Ernst & Young LLP
Suite 1000
55 Ivan Allen Jr. Boulevard
Atlanta, GA 30308

Tel: +1 404 874 8300
Fax: +1 404 817 5589
www.ey.com

The Audit Committee of the Board of Trustees
Morehouse School of Medicine and Affiliate

In planning and performing our audit of the consolidated financial statements of Morehouse School of Medicine and Affiliate (the School) as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit procedures, we noted the following control deficiencies (as described above) and have provided recommendations:

Alternative investments

We noted that during the current fiscal year, the School entered into certain passive investments in hedge funds, private equity funds, real estate funds, and commodities funds all of which do not have "readily available market values." We noted that because of the unique nature of many of these types of investments, they often present challenges for both management and the auditors of the investor entities. Many of these funds utilize complex investment strategies using underlying financial instruments, and the complete details of the underlying investments are often not readily available to the investor. In addition, many of these funds have a December 31 year-end, so there can be a large time lag between the date of the fund's audited financial statements and the fiscal year end of the investor or, in some cases, audited financial statements of the funds might not be available before the investor's financial statements must be issued. As a result, management can have difficulty in fulfilling its responsibility of maintaining ownership of the valuation for such investments.

We noted that as the School continues to increase the amount of such investments (within the approved asset allocation) held within its portfolio, it is critically important that management consider the following so as to fully understand any risks associated with the School's investments as well as to avoid potential deficiencies or material weaknesses in the School's internal control structure in future years:

- management's controls over the process to determine the fair value of the investment;

- the availability of information used in determining the fair value, including any details of the underlying investments;
- how often management interacts with the fund manager and the nature of such interactions, including the extent to which they will enable management to monitor the performance of investments held in the fund;
- the experience level of the School's management assigned to monitor the School's investments, particularly investments with complex investment strategies; the experience level of the School's management assigned to monitor the School's investments, particularly investments with complex investment strategies;
- the use of an investment advisor to monitor the alternative investment balances, including the underlying investments in the funds;
- the existence of investment purchases or redemptions near the balance sheet date that would be indicative of the fair value at that date;
- the availability of audited financial statements for the investee funds, the timing of when such audited financial statements are issued, and whether the audits are conducted by a qualified and reputable independent audit firm; and,
- the nature and extent of initial due diligence performed by management when selecting investments.

While valuation of such investments and the controls in place at the investor entity has been an important focus in recent years given the current credit crisis, it is imperative that management at the School also implement appropriate internal control and monitoring measures over such balances.

Management's response:

Management has implemented an investment strategy that limits its exposure to alternative investments. Target asset allocations for such investments are established and approved by the Finance Committee of the Board of Trustees in accordance with our Investment Policy.

Management will monitor the ongoing valuation of alternative investments by obtaining financial statements for each investment. Discussions will be held with our investment manager and alternative fund managers to review valuation methods. Annually we will request reports documenting valuation strategies and methods with each fund manager.

Financial reporting

During the current fiscal year, we noted that the School's Office of Institutional Advancement (Advancement) and Finance Office contribution records are not properly reconciled on a regular basis. This can result in material discrepancies between the amounts being reported by Advancement and the Finance Office. As a result, we recommend that the records between Advance and the Finance Office be reconciled at least quarterly. Any differences should be followed-up on and investigated in order to determine proper recording in the general ledger.

Management response

The School has implemented procedures that reconciles and documents the records of the advancement and financial office on a quarterly basis.

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This communication is intended solely for the information and use of management and the Audit Committee of the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience

Ernst & Young LLP

February 8, 2010