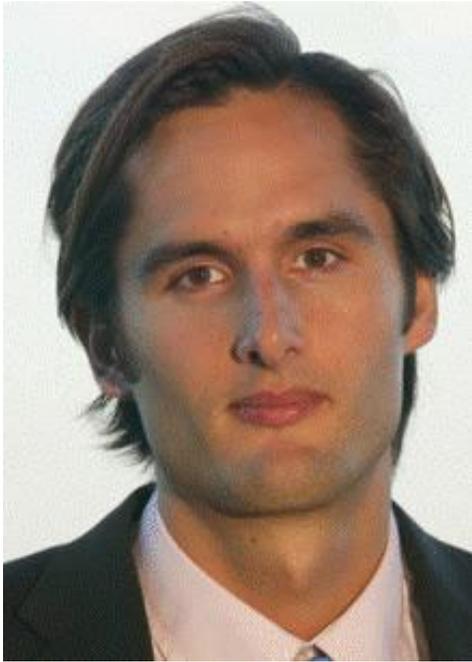




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Interview with Charles Best from Donorschoose.org



Adrian Bye: Today, I'm talking with Charles Best who runs an organization called DonorsChoose. Some of you will have heard of this. The social media guys will have heard of this. None of the affiliate marketing guys will have heard of it. It's a pretty interesting concept.

Charles, maybe you can take it away and tell us a little bit about who you are and what you do?

Charles Best: Hey, yes! Just quickly, DonorsChoose.org is a website where public school teachers post classroom project requests, and then donors can come and choose the classroom project that they want to support. Not only do they get to pick where their money is going to go but then they get to see the impact of their donation in the form of photographs, student thank you letters, a teacher result letter from the classroom that they chose to support. It's a website that grew out of a high school in the Bronx where I was the history teacher for five years.

Adrian Bye: You sound like you've been pitching to venture capitalists your whole life. How long have you practiced your elevator pitch?

Charles Best: I've been learning as I go. Definitely, we began in the spring of 2000 and for our first few years, we operated out of my classroom. My students were our staff members. Suffice to say, I did not even know what an elevator pitch was. In fact, I only wrote a business plan for the organization when I had to teach my students how to write a business plan. I had no idea how to do that and I kind of crammed the night before having to teach this lesson to my students. That taught me how to write a business plan. I then imparted that knowledge to my students hopefully successfully. Then only a few days later, it was like, alright, now I know what a business plan is. Maybe I ought to write one for this little experiment of a charity website growing out of my classroom.

Adrian Bye: You're a history teacher. What kind of history?

Charles Best: I taught American History and World History.

Adrian Bye: So you can tell me about the history of Australia, huh?

Charles Best: I might fail in that regard but I did teach one course. I was given real creative liberty and I taught one class on the non-African, non-Hispanic peoples of the Caribbean in South America which might

have been of interest to you. The great many people of Indian descent in Trinidad and Guiana, and the Lebanese and Arab Diaspora in Latin America – so that was kind of a fun course.

Adrian Bye: There's actually a bunch of Arabs here in the DR. It's pretty interesting.

Charles Best: Oh, yes. Everywhere. I mean if you think about it. If you think about Shakira, Selma Hayek and Carlos Slim as kind of the leaders in their respective fields, I think all three of them have Arab roots or Lebanese roots.

Adrian Bye: You know, there's actually a word in Spanish, "ojalá". Have you heard that word?



Charles Best: Oh, for sure. I think we have the moors to thank for that back in Spain, right?

Adrian Bye: "Ojalá", isn't that a word that comes from Arabic originally?

Charles Best: Exactly, exactly, exactly. Yes, yes.

Adrian Bye: Right. Yes, you do get these odd things. We need to get back on the interview but just one other interesting thing that I've noticed here. There's a town in the middle of the Dominican Republic called Constanza. It's a town of – I don't know – maybe 20,000 or 30,000 people, and it's kind of well-known for being cold. The people there, they look a little bit more Asian and it turns out that in something like the '30s, a big settlement came over from Japan and just settled there.

Charles Best: Wow!

Adrian Bye: So there's this Asian mix right in the middle of Dominican Caribbean stuff which is pretty cool.

Charles Best: Yes, there you go. There you go.

Adrian Bye: Anyway, you were a history teacher for how long?

Charles Best: For five years.

Adrian Bye: Alright. What did you do before that?

Charles Best: I graduated from college and I spent a year in Latin America. My primary goal was to learn Spanish so that when I was then teaching if I had any students whose parents primarily spoke Spanish, I could still get those students in trouble by being able to talk to their parents in their own language.

Adrian Bye: Good job.

Then DonorsChoose came along. Can you maybe tell us how that started and what kind of hatched the idea?

