

How To: Track Recallable Capital in *Private i*

Private i

There are two ways to track recallable capital in *Private i*; each method will have an impact on both reporting and the investment multiple (TVPI,) and must be considered in selecting best practices for your organization. The method selected for tracking recallable capital does not affect the IRR or unfunded commitment calculations. The methods below are not mutually exclusive. Organizations can use a combination of the methods based on the situation.

As a Negative Capital Call in the Funding Ledger

- Included in all funding reports.
- Affects the validity of the investment multiple calculation by reducing the value of paid-in capital for the investment.
- Temporarily reduces the paid-in capital amount.
- Not included in distribution totals.
- Can result in cash reconciliation issues: *Private i* reflects the recallable portion of a distribution in the funding ledger, and the remainder in the cash ledger; whereas bank statements reflect the full distribution amount.
- When the capital is recalled, a new, positive funding record offsets the negative record previously entered; total paid-in capital does not exceed the commitment amount.
- Allows for monitoring of recallable amounts when flagged with the type 'Temp Return of Capital' in the funding ledger.

As Recallable Capital in the Cash Ledger

- Included in the Cash Distributions with Details report.
- Ensures that the investment multiple calculation is valid by including recallable capital in the total value of the investment.
- Does not affect total funding paid into the investment.
- Amount appears as part of the distribution record.
- Reconciles with bank statements because the full amount of the cash distribution is recorded in the cash ledger.
- May distort paid-in capital amounts, as capital is recalled and the new funding record increases the total paid-in capital. Over time, it may appear as if paid-in capital exceeds the commitment amount.
- Allows for monitoring of recallable amounts when entered as type 'Recallable Capital' in the cash ledger.
- The total recallable amount is easy to see in the Committed Capital report, found in the LP Investments module.

Best Practice Based on the Situation

- If a portion of the distribution received is marked as recallable by the General Partner, it should be recorded as recallable capital in the cash ledger.
- If the original funding amount was never put to work resulting in a temporary return of capital, an offsetting negative capital call should be posted in the funding ledger.