Consolidated Financial Statements and Report of Independent Certified Public Accountants

Abilene Christian University

May 31, 2007 and 2006

Report of Independent Certified Public Accountants

Board of Trustees
Abilene Christian University

We have audited the accompanying consolidated statements of financial position of Abilene Christian University (the University) and subsidiaries as of May 31, 2007 and 2006, and the related consolidated 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 auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Abilene Christian University and subsidiaries as of May 31, 2007 and 2006, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2007 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Grant Thornton LLP

Dallas, Texas
August 10, 2007

Abilene Christian University

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

May 31,

ASSETS	2007	2006
Cash and cash equivalents	$ 2,823,933	$ 1,976,304
Accounts and notes receivable, net	8,740,944	8,442,208
Contributions receivable, net	5,900,060	4,760,201
Inventories	3,019,628	2,805,032
Prepaid expenses and other assets	1,029,273	1,480,656
Investments	255,293,541	210,153,115
Charitable trusts and annuities	47,750,168	45,018,697
Property and equipment, net	109,721,264	105,013,993
Total assets	$434,278,811	$379,650,206
LIABILITIES AND NET ASSETS		
Accounts payable	$ 1,448,481	$ 1,482,025
Accrued interest payable	324,831	322,556
Accrued salaries and benefit expenses	11,413,074	11,387,268
Advance on lines of credit	7,000,000	6,000,000
Deposits and other liabilities	15,437,082	17,130,749
Reserve for charitable trusts and annuities	27,819,330	28,981,011
Long-term obligations	50,671,466	48,841,229
Total liabilities	114,114,264	114,144,838
Commitments and contingencies		
Net assets		
Unrestricted	168,289,231	125,357,348
Temporarily restricted	8,483,183	7,789,314
Permanently restricted	143,392,133	132,358,706
Total net assets	320,164,547	265,505,368
Total liabilities and net assets	$434,278,811	$379,650,206

The accompanying notes are an integral part of these consolidated statements.

Abilene Christian University

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended May 31, 2007

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating:				
Revenues, gains and other support				
Tuition and fees	$ 67,495,558	$ -	$ -	$ 67,495,558
Less - scholarship allowances	(19,469,892)	-	-	(19,469,892)
Net tuition and fees	48,025,666	-	-	48,025,666
Auxiliary enterprises sales and services	18,207,057	-	-	18,207,057
Private gifts and grants	1,059,826	4,477,073	-	5,536,899
Endowment support	12,509,397	-	-	12,509,397
Government grants and contracts	2,936,693	-	-	2,936,693
Other revenue	5,429,098	73,702	-	5,502,800
Net assets released from restrictions	4,621,663	(4,621,663)	-	-
Total revenues, gains, and other support	92,789,400	(70,888)	-	92,718,512
Expenses				
Operating expenses:				
Instruction and research	28,844,050	-	-	28,844,050
Academic support	7,668,045	-	-	7,668,045
Student services	8,842,161	-	-	8,842,161
Public services	2,580,693	-	-	2,580,693
Expenses of auxiliary enterprises	23,406,274	-	-	23,406,274
Fundraising	2,964,067	-	-	2,964,067
Management and general	16,590,137	-	-	16,590,137
Total operating expenses	90,895,427	-	-	90,895,427
Increase (decrease) in net assets from operating activities	1,893,973	(70,888)	-	1,823,085
Non-operating:				
Contributions for endowment, plant, and other	2,345,835	2,851,720	6,502,789	11,700,344
Investment return, net of amount designated for operations	34,853,764	374,446	476,750	35,704,960
Other (expenses) revenues	2,419,895	6,719	-	2,426,614
Net assets released from endowment, plant and other	2,642,188	(2,642,188)	-	-
Expenses for endowment, plant and other	(1,354,010)	-	-	(1,354,010)
Changes in value of split-interest agreements	130,238	174,060	4,053,888	4,358,186
Net non-operating revenues, expenses, and other changes	41,037,910	764,757	11,033,427	52,836,094
Total change in net assets	42,931,883	693,869	11,033,427	54,659,179
Net assets at beginning of year	125,357,348	7,789,314	132,358,706	265,505,368
Net assets at end of year	$168,289,231	$ 8,483,183	$143,392,133	$320,164,547

The accompanying notes are an integral part of these consolidated statements.