Charles Best: Yes, for sure. It was my first year of teaching, and I found my colleagues and I having the same conversation over and over again in the teachers' lunch room about books that we wanted our students to read, art supplies we needed for an art project, microscopes we needed for a science experiment, a fieldtrip

we knew would really bring the subject matter to life and none of these ideas would go past the teachers' lunch room because there was no source of funding. We teachers would go into our own pockets to buy basic stuff like copy paper and pencils but for the most part, we saw our kids going without the materials and experiences they needed to learn, and we teachers had a tough time innovating. That was the repeated conversation which spawned DonorsChoose.org because at the same time that my colleagues and I were griping about that state of affairs, I figured that there were people from all walks of life who wanted to help improve our public schools but were just getting more and more skeptical about writing a \$100 check to a big institution and not knowing how the heck their money was spent. I figured if we could enable anybody to be a philanthropist, if we could create almost a philanthropic eBay where somebody with \$10 could pick a project that really spoke to them, see exactly how their money was being spent and hear back from the people they chose to help, then my colleagues and I would be able to get our students those books and take them on that fieldtrip.

Adrian Bye: I did an interview with Sarah from Tomato Nation and she said that one of the things that's really motivated her community to fundraise for you was George Bush and the political situation.

Charles Best: That's right. That's right. I think she first engaged her readers with our website the day after they were getting over Bush defeating Kerry in the 2004 election and they wanted to do something that would both express their anxiety but also their resolve. I think it was a class set of George Orwell's *1984* which they funded as a community both to express where they felt the world was headed and to do something good for people.

Adrian Bye: So you started DonorsChoose four or five years ago?

Charles Best: It would now be nine years ago in the spring of 2000 when I started DonorsChoose.org but our first few years, we were operating under my classroom with my students as our staff members. It was in 2003 that Oprah Winfrey did just a phenomenal story about our site.

Adrian Bye: You've been on Oprah?

Charles Best: I have, yes. That story prompted the first inquiries from other parts of the country about DonorsChoose.org expanding. Until 2003, 2004, our site was only open to public schools in New York City, '04 that we began to expand to other states and other cities, and only two years ago that we opened our website to every public school in America.

Adrian Bye: How did Oprah find you?

Charles Best: It was, I believe, a piece by Jonathan Alter of *Newsweek* who was the very first journalist to break the story of DonorsChoose.org. I cold-called him during my lunch hour while teaching and unlike all the other reporters, he did not hang up the phone on me. We spent an hour on the phone and he wrote a column saying that he felt on day, DonorsChoose.org would change the face of philanthropy.

Adrian Bye: Did your website crash when you went on Oprah?

Charles Best: It completely melted down. We did get back up in about an hour's time which was a little quicker than some other sites but that hour was just horribly painful thinking about all these people, all these would-be donors hitting our site, and being unable to make donations and help kids in public schools. That was a tough hour but an exciting one, I guess, at the same time.

Adrian Bye: Can you talk about how much you brought in when that happened on Oprah?

Charles Best: Yes, for sure. It was \$250,000 in donations from citizen philanthropists that we took in, in just a few days following Oprah's profile of our nascent philanthropy.

Adrian Bye: That's interesting. That's an organization that then was really rather small and we can actually get a monetary value on being on Oprah. In your case, it was worth \$250,000.

Charles Best: That's exact. When you have a baseline of donations as small as we did, it's very easy to isolate the impact of a highlight like that from Oprah.

Adrian Bye: That's an interesting statistic. I wonder what it's worth for an actual business.

Charles Best: Yes, I think some extremely large sum because of course the even greater value of Oprah's story was the national expansion that it got the ball rolling toward.

Adrian Bye: Yes, right. Yes.

Can you talk about how big you are today like annual revenues and things like that, like how the financials work? I assume by now this is your full-time thing and you have a team.

Charles Best: That's right. That's right. For the last four years, I've been doing DonorsChoose.org full-time, I have 52 colleagues and as of today – actually, any member of the public can see our impact up to the day if you go to DonorsChoose.org/impact – if you went to that page, you'd see that more than \$40 million has been contributed to classroom project requests on our site by about 160,000 citizen philanthropists all across the country and in a few other countries as well. It's 115,000 teachers in public schools overwhelmingly in the low-income communities who have posted project requests on our site and 105,000 projects that have come to life through our site for 2.7 million students.

Adrian Bye: What's your annual turnover now?

Charles Best: This school year, we're projecting at least \$23 million in classroom project funding.

Adrian Bye: Oh, so your growth is like totally exponential.

Charles Best: It is. It's pretty close to a hockey stick if you do check out our growth curve.

Adrian Bye: Wow! Congratulations. That's impressive.

Charles Best: Thank you. Thank you.

Adrian Bye: Now, you're going to like turn this into eBay and then retire off in your Caribbean island that you bought.

Charles Best: It can only strive for what you've pulled off. We're a public charity. Although we're a charity, we do have a business model for achieving sustainability, our equivalent to profitability and that's based on the option that every donor has when they're supporting a classroom project to dedicate 18% of their gift to DonorsChoose.org operating expenses. More than 90% of donors choose to dedicate 18% of their gift toward

our operating expenses and operating income thus generated makes DonorsChoose.org more and more self-funding. When we get to about \$40 million to \$50 million a year in classroom project funding, donors' inclusion of that optional operating gift will cover 100% of our operating expenses and as a company, if you will, we will have broken even. Of course at that point, we won't be generating profit but we'll have become that rare species of an entirely self-sustaining non-profit organization.

