

**ANNUAL REPORT**

**FINANCIAL STATEMENTS  
AND REPORT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**SEPTEMBER 30, 2007**



## ***REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM***

### **To the Shareholders and Board of Trustees The Elite Group of Mutual Funds**

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of The Elite Growth & Income Fund and The Elite Income Fund, each a series of shares of beneficial interest of The Elite Group of Mutual Funds, as of September 30, 2007, and the related statements of operations for the year then ended and the related statements of changes in net assets and the financial highlights for each of the years in the two-year period then ended. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for each of the years in the three-year period ended September 30, 2005 have been audited by other auditors, whose report dated November 10, 2005 expressed an unqualified opinion on such financial statements and financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 2007 by correspondence with the custodian and brokers. 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 and financial highlights referred to above present fairly, in all material respects, the financial position of The Elite Growth & Income Fund and The Elite Income Fund as of September 30, 2007, the results of their operations for the year then ended and the changes in their net assets and their financial highlights for each of the years in the two-year period then ended, in conformity with accounting principles generally accepted in the United States of America.

*Briggs, Bunting & Dougherty, LLP*

**BRIGGS, BUNTING & DOUGHERTY, LLP**

**Philadelphia, Pennsylvania  
November 20, 2007**

**THE ELITE GROWTH & INCOME FUND**

***PORTFOLIO OF INVESTMENTS***

**September 30, 2007**

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See Attached Excel Worksheet

See Attached Pie Charts

**THE ELITE INCOME FUND**

***PORTFOLIO OF INVESTMENTS***

**September 30, 2007**

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See Attached Excel Worksheet

**THE ELITE INCOME FUND**

***PORTFOLIO OF INVESTMENTS – (Continued)***

**September 30, 2007**

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See Attached Excel Worksheet

# THE ELITE GROUP OF MUTUAL FUNDS

## STATEMENTS OF ASSETS AND LIABILITIES

September 30, 2007

	<u>The Elite Growth &amp; Income Fund</u>	<u>The Elite Income Fund</u>
<b>ASSETS</b>		
Investments in securities at value (Cost \$75,892,205 and \$17,830,308, respectively) <i>(Notes 2A and 3)</i>	\$86,010,987	\$17,752,569
Receivables		
From Transfer Agent	1,537	-
Fund shares purchased	50	9,822
Interest	5,854	262,313
Dividends	<u>13,000</u>	<u>5,250</u>
Total Assets	<u>86,031,428</u>	<u>18,029,954</u>
<b>LIABILITIES</b>		
Payables:		
Payable upon return of securities on loan	17,081,845	-
Call options written, at value (Proceeds \$849,304 and \$0, respectively)	865,000	-
Investment management fees	51,399	20,171
Fund shares redeemed	61,250	186
Distributions	115,345	7,958
Accrued expenses	<u>22,887</u>	<u>1,283</u>
Total Liabilities	<u>18,197,726</u>	<u>29,598</u>
<b>NET ASSETS</b>		
The Elite Growth & Income Fund – Applicable to 3,611,373 shares outstanding no par value, unlimited number of shares of beneficial interest	<u>\$67,833,702</u>	
The Elite Income Fund – Applicable to 1,849,269 shares outstanding no par value, unlimited number of shares of beneficial interest		<u>\$18,000,356</u>
<b>NET ASSET VALUE, OFFERING AND REDEMPTION</b>		
<b>PRICE PER SHARE</b> (net assets / shares outstanding)	<u>\$18.78</u>	<u>\$9.73</u>
At September 30, 2007, the components of net assets were as follows:		
Paid-in capital	\$57,750,655	\$18,566,077
Undistributed net investment income	-	72,193
Accumulated net realized loss on investments	(20,039)	(560,175)
Net unrealized appreciation/depreciation of investments	10,118,782	(77,739)
Net unrealized depreciation of options written	<u>(15,696)</u>	<u>-</u>
Net Assets	<u>\$67,833,702</u>	<u>\$18,000,356</u>

