



2004

Report

Annual

ELON

The word is out about Elon

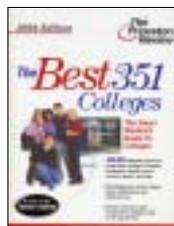
During the past year, Elon's engaged style of learning, attention to students and commitment to technology received high praise in prestigious college guides and surveys as well as from the national media.

Best in engaged learning

For the fourth year in a row, Elon ranked in the top 10 percent of the nation's colleges and universities in the National Survey of Student Engagement, the most comprehensive assessment of effective practices in higher education.

Students gave Elon high marks on each of five benchmarks of quality: level of academic challenge, opportunities for active and collaborative learning, student-faculty interaction, enriching educational experiences and supportive campus environment. More than 95 percent of Elon students rated their college experience as excellent or good — nearly 9 percent higher than the average of other schools surveyed.

The Carnegie Foundation for the Advancement of Teaching and The Pew Forum on Undergraduate Learning sponsor NSSE, which includes data from 185,000 students at 649 schools.



second in the nation in the "beautiful campus" category.

Students quoted in the guide praised the close, mentoring relationships with faculty and Elon's hands-on approach to learning. Also highlighted were the university's study abroad program, outstanding speaker series and student organizations that involve students in service and leadership.

One of Kaplan's 328 Most Interesting Colleges

Kaplan's 2004 edition of *The 328 Most Interesting Colleges* praised Elon for its active, hands-on approach to learning, supportive community and beautiful campus. Says Kaplan, "This treasure won't remain hidden for long."



report is titled "Refuse to lose: today's colleges and universities must work to foster student success."

Written by Edward Fiske, author of one of the nation's best-selling college guides, the report explores graduation rates in

American colleges and universities. With a six-year graduation rate of 71 percent and a freshman retention rate of 87 percent, Elon ranks among the top Southern universities in these valuable measures of student success.

Elon's success is attributed to its multiple programs that "share a common emphasis on building personal connections in the university community," the report says.



National publicity in USA Today

Elon's nationally ranked study abroad program received extensive coverage in *USA Today* in February 2004. A feature story focused on one of Elon's most popular and challenging Winter Term courses, Field Biology in Belize.

A *USA Today* reporter spent eight days with Elon students and faculty leaders as the group studied exotic plants, animals and insects in the rain forest. The group also conducted studies at the coral reef at Ambergris Caye.

At Elon, 63 percent of students study abroad before graduation, making Elon first in the nation among master's-level institutions for the percentage of students who study abroad.



One of the 'Most Unwired' campuses

Intel Corporation named Elon one of the top 50 colleges and universities for wireless computing access in its "Most Unwired College Campuses" list. At number 43, Elon was the highest-ranking

North Carolina school. Elon has 75 wireless access points on campus, allowing students to access the Internet using wireless laptop computers. Most academic buildings, dining halls and the north athletics complex feature wireless access zones, as well as some residence halls and the main outdoor commons areas on campus. In many areas, Elon students can move

from building to building without losing the wireless signal.

Elon's technology staff supports close to 1,800 computers, including 654 computers in 21 labs that are available for student use.



Top 10 in U.S. News

Elon remained among the top 10 Southern universities in *U.S. News & World Report's America's Best Colleges* guide. Elon was ranked 9th among 131 universities in the South in the 2004 guide

In addition, *U.S. News* ranked three of Elon's academic programs among the best in the nation: first-year experiences (programs that help students adjust to college), service learning (programs that combine volunteer service with academic courses) and learning communities (programs in which students in the same residence hall take common courses and work closely with faculty).

Princeton Review spotlights Elon faculty, campus

Elon was named to five top-20 lists in *Princeton Review's The Best 351 Colleges* guide. The 2004 guide ranks Elon third on the academics list ranking schools where "professors make themselves accessible" to students and

Business school gains accreditation

Elon's Martha and Spencer Love School of Business has taken a major step forward by gaining accreditation by the Association to Advance Collegiate Schools of Business (AACSB

the only independent universities in North Carolina to achieve this milestone.

AACSB has confirmed that Elon's Love School of Business has met the highest standards concerning curriculum, resources, admissions, degree requirements and library and computer facilities. In addition, the accreditation recognizes that Elon business faculty are highly qualified in their fields and combine professional experience with dedication to academic scholarship.

Nationally, only 418 colleges and universities have achieved the AACSB marker of quality, while fewer than 20

percent of the more than 3,000 collegiate business programs in the world have earned this distinction.

The Love School of Business will take another major leap forward with the new

Ernest A. Koury Sr. Business Center, scheduled to open in

2006. Elon raised more than \$8 million toward the \$9.5

goal during 2003-2004. The three-story, 60,000-square-foot facility will be four times larger than the current business facility and will feature the following:

- A 240-seat digital theater, which will be wired for video conferencing and multimedia presentations
- A finance trading room, giving students access to real-time data from Wall Street and other global financial markets
- Expanded classroom and faculty office space
- Computers equipped with the latest business software packages



Ernest A. Koury Sr. Business Center

International) — the highest level of quality that a business program can attain. In securing this distinction, Elon joins the ranks of top-tier business schools. Elon, Duke and Wake Forest are

Elon receives \$1 million gift to endow new religious life program

Giving Elon students the chance to explore a variety of religious traditions and the spiritual dimensions of their lives was the motivation behind a \$1 million gift the university received from an alumna and her husband.

The gift from Edna Truitt Noiles '44 and her husband, Douglas, endowed a new religious and spiritual life program, which includes on-campus activities, internships and pilgrimages to ancient religious sites. The program is housed in the new Vera Richardson Truitt Center for Religious and Spiritual Life, named in honor of Edna's mother.

Each spiritual life intern will receive a

\$2,000 stipend and a \$2,000 grant to study abroad. The new programs in the Truitt Center include an interfaith speaker series, life skills and values workshop, retreats, study abroad courses and a spiritual leaders-in-residence program, which will bring religious leaders to campus.

The Noiles say they believe in Elon's ecumenical approach and are confident that the new program will complement

the university's mission "to educate the mind, body, and spirit" of each student.

"We know the world's needs are out there, and we know there are people at Elon who can help prepare students to go out and make the world a more human place," Edna Noiles says.

The Noiles also donated \$100,000 to

endow a scholarship to help make an Elon education available to deserving students.



