008 PROJECT DESCRIPTION		Costs Incurred Through 5/31/08	Estimated Date of Completion
Law School Annex 2nd Floor	$	359,130	August 2008
Lindner Rotunda		676,613	July 2009
O'Kelly Road Improvements		80,625	October 2008
Pedestrian Tunnel		155,636	December 2009
Field House Expansion		147,225	2010
Others		401,835	Various
Total	$	1,821,064	

2007 PROJECT DESCRIPTION		Costs Incurred Through 5/31/07	Estimated Date of Completion
Colonnades Dining Hall (2006 Bond Issue)	$	9,003,383	August 2007
Colonnades Residence Halls (2006 Bond Issue)		5,024,157	August 2007
Academic Village Rotunda		49,265	August 2007
Alamance Renovation		58,026	August 2007
Pedestrian Tunnel		32,168	December 2009
Others		353,834	Various
Total	$	14,520,833	

NOTE G: Property and Equipment

Property and equipment at May 31, 2008 and 2007, are as follows:

	2008	2007
Land and land improvements	$ 29,032,091	$ 25,880,358
Buildings	192,557,824	172,014,589
Moveable assets:		
Computers and related equipment	4,976,261	4,421,543
Library resources	11,429,162	10,225,109
Vehicles	3,151,312	2,827,305
Audiovisual equipment	2,483,390	2,227,920
Science equipment	1,377,091	1,346,715
Software	1,418,359	1,243,124
Telephone systems and equipment	664,925	654,956
Other moveable assets	6,350,329	5,414,105
Total moveable assets	31,850,829	28,360,777
Collections	1,998,613	1,910,238
	255,439,357	228,165,962
Accumulated depreciation	(67,128,467)	(58,629,910)
Total	$ 188,310,890	$ 169,536,052

Depreciation expense was $8,798,765 and $7,610,680 for the years ended May 31, 2008 and 2007, respectively.

NOTE H: Accrued Liabilities

Accrued liabilities at May 31, 2008 and 2007, are as follows:

	2008	2007
Salaries and wages	$ 5,408,183	$ 4,897,207
Vacation	1,587,950	1,529,390
Split-interest agreements	1,181,184	809,568
Employee benefits and payroll taxes	56,354	18,102
Conditional asset retirement obligations	603,205	574,481
Total	$ 8,836,876	$ 7,828,748

ACCRUED VACATION AND SICK PAY

Eligibility for vacation is based on continuous service with the university. Employees earn vacation based on their length of service. The maximum number of accumulated vacation days an employee may carry forward into each calendar year is 20. Accumulated vacation time may be used or paid at time of separation.

Sick leave accrues at the rate of one day per month. Unused sick leave may accumulate up to 130 days; however, accumulated sick leave will not be paid at separation from service. Since the university has no obligation for the accumulated sick leave until it is actually taken, no liability for unpaid sick leave has been recorded in these financial statements.

CONDITIONAL ASSET RETIREMENT OBLIGATIONS

In accordance with Financial Accounting Standards Board (FASB) Interpretation No. 47 (FIN 47), Accounting for Conditional Asset Retirement Obligations, the university recognizes a liability for the legal obligation to perform asset retirement activities when the retirement is conditional on a future event and the fair value can be reasonably estimated. The accrued conditional asset retirement obligation liability is calculated by determining the present value of estimated costs at the anticipated settlement date using a discount rate of 3%.

NOTE I: Other Liabilities

Other liabilities at May 31, 2008 and 2007, are as follows:

	2008	2007
Agency Obligations	$ 210,298	$ 861,626
Refundable Advance	866,667	966,667
Total	$ 1,076,965	$ 1,828,293

AGENCY OBLIGATIONS:

Agency obligations arise from the collection or acceptance of cash or other assets for the account of third parties, such as clubs or other University affiliated groups. These balances result from transactions processed on behalf of the third parties and have no effect on net assets.

REFUNDABLE ADVANCE:

On January 1, 2007, the university entered into an exchange transaction with an existing service provider. The university consented to extend the service provider's agreement for ten years and in exchange the service provider transferred $1,000,000 to the university with the stipulation that the monies be expended on specific capital purchases. The contract further stipulated that if either party to the transaction should terminate the agreement during the ten years, the university will return the unamortized portion of the refundable advance, calculated on a straight-line basis, plus interest. The contingent interest penalty, which would be added to the refundable advance only in the event of an early termination, amounted to $80,889 at May 31, 2008, and has not been included in the consolidated financial statements.

