

Transforming for the Future



A 2013 Update From
Gail McGovern
President and CEO



**American
Red Cross**

The Fundamental Principles
of the Global Red Cross

humanity

impartiality

neutrality

independence

voluntary service

unity

universality

The American Red Cross provided aid
after the earthquake in China.

Cover photos: American Red Cross



Introduction

Over the past five years, the American Red Cross has undergone a major transformation. Our dedicated employees and volunteers throughout the organization and across the country have come together to turn around an American treasure in crisis and to restore confidence in it.

This past June 23 marked my five-year anniversary as president and chief executive officer. It has been an amazing honor and privilege to lead the Red Cross; I can honestly say that the Red Cross has changed me and, I believe, made me a kinder, more humble person.

Over the past five years, I have put pictures on my refrigerator of courageous people I have met as I've traveled to sites of disasters such as New York, Pennsylvania, New Jersey, Missouri, Alabama, Oklahoma, China, Japan, Haiti and many others, where earthquakes, tornadoes, floods, hurricanes and a tsunami have brought destruction and heartbreak. I do this as a constant reminder of how important the mission of the American Red Cross is to our country.

The latest pictures on my refrigerator are of people who suffered severe losses when Superstorm Sandy devastated their communities last fall. One is of a dear couple who lost everything and still volunteered to deliver turkey dinners with the Red Cross on Thanksgiving.

Sandy is the largest U.S. disaster response in more than five years, and as the one-year anniversary approaches in late October, there are clear signs of progress and hope. Families are moving back into their homes and rebuilding their lives, thanks to our generous donors and kind-hearted volunteers.

It's these brave, inspiring faces on my refrigerator—and countless more in my mind—that remind me of the strength of the human spirit, the generosity of our donors and volunteers, and the need for a strong Red Cross.

Transforming the Red Cross

The importance of the Red Cross to our nation and to the world led us to transform the organization. When I arrived in 2008, the Red Cross was facing a number of serious



Red Cross emergency response vehicles deliver meals and cleanup supplies after a disaster.

challenges—a repeated turnover in leadership; a \$209 million operating deficit and significant debt; an unwieldy organizational structure; difficulties within our Blood Services operations; outdated IT systems; a powerful but tired brand; and a fundraising strategy in need of a makeover.

It was very clear to me that we had to save the Red Cross so it could continue its humanitarian mission for generations to come. We identified six key initiatives: achieving financial stability, increasing donations, improving Blood Services quality, revitalizing the Red Cross brand, modernizing our IT systems and promoting teamwork—a part of what we call One Red Cross.

Progress and success

Five years later, I'm very proud of the excellent progress that we've made on all six initiatives. Together, we have transformed the Red Cross into a financially stable, leaner and more efficient organization, better prepared for the future. Employees and volunteers have embraced change, created a culture of cost-consciousness and achieved extraordinary successes through the power of teamwork.

This report tells you the story of the turnaround and transformation; what we've achieved; what we're doing now and what our future holds. It is a story that involves all of our volunteers, donors and supporters—the true heroes behind our mission. We are deeply grateful for your support.



Power of Teamwork

The initial steps in the Red Cross transformation began with an extraordinary display of teamwork. In my first year, we held an important meeting in California with chapter executives from across the country to discuss making some big changes to “the way things had always been done,” to address our operating deficit and get our finances in order. The night before the meeting I was worried that these chapter leaders would not agree with the need for action—and for change.

The next morning we talked about what it would be like in our country without the Red Cross and how we all needed to work together to save the organization. It was clear to me and to them that this was not just about balancing the budget, but saving the Red Cross.

Their dedication to our mission inspired them to dramatically pull together. After many meetings, discussions and brainstorming sessions, we drafted a plan to restructure the chapter network to function more as One Red Cross and less as separate entities. The restructuring created greater efficiencies, increased collaboration and broke down silos between different parts of the organization.

Partnerships with donors

Here is a practical example of how this has worked: Instead of different parts of the Red Cross approaching donors in different ways at various times, we are now working more collaboratively to connect donors with every part of our mission. One donor that has been engaged with the Red Cross is Nationwide Insurance. The company supports our disaster response efforts as a longtime Annual Disaster Giving Program member, has the only permanent corporate blood collection center in the country, and engages employees in the work of the Red Cross by offering CPR classes and involving them in our Holiday Mail for Heroes card signings and Thank-a-Thons. Our restructuring efforts will help us create more relationships like this in the future.