Douglas and Edna Truitt Noiles

A record number of applications

Once again, Elon received a record number of applications for admission in fall 2003. The 8 percent increase from the previous year was attributed to top rankings in college guides, an increasing national reputation and word-of-mouth buzz among prospective students, parents and high school guidance counselors.

The total number of applications has grown from 3,600 in 1993 to more than 7,000 in fall 2003. Ten years ago, Elon accepted 77 percent of students who applied; in 2003, only 45 percent were accepted. The dramatic increase in the

number of applications enables Elon to be more selective and shape each freshman class to ensure there is a richness of diversity and talent.

Today Elon competes for students with many of the nation's top colleges and universities. The average SAT score of entering Elon freshmen has increased 130 points during the past decade and stood at 1159 last fall. The high school grade point average of entering freshmen has increased from 2.97 in 1993 to 3.6 last fall.

"While this academic climb is impressive, we have not changed the fundamental character of the Elon student body,"

says Susan Klopman, Elon's dean of admissions and financial planning. "We have enriched the educational environment for everyone."

"We don't want to leave behind our traditional market, the solid B+ student," says Elon President Leo M. Lambert. "Our goal is to add to the mix a cadre of highly able students who will bring a new dimension of academic achievement to Elon."

In fall 2003, Elon's undergraduate enrollment of 4,432 was second only to Duke University among North Carolina's 37 private colleges and universities.



Investing in outstanding facilities

Elon continued its commitment to building and maintaining outstanding facilities to support excellent programs during 2003-2004.

Construction was completed on the new Ella Darden and Elmon Lee Gray Pavilion, which houses the political science department and the Elon University Poll. Trustee emeritus Elmon T. Gray and his wife, Pamela, donated \$500,000 to name the third pavilion in Elon's Academic Village. The pavilion is named in honor of Elmon Gray's grandparents.

The Gray Pavilion features expanded office space for political science faculty

and a sophisticated polling computer lab. More than 350 students work on the Elon Poll each year, conducting telephone interviews with North Carolinians on important issues.

The Academic Village is the arts and sciences quad that features pavilions with classrooms, housing for students and faculty, and an outdoor amphitheater. The Gray Pavilion joins the Isabella Cannon International Studies Pavilion and the William R. Kenan Jr. Honors Pavilion. When complete, the Academic Village will include seven buildings and the amphitheater.



Ella Darden and Elmon Lee Gray Pavilion

Elon also continued work on a multi-year plan to add air conditioning to residence halls, adding cooling to five buildings.



Providing resources to support excellence

Elon made significant new investments in programs, personnel and technology during the past year.

The 2003-2004 budget included increased spending on library and technology resources as well as funding for 15 new full-time faculty positions, continuing a period of growth that has seen Elon's full-time faculty grow by 65 positions dur-

ing the past six years. These additional resources enable Elon to reduce class sizes, primarily in freshman and sophomore undergraduate courses.

For the fifth straight year, Elon also increased funding for electronic journals, databases, books and periodicals for Belk Library. Budgets are also being increased to ensure that computers, software and

other technology remain up to date.

These investments show that the university is meeting two of the primary goals in its current strategic plan, NewCentury@Elon, which calls for enhancing academic excellence and providing facilities to support excellence.



Thomas Friedman



Elie Wiesel



David Gergen

Outstanding speakers enhance academic environment

Each year, Elon brings world leaders, distinguished scholars and Pulitzer Prize recipients to campus to enhance students' education and stimulate lively discussion on important issues. Meeting these speakers is often cited by students as among of their most

rewarding experiences at Elon.

The A-list of speakers during 2003-2004 included Thomas Friedman, foreign affairs columnist for *The New York Times* and three-time recipient of the Pulitzer Prize, and Holocaust survivor and Nobel Peace Prize winner Elie Wiesel.

Elon also hosted former presidential adviser David Gergen, who served as the first Isabella Cannon Distinguished Visiting Professor of Leadership. Gergen met with students and delivered three public lectures during his 10-day stay.

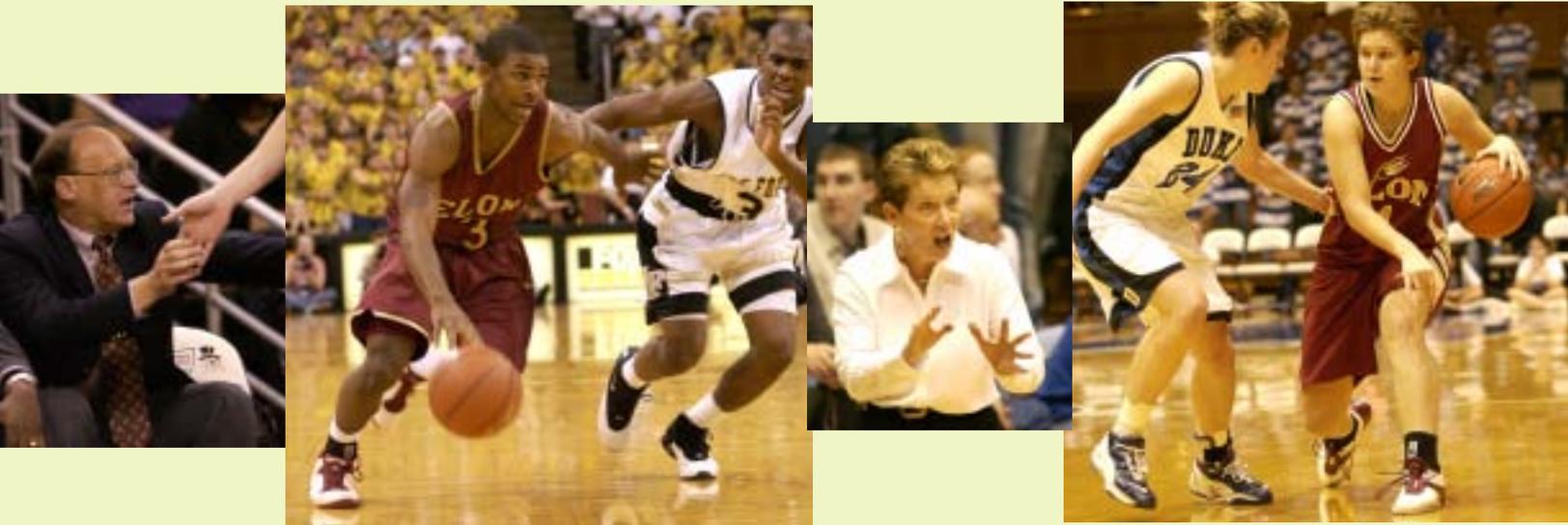
Athletics program secures NCAA accreditation

Elon's 16-sport intercollegiate athletics program received certification from the National Collegiate Athletic Association (NCAA) in August 2003. The certification by the Division I Committee on Athletics Certification

was the university's first since it reached the Division I level during 1999-2000.

