Brand USA Board of Directors
Audit Committee Meeting

August 19, 2016
Audit Committee Meeting of the Board of Directors

Tom Klein
Vice Chair, Board of Directors
Chair, Audit Committee
Agenda

- Opening Remarks
  - Call the Meeting to Order
  - Introductions: Management, Legal Counsel, and Invited Guests

- Approval of the Minutes from the November 17, 2015 Meeting*

- Chief Financial Officer Presentation and Discussion

- Internal Audit Planning

- FY2016 External Audit

- Brand USA Policy Review

- Proposed Modifications to Current Policies

- Gift, Travel, and Entertainment

- Open Meeting to Questions/Answers

- Discussion and Closing Remarks
Item 1: APPROVAL OF THE MINUTES

Tom Klein
Vice Chair, Board of Directors
Chair, Audit Committee
Item 2: CHIEF FINANCIAL OFFICER PRESENTATION AND DISCUSSION

Don Richardson
Chief Financial Officer
Brand USA
Summary

• The aggregate cash balance on June 30, 2016 remains strong at $86M, which is 116% above the reserve requirement of $40M.

• Partner Cash Contributions were $1.1M for June 2016, which is $4.9M below the June 2016 budget of $6M. Year to date, Partner Cash Contributions is $4.9M under budget; however, $15.7 million is in the pipeline for the remainder of the fiscal year.

• In-Kind Contributions were -$1.3 for June 2016, which is $10.3M below the June 2016 budget of $9M. This negative amount in June is due to an adjustment to previously recorded In-Kind Revenue from a third-party valuation. Year to date, In-Kind contributions are $35.9M below budget; however, $43.6M is in the pipeline for the remainder of the fiscal year.
• **Partner Programs and Sponsorships** were $204K for June 2016, which is $240K below the June 2016 budget of $444K. Year to date, Partner Programs and Sponsorships are $815K below budget.

• **Total expenses** were $16.4M for June 2016, which is $1M over the June 2016 budget of $15.4M. Year to date expenses are $111M, which is $10.8M below budget of $121.8M. Expense are expected to come in at budget for the year.
Expenses by Department

• **Operations** – June 2016 expenses were $1.5M, which is $338K over June 2016 budget, due to bad debt expense related to the write-off of an account receivable.

• **Communications** – June 2016 expenses were $1.4M, which is $661K over June 2016 budget, due to additional spending on Media Relations and PR and Partner Relations.

• **Consumer Marketing** – June 2016 expenses were $3.7M, which is $760K under June 2016 budget, due to delayed start dates for website spending and media campaigns.
Expenses by Department (Continued)

- **Partner Marketing Services** – June 2016 expenses were $7.4M, which is $427K under June 2016 budget, due to timing differences in spending on co-op programs with Miles Media.

- **Global Market Development** – June 2016 expenses were $2.2M which is $1.4M over June 2016 budget, due to timing differences in spending on LOA Trade Shows.

- **Market Research** – June 2016 expenses were $162K, which is $196K under budget, due to timing differences in spending on Market Research and Ad Tracking.
Item 3: INTERNAL AUDIT PLANNING

Ann Cartlidge
Director, Internal Audit
Brand USA
Brand USA Internal Audit Planning
Concept Review – GRC and Responsible Results
July 26, 2016
Approach – “Responsible Results through GRC”

Concepts –

*Responsible Results* means…

“the right people get the appropriate information so they can address uncertainty and act with integrity”

GRC stands for…

Governance, Risk Management, Compliance
Within the context of Brand USA’s foundational element to Build & Maintain Trust…and in light of our internal desire and our external imperative to be transparent in methods and results…

It may not be enough to ONLY move toward established objectives without extra considerations;

- Of legal frameworks, social mores & ethical conduct (Governance)
- Of uncertainties that arise with regard to potential risks and rewards (Risk Management)
- Of the boundaries of established Policy & Procedure (Compliance)

Brand USA’s achievement of responsible results can be supported with utilization of data about Governance, Risk Management & Compliance that is reviewed and responded to across all management levels and departments.
**Governance** is the framework within which we do our business (it is not arbitrary, not punitive)

- Desired Result: Our organizational frameworks should be embraced at all levels of the organization; across all management levels & departments
  - External business context (Regulations, Laws, Funder requirements)
  - Internal business context (Board of Directors, Employee Manuals)
  - Points of Impact (Tone at the Top, Code of Ethical Conduct, Corporate Culture imperatives)
Risk Management is a choice of actions after understanding potential risk and reward

- Desired Result: Our organization performs against stated objectives, by choosing to take the right level of risk
  - Third Party Risk Management
    - Due Diligence before major relationships cemented
    - Third Party intermediary (Int’l Rep Firm) reviews
    - Vendor registration & risk assessments
  - Financial Risk management – Data integrity
    - Risk & Control Matrix and Corrective Actions
  - Enterprise Risk Management - Foundation for FY18
    - Based on stated strategies and objectives
    - Analysis and ranking of potential risks to strategy
    - Actions & controls to address each opportunity, threat
    - Embed the management of performance risk throughout the organization
Compliance is the assurance that a capability is operating as designed or as required

