Brand USA Audit Committee

Kyle Edmiston
Chair

Andrew Greenfield
Tom Klein
Alice Norsworthy
Thomas O'Toole
Kyle Edmiston
Chair, Audit Committee
Audit Committee
Public Session Agenda

- Opening Remarks (Kyle Edmiston, Chair)
  - Call to Order
  - Introductions: Management, Legal Counsel, and Invited Guests

- Approval of the Minutes from the August 19, 2016 Meeting*

- Overview of YTD Financial Results through April 2017

- Brand USA Policy Review

- Proposed Modifications to Current Policies

- Gift, Travel & Entertainment Report

- Discussion and Closing Remarks

*Vote required
Donald Richardson
Chief Financial Officer
Brand USA
Unchanged Policies

- Business Ethics and Standards of Conduct
- Whistleblower
- Conflict of Interest
- Cash Management, Operating Reserves & Investment Policy
- Travel and Expense Management Policy
- Accepting Gifts, Travel, & Entertainment
- Brand USA Employee Handbook
- Document Retention
Procurement Manual - Changes

- Clarifying Approval Titles and Responsibilities
- Expanding Signature Authority
  - CMO and CSCO had authority to sign contracts < $5,000
  - CFO had authority to sign contracts < $25,000
  - New Manual Permits all C-Suite individuals to sign contracts < $100,000
  - Insurer confirmed expanded signature authority has no impact on Brand USA coverage
- All competition and other justification requirements for awarding contracts remain intact
The Travel Promotion Act, as amended (“TPA”) enables Brand USA to receive matching funds for contributions – of cash and in-kind – it receives from non-Federal sources.

The In-kind Policies and Procedures (the “Policy”) are the result of collaboration with the Department of Commerce (“DOC”) to identify common examples of contributions and establish satisfactory supporting documentation to accompany Brand USA requests for matching funds.

TPA requires Brand USA to meet with DOC biannually to discuss the adequacy of and potential changes to the Policy.

Ultimately, the Department of Commerce has total control over the Policy and can elect not to follow all or part at its discretion.
Invoices and Evaluations

- Invoices Must Be Of Similar:
  - Type
  - Quantity
  - Quality

- Evaluations – IRS Standards
  - Methodology: Market Based Approach
  - Evaluators: Requisite Educational and Professional Experience
  - Regularly Perform Evaluations For Payment
  - Must Disclose All Evaluations – No Forum Shopping
Revenue Recognition Policy - Background

● The Policy’s purpose is to align with GAAP for Brand USA’s audited financials

● The Policy does not align with:
  – ESTA Submissions
  – Cash Flow
  – Example: Contributions of domestic in-kind must be recorded, but will never be included in an ESTA submission and therefore never generate cash

● Brand USA’s existing Policy is acceptable under GAAP, but does not reflect best practices
  – Contributions that have been used, but not submitted (including domestic) may only be recorded in September.
The New Policy includes a Contribution Acceptance Policy section

In-kind contributions will be recorded upon receipt of a reasonable estimate of the contribution’s value

- A $12M media contribution made in October that runs evenly across the fiscal year will be recorded thusly:
  - $12M Revenue in October (this is consistent with the way LOAs are booked: as a pledged receivable)
  - $1M Expense in October
  - $11M Asset in October with a $1M Expense be booked in each following month

- The Policy follows GAAP best practices and accurately reflects Brand USA activity rather than ESTA activity.
### Gift, Travel & Entertainment