Adrian Bye: That could turn into a business model. I could see companies starting giving to the community and then be totally funded by that because I guess you do it as an up-sell after the person's done the donation, right? Thanks for your money. Would you like to contribute a percentage to this? It's therefore kind of like an up-sell.



Charles Best: Essentially, that's exactly right. It's an opt-out up-sell but it's very clear and easy to opt-out. But only less than 10% of donors do that. The lesson seems to be that if you're optional and transparent then donors really want to help you out with your operating expenses.

Adrian Bye: Yes, right. You have a team of 53 people?

Charles Best: Yes, yes. That's right. That's right. Fifty-two – that's right.

Adrian Bye: You've gone from being a history teacher to running a pretty decent-sized team. Were you expecting that?

Charles Best: I was not at all expecting that, and what's most kind of surprising and thrilling is not the size of the team but the caliber of the team. To give you just a couple of profiles of colleagues of mine, our CFO was the CFO of two public companies before joining our little charity. He's an early-50s Harvard MBA who most recently was the CFO of Audible, and he's the CFO and board member of that company. He helped take them public and was with them for six years, and then announced on the Audible quarterly earnings call that the CFO would be leaving to join this little charity that nobody had heard of. Our CTO was a rising star at Microsoft before joining our organization and he's just incredible. He's a meta-CTO, in the words of our Board Chairman. One final example profile, our Head of Operations is a guy who got his Mechanical Engineering degrees from Caltech and MIT, did his Masters thesis on lean manufacturing practices at Toyota, got his MBA from Wharton, did 18 years at AT&T and is now applying the lean manufacturing practices of Toyota to the DonorsChoose.org operation.

Adrian Bye: I'll be expecting you guys to go public soon anyway even though I'm sure you're a 501c3, right?

Charles Best: That's right. That's right, we are a charity.

Adrian Bye: Actually, who owns the organization?

Charles Best: I guess the public owns the organization insofar as we're a public charity. The Board of Directors is the group that I report to, and I think I'd have to point to the Board of Directors who of course don't hold shares and don't have any financial equity but they are the ultimate authority, and they exercise that authority in the best interests of the students and teachers we serve.

Adrian Bye: Right.

My understanding of the way the process works is someone reading this interview now can go to the site. They can make a donation. They can choose to support or not support you, and nine out of 10 of them will. The money then comes in. You guys then buy what is needed and then ship that directly to the teacher. Is that correct?

Charles Best: That's exactly right and I appreciate your knowing that upfront although it's straightforward to compare DonorsChoose.org to eBay or the craigslist. Our back office operation is more akin at least aspirationally to that of Netflix or Amazon. You identified pillar number two of our operating model. Pillar number one is that we vet and validate each teacher's project request before posting it to the public site. Then as you said, we fulfill the project for the teacher and don't give the teacher cash. Finally, we provide this platform for teachers to publish photographs of the project taking place. They publish an initial thank you note when the project is funded and then a results letter when the project is completed. Finally, we give them the means by which to mail in student thank you letters addressed to all the donors who give \$100 or more. So a donor giving only \$1 to a project at DonorsChoose.org still gets a thank you note from the teacher addressed to them, a results letter, photographs of their project taking place and a cost report showing how every dollar on the project was spent. Then donors who give \$100 or more also get this physical package of student thank you letters.

Adrian Bye: Really? I gave \$100 about two months ago so I'll get something in the mail, will I?

Charles Best: Yes, that's exactly right, probably on average, three, three and a half months after the project has been fully funded.

Adrian Bye: So the guy that gave \$1 then, he gets all of that information sent to his e-mail, right?

Charles Best: That's exactly right. The guy who gives \$1 gets all the feedback which is digital and that's actually everything – the photos, the teacher thank you letter. Everything except for the student thank you letters which we thought would lose a lot if we digitized them. They're handwritten. There are collages, yarn, paint, etc. We decided to keep that old-school analogue.

Adrian Bye: One thing when I went through and analyzed some of the numbers of donations like I was comparing because I think Sarah is excellent. Her blog doesn't have a lot of traffic and they just like kick everybody's butt including Fred Wilson.

Charles Best: That's right.

Adrian Bye: It's just astounding that her average donation was \$330. Fred's average donation was something like \$178. It made me feel a little bit like a loser because I only gave \$100. How are your average donations when people do this?

Charles Best: You were not a loser at all when you gave \$100. That was actually \$20 more than the average donation which is \$80. I think that Sarah Bunting's average donation size and maybe even Fred Wilson's may be helped by some large gifts that in Sarah's case, she got from HP and from, I think, even an anonymous donor or two. My guess is that the blog reader, a true consumer blog reader of Sarah's average donation is probably \$100.

