

# WATKINS | MEEGAN

October 28, 2014

To the Audit Committee  
The Board of Regents of Gunston Hall, Incorporated  
and Affiliate  
10709 Gunston Road  
Mason Neck, VA 22079

We have audited the consolidated financial statements of The Board of Regents of Gunston Hall, Incorporated and Affiliate (the Organization) for the year ended June 30, 2014, and have issued our report thereon dated October 28, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit.

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

As stated in our engagement letter dated August 20, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the consolidated 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 in our meeting with management and the Treasurer about planning matters on July 25, 2014 and August 25, 2014, respectively.

## 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 Organization are described in Note 1 to the consolidated financial statements. As described in Note 1 and Note 13, the Organization changed accounting policies related to their basis of accounting, which changed from the modified cash basis of accounting to the accrual basis of accounting, for the year ended June 30, 2014 and the beginning balance of net assets was restated to reflect the change in the basis of accounting. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated 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 consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was the allocation of the expense between program and supporting activities. We evaluated the key factors and assumptions used and determined estimates are reasonable in relation to the consolidated financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the consolidated financial statements were:

#### Investments

The disclosures in Notes 3, 7 and 12 to the consolidated financial statements were based upon fair values. The Organization's investments are classified according to the Organization's investment policy.

The consolidated financial statement disclosures are neutral, consistent and clear.

#### *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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are 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, a *disagreement with management* is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant to the consolidated financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

To the Audit Committee  
The Board of Regents of Gunston Hall, Incorporated  
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*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 28, 2014.

*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 Organization's consolidated 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 Organization'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 The Board of Regents of Gunston Hall, Incorporated and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Watkins Megan LLC". The signature is written in black ink and is positioned below the "Sincerely," text.

Attachment

Client: **07140.07141 - Gunston Hall Regents Fund**  
 Engagement: **AUD - Gunston Hall Regents Fund**  
 Trial Balance: **0901 - Gunston Hall Regents Fund**  
 Workpaper: **0140.02 - Copy of PJE's - Attach to WP 0140**

Account	Description	W/P Ref	Debit	Credit
<b>Passed Journal Entries JE # 103</b>		<b>5000.04</b>		
To adjust restoration expense at 6/30/14.				
16000-02	Deposit		11,992.00	
5450-00	Restoration			11,992.00
<b>Total</b>			<b><u>11,992.00</u></b>	<b><u>11,992.00</u></b>