#### Brand USA

**FY 2017 Report of Gifts**

*For the Period Ending June 15, 2017*

<table>
<thead>
<tr>
<th>Donor</th>
<th>Gift Type</th>
<th>Date Received</th>
<th>Brand USA Recipient</th>
<th>Estimated Value of Gift</th>
<th>Description &amp; Business Purpose of Gift</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pheoswright</td>
<td>Gift</td>
<td>10/31/2016</td>
<td>C. Rheem</td>
<td>$120.00</td>
<td>Bottle of Scotch celebrating partnership renewal</td>
</tr>
<tr>
<td>Longwoodys</td>
<td>Meals</td>
<td>3/31/2017</td>
<td>A. Madison</td>
<td>$40.00</td>
<td>Dinner at the Arkansas Governor's Conference</td>
</tr>
<tr>
<td>Novak Birch</td>
<td>Gift</td>
<td>3/18/2017</td>
<td>A. Madison</td>
<td>$70.00</td>
<td>Two bottles of wine</td>
</tr>
<tr>
<td>Arkansas Department of Tourism</td>
<td>Gift</td>
<td>3/16/2017</td>
<td>A. Madison</td>
<td>$120.00</td>
<td>Long-sleeve t-shirt with Arkansas logo; Hardcover picture book of Arkansas logo on inside cover; Certificate &quot;Arkansas Ambassador&quot; signed by the Mayor &amp; Governor recognizing A. Madison's visit and engagement at the conference</td>
</tr>
<tr>
<td>Marriott International, Inc.</td>
<td>Meals</td>
<td>3/22/2017</td>
<td>A. Madison</td>
<td>$120.00</td>
<td>Lunch to discuss earned media and other opportunities with Brand USA</td>
</tr>
<tr>
<td>Washington Nationals</td>
<td>Entertainment</td>
<td>4/6/2017</td>
<td>A. Wolin-Schwartz</td>
<td>$30.00</td>
<td>Entrance to baseball game for business meeting with the Washington Nationals</td>
</tr>
<tr>
<td>Sojourn</td>
<td>Gift</td>
<td>4/27/2017</td>
<td>B. Spreckten</td>
<td>$75.00</td>
<td>Book - Frick Collection</td>
</tr>
<tr>
<td>Facebook</td>
<td>Meals</td>
<td>5/17/2017</td>
<td>R. Mason</td>
<td>$120.00</td>
<td>Lunch meeting to discuss co-op consumer marketing programs with Facebook</td>
</tr>
<tr>
<td>Sartha Global Marketing</td>
<td>Gift</td>
<td>5/31/2017</td>
<td>A. Madison</td>
<td>$15.00</td>
<td>Pashmina Scarf</td>
</tr>
<tr>
<td>Sartha Global Marketing</td>
<td>Gift</td>
<td>5/31/2017</td>
<td>S. Shepard</td>
<td>$40.00</td>
<td>Pashmina and Nose Ring</td>
</tr>
<tr>
<td>Brandstory</td>
<td>Gift</td>
<td>5/21/2017</td>
<td>S. Shepard</td>
<td>$3.00</td>
<td>Tea</td>
</tr>
<tr>
<td>Sartha Global Marketing</td>
<td>Gift</td>
<td>6/1/2017</td>
<td>A. Davis</td>
<td>$10.00</td>
<td>Pashmina Scarf</td>
</tr>
<tr>
<td>Hills Balfour</td>
<td>Gift</td>
<td>6/1/2017</td>
<td>A. Madison</td>
<td>$30.00</td>
<td>Assorted Biscuits and Cookies in a Harrods-branded Plastic Bag</td>
</tr>
<tr>
<td>United Airlines</td>
<td>Gift</td>
<td>6/3/2017</td>
<td>C. Domanico</td>
<td>$10.00</td>
<td>United Airlines Luggage Tag and Polaris Teddy Bear</td>
</tr>
<tr>
<td>Sartha Global Marketing</td>
<td>Gift</td>
<td>6/3/2017</td>
<td>C. Domanico</td>
<td>$15.00</td>
<td>Pashmina Scarf</td>
</tr>
<tr>
<td>Hills Balfour</td>
<td>Gift</td>
<td>6/3/2017</td>
<td>C. Domanico</td>
<td>$40.00</td>
<td>Tea Cup, Biscuits, and Harrods-branded Plastic Bag</td>
</tr>
<tr>
<td>BrandMasters</td>
<td>Gift</td>
<td>6/9/2017</td>
<td>C. Domanico</td>
<td>$1.00</td>
<td>Four Tea Bags</td>
</tr>
<tr>
<td>Out of Office Reply, Ltd.</td>
<td>Meals</td>
<td>6/9/2017</td>
<td>J. Cente</td>
<td>$60.00</td>
<td>Discuss Samantha Brown's presence at China Leadership Summit and Brand USA contracting protocols</td>
</tr>
</tbody>
</table>
## Brand USA

**FY 2017 Report of Gifts**

For the Period Ending June 15, 2017

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</thead>
<tbody>
<tr>
<td>BrandStory</td>
<td>Gift</td>
<td>6/7/2017</td>
<td>A. Davis</td>
<td>$3.00</td>
<td>Tea</td>
</tr>
<tr>
<td>Astarops Japan</td>
<td>Gift</td>
<td>6/7/2017</td>
<td>A. Davis</td>
<td>$3.00</td>
<td>Oil Blotting Sheets</td>
</tr>
<tr>
<td>Astarops China</td>
<td>Gift</td>
<td>6/7/2017</td>
<td>A. Madison</td>
<td>$30.00</td>
<td>Bottle of Wine</td>
</tr>
<tr>
<td>Astarops China</td>
<td>Gift</td>
<td>6/7/2017</td>
<td>A. Madison</td>
<td>$40.00</td>
<td>Jewelry and a Silk Pouch</td>
</tr>
<tr>
<td>Astarops Japan</td>
<td>Gift</td>
<td>6/7/2017</td>
<td>S. Shepard</td>
<td>$3.00</td>
<td>Oil Blotting Sheets</td>
</tr>
</tbody>
</table>

Total Gifts for the Reporting Period: $87.00

*Business Purpose is only required for the Meals, Entertainment, and Travel Gift Types.*