NOTE J: Bonds and Notes Payable

Long-term debt at May 31, 2008 and 2007, is as follows:

	2008	2007
Revenue Bonds, series 1997; $17,815,000 serial bonds due March 1997 through 2019, bearing a weekly variable market interest rate paid monthly. Principal payments began in 2001 and continued through 2003 and will begin again in 2009 and continue through 2019. The university made certain covenants, including covenants regarding payment of obligations, rights of inspection, use of proceeds, and sale of property. These bonds were issued through the North Carolina Capital Facilities Finance Agency, and are secured by a letter of credit with Bank of America.	$ 17,215,000	$ 17,215,000
Revenue Bonds, series 1998; $14,010,000 serial bonds due May 1998 through 2021, bearing a weekly variable market interest rate paid monthly. Principal payments began in 2001 and will continue until 2021. The university made certain covenants, including covenants regarding payment of obligations, rights of inspection, use of proceeds, and sale of property. These bonds were issued through the North Carolina Capital Facilities Finance Agency, and are secured by a letter of credit with Bank of America.	10,120,000	10,685,000
Revenue Bonds, series 2000; $4,325,000 serial bonds due June 2000 through 2023, bearing a weekly variable market interest rate paid monthly. Principal payments began in 2002 and will continue until 2023. The university made certain covenants, including covenants regarding payment of obligations, rights of inspection, use of proceeds, and sale of property. These bonds were issued through the North Carolina Capital Facilities Finance Agency, and are secured by a letter of credit with Bank of America.	3,370,000	3,525,000

NOTE J: Bonds and Notes Payable continued

	2008		2007	
Revenue Bonds, series 2001A; $9,640,000 serial bonds due April 2001 through 2014, bearing a weekly variable market interest rate paid monthly. Principal payments began in 2002 and will continue until 2014. The university made certain covenants, including covenants regarding payment of obligations, rights of inspection, use of proceeds, and sale of property. These bonds were issued through the North Carolina Capital Facilities Finance Agency, and are secured by a letter of credit with Bank of America. Revenue Bonds, series 2001A are subject to an interest rate swap agreement referenced in footnote K.		5,755,000		6,575,000
Revenue Bonds, series 2001B; $5,305,000 serial bonds were due October 2001 through 2008, bore a weekly variable market interest rate paid monthly. Principal payments started in 2002 and continued until January 2008. The university made certain covenants, including covenants that regarded payment of obligations, rights of inspection, use of proceeds, and sale of property. These bonds were issued through the North Carolina Capital Facilities Finance Agency, and were secured by a letter of credit with Bank of America. Revenue Bonds, series 2001B were subject to an interest rate swap agreement referenced in footnote K. This bond was retired during the fiscal year 2008.		-		1,130,000
Revenue Bonds, series 2001C; $7,255,000 serial bonds due November 2001 through 2026, bearing a weekly variable market interest rate paid monthly. Principal payments began in 2004 and will continue until 2026. The university made certain covenants, including covenants regarding payment of obligations, rights of inspection, use of proceeds, and sale of property. These bonds were issued through the North Carolina Capital Facilities Finance Agency, and are secured by a letter of credit with Bank of America.		6,230,000		6,455,000
Revenue Bonds, series 2006; $18,905,000 serial bonds due March 2006 thru 2031, bearing a weekly variable market interest rate paid monthly. Principal payments begin in 2008 and will continue until 2031. The university made certain covenants, including covenants regarding payments of obligations, rights of inspection, use of proceeds, and sale of property. These bonds are issued through the North Carolina Capital Facilities Finance Agency, and are secured by a letter of credit with Bank of America. Revenue Bonds, series 2006 are subject to an interest rate swap agreement referenced in footnote K.		18,400,000		18,905,000
Subtotal - Bonds Payable	$	61,090,000	$	64,490,000
Notes payable which were unsecured for purchase of real estate payable in semi-annual installments of principal and interest in the amount of $54,616, with interest charged at a fixed rate of 7.75%. The notes were paid in full during the fiscal year 2008.		-		72,053
Subtotal - Notes Payable		-		72,053
Total	$	61,090,000	$	64,562,053

Aggregate maturities of long-term debt at May 31, 2008, are as follows:

2009	$	3,150,000
2010		3,290,000
2011		3,430,000
2012		3,590,000
2013		3,740,000
Thereafter		43,890,000
Total	$	61,090,000

Total interest costs incurred related to bonds and notes payable were $2,217,130 and $2,460,735 for the years ended May 31, 2008 and 2007, respectively, and of these amounts $130,456 and $157,494, respectively, were capitalized as a cost of construction.

NOTE K: Interest Rate Swap Agreements

The university has recorded three interest rate swap agreements on the Consolidated Statements of Financial Position at fair value. Agreements involve series 2001A, 2001B and 2006 bond issues, and allow the university to exchange variable for fixed rate interest payment obligations with Bank of America. The swap agreements are used to minimize the impact of future interest rate changes. Under the agreements, payments are made or received based on the difference between fixed rates, ranging from 3.62% to 4.10%, and 65% to 70% of the USD-LIBOR BBA index. The university anticipates holding the interest rate swap agreements until all debt under the agreements has been retired. The 2001B Bond Series was retired in January 2008. Principal maturities on the remaining debt conclude in 2031.

The university has only limited involvement with derivative financial instruments and does not use them for trading purposes. Fair value is determined using a yield curve and projected interest rates through maturity of the instrument. The change in fair value of the cash flow hedge is adjusted annually through Net Assets.