# THE ELITE GROUP OF MUTUAL FUNDS

## STATEMENTS OF OPERATIONS

For the Year Ended September 30, 2007

	<u>The Elite Growth &amp; Income Fund</u>	<u>The Elite Income Fund</u>
<b>Investment Income</b>		
Income:		
Interest	\$ 68,468	\$ 935,240
Dividends (Net of foreign tax withheld of \$1,350 and \$0, respectively)	598,174	53,828
Securities Lending	<u>128,442</u>	<u>3,852</u>
Total Income	<u>795,084</u>	<u>992,920</u>
Expenses:		
Investment management fee	665,925	131,470
Transfer agent fees	54,708	34,182
Custodian fees	17,530	11,340
Audit fees	20,625	6,875
Trustee fees and expenses	17,010	4,040
Recordkeeping services	77,387	31,689
Shareholder reports	6,508	502
Registration fees and other	3,835	2,567
CCO expense	20,998	5,248
Legal fees	11,360	483
Insurance	<u>8,208</u>	<u>1,295</u>
Total Expenses	904,094	229,691
Fees paid by manager ( <b>Note 4</b> )	-	(18,955)
Net Expenses	<u>904,094</u>	<u>210,736</u>
Net Investment Income (Loss)	<u>(109,010)</u>	<u>782,184</u>
<b>Realized and Unrealized Gain (Loss) on Investment Securities and Options Contracts</b>		
Net realized gain (loss):		
Investment securities	15,952,190	153,724
Expired and closed covered call options written ( <b>Note 3</b> )	<u>(2,605,469)</u>	<u>-</u>
Net realized gain on investment securities and option contracts	<u>13,346,721</u>	<u>153,724</u>
Net increase (decrease) in unrealized appreciation/depreciation		
Investment securities	(745,564)	(163,064)
Option contracts written	<u>90,020</u>	<u>-</u>
Net change in unrealized appreciation/depreciation of investments	<u>(655,544)</u>	<u>(163,064)</u>
Net realized and unrealized gain (loss) on investment securities and option contracts	<u>12,691,177</u>	<u>(9,340)</u>
Net increase in net assets resulting from operations	<u>\$12,582,167</u>	<u>\$ 772,844</u>

# THE ELITE GROWTH & INCOME FUND

## STATEMENT OF CHANGES IN NET ASSETS

For the Years Ended September 30

	<u>2007</u>	<u>2006</u>
<b>Operations</b>		
Net investment income (loss)	\$ (109,010)	\$ 350,507
Net realized gain on investment securities and options contracts	13,346,721	7,437,326
Net change in unrealized appreciation of investment securities	<u>(655,544)</u>	<u>(4,558,437)</u>
Net increase in net assets resulting from operations	12,582,167	3,229,396
<b>Distributions to Shareholders</b>		
Distributions from net investment income (\$0.03 and \$0.14 per share, respectively)	(94,451)	(402,000)
Distribution from net realized gains on investment transactions (\$4.20 and \$2.62 per share, respectively)	(13,257,750)	(7,456,696)
Distributions from return of capital (\$0.10 and – per share, respectively)	<u>(315,711)</u>	<u>-</u>
Net decrease in net assets from distributions	<u>(13,667,912)</u>	<u>(7,858,696)</u>
<b>Capital Share Transactions</b>		
Increase in net assets resulting from capital share transactions (a)	<u>7,119,828</u>	<u>6,764,926</u>
Total increase in net assets	6,034,083	2,135,626
<b>Net Assets</b>		
Beginning of year	<u>61,799,619</u>	<u>59,663,993</u>
End of year (Including undistributed net investment income of \$(-) and 94,451 respectively)	<u>\$ 67,833,702</u>	<u>\$ 61,799,619</u>

(a) Transactions in capital stock were as follows:

	<u>Year Ended</u> <u>September 30, 2007</u>		<u>Year Ended</u> <u>September 30, 2006</u>	
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
Shares sold	151,934	\$ 3,206,094	210,488	\$ 4,511,405
Shares issued in reinvestment of distributions	<u>678,916</u>	<u>13,444,136</u>	<u>401,493</u>	<u>7,717,782</u>
Shares redeemed	830,850	16,650,230	611,981	12,229,187
	<u>(449,272)</u>	<u>(9,530,402)</u>	<u>(255,413)</u>	<u>(5,464,261)</u>
Net increase	<u>381,578</u>	<u>\$ 7,119,828</u>	<u>356,568</u>	<u>\$ 6,764,926</u>

# THE ELITE INCOME FUND

## STATEMENT OF CHANGES IN NET ASSETS

For the Years Ended September 30

	<u>2007</u>	<u>2006</u>
<b>Operations</b>		
Net investment income	\$ 782,184	\$ 750,233
Net realized gain/loss on investment securities	153,724	(116,042)
Net change in unrealized appreciation/depreciation of investment securities	<u>(163,064)</u>	<u>67,382</u>
Net increase in net assets resulting from operations	772,844	701,573
<b>Distributions to Shareholders</b>		
Distributions from net investment income (\$0.47 and \$0.42 per share, respectively)	(836,076)	(795,757)
<b>Capital Share Transactions</b>		
Decrease in net assets resulting from capital share transactions (a)	<u>(163,234)</u>	<u>(1,041,863)</u>
Total decrease in net assets	(226,466)	(1,136,047)
<b>Net Assets</b>		
Beginning of year	<u>18,226,822</u>	<u>19,362,869</u>
End of year (Including undistributed (distributions in excess of) net investment income of \$72,193 and \$(14,419), respectively)	<u>\$18,000,356</u>	<u>\$ 18,226,822</u>

(a) Transactions in capital stock were as follows:

	<u>Year Ended</u> <u>September 30, 2007</u>		<u>Year Ended</u> <u>September 30, 2006</u>	
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
Shares sold	247,236	\$ 2,424,699	177,284	\$ 1,732,217
Shares issued in reinvestment of distributions	<u>82,428</u>	<u>803,885</u>	<u>78,923</u>	<u>765,766</u>
	329,664	3,228,584	256,207	2,497,983
Shares redeemed	<u>(345,403)</u>	<u>(3,391,818)</u>	<u>(363,181)</u>	<u>(3,539,846)</u>
Net decrease	<u>(15,739)</u>	<u>\$ (163,234)</u>	<u>(106,974)</u>	<u>\$ (1,041,863)</u>

## THE ELITE GROWTH & INCOME FUND

### FINANCIAL HIGHLIGHTS

For a Share Outstanding Throughout Each Year

	Year Ended September 30,				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Net asset value, beginning of year</b>	\$ 19.13	\$ 20.77	\$ 18.90	\$ 18.13	\$ 15.67
<b>Income from investment operations</b>					
Net investment income (loss)	(0.03)	0.12	0.06	0.01	-
Net gain on securities (both realized and unrealized)	<u>4.01</u>	<u>1.00</u>	<u>3.03</u>	<u>2.22</u>	<u>3.30</u>
Total from investment operations	<u>3.98</u>	<u>1.12</u>	<u>3.09</u>	<u>2.23</u>	<u>3.30</u>
<b>Less Distributions</b>					
Dividends from net investment income	(0.03)	(0.14)	(0.02)	-	(0.01)
Distribution from net realized gains	(4.20)	(2.62)	(1.20)	(1.46)	(0.83)
Distribution from return of capital	<u>(0.10)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total distributions	<u>(4.33)</u>	<u>(2.76)</u>	<u>(1.22)</u>	<u>(1.46)</u>	<u>(0.84)</u>
<b>Net asset value, end of year</b>	<u>\$ 18.78</u>	<u>\$ 19.13</u>	<u>\$ 20.77</u>	<u>\$ 18.90</u>	<u>\$ 18.13</u>
<b>Total Return</b>	21.03%	5.40%	16.35%	12.30%	21.10%
<b>Ratios / Supplemental Data</b>					
Net asset value, end of year (in 000's)	\$67,834	\$61,800	\$59,664	\$55,901	\$50,148
Ratio of expenses to average net assets*	1.35%	1.39%	1.36%	1.34%	1.34%
Ratio of net investment income (loss) to average net assets	(0.16)%	0.57%	0.27%	0.07%	0.00%
<b>Portfolio Turnover</b>	213.35%	188.52%	143.87%	144.91%	184.10%