Adrian Bye: Oh, okay.

Actually, this is one of the things that came up in Sarah's interview. Maybe you can comment on it. She said that she has a big donor that gave a ton of money that's from Norway and it's interesting that someone in Norway would be interested in US public education. Do you see that sort of stuff a lot? I mean that's maybe the sort of thing that happens with the internet.

Charles Best: Yes, that Norwegian donor is a little bit of an outlier but I don't think a month goes by that someone in another country takes a big interest in our site. We're not even built very well for donations from outside the United States but I think there is something just really appealing about the giving experience at DonorsChoose.org. It really is this one place where with \$1 or \$10, you can find a project that really speaks to you and there are 20,000 live classroom project requests on our site at any given moment. That means that somebody can express a really personal area of interest and find projects that match that interest. You could search for keyword "horseback riding" and you'll find a number of projects centering on therapeutic horseback riding for disabled students. You could type in "yoga" and see a whole range of teachers who need yoga resources to teach their students yoga. I think that ability to express a personal passion and find a project that matches that passion, and then to see exactly how your money is being spent and to hear back from the people you helped in this really vivid, tangible way – that maybe kind of crosses borders and so we are able to attract the occasional donation from people like this guy in Norway.

Adrian Bye: When I gave my money, because we met at Fred's event in New York and I was talking with one of the teachers there, she was asking me about, "What projects did you give the money to?" and I didn't know because I just went on and gave \$100 because Fred told me to.

Charles Best: Yes.

Adrian Bye: But she got kind of upset about that, and like wanted me to be going in and picking out the right project because I didn't really know what to do. What percentage of your people go in and just like give money, and what percentage actually go through and pick out projects?

Charles Best: What's interesting about the Social Media Challenge, it's actually a challenge for us. The Social Media Challenge attracts an incredible number of donors but donors whose primary loyalty is to the blogger or the Twitterer who just asked them to go donate. In those instances, many of those donors are just looking to make a gift as quickly as they can because they want to help out the blogger who asked them to and as in your example, they're not necessarily picking an individual classroom project which really inspires them. That is definitely the minority scenario. It's the majority scenario in the Social Media Challenge but net, it's probably even a small proportion of our donors who are not picking an individual project.

We actually have this challenge with the Social Media Challenge where we have a tough time getting those donors to become ongoing DonorsChoose.org contributors. They'll give again in a year when their favorite blogger asks them to but in the interim, we have a tough time getting them to develop some loyalty toward our site or specifically toward the classroom projects on our site.

Adrian Bye: That's a classic sales sort of issue because one of the things that is interesting to me about what you're just telling me is because I've received a follow-up. There was an online note from the teacher and some stuff that I guess my \$100 helped fund.

Charles Best: Yes.

Adrian Bye: But if you're sending out like if I'm going to get some kids' letters and stuff like that, that's going to make me happy and stuff. I would imagine you doing that sort of thing is going to help build relationships with everyone and therefore that would help explain the exponential, hockey stick type growth, or does it not?

Charles Best: We'd like to think that it does explain our growth rate. It's just that Social Media Challenge donors like yourself are especially tough to convert into ongoing donors. But let's see if those student thank you letters don't do the trick.

Adrian Bye: Now, you're like making me feel guilty and I've got to come back.

Charles Best: Exactly, exactly. Sadly, it's not scalable to do an hour interview with each of these donors to try and guilt them into becoming ongoing donors.

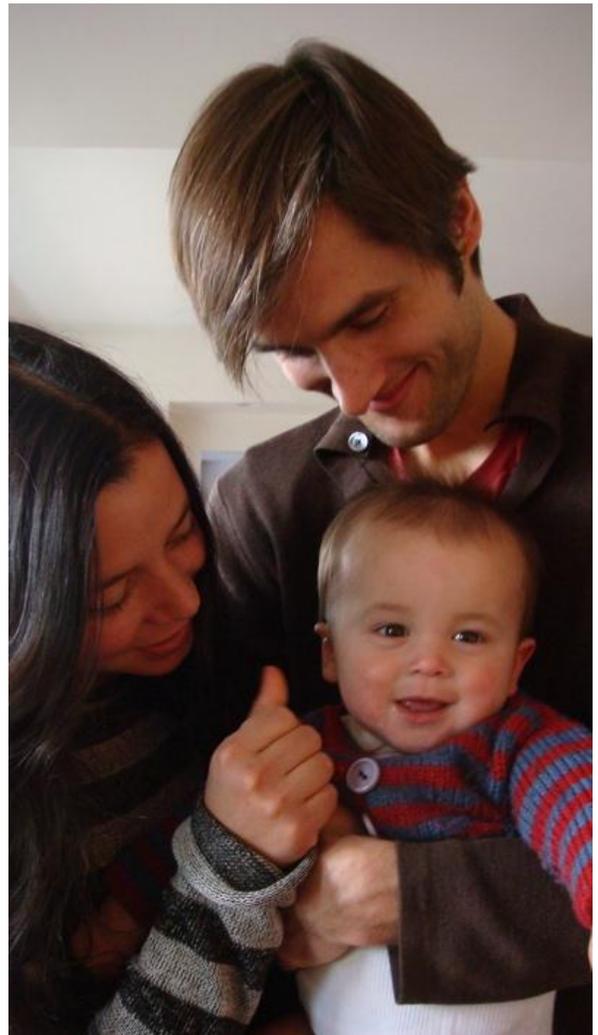
Adrian Bye: But you would if you could.