The benefit (obligation) under interest rate swap agreements at May 31, 2008 and 2007, is as follows:

	2008		2007	
Series 2001A	$	(283,511)	$	(157,796)
Series 2001B *-retired in January 2008*		-		(2,764)
Series 2006		(549,129)		280,852
Total	$	(832,640)	$	120,292

NOTE L: Financial Aid (Tuition Discount)

The university awards financial aid based on academic merit, need and leadership. Gross tuition discounts were 16.4% and 15.8% for the years ended May 31, 2008 and 2007, respectively. The unfunded discount rate was 13.1% and 12.4% for the years ended May 31, 2008 and 2007, respectively. Funded tuition discounts are derived from endowment, private gifts and federal and state aid. Unfunded tuition discounts are derived from the general operating revenues of the university.

TOTAL TUITION	2008			2007		
		Dollars	Percentage		Dollars	Percentage
Unfunded discount	$	15,740,498	13.1%	$	13,070,521	12.4%
Funded discount		4,003,512	3.3%		3,635,084	3.4%
Total	$	19,744,010	16.4%	$	16,705,605	15.8%
Gross Tuition	$	120,481,965		$	105,782,335	

UNDERGRADUATE TUITION ONLY	2008			2007		
		Dollars	Percentage		Dollars	Percentage
Unfunded discount	$	14,671,648	13.3%	$	12,637,315	12.8%
Funded discount		3,926,754	3.6%		3,588,881	3.6%
Total	$	18,598,402	16.9%	$	16,226,196	16.4%
Gross Tuition	$	110,034,492		$	99,070,730	

NOTE M: Gift Revenue

Major categories of gift revenue for the years ending May 31, 2008 and 2007, are as follows:

	2008		2007	
Annual fund	$	2,601,108	$	1,663,378
Endowment funds		10,006,808		9,903,283
Capital projects		1,988,415		2,653,711
Other		2,604,999		1,652,985
Total	$	17,201,330	$	15,873,357

NOTE N: Allocation of Expenses

Expenses which are not directly charged to specific programs are allocated to those programs based on estimates. The totals of these allocations were $26,405,036 and $23,414,353 for the years ended May 31, 2008 and 2007, respectively. Allocations of specific program expenses are as follows:

	2008							
PROGRAM	Physical Plant		Depreciation		Debt Service/Other		Total	
Instruction	$	3,817,422	$	3,303,877	$	2,616,404	$	9,737,703
Student services		1,521,927		1,164,975		494,376		3,181,278
Auxiliary enterprises		4,714,885		3,609,057		2,090,875		10,414,817
Academic support		597,423		457,303		165,346		1,220,072
Institutional support		301,136		263,553		1,286,477		1,851,166
Total	$	10,952,793	$	8,798,765	$	6,653,478	$	26,405,036

	2007							
PROGRAM	Physical Plant		Depreciation		Debt Service/Other		Total	
Instruction	$	3,707,516	$	2,980,029	$	2,015,929	$	8,703,474
Student services		1,482,694		1,053,664		595,090		3,131,448
Auxiliary enterprises		4,165,919		2,960,476		1,763,073		8,889,468
Academic support		582,022		413,609		317,893		1,313,524
Institutional support		285,522		202,902		888,015		1,376,439
Total	$	10,223,673	$	7,610,680	$	5,580,000	$	23,414,353

NOTE O: Retirement Plan

The university has a defined contribution pension plan covering substantially all employees. The plan has no post service benefits or further liabilities beyond the periodic contribution for each participating employee. Total contributions by the university to this plan were $3,609,077 and $3,223,269 for the years ended May 31, 2008 and 2007, respectively.

NOTE P: Fundraising

Fundraising costs were $3,233,599 and $2,959,621 for the years ended May 31, 2008 and 2007, respectively. These costs are included with other costs and are shown as "Institutional Support" on the Consolidated Statement of Activities.

NOTE Q: Student Housing

CHF – Elon, LLC, a 501(c)(3) corporation, is a wholly-owned subsidiary of Collegiate Housing Foundation, another 501(c)(3) organization, and exists to provide student housing for Elon University students. CHF – Elon, LLC and Collegiate Housing Foundation are independent of Elon University.

CHF – Elon, LLC, using the proceeds of a taxable bond issue with no recourse to Elon University, constructed a 516-bed student housing facility on 13.852 acres of land leased from the university. The lease, which expires in 2035, provides for annual distributions of net available cash flow as the lease payment to Elon University. Additionally, the university has contractually agreed to manage this housing project over the life of the ground lease.

CHF – Elon, LLC has a June 30 fiscal year end. As such, calculation of any annual ground lease payment due the university (net available cash flow) will be determined after the close of CHF – Elon, LLC's fiscal year and is not earned by the university until that time. The university earned ground lease income of $206,727 during the year ended May 31, 2008. This corresponds to CHF – Elon, LLC's fiscal year end June 30, 2007, which was the first year of occupancy.

While fulfilling its management functions, the university will collect rental income and incur reimbursable expenses on behalf of CHF – Elon, LLC. Unsettled balances related to these transactions amounted to a net receivable at May 31, 2008, of $57,973 and a net payable at May 31, 2007, of $385,540. These balances are classified as accounts receivable and other liabilities respectively, in the Consolidated Statements of Financial Position.

