

HUBBARD COMMUNICATIONS OFFICE
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CenOCon HCO POLICY LETTER OF JUNE 3rd, 1959

FINANCIAL MANAGEMENT

The financial management hat of Scientology Organizations has assumed a great importance now.

Financial management is ordinarily done by the Assoc. Sec., the Org. Sec. or the Treasurer and possibly, in some cases, the Director of Accounts, but is always under the direct responsibility of the Assoc. Sec. no matter who wears the hat.

It is the purpose of the hat to ensure solvency of the organization and its divisions.

This hat would be worn both in the service organization and HCO and/or in some cases for both the service organization and the HCO.

The basic principle of financial management is a simple one. Income must be greater than outgo.

Amongst the principles of financial management are these: One cannot spend money unless he has it. Never contract bills or debts unless the money is immediately in sight to pay for them. Calculate all predictions necessary to security. Disseminate like mad and make money rapidly.

Every organization should be on a contract and purchase budget. A certain amount of money is laid aside every week to pay salaries and current operating expenses and no debts are incurred until the money is there to pay for them or can be predicted to be there to pay for them. Any money left over is used to pay past bills and handle special projects.

The calculation of the budget is very simple. It is done as follows:

1) Take a dozen of the lowest weeks in the past year (ignore the high weeks), add up these 12 weekly incomes and then divide by 12. This gives you an average low week of income. This is then obviously a fairly safe figure on which to base a budget.

2) From this average low income week deduct 10% to HCO. From this 90% subtract 45% of it, not of the gross. From this 45% deduct 8% of the 90% figure. This gives you the amount of money now available for operating expenses of the organization, rents, utilities, supplies, equipment and other expenditures including advertising.

Example:

Average low week	£200
Less HCO 10%	20
90% balance	<u>180</u>
45% (Exp. and Bldg F.)45
	900
	<u>720</u>
Exp. and Bldg. F.	81.00
Special Fund	<u>14.4</u>
	266.6

180
 .08 Spec. Fund
14.40

We can see from this that our total available budget must now cover rents, purchases, time payments, hire-purchase, utilities, supplies, equipment, paper, printing, the whole works.

Total available for budget: £66.12 per week. In calculating the 10% for HCO and the 8% for the Special Fund, one takes these, of course, from the actual gross. The figures above show the portion which comes from the budget figure in order to establish the budget. After the budget is once calculated it is adhered to. The £66 above is the actual figure. It is not recalculated. It is spent for all expenses. HCO 10%, Salary Sum, 8% for special Fund all come out of the actual weekly income entire and are transferred at once to proper accounts.

The way HASI London got into trouble was to have an authorized buying and contracting at every hand without regard income and the way it tried to stay out of trouble, rather laughably but serious enough in the long run, was to only pay as many bills as they had money in the expense sum. This, of course, was an idiotic procedure. The control point must be on purchasing and contracting not on paying bills. As a result of this policy when I returned to financial management overall at a board level and put a financial management hat into the organization we had £18,000 of unpaid bills, which were so secret that no record was even kept of them by the Accounts department. They were evidently waste-basketed. One of the methods used to 'follow the comm lines' was after a purchase was made, the goods delivered a purchase order would be hastily made out so as to "make the records complete." Accounts not being able to pay the bill would then file it carefully in some mouse-hole and not advise anybody about it.

The point of entrance of financial management then is the regulation of purchase and contract and the severe calculation of and precise ordering of all supplies and the careful calculation of future rents.

Here we are not fooling. We must run within our income or we won't have any organization at all.

What happens to the money which is left after we have spent our budget? We can do several things with it, but the best thing is to take this money periodically and bring the organization up to snuff with equipment and supplies to the degree that we have actual cash with which to pay for them, and not to buy one more paper-clip than we can buy with cash. Furthermore this money can be utilized for wide advertising programs and other things which we so desperately need. But unless we budget ourselves within an income and only spend money that we have and not contract for expenditures of money that we do not have and cannot expect to have we won't survive very long.

Therefore, the fundamental of financial management is guaranteeing the survival of the organization within the economic framework of the society.

However, financial management must also be real. If it has a £66.0.0 a week budget for the expenditure of the organization on current bills, rents, etc. it must spend it and not try to chip down on its actual budget. It counts on high weeks to simply provide extra funds which will be needed probably semi-annually to buy the things the organization has been out of for a long time or to engage in special projects desperately needed for dissemination.

Running 8-0 on money is very difficult to do, I am told. I personally have never found it so but many people have.

If the organization is only permitted to spend a certain amount of money it has a prediction and there is no question about it. Salary sum varies. All other sums for transfers, of course, come out of the main account but the budget sum must cover all the expenses, rents, equipment and other things of the organization.

It is up to a financial manager to be very, very, very tough and to learn how to say no, no, no, no. In fact, it would be a very good thing if he stood in front of a mirror for ten or fifteen minutes a day saying "no." This would be an excellent drill.

It is very important to this hat to be handled at once and it would be enforced ruthlessly, otherwise we are going to continue to run into financial jams and never have enough money to do any broad advertising in the London "Times" and "Saturday Evening Post" or anything else. Besides which, we won't even be there to do it.

The budget of Washington and London have already been set by Sec. E.D. and is not to be changed. Other organizations should set up their own budget as above.

L. RON HUBBARD

LRH:MP:mes
4th Jun. 59