Certification confirms that Elon operates its athletics program with integrity and in keeping with operating principles adopted by Division I member institutions.

As part of the certification process, Elon President Leo M. Lambert led a comprehensive study of the university, which included a review of academic integrity, fiscal integrity, commitment to rules compliance, equity and sportsmanship.



Phoenix impresses in first year of SoCon competition

Elon's first season in the Southern Conference brought its 16 varsity programs exciting match-ups against high-caliber teams as well as the opportunity to improve the overall athletics program.

Elon's men's and women's basketball teams proved that the Phoenix has what it

takes to compete in one of the nation's oldest and most prestigious athletics conferences. The teams reached the quarterfinals and semifinals, respectively, of the 2004 SoCon Tournament. The Elon community rallied around both teams, cheering the move to the SoCon and the decision to hire longtime ACC assistant

coach Ernie Nestor as head coach of the men's team.

In fall 2004, Phoenix fans await the first season under new head football coach Paul Hamilton, who has assembled a talented new coaching staff and will introduce a new style of play.





Elon hosts panel on athletics reform

The issue of reforming collegiate athletics took center stage in fall 2003 when the university hosted a panel of national leaders, who attributed recent scandals in college sports to the growing influence of money. Titled "Intercollegiate Athletics: Is Reform Working?" the panel examined the status of college sports and institutional integrity.

Panelists included William Friday, president emeritus of the University of North Carolina, NCAA president Myles Brand, ESPN college basketball analyst Len Elmore, former Wake Forest University President Thomas Hearn, Southern Conference commissioner Danny Morrison and N.C. State University women's basketball coach Kay Yow, who started her coach-

ing career at Elon in the 1970s.

Much of the discussion focused on the role commercialization has played in athletic programs large and small. Brand urged colleges and universities to treat athletics as part of the overall learning experience. He also said reform must occur without government intervention.



Online services expanded

During the past year, Elon continued its commitment to offering the campus community the latest technology by expanding online services available to students, parents, faculty and alumni.

Students can go online to register their vehicles, register for housing, make changes to their meal plans or add money to their Phoenix cards. They can also view their Phoenix card balances and transactions online. Parents can pay tuition, fees, and room and board or send their child a gift basket online. Alumni may register for free permanent Elon e-mail addresses or purchase merchandise from the campus shop.

In addition, Elon's OnTrack service allows students to go online to register for courses, view grades and transcripts, and check their progress toward graduation. Faculty can use OnTrack to view their classes.

Financial and audit report

for the years ended May 31, 2004 and 2003

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Financial Overview 2003-2004

In the past year there has been much debate about the overall health of the U.S. economy. Even in this climate of economic uncertainty, Elon University has enjoyed another very successful year, rich with accomplishment and strategically positioned for the future.

Elon University has completed the 2003-2004 fiscal year with many of its indicators, financial and otherwise, pointing in a favorable direction: national recognition of the University's academic programs, construction of new academic facilities, increased applications for admission from better prepared students, strong showings in regional and national rankings, and healthy financial performance.

In the academic arena, the Martha and Spencer Love School of Business achieved a major milestone. One of only 418 business schools in the United States to be accredited by the Association to Advance Collegiate Schools of Business (AACSB), the Love School has joined an elite group clearly reflecting its high academic standards and quality. Elon has also added to its excellent academic facilities by completing construction on the Ella Darden and Elmon Lee Gray Pavilion, the new home of the political science department and the Elon University Poll. The athletics program completed a successful first year in the Southern Conference, ranking second out of 12 institutions for the graduation rate of our student athletes. Campus technological advances include expanded wireless connections and several new online services for students.

Elon University remains strong in several regional and national surveys, including *U.S. News & World Report's America's Best Colleges 2004* and *Princeton Review's Best 342 Colleges*. For the fourth consecutive year, the National Survey of Student Engagement found that Elon is performing among the nation's top schools on five benchmarks of academic excellence. Kaplan's 2004 edition of *The 328 Most Interesting Colleges* said of Elon, "This treasure won't remain hidden for long." Included by *Time* magazine in its 2002 *Colleges of the Year* publication, Elon University was one of 16 colleges and universities recognized for highly effective programs to help first-year students make successful transitions to college life.

Finally, Elon's financial health strengthened during the 2003-2004 fiscal year. Net assets for the year increased 9.7% and net tuition revenue grew by 9.8%. A strengthened balance sheet was the result of total assets growing 6.5% and liabilities decreasing 0.6%. These financial measurements are an indication of overall institutional progress, and each is strong even during this uncertain economic climate.

Leo M. Lambert
President

Gerald Whittington,
Vice President for Business, Finance and Technology

Independent Auditor's Report 2003-2004

STOUT STUART MCGOWEN & KING LLP
Burlington, North Carolina

July 28, 2004

The Board of Trustees
Elon University
Elon, North Carolina

We have audited the accompanying statements of financial position of Elon University (a nonprofit organization) as of May 31, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Elon University as of May 31, 2004 and 2003, 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.

Respectfully submitted,

STOUT STUART MCGOWEN & KING LLP

Certified Public Accountants

	2004	2003
ASSETS:		
Cash and cash equivalents	\$ 1,508,668	\$ 562,731
Accounts receivable, net	1,102,975	890,110
Contributions receivable, net	3,296,390	3,026,771
Prepaid expenses and other assets	168,572	526,863
Inventories	88,148	67,811
Investments	87,172,059	75,271,060
Loans to students, net	4,522,768	4,195,114
Bond issue costs	694,650	752,017
Construction in progress	3,048,819	1,039,118
Property and equipment, net	142,704,177	143,149,589
Total Assets	244,307,226	229,481,184
LIABILITIES:		
Accounts payable	3,565,520	1,627,231
Accrued liabilities	5,192,709	4,724,445
Student deposits	2,743,388	2,482,416
Notes payable	456,187	663,126
Deferred revenue	1,312,271	1,085,245
Bonds payable	53,565,000	55,985,000
Interest rate swap agreement liability	689,995	1,462,976
U.S. Government advances for student loans	4,471,893	4,372,597
Total Liabilities	71,996,963	72,403,036
NET ASSETS:		
Unrestricted:		
Designated for capital projects and reserves (mandatory/nonmandatory)	17,602,942	12,843,872
Net investment in plant	88,002,349	86,085,187
Accumulated gains on endowment	16,578,121	12,403,183
Total Unrestricted	122,183,412	111,332,242
Temporarily restricted	9,073,890	6,749,852
Permanently restricted	41,052,961	38,996,054
Total Net Assets	172,310,263	157,078,148
Total Liabilities and Net Assets	\$ 244,307,226	\$ 229,481,184

See accompanying notes.