Initial construction of this facility was not completed timely, which resulted in CHF – Elon, LLC withholding liquidated damages from the general contractor, Collegiate Development Services, LP. In response, the contractors asserted claims against CHF – Elon, LLC, including liens which typically named Elon University, the real property owner on which the project is located. During the fiscal year ended May 31, 2008, all disputes were resolved, all liens were released and the university was absolved of any obligation.

NOTE R: Commitments and Contingencies

(1) DEPARTMENT OF EDUCATION FUNDS

Funds received by Elon University from the United States Department of Education are subject to audit and retroactive adjustment by the Department of Education, which reserves the right to audit prior fiscal years. Such audits can result in the payment of additional funds to the Department of Education. Management believes that the result of any audit will not have a material effect on the university's financial statements.

(2) CONSTRUCTION AND PURCHASE COMMITMENTS

As of May 31, 2008, the university had outstanding contractual commitments and equipment purchase orders totaling approximately $6,635,537.

(3) INVESTMENT COMMITMENTS

Elon University is obligated under an investment fund agreement to periodically advance additional funding for this investment up to specified levels. At May 31, 2008, Elon had future commitments of $130,000.

NOTE R: Commitments and Contingencies continued

(4) OPERATING LEASES

The university leases buildings, equipment and vehicles under operating leases that will expire in various years through 2016. Rent expense was $752,345 and $524,449 for the years ended May 31, 2008 and 2007, respectively. Commitments for minimum future rental payments for each of the next 5 years and thereafter are as follows:

Year Ending	Amount
2009	$ 949,003
2010	919,835
2011	818,290
2012	743,014
2013	518,977
Thereafter	761,257
Total minimum future rental payments	$ 4,710,376

The university also leases apartments and houses for student living under operating leases that will expire in 2009. Rent expense was $115,743 and $463,565 for the years ended May 31, 2008 and 2007, respectively. Rent expense is more than offset by housing revenue received from students living in these units. The university has a commitment of $132,900 for minimum future rental payments at May 31, 2008.

Several of the aforementioned leases contain renewal options for varying periods of time.

(5) GRANT COMMITMENTS

Elon University established a School of Law, which began enrollment in fall 2006. The receipt of a $10,000,000 grant from foundations and donors provided start-up financing. By accepting this grant, the university committed to provide an additional $3,500,000 of start-up funding, operate the School of Law for a minimum of ten years and maintain specified minimum enrollments. As of May 31, 2008, Elon has received $9,557,380 from the foundation and donors to cover building renovations, construction expenses and library start up costs. The university has fulfilled its commitment of $3,500,000.

(6) EMPLOYMENT RELATED COMMITMENTS

Elon University has entered into employment related agreements with certain employees which obligate the university to potential future payments. At May 31, 2008, those maximum potential future payments under these agreements are $3,367,754.

(7) CONTINGENCIES

The university is involved in various legal actions occurring in the normal course of activities. While the final outcomes cannot be determined at this time, management is of the opinion that the resolution of these legal actions will not have a material effect on the university's consolidated financial position.

NOTE S: Subsequent Events

Subsequent to year end but prior to the report date (August 27, 2008), the university was party to the following:

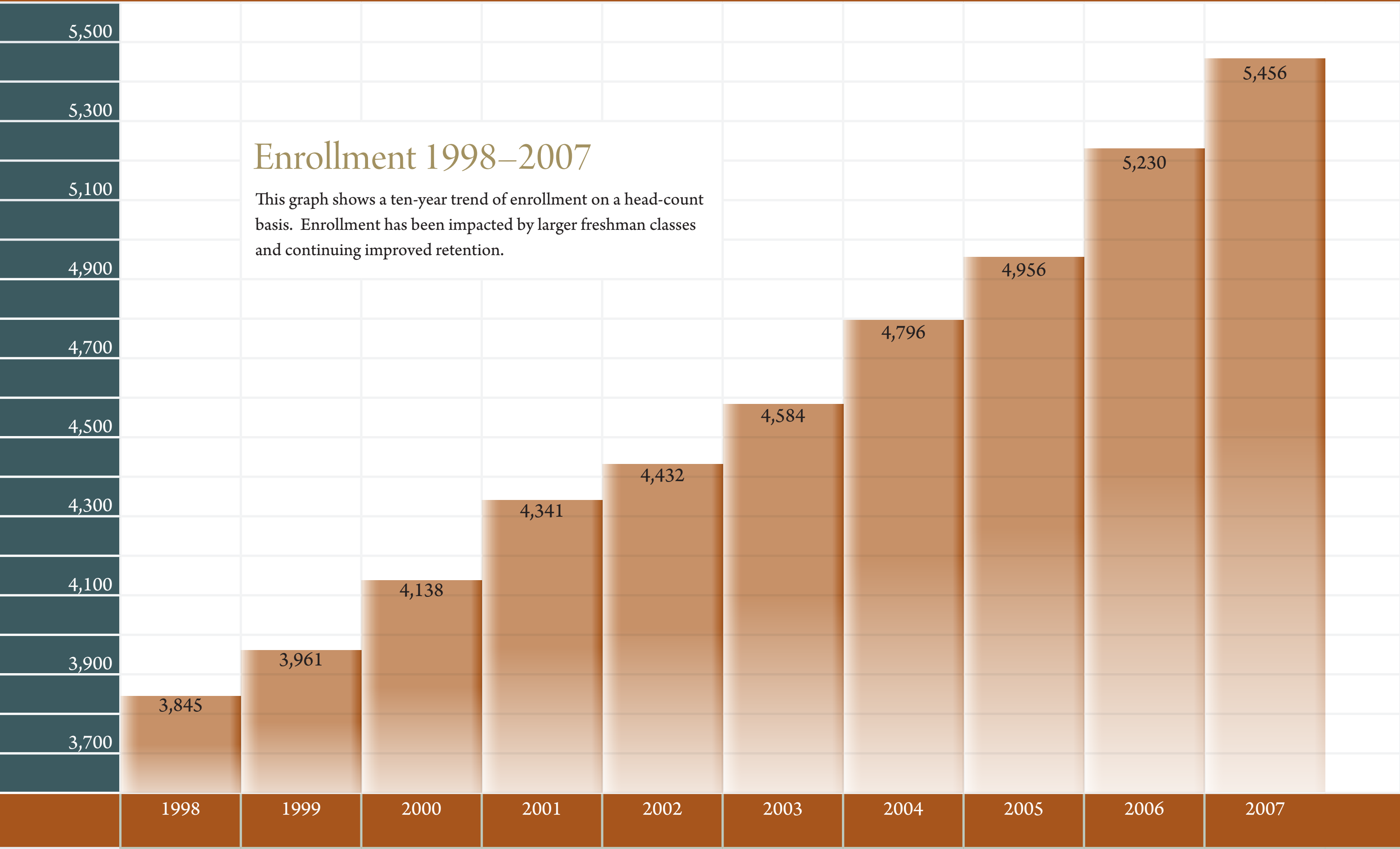
Realized loss on disposition of property: The university realized a loss of $278,886 on the demolition of two houses.

Construction, Renovation, and Improvements: The university has expended $761,041 for various construction, renovation and improvements to campus facilities.

Year	Undergraduate	Graduate	Total
1998	3,641	204	3,845
1999	3,701	260	3,961
2000	3,900	238	4,138
2001	4,160	181	4,341
2002	4,270	162	4,432
2003	4,431	153	4,584
2004	4,622	174	4,796
2005	4,702	254	4,956
2006	4,849	381	5,230
2007	4,939	517	5,456

