Fundraising 2nd edition Worth Test Bank

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Fundraising (2nd)

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Total Questions: 50

Multiple Choice (25)

Q1. *[Multiple Choice] · Cognitive Domain: Knowledge*

The nonprofit sector is large, diverse, and _____.

a) complex ✓ correct
b) repressed
c) anarchic
d) regulated

Q2. *[Multiple Choice] · Cognitive Domain: Comprehension*

Which institution illustrates the clearest case of a non-profit organization?

a) The National Mall
b) Miriam's Kitchen ✓ correct
c) George Washington Hospital
d) National Geographic Partners

Q3. *[Multiple Choice] · Cognitive Domain: Application*

Paulo is starting a nonprofit to promote health care and mental health awareness to at-risk communities, but is unsure about what aspects of his nonprofit should be emphasized in his mission. Which activity is unrelated to the concept of non-profit organizations?

a) nurturing our souls
b) educating our minds
c) protecting our health
d) punishing our crimes ✓ correct

Q4. *[Multiple Choice] · Cognitive Domain: Application*

An organization that uses only paid workers for its operations violates which characteristic of nonprofits?

a) their organized nature
b) the tradition of volunteerism ✓ correct
c) their self-governing character
d) that they must not use earned income

Q5. *[Multiple Choice] · Cognitive Domain: Comprehension*

What does the nondistribution constraint entail?

a) The nonprofit may not distribute information to government entities.
b) The nonprofit may not distribute it services to the general public.
c) The nonprofit may not distribute any profits to any task but re-investment in their programs. ✓ correct
d) The nonprofit may not distribute costs to the recipients of its services.

Q6. *[Multiple Choice] · Cognitive Domain: Analysis*

What function does the public benefit classification of political advocacy serve?

a) to help the needy
b) to foster religiosity
c) to combat addiction
d) to encourage open debate ✓ correct

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Q7. *[Multiple Choice] · Cognitive Domain: Knowledge*

What is the most important characteristic for the self-identity of a nonprofit?

a) mission statement ✓ correct
b) public benefit
c) tax-exempt status
d) self-government

Q8. *[Multiple Choice] · Cognitive Domain: Analysis*

Why does the text use the IRS (Internal Revenue Service) classification of non-profits?

a) It is the most detailed classification schema.
b) It follows the industry schema for classifying for-profit organizations.
c) It determines the tax-exempt status of nonprofits. ✓ correct
d) It is produced by the federal government of the USA.

Q9. *[Multiple Choice] · Cognitive Domain: Knowledge*

The NRA is an example of a(n) _____.

a) private foundation
b) other tax-exempt organization
c) charitable nonprofit
d) social welfare organization ✓ correct

Q10. *[Multiple Choice] · Cognitive Domain: Analysis*

Compared to 501(c)(4), the advantage that 501(c)(3) organizations offer is that _____.

a) gifts to them are tax-deductible ✓ correct
b) they are exempt from taxation by US states
c) they are exempt from federal taxation
d) gifts to them are not tax-deductible

Q11. *[Multiple Choice] · Cognitive Domain: Knowledge*

Which type of nonprofit organization is usually funded by a few donors and seeks to fund other non-profit organizations?

a) public charities
b) operating public charities
c) operating foundations
d) grant-making foundations ✓ correct

Q12. *[Multiple Choice] · Cognitive Domain: Analysis*

Compared to public charities, donations to private foundations _____.

a) receive a smaller tax exempt status ✓ correct
b) are more restricted in use
c) come from the whole world
d) tend to be government grants

Q13. *[Multiple Choice] · Cognitive Domain: Knowledge*

The National Park Foundation is an example of a(n) _____ foundation.

a) community
b) institutionally related ✓ correct
c) grant-making
d) operating

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Q14. *[Multiple Choice] · Cognitive Domain: Knowledge*

What is the largest source of revenue for the nonprofit sector?

a) government grants
b) fees for services and goods rendered to the government
c) fees for services and goods rendered to private parties ✓ correct
d) gifts

Q15. *[Multiple Choice] · Cognitive Domain: Application*

Which is an example of an unrestricted operating fund?

a) an endowment fund where principle must be maintained in perpetuity
b) a government grant that requires an audit for its use
c) a gift provided by a donor for a specific task and only that task
d) the revenue from a sale of books published by an organization ✓ correct

Q16. *[Multiple Choice] · Cognitive Domain: Application*

Which case best fits the concept of permanent endowment?

a) The board of a medical nonprofit must ask permission from a court of law or the estate of a donor to use the endowment principal for tasks other than those stipulated in the gift. ✓ correct
b) A donor provides an operating fund to an organization, permitting them to use it as they see fit.
c) The board of an educational nonprofit uses part of their endowment to cover losses in revenue due to collapsing real estate values.
d) A donor provides an endowment which is not to be touched for ten years, but afterwards can be used as a board sees fit.