Statement of activities

for the year ended May 31, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CHANGES IN NET ASSETS				
Revenues and Gains:				
Tuition and fees	\$ 74,722,975	\$ -	\$ -	\$ 74,722,975
Tuition discount	(12,451,131)	-	-	(12,451,131)
Net Tuition	62,271,844	-	-	62,271,844
Sales and service of auxiliary enterprises				
	17,266,738	-	-	17,266,738
Federal grants	610,975	86,766	-	697,741
State grants	1,319,950	-	-	1,319,950
Other grants	392,903	-	-	392,903
Contributions	2,510,493	1,102,647	1,899,670	5,512,810
Contributions - pledges	2,429	1,898,773	84,808	1,986,010
Investment income - endowment	552,293	288,675	-	840,968
Other investment income	457,638	100,729	5,131	563,498
Gain on investments	5,259,713	148,203	86,897	5,494,813
Athletics	1,170,713	1,210	-	1,171,923
Other sources	851,280	2,310	-	853,590
Total Revenues and Gains	92,666,969	3,629,313	2,076,506	98,372,788
Net assets released from restrictions	1,324,874	(1,305,275)	(19,599)	-
Total Revenues, Gains and Other Support	93,991,843	2,324,038	2,056,907	98,372,788
Expenses:				
Instruction	36,979,050	-	-	36,979,050
Student services	14,657,550	-	-	14,657,550
Auxiliary enterprises	14,943,940	-	-	14,943,940
Academic support	4,761,213	-	-	4,761,213
Institutional support	12,571,901	-	-	12,571,901
Total Expenses	83,913,654	-	-	83,913,654
Increase in Net Assets Before				
Change in Interest Rate Swap Liability	10,078,189	2,324,038	2,056,907	14,459,134
Change in value of interest rate swap liability	772,981	-	-	772,981
Increase in Net Assets	10,851,170	2,324,038	2,056,907	15,232,115
Net Assets - Beginning of Year	111,332,242	6,749,852	38,996,054	157,078,148
Net Assets - End of Year	\$ 122,183,412	\$ 9,073,890	\$ 41,052,961	\$ 172,310,263

See accompanying notes.

Statement of activities

for the year ended May 31, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CHANGES IN NET ASSETS				
Revenues and Gains:				
Tuition and fees	\$ 67,518,205	\$ -	\$ -	\$ 67,518,205
Tuition discount	(10,825,501)	-	-	(10,825,501)
Net Tuition	56,692,704	-	-	56,692,704
Sales and service of auxiliary enterprises				
	15,234,540	-	-	15,234,540
Federal grants	670,100	148,127	-	818,227
State grants	1,243,822	-	-	1,243,822
Other grants	143,673	107,264	-	250,937
Contributions	1,154,206	739,356	1,200,317	3,093,879
Contributions - pledges	3,023	769,307	1,322,879	2,095,209
Investment income - endowment	560,223	427,177	131,100	1,118,500
Other investment income	645,579	153,071	(950)	797,700
Loss on investments	(2,836,827)	(38,423)	(772,531)	(3,647,781)
Athletics	1,008,874	-	-	1,008,874
Other sources	668,253	-	-	668,253
Total Revenues and Gains	75,188,170	2,305,879	1,880,815	79,374,864
Net assets released from restrictions	3,230,377	(2,925,714)	(304,663)	-
Total Revenues, Gains and Other Support	78,418,547	(619,835)	1,576,152	79,374,864
Expenses:				
Instruction	34,441,286	-	-	34,441,286
Student services	13,472,471	-	-	13,472,471
Auxiliary enterprises	14,983,782	-	-	14,983,782
Academic support	4,465,014	-	-	4,465,014
Institutional support	11,115,724	-	-	11,115,724
Total Expenses	78,478,277	-	-	78,478,277
Increase (Decrease) in Net Assets Before				
Change in Interest Rate Swap Liability	(59,730)	(619,835)	1,576,152	896,587
Change in value of interest rate swap liability	(824,381)	-	-	(824,381)
Increase (Decrease) in Net Assets	(884,111)	(619,835)	1,576,152	72,206
Net Assets - Beginning of Year	112,216,353	7,369,687	37,419,902	157,005,942
Net Assets - End of Year	\$ 111,332,242	\$ 6,749,852	\$ 38,996,054	\$ 157,078,148

See accompanying notes.

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 15,232,115	\$ 72,206
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	5,792,552	5,524,959
Amortization bond issue costs	57,367	79,297
Amortization - bond discounts	-	18,041
Contributions of property	(1,179,776)	-
Contributions restricted to endowment	(1,992,206)	(2,566,352)
Unrealized (gain) loss on investments	(3,645,240)	1,280,517
Loss on sale of operational assets	101,952	145,335
(Increase) decrease in assets:		
Accounts receivable	(212,865)	160,494
Contributions receivable	(269,619)	(348,228)
Prepaid expenses and other assets	358,291	(329,273)
Inventories	(20,337)	(12,311)
Loans to students	(327,654)	(78,448)
Increase (decrease) in liabilities:		
Accounts payable	1,938,289	(771,233)
Accrued liabilities	468,264	644,735
Student deposits	260,972	114,352
Deferred revenue	227,026	167,061
Interest rate swap agreement liability	(772,981)	824,381
U.S. Government advances for student loans	99,296	120,731
Net Cash Provided by Operating Activities	16,115,446	5,046,264
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale and maturities of investments	24,168,860	32,029,087
Purchases of investments	(32,424,619)	(29,616,097)
Proceeds from sale of operational assets	21,684	13,972
Purchases of operational assets	(6,300,701)	(8,764,450)
Net Cash Used by Investing Activities	(14,534,776)	(6,337,488)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of principal on indebtedness - bonds	(2,420,000)	(2,055,000)
Repayment of principal on indebtedness - other debt	(206,939)	(193,402)
Contributions restricted to endowment	1,992,206	2,566,352
Net Cash Provided (Used) by Financing Activities	(634,733)	317,950
Net Increase (Decrease) in Cash and Cash Equivalents	945,937	(973,274)
Cash and Cash Equivalents at Beginning of Year	562,731	1,536,005
Cash and Cash Equivalents at End of Year	\$ 1,508,668	\$ 562,731
Supplemental disclosure:		
Cash payments for interest (net of amount capitalized)	\$ 1,085,491	\$ 1,327,668

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) Basis of Presentation:

The accompanying 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 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 statement of financial position, a statement of changes in net assets and a statement of cash flows.