Charles Best: Right.

Adrian Bye: Where does this go to? Is this your full-time thing that you're going to do for the next 30 years? What are your intentions with what you're doing?

Charles Best: I'm having even more of a blast now than a few years ago. My learning curve is steeper so yes, I'm just having an incredible time. There's nothing right now that I want to be doing that I'm not able to do at DonorsChoose.org. Yes, I haven't thought much about sort of what lies beyond because there's so much more for us to do here. As one thing that we alluded to earlier, this school year, a majority of DonorsChoose.org's operating expenses will be covered by donors' inclusion of that optional operating gift but we are still a good distance from break even and that's one milestone I'm just really excited for us to hit.

Adrian Bye: So you mentioned that. When you were getting started and you weren't anywhere near break even, how did you be funded?



Charles Best: By still living with my parents after graduating college, then not having any rent to pay, and then being able to dedicate some of my teacher's salary to DonorsChoose.org and getting it off the ground. Then of course after a year or two of that, we had a number of funders. Goldman Sachs Foundation was one of the very first supporters. They made kind of an angel investment in our charity, which enabled us to move out of my classroom in the Bronx and into a real, one-room closet of an office, and to build a real website. Two and a half years ago, a group of Silicon Valley leaders, the Omidyar Network created by Pier and Pam Omidyar of eBay fame, David and Angela Filo of Yahoo! fame, Vinod Khosla, Reed Hastings the founder of Netflix, Fred Wilson and Brad Burnham at Union Square Ventures – they formed this group to provide us with what we referred to as a round of funding. It was charitable funding but it was structured on some of the same principles as a venture investment. These Silicon Valley leaders had two expectations of DonorsChoose.org, almost conditions of the funding. One was that we would go national and open our site to every public school in America and the second was that we get to our break-even point. The gap between what our donors give to us through that optional operating gift, between that and our actual operating expenses is covered by this one-time infusion of operating capital from these Silicon Valley leaders.

Adrian Bye: Were you working towards break even by that point or were those guys the ones to get you into this to move forward more quickly?

Charles Best: From the get-go, from year one of DonorsChoose.org, we had this model of letting donors choose whether or not they wanted to support our operating expenses. But as an organization which was open only in a handful of cities and a handful of states until two and a half years ago, we had no hope of achieving the scale necessary for break even. When we went national, we now have the potential to see so many classroom projects funded that donors' inclusion of the optional operating gift does cover all of our operating expenses and we're on a pretty clear path to break even.

Adrian Bye: Will you go international?

Charles Best: We actually have a board meeting, board retreat this February where we're going to think about all the expansion possibilities which range from expanding to private schools as well as public schools, to expanding the model itself so that teachers could request volunteer needs as well as cash needs, to expanding the program to other verticals or other sectors within the United States such as social workers or police officers, to expanding the model to schools in other countries. It's a huge range of possibilities. Our strategy thus far and my guess is our strategy for at least the next year is to remain laser-focused on proving our core program of serving public school kids in the United States, mainly those from low-income families and that we would not look to extend the model until break even was around the corner, if we choose even to extend the model. Thus far and I think for the next year, we're airing on the side of focus and really nailing it before we look further afield.

Adrian Bye: I guess that's an interesting issue because you really have a lot in common with a startup in the way you've grown things and so once you do get to that break-even point then you go to expansion. But then you're not expanding based around monetary goals. You're expanding based upon human or social goals.

Charles Best: That's right.

Adrian Bye: It could be very easy for you to become unfocused.

Charles Best: That's exactly right. That's exactly right.

Adrian Bye: But I guess if you've got guys like these Silicon Valley guys you mentioned advising you, they're probably not going to let you do that too easily.

Charles Best: That's exactly right. I have both incredible board members and incredible colleagues. Yes, our board is really fun – Fred Wilson who's on our board whom you know. Just to give you a flavor for some of the other folks: Stephen Colbert of *The Colbert Report*; Bill Bradley, the former senator and presidential candidate; Jeff Weiner, the CEO of LinkedIn. They give you kind of a flavor for the caliber of folks on our board.

Adrian Bye: Why have you gotten so much support from these sorts of people?