Q17. *[Multiple Choice] · Cognitive Domain: Knowledge*

According to historians, which three historical processes have interacted with the voluntaristic tradition of the USA to create a demand for the nonprofit sector?

a) republicanism, federalism, and sectionalism
b) urbanization, industrialization, and immigration ✓ correct
c) abolitionism, states' rights, and socialism
d) monarchism, rural values, and xenophobia

Q18. *[Multiple Choice] · Cognitive Domain: Application*

An explanation for the rise of nonprofits that focuses on their role in mobilizing people to affect government action would be classified as a(n) _____ explanation.

a) historical
b) sociological
c) political science ✓ correct
d) economic

Q19. *[Multiple Choice] · Cognitive Domain: Analysis*

Which economic theory explains the rise of a non-profit that provides help to youths living in lawless neighborhoods?

a) market failure
b) coordination failure
c) voluntary failure
d) government failure ✓ correct

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Q20. *[Multiple Choice] · Cognitive Domain: Comprehension*

The “human relations school” arose in reaction to _____.

a) Weber’s mechanistic view of organizations ✓ correct
b) the Katz and Kahn open and closed system schema
c) the Lohmann common goods theory
d) the Pfeffer and Salancik’s resource dependence theory

Q21. *[Multiple Choice] · Cognitive Domain: Knowledge*

The 1974 Sibley Hospital Case articulated the three duties of _____ as part of the legal responsibility of governing boards for nonprofits.

a) frugality, conservatism, and piety
b) care, loyalty, and obedience ✓ correct
c) innovation, risk-taking, and affluence
d) discipline, honor, and sacrifice

Q22. *[Multiple Choice] · Cognitive Domain: Comprehension*

A nonprofit that has high resource dependence risks what result?

a) losing its tax-exempt status
b) lower profits
c) goal displacement ✓ correct
d) government takeover

Q23. *[Multiple Choice] · Cognitive Domain: Analysis*

Which internal group would have more power in a nonprofit organization that mainly gains revenue from government grants?

a) fundraising professionals
b) service volunteers
c) marketing professionals
d) grant managers ✓ correct

Q24. *[Multiple Choice] · Cognitive Domain: Knowledge*

Which factor of the changing environment in which non-profits operate was unanticipated?

a) the COVID-19 pandemic ✓ correct
b) the 2020 economic recession
c) the rise of remote work
d) the rise of the mutual aid movement

Q25. *[Multiple Choice] · Cognitive Domain: Comprehension*

The reaction of most nonprofits to the national debate sparked by the death of George Floyd was _____.

a) indifference
b) to commit to social justice ✓ correct
c) to avoid controversy
d) to commit to stability

True/False (15)

Q26. *[True/False] · Cognitive Domain: Knowledge*

The US nonprofit sector is made by a small number of homogenous organizations.

a) True
b) False ✓ correct

Correct answer: False

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Q27. *[True/False] · Cognitive Domain: Comprehension*

Nonprofit self-government can be summarized as the freedom to turn down state support and state contracts.

a) True ✓ correct

b) False

Correct answer: True

Q28. *[True/False] · Cognitive Domain: Application*

If a nonprofit organization also operates a restaurant business, income from the operation of the restaurant is subject to the unrelated business income tax.

a) True ✓ correct

b) False

Correct answer: True

Q29. *[True/False] · Cognitive Domain: Comprehension*

Gifts to the Sierra Club are tax exempt.

a) True

b) False ✓ correct

Correct answer: False

Q30. *[True/False] · Cognitive Domain: Application*

If a charitable organization officially endorses a candidate for the presidency, we can infer that this is within the purview of its legitimate tax-exempt activities.

a) True

b) False ✓ correct

Correct answer: False

Q31. *[True/False] · Cognitive Domain: Analysis*

The contrast between private foundations and supporting public charities is that the latter are not taxed on investment earnings.

a) True ✓ correct

b) False

Correct answer: True

Q32. *[True/False] · Cognitive Domain: Knowledge*

The Bill and Melinda Gates Foundation is an example of a grant-making foundation.

a) True ✓ correct

b) False

Correct answer: True

Q33. *[True/False] · Cognitive Domain: Comprehension*

We can summarize that, in general, endowments are not restricted.

a) True

b) False ✓ correct

Correct answer: False

Q34. *[True/False] · Cognitive Domain: Comprehension*

Committed pledges of funding are considered revenue for nonprofits.