\* Ratio reflects fees paid through a directed brokerage arrangement. The expense ratios for 2005, 2004, and 2003 excluding fees paid through the directed brokerage arrangement were 1.35%, 1.25% and 1.20% respectively.

# THE ELITE INCOME FUND

## FINANCIAL HIGHLIGHTS

For a Share Outstanding Throughout Each Year

	Year Ended September 30,				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Net asset value, beginning of year</b>	<u>\$ 9.77</u>	<u>\$ 9.82</u>	<u>\$ 10.12</u>	<u>\$ 10.40</u>	<u>\$ 10.53</u>
<b>Income from investment operations</b>					
Net investment income	0.43	0.39	0.31	0.30	0.37
Net gain (loss) on securities (both realized and unrealized)	<u>(0.00)**</u>	<u>(0.02)</u>	<u>(0.20)</u>	<u>(0.03)</u>	<u>0.15</u>
Total from investment operations	<u>0.43</u>	<u>0.37</u>	<u>0.11</u>	<u>0.27</u>	<u>0.52</u>
<b>Less Distributions</b>					
Dividends from net investment income	(0.47)	(0.42)	(0.41)	(0.46)	(0.56)
Distributions from net realized gains	-	-	-	(0.09)	(0.09)
Total distributions	<u>(0.47)</u>	<u>(0.42)</u>	<u>(0.41)</u>	<u>(0.55)</u>	<u>(0.65)</u>
<b>Net asset value, end of year</b>	<u>\$ 9.73</u>	<u>\$ 9.77</u>	<u>\$ 9.82</u>	<u>\$ 10.12</u>	<u>\$ 10.40</u>
<b>Total Return</b>	4.48%	3.87%	1.09%	2.64%	5.03%
<b>Ratios / Supplemental Data</b>					
Net asset value, end of year (in 000's)	\$18,000	\$18,227	\$19,363	\$20,271	\$20,107
Ratio of expenses to average net assets*	1.31%	1.22%	1.15%	1.03%	1.05%
Ratio of net investment income to average net assets	4.44%	4.00%	3.01%	2.80%	3.47%
<b>Portfolio Turnover</b>	117.52%	120.00%	93.19%	61.99%	69.17%

\* Ratio reflects expenses prior to reimbursement from the manager. Expense ratios after reimbursement were 1.20, 1.04%, 1.04%, 0.95% and 0.95% for 2007, 2006, 2005, 2004 and 2003 respectively.

\*\* Less than \$0.01 per share

# THE ELITE GROUP OF MUTUAL FUNDS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2007

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### NOTE 1 – ORGANIZATION

The Elite Growth & Income Fund and The Elite Income Fund (the “Funds”) are two series of shares of beneficial interests of The Elite Group of Mutual Funds (the “Trust”), which is registered under the Investment Company Act of 1940, as amended, as a diversified open-end management company. The Trust was organized in Massachusetts as a business trust on August 8, 1986. The Trust is authorized to issue an unlimited number of no par shares of beneficial interest of any number of series. Currently, the Trust has authorized only the two series above. The Elite Growth & Income Fund's investment objective is to maximize total returns through an aggressive approach to the equity and debt securities markets. The Elite Income Fund's investment objective is to achieve the highest income return obtainable over the long term commensurate with investments in a diversified portfolio consisting primarily of investment grade debt securities.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Funds. The policies are in conformity with accounting principles generally accepted in the United States of America.