Abilene Christian University

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended May 31, 2006

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating:				
Revenues, gains and other support				
Tuition and fees	$ 62,900,553	$ -	$ -	$ 62,900,553
Less - scholarship allowances	(17,081,093)	-	-	(17,081,093)
Net tuition and fees	45,819,460	-	-	45,819,460
Auxiliary enterprises sales and services	17,377,410	-	-	17,377,410
Private gifts and grants	1,138,054	2,612,841	-	3,750,895
Endowment support	10,652,513	-	-	10,652,513
Government grants and contracts	2,236,763	-	-	2,236,763
Other revenue	5,734,385	93,835	-	5,828,220
Net assets released from restrictions	2,711,771	(2,711,771)	-	-
Total revenues, gains, and other support	85,670,356	(5,095)	-	85,665,261
Expenses				
Operating expenses:				
Instruction and research	25,586,664	-	-	25,586,664
Academic support	6,583,055	-	-	6,583,055
Student services	7,731,783	-	-	7,731,783
Public services	2,556,861	-	-	2,556,861
Expenses of auxiliary enterprises	21,819,432	-	-	21,819,432
Fundraising	2,473,103	-	-	2,473,103
Management and general	16,999,488	-	-	16,999,488
Total operating expenses	83,750,386	-	-	83,750,386
Increase (decrease) in net assets from operating activities	1,919,970	(5,095)	-	1,914,875
Non-operating:				
Contributions for endowment, plant, and other	1,046,408	8,160,862	4,756,609	13,963,879
Investment return, net of amount designated for operations	23,288,895	253,709	132,800	23,675,404
Other revenues	46,595	2,487	-	49,082
Net assets released from endowment, plant and other	5,606,733	(5,606,733)	-	-
Expenses for endowment, plant, and other	(1,005,596)	-	-	(1,005,596)
Changes in value of split-interest agreements	108,552	234,107	495,751	838,410
Net non-operating revenues, expenses and other changes	29,091,587	3,044,432	5,385,160	37,521,179
Total change in net assets before cumulative effect of change in accounting principle	31,011,557	3,039,337	5,385,160	39,436,054
Cumulative effect of change in accounting principle	(8,560,262)	-	-	(8,560,262)
Total change in net assets	22,451,295	3,039,337	5,385,160	30,875,792
Net assets at beginning of year	102,906,053	4,749,977	126,973,546	234,629,576
Net assets at end of year	$125,357,348	$ 7,789,314	$132,358,706	$265,505,368

The accompanying notes are an integral part of these consolidated statements.

Abilene Christian University

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended May 31,

	2007	2006
Cash flows from operating activities		
Change in net assets	$ 54,659,179	$ 30,875,792
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Cumulative effect of change in accounting principle	-	8,560,262
Depreciation and amortization	6,172,879	5,784,141
Accretion of asset retirement obligations	382,510	-
Depletion of mineral interests	839,149	700,000
(Increase) decrease in:		
Accounts and notes receivable	(191,845)	(1,786,948)
Contributions receivable	(1,139,859)	(1,425,683)
Inventories	(214,596)	727,329
Prepaid expenses and other assets	451,383	(330,221)
Increase (decrease) in:		
Accounts payable	(33,544)	(92,159)
Accrued expenses	28,081	(318,736)
Deposits and other liabilities	(2,751,445)	5,341,474
Net change in agency accounts	650,047	120,466
Noncash contributions	(2,402,192)	(5,232,660)
Contributions restricted for long-term investment	(6,626,480)	(3,159,965)
Interest and dividends restricted for reinvestment	(417,427)	(531,362)
Changes in value of split-interest agreements	(4,358,186)	(838,410)
Net unrealized and realized gains on investments	(36,059,014)	(24,482,474)
Net cash provided by operating activities	8,988,640	13,910,846
Cash flows from investing activities		
Purchases of property and equipment	(10,997,894)	(17,140,746)
Proceeds from sale of equipment	32,534	44,740
Disbursement of loans to students, faculty and others	(670,401)	(653,829)
Repayment of loans from students, faculty and others	668,660	580,200
Proceeds from sale of investments	25,619,824	27,925,119
Purchases of investments	(30,703,260)	(26,064,221)
Net cash used in investing activities	(16,050,537)	(15,308,737)

Abilene Christian University

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Years ended May 31,

	2007	2006
Cash flows from financing activities		
Proceeds from contributions restricted for:		
Investment in endowment	$ 5,666,662	$ 2,932,589
Investment in plant	959,818	227,376
	6,626,480	3,159,965
Other financing activities		
Interest and dividends restricted for reinvestment	417,427	531,362
Proceeds of split-interest obligations	500	500
Payment of split-interest obligations	(1,965,118)	(1,730,547)
Proceeds from lines of credit	46,043,685	40,414,091
Payment of lines of credit	(45,043,685)	(42,203,958)
Proceeds from long-term obligations	9,902,013	16,110,590
Payment of long-term obligations	(8,071,776)	(14,136,215)
	1,283,046	(1,014,177)
Net cash provided by financing activities	7,909,526	2,145,788
Net increase in cash and cash equivalents	847,629	747,897
Cash and cash equivalents at beginning of year	1,976,304	1,228,407
Cash and cash equivalents at end of year	$ 2,823,933	$ 1,976,304
Non-cash transactions:		
Improvements capitalized and recorded in accounts payable	$ 574,895	$ 446,228
Non-cash contributions	2,402,192	5,232,660
Increase (decrease) in value of property and equipment to recognize the associated conditional retirement obligations (see Note Q)	(937,552)	1,508,034
Other required disclosures:		
Interest paid	$ 2,820,323	$ 2,903,007

The accompanying notes are an integral part of these consolidated statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying consolidated financial statements include the financial position, activities, and cash flows of Abilene Christian University (the "University"), a not for profit institution of higher education, and its subsidiaries, the ACU Foundation (the "Foundation"), the SCRM Press and ACU in Oxford (UK). All significant interrelated accounts and transactions have been eliminated in the accompanying consolidated financial statements. The University has majority voting and economic interests in the ACU Foundation, ACU in Oxford (UK) and the SCRM Press.

Basis of Accounting

The consolidated financial statements of the University have been prepared on the accrual basis of accounting. The focus of these financial statements is to present the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of transactions into three classes of net assets - unrestricted, temporarily restricted or permanently restricted.

- Unrestricted net assets - Net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the University and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes.

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 explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fund-raising activity.