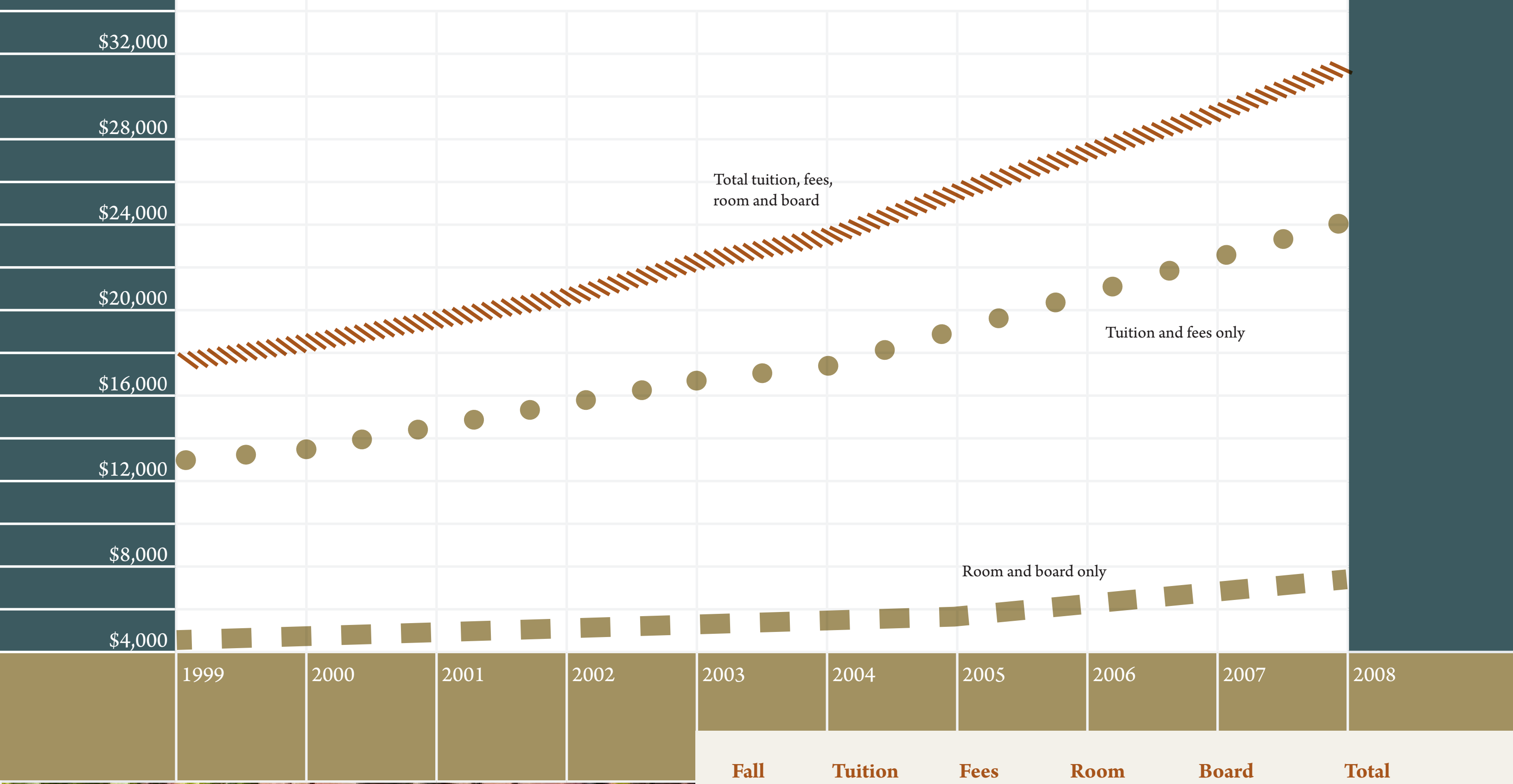
Enrollment 1998–2007

This graph shows a ten-year trend of enrollment on a head-count basis. Enrollment has been impacted by larger freshman classes and continuing improved retention.



Tuition and Fee Rates 1999–2008

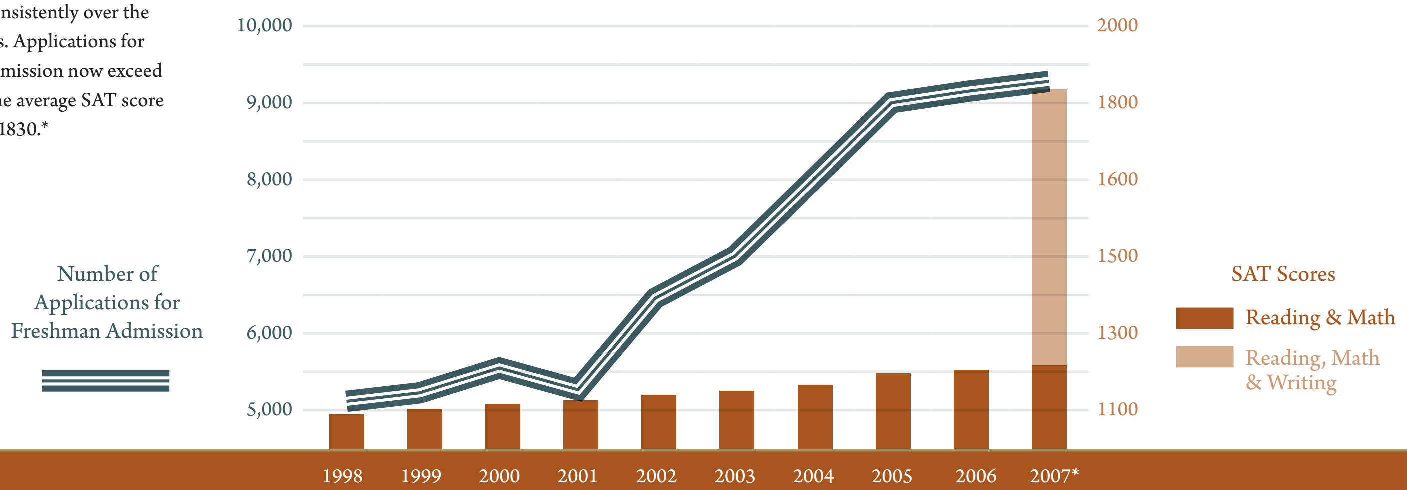
This chart shows the increase in tuition and fees, and room/board rates over a ten-year period.