- A. **Security Valuation** - Investments in securities traded on a national securities exchange are valued at the last reported sales price. Securities which are traded over-the-counter are valued at the bid price. Securities for which reliable quotations are not readily available are valued at their respective fair value as determined in good faith by, or under procedures established by the Board of Trustees.
- B. **Federal Income Taxes** - The Funds intend to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and distribute all their taxable income to their shareholders. Therefore no federal income tax provision is required.
- C. **Option Accounting Principles (The Elite Growth & Income Fund)** - When the Fund sells an option, an amount equal to the premium received by the Fund is included as an asset and an equivalent liability. The amount of the liability is marked-to-market to reflect the current market value of the options written. The current market value of a traded option is the last sale price. When an option expires on its stipulated expiration date or the Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss if the cost of a closing purchase transaction exceeds the premium received when the option was sold) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is extinguished. If an option is exercised, the Fund realizes a gain or loss from the sale of the underlying security and the proceeds of the sale are increased by the premium received. The Elite Growth & Income Fund as a writer of an option may have no control over whether the underlying security may be sold (call) or purchased (put) and as a result bears the market risk of an unfavorable change in the price of the security underlying the written option.
- D. **Cash Equivalent** - Consists of investment in PNC Money Market Accounts which represent 1.72% and 3.48% of net assets for The Elite Growth & Income Fund and The Elite Income Fund, respectively.
- E. **Other** - As is common in the industry, security transactions are accounted for on the trade date. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Income distributions and capital gain distributions are determined in accordance with income tax regulations, which may differ from accounting principles generally accepted in the United States of America. These differences are primarily due to differing treatments for post - October losses, wash losses and amortization of bond premium and discounts. Interest income and estimated expenses are accrued daily.
- F. **Reclassification of Capital Accounts**. Accounting principles generally accepted in the United States of America require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share.

# THE ELITE GROUP OF MUTUAL FUNDS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2007

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On September 30, 2007, The Elite Income Fund increased undistributed net investment income and accumulated net realized loss on investments by \$140,504, due primarily to differing book/tax treatment of distributions and bond amortization. The Elite Growth & Income Fund increased accumulated net investment income by \$139,093, increased accumulated net realized gains by \$176,618 and decreased paid-in capital by \$315,711 due to differing book/tax treatment of distributions and short term capital gains.

**G.** Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**H.** Securities Lending – The Funds may lend portfolio securities to banks and member firms of the New York Stock Exchange that meet capital and other credit requirements or other criteria established by the Board. These loans may not exceed 33 1/3% of the total asset value of the Funds (including the loan collateral). The Funds will not lend portfolio securities to its investment advisor, sub-advisor or their affiliates unless it has applied for and received specific authority to do so from the SEC. Loans of portfolio securities will be fully collateralized by cash, Government securities or letters of credit. Loans of portfolio securities must be secured by collateral equal to the market value over the value of the securities loaned. If the market value of the loaned securities increases over the value of the collateral, the borrower must promptly put up additional collateral; if the market value declines the borrower is entitled to a return of the excess collateral. Income from lending activity is determined by the amount of interest earned on collateral, less any amounts payable to the borrowers of the securities and the lending agent. Lending securities involves certain risks, including the risk that the Fund may be delayed or prevented from recovering the collateral if the borrower fails to return the securities. Cash collateral received in connection with securities lending is invested in an Institutional Money Market Trust sponsored by PFPC Trust, the Funds securities lending agent.

### NOTE 3 – PURCHASES AND SALES OF SECURITIES

For the year ended September 30, 2007, purchases and sales of securities, other than options and short-term notes were as follows:

	<u>Purchases</u>	<u>Sales</u>
The Elite Growth & Income Fund	\$140,501,508	\$149,163,993
The Elite Income Fund	\$ 19,767,508	\$ 20,058,041

For The Elite Growth & Income Fund, transactions in covered call options written for the year ended September 30, 2007 were as follows:

	<u>Number of Contracts*</u>	<u>Premiums</u>
Options outstanding on September 30, 2006	800	\$ 475,284
Options written	12,700	5,872,735
Options terminated in closing purchase transactions	(11,500)	(5,498,715)
Options exercised	-	-
Options expired	-	-
Options outstanding on September 30, 2007	<u>2,000</u>	<u>\$ 849,304</u>

\* Each contract represents 100 shares of common stock

### NOTE 4 – INVESTMENT MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

The Funds retain McCormick Capital Management Inc. as their Investment Manager. Under an Investment Management Agreement, the Investment Manager furnishes each Fund with investment advice, office space and salaries of non-executive personnel needed by the Funds to provide general office services. As compensation for its services, the Manager is paid a monthly fee based upon the average daily net assets of each Fund.

