

Rensselaer Polytechnic Institute

Procedure on Accounting for Quasi Underwater Endowments

For all UW endowments for Quasi Endowments:

1. **Underwater Quasi endowment funds will not receive the entire spending formula, only the interest and dividends.**
2. The per share spending formula (\$2.18404 for FY12) will be split between interest/dividends and appreciation. For FY12, 20% of the per share spending allocation is due to interest/dividends and 80% is attributable to appreciation.
3. The interest and dividends estimate (\$0.45 for FY12) will be posted on a monthly basis to these funds not the entire spending formula.
4. Quarterly, UW endowment spending funds will be reviewed.
 - a. If the fund balance is positive, no action is necessary.
 - b. If the fund balance is negative, a plan for the deficit must be prepared by the portfolio business manager. This deficit can be funded from the original corpus of the endowment or other discretionary funds of the portfolio.

Example of Quasi Endowment Underwater:

Market Value:	\$1,093,756
Appreciation:	(238,387)
Total FY10 Spending Formula:	69,431
From interest/dividends	13,886
From Earnings	55,545

1. Is the Endowment UW?
Appreciation is less than \$0, YES, Endowment is UW
2. Earnings due to interest/dividend of \$13,886 are posted to fund for FY12.
Quarterly, expenditures and fund balances are reviewed. Using FY12 1st Qtr expenditures as an example:

Starting Balance	\$40,963
Income (3 mths of \$13,886)	3,472
Expenses:	
Faculty Salary	16,912
Fringe Benefits	5,107
Travel	15,000
Equipment	10,000
Surcharge on Income	347
Balance at end of 1 st Qtr	(2,931)

1. Is the balance negative? Yes
2. Negative balance is discussed with Portfolio business manager. Deficit can be funded from corpus of the endowment or from other Portfolio discretionary funds.