

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