

4

SCIENTOLOGY ACCOUNTS AUDITS

INCOME AUDIT CATEGORIES

TRAINING AND PROCESSING

This income category accounts for receipts associated with the ministry of religious services to parishioners. Within this category are seven subcategories:

- 1A NOTS, SOLO NOTS AND LEVELS ABOVE OT VII
- 1B ADVANCED COURSES
- 1C TRAINING
- 1D PROCESSING
- 1E QUAL
- 1F BASIC COURSES
- 1G **FREELoadERS BILLINGS:** Staff members who enter into a staff contract are entitled to participate in religious services at their employing church without making any donation. If a contracted staff member leaves the church's employ before completing his or her contracted term of service, he or she will be billed for some or all of the requested donations for the religious services he or she received while on staff. Although legally enforceable, such debts are enforced only through ecclesiastical means: a former staff member generally will not be permitted to participate in additional religious services until the debt is satisfied. (Debit/Credit Breakdown only). Collections on Freeloader Billings are accounted for under Income Category Code 6B.

This category does not include prepayments received or credit collections, which are accounted for under Income Category Code Number 6.

BOOKSTORE SALES

- 2A **BOOKSALES:** This income category accounts for all sales of books, tapes, packs, insignia, bulletins, worksheets and any other tangible items other than meters and accessories.
- 2B **METER SALES:** This income category accounts for all sales of E-meters and accessories.
- 3 **MEMBERSHIPS:** This income category accounts for payments for "I Want to Go Clear Club" or the "OT Club" memberships.
- 4 **FSM COMMISSIONS RECEIVED:** This income category accounts for fundraising (FSM) commissions received from other orgs, e.g., from Flag or an Advanced Org

Ex. III-4-B

5 DONATIONS: This income category accounts for contributions for any purpose not associated with ministry of religious services or purchase of religious materials.

MEMBERS ACCOUNTS

6A ADVANCED PAYMENTS (APs)/PREPAYMENTS RECEIVED (PPR): This income category accounts for donations received in advance of participation in religious services by the contributing parishioner.

6B CREDIT COLLECTIONS: This income category accounts for payments received on credit and collections from former staff.

6C DEBITS/CREDITS: The total of the Debit/Credit Breakdown goes in this category.

DISBURSEMENT CREDITS: This income category accounts for all money received which offsets or reimburses a disbursement e.g., phone money, photocopies paid for, returned mission and travel expenses, etc. The relevant disbursement code is added, for example, a return of phone money advanced would be 7/07. Other subcategories are:

7/03A FSM AWARDS: Awards credited directly to FSMs' Accounts. (Debit/Credit Breakdown only).

7/22 BANK CHARGES: Bank charges deducted from deposits on credit side of bank statement

7/22A BANK INTEREST RECEIVED

7/23R EXCHANGE DIFFERENCES AND REALIZED GAINS ON CURRENCY CONVERSIONS

7/23P EXCHANGE DIFFERENCES (UNREALIZED)

7/24 BOUNCED CHECKS -- NO DEBIT/CREDIT

7/24A COLLECTIONS OUT (MINUS FIGURE): Checks, foreign currency bank drafts, or Letters of Transfer which have to be sent out for collection before they can be credited by the bank on the bank statement. These amounts sometimes are not deposited immediately, or, if not deposited, are not immediately creditable to the church's account. Because the invoiced amounts have been counted as income, amounts must be subtracted using this category (Collections Out) so that the bankings (deposits) reconcile with the income

amount on the audit. (Note: when the money is collected, it is accounted for under Income Category 11B as a Collection In.)

- 7/27A RETURNED DISBURSEMENTS - LAND & BUILDINGS
 - 7/27AS SALES ON LAND & BUILDINGS
 - 7/27B RETURNED DISBURSEMENTS - PLANT & TECHNICAL
 - 7/27BS SALES OF PLANT & TECHNICAL
 - 7/27C RETURNED DISBURSEMENTS - FURNITURE & EQUIPMENT
 - 7/27CS SALES OF FURNITURE & EQUIPMENT
 - 7/27D RETURNED DISBURSEMENTS - OFFICE EQUIPMENT
 - 7/27DS SALES OF OFFICE EQUIPMENT
 - 7/27E RETURNED DISBURSEMENTS - AUTOMOBILES
 - 7/27ES SALES OF AUTOMOBILES
- 8 SALES TAX OR VALUE ADDED TAX (VAT)