As we've increased teamwork and built new partnerships, both internally and externally, I have been awestruck by the unity shown by Red Crossers—from employees to volunteers to board members to donors. Because of their passion and commitment to our mission, we have made dramatic strides in strengthening the Red Cross.

The Red Cross teaches thousands of CPR and first aid classes each year.



Creating a Culture of Cost-Consciousness

Throughout our transformation, a critical underlying goal of our effort was ensuring that we were using our donors' dollars in the most efficient way possible. For the Red Cross, creating a cost-conscious culture and getting on the path to financial stability was a two-fold process: We focused on streamlining our operations to reduce costs while bolstering our fundraising efforts.

One structural issue we had to confront was that functions that should take place in our chapters, such as fundraising, were being done at national headquarters. And back-office functions, which should have been performed at national headquarters, were duplicated in the chapters.

To solve this problem, we consolidated the chapters' support services and back-office functions, such as marketing, human resources, finance and IT. We now have just one Red Cross website instead of 700, and one bank account instead of 4,000.

These changes helped us eliminate our \$209 million operating deficit within two years. After cutting the annual operating deficit significantly in the first year, we finished in the black in FY10 and have achieved a balanced budget three out of the past four years. Preliminary indications are that we finished FY13, which ended June 30, in the black as well, although our organization faces continuing financial pressures in the year ahead.

A financially stable future

Maintaining financial stability also hinged on boosting Red Cross fundraising. In the past, national headquarters had driven our fundraising efforts. We were also relying too heavily on funds raised during times of disaster to sustain the totality of our work. In the last five years, we have worked hard to train our chapters to become world-class, year-round fundraisers, engaging more people in our mission.

Red Cross supporters and donors help us to fulfill our mission.





In 2009, the Red Cross also launched a giving campaign during the holiday season that now includes requests for financial support, greeting cards for members of the military and veterans through our Holiday Mail for Heroes program, and an appeal for blood donations.



Our Annual Disaster Giving and Disaster Responder Programs, which started with 12 and six members respectively, have now grown to more than 75 members combined. These distinguished corporate and foundation supporters enable the Red Cross to build a reliable funding base for disaster relief so we can continue to respond to disasters 24/7. In the same vein, the Tiffany Circle, which began as a group of approximately 200 women philanthropists supporting the Red Cross, has grown to more than 900 members.

To boost funds for all aspects of our mission, we also created new donation programs. For example, the Service to the Armed Forces Giving Program enables donors to stand with us and support our many services to the military, their families and veterans. And as we move forward, we'll continue to build programs that resonate with donors and help us further fulfill our mission.

Ready for the future

Overall, the Red Cross is 10 percent smaller today than it was five years ago. Our overhead is very low, and I'm proud to tell donors that the changes we have made have not impacted our ability to fulfill our mission. On average, 91 cents of every dollar we spend goes to the people we serve.

Furthermore, while we have instilled a more cost-conscious culture within the organization, it's important to know that our culture of compassion and generosity has remained the same. Today, the American Red Cross is just as passionate about bringing aid to those in need as when Clara Barton founded the organization in 1881.

Red Cross workers provide support to military members.

Embracing Change

In the past five years, the Red Cross has boldly stepped into the 21st century. To keep up with trends and to reach more segments of the population, we updated our logo, revitalized our brand and created a strong Red Cross presence in the digital space.

Since June 2012, the Red Cross has released six free mobile apps for iPhone and Android users with vital, lifesaving information on first aid, hurricanes, earthquakes, wildfires, tornadoes and shelter locations—with more apps in the pipeline.

Media outlets such as Time magazine, Fast Company, cnn.com and mashable.com have hailed these lifesaving tools. The apps are highly popular with the public, with users giving them 4.5 out of 5 stars. More than 400,000 people downloaded our hurricane app during Superstorm Sandy. Most importantly, users repeatedly tell us how these apps have saved lives.

To enable even more people to gain the skills and confidence needed to act in emergencies, we've developed First Aid, CPR/AED, Lifeguarding and Babysitting courses in digital and e-learning formats, including a new Family First Aid and CPR online course for people who don't require formal certification.

To further meld our disaster relief work with information from social media, we launched our Digital Operations Center—the DigiDoc, sponsored by Dell—in March 2012. This center, located at our national headquarters, constantly monitors the social space. When a disaster strikes, we are able to see real-time needs on the ground, provide real-time information and digital “hugs” and engage others to help who are near the disaster or even continents away.

