

# Should my nature-based school be a nonprofit or for-profit?



By David Catlin & Rachel Larimore, Ph.D.

There are many business decisions that go into operating a successful nature-based school. One of those decisions is whether to operate as a nonprofit or for-profit enterprise. There is no “right” answer when it comes to being a nonprofit or for-profit. However, the decision you make will influence many aspects of running the business.

This document is intended to help you make the best decision for your nature-based school. First we'll share some characteristics of each approach to consider when making your decision. Then we'll share some other considerations to keep in mind and finally we'll provide some questions to reflect on during your decision-making process.

## Key distinctions between nonprofit and for-profit designations

### Nonprofit

The organization is governed by a board of directors. (The structure of the board is determined by the laws in your state.) You as an individual will not be the sole decision-maker.

Any profits generated must be reinvested in the organization.

The process of establishing a nonprofit corporation varies a bit from state to state, but is usually quick and straightforward. Getting a 501(c)(3) designation from the Internal Revenue Service, however, can take as much as a year.

Once the organization has received its 501(c)(3) designation from the Internal Revenue Service, its earnings are tax-exempt.

In addition, contributions from donors may be deductible on their taxes.

Capital is raised from donors, who typically expect a “social return” from their investment.

Volunteers are generally willing to support a nonprofit with their contributions of time.

You must satisfy customers, donors, volunteers, partners, and other stakeholders.

### For-profit

Depending on the business model you choose (sole proprietor, LLC, etc.), you can be the sole decision-maker.

Profits can be distributed to the business's owner(s).

The process of setting up a for-profit business varies from state to state and upon the type of structure you choose (sole proprietor, LLC, etc.), but is generally quick.

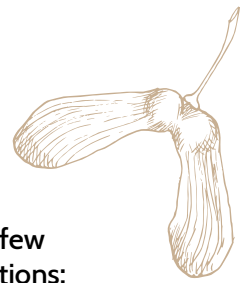
You must pay income taxes on earnings.

Donations to the business are not tax-deductible.

Capital is raised from private investors (you, friends, banks), who receive equity or dividends as shareholders.

Volunteers may be less willing to contribute their time to a for-profit business.

You must satisfy only your customers and the business owners.



## Questions to ask yourself

The list above may feel overwhelming and not provide a clear direction for you. Here are a few questions to ask yourself when weighing the pros and cons of each of the business designations:



### Do you want to be the sole decision maker?

While a for-profit can always involve an advisory board of some sort, there is no requirement. Yet nonprofits inherently have a built in group of decision makers with a board of directors.



### Do you want to be a business owner or an employee?

Both roles bring pluses and minuses. You have to decide what aligns best with your goals, personality, and lifestyle.



### What's your timeline?

The fact is, securing nonprofit status takes time—mostly waiting for a response from the Internal Revenue Service. This is in addition to finding people to serve on your board of directors, writing the bylaws, and submitting all of the paperwork. In contrast, in most states you can establish a for-profit business in a matter of minutes through a brief online form and a minimal fee.



### How much do you want to rely on volunteer help?

Volunteers can be very appealing because at first it seems a better choice for the budget. Keep in mind, however, that volunteers require recruitment, training, and day-to-day support—this includes the board of directors. It will be helpful to get clear early on about the roles and responsibilities of board members and any other volunteers you want to work with.

## A few additional considerations

The list of business structure characteristics above seems simple enough. However, there are a few other options worth considering that don't appear in the list above, but may influence your final decision about being a nonprofit or for-profit.

### *Fiscal sponsor*

One alternative to forming your own nonprofit is to become part of an existing nonprofit. Under those circumstances, the existing nonprofit becomes a *fiscal sponsor* for your program. The key criterion for such a relationship is that the program (your nature-based school or similar entity) must be consistent with the mission of the fiscal sponsor. (So, for instance, a local conservation land trust or community foundation might be an appropriate sponsor, while your best friend's bicycle club probably will not be.) The relationship should be governed by a written agreement. ([Click here for a sample agreement](#)).

An advantage in this approach, especially in the short term, is that such an arrangement can often be set up faster than a brand-new 501(c)(3) nonprofit. For this reason, fiscal sponsorships are often created to be temporary, with an understanding among the parties that once your new entity receives an IRS 501(c)(3) designation, it will become an independent nonprofit in its own right. A risk with fiscal sponsorship is that the existing nonprofit has ultimate control of the decisions related to your program for as long as you are a part of their organization.