LOANS

- 9A LOANS RECEIVED: A suffix code is used to indicate the source from which the loan has been received. Examples: 9A BANK meaning a loan received from the bank; 9A CSRT means a loan received from CSRT (Church of Scientology Religious Trust).
- 9B LOAN REPAYMENTS RECEIVED: A suffix code is used to indicate the person or org repaying a loan.
- 10 CONTRAS: This income category accounts for all income items which have an offsetting disbursement.
- 10A CONTRAS - OVERLAP PRIOR: Contra which matches a disbursement (contra) from a prior period.
- 10B CONTRAS - OVERLAP FORWARD: Contra which matches an amount to be disbursed in a future period.

BOUNCED CHECKS COLLECTED/COLLECTIONS IN

- 11 BOUNCED CHECKS COLLECTED
- 11A BOUNCED CHECKS/BOUNCED CHECKS COLLECTED: Debits to parishioner accounts for checks returned for insufficient

funds, and credits to parishioner accounts for such checks later collected. (Debit/Credit Breakdown only.)

- 11B COLLECTIONS IN: Credits for monies collected from checks, bank drafts and letters of transfer previously sent out for collection (see category 7/24A).
- 12 REPAYMENTS DEBITS: Debits to parishioner accounts for repayments made. (Debit/Credit Breakdown only.)
- 13 INTER-ACCOUNT TRANSFERS: This income category accounts for transfers of funds to one org bank account from another bank account within the same org.
- 13A INTER-ACCOUNT TRANSFERS FROM OVERSEAS OR RESERVE ACCOUNTS
- 13B INTER-ACCOUNT TRANSFERS - OVERLAP PRIOR: This income category accounts for any inter-account transfer which matches a disbursement from a prior period.
- 13C INTER-ACCOUNT TRANSFERS - OVERLAP FORWARD: This income category accounts for any inter-account transfer which matches a disbursement from a later period.
- 14 INTER-ORG TRANSFERS: This income category accounts for payments from other church organizations that are part of the same corporation. This category does not include any payments which come from outside the corporation; those go in category 15. A suffix code is used to indicate the org or unit within the corporation from which the payment has been received. Example: 14-AOLA would signify an Inter-org transfer from AOLA to another org within CSWUS. Inter-org transfers are separately categorized for each separate church org within the corporation.
- 15 CONTRIBUTION FROM OTHER ORGS: This income category accounts for all contributions from orgs that are not in the same corporation as the recipient org and which are not covered under one of the other income categories.
- 16 OTHER/SUSPENSE: This income category is used for any receipt that does not fit under any other category; each such item is separately scheduled. This category also is used temporarily for unidentified items while the missing data is being obtained.
- 30 RENTAL INCOME
- 31 CANTEEN RECEIPTS: This income category accounts for receipts from the canteen, vending machines, laundromat and pay phone commissions.

- 32 ROOM AND BOARD: This income category accounts for cash receipts for room and food, whether room by itself and food by itself, sale of meal tickets, restaurant receipts, etc.
- 33 INSURANCE CLAIMS
- 34 LEGAL COSTS AWARDED

SCIENTOLOGY ACCOUNTS AUDITS

DISBURSEMENT AUDIT CATEGORIES

- 1 PURCHASES FOR RESALE: This disbursement category accounts for books, tapes, E-Meters and accessories purchased for resale in church bookstores.
- 2 SALARIES: This disbursement category accounts for salaries, commissions and bonuses paid to staff, including any federal and/or state withholding taxes withheld from compensation.
- 3 FSM COMMISSIONS
- 3A COMMISSIONS AND AWARDS: This disbursement category accounts for commissions other than FSM commissions and any non-monetary awards.
- 4 POSTAGE AND CARRIAGE/FREIGHT CHARGES: This disbursement category accounts for postage and carriage incurred in the ministry of religious services and dissemination of the Scientology faith. Shipping on books and meters purchased for resale are accounted for under Disbursement Category 1.
- 5 RENT: This disbursement category accounts for amounts paid for use of real property. Rent for cars, machines or equipment are accounted for under separate categories. Security deposits are accounted for under Disbursement Category 29 and do not become a rent expense unless they are actually used to pay rent. Rent for outside staff berthing facilities is accounted for under Disbursement Category 14.
- 5A INSURANCE: Examples: fire, general liability, workers compensation, disability, etc. This category does not include auto insurance which is accounted for under Disbursement Category 16.
- 5B PROPERTY TAX, RATES, ETC.: This disbursement category accounts for all real estate or personal property taxes (called General Rates, in the United Kingdom), licenses, permits, other taxes and minor fees. Sales tax/value added tax or payroll taxes withheld are accounted for under Disbursement Categories 35 and 2, respectively.
- 6 UTILITIES (LIGHTING, HEATING & WATER): This disbursement category accounts for deposits of less \$100.00. Deposits in excess of \$100 are accounted for under Disbursement Category 29.