Charles Best: We've been fortunate with media coverage which inspires a good number of thought leaders to check out our website and when those people do check out our site, I think they are inspired by the classroom projects that they see on our site, and really inspired by the dedication, the imagination and the commitment of the teachers who use our site. Our website is really a showcase of just how innovative and caring our most dedicated teachers are. Yes, that commitment and that humanity I think inspires a lot of people to want to really get engaged with our organization.

Adrian Bye: It's a model that may well be either scalable or maybe other organizations should be copying you and doing it in other areas, too.

Charles Best: I think that's right and we have a number of peer organizations, one or two of which even started a few months before DonorsChoose.org which you might also describe as philanthropic marketplaces. Kiva comes immediately to mind as does GlobalGiving. Then there're even a couple for profits such as Kickstarter which are also based on a kind of a marketplace of good deeds.

Adrian Bye: One of the things with what you're doing with helping other teachers out and funding all these projects, obviously there's a good thing to that but isn't this stuff that, say, government should be funding? Are we then effectively subsidizing state governments, and they can sit back and say, "Well, we won't bother buying new computers for the classroom because these DonorsChoose guys, they'll just take care of it for us so we'll spend the money on private planes," or something like that that we need?

Charles Best: Yes, right. You are absolutely right to ask that question. We see the opposite dynamic taking place. Half the project requests on our site go beyond what you would expect the taxpayer to support: a fieldtrip to Washington DC to see the Supreme Court consider a case; a pet hedgehog; therapeutic horseback riding for disabled students; etc. Half the projects on our site do make the readers say, "Damn! I can't believe that there's a classroom that doesn't have dictionaries," or "...an art teacher who's being asked to teach without fundamental art supplies," and that's exactly the reaction we want to elicit in our website visitors and donors. Sixty percent of our donors say that their experience at DonorsChoose.org has made them more interested in systemic reform and more committed to getting government to do a better job. I think the reason is that the donors who come to our site, 70% of them have never before made a donation to public schools and for them, this is often their first encounter with what's really going on in public schools and low-income communities. They're having this encounter in a really vivid, personal way. They're not reading a statistic in a newspaper article which is probably unlikely to get you out of your chair, demanding reform. They are connecting to a particular group of students with whom they feel they now have a relationship. They see the personalities of some of those students and the teacher. They think about them when they're going into the voting booth. Far from saying, "Alright, I just provided the class a set of dictionaries. The state government no longer needs to do a better job," they feel like they now have a personal connection to, a responsibility toward, an awareness of this classroom and what's going on in other classrooms in low-income communities, and that energizes them politically and makes them more likely to become civic actors. Actually,

22% of our donors said that their experience on our site made them more likely to even vote in an election or in an education budget referendum.

Adrian Bye: I get what you're saying but on the other hand, \$20 million in revenue this year, hockey stick growth so a couple of years, you're doing \$100 million a year. At that point, lazy, local politicians who are facing budget cuts in different areas will be able to look at it and say, "Well, let's let that go," or are you saying that because the constituents then are going to see where all of these shortfalls are that they might want to be careful with that because then if they do that too much, it's going to get them voted out of office?



Charles Best: That's exactly right. I'll give you one example. In Chicago, a school principal threatened to fire a teacher for putting a project request up on DonorsChoose.org and the reason was that this teacher's project request, although it was totally positive about the school and the environment, just by virtue of requesting a class set of dictionaries, this teacher was revealing that the school didn't have dictionaries and that was incredibly embarrassing for the school principal so much so that he told the

teacher to stop using our site at risk of losing her job. Really, I think that DonorsChoose.org is a way for teachers to go public with unmet student needs, which more often school system leaders would rather paper-over and hide from public view.

Adrian Bye: That's really powerful.

Charles Best: Fresh air and transparency usually means only good things. We think DonorsChoose.org will be another example of that.

Adrian Bye: Have you thought about this as a goal for the organization – to make the organization, not relevant but I'd say...

Charles Best: Absolutely!

Adrian Bye: "We're done with schools and now we're going onto some other area like police, fire brigades or something like that."

Charles Best: Absolutely. We would love to kind of expose and prod the broader system into putting us out of business at least on the currently 50% of classroom projects, which are for essential materials that this system

ought to be providing. I think there'd be a continued role for DonorsChoose.org in innovation where a teacher who has a really experimental idea, a way of teaching that might go beyond the typical curriculum, a fieldtrip that will bring learning to life. Any project which involves resources or ideas that go beyond the standard, mandated curriculum where private philanthropy really is the appropriate way to fund innovation and experiment, I think there'd be a continued role there. But we'd certainly like to be put out of business on all the projects on our site which are for essential resources.

Adrian Bye: Well, maybe not completely out of business but at a very low level so that it's still there as kind of a watchdog but is...

Charles Best: Yes, I think you actually just said it much better. Yes, we'll plagiarize your phrasing of it.

Adrian Bye: That's interesting.

Okay. Another area I've got to ask is – you mentioned Kiva. It's a good organization, and I've played around with them a little bit as well. Actually, one of my hobbies is photography and so I'm actually going to do a photo shoot in about two weeks of the Kiva donation process from the side and the Dominican Republic.

