

HUBBARD COMMUNICATIONS OFFICE
Saint Hill Manor, East Grinstead, Sussex

HCO POLICY LETTER OF 9 MARCH 1972
Issue I

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Finance Series 11

INCOME FLOWS AND POOLS
PRINCIPLES OF MONEY MANAGEMENT

(This P/L corrects any earlier P/L where
there is a difference or conflict.)

POLICY

If a management unit such as a Bureau, a Continental Liaison Office, an OT-Liaison Office or any agent thereof such as a Guardian or FBO or Flag Rep is any good, THE NEAREST SERVICE ORG WILL MAKE AMPLE MONEY TO PAY the managing unit and HAVE LOTS LEFT OVER TO SWELL SO Reserves.

Therefore if the managing unit or activity next to a Central Org or service org is "In funds" or "without funds" it is a direct index of management quality as expressed in the stats of the nearest service org.

MAJOR ORG

For an OTL the term CENTRAL ORG must have active use as applied to their nearest Major Org.

For a CLO an AOLA or AOSH is the nearest org therefore its Major Org.

For Flag, the Flag Admin Org is the nearest Service Org.

FLOWS

An OTL or CLO or Bureaux *must* manage lesser orgs so they build up a public that (1) services locally with these lesser orgs and (2) FLOWS CUSTOMERS TO THE MAJOR ORG.

Thus Field Auditors-Franchises-Small Orgs-CENTRAL ORGS-SHs-AOs is THE FLOW *LINE* without which the Central Org or top org will go broke.

If these lesser activities are kept prosperous and flowing persons *upward* via the FSM system and other systems THE LOCAL, CONTINENTAL and INTERNATIONAL management units WILL BE IN CLOVER.

If this flow line is not made to operate that way all will be awful. If it *does* operate that way all will be *well*.

A *CENTRAL ORG*, THEREFORE, MUST GIVE HIGHER (IN TYPE) AND BETTER SERVICES THAN FEEDER ORGS.

An AO must give higher better services than an SH.

Flag services must be higher in class than an AO's.

DEFINITIONS

Lack of precise definition as to what is Income and what is "Reserves" has caused trouble in identifying activities and in this flow line of management and income.

The main trouble it has caused is that a management unit, not having precise definitions and not knowing the flow lines (as above) reaches out to the wrong "finance pools" for their support.

(Examples: A Continental CLO tried to live on Management 10% which were not theirs [UKLO '71]. A CLO let the nearby AOSH go down and tried to live off Flag [USLO '71]. A CLO let an AO go down ignoring it completely while building up only its most distant org [USLO '71]. A Div III would not collect actively on huge debts because it could borrow from the corporation [FAO '71]. An OTL ignored its nearby CENTRAL ORG and kept trying to get its support from its CLO [ANZO '71]. The earliest example was a Navy Admiral [Scoles] running the LA foundation into the ground in 1950 because he thought it should be supported by Elizabeth, New Jersey.) The WHY of all these was lack of understanding of Flow Lines, and lack of definition of income, expenses and reserves as different, precise money pools and different types of orgs.

DEFINITIONS

FLAG: The main vessel of the SO.

FLAG ADMIN ORG: The Service Org on Flag.

FLAG BUREAU: The International Management body of the SO with additional advisor and management activities.

THE SEA ORG: A corporate activity headed by a Board of Directors which owns and controls the ships, orgs and activities of the Corporation.

WORLDWIDE (WW): The corporation that owns and controls Scientology Orgs, currently under the advices of the SO after its 1968 failure to maintain orgs in solvent condition.

CONTINENTAL LIAISON OFFICE: The SO Office of a Continent that manages that Continent.

OPERATION-TRANSPORT LIAISON UNIT: The branch office of a CLO managing the area or orgs assigned to it.

ORG FINANCE BANKING OFFICER: The FBO attached to an org to help the Continental FBO manage it financially under SO control.

THE CONTINENTAL FBO: The FBO Officer and office engaged in the financial management of a Continental Area under SO Control.

FLAG INCOME: Flag (FAO) collections by reason of on-board services, Missions, books and manufactured items, plus 10% of CGI of orgs managed (Flag Bu) except where WW has prior claim to the 10%. Does not include Canteen or Bookstore.

TOTAL FLAG RECEIPTS: Total Flag (FAO) collections, Mgmt Bureau Income plus Canteen/Bookstore.

FLAG EXPENSES: Total of all Flag and Bureau and Management expenses, including Bills paid for Flag by FBOs but not Canteen/Bookstore expenses.