- 7 TELEPHONE, TELEX, FAX & PAGERS
- 8 REPAIRS AND MAINTENANCE: This disbursement category accounts for general upkeep of premises and equipment, including supplies like paint, nails, tools. Auto repairs are accounted for under Disbursement Category 16. Capital expenditures to increase the value of premises or equipment are accounted for under Disbursement Category 27a.
- 9 CLEANING AND LAUNDRY
- 10 OFFICE AND ADMINISTRATIVE EXPENSES: This disbursement category accounts for office supplies, graph paper, office machine supplies, office reference books, vending machine expenses, and similar recurring expenses that do not fit under any other category.
- 11 HIRE (LEASE) OF EQUIPMENT: This disbursement category accounts for hiring or leasing charges on equipment such as office equipment, where ownership remains with the lessor. Installment purchases are accounted for separately under Disbursement Category 41.
- 12 DISSEMINATION EXPENSES: This disbursement category accounts for expenses incurred to proselytize Scientology, including public events.
- 13 PRINTING AND STATIONERY: An acquisition of new printing equipment would be accounted for under Disbursement Category 27B.
- 14 STAFF WELFARE (SEA ORG ORGS only): This disbursement category accounts for staff food, uniforms, berthing, medical/dental costs, child care, and similar benefits accorded members of the Sea Org.
- 15 SERVICE COMPLETION AWARDS: This disbursement category accounts for small awards to parishioners upon completion of particular religious services.
- 16 TRAVEL AND TRANSPORTATION EXPENSES: This disbursement category accounts for all transportation and lodging expenses for staff members travelling on org business, whether locally or out of town. This disbursement category also includes costs associated with operation of vehicles owned by the org (vehicle registration and insurance, repairs, etc.) Travel costs for staff to participate in religious services at other orgs are accounted for under this category, but their living expenses while attending courses out-of-town are accounted for under Disbursement Category 38 (Staff Training Expenses). Purchase of

automobiles is accounted for under Disbursement Category 27E. Transportation costs directly connected with public events (for example, airfares for speakers; local transport for attending parishioners and guests) are dissemination expenses accounted for under Disbursement Category 12.

- 17 SCHOLARSHIPS: This disbursement category accounts for stipends or study allowances awarded to parishioners.
- 18 LEGAL AND PROFESSIONAL: Professional fees paid in connection with the purchase of real property are accounted for under Disbursement Category 27A.
- 19 AUDIT AND ACCOUNTANCY
- 20 COURSE MATERIALS: This disbursement category accounts for materials purchased for use in connection with religious services rather than for resale.
- 21 INTEREST PAID: This disbursement category accounts for mortgage interest, late payment charges on mortgages, and interest on late tax payments. The principal portion of mortgage payments is accounted for under Disbursement Category 30.
- 22 BANK CHARGES AND INTEREST
- 23R EXCHANGE DIFFERENCES & REALIZED LOSSES ON CURRENCY CONVERSION
- 24 BOUNCED CHECKS: This disbursement category accounts for debits for checks returned for insufficient funds.
- 25 REPAYMENTS (OF ADVANCED PAYMENTS): This disbursement category accounts for return of all or part of an advanced payment to a parishioner or the transfer of his or her advance payment to another org, where the parishioner did not participate in the religious services with respect to which the advance payment was made.
- 26 REFUNDS: This disbursement category accounts for donations returned to a parishioner who has participated in the religious services with respect to which the donation was made.