Contributions of land, building and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, building and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Investments

Purchased investments are recorded at cost at acquisition. Investments received by gift are recorded at the market value of the asset as of the date of donation. Non-marketable securities are valued on the date of donation using independent appraisals and are adjusted for subsequent perceived permanent declines in value that are considered other than temporary. Readily marketable investments (investments readily marketable on national exchanges) are adjusted for changes in market value.

Equity and fixed income securities are carried at market value. Other short-term investments include cash and cash equivalents and are carried at market value. Additionally, the University maintains non-marketable alternative investments (primarily limited partnerships), the fair value of which is based on information provided by external investment managers at the most recent valuation date prior to fiscal year-end. The net realized and unrealized gains (losses) in market value of investments are reflected in the consolidated statement of activities within investment return.

Income and realized and unrealized gains on investments of endowments and similar funds are reported as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund; as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income; as increases in unrestricted net assets in all other cases. Investment income and realized and unrealized gains on endowment funds whose restrictions are met in the same reporting period, are reported as revenues of the unrestricted net asset class. Investment losses on endowments and similar funds are reported as decreases in unrestricted net assets.

Endowment earnings used in or available for current operations under the University's current spending policy are recorded in the consolidated statements of activities as endowment support. Endowment earnings in excess of the University's endowment spending policy are recorded as investment return, net of amounts designated for operations, in the consolidated statements of activities. The University's spending policy for the endowment is based on a smoothing formula that targets a distribution rate of 4.5% over time.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

From time to time the University enters into derivative transactions, via mutual funds, as part of its overall investment asset allocation. Derivatives, excluding interest rate hedge derivatives discussed below, are used as part of this asset allocation strategy and are recorded at fair value with realized and unrealized gains and losses reflected in the consolidated statements of activities. These derivatives are included in the investment portfolio to reduce market volatility. Interest rate hedge derivatives on the University's debt portfolio are described in Note P.

Property and Equipment

Investments in the physical plant are recorded at cost. Significant renovations to existing buildings are capitalized, while maintenance and repairs are expensed when incurred. Equipment purchases under $1,000 are not capitalized. Provision for depreciation is made on a straight-line basis over the estimated useful life of the asset. Currently, these estimated useful lives are as follows:

Buildings and building improvements	15-55 years
Improvements other than buildings	15 years
Equipment	5-10 years

When disposition is made of plant assets, the cost and accumulated depreciation are removed from the accounting records, and the resulting gain or loss is recognized in the consolidated statements of activities.

Inventories

Inventories are valued at amounts, which, in the aggregate, approximate the lower of cost or market on the first-in, first-out basis.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the Unites States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

The University is a tax-exempt institution and is not a "private foundation" under the Tax Reform Act of 1969; accordingly, no provision for taxes has been made in the consolidated financial statements. The Foundation has also been accorded recognition as exempt from income tax under Sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code of 1986. In 2007 and 2006, the University incurred unrelated business income related to press and bookstore sales, resulting in an immaterial amount of unrelated business income.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, the University considers all cash and other highly liquid investments with original maturities of three months or less to be cash equivalents. The University places its cash and cash equivalents with high quality financial institutions, which at times may exceed federally insured limits. The University has not experienced any losses on such accounts.

Accounts and Notes Receivable

Receivables are recorded at the contractual amounts owed by students and others adjusted for unamortized discounts, unearned income, undisbursed funds, deferred loan fees, and an allowance for losses. Interest income is recorded on the accrual basis in accordance with the terms of receivables.

The estimated allowances for uncollectible accounts and notes receivable are accounted for using the reserve method. Under this method, allowances are maintained at a level which, in the judgment of management, is adequate to meet the present and potential risks of uncollectibility of the accounts and notes receivable. Management's judgment is based on a variety of factors, which include experience related to charge-offs and recoveries, and scrutiny of individual accounts and notes receivable. Amounts deemed by management to be uncollectible are charged to expenses. Recoveries on receivables previously charged-off are credited to expenses. Provisions for receivable losses are charged to expense and credited to the allowance for uncollectible accounts and notes receivable. At May 31, 2007 and 2006, the allowance for uncollectible accounts and notes receivable was $592,249.

Advertising Costs

Advertising costs are expensed as incurred and were $350,629 and $343,284 for 2007 and 2006, respectively.

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. ("SFAS") 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132(R)* which requires organizations to recognize a net asset or liability in the statement of financial position reflecting the funded status of their pension and other postretirement benefit plans. SFAS No. 158 is effective for fiscal years ending after December 15, 2007. SFAS No. 158 also requires the University to measure defined benefit plan assets as of the date of the University's statement of financial position for periods ending after December 15, 2008. The University is currently evaluating the impact of adopting SFAS No. 158 on its consolidated financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In July 2006, the FASB issued FASB (FIN) 48, *Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement No. 109* (FIN 48). FIN 48, which clarifies FASB Statement No. 109, *Accounting for Income Taxes,* establishes the criterion that an individual tax position has to meet for some or all of the benefits of that position to be recognized in the University's financial statements. On initial application, FIN 48 will be applied to all tax positions for which the statute of limitations remains open. Only tax positions that meet the more-likely-than-not recognition threshold at the adoption date will be recognized or continue to be recognized. The cumulative effect of applying FIN 48 will be reported as an adjustment to net assets at the beginning of the period in which it is adopted. FIN 48 is effective for fiscal years beginning after December 15, 2006. The University has not yet completed its evaluation of the impact on its consolidated financial statements of adopting FIN 48 and as a result, is not able to estimate the effect the adoption will have on its consolidated financial position and results of operations.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurement*. This new standard provides guidance for using fair value to measure assets and liabilities. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. The standard clarifies that for items that are not actively traded, such as certain kinds of derivatives, fair value should reflect the price in a transaction with a market participant, including an adjustment for risk, not just the organization's mark-to-model value. SFAS 157 also requires expanded disclosure of the effect on earnings for items measured using unobservable data. Under SFAS 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. In this standard, the FASB clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. The provisions of SFAS 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that fiscal year. The University has not yet determined the impact of this statement on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement 115*. The statement permits entities to choose to measure certain financial instruments and other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The University has not yet assessed the effect, if any, the adoption of SFAS No. 159 will have on the consolidated financial statements and related disclosures.

