

## Chapter 2

1. Which of the following is NOT a nonprofit organization.
  - a. The American Red Cross
  - b. The AFL-CIO
  - c. The National Geographic Society
  - \*d. The Discovery Channel
  - e. Presbyterian Church
  
2. Which of the following is NOT true of nonprofit organizations?
  - a. They are self-governing.
  - \*b. They may never earn a profit.
  - c. They are organized entities.
  - d. They are exempt from most taxes.
  - e. They serve a social purpose.
  
3. Organizations that receive gifts and then redistribute the funds to other organizations are called:
  - \*a. Funding intermediaries
  - b. Operating foundations
  - c. Advocacy organizations
  - d. Social welfare organizations
  - e. Quasi-governmental
  
4. The term “permanently restricted” refers to funds that
  - a. Can be spent only after the end of a fiscal year
  - b. Can only be spent for a specific program or project
  - \*c. Must be invested in perpetuity
  - d. Are the same as the accrual method of accounting
  - e. Must always remain the property of the donor
  
5. Which statement best describes the concept of public goods?
  - a. These are goods that are most subject to government failure
  - b. These goods can only be consumed in states where they are licensed.
  - \*c. These goods are usually provided by government and paid for through taxes.
  - d. These goods may not be consumed by free riders.
  - e. These goods are always either roads or bridges.

## True/False

6. Philanthropy is the largest source of revenue for the nonprofit sector overall.
  - a. T
  - \*b. F
  
7. Resource dependency theory explains how nonprofit organizations recognize their donors.
  - a. T

\*b. F

8. Goal displacement might occur if a nonprofit alters its programs to respond to the demands of its donors.

\*a. T

b. F

9. Supply-side theories of the nonprofit sector try to explain why nonprofits are exempt from taxation.

a. T

\*b. F

10. Most nonprofit organizations are best described as closed systems.

a. T

\*b. F