# THE ELITE GROUP OF MUTUAL FUNDS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2007

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For The Elite Growth & Income Fund and The Elite Income Fund the rates are 1% and 7/10 of 1%, respectively, up to \$250 million; 3/4 of 1% and 5/8 of 1% over \$250 million up to \$500 million; and 1/2 of 1% and 1/2 of 1% respectively, over \$500 million for each Fund.

The Manager may voluntarily reimburse a portion of the operating expenses of a Fund for any fiscal year (including management fees, but excluding taxes, interest and brokerage commissions). Voluntary reimbursements may cease at any time without prior notice and are not subject to recoupment. For the year ended September 30, 2007 the advisor reimbursed expenses of The Elite Income Fund in the amount of \$18,955.

The Trust paid the Chief Compliance Officer \$26,246 for the year ended September 30, 2007.

Certain officers of the Trust are officers of the Advisor.

### NOTE 5 – CONCENTRATION

Although the funds have a diversified investment portfolio, there are certain credit risks due to the manner in which the portfolio is invested, which may subject the funds more significantly to economic changes occurring in certain industries or sectors. The Elite Growth & Income Fund has investments in excess of 10% in capital goods, consumer goods, energy, financial intermediaries and health care goods & services. The Elite Income Fund has investments in excess of 10% in securitized/asset backed bonds and corporate bonds – utilities – electric.

### NOTE 6 – DISTRIBUTION TO SHAREHOLDERS AND TAX COMPONENTS OF CAPITAL

The tax character of distributions paid during the years ended September 30, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
The Elite Growth & Income Fund		
Distributions from ordinary income	\$ 6,328,977	\$ 402,000
Distributions from long-term capital gains	\$ 7,023,224	\$ 7,456,696
Distributions from return of capital	\$ 315,711	\$ -
The Elite Income Fund		
Distribution from ordinary income	\$ 836,076	\$ 795,757
Distribution from long-term capital gains	\$ -	\$ -

The differences between distributions from ordinary income and long-term capital gains on a tax basis and distributions from net investment income and net realized gains as reported in the Statement of Changes In Net Assets for The Elite Growth & Income Fund are due to the differing book/tax treatment for short-term capital gains and losses.

As of September 30, 2007, the components of distributable earnings on a tax basis were as follows:

The Elite Growth & Income Fund	
Unrealized appreciation of securities and options	<u>\$ 10,083,047</u>

The difference between unrealized appreciation on a tax basis and accumulated net realized loss and unrealized appreciation as reported in the Statement of Assets and Liabilities is due to the temporary book/tax differences related to wash sales.

The Elite Income Fund	
Undistributed ordinary income	\$ 62,662
Post October loss	(130,057)
Other accumulated losses	(430,118)
Unrealized depreciation of securities	(68,208)
	<u>\$ (565,721)</u>

# THE ELITE GROUP OF MUTUAL FUNDS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

### September 30, 2007

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The differences between undistributed ordinary income and unrealized depreciation on a tax basis and undistributed net investment income and unrealized depreciation as reported in the Statement of Assets and Liabilities is due to the book/tax differences related to amortization of bond premiums and discounts.

The Elite Income Fund had a capital loss carry forward of \$430,118 as of September 30, 2007, of which \$576 expires in 2013, \$331,729 expires in 2014 and \$97,813 expires in 2015.

At September 30, 2007 the Elite Income Fund had deferred capital losses occurring subsequent to October 31, 2006 of \$130,057. For tax purposes, such losses will be reflected in the year ending September 30, 2008.