NOTE B - CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows at May 31, 2007 and 2006:

	2007	2006
Unconditional promises expected to be collected in:		
Less than one year	$4,345,853	$ 4,514,689
One year to five years	2,401,871	2,927,333
Over five years	70,000	105,000
	6,817,724	7,547,022
Less discount for net present value	(164,856)	(1,167,230)
Less allowance for uncollectible contributions receivable	(752,808)	(1,619,591)
	$5,900,060	$ 4,760,201

The contributions are to be utilized for the following purposes:

	2007	2006
Operations and scholarships	$ 290,425	$ 369,250
Endowment	1,689,446	1,225,991
Acquisition of land, building and equipment	3,920,189	3,164,960
	$5,900,060	$4,760,201

Contributions receivable as of May 31, 2007 and 2006 have been discounted using rates ranging from 2.97% to 5.28%.

NOTE C - INVESTMENTS

Investments consist of the following at May 31, 2007 and 2006:

	2007	2006
Mutual funds and investment partnerships managed by third parties, at market	$234,175,605	$191,772,786
Notes receivable	780,310	430,101
Stocks and bonds	2,796,750	2,984,087
Real estate and mineral interests, net of depletion	12,988,129	12,385,255
Outside managed	2,941,783	2,007,333
Other investments	1,610,964	573,553
	$255,293,541	$210,153,115

NOTE C - INVESTMENTS - Continued

The University invests in non-marketable alternative investments (primarily limited partnerships) which are carried at estimated fair value provided by the management of the investment partnerships as of May 31, 2007. The University believes that the carrying value of its alternative investments is a reasonable estimate of fair value as of May 31, 2007.

Outside managed investments primarily include several outside managed trusts comprised of stocks, bonds, real estate, mineral interests and other assets.

As of May 31, 2007 and 2006 the cost of investments was $214,040,568 and $176,059,843, respectively. The carrying values of investments include gross unrealized gains of $43,497,764 and $36,875,979 and gross unrealized losses of $2,902,522 and $2,782,707 as of May 31, 2007 and 2006, respectively.

Components of income related to investments for the years ended May 31, 2007 and 2006 is as follows:

	2007	2006
Interest income	$ 118,885	$ 281,919
Dividend income	1,883,367	1,452,163
Mineral income	9,758,255	7,733,871
Ranch income	418,991	363,410
Rental income	67,083	86,371
Net realized and unrealized gains	36,059,014	24,482,474
Other	(91,238)	(72,291)
Total investment income	$48,214,357	$34,327,917

The University maintains an investment pool for use by its endowment funds (excluding assets held in trust by the Foundation). The University's policy allows the pool to invest in domestic equities, international equities, fixed income securities, marketable alternative investments, real estate, mineral interests and other investments deemed suitable. The mutual funds and investment partnerships are invested by several professional third-party managers with different investment styles to diversify risk and maximize returns. For the year ended May 31, 2007, the spendable income allocated was $6,924,694. The total return for the pool, including interest, dividends and net realized and unrealized investment appreciation, was approximately 19.6% for the year ended May 31, 2007. For the year ended May 31, 2006, the spendable income allocated was $6,081,798. The total return for the pool, including interest, dividends and net realized and unrealized investment appreciation, was approximately 16.4% for the year ended May 31, 2006.

NOTE C - INVESTMENTS - Continued

As of May 31, 2007 and 2006, the investment pool was composed of the following:

	2007	2006
Mutual funds and investment partnerships managed by third parties, at market	$188,413,661	$153,556,333
Notes receivable	278,328	167,578
Donated stocks	433,444	395,049
Cash and cash equivalents	1,333,990	2,963,311
	$190,459,423	$157,082,271

NOTE D - PROPERTY AND EQUIPMENT

At May 31, 2007 and 2006, property and equipment consisted of the following:

	2007	2006
Buildings	$105,835,409	$105,852,390
Improvements to land and building	33,105,233	25,922,874
Equipment	26,227,255	23,809,014
	165,167,897	155,584,278
Less accumulated depreciation and amortization	(61,517,543)	(56,014,112)
	103,650,354	99,570,166
Construction in progress	3,166,211	2,539,128
Land	2,904,699	2,904,699
	$109,721,264	$105,013,993

Depreciation and amortization expense for the years ending May 31, 2007 and 2006, was $6,172,879 and $5,784,141, respectively.

Construction in progress as of May 31, 2007 consists of various projects, including renovations to the Sikes Hall and construction for the Center for Conflict Resolution. Construction in progress as of May 31, 2006 consists primarily of the Education Building (formerly Burford Hall) renovation which was completed in the 2007 fiscal year at a cost of $3,280,000.

