



Brand USA

Audit plan and strategy
For the year ending September 30, 2020

Presented on October 30, 2020





KPMG LLP
1801 K Street, NW
Suite 12000
Washington, DC 20006

Telephone +1 202 533 3000
Fax +1 202 533 8500
kpmg.com

October 23, 2020

To the Audit Committee of Brand USA:

We look forward to speaking with you October 30, 2020 to discuss the audit and are pleased to submit our audit plan for the Corporation of Travel Promotion dba Brand USA as of and for the year ending September 30, 2020. The engagement objectives for our audit as of and for the year ending September 30, 2020 are as follows:

- The objective of an audit of financial statements is to enable the auditor to express an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles (“GAAP”).
- We plan to consider internal control over financial reporting (“ICOFR”).
- Our audit includes:
 - Performing tests of the accounting records and such other procedures as we consider necessary in the circumstances to provide a reasonable basis for our opinion.
 - Assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.
 - Obtaining an understanding of ICOFR, and performing such other procedures as we consider necessary in the circumstances.

Our 2020 audit plan outlines our audit team and approach to auditing Brand USA, includes our key audit activities, and discusses our planned approach to areas of audit focus and the risks identified therein. The terms of our engagement are established in our signed engagement letter.

We thank you for the opportunity to submit this plan and look forward to continue serving Brand USA.

Agenda

	<u>Page</u>
A. Introductory information	
— Our commitment	5
— COVID-19	6
— Our vision	7
— Further digitizing our audit	8
B. Required communications	
— Summary of communications	10
— Planning and risk assessment	11
— Independence	17
— Audit quality report	21
— Responsibilities	22
— Required inquiries and governance considerations	24
C. Appendix	
1. Regulatory and standard setting update	27

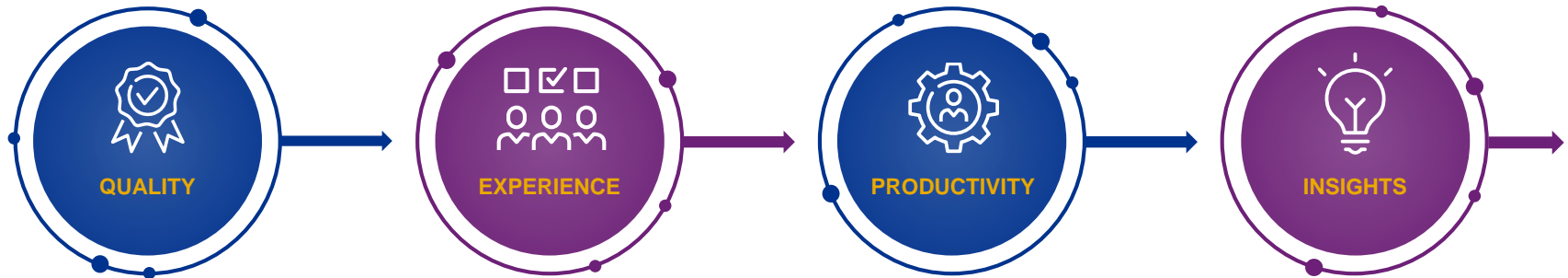


A. Introductory information



Our commitment to you

We aim to demonstrate our culture and to deliver an exceptional client experience by focusing on:



Quality in all that we do and how we deliver

We are committed to delivering a thoughtful, transparent and coordinated approach

Risk and insight-based auditing by enabling our people through the design, execution, and automation of our processes

Having best-in-class industry and topical insights, which help our auditors make better decisions and share those relevant insights with our clients



COVID-19: Resilience & readiness

COVID-19 is truly a unique and demanding challenge with severe human consequences. We place the highest priority on the health of our people and yours, and continue to take action based on guidance from public health authorities.

Key Insights For Your Organization

- Our team is producing insights and providing perspectives on actions we can all take to respond with resilience.
- Our [Audit Committee Institute](#) and [Board Leadership Center](#) is producing insights on oversight of organizations' pandemic response.
- Our [COVID-19 resource center](#) also covers topics such as financial reporting, global economic impacts, financial management, contingency planning and business continuity, and more.



Business Continuity Excellence

- Our business continuity plan is working effectively
- Our coordination with you in the environment:
 - Frequent two-way communication via status meetings and informal touch points;
 - Use of secure technology to share documents.
- Our Heads Up Thinking culture vision is helping to shape the way the firm responds to challenges like this to the benefit of our clients.

