

**Chapter 2 – Overview of the Nonprofit Sector
TEST BANK**

Multiple-Choice Questions

1. Almost _____ of the revenue of charitable nonprofits comes from government grants and payments for services under programs such as Medicare and Medicaid.
 - a. one fourth
 - *b. one third
 - c. one half
 - d. three fourths

2. A certain mistrust of this has been a pervasive and continuing aspect of American culture and has provided philosophical support for private, voluntary initiatives throughout the nation's history.
 - *a. government
 - b. volunteers
 - c. lawyers
 - d. universities

3. Whose 1889 essay, titled "The Gospel of Wealth," remains a classic statement of the philosophy underpinning the American tradition of philanthropy?
 - a. John D. Rockefeller
 - b. Warren Buffet
 - *c. Andrew Carnegie
 - d. Theodore Roosevelt

4. What is defined as giving intended to meet current individual human needs or to alleviate current human suffering?
 - a. philanthropy
 - b. voluntarism
 - c. nonprofitism
 - *d. charity

5. Which term is defined as nonprofits that have a social objective but blend traditional nonprofit methods and commercial principles in their generation of revenue?
 - a. charitable sector
 - *b. social enterprise
 - c. tax-exempt sector
 - d. civil society

6. There are an increasing number of organizations that operate under both nonprofit and for-profit legal forms that are often referred to as
 - *a. hybrid organizations
 - b. social sector organizations

c. voluntary sector organizations

d. civil service organizations

7. The number of nonprofits operating in the United States today is approximately

a. 3.5 million

*b. 1.9 million

c. 5.2 million

d. 2.6 million

8. In 2009, the nonprofit sector employed what percentage of the total workforce?

a. 5 percent

b. 20 percent

c. 30 percent

*d. 10 percent

9. What were the total combined assets of all nonprofits in 2008?

a. \$500 million

b. \$20 billion

*c. \$4.3 trillion

d. \$800 billion

10. What is intended to encourage charitable giving and sustain the services provided by charitable organizations?

a. being classified as a 501(c)(3) organization

b. receiving free health care vouchers in exchange for gifts

c. the lifting of limitations on lobbying

*d. tax deductions for gifts

11. Whose article “Bowling Alone: America’s Declining Social Capital” discussed a decline in civic engagement among Americans?

a. Michael Moore

b. Bill Gates

*c. Robert Putnam

d. Lester Salamon

12. A nonprofit that qualifies under Section 501 (c) (3) cannot support candidates for public office and must limit its expenditures on

a. staff salaries.

*b. lobbying.

c. health care.

d. legal counsel.

13. This principle prevents government funds from going directly to religious congregations or to organizations that would use them for religious activities.

*a. separation of church and state

- b. charitable choice provisions
- c. tax-exempt provisions
- d. the non-distribution test

14. Which subsector of charitable nonprofits is the least professionalized?

- a. environmental organizations
- b. advocacy organizations
- *c. religious organizations
- d. arts and culture organizations

15. Organizations that are exempt under Section 501 (c) (4), whose purpose is to work for social change are referred to by the Internal Revenue Service (IRS) as

- a. religious organizations
- b. environmental organizations
- c. arts and culture organizations
- *d. social welfare organizations

16. The National Taxonomy of Exempt Entities (NTEE) divides nonprofit organizations into categories based on the organizations'

- *a. purposes, activities, and programs
- b. budget and staff
- c. mission and vision statements
- d. type of clients served

17. If measured by the total number of organizations, the largest subsector of charitable nonprofits is the

- a. health services sector.
- *b. human service sector.
- c. religious sector.
- d. international and foreign affairs sector.

18. If measured by total revenue, the number of employees, and its share of total wages and salaries, which subsector of charitable nonprofits is the largest nonprofit sector?

- *a. health services sector
- b. human service sector
- c. international and foreign affairs sector
- d. religious sector

19. These are organizations that exist for the sole purpose of directing money to other nonprofits.

- a. banks
- b. international development entities
- *c. funding intermediaries
- d. advocacy organizations

20. Organizations that are classified as tax-exempt are not required to pay

- a. sales tax.
- b. property tax.
- c. capital gains tax.
- d. income tax.
- *e. all of the above

21. Private foundations most often are funded by

- a. a vast number of corporate sponsors.
- *b. a single donor or a small number of donors.
- c. Congress.
- d. community organizations.

22. Unlike public charities, private foundations are not permitted to engage in

- a. fund-raising.
- b. providing direct services.
- *c. lobbying.
- d. international exchange programs.

23. Salamon's Anatomy classifies nonprofit organizations by

- *a. who receives the principal benefit of their activities.
- b. the nature of their activities.
- c. the amount of revenue received in a fiscal year.
- d. whether they are eligible to receive tax-exempt gifts.

24. Exempt activities are those that

- a. employ only volunteers.
- b. provide direct service.
- c. generate income for the organization.
- *d. directly address a nonprofit organization's social missions.

True/False Questions

25. "The Gospel of Wealth" was written by John D. Rockefeller.

- a. True
- *b. False

26. Giving intended to meet current individual human needs or to alleviate current human suffering is referred to as charity.

- *a. True
- b. False

27. A nonprofit classified as 501 (c) (3) cannot support candidates for public office and must limit its expenditures on lobbying.

*a. True

b. False

28. The National Geographic Society is a nonprofit organization that also has a for-profit subsidiary.

*a. True

b. False

29. The person credited with helping to establish the distinction between the concepts of charity and philanthropy was Warren Buffet.

a. True

*b. False

30. Increased government spending on social programs in the 1960s and early 1970s began with President Lyndon B. Johnson.

*a. True

b. False

31. Beginning in the 1980s, federal spending for many social programs was sharply reduced under President Gerald R. Ford.

a. True

*b. False

32. Changes in government funding account, in part, for the growing commercialization of the nonprofit sector.

*a. True

b. False

33. Museums, orchestras, and colleges and universities are classified as 501 (c) (3) by the IRS.

*a. True

b. False

34. Gifts to religious congregations are tax deductible because congregations are required to register with the IRS.

a. True

*b. False

Short Answer and Essay Questions

35. Name the three ancient traditions in which the roots of America's nonprofit sector lie.

Ans: Varies

36. Discuss the case made for giving by Andrew Carnegie in his *Gospel of Wealth*.

Nonprofit Management 3e

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Instructor Resource

Ans: Varies

37. Define *charity* and *philanthropy* and explain the distinction between them.

Ans: Varies

38. What are the three things that an organization must demonstrate to be recognized as tax-exempt under Section 501 (c) (3)?

Ans: Varies

39. Describe the characteristics of organizations that are purely philanthropic.

Ans: Varies

40. Select either The National Geographic Society or The Smithsonian Institution and discuss the complexity of their structure as opposed to a traditional nonprofit organization.

Ans: Varies