During the year ended May 31, 2006, $112,669 of interest was capitalized. No interest was capitalized during the year ended May 31, 2007.

The University currently has a $1,350,000 construction commitment with Madison Construction LP for the construction of the Center for Conflict Resolution. The contract is subject to adjustments.

NOTE E - LONG-TERM OBLIGATIONS PAYABLE

Long-term obligations as of May 31, 2007 and 2006, were as follows:

	2007	2006
1998 - Higher Education Revenue Refunding and Improvement Bonds; payable in annual installments; maturing in fiscal year 2019; interest rate of 4.75%; secured by revenues.	$ 8,770,000	$ 9,000,000
2001 - Higher Education Revenue Improvement Bonds; payable in semi-annual installments; maturing in fiscal year 2021; interest rate of 5.0%; secured by revenues.	7,712,624	8,085,568
2002 - Higher Education Revenue Bonds; variable interest rate; all principal due at maturity on July 17, 2006; secured by revenues.	-	$ 6,000,000
2003 - Higher Education Revenue Bonds; payable in semi-annual installments; maturing in fiscal year 2024; variable interest rate; secured by revenues.	8,325,236	8,667,573
2005 - Tax-exempt Lease; payable in semi-annual installments; maturing in fiscal year 2010; interest rate of 3.59%; secured by leased technology equipment.	784,706	1,028,248
2005 - Higher Education Revenue Bonds; payable in semi-annual installments; maturing in fiscal year 2026; variable interest rate; secured by revenues.	6,365,000	6,700,000
2005 B - Higher Education Revenue Bonds; payable in semi-annual installments; maturing in fiscal year 2026; variable interest rate; secured by revenues.	$ 1,877,750	$ 1,979,250
2006 - Higher Education Revenue Bonds; payable in semi-annual installments; maturing in fiscal year 2026; variable interest rate; secured by revenues.	7,329,811	7,380,590
2006 B - Higher Education Revenue Bonds; payable in semi-annual installments; maturing in fiscal year 2026; variable interest rate; secured by revenues.	2,553,925	-

NOTE E - LONG-TERM OBLIGATIONS PAYABLE - Continued

	2007	2006
2006 Taxable - Higher Education Revenue Bonds; payable in semi-annual installments; maturing in fiscal year 2026; variable interest rate; secured by revenues.	$ 5,700,000	$ -
Miscellaneous notes payable	1,252,414	-
	$50,671,466	$48,841,229

On June 1, 2005, the University issued $6,700,000 in Series 2005 revenue bonds. The bonds bear interest based on 65% of the 30-day LIBOR rate plus 1.00%. The bonds are payable in semi-annual installments of principal and interest through April 2026. On December 1, 2005, the University issued $2,030,000 in Series 2005B revenue bonds. The bonds bear interest based on 65% of the 30-day LIBOR rate plus 1.00%. The bonds are payable in semi-annual installments of principal and interest through October 2025.

On January 31, 2006, the University issued $7,380,590 in Series 2006 revenue bonds. Proceeds from the bonds in the amount of $6,297,596 were used to refund all of the outstanding Series 1995 debt, proceeds in the amount of $1,015,000 were used to fund the renovation of the Education Building (formerly the Burford Music Building), and remaining funds were used to pay closing and legal costs of the issue. In the process of refunding the 1995 debt, $2,500,138 was released from an escrow account established as part of the 1998 debt issuance, which had previously refunded $4,505,000 of the Series 1995 debt. All funds released from the escrow account were used to retire the 1995 debt. A call premium of $169,100 was paid to the holders of the 1995 debt.

On July 17, 2006, the University issued $6,000,000 in 2006 taxable debt for the purpose of refunding the remaining Series 2002 debt that matured on that date. The new note matures on April 1, 2026 and has a variable interest rate of the 30-day LIBOR rate plus 0.65%. Principal and interest are amortized over the life of the debt and are payable semiannually.

On November 9, 2006, the University issued $2,619,410 in Series 2006B debt for the purpose of renovation of the Sikes Residence Hall, reconstruction of ornamental cornice work on various buildings, replacing the HVAC system in the Gibson Center, and paying costs of issuance. The debt matures on October 1, 2026 and has a variable interest rate based on 65% of the 30-day LIBOR rate plus 0.90%. (4.36% for the year ending May 31, 2007) Principal and interest are amortized over the life of the debt and are payable semiannually.

NOTE E - LONG-TERM OBLIGATIONS PAYABLE - Continued

Variable rate Series 2003, 2005, and 2005B interest rates are based on 65% of the 30-day LIBOR rate plus 1.00% (4.46% and 4.32% for the years ending May 31, 2007 and 2006, respectively). Series 2006 variable rate interest is based on 65% of the 30-day LIBOR rate plus 0.55%, 4.01% and 3.87% as of May 31, 2007 and 2006, respectively. However, the University has obtained fixed interest rate swap agreements on the 2003, 2005, 2006, 2006 Taxable, and 2006B debt issues. Refer to Note P for a further discussion of derivative instruments.

A schedule of future fiscal year principal payments of long-term debt follows:

2008	$ 3,272,046
2009	3,935,158
2010	4,422,032
2011	3,488,952
2012	3,318,258
Thereafter	32,235,020
	$50,671,466

Total interest expense for long term debt for the years ended May 31, 2007 and 2006, was $2,332,772 and $2,605,319, respectively.

As of May 31, 2007 and 2006, the University was in compliance with all bond covenants.

