

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

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

Answer Location: Introduction

Learning Objective: 2-1

Cognitive Domain: Knowledge

Question Type: MC

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

Answer Location: America's Nonprofit Sector: A Historical Overview

Learning Objective: 2-9

Cognitive Domain: Comprehension

Question Type: MC

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

Answer Location: 2-9

Learning Objective: America's Nonprofit Sector: A Historical Overview

Cognitive Domain: Knowledge

Question Type: MC

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

Answer Location: America's Nonprofit Sector: A Historical Overview

Learning Objective: 2-2

Cognitive Domain: Comprehension

Question Type: MC

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

Answer Location: Alternatives to "Nonprofit"

Learning Objective: Comprehension

Cognitive Domain: 2-2

Question Type: MC

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.

Answer Location: Alternatives to "Nonprofit"

Learning Objective: 2-2

Cognitive Domain: Knowledge

Question Type: MC

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.

Answer Location: Chapter Summary

Learning Objective: 2-9

Cognitive Domain: Knowledge

Question Type: MC

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

Answer Location: Size of the U.S. Nonprofit Sector

Learning Objective: 2-9

Cognitive Domain: Knowledge

Question Type: MC

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

Answer Location: Size of the U.S. Nonprofit Sector

Learning Objective: 2-9

Cognitive Domain: Knowledge

Question Type: MC

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

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-9

Cognitive Domain: Comprehension

Question Type: MC

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

Answer Location: Size of the U.S. Nonprofit Sector

Learning Objective: 2-9

Cognitive Domain: Knowledge

Question Type: MC

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.

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-4

Cognitive Domain: Comprehension

Question Type: MC

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 nondistribution test

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-1

Cognitive Domain: Comprehension

Question Type: MC

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

a. Environmental organizations

b. Advocacy organizations

*c. Religious organizations

d. Arts and culture organizations

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-5

Cognitive Domain: Comprehension

Question Type: MC

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. advocacy organizations.

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-4

Cognitive Domain: Knowledge

Question Type: MC

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

*a. purposes, activities, and programs.

b. budget and staff.

c. mission and vision statements.

d. type of clients served.

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-3

Cognitive Domain: Knowledge

Question Type: MC

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.

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-5

Cognitive Domain: Comprehension

Question Type: MC

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

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-5

Cognitive Domain: Comprehension

Question Type: MC

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

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-2

Cognitive Domain: Comprehension

Question Type: MC

20. What term is used to identify organizations that do not have to pay federal, state, or local income taxes?

- *a. Tax-exempt
- b. Public
- c. Private
- d. Income-exempt

Answer Location: Alternatives to “Nonprofit”

Learning Objective: 2-2

Cognitive Domain: Knowledge

Question Type: MC

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. U.S. Congress.

d. community organizations.

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-1

Cognitive Domain: Knowledge

Question Type: MC

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.

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-1

Cognitive Domain: Comprehension

Question Type: MC

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.

Answer Location: Differentiating the NonProfit Sector

Learning Objective: 2-2

Cognitive Domain: Comprehension

Question Type: MC

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.

Answer Location: Commercialization and Tax Exemption

Learning Objective: 2-2

Cognitive Domain: Knowledge

Question Type: MC

25. The two extreme spectrums that define a social enterprise are purely philanthropic and:

a. purely charitable.

*b. purely commercial.

c. purely hybrid.

d. purely foundational.

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-6

Cognitive Domain: Knowledge

Question Type: MC

26. Nonprofit organizations interested in achieving both social and economic value are referred to as:

- a. commercial.
- b. philanthropic.
- c. charitable.
- *d. hybrids.

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-6

Cognitive Domain: Knowledge

Question Type: MC

27. According to Sabeti a critical mass of organizations is occurring within the public, nonprofit, and private sectors creating a:

- a. hybrid sector.
- b. multi-purpose sector.
- *c. a fourth sector.
- d. a new era sector.

Answer Location: Emerging New Models

Learning Objective: 2-7

Cognitive Domain: Knowledge

Question Type: MC

28. Another name for social welfare organizations is:

- a. nonprofit institutions serving households.
- *b. advocacy organizations.
- c. hybrid organizations.
- d. charitable nonprofits.