TOTAL FLAG EXPENSES: Flag Expenses plus Canteen/Bookstore.

FLAG EXPENSE: The total cost of the Apollo, its crew, the FAO, the Flag Bureaux, Flag missions and comm, any Flag shore base or Flag relay unit, and any repairs on her equipment whether paid on board or on behalf of Flag by Continental FBOs.

FLAG RESERVES: Any money made by Flag's FAO services and Bureaux Management 10% over and above the *total expenses* of the ship, the FAO, the Bureaux and the crew.

INTERNATIONAL MANAGEMENT INCOME: The 10% collected by Flag Bureaux and Flag for services of Management. This is 10% of the Corrected Gross Income of those orgs or Franchises that do not pay 10% to WW.

SEA ORG RECEIPTS: The combined gross receipts of all SO orgs, ships and activities, being the total receipts of a *corporation which is managed by a board*. It is *not* the income of "Flag" or "Management" or CLOs or Flag Bureaux or FAO or Ship.

SO INCOME: The amount of money received by the corporation after the allocation to SO and Scn orgs and before management expenses are taken out. Includes SO orgs, Scn orgs, Pubs and any other activity for which the corporation is advising or managing. It does not include the gross income of Scn orgs or such activities, only the money they pay to the SO.

SO DISBURSEMENTS: The amount of money expended in support of SO orgs, ships, management, comm, everything including sums paid to management units as expenses and 10% so paid as all or part of their expenses.

SO RESERVES: Often miscalled "Flag Reserves" or "Management Reserves" which they are NOT. SO Reserves are: The amount of money collected for the corporation over and above expenses that is sent by various units (via FBOs and the Finance Network to the corporation's Banks. It is used for purposes assigned by the BOARD OF DIRECTORS and for NO OTHER PURPOSE. These are normally employed for periods of stress or to handle situations. They are NOT profit. It is *not* support money for "Flag" or "Management". It is *not* operating money (Examples: Huge sums were required to cover WW when under attack and to catch the PUBS 1970 crash.)

CLO EXPENSE: A CLO is supported by funds from its nearest major org. This does not mean all funds above allocation for that org belong to a CLO. 10% of the CGI of the major org should be more than adequate to support a CLO since if the CLO is any good at management at all the income will be high in that major org. It is expected to send far more to SO Reserves than it consumes.

OTL EXPENSE: The same as a CLO. Nearest major org supports it. If any good it will boom that org and others as well. It has to boom others so they will feed to the nearest major org. It is expected to send far more to SO Reserves than it consumes.

CLO-OTL RESERVES: Any reserves that may be built up locally by hook and pack sales, events, FSM Commissions and booming the major org. It is expected to send far more to SO Reserves than it consumes.

ORG RESERVES: Any reserves that may be built up by an FBO by reason of astute guardianship of the org's funds. Far more than such reserves go to SO Reserves.

LOCAL RESERVES: The reserves built up by an FBO, OTL, CLO, Org, ship or Activity by reason of booming the org. These may not be built up at the arduous expense or denial of SO Reserves.

FBO CONTINENTAL EXPENSE: The FBO Cont'l expense is paid by the CLO to which it is attached. Thus it must make lines flow. It collects for OTC!

FBO LOCAL EXPENSE: Paid by org to which the FBO is attached and collects for OTC Ltd and other management units.

GOVERNING POLICY

The governing policy of Finance is to:

- A. MAKE MONEY.
- B. Buy more money made with allocations for expense (bean theory).
- C. Do not commit expense beyond future ability to pay.
- D. Don't ever borrow.
- E. Know different types of orgs and what they do.
- F. Understand money flow lines not only in an org but org to org as customers flow upward.
- G. Understand EXCHANGE of valuables or service for money (P/L Exec Series 3 and 4).
- H. Know the correct money pools for any given activity.
- I. Police all lines constantly.
- J. MAKE MONEY.
- K. MAKE MORE MONEY.
- L. MAKE OTHER PEOPLE PRODUCE SO AS TO MAKE MONEY.

A small sack of beans will produce a whole field of beans. Allocate only with that in mind and demand money be made.

A finance management which does not understand and USE these principles will be like a driver who hasn't the tech to drive a car. He'll wreck it or not driving it at all will have no transport.

Money is a *tech*. IT FLOWS. Although one dollar looks like another dollar, they may be from completely different places and mean completely different things.

L. RON HUBBARD
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