NOTE F - LINES OF CREDIT

At May 31, 2007, the University had two line of credit agreements to provide operating cash flows. These lines have been established to maximize endowment earnings and facilitate cash management. These agreements have maximum available lines of credit totaling $7,000,000 with First Financial Bank, Abilene and $8,000,000 with Bank of America, N.A. At May 31, 2007 and 2006, there were no amounts outstanding on the First Financial Bank line. $7,000,000 and $6,000,000 were outstanding on the Bank of America line at May 31, 2007 and 2006, respectively. The lines are unsecured with interest payable at 7.5% on the First Financial Bank line and prime minus 1.0% or LIBOR plus 1.25% (6.57% at May 31, 2007) on the Bank of America line.

Total interest expense for commercial lines of credit for the years ended May 31, 2007 and 2006, was $523,421 and $390,609, respectively.

NOTE G - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Permanently restricted net assets at May 31, 2007 and 2006 are listed below according to the purpose for which the income for these items is to be used:

	2007	2006
Student loans	$ 1,462,255	$ 1,370,809
Scholarships	80,909,340	75,475,050
Instruction, research, and divisional support	33,807,300	32,340,321
General operations	5,497,931	5,325,772
	121,676,826	114,511,952
Life income, student loan funds and other accounts	21,715,307	17,846,754
	$143,392,133	$132,358,706

Temporarily restricted net assets consist of the following at May 31, 2007 and 2006:

	2007	2006
Gifts and other unexpended revenues and gains available for:		
Student loans	$ -	$ 168,367
Scholarships	6,089	5,082
Instruction, research, and divisional support	2,080,607	1,616,747
General operations	149,595	146,928
Acquisition of buildings and equipment	4,203,246	3,807,738
	6,439,537	5,744,862
Life income, student loan funds and other accounts	2,043,646	2,044,452
	$8,483,183	$7,789,314

NOTE H - ENDOWMENT FUNDS

As of May 31, 2007 and 2006, the University's net assets from endowment accounts were composed of the following:

	2007	2006
Permanently restricted endowment:		
Managed by the University or the Foundation	$118,735,043	$112,245,889
Managed by third party trusts	2,941,783	2,007,333
Total permanently restricted endowment	121,676,826	114,253,222
Temporarily restricted endowment:		
Managed by the University	2,236,291	1,937,124
Unrestricted endowment	127,413,602	91,248,313
Total endowment accounts	$251,326,719	$207,438,659

While readily marketable investments (investments readily marketable on national exchanges) are adjusted for changes in market value, real estate and mineral interests are carried at the estimated market value on the date the asset was gifted to or purchased into the endowment (adjusted for depletion). Based on internal evaluations, management believes the market value of the real estate and mineral interests to be substantially greater than the carrying value. The estimated market value of major real estate holdings is determined by outside appraisals performed every 3 years. The estimated market value of mineral interests is based on the last 60 months of actual mineral income received. If adjusted based on management's estimates, the total market value of the endowment as of May 31, 2007 and 2006 would be $280,132,151 and $228,761,113, respectively.

NOTE I - CHARITABLE TRUSTS AND ANNUITIES

The University is party to a number of charitable trusts and annuities, the majority of which the University, or the University through its affiliate Foundation, is the trustee. Assets under charitable trusts and annuities consist of the following at May 31, 2007 and 2006:

	2007	2006
University and Foundation as trustee:		
Charitable trusts	$44,892,043	$42,585,776
Charitable gift annuities	1,154,173	736,030
	46,046,216	43,321,806
Third-party trustee	1,703,952	1,696,891
	$47,750,168	$45,018,697

NOTE I - CHARITABLE TRUSTS AND ANNUITIES - Continued

For charitable trusts and annuities for which the University is trustee, contributions are recorded at fair value in the year of the agreement and are reflected as charitable trusts and annuities in the accompanying consolidated financial statements. For the years ending May 31, 2007 and 2006, $211,246 and $61,161, respectively, was recorded as contribution revenue related to these types of agreements. The total payments to annuitants and income beneficiaries during the years ended May 31, 2007 and 2006, were $1,359,294 and $1,418,410, respectively. In addition to the recording of the asset, a liability is recorded representing the discounted future cash flows expected to be paid to the specified beneficiary designated by the donor. The estimated liability of future cash flows is based upon the life expectancy of the donor, the current market value of the trust, and the applicable federal rate (AFR) related to each trust based on the AFR in effect at the date the trust was created. Investment income, payments to beneficiaries and adjustments to the liability are reflected as changes in value of split-interest agreements in the consolidated statements of activities. The estimated liability of the future cash flows, as of May 31, 2007 and 2006, was $27,819,330 and $28,981,011, respectively.

For charitable trusts for which the University is not the trustee, contributions are recognized in the year the University becomes aware of the existence of the agreement and are valued at the discounted present value of expected future cash flows. The expected future cash flows have been discounted at a rate of 6% over the life expectancy of the parties involved and calculated based upon the current market value of the trust's assets and other factors stipulated in the agreements. The present value of the expected future cash flows has been reflected as a component of charitable trusts and annuities in the consolidated statements of financial position. The change in estimated present value is reflected as a change in value of split-interest agreements in the consolidated statements of activities.

NOTE J - RETIREMENT PLAN

The University has two defined contribution retirement plans, a 401(a) and 401(k) covering substantially all full and part-time personnel. The University contributes 4% of the employee's salary as a match to the employee's contribution of 2% in the 401(a). In addition, employees are required to contribute 2% of salary to participate in the 401(k) plan for which the University will contribute up to 4% of the employee's salary. University contributions under both plans totaled $2,331,393 and $1,980,968, respectively, for the years ended May 31, 2007 and 2006.