Charles Best: Oh, that's awesome.

Adrian Bye: I'll be able to post my pictures that are like what I'm seeing happening and from my perspective of living here. Hopefully, that can be interesting for them. I'm actually going to do the same with DonorsChoose. The teacher that I met in New York, I'm going to do that as well with her.

Charles Best: Oh, that's so cool.

Adrian Bye: Get some interesting outside-perspective photos from an independent guy.

Charles Best: Yes.

Adrian Bye: Here in the DR, Kiva has been doing quite well. But here in the DR, there was a fraud of their major local partner. They have two, and the biggest one now shut down. They've done something like \$500,000 in donations of which that, something like \$250,000 to \$300,000 of that has been as if vanished.

Charles Best: Yes.

Adrian Bye: It seems like what happened was that it wasn't the guys that were running the organization. It was some employees that had somehow managed to steal the money. I don't know what the outcome is but it's looking like quite a bit of a mess. How do you handle fraud because your \$20 million now, you may well get to \$100 million? That's a lot of money. I mean the teachers know that there's a lot of stuff coming in and the teachers own the stuff, right? It's not for the schools. One of the teachers told me like, "It's my stuff and if I go to another school, I'm taking all these headsets", "...I'm taking all these recorders," or whatever else that they've been given. I don't think it's a matter of you not going to have fraud because you're going to have to, because you're dealing with a lot of money. How do you deal with that?

Charles Best: There are a couple major measures we take where in one sense, we're lucky because we operate in a developed country where the recipients of funding have internet access and have daily uses of e-mail. Because the vendors that we use can correspond with us electronically, we're able to do a whole range

of things to guarantee the integrity of the donor-beneficiary exchange which organizations operating in the developing world just can't do. As one primary example, we took a massive temptation for fraud out of the equation by purchasing the resources ourselves, fulfilling the actual project and not giving the teacher any cash. That goes a really long way to even eliminating the possibility for fraud because a classroom library can only be sold for so much on the black-market even if somebody...

Adrian Bye: It is top of a lot of value they're getting. I mean lots of electronic equipment and things like that. Maybe they have to get the actual stuff rather than cash but you know, there's eBay, craigslist and stuff so that you can move things pretty quickly.

Charles Best: Absolutely, absolutely! I'll mention a couple of other measures that we take. When a project is funded and we proceed to purchase the resources, of course we have the resources shipped to a school address that has been verified by the federal government. A teacher cannot input an address which they claim is their school but which might really be their home address. The resources are shipped to the school and at the same time that we do that, our system electronically automatically sends a fax to the school principal, congratulating them that a teacher at their school has just been funded and listing the resources that are about to arrive. Now, there's one person, the teacher's boss, who's aware of what's arriving and who is likely to check up on the proper use of those materials. We also e-mail two or three randomly selected teacher users at that same school, congratulating them on their colleague's success. Of course, one function that notification performs is that there are two or three peer teachers at the school randomly selected who also know exactly what materials have just been...

Adrian Bye: Alright. Is there anything that I'm going to be able to ask you that you're not going to be able to give me a really good answer for?

Charles Best: No! No, no, no.

To your point, after 106,000 classroom projects funded on our site, we thought we had the very first instance of fraud. Thankfully, it was in New York City so our Head of Operations and his colleague, our Head of Customer Service, went out to the school and investigated. It was a printer and a laptop which, thanks to our system of e-mailing two or three randomly selected other teachers at the school, one or two of those teachers sent us an e-mail, saying, "Hey, you had alerted me that my colleague, (we'll call them) Mr. Smith, had just gotten funding for a laptop and I don't see that laptop in his classroom. I'm giving you a red flag on this." So thanks to that system, we were alerted by the teacher's colleagues. We went in and investigated, and it was crystal-clear that this was an incredibly dedicated teacher who was simply doing some lesson planning from home and needed to be able to work from home as well as in the school. The principal verified this. If anything, the investigation of what seemed like our first instance of fraud illustrated it was sort of the exception that proves the rule that this clearly was a teacher who had taken the laptop home but who also was very clearly using it at home to do schoolwork. It was not a teacher who had like a hobby. When they were printing stuff at home, it was clearly entirely for their lesson plans.

Adrian Bye: When you start up at a new school, how do you get new teachers' e-mails, principal's contact information and that kind of stuff?

Charles Best: Principals contact info, we have automatically through this database of public schools and contact information verified by the federal government so no matter what we are able to send – a fax addressed to the school principal alerting them to the resources that have arrived. Teachers' e-mail addresses, we don't have naturally but we do get, thanks to teacher registering at DonorsChoose.org, a huge number of instances if not the majority of instances, there is at least one if not two or three other DonorsChoose.org

users at the school and those are the folks who we e-mail. You're right though that in even a large portion of instances, it's just the principal whose contact information we have but that's the most important person to alert to incoming material. Of course if ever a teacher doesn't post photographs of the project taking place, we follow up very rigorously. Of course, it's tough to stage a photo shoot of kids using the materials and tough to persuade kids to all write thank you letters to a donor if the project didn't actually take place.