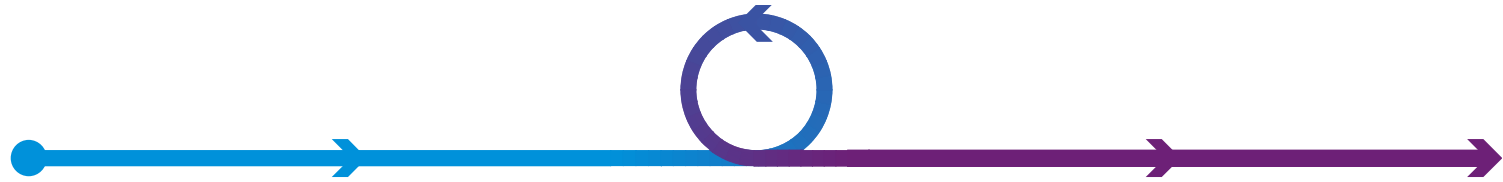


COVID-19 is a major consideration in the development of our audit plan in 2020. We are focused on understanding the impact of COVID-19 to your business, and coordinating and adjusting our audit plan as appropriate.

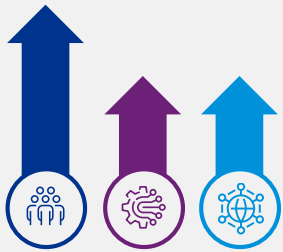


Our vision for modernizing the audit

A multi-year journey aligned with yours

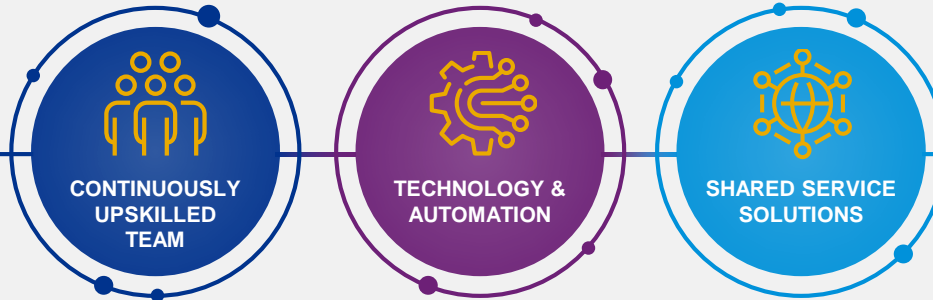


TODAY'S STATE



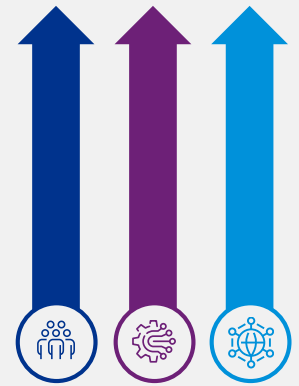
VALUE

METHODOLOGY AND APPROACH



LEARNING AND INNOVATIVE CULTURE

TOMORROW'S VISION



VALUE

Quality

Experience

Productivity

Insight



Further digitizing our audit

2020 and 2021 Objective: Our next generation audit platform, KPMG Clara, integrates our methodology to digitize and simplify our audit, improve risk assessment, and tailor our responses to risk. It is a platform in which we will seamlessly deliver a data-and insights-rich experience to our people and your organization.

Methodology

Audits are evolving. Our updated methodology is driving greater consistency across all of our audits and reinforcing alignment with auditing standards.

We deploy an innovative, comprehensive risk assessment that will drive the rest of the audit.

These changes:

- Simplify our approach,
- Improve our risk identification and assessment, and
- Focus our audit response on that risk.

We've also taken the next step, integrating this workflow into our digital platform.

Aligned

We want to build a tailored audit strategy that applies both of our investments in people, data and technology. Clara's agility allows us to adapt our approach to your unique business.

Coordinated

Clara becomes a single transparent place for you to interact with us throughout the audit, monitor its status, and access audit insights.