NOTE K - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

In addition to the University's defined contribution pension plan, the University sponsors a defined benefit health care plan that provides post-retirement medical benefits to currently retired employees and current full-time employees who had worked 10 years and attained age 55 while in service with the University as of May 31, 1995.

NOTE K - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS - Continued

The following presents the plan's funded status as of May 31:

	2007	2006
Accumulated postretirement benefit obligation	$(4,585,200)	$(4,851,500)
Plan assets at fair value	-	-
Funded status	$(4,585,200)	$(4,851,500)
Accrued postretirement benefit cost	$(4,503,000)	$(4,530,062)

Annual benefit costs for the year ended May 31:

	2007	2006
Net periodic postretirement benefit cost	$ 231,500	$ 254,100
Employer contributions	$ 337,300	$ 190,700
Plan participant contributions	34,800	-
Benefits paid	$ 372,100	$ 190,700

The accrued postretirement benefit cost is recorded in accrued salaries and benefit expenses on the accompanying consolidated statements of financial position.

The weighted average annual assumed rate of increase in the per capita cost of covered medical benefits is 10% as of May 31, 2006 and is assumed to decrease gradually to 5.0% after six years and remain at that level thereafter. The weighted average discount rate used in determining the accumulated post-retirement benefit obligation was 5% at May 31, 2006.

The weighted average annual assumed rate of increase in the per capita cost of covered medical benefits is 9.5% as of May 31, 2007 and is assumed to decrease gradually to 5.0% after nine years and remain at that level thereafter. The weighted average discount rate used in determining the accumulated post-retirement benefit obligation was 5.9% at May 31, 2007.

NOTE K - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS - Continued

The University expects to contribute $459,600 to the post-retirement benefit plan in fiscal year 2008. Benefits expected to be paid over the next five years and the five fiscal years thereafter are as follows:

2008	$ 459,600
2009	451,700
2010	439,800
2011	436,700
2012	437,300
2013-2017	2,000,500

NOTE L - HEALTH INSURANCE

The University maintains a partially self-funded health insurance plan with insured specific and aggregate stop-loss coverage, administered by a third party administrator. The administrator acts as the University's agent in making benefit payments on the University's behalf. The total liability for outstanding health claims was $367,203 and $250,000 at May 31, 2007 and 2006, respectively, and is recorded in accrued salaries and benefit expenses in the accompanying consolidated statements of financial position. Management believes the liability is adequate to fund any health claims incurred but not paid or reported as of the end of the fiscal year.

NOTE M - COMMITMENTS AND CONTINGENCIES

The University leases facilities to support its study abroad programs under noncancellable operating agreements through 2020. Rent expense for 2007 and 2006 was $629,980 and $592,604, respectively. Future minimum rentals under the noncancellable leases as of May 31, 2007 are as follows:

Year ending May 31,	
2008	$ 437,260
2009	437,260
2010	121,082
2011	31,680
2012	31,680
Thereafter	302,544
	$1,361,506

In the normal course of operations, the University is named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the University's financial position, results of operations, or cash flows.

NOTE N - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The University grants credit in the form of accounts and notes receivable to students and others, a substantial portion of which are enrolled at the University. The University does not require collateral for the extension of credit with the exception of notes made to facilitate real estate sales, in which case, the collateral is typically the real estate being sold. Management periodically monitors credit risk through the evaluation of the account's status and ability to repay.

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS

In fiscal year 1996, the University adopted Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments", which requires entities to disclose the estimated fair value of its financial instrument assets and liabilities. Many of the University's financial instruments, however, lack an available trading market as characterized by a willing buyer and willing seller engaging in an exchange transaction. It is also the University's general practice and intent to hold its financial instruments to maturity and not to engage in trading or sales activities with the exception of investments.

Estimated fair values have been determined by the University using the most relevant available data. The estimated fair values and recorded book balances at May 31, 2007 and 2006, are as follows:

Financial instruments actively traded in a secondary market have been valued using quoted available market prices.

	2007		2006	
	Recorded balance	Estimated fair value	Recorded balance	Estimated fair value
Financial assets				
Cash and cash equivalents	$ 2,823,933	$ 2,823,933	$ 1,976,304	$ 1,976,304
Contributions receivable	5,900,060	5,900,060	4,760,201	4,760,201
Stocks and bonds	2,796,750	2,796,750	2,984,087	2,984,087
Mutual funds and investment partnerships	234,175,605	234,175,605	191,772,786	191,772,786
Total financial assets	$245,696,348	$245,696,348	$201,493,378	$201,493,378
Financial liabilities:				
Advance on lines of credit	$ 7,000,000	$ 7,000,000	$ 6,000,000	$ 6,000,000
Long-term obligations payable	50,671,466	50,183,756	48,841,229	49,610,950
Total financial liabilities	$ 57,671,466	$ 57,183,756	$ 54,841,229	$ 55,610,950

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Changes in assumptions or estimation methodologies may have a material effect on these estimated fair values. The University's remaining assets and liabilities, which are not considered financial instruments have not been valued differently than has been customary with historical cost accounting.