### *Nonprofit or for-profit arm of the organization*

Since for-profit and nonprofit business models each have their strengths and weaknesses, it seems reasonable to wonder if some sort of hybrid exists that could provide a “best of all possible worlds” solution. Might a for-profit school whose major weakness is its inability to attract charitable funding, for instance, create a linked nonprofit to generate donations and grants that can be used for scholarships to the school? The short answer to this question is no. The Internal Revenue Service’s “private benefit rule” provides that the assets and activities of a 501(c)(3) organization must not be used to benefit the interests of any private individual, business, or non-charitable entity.

Might a nonprofit organization open a for-profit subsidiary to run its school? It could do so, and might well want to segregate its school activities from its other mission-related activities in this way. However, a challenge for the school’s director would remain: They would not ultimately be in charge of the school, but would serve at the pleasure and direction of the owner—the nonprofit board.

In general, there are no clean and simple for-profit/nonprofit hybrid models that combine the most desirable elements of both.

### *B-corp designation*

A B-corporation, more commonly known as a “B-corp” is a legal for-profit designation of public benefit corporation status. B-corporation status is currently available in 40 U.S. states and the District of Columbia. While each state has its own defining legislation, essentially this means the corporation is meeting social and environmental standards and those values must be maintained over time. You can opt-in at any time—including if you are an existing for-profit.

“Certified B-corp status” is a further designation (not required to become a B-corp). B Corp certification is conferred by B Lab, a nonprofit organization.

While benefit corporations in the nature-based school world are still rare (but they exist!), it is common for folks to consider since they emphasize doing good for people and the planet—concepts core to nature-based education. Beyond doing good for the world, becoming a B-corp sends a message to customers, staff, and other stakeholders about your values and establishes a commitment to live those values.

### **Keep in mind...**

No matter the business model you choose, the goal of connecting young children with nature will remain the same. And no matter the IRS designation, all of the other components of a viable business will be critical to allow you to help young children and their families thrive!

### **Additional resources**

- [Internal Revenue Service application for tax-exempt status](#)
- [U.S. Small Business Association Business Structures](#)
- [Sample agreement for fiscal sponsorship](#)



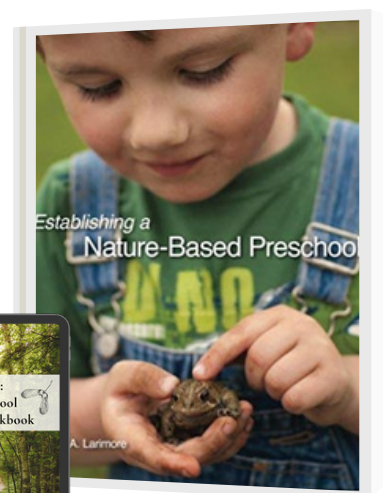
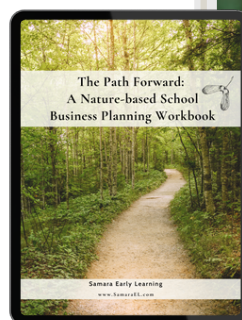


## For more information about starting a nature-based school

We help educators start nature-based schools or grow the nature-based approach within existing programs. We provide workshops, publications, coaching, and consulting.

[Click here to check out the many resources we have for starting a school.](#)

While you're there, take the free [Nature-based Journey Quiz](#) to get a custom Toolkit to help you on your nature-based journey!



## About the authors

Dr. Rachel Larimore and David Catlin have extensive expertise in business start-up and operation—particularly as it relates to nature-based schools. Since they began working together in 2014, they have helped many individuals and organizations throughout the country in establishing their own nature-based schools.

Rachel is the Chief Visionary of [Samara Early Learning](#). She has authored multiple books including [Establishing a Nature-Based Preschool](#) which focuses on business start-up. Prior to establishing Samara Early Learning, Rachel founded one of the nation's earliest nature-based preschools.

David has devoted his 40-year-long professional career to the nature center and environmental learning center field. This included overseeing the start-up of 16 new nature center facilities across the country for the National Audubon Society. Since 2015, he has done similar work for nature centers across the U.S. through his firm [David Catlin Consulting LLC](#).



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