

# WATKINS | MEEGAN

October 20, 2011

To the Audit Committee  
Gunston Hall Regents Fund

We have audited the financial statements of Gunston Hall Regents Fund (the Regents Fund) for the year ended June 30, 2011, and have issued our report thereon dated October 20, 2011. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 19, 2011, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters on July 26, 2011.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Regents Fund are described in Note 1 to the financial statements. Other than the change in capitalization policy, no new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011. We noted no transactions entered into by the Regents Fund during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used and determined estimates are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

#### Investments

The disclosures in Notes 3 and 13 to the financial statements were based upon fair values. The Regents Fund's investments are classified according to the Regents Fund's investment policy.

#### Endowment

The Regents Fund's fair value of the endowment fund at June 30, 2011, is reported as an underwater fund, as the fair value of the fund is below the original cost.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes the uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a *disagreement with management* as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

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*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 20, 2011.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Regents Fund's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Regents Fund's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Audit Committee and management of Gunston Hall Regents Fund and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Watters McGowan LLC". The signature is written in a cursive, flowing style.

Attachment

Client: **07140.07141 - Gunston Hall Regents Fund**  
 Engagement: **AUD - Gunston Hall Regents Fund**  
 Trial Balance: **0905 - Gunston Hall Regents Fund**  
 Workpaper: **0930 - PJE's**

Account	Description	W/P Ref	Debit	Credit
<b>Passed Journal Entries JE # 101</b>		<b>3000.01</b>		
To reclassify contributions from unrestricted to temporarily restricted.				
30200-00	FUND BALANCE - PRIOR YEAR		9,193.00	
44905-02	Temp Rest/Reg Gen			9,193.00
<b>Total</b>			<u><u>9,193.00</u></u>	<u><u>9,193.00</u></u>