(3) Classification of Net Assets:

The accompanying 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 they be 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 endow-

ment 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).

(4) 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.

(5) 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 six commercial banks. Four of the six bank accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000 each. Uninsured balances were approximately \$3,287,431 and \$1,950,364 at May 31, 2004 and 2003, respectively. The remaining two banks accounts are non-domestic accounts used for study abroad purposes.

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 \$396,043 and \$522,371 at May 31, 2004 and 2003, respectively.

(6) Accounts Receivable:

Accounts receivable consist of obligations from students in the normal course of operations and at May 31, 2004 consist principally of billings for Summer Sessions I and II. Accounts receivable are stated at the amount billed to the student, 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, 2004 past due 120 days or more was \$70,413. 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 current creditworthiness, estimates the portion, if any, of the balance that will not be collected. The amount of the allowance was \$33,000 and \$33,000 at May 31, 2004 and 2003, respectively.

(7) 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.

(8) 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 and fuel.

(9) Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at market value. Investments in real estate are stated at cost or if received by gift, at market value at the date of gift. Unrealized

gains and losses resulting from changes in the fair value of investments are included in the change in net assets.

(10) Endowment Funds:

A donor's stipulation that requires a gift to 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 so 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 policy of the University to invest pooled endowment funds 35% in fixed income instruments and 65% in equities. The spending policy is calculated at 5% of a 3-year moving average market value.

(11) Bond Issue Costs:

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

(12) 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.

(13) Works of Art:

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.

(14) Library Books:

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

(15) Interest Rate Swap:

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

(16) 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.

The University follows the policy of reporting donor-imposed restricted contributions and endowment income whose restrictions are met in the same period received as temporarily restricted 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 the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(17) Use of Estimates:

The preparation of financial statements in conformity with 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.

(18) 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.

(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 and notes receivable, prepaid expenses and student deposits approximate fair value because of the short maturity of these instruments. The methods used to determine the carrying amounts for inventory, investments, and 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, as 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 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 rates. The carrying value of the fixed portion of these issues is adjusted annually.

(20) Reclassifications:

Certain items in the 2003 report have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported change in net assets.

NOTE B: Investments

Investments at May 31, 2004 and 2003 are as follows:

	2004		2003	
	Cost	Market	Cost	Market
Investments:				
Money market funds	\$ 13,709,257	\$ 13,709,257	\$ 12,018,668	\$ 12,018,668
Bonds	7,820,529	7,869,923	4,653,288	4,783,490
Equities	920,855	517,974	936,383	410,659
Mutual funds	19,188	19,188	17,018	17,018
Certificates of deposit	3,602,870	3,602,870	3,530,626	3,530,626
Real estate	861,862	861,862	861,862	861,862
U.S. Government securities	3,132,711	3,090,562	3,016,827	3,092,491
Other assets	1,051	1,051	1,051	1,051
	30,068,323	29,672,687	25,035,723	24,715,865
Endowment and Similar Funds:				
Fixed income	13,518,662	13,248,304	11,786,510	12,102,513
Equities	29,105,537	34,457,635	23,301,069	26,097,578
Money market funds	4,032,834	4,032,834	4,962,628	4,962,628
Real estate	230,293	230,293	230,293	230,293
Mutual funds	3,877,807	3,876,193	5,402,035	5,200,610
U.S. Government securities	1,678,197	1,654,113	1,930,986	1,961,573
	52,443,330	57,499,372	47,613,521	50,555,195
Total Investments	\$ 82,511,653	\$ 87,172,059	\$ 72,649,244	\$ 75,271,060

Investment returns are reported net of investment management fees. The amount of these fees were \$261,454 and \$280,811 at May 31, 2004 and 2003, respectively.

NOTE C: Endowment Invested Net Assets

The permanently restricted portion of the endowment consists of the historic gift value of those assets. The temporarily restricted portion of the endowment consists of life income funds. The unrestricted portion of the endowment consists of reinvested capital gains and board designated assets.

Endowment invested net assets at May 31, 2004 and 2003 are as follows:

	2004	2003
Permanently restricted	\$ 40,416,947	\$ 38,360,040
Temporarily restricted	465,887	437,628
Unrestricted	16,616,538	11,757,527
	\$ 57,499,372	\$ 50,555,195

NOTE D: Loans to Students

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

	2004	2003
Perkins loans receivable 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.	\$ 4,200,601	\$ 3,855,208
University loans receivable 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.	322,167	339,906
	\$ 4,522,768	\$ 4,195,114

NOTE E: Property and Equipment

Property and equipment at May 31, 2004 and 2003 are as follows:

	2004	2003
Land and land improvements	\$ 20,061,913	\$ 19,996,288
Buildings	142,594,757	141,142,715
Moveable assets:		
Computers and computer equipment	3,815,321	3,670,534
Library books	5,383,938	4,553,144
Cars and other vehicles	2,315,111	2,248,276
Audio visual equipment	1,469,131	1,475,522
Science equipment	1,230,314	1,206,645
Software	806,101	742,888
Telephone systems and equipment	649,980	651,583
Other moveable assets	3,759,248	3,198,291
Total moveable assets	19,429,144	17,746,883
Collections	1,839,688	413,816
	183,925,502	179,299,702
Accumulated depreciation	(41,221,325)	(36,150,113)
	\$ 142,704,177	\$ 143,149,589

NOTE F: Accrued Vacation and Sick Pay

Eligibility for vacation is based on continuous service with the University. Employees earn vacation hours based on their length of service. The maximum number of accumulated vacation days an employee may carry forward into each calendar year is 20. Vacation time may be used until separation of service. Accrued expenses included accrued vacation of \$978,946 and \$771,981 at May 31, 2004 and 2003, respectively.

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.