#### NOTE 7 – NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board (FASB) issued *Statement on Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements"*. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. SFAS no. 157 applies to fair value measurements already required or permitted by existing standards. SFAS no. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of this Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. As of September 30, 2007, the Funds do not believe the adoption of SFAS No. 157 will impact the amounts reported in the financial statements, however, additional disclosures may be required about the inputs used to develop the measurements and the effect of certain of the measurements reported on the statement of changes in net assets for a fiscal period.

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB interpretation 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes". This standard defines the thresholds for recognizing the benefits of tax-return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority and requires measurement of a tax position meeting the more-likely-than-not criterion, based on the largest benefit that is more than 50 percent likely to be realized. FIN 48 is effective as of the beginning of the first fiscal year beginning after December 15, 2006. At adoption, companies must adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained as of the adoption date. As of September 30, 2007, the Funds do not believe the impact of the adoption of FIN 48 will be material to the financial statements.

#### NOTE 8 – CONTINGENCIES AND COMMITMENTS

The Funds indemnify the Trust's officers and trustees for certain liabilities that might arise from their performance of their duties to the Funds. Additionally, in the normal course of business the Funds enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Funds' maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Funds that have not yet occurred. However, based on experience, the Funds expect the risk of loss to be remote.

#### PROXY POLICIES / AVAILABILITY OF QUARTERLY PORTFOLIO HOLDINGS (Unaudited)

The Elite Group proxy voting policies and the voting record for those proxies are detailed on our web site [www.elitefunds.com](http://www.elitefunds.com) and are also available on the Securities & Exchange Commission web site [www.sec.gov](http://www.sec.gov).

Portfolio Holdings: In addition to our Annual and Semi-Annual report which are dated September 30<sup>th</sup> and March 31<sup>st</sup> respectively, we will report to shareholders our security holdings as of June 30<sup>th</sup> and December 31<sup>st</sup>. The June and December reports will also be available on the SEC web site (N-Q) [www.sec.gov](http://www.sec.gov). Our security holdings are available on our web site and updated monthly [www.elitefunds.com](http://www.elitefunds.com).

## BOARD OF TRUSTEES AND EXECUTIVE OFFICERS (Unaudited)

Over all responsibility for management of the Funds rests with the Board of Trustees. The Trustees serve during the lifetime of the Trust and until its termination, or until death, resignation, retirement or removal. The Trustees, in turn, elect the officers of the Fund to actively supervise its day-to-day operations. The officers have been elected for an annual term.

There were four quarterly Trustee meetings in the fiscal year. All the Trustees had 100% attendance with the exception of Mr. Meisenbach and Mr. Parker who were unable to attend one meeting. Because Mr. McCormick and Mr. Meisenbach are the sole owners of the investment advisor, McCormick Capital Management, they do not receive compensation for their duties as Trustee, Chairman of the Board and President (Mr. McCormick) and Trustee, Treasurer and Secretary (Mr. Meisenbach). The three independent Trustees compensation was increased in June to \$2,000 per meeting or \$8,000 per Trustee per year. They received a total of \$20,200 for the fiscal year ending 9/30/07. The following are the Trustees and Executive of the Funds:

Trustee	Address	Age	Position Held with the Trust	Length of Time Served (Years)
Richard S. McCormick	1325 4 <sup>th</sup> Avenue Suite 1744 Seattle, WA 98101	61	Chairman, Board of Trustees and President	20
John W. Meisenbach	1325 4 <sup>th</sup> Avenue Suite 2100 Seattle, WA 98101	71	Trustee, Treasurer and Secretary	17
Lee A. Miller	P.O. Box 1882 Vashon Island, WA 98070	76	Trustee	12
John M. Parker	2400 Financial Center Bldg. Seattle, WA 98161	61	Trustee	20
Jack R. Policar	500 Union St. #410 Seattle, WA 98101	60	Trustee	20

