

HCO POLICY LETTER OF 17 MARCH 1982

Remimeo

Finance Series 28

FBO FP ADJUDICATION

A monitoring point in the FBO's judgement of how much to give the org for its FP is how much is the org delivering.

The FP should really not be more than the org's VSD. VSD is a reflection of how much the org is delivering.

If the org's VSD is high, and high consistently, then the org is in good shape, and will probably continue to be in good shape, and worth investing into. It is worth it to the FBO to invest his beans into such an org.

If the org's VSD is low and consistently low, then the org is in poor shape and likely to be in worse shape. Putting beans into such an area is not a good investment for the FBO.

The FBO must not let the org run on unearned income, and income collected on which service is undelivered, is really unearned income. The org hasn't really earned it, the org merely collected it.

What is meant here is NOT that every penny collected by 14:00 hours Thursday should be delivered by 14:00 that same Thursday. Of course it would not be. But on the average, week after week, an org should be delivering at a rate matching what it is collecting. Otherwise, it will build up unused APs. And an org certainly should NOT be spending more than it is delivering.

It is not important if this week it spent a little more than its VSD as long as next week, it spends a little less. An org must not be permitted to spend ON AN AVERAGE more than its level of delivery.

This is a point of FBO judgement. His adjudication is, "Is this org running consistently on more than the dollar value of what it is delivering?" If so, that org is going to starve. "Is this org running consistently on less than the dollar value of what it is delivering?" If so, then that org is in good shape, and there will be coffee and cakes for all.

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