NOTE G: Accrued Liabilities

Accrued liabilities at May 31, 2004 and 2003 are as follows:

	2004	2003
Salaries and wages	\$ 3,818,785	\$ 3,569,473
Vacation	978,946	771,981
Annuities	353,654	374,763
Employee benefits and payroll taxes	41,324	8,228
	\$ 5,192,709	\$ 4,724,445

NOTE H: Long Term Debt

Long-term debt at May 31, 2004 and 2003 is as follows:

	2004	2003
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 will continue until 2003 and then from 2009 to 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 Educational Facilities Finance Agency, and are secured by a letter of credit with Bank of America.	\$ 17,215,000	\$ 17,215,000

NOTE H: Long Term Debt continued

	2004	2003
<p>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 Educational Facilities Finance Agency, and are secured by a letter of credit with Bank of America.</p>	\$ 12,235,000	\$ 12,710,000
<p>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 will be made from 2002 to 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.</p>	3,950,000	4,080,000
<p>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 will be made from 2002 to 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.</p>	8,835,000	9,520,000
<p>Revenue Bonds, series 2001B; \$5,305,000 serial bonds due October 2001 through 2008, bearing a weekly variable market interest rate paid monthly. Principal payments will be made from 2002 to 2008. 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.</p>	\$ 4,260,000	\$ 5,205,000
<p>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 will be made from 2004 to 2026. The University made certain</p>		

NOTE H: Long Term Debt continued

	2004	2003
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.	\$ 7,070,000	\$ 7,255,000
Subtotal – Bonds Payable	53,565,000	55,985,000
Note payable which is 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%.	456,187	565,957
Note payable which is unsecured for purchase of real estate payable in annual installments of principal and interest in the amount of \$103,000, with interest charged at a fixed rate of 6.00% per annum.	-	97,169
Subtotal – Notes Payable	456,187	663,126
Total – Bonds and Notes Payable	\$ 54,021,187	\$ 56,648,126

The University entered into two interest rate swap agreements, involving the series 2001A and 2001B bond issues, to exchange variable for fixed rate interest payment obligations with the Bank of America. The 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 3.45% to 4.10% and 65% of the USD-LIBOR BBA index. The University anticipates holding the interest rate swap agreement until all debt under the agreement has been retired. Currently, principal maturities on the debt conclude in 2014.

Aggregate maturities of long-term debt for the fiscal year ending May 31, 2004, were as follows:

2005	\$ 2,673,441
2006	2,777,798
2007	2,912,895
2008	2,967,053
2009	2,625,000
Thereafter	40,065,000
	\$ 54,021,187

Total interest cost incurred was \$1,058,662 and \$1,298,863 for the years ended May 31, 2004 and 2003, respectively, and of these amounts \$0 and \$140,763, respectively, was capitalized as a cost of construction.

NOTE I: Contributions Receivable

The payment timing of outstanding contributions receivable at May 31, 2004, is estimated to be:

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
One year	\$ 153,769	\$ 1,213,179	\$ 19,000	\$ 1,385,948
2 – 4 years	76,078	1,502,278	13,778	1,592,134
5 Plus years	-	318,308	-	318,308
	\$ 229,847	\$ 3,033,765	\$ 32,778	\$ 3,296,390

The payment timing of outstanding contributions receivable at May 31, 2003, was estimated to be:

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
One year	\$ 843,496	\$ 839,948	\$ 19,000	\$ 1,702,444
2 – 4 years	106,016	951,233	31,349	1,088,598
5 Plus years	4,024	231,705	-	235,729
	\$ 953,536	\$ 2,022,886	\$ 50,349	\$ 3,026,771

Contributions receivable are shown net of a collection allowance of \$181,260 and \$165,989 and a discount of \$147,547 and \$127,028 at May 31, 2004 and 2003, respectively.

Individual pledges that exceeded 10% of total receivables amounted to \$800,000 at May 31, 2004.

NOTE J: Financial Aid (Tuition Discount)

The University awards financial aid based on academic merit, need and leadership. Gross tuition discounts were 16.7% and 16.0% for the years ended May 31, 2004 and 2003, respectively. The unfunded discount rate was 12.5% and 11.5% for May 31, 2004 and 2003, 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.

	2004		2003	
	Dollars	Percentage	Dollars	Percentage
Unfunded discount	\$ 9,342,204	12.5%	\$ 7,780,814	11.5%
Funded discount	3,108,927	4.2%	3,044,687	4.5%
Total	12,451,131	16.7%	10,825,501	16.0%
Gross Tuition	\$ 74,722,975		\$ 67,518,205	

NOTE K: Gift Revenue

Major categories of gift revenue, including gift pledges, for the years ending May 31, 2004 and 2003, are as follows:

	2004	2003
Annual fund	\$ 1,253,218	\$ 1,111,692
Endowment funds	1,992,206	2,566,352
Capital projects	3,841,052	1,113,833
Other	412,344	397,211
	\$ 7,498,820	\$ 5,189,088

NOTE L: Retirement Plan

The University has a defined contribution pension plan covering substantially all employees. The plan has no past service benefits or further liabilities beyond the periodic contribution for each participating employee. Total contributions by the University to this plan were \$2,436,624 and \$2,156,920 for the years ended May 31, 2004 and 2003, respectively.

NOTE M: Commitments and Contingencies

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

The University had outstanding contractual commitments and equipment purchase orders totaling approximately \$1,336,096 and \$1,703,385 at May 31, 2004 and 2003, respectively.

NOTE N: Rentals Under Operating Leases

The University leases buildings, equipment and vehicles under operating leases that will expire in various years through 2012. Rent expense was \$378,398 and \$376,299 for the years ended May 31, 2004 and 2003, respectively. Commitments for minimum future rental payments for each of the next 5 years and thereafter are as follows:

Year Ending	Amount
2005	\$ 300,839
2006	268,674
2007	245,589
2008	146,193
2009	88,443
Thereafter	247,491
Total minimum future rental payments	\$ 1,297,229

The University also leases apartments and houses for student living under operating leases that will expire in various years through 2007. Rent expense was \$926,277 and \$467,424 for the years ended May 31, 2004 and 2003, respectively. Rent expense is more than offset by housing revenue received from students living in these units. Commitments for minimum future rental payments for each of the next 5 years are as follows:

Year Ending	Amount
2005	\$ 444,093
2006	332,321
2007	38,605
2008	-
2009	-
Total minimum future rental payments	\$ 815,019

NOTE O: 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 \$16,412,684 and \$17,016,041 for the years ended May 31, 2004 and 2003, respectively. Allocations of specific program expenses are as follows:

Program	2004			
	Physical Plant	Depreciation	Debt Service/Other	Total
Instruction	\$ 2,424,843	\$ 1,787,407	\$ 1,235,364	\$ 5,447,614
Student services	1,183,478	872,369	409,236	2,465,083
Auxiliary enterprises	3,540,202	2,609,564	213,505	6,363,271
Academic support	503,481	371,127	(18,016)	856,592
Institutional support	206,323	152,085	921,716	1,280,124
	\$ 7,858,327	\$ 5,792,552	\$ 2,761,805	\$ 16,412,684

Program	2003			
	Physical Plant	Depreciation	Debt Service/Other	Total
Instruction	\$ 2,284,670	\$ 1,704,835	\$ 1,802,723	\$ 5,792,228
Student services	1,115,065	832,069	604,176	2,551,310
Auxiliary enterprises	3,335,553	2,489,012	994,182	6,818,747
Academic support	474,376	353,983	214,587	1,042,946
Institutional support	194,396	145,060	471,354	810,810
	\$ 7,404,060	\$ 5,524,959	\$ 4,087,022	\$ 17,016,041

NOTE P: Fund Raising

Fund-raising costs were \$2,161,857 and \$1,990,372 for the years ended May 31, 2004 and 2003, respectively. These costs are included with other costs and are shown as "Institutional Support" on the Statement of Activities.

NOTE Q: Balance from Operations

The balance from operations for May 31, 2004 was derived as follows:

	Operating Fund
CHANGES IN UNRESTRICTED NET ASSETS	
Revenues and gains:	
Tuition and fees	\$ 72,595,336
Tuition discount	(9,342,204)
Net Tuition	63,253,132
Sales and service of auxiliary enterprises	17,262,471
Federal grants	-
State grants	-
Contributions	1,253,217
Contributions – pledges	-
Investment income – endowment	542,243
Other investment income	431,036
Loss on investment	(188,041)
Athletics	1,118,923
Other sources	478,487
Total Unrestricted Revenue and Gains	84,151,468
Net Assets Released From Restrictions	-
Total Unrestricted Revenue, Gains and Other Support	84,151,468
Expenses and transfers:	
Instruction	31,211,728
Student services	13,114,499
Auxiliary enterprises	12,107,587
Academic support	4,256,590
Institutional support	12,188,267
Principal and interest payments on debt	3,792,389
Renewals and replacements	2,164,811
Greek housing	337,396
Other	254,684
Total Expenses and Transfers	79,427,951
Balance from Operations	\$ 4,723,517

NOTE Q: Balance from Operations continued

REALLOCATION OF ENDOWMENT ACCUMULATED GAINS

2003-2004 endowment pooled funds average balance based on 3-year moving average	\$	48,805,055
5 percent multiplied by the average balance equals spending allocation		2,440,253
Income and transfers generated by endowment pooled investments		946,636
Difference between spending allocation and generated income (funded by accumulated gains)		1,493,617
Less reinvested accumulated gains		(121,632)
Total reallocation of accumulated gains for spending	\$	1,371,985

NOTE R: Planned Giving Agreements & 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 Trust

These are trusts created by donors for the benefit of the University. Third party trustees hold the assets. The University has a perpetual and enforceable right to income generated from the trusts. They are valued by the estimated future cash receipts from the trust's 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.

	2004	2003
Income restricted to scholarship:		
Asset value	\$ 871,957	\$ 750,718
Income	22,250	24,497
Income restricted to professorship:		
Asset value	\$ 678,007	\$ 641,827
Income	36,248	45,000
Unrestricted income:		
Asset value	\$ 2,033,119	\$ 1,905,526
Income	42,243	50,829

Charitable Remainder Trust

The University is required to pay all income to the beneficiaries until their death or for a fixed number of years. There is no fixed amount that the University is required to pay, only the current year's income. The University has a remainder interest in the trust assets. The University acts as trustee for a number of the Charitable Remainder Trusts with which it is a party. The assets are valued at market rates.

	2004	2003
Asset value	\$ 300,984	\$ 331,131

Charitable Gift Annuity Contracts

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. 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.

	2004	2003
Annuities liability	\$ 260,893	\$ 272,225

Charitable Remainder Unitrust

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 market 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 assets of the trust.

	2004	2003
Unitrust liability	\$ 92,761	\$ 102,538

NOTE S: Interest Rate Swap Agreements

The University has recorded two interest rate swap agreements on the Statement of Financial Position at fair market value in accordance with a recent pronouncement of the Financial Accounting Standards Board. The swap agreement enables the University to maintain a fixed interest rate on a portion of its long-term debt minimizing the impact of future interest rate changes.

The University has only limited involvement with derivative financial instruments and does not use them for trading purposes. Fair market value is determined using a yield curve and projected interest rates through maturity of the instrument. The interest rate swap agreement is in effect until all debt under the agreement has been retired. Principal maturities on the debt conclude in 2014. The change in fair value of the cash flow hedge will be adjusted annually through Net Assets. The change in value of the swap liability was (\$772,981) and \$824,381 at May 31, 2004 and 2003, respectively.

The fiscal year ended May 31, 2004, concluded with fixed interest rates which were higher than variable interest rates. However, the variance between the two rates was significantly decreased. This resulted in a decrease in the interest rate swap liability.

See independent auditor's report.

Fall Student Enrollment 1994-2003

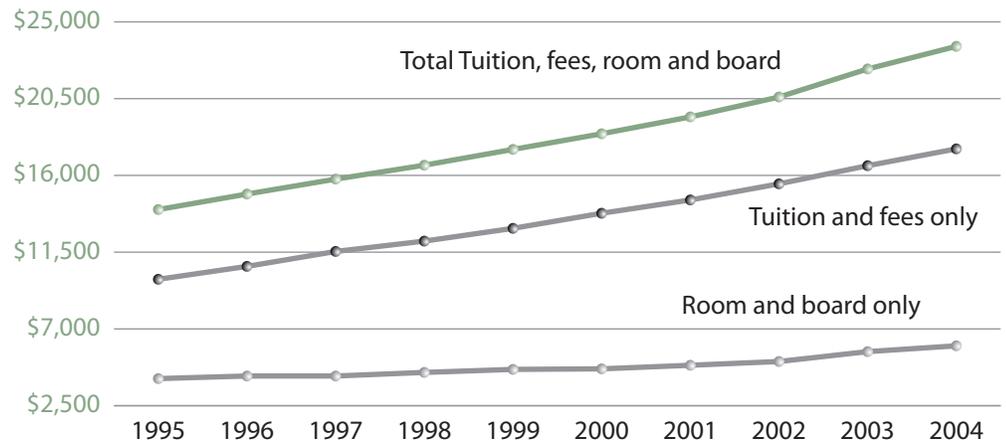
This graph shows a ten-year trend of enrollment on a head-count basis. Rising enrollment is the result of larger freshman classes and improvements in student retention.