- Desired Result: Our established processes and procedures should be executed consistently by the entire organization
  - Review of design and effectiveness of existing control activities, policies and procedures
    - Payment Compliance
    - Procurement Compliance
    - Financial Statements & Reporting
    - Policy & Procedure Adherence
  - Corrective Action plans by management
  - Monitoring the completion of corrective actions
Agility to deal with threats to achievement of Brand USA GOALS

With more information about what is really happening in the organization as it concerns adherence to internal and external requirements and desired business conduct, comes greater confidence that Brand USA can execute performance against established objectives.

| Look for an increase in confidence that we know about challenges to our organization’s goals | Expect that we will have better ability to effectively manage these challenges to our business objectives | Project that more knowledge and active management will increase our business agility |
Internal Audit at Brand USA
Item 4: FY2016 EXTERNAL AUDIT

Don Richardson
Chief Financial Officer
Brand USA
FY 2016 Financial Statement Audit Schedule

- Moss Adams will continue to serve as our external auditor for the FY 2016 Financial Statement Audit.
- Interim audit fieldwork will occur August 22 – 26, 2016.
- Final audit fieldwork will occur November 28 – December 9, 2016.
- Moss Adams will deliver its audit report no later than January 27, 2017.
Item 5: BRAND USA POLICY REVIEW

Don Richardson
Chief Financial Officer
Brand USA
<table>
<thead>
<tr>
<th>Policy Title</th>
<th>Purpose</th>
<th>Change</th>
<th>Reason for changes</th>
<th>Policy Type *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Handbook- Business Ethics &amp; Standards of Conduct</td>
<td>Provide guidelines for ethical business practices and scrupulous dealings</td>
<td>No changes proposed at this time</td>
<td>N/A</td>
<td>Internal Control Policy</td>
</tr>
<tr>
<td>Whistleblower Policy (for matters of accounting, audit &amp; internal control)</td>
<td>Establish process for submission of concerns and statement on non-retaliation</td>
<td>No changes proposed at this time</td>
<td>N/A</td>
<td>Internal Control Policy</td>
</tr>
<tr>
<td>Conflict of Interest Policy (for officers and directors)</td>
<td>Protect Brand USA’s interest in arrangements that might benefit the private interest of officers or directors</td>
<td>No changes proposed at this time</td>
<td>N/A</td>
<td>Internal Control Policy</td>
</tr>
<tr>
<td>Cash Management, Operating Reserves &amp; Investment Policy</td>
<td>Establish guidelines associated with management of all Brand USA cash accounts</td>
<td>No changes proposed at this time</td>
<td>N/A</td>
<td>Audit-related Policy</td>
</tr>
<tr>
<td>Travel &amp; Expense Management Policy</td>
<td>Provide guidelines for all Brand USA employees incurring business travel expenses</td>
<td>No changes proposed at this time</td>
<td>N/A</td>
<td>Audit-related Policy</td>
</tr>
<tr>
<td>Employee Handbook – Accepting Gifts, Travel &amp; Entertainment</td>
<td>Guidance to help employees make the right decisions about accepting gifts, travel &amp; entertainment</td>
<td>Consolidation and simplification of gift acceptance criteria and enhance gift reporting process</td>
<td>To reinforce the need for care in gift acceptance so to avoid actual and appearance of conflict of interest</td>
<td>Internal Control Policy</td>
</tr>
<tr>
<td>Procurement Manual</td>
<td>Establish policy &amp; procedure for maintaining fairness, consistency, and uniformity in solicitation, evaluation, and award of contracts</td>
<td>Administrative changes for reviewer responsibilities and clarifications to documentation requirements</td>
<td>To reflect approval workflow based on budget and business performance responsibilities</td>
<td>Audit-related Policy</td>
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* Audit Committee Charter specifies responsibility to review Audit-related and Internal Control policies
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<td>In-Kind Policies &amp; Procedures</td>
<td>Establish the acceptable types of in-kind contributions, the accounting for contributions and valuation methodology</td>
<td>Require independent appraisal documentation for contributions. Disclosure of all advice received in furtherance of independent appraisals</td>
<td>DoC has determined a change to documentation required for in-kind matching</td>
<td>Audit-related Policy</td>
</tr>
<tr>
<td>Document Management</td>
<td>Provide guidance around the retention and removal of corporate records</td>
<td>Modifications to list of documents addressed. Reduction of retention period for accounting records</td>
<td>Customize document listing to be Brand USA-specific Reflect standard retention periods for accounting records</td>
<td>Internal Control Policy</td>
</tr>
<tr>
<td>Revenue Recognition Policy</td>
<td>Establishes policies &amp; procedure related to in-kind and cash partner contributions as well as federal matching fund revenue accounting</td>
<td>Clarification of wording to describe recording revenue on receipt of the in-kind contribution and more clarity about good-faith FMV estimation</td>
<td>More clearly distinguish the revenue recognition process for original contribution of in-kind from the revenue of matching in-kind funds by DoC</td>
<td>Audit-related Policy</td>
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* Audit Committee Charter specifies responsibility to review Audit-related and Internal Control policies
Item 6: PROPOSED MODIFICATIONS TO CURRENT POLICIES

Don Richardson
Chief Financial Officer
Brand USA
Item 7: GIFT, TRAVEL, AND ENTERTAINMENT

Jake Conte
In-House Counsel
Brand USA
Thank you for joining us

**Travel Industry**

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