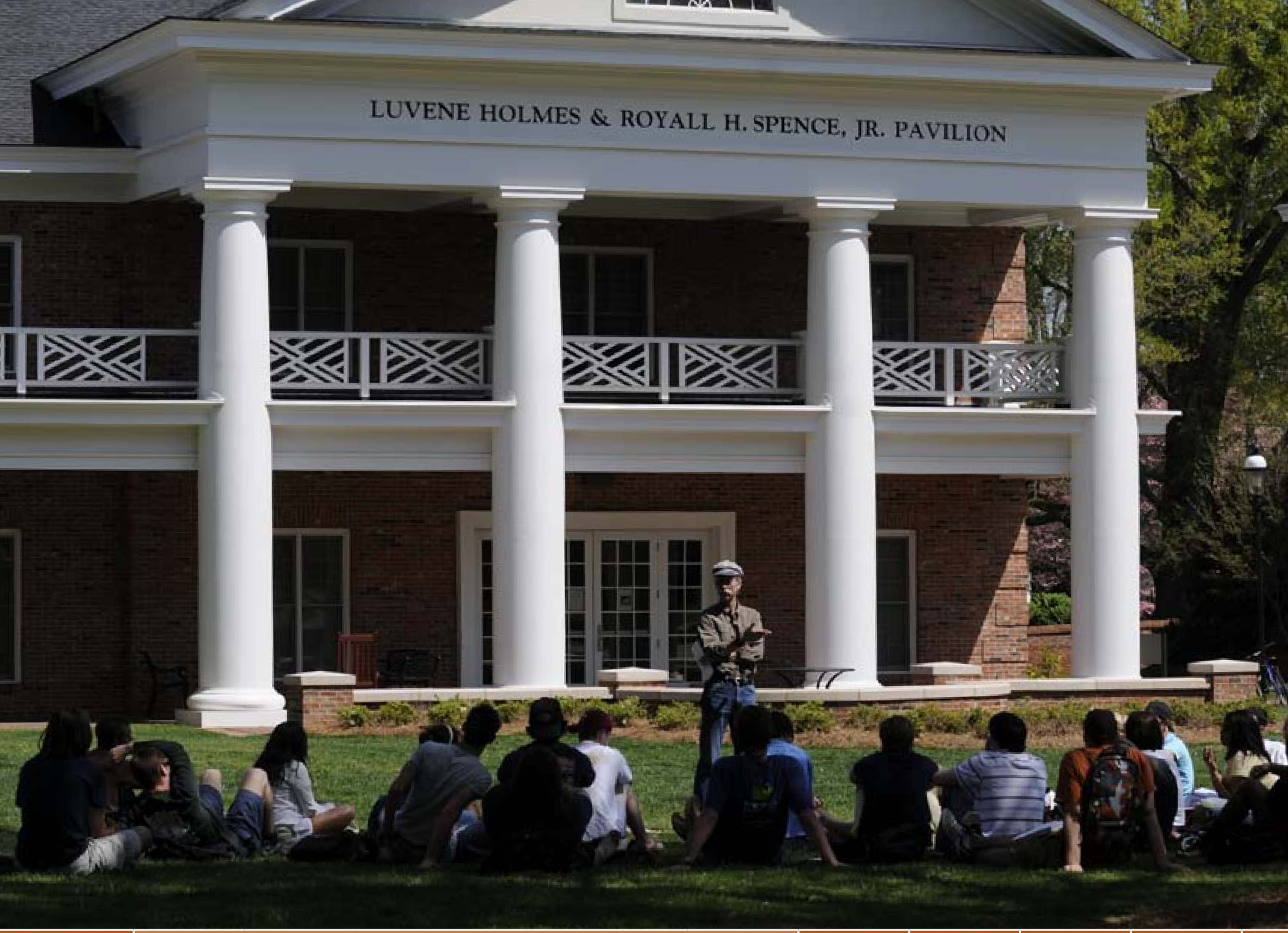
Fall	Tuition	Fees	Room	Board	Total
1999	$12,671	$225	$2,074	$2,554	$17,524
2000	$13,556	$225	$2,120	$2,540	$18,441
2001	$14,335	$225	$2,216	$2,654	$19,430
2002	$15,280	$225	$2,336	$2,754	$20,595
2003	$16,325	$245	$2,770	$2,900	$22,240
2004	$17,310	$245	$2,936	$3,074	$23,565
2005	$18,699	$250	$3,112	$3,310	$25,371
2006	$20,171	$270	$3,320	$3,530	$27,291
2007	$21,886	$280	$3,536	$3,760	$29,462
2008	$23,746	$330	$3,766	$3,747	$31,589

Student Selectivity 1998–2007

Measures of student quality have increased consistently over the last ten years. Applications for freshman admission now exceed 9,300 and the average SAT score has risen to 1830.*



* Beginning in 2007, the SAT maximum score was raised from 1600 to 2400 because of the addition of a writing section. In previous years, the maximum score was 1600.