Our DigiDoc was an invaluable tool during Superstorm Sandy, when we were able to send information about community needs to the relief operation, helping inform the delivery of food and supplies so they could reach people in need.

Investments in technology

In the past five years, we have also made necessary investments in our infrastructure and overhauled several old IT systems. Now, all Red Cross staff—from national headquarters to all of our chapters and Blood Services regions—are working off of one common email system. We revamped our public website redcross.org, rolled out a new intranet, and implemented a new Learning Management System for health and safety courses. With a grant from W.W. Grainger, Inc., in March 2013, we unveiled Volunteer Connection, a new online system where people can easily search for volunteer opportunities and schedule them to suit their availability.

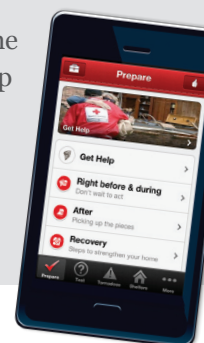
Blood Services undertook one of our largest IT transformation projects. We have nearly finished converting to an entirely new set of operational support systems, known as Biomedical Architecture—or BioArch, as we call it—to reduce costs, improve quality, increase collections and implement standard labeling on all our products. Development and implementation of this modern, streamlined system will help us continue to deliver lifesaving blood products to patients and hospitals and increase blood donor satisfaction.

Red Cross Apps Save Lives!

“The app went off...and then a siren noise...followed by a voice telling me about the storm coming...5 mins later it hit us hard.”

“This app is so amazing...not only does it have the toolkit...it also gives us timely alerts/warnings. It also sets up a predetermined contact list to notify after the storm. It gives shelter info and weather radar too. Best of the best.”

“I was in my friend's car...when suddenly a friend of mine started having a seizure. I immediately looked at this app for help while calling 911 on another phone. I told the police about it and they said that there's a good chance the information in this app saved my friend's life.”





The Red Cross Is Needed Now More Than Ever

I am very proud of the tremendous accomplishments we have achieved through the power of teamwork, creating a culture of cost-consciousness and embracing change. But this is just the beginning. The Red Cross is needed now more than ever in our country and around the world.

There has been an increase in disasters caused by severe weather. According to a 2012 report by the National Oceanic and Atmospheric Administration, 2011 saw a record number of disasters in the U.S. that passed the billion-dollar mark in damage. As a result, there is an increased need for communities and families to be better prepared.

We're already making progress with disaster preparedness programs in about 30 countries, such as Haiti, Uganda and Vietnam. Stateside, we are working to deliver more consistent, reliable services across the country and push resources and decision-making closer to local Red Cross chapters, who know their communities best. We are broadening the pool of volunteers, which will reduce costs. And we are measuring our success in meeting the needs of the people we serve. We

are focusing on building resilient communities—not just responding to disasters—because \$1 spent on preparedness saves \$4 in response.

Every two seconds someone in the United States needs blood. The Red Cross will continue to utilize its expertise to partner with hospitals and transfusion centers to better manage the 40 percent of the nation's blood supply we provide. Through seminars and lectures, as well as online educational materials regarding patient-centered blood management, we will continue to focus on the appropriate use of blood. This effort has been shown to improve patient outcomes and lead to better patient care, while conserving blood as a valuable resource.

With many military families coping with the stress of deployments and coming home, we must also continue to strengthen our services to the military and their families, by teaching resiliency, serving them through rehabilitation and morale programs, and training military spouses in sustainable employment skills.

Lastly, now that people are more reliant on mobile devices as a lifeline during an emergency, there is a need for good information at the right time from a trusted source. We'll continue to be trailblazers with technology and explore new ways to serve more people even faster.

The Red Cross is well positioned to be a leader in all of these areas. With the help of our partners, donors and volunteers, our vision for the future is one where:

- All people affected by disaster across the country and around the world receive care, shelter and hope.
- Our communities are ready and prepared for disasters.
- Everyone in our country has access to safe, lifesaving blood and blood products.
- All members of our Armed Forces and their families find support and comfort, whenever needed.
- In an emergency, there are always trained individuals nearby and an AED close at hand.

The Red Cross provides nearly 40 percent of the nation's blood supply.



A Grateful Heart

I am grateful for the way everyone at the Red Cross pulled together to transform this organization, restore confidence in it and preserve our mission so we can continue to bring help and hope to people around the globe. And I remain very grateful to our donors, who selflessly support our work so together we can support those in need around the country and the world.