Digitized

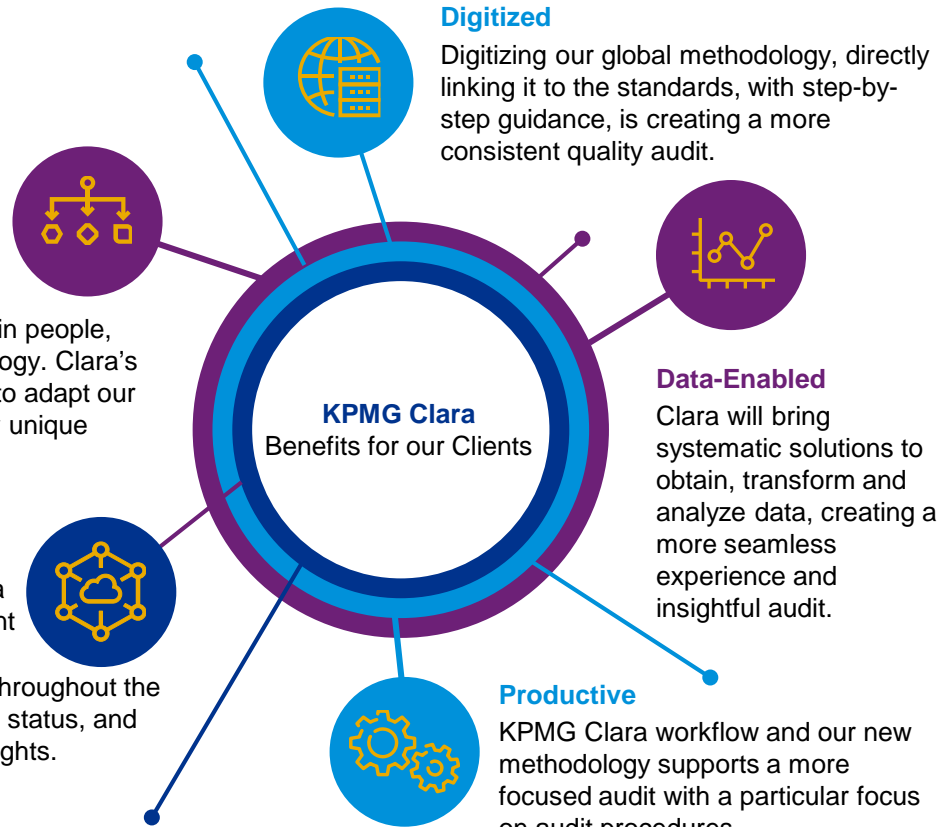
Digitizing our global methodology, directly linking it to the standards, with step-by-step guidance, is creating a more consistent quality audit.

Data-Enabled

Clara will bring systematic solutions to obtain, transform and analyze data, creating a more seamless experience and insightful audit.

Productive

KPMG Clara workflow and our new methodology supports a more focused audit with a particular focus on audit procedures.