Adrian Bye: Yes, right. That makes sense.

Okay, is there anything that we haven't talked about which you want to talk about?

Charles Best: I think we are covering it. Maybe just to tie together both Kiva and DonorsChoose.org, to re-illustrate the ability for someone to express a personal passion at our site. I'll share this one final anecdote about what happened when a writer for *Fortune* magazine was doing this story on Kiva and DonorsChoose.org as the two websites which *Fortune* magazine thought were going to change the face of philanthropy. This writer, when he and I were done talking, said that his personal passion was saving the salmon in the Pacific Northwest. That was what he cared about and it was therefore unlikely that he'd be giving a lot of money at DonorsChoose.org because education wasn't his passion as much as saving the salmon. Before he left the room, just for the heck of it I did a keyword search for "salmon" on DonorsChoose.org and up came five classroom project requests all relating to salmon in the Northwest that the second result was an Oregon High School teacher who had created a salmon hatchery in the river flowing by his school, and he needed hip waders for his students to go in the river and maintain the hatchery. The top result was a teacher on an island off of Alaska teaching in a one-room schoolhouse whose students are Native Alaskans who had recorded their parents' folktales about salmon, done research on salmon, and to share that work with the outside world, they needed a printer and a scanner. So this writer who had initially thought that DonorsChoose.org wouldn't be his personal passion realized that his cause of saving the salmon in the Pacific Northwest absolutely could be expressed through our platform, and I think he wound up donating to the Oregon High School teacher's salmon project.

Anyway...

Adrian Bye: For me, it'd be easy for me to donate to like Dominican kids or...

Charles Best: My gosh! If you type in keyword "Dominican", I'd be excited to see all the matches you'll get from teachers whose students are primarily from the Dominican Republic and probably even from projects that's focused on teaching the culture or history of the Dominican Republic.

Adrian Bye: Oh, well. Let's have a look. That's impressive.

Charles Best: It's a testament to the dedications of the teachers who use our site.

Adrian Bye: I might go and make a better donation. Cool!

Is there anything else you want to talk about?

Charles Best: Sorry. One last thing, yes. Given the members of your audience who are affiliate marketers, DonorsChoose.org, we're instrumented in Commission Junction as a potential affiliate partner so if a third-party site wants to drive traffic to our site and this could just be a general shout-out promotion of DonorsChoose.org or it could be a really smart one using our API where a website all about yoga might want

to create a little widget pulling in classroom project requests that center on yoga or... You get the idea. Using our API, a third-party site can feature a classroom project request fitting any set of criteria and if actual donations are generated from that third-party website's promotion of DonorsChoose.org or featuring of individual classroom project requests on our site, we're able to make an affiliate or referral payment to that third-party site. We do it out of our operating budget, not out of the actual donations that are generated and we're able to do 4% cash or 10% DonorsChoose.org dollars if there's an affiliate partner who wants to get their compensation in the form of philanthropic dollars. Hopefully, that'll be some food for thought for some of your audience members.

Adrian Bye: You're a little bit too slick for me, my friend.

Charles Best: No!

Adrian Bye: You have everything worked out here.

Charles Best: No, we are making a lot of mistakes and learning as we go.

Adrian Bye: Yes, well. I mean you're talking to like probably the biggest space of affiliate marketers you can reach.

So, guys...

Do you have a webpage where they can then explain to them about different options, and they could get tracking links and sign up?

Charles Best: Yes, totally!

Adrian Bye: They're essentially CJ but do you have like extra materials and things you can give to them?

Charles Best: Absolutely! One place to start for an affiliate partner who's looking to do something really creative to actually show, basically we'd love to see someone create Google AdSense from DonorsChoose.org projects – in other words, targeting classroom project requests in the ad real-estate area which are topically and geographically targeted to the content on the page. We just think that there's so much affiliate potential there that right now is really untapped.

So for any folks who want to kind of explore the possibility, DonorsChoose.org/api will give someone the tools they need to pull out classroom project requests from our site onto a third-party site and then CJ, as you mentioned, is the place to apply to be an affiliate partner, and to get instrumented and set up. Then of course just reaching out to us and we would be really excited. This is an experimental program and we are happy to invest some face-to-face, handholding time in helping to get any promising affiliate partners set up and best customize.

Adrian Bye: What you're offering here is a chance for a guy to drive traffic to you and do some like social good but at the same time, they can make a ton of money?

Charles Best: That's exactly right.

Adrian Bye: Alright.

Have fun with that, guys.

I think you'll probably get a couple of takers.

Charles Best: I hope so.

Adrian Bye: Alright, is there anything else?

Charles Best: No, this was just really a fantastic set of questions and it was just awesome. Thank you, Adrian. I really appreciate it.

Adrian Bye: I appreciate your time. Thank you.

Charles Best: Take care.