Each Trustee oversees two portfolios of the Trust, including the Funds. The principal occupations of the Trustees and Executive Officers of the Fund during the past five years and public directorships held by the Trustees are set forth below. \*\*\*

* Richard S. McCormick	President and Chief Executive Officer of the Investment Manager
* John W. Meisenbach	Partner in MCM Financial (Insurance) Director of Costco Wholesale and Expeditors International
Lee A. Miller	Private Investor Vice President of Merrill Lynch & Co. (Retired)
John M. Parker	Sr. Vice President of Kennedy Associates, Inc. (Real Estate Advisor)
Jack R. Policar	President and Chief Executive of J. R. Policar, Inc. Certified Public Accounting Firm

\* *Trustees deemed to be an "interested person" of the Trust, as defined in the Investment Company Act of 1940.*

\*\*\* *Additional information about the Trustees is available in the Statement of Additional Information which is available upon request, or ready for viewing on our web site: [www.elitefunds.com](http://www.elitefunds.com)*

**MUTUAL FUND EXPENSE  
(UNAUDITED)**

There are several kinds of expenses involved in buying, selling and operating a mutual fund. These expenses represent costs to shareholders which will reduce the rate of return. The Elite Funds are “no load” mutual funds which mean there are no commissions, fees or expenses associated with paying sales representatives. Mutual funds that have sales fees are typically associated with stock brokerage firms, insurance companies, and some types of financial planners.

Although the Elite Group has no sales charges, like all the other funds it does have operating expenses. In addition to the fees paid to the manager of the fund there are expenses for attorneys, accountants, printing/mailings, transfer agent, custodians, and government registration fees. The table below is intended to help you understand your ongoing costs (in dollars) of investing in the fund and compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 at the beginning of the period and held for the entire period (April 1, 2007 through September 30, 2007).

The first line (“Actual Expense”) of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

The second line (“Hypothetical”) of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

In the Elite Funds there are no transactional costs so please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees, or exchange fees associated with other mutual funds. Therefore, the second line of the table is useful in comparing ongoing costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

The Elite Growth & Income Fund

	Beginning Account Value 4-01-07	Ending Account Value 09-30-07	Expenses Paid During Period* 04-01-07 to 09-30-07
Actual	\$1,000	\$1,051.61	\$6.99
Hypothetical (5% return before expenses)	\$1,000	\$1,018.33	\$6.87

The Elite Income Fund

	Beginning Account Value 4-01-07	Ending Account Value 09-30-07	Expenses Paid During Period* 04-01-07 to 09-30-07
Actual	\$1,000	\$1,014.41	\$4.77
Hypothetical (5% return before expenses)	\$1,000	\$1,020.33	\$4.79

\* Expenses are equal to the Fund’s annualized expense ratio of 1.36% for The Growth & Income Fund and 0.94% for The Elite Income Fund, multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period).

Returns and expenses are adjusted to reflect reimbursement from the manager which reduced the expense to the funds. These reimbursements may, at the discretion of the manager, stop at any time.

**Tax Information (Unaudited)**

The Trust is required to advise you within 60 days of the Funds' fiscal year-end regarding the federal tax status of certain distributions paid to shareholders during such fiscal year. The information below is provided for the fiscal year ending September 30, 2007.

During the fiscal year ended September 30, 2007, the Elite Growth & Income Fund hereby designates \$7,023,224 as long-term capital gain distributions.

Individual shareholders are eligible for reduced tax rates on qualified dividend income. For the fiscal year, the Funds hereby designate the following amounts of dividends paid to shareholders by each Fund as qualified dividend income:

<b>Fund</b>	<b>Amount</b>	<b>Percentage</b>	
Elite Growth & Income Fund	\$ 478,520	7.56	%
Elite Income Fund	11,879	1.42	%

Since the information above is reported for the Funds' fiscal year and not the calendar year, shareholders should refer to their Form 1099-DIV or other tax information which will be mailed in January 2008 to determine the calendar year amounts to be included on their 2007 tax returns. Shareholders should consult their tax advisers.