FIXED ASSETS:

This disbursement category includes various sub-categories for items of lasting value which have a life of more than one year. This category does not include items of personal property

purchased for less than \$100.00 irrespective of their useful lives. This category also includes sales tax and shipping costs involved in the purchase of the specified assets.

- 27A PURCHASE OF LAND AND BUILDINGS (REAL ESTATE OR PROPERTY): This disbursement category accounts for the original purchase cost of land and buildings and associated professional fees. Inventory, furniture and/or equipment within purchased real property are accounted for under Disbursement Categories 27 B-D).
- 27A1 LAND AND BUILDING IMPROVEMENTS: This disbursement category accounts for improvements to existing real property and all costs of self-constructed buildings.
- 27B PLANT AND TECHNICAL EQUIPMENT: This disbursement category accounts for boilers, central heating, sprinkler systems, electrical wiring and installations, water and sewer lines, plumbing fixtures, printing equipment, computers, tape recorders, film projectors, address equipment, agricultural equipment, catering equipment, and similar property.
- 27C FURNITURE, FIXTURES AND FITTINGS: This disbursement category accounts for desks, chairs, tables, carpets, curtains, beds, bathroom fittings, picture frames and photographs/paintings, busts, light fixtures and anything fitted to or on walls, floors and ceilings.
- 27D OFFICE EQUIPMENT
- 27E MOTOR VEHICLES

LOANS

- 28A LOANS BY THE ORG TO OTHER ORGS (OR INDIVIDUALS)
- 28B LOAN REPAYMENTS FROM THE ORG TO OTHER ORGS OR CORPORATIONS: Payments on mortgage loans are accounted for under Disbursement Category 30.
- 29 DEPOSITS OR SECURITY
- 30 MORTGAGE LOAN REPAYMENTS: Mortgage loan interest is accounted for under Disbursement Category 21.
- 31 CONTRAS: This disbursement category accounts for bank debit errors or corrections, relays of monies received for (or on behalf of) another organization which are now being disbursed to the proper recipient, and any payment which offsets a contra income item received. (NOTE: The Contra amount on the Income and Disbursements Summaries must agree exactly, after taking into account any outstanding contra items, prior or forward.)

- 32 INTERNAL TRANSFERS (INTER-ACCOUNT TRANSFERS): This disbursement category accounts for money transferred from one account to another. The major portion of entries in this category will be the weekly allocation from the orgs Finance Office Number 1 account to the various operating accounts.
- 33 TRANSFERS TO DEFENSE OR OVERSEAS ACCOUNTS
- 34 SUSPENSE: This disbursement category is used temporarily for items as yet unidentified.
- 35 SALES (VALUE ADDED) TAX PAYMENTS: Sales tax paid on purchases remain part of the disbursement for the item.
- 36 PAYMENTS TO FLAG: This disbursement category accounts for all payments to Reserves; each separate payee is shown separately.
- 37 FLAG EXTERNAL EXPENSES PAYMENTS: This disbursement category accounts for all payments made by an org in connection with an on-site assistance from a superior ecclesiastical org. Payments are made against an authorized Flag External Purchase Order.
- 38 STAFF TRAINING: This disbursement category accounts for payments to other orgs for training of staff, including room and board and/or subsistence allowances.
- 39 INTER-ORG TRANSFERS: This disbursement category accounts for payments to other church organizations that are part of the same corporation. This category does not include any payments to any org outside the corporation; those go in category 40. A suffix is used to indicate the org or unit within the corporation to which the payment has been made. Example: 39-AOLA would signify an Inter-org transfer to AOLA by another org within CSWUS. Inter-org transfers are separately categorized for each separate church org within the corporation. (This is the disbursement counterpart to Income Category 14).
- 40 CONTRIBUTIONS TO OTHER ORGS: This disbursement category accounts for transfers to other orgs/units that are not part of the same corporation as the paying org and which do not fall under any other disbursement category.
- 41 HIRE PURCHASE (OR INSTALLMENT CONTRACT) PAYMENTS: Payments made for equipment purchases made on time payment basis.

- 42 **FILM LEASE PAYMENTS:** This disbursement category accounts for payments made to pay for usage of other Scientology films.
- 43 **TECH LICENSING FEES:** This disbursement category accounts for any contractual payments for usage of technical materials (e.g. Advanced Technology License Fees).