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-2

Cognitive Domain: Knowledge

Question Type: MC

29. In the social enterprise spectrum described by Dees and colleagues, which type of organization uses only volunteers for its workforce?

- *a. Purely philanthropic
- b. Purely commercial
- c. Purely charitable
- d. Purely public

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-6

Cognitive Domain: Knowledge

Question Type: MC

30. The legal foundations of America's nonprofit sector are drawn from:

- a. natural law.
- b. nonprofit law.
- *c. English law.
- d. philanthropy.

Answer Location: America's Nonprofit Sector: A Historical Overview

Learning Objective: 2-9

Cognitive Domain: Knowledge

Question Type: MC

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

- a. True
- *b. False

Answer Location: America's Nonprofit Sector: A Historical Overview

Learning Objective: 2-9

Cognitive Domain: Knowledge

Question Type: TF

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

- *a. True
- b. False

Answer Location: America's Nonprofit Sector: A Historical Overview

Learning Objective: 2-2

Cognitive Domain: Comprehension

Question Type: TF

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

- *a. True
- b. False

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-4

Cognitive Domain: Knowledge

Question Type: TF

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

- *a. True
- b. False

Answer Location: Introduction

Learning Objective: 2-1

Cognitive Domain: Knowledge

Question Type: TF

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

a. True

*b. False

Answer Location: America's Nonprofit Sector: A Historical Overview

Learning Objective: 2-1

Cognitive Domain: Knowledge

Question Type: TF

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

*a. True

b. False

Answer Location: America's Nonprofit Sector: A Historical Overview

Learning Objective: 2-9

Cognitive Domain: Knowledge

Question Type: TF

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

a. True

*b. False

Answer Location: America's Nonprofit Sector: A Historical Overview

Learning Objective: 2-9

Cognitive Domain: Knowledge

Question Type: TF

38. Some believe that commercialization of the nonprofit sector may result in profit being placed ahead of mission.

*a. True

b. False

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-9

Cognitive Domain: Comprehension

Question Type: TF

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

*a. True

b. False

Answer Location: Size of the U.S. Nonprofit Sector

Learning Objective: 2-4

Cognitive Domain: Knowledge

Question Type: TF

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

a. True

*b. False

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-4

Cognitive Domain: Comprehension

Question Type: TF

41. Identify and explain the three ancient traditions in which the roots of America's nonprofit sector lie.

Ans: Varies

Answer Location: Chapter Summary

Learning Objective: 2-9

Cognitive Domain: Analysis

Question Type: ESS

42. Back up the case made for giving by Andrew Carnegie in his "Gospel of Wealth."

Ans: Varies

Answer Location: America's Nonprofit Sector: A Historical Overview

Learning Objective: 2-9

Cognitive Domain: Application

Question Type: ESS

43. Compare and contrast *charity* and *philanthropy*.

Ans: Varies

Answer Location: America's Nonprofit Sector: A Historical Overview

Learning Objective: 2-2

Cognitive Domain: Analysis

Question Type: ESS

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

Ans: Varies

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-3

Cognitive Domain: Analysis

Question Type: ESS

45. Ascertain the characteristics of organizations that are purely philanthropic.

Ans: Varies

Answer Location: Differentiating the Nonprofit Sector

Learning Objective: 2-2

Cognitive Domain: Application

Question Type: ESS

46. Select either The National Geographic Society or The Smithsonian Institution and explain the complexity of its structure as opposed to a traditional nonprofit.

Ans: Varies

Answer Location: Introduction

Learning Objective: 2-8

Cognitive Domain: Analysis

Question Type: ESS

47. Analyze the terms “third sector, fourth sector, charitable sector, voluntary sector, independent sector, and tax-exempt sector.” Explain what characteristic(s) distinguish each term.

Ans. Varies

Answer Location: America’s Nonprofit Sector: A Historical Overview

Learning Objective: 2-9

Cognitive Domain: Analysis

Question Type: ESS