Over the past five years, I have witnessed the amazing generosity and resiliency of people. Visiting Haiti right after the earthquake and seeing all of the devastation and despair was a horrific day, but one of my better days was a few months later on my third trip to Haiti. I saw people smiling, more children were in their school uniforms and there were signs of recovery everywhere.

In 2012, I also had the privilege of attending the Joplin High School graduation; one year after tornadoes destroyed the high school and thousands of homes and took more than 150 lives. Seeing the rebuilding efforts and the hope on young people's faces was awe-inspiring.

And I'll never forget people like 93-year-old Viola—another face on my refrigerator—who lost everything in

Superstorm Sandy. She and her daughter were living in a FEMA trailer, but she just kept patting her daughter and telling her not to worry about all that was lost. They still had each other, and that is what counted.

I came to the Red Cross thinking that I knew most of what there was to know about leadership. But working here has taught me that when you're part of a mission-driven organization, you lead not only with your head but also with your heart. The Red Cross has made me a kinder, more tolerant person. The people we've helped and our volunteers and donors have set an amazing example for me, and I aspire to model their generosity and gratitude more and more every day.

To everyone who has supported the lifesaving mission of the Red Cross, thank you. You have changed my life and the lives of millions around the world. I am excited about all the work we will do together in the future, and I can't imagine doing it anywhere but here at the American Red Cross.

The Red Cross provides hope and help after a disaster.



5-Year Timeline

June 23

Gail McGovern's first day at the American Red Cross

July

Gail McGovern travels to China after earthquake

August

Hurricane Gustav

September

Hurricane Ike

Fall

Coping With Deployments course launched



China earthquake



Tennessee Floods

January

Earthquake in Haiti

Launched groundbreaking text-to-give effort for Haiti relief, raising \$32 million

\$209 million annual operating deficit eliminated

May

Extensive flooding in Tennessee

August

Hosted the first Emergency Social Media Data Summit

2008

2009

2010



Hurricane Ike

Coping With Deployments
Psychological First Aid
for Military Families



\$209 million annual operating deficit reduced by 75 percent

February

Red Cross received award for Be Red Cross Ready safety series

September

Tsunami and earthquake in Samoa and American Samoa

October

Worked with health and government officials to contain H1N1 flu global outbreak



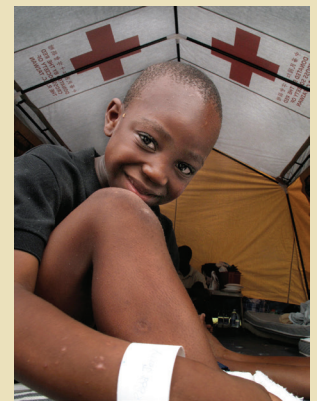
American Samoa

Late Summer

Wildfires in California and Colorado

Fall

Began deployment of new Blood Services processes and IT systems



Haiti

February

Ready Rating program for small businesses and schools launched

March

Assisted Japanese Red Cross in responding to tsunami and earthquake

Trained 12,000 people in first aid/CPR on Save-a-Life Saturday to honor U.S. Rep. Gabrielle Giffords

April

Massive tornadoes in the South, including Tuscaloosa, Ala.

Mississippi River flooding

January

Partnership with Wounded Warriors is launched

New brand identity and logo unveiled

March

Digital Disaster Operations Center (DigiDoc) opened

May

Wildfires in New Mexico



March

Launched Volunteer Connection, funded by Grainger

May

Chairman's Council Plaza at Red Cross national headquarters is dedicated

Massive tornado in Oklahoma

2011

May

130th birthday of the American Red Cross

Extensive tornado destruction in Joplin, Mo.

August

Vaccinated one billionth child through Measles Initiative program

Hurricane Irene

September

Tropical Storm Lee



Hurricane Irene

2012

June

Wildfires in Colorado and Washington

Launched Red Cross smart phone apps

August

Launched updated redcross.org website

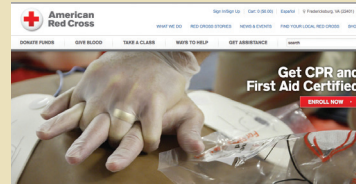
Hurricane Isaac

October

Superstorm Sandy

December

More than 1 million cards collected for Holiday Mail for Heroes



2013

June

Red Cross reaches 1 million Twitter followers

November

Scheduled completion of new Blood Services processes and IT systems



Superstorm Sandy



**American
Red Cross**

Mission

The American Red Cross prevents and alleviates human suffering in the face of emergencies by mobilizing the power of volunteers and the generosity of donors.