B. Required communications

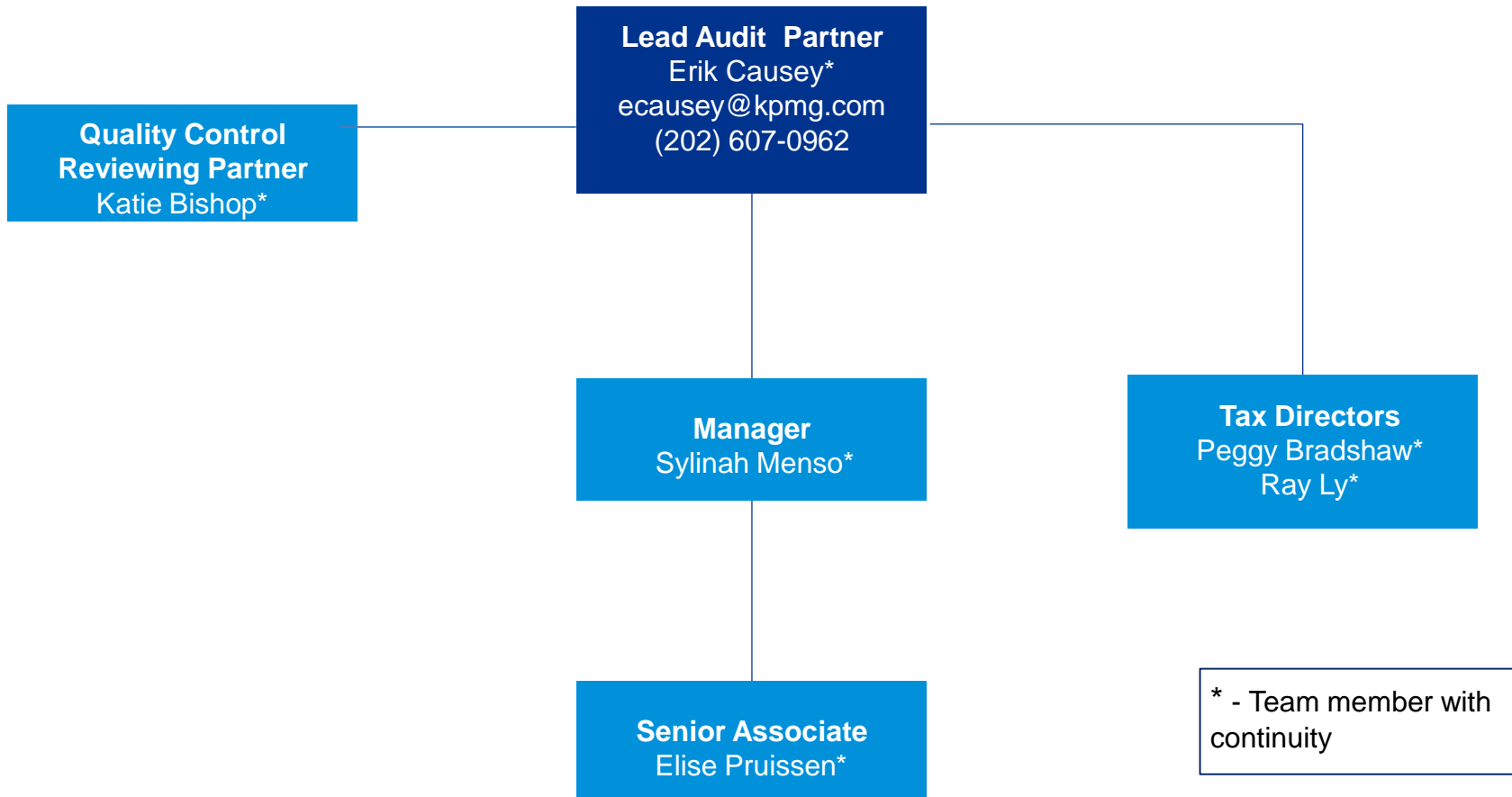


Summary: Audit plan required communications and other matters

		Response
Planning & Risk Assessment	Retention of auditor	No matters to report
	Scope of audit	<p>Our audit of Brand USA's financial statements will be in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), with the objective of expressing an opinion as to whether the presentation of the financial statements conforms with generally accepted accounting principles.</p> <p>We will consider internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's ICOFR.</p>
	Audit team participants	See page 11
	Our timeline	See page 12
	Risk assessment	See pages 13 to 16
	Independence	See pages 17 to 20
	Audit quality and transparency	See page 21
	Responsibilities	See pages 22 to 23
	Required Inquiries	See page 24