The University has determined that it is not practicable to estimate the fair value of notes receivable, stocks and bonds not publicly traded, and other investments and their related effective interest rates and maturity because there is no readily tradable market for such assets and the cost of developing a valuation model to estimate the fair value or obtaining an independent valuation of those financial instruments would exceed the benefit derived. The carrying amount of such assets at May 31, 2007 and 2006, are as follows:

	2007	2006
Notes receivable - student accounts	$ 3,580,584	$ 3,676,870
Investments:		
Notes receivable - other	780,310	430,101
Other investments	17,540,878	14,966,141

NOTE P - DERIVATIVE INSTRUMENTS

The University entered into three interest rate swap agreements during fiscal year 2005 and two interest rate swap agreements during fiscal year 2007. The Financial Accounting Standards Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities,* requires that the University disclose these swaps as fair value hedges. The primary reason for swapping from a variable to fixed rate is to stabilize the university's operating budget vis-à-vis interest expense.

Management has completed variable to fixed rate swaps on five debt issues: 1) Series 2003 has been swapped to a fixed rate of 4.59%, 2) Series 2005 has been swapped to a fixed rate of 4.59%, 3) Series 2006 has been swapped to a fixed rate of 3.29% until September 1, 2011, 4) Series 2006 Taxable has been swapped to a fixed rate of 6.06%, and 5) Series 2006B has been swapped to a fixed rate of 4.43%.

Management has identified the following benefits of using swap agreements to accomplish the above objectives:

1. Lower fixed rate is available using a swap than by refunding at a fixed rate.
2. Less paperwork and due diligence is involved in executing a swap than in a refunding. A swap is an agreement separate from the debt, but mimicking the debt repayment structure.
3. A swap does not affect the University's bank qualified debt limit of $10 million per calendar year. This allowed the University to issue additional debt for new construction and new network technology at the same time it restructured the variable rate debt.
4. The University can purchase the right to cancel the swap at predefined points.

NOTE P - DERIVATIVE INSTRUMENTS - Continued

Risks of using the proposed interest rate swaps:

1. Credit risk - risk that the counterparty will not fulfill its obligation on the swap contract.
2. Basis risk - mismatch between the interest rate received from the swap contract and the interest actually owed on the debt.
3. Opportunity cost - if the floating rate that the University can pay on the debt averages below the fixed rate the University pays on the swap, then the University has the opportunity cost associated with locking in the higher interest rate.

The effectiveness of the swaps is judged by comparing the interest rates of the swaps with the interest rates on the underlying debt. The swap terms should identically match the critical terms of the floating rate debt, and thus would be expected to perfectly offset the hedged cash flows of the debt. Management believes the swaps are effective as of May 31, 2007 and 2006 and, thus, no gain or loss relating to the swaps is reflected in the consolidated statements of activities.

NOTE Q - CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE

Financial Accounting Standards Board Interpretation No. 47 (FIN 47), issued in March 2005, clarifies how entities should estimate future expenses necessary to comply with legal, regulatory, or contractual asset retirement activity as required by Statement of Financial Accounting Standards 143 (SFAS 143), “Accounting for Asset Retirement Obligations.” The University adopted FIN 47 effective May 31, 2006 and identified asset retirement obligations (ARO) related to various campus facilities that must be reported. These obligations are appropriately managed by the University in accordance with current laws and regulations. However, it is possible that at some future date, renovations, demolition, or construction could occur that would require direct remediation of the University’s AROs.

As a result of adopting FIN 47, the University recorded AROs totaling $10,701,641 and increased the net value of its recorded assets by $1,508,034 to recognize the associated conditional retirement obligations. The University used an expected cash flow approach to measure these obligations. The cumulative effect of initial adoption of this interpretation was $8,560,262.

The pro forma effects of retroactively applying FIN 47 at May 31, 2005 and 2004 are as follows:

	2005			2004		
	Per Financial Statements	FIN 47 Change	Pro Forma	Per Financial Statements	FIN 47 Change	Pro Forma
Change in net assets	$ 17,889,563	$ (8,560,262)	$ 9,329,301	$ 21,603,554	$(7,926,917)	$ 13,676,637
Net assets	234,629,576	(8,560,262)	226,069,314	216,740,013	(7,926,917)	208,813,096
Liabilities	100,083,569	10,124,542	110,208,111	100,013,255	9,547,443	109,560,698

NOTE Q - CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE - Continued

In fiscal year 2007, the University adopted SFAS No. 154, *Accounting Changes and Error Corrections.* The University re-evaluated the estimated costs associated to remediate its AROs and determined that the costs were overstated by approximately $2,476,000. The result was a change in accounting estimate under SFAS No. 154. The current year impact resulted in an increase in unrestricted net assets of approximately $2,476,000 and a net decrease to property and equipment of approximately $938,000.

The following presents a reconciliation of the AROs at May 31, 2007:

Asset retirement obligations at May 31, 2006	$10,701,641
Revision in cash flow estimate due to change in accounting estimate	(3,413,919)
Accretion expense	382,510
Asset retirement obligations at May 31, 2007	$ 7,670,232

August 13, 2007

Ms. Stacey McGee
Abilene Christian University
1600 Campus Court
Hardin Administration Bldg., Room 208G
Abilene, Texas 79699

Dear Stacey:

Pursuant to our engagement letter dated February 5, 2007, enclosed are 75 bound copies and 1 unbound copy of the financial statements for Abilene Christian University for the year ended May 31, 2007. A report letter describing the scope of our work is included with each copy.

Very truly yours,

Nicole Blythe
Partner

pgm

Enc.