a) True ✓ correct

b) False

Correct answer: True

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Q35. *[True/False] · Cognitive Domain: Knowledge*

The theory of the commons is focused on public goods.

a) True

b) False ✓ correct

Correct answer: False

Q36. *[True/False] · Cognitive Domain: Knowledge*

An organization's principal boundary-spanners are its board members and fundraising professionals.

a) True ✓ correct

b) False

Correct answer: True

Q37. *[True/False] · Cognitive Domain: Comprehension*

Organizations that rely mainly on gifts from individuals and have little business income require managers that are adept at politics.

a) True

b) False ✓ correct

Correct answer: False

Q38. *[True/False] · Cognitive Domain: Knowledge*

The COVID-19 pandemic had a disparate effect on the nonprofit sector.

a) True ✓ correct

b) False

Correct answer: True

Q39. *[True/False] · Cognitive Domain: Comprehension*

The national debate about the death of George Floyd explains the new commitments many organizations made to social justice.

a) True ✓ correct

b) False

Correct answer: True

Q40. *[True/False] · Cognitive Domain: Comprehension*

The concept of externalities explains the difference between private and public goods.

a) True ✓ correct

b) False

Correct answer: True

Essay (10)

Q41. *[Essay] · Cognitive Domain: Analysis*

Using examples from the text, examine the diversity of nonprofits operating in Washington, D.C.

Suggested answer: *Sample response: The diversity of nonprofits in Washington, D.C. is characteristic of the general diversity of the nonprofit sector. The Western Presbyterian Church is an example of a religious non-profit, and Miriam's Kitchen is an example of a traditional nonprofit. The National Geographic Society and associated National Geographic Partners are an example of a nonprofit organization that partially owns and operates a for-profit business. The Smithsonian is another example of this mixing of sectors. The American Red Cross is an example of a nonprofit organization that also has a government mandate. The Veterans Memorial, National Mall, and Washington Monument are all government institutions that can receive gifts. Finally, the Cato Institute, Brookings Institution, AFL-CIO, and Chamber of Commerce are all nonprofit organizations engaged in political advocacy.*

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Q42. *[Essay] · Cognitive Domain: Analysis*

Distinguish the various types of nonprofit organizations and their characteristics as per the Salamon schema.

Suggested answer: *Sample response: Per the Salamon schema, all nonprofits share characteristics of being organized entities, brought up in a tradition of volunteerism, and are private and self-governing. They have a nondistribution constraint when it comes to use of any profits accumulated due to their services. They are tax-exempt from the federal government for revenue directly related to their purposes, but do face unrelated business income taxation for any revenue generated by activities not in service of their tax exempt mission. That mission must be in the public benefit, and the organizations must be mission driven.*

Q43. *[Essay] · Cognitive Domain: Application*

List the various types of nonprofit organizations according to the IRS and provide an example for each type.

Suggested answer: *Sample response: There are social welfare organizations, alco called advocacy organizations, like the Sierra Club. They seek to influence policy and government decisions, and many engage in lobbying. Then there are charitable nonprofits that have a public benefit mission statement, like the Sierra Club Foundation. Charitable nonprofits are further subdivided into private foundations, like the Ford Foundation, and public charities, like the World Wildlife Fund. Linking these are funding intermediaries like United Way. Finally, there are other tax-exempt organizations like labor unions.*

Q44. *[Essay] · Cognitive Domain: Analysis*

Describe the main nonprofit revenue sources and their relative size for the sector.

Suggested answer: *Sample response: The largest source of revenue for organizations in the nonprofit sector is services and goods paid by customers. This covers 50% of revenue sources. This means that a large part of the nonprofit sector is dependent on market forces for the revenue to fund charitable work. Another 23% is based on fees for services and goods paid by the government. Another 9% of the revenue comes from government grants. This means that a good 30% of the revenue of nonprofits is tied to government largesse which affects how those organizations operate. Only 13% of the revenue comes from gifts.*

Q45. *[Essay] · Cognitive Domain: Analysis*

Distinguish the main factors that have led to the changing environment for the nonprofit sector.

Suggested answer: *Sample response: The first factor is the COVID-19 pandemic and its economic consequences. Many organizations suffered a loss of revenue and had to reduce employment just as the pandemic increased demand for their services. The impact was uneven, and depended on whether an organization relied on fees for services as the main source of revenue, or on giving. The former were hurt, while the latter actually saw increases. The trends accelerated by the pandemic, like the change to remote work and the use of social communications, will impact the way nonprofits work. Another factor is the rise of the mutual aid movement, which operates in a different way than the nonprofit sector, and its impact is still unclear. Finally, the George Floyd events had an impact on the mission statements of many organizations, increasing a focus on social justice.*

Q46. *[Essay] · Cognitive Domain: Application*

What tests must a charitable nonprofit meet in order to be tax exempt under section 501(c)(3) of the Internal Revenue Code?