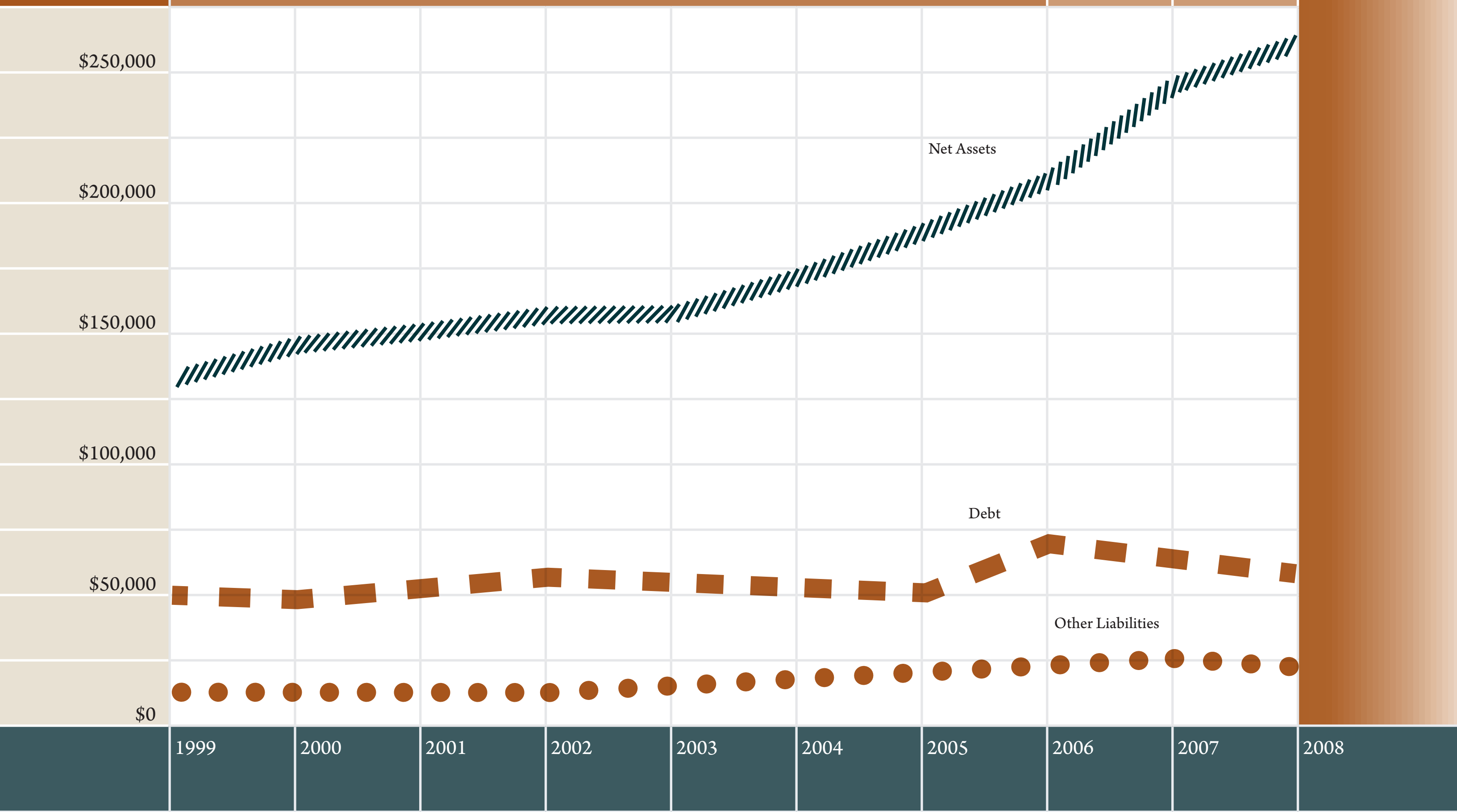


Endowment Market Value (000) 1999–2008

The market value of the endowment has grown over the past ten years despite recent market fluctuations.

Total Net Assets/Long Term Debt and Other Liabilities (000) 1999–2008

The university has experienced continual growth in net assets, which has allowed for the expansion and renovation of campus facilities.



Year	Net Assets	Debt	Other Liabilities
1999	$132,811	$50,950	$13,312
2000	$146,407	$49,548	$13,657
2001	$153,358	$53,382	$13,630
2002	$157,006	$58,878	$14,655
2003	$157,078	$56,648	$15,755
2004	$172,310	$54,021	$17,976
2005	$190,172	$51,348	$19,934
2006	$210,408	$67,475	$22,573
2007	$244,249	$64,562	$25,735
2008	$260,879	$61,090	$24,499

BALANCE FROM OPERATIONS

The schedule below calculates the balance from operations related to the unrestricted budget of the university.

		Operating Fund
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues and gains:		
Tuition and fees	$	116,775,971
Tuition discount		(15,740,498)
Net tuition		101,035,473
Sales and service of auxiliary enterprises		24,273,198
Contributions		2,346,661
Investment income - endowment		622,435
Other investment income		1,838,267
Gain (Loss) on investments		(192,238)
Athletics		1,900,264
Other sources		645,794
Total Unrestricted Revenues and Gains		132,469,854
Expenses and transfers:		
Instruction		50,358,681
Student services		17,524,673
Auxiliary enterprises		16,711,166
Academic support		6,666,642
Institutional support		18,393,566
Principal and interest payments on debt		5,998,345
Renewals, replacements and capital acquisition		1,374,881
Board endowment reserve		4,000,000
Other		1,557,543
Total Expenses and Transfers		122,585,497
Balance from Operations	$	9,884,357
REALLOCATION OF ENDOWMENT REALIZED GAINS		
2007-2008 endowment pooled funds average balance based on 3-year moving average	$	75,378,925
Spending allowance calculated at 4.7% of average balance		3,542,809
Income and transfers generated by endowment pooled investments		1,334,768
Difference between spending allocation and generated income		2,208,041
Spending allowance reinvested in permanent endowment	$	206,562

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