Tuition and Fee Rates 1995-2004

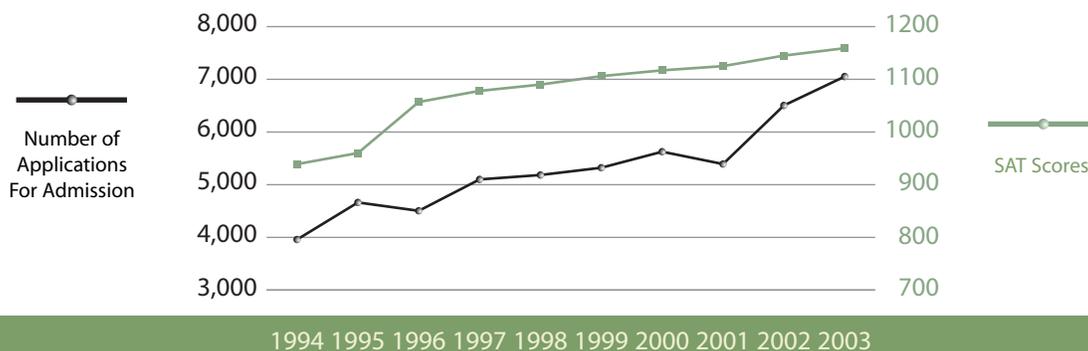
This chart shows the increase in tuition and fees, and room/board rates over a ten-year period.

Fall	Tuition	Fees	Room	Board	Total
1995	\$ 9,750	\$ 160	\$1,861	\$2,227	\$13,998
1996	\$10,477	\$ 190	\$1,900	\$2,340	\$14,907
1997	\$11,322	\$ 220	\$1,900	\$2,340	\$15,782
1998	\$11,928	\$ 220	\$1,994	\$2,456	\$16,598
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



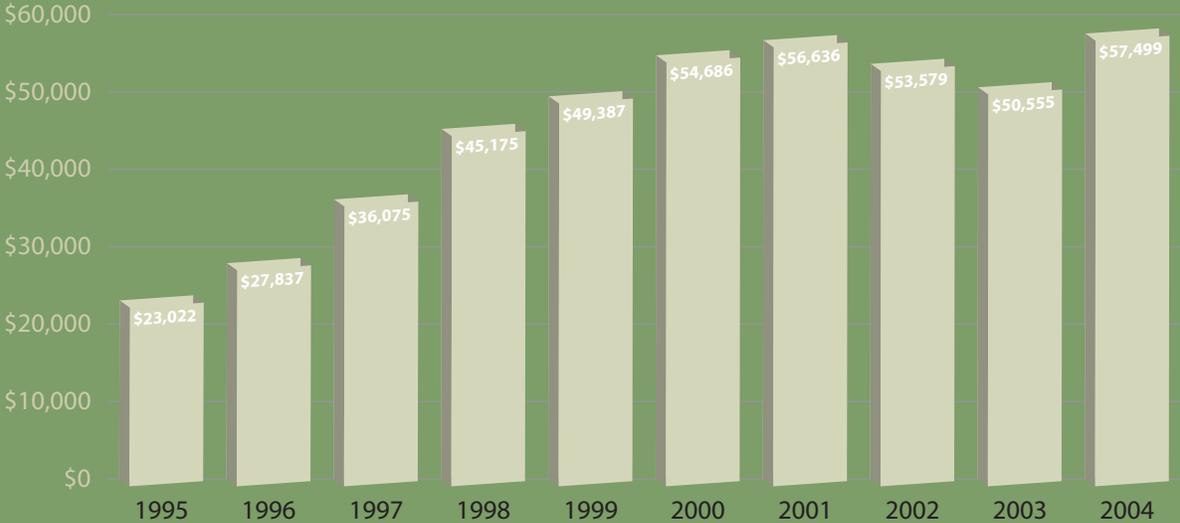
Student Selectivity 1994-2003

Measures of student quality have increased consistently over the last ten years. Applications for admission now exceed 7,000 and the average SAT score has risen to 1159.

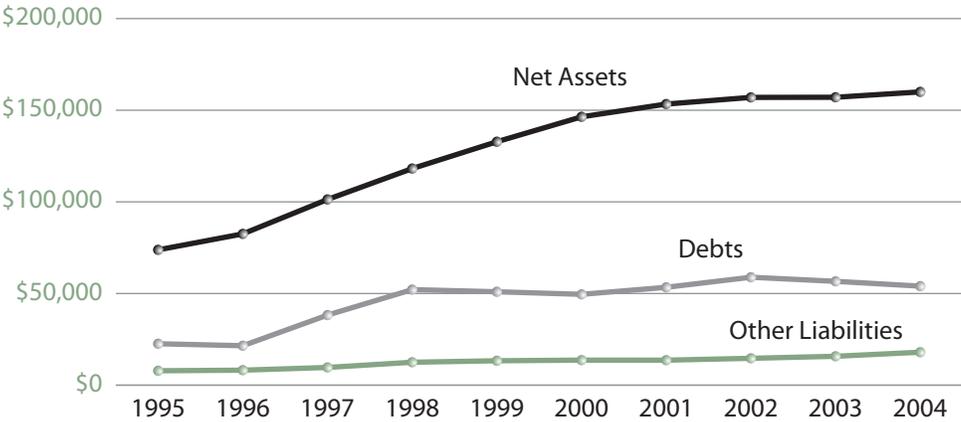


Endowment Market Value (000) 1995-2004

The market value of the endowment has grown over the past ten years in spite of the recent market downturn. For fiscal year 2004 returns were once again positive.



Total Net Assets/Long Term Debt and Other Liabilities (000) 1995-2004



The University has enjoyed a healthy increase in net assets over the past ten years which has allowed the use of additional debt to modernize and expand campus facilities.

Year	Net Assets	Debt	Other Liabilities
1995	\$ 73,828	\$ 22,591	\$ 7,860
1996	\$ 82,531	\$ 21,508	\$ 8,175
1997	\$ 101,322	\$ 38,232	\$ 9,665
1998	\$ 118,167	\$ 52,126	\$ 12,501
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





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