Suggested answer: *Sample response: First, an organization must be organized and operated for one of eight purposes: charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competitions, and prevention of cruelty against children or animals. Charitable is a very broad term that encompasses many activities and goals. The organization must also show that it is supported by the public rather than one or a few donors. It must also meet the non-distribution test, meaning that profits must not be distributed for the personal benefit of any one individual. Charitable nonprofits must also limit political activities, which includes not supporting candidates for office, and lobbying expenditures being kept within legal limits.*

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Q47. *[Essay] · Cognitive Domain: Application*

Identify the differences between public charities and private foundations.

Suggested answer: *Sample response: Public charities receive funding from multiple sources, including donors and governments. Most are also operating public charities, offering services directly to clients. On the other hand, private foundations are funded by one or a few donors, which may include a corporation, an individual, or members of a family. Operating foundations operate their own programs, but most are grant-making foundations supporting public charities. Most foundations are supposed to exist in perpetuity. The gifts made to them are invested and only the annual investment earnings are spent to support programs. The different character of the two institutions is accentuated by the different treatment of gifts to them by the tax code. Gifts to public charities receive a larger deduction than gifts to private foundations. Also, private foundations must pay a modest tax on their investment earnings and are required to spend a minimum of 5% of their assets each year. This difference incentivizes public charities to retain a broad base of revenue support, as becoming too dependent on a few donors may lead to their reclassification as private foundations.*

Q48. *[Essay] · Cognitive Domain: Analysis*

Organize the types of endowment funds that exist in the non-profit sector on the basis of the restriction of their usage.

Suggested answer: *Sample response: We can organize endowment funds into two categories based on the restrictions on their use. Board-designated endowments or quasi-endowments are created when a board of directors decides to invest funds for the long-term, using only the investment earnings. The board retains the flexibility to use part of the principal of the endowment, if there is a need. On the other hand, in permanent endowments or pure endowments, the board of directors has little flexibility in dealing with the endowment principal. They need the permission of the donor or a legal decision by a court of law.*

Q49. *[Essay] · Cognitive Domain: Application*

Identify the differences between failure theories, supply-side theories, and common goods theories of the nonprofit sector and their consequences for nonprofit behavior.

Suggested answer: *Sample response: Failure theories explain the rise of the nonprofit sector as attempts respond to the failure of the markets to efficiently allocate the externalities created by the free rider problem associated with public goods. Externalities are the negative effects created by the consumption of a public good to the rest of society. These concepts result in market failures and government failures, and the nonprofit sector arises to address the consequences of those failures. Supply-side theories, on the other hand, argue that nonprofits arise due to the incentives and motivations of the creators of nonprofits, who are often motivated by non-economic incentives. They focus on social entrepreneurship and altruism as the motivation for the rise of the nonprofit sector. Lohmann's theory of the commons offers a third perspective. Lohmann argues that common goods are different from public or private goods in that common goods, unlike public goods, are open to some people but not all. They are thus not indivisible. But the goal of many common good actions is not private, but indeed public. Lohmann argues that many forms of nonprofit activity aim to provide common goods. The result of this distinction is that many nonprofits need to think very carefully about who their donors should be, since many donors are motivated not by market failures, or a general altruistic feeling, but because they see themselves as part of a commons that provides a common good.*

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Q50. *[Essay] · Cognitive Domain: Application*

Identify the consequences of resource dependence on different resources for the internal power dynamics in a nonprofit organization and on efforts to diversify resources.

Suggested answer: *Sample response: Resource dependence greatly influences the internal power dynamics of organizations. Organizations relying on gifts will be dominated by fundraising professionals. Organizations dependent on government grants are likely to be dominated by project managers and legal teams able to meet government requirements. In organizations that rely on earned income, the producers and marketers of the products that raise the earned income are likely to dominate. Since organizations are seldom able to just rely on one source of revenue, diversification is likely to raise both issues of internal power struggles and worries about autonomy. More diverse sources for resources enhance autonomy, permitting organizations more freedom in how they operate. Organizations will have to invest in previously underfunded departments. On the other hand, organizations used to high levels of autonomy, for example due to having an endowment, might face resistance when trying to seek new sources of revenue, if those are likely to come with restrictions on the freedom of organization members to do as they want. And finally, many departments may see an expansion as a threat to their position of the organization.*

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