



Values-Based Budgeting and the 5 P's

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The word “budget” strikes fear in the hearts of many, and there are several reasons why.

Creating a budget may evoke images of shoe boxes spilling over with wrinkled receipts and checkbook registers with columns of numbers that refuse to add up. Living on a budget sounds like a constricting, fun-diminishing way to approach life. Understanding a budget might appear to require a daunting level of expertise or a degree in accounting.

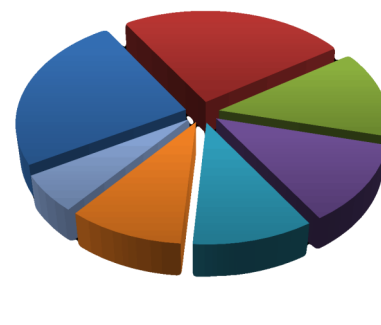
But put aside for a moment the images of number-crunching, calculating, and balancing.

Instead, think about what a budget truly IS, and what it DOES. Sure, a budget is associated with accounts and balances, but in reality budget has a lot less to do with dollars and cents and a lot more to do with values and priorities.

In simple terms, a budget is the way your business or family allocates its limited resources among a number of competing interests. Journalist Gloria Steinem is credited with saying, “We can tell our values by looking at our checkbooks.” Your budget speaks volumes about what’s important to you, because where your resources go is likely where your priorities lie.

The term “values-based budgeting” is commonly invoked by government entities, highlighting their attempt to reflect constituents’ values in their budgeting process. But nearly all budgets – businesses, nonprofit organizations, office departments, and even families – implement some level of values-based budgeting. If your business places value on cutting-edge technology,

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Tip of the Month

5 Steps to Create a 501(c)(3) Non-Profit

Resource: Start a 501(c)(3) Non-Profit in 5 Steps by Neetal Parekh on October 9, 2009 http://blogs.findlaw.com/free_enterprise/2009/10/start-a-501c3-non-profit-in-5-steps.html

1) Register your business as a non-profit with your state.

In order to file your business as a non-profit you will be required to compile articles of incorporation and the document with the state department of corporations of the secretary of state.

2) After registering with your state apply for a federal 501 (c) (3) tax exemption.

Once you have filed with the state as a non-profit you can expect to receive a copy of filed materials. Upon receiving these materials you will need to seek federal exempt status with the Internal Revenue Service (IRS). To do so com-

plete the IRS Form 8718 also referred to as the User Fee for Exempt Organization Determination Letter Request. In addition to the 8718 Form, you will need to complete the IRS Package 1023, Application for Recognition for Exemption.

After filing both forms you will receive a lettering indicating your organization is tax exempt or a letter requesting further documentation. In the case that your request you application was denied it is best to contact an attorney who is experience in working with non profit organizations.

3) Apply for State exemption- if needed.

Most times this step is not needed. Once you have received your IRS approval letter stating you have been granted 501 (c) (3) status the state will automatically acknowledge your status. To find out

more information about your state consult with your state tax agencies (<http://www.taxadmin.org/fta/link/default.php?lnk=2>).

4) Complete and Create the Corporate Requirements.

Just like any other corporation, non-profits need to engage in the following:

- develop corporate bylaws
- select a board of directors
- conduct your first meeting of board of directors
- record meeting minutes and file with your non-profit records

5) Acquire any necessary licenses and/or permits to conduct your organizations business.

Starting any enterprise can seem like a daunting undertaking. Don't let the amount paper work discourage you from starting a 501 (c) (3) non-profit.



“...don’t focus as much on the MECHANICS of the budget but rather the MEANING it represents.”

you may prioritize a tech upgrade over new furniture in the employee break room. Likewise, if your family values outdoor recreation, you may see more money going toward skiing equipment rather than fast-food meals or a bigger television.

So if you are one of the people who fears budgeting because it seems too complex, restrictive or confusing, don’t focus as much on the MECHANICS of the budget but rather the MEANING it represents. To be effective with a budget in your business or family, you don’t need a degree in accounting, and you don’t need to be an Excel spreadsheet expert. Instead, you need to understand your priorities, communicate your values, find ways to compromise, and ultimately, be flexible.

A budget goes far beyond columns and rows of numbers to the heart of a business or a family ... that is the true VALUE of values-based budgeting. While budgeting can be a complex and sometimes ambiguous process, keep in mind that a budget reflects 5 important things: it is a **Proposal, Promise, Priority, Purpose, and Prediction**.

A budget is your **proposal** to your stakeholders or your stockholders. Through your budget, you are proposing what you will do with the funds entrusted to you and your organization.

Similarly, a budget is also a **promise**. You are making an assurance that your resources will go for specific things. A budget is often used as a tool for accountability; it is a way to make sure your resources have gone to where you intended them to go.

A budget is also a **priority**, in two unique ways. First, your budget reflects the priorities of your business or organization, and also, it should ultimately be a priority in and of itself. Having and following a plan that complements your strategy and direction should be a priority to assure your organization is ‘on track.’

Likewise, budgets allow organizations to do things with **purpose**. Budgets have a managerial purpose for a business or organization. They establish a ‘steering’ function by providing efficiency in planning and control.

Finally, a budget is a **prediction**. When creating a budget, we are working in the realm of possibility and presumption. The unexpected occurs in both the “expense” and “income” columns of a budget, so it might simply be our ‘best guess’ of where resources will come in and out during a period of time.

Everyone in your business is likely to view the budget quite differently. A board of directors may be interested in the ideology of a budget and how likely it will lead to wealth accumulation or perpetuate sustainability. A Director or CEO may place the managerial aspects of a budget at the forefront, using the budget as a planning and management tool for assuring the organization runs smoothly. Additionally, a bookkeeper, accountant, or treasurer is more likely to focus on the processes and technically-driven aspects of the budget so it can be executed well.

Recognize that a budget isn’t ONE thing, but MANY things to many different constituents; that is the first step in an effective budgeting process. It may not be simple, but it will certainly be beneficial, when you allow your budget to serve a broader purpose than simply adding and subtracting your dollars and cents.

