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

   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
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
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.
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: Knowledge
   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
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

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