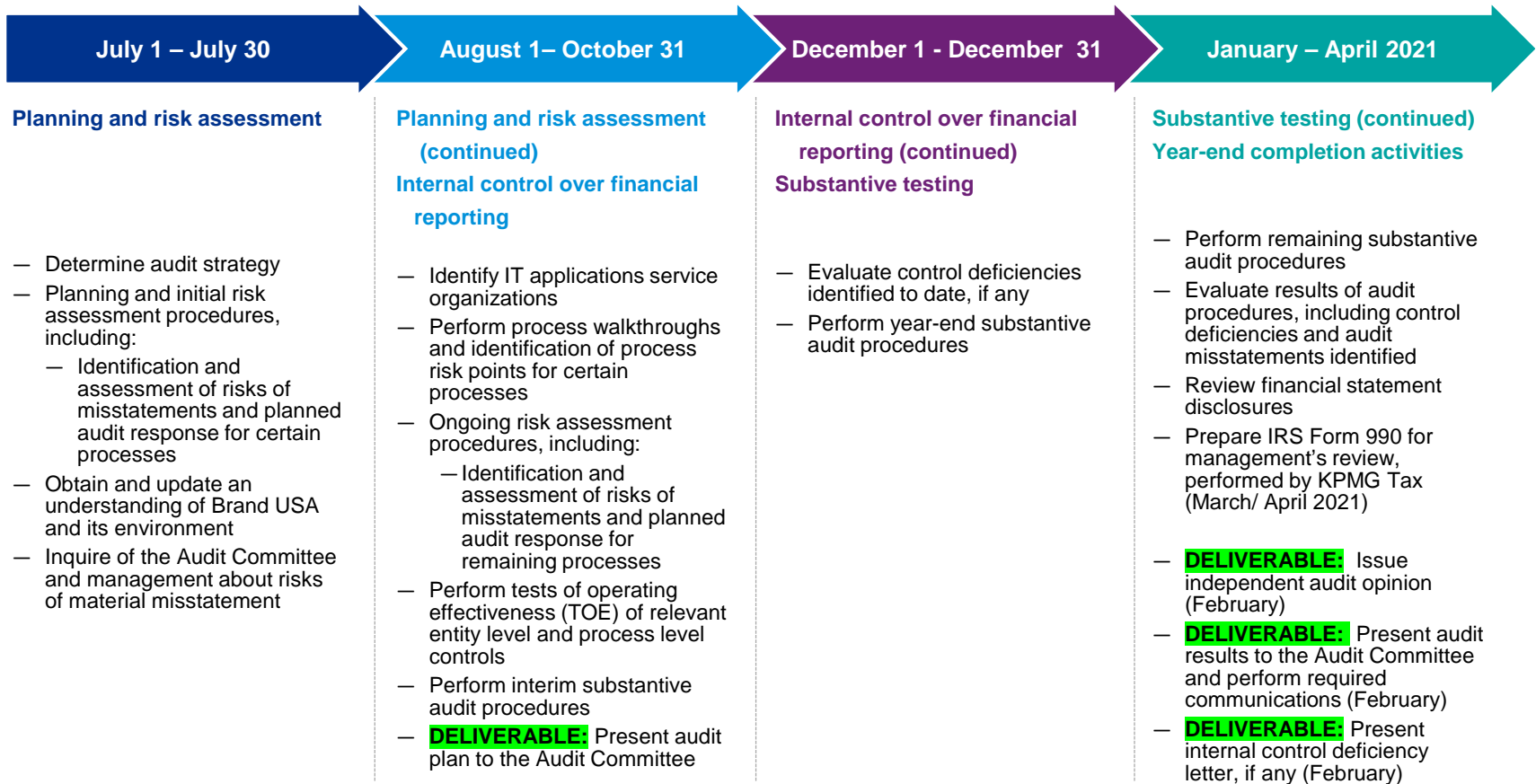


Audit team



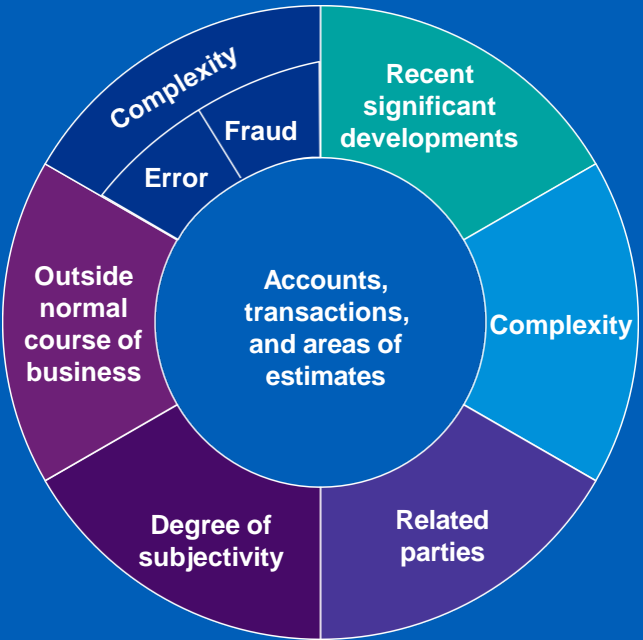


Our timeline



Report date: Issue audit report following the February 2021 Audit Committee meeting

Risk assessment

Traditional risk assessment considerations	Incremental risk assessment considerations
	Risk considerations regarding COVID-19
	<ul style="list-style-type: none"> Financial reporting and disclosure impacts Business activity changes Vendor, supply chain, and employee impacts Regulatory compliance, including legal matters Internal controls over financial reporting impact Possible asset impairment risks Possible impact on liquidity
<p>Significant risks are defined as identified and assessed risks of material misstatement that, in the auditors' professional judgment, require special audit consideration.</p>	



Risk assessment: Materiality

- Professional standards require that we exercise professional judgment when we consider materiality and its relationship with audit risk when determining the nature, timing, and extent of our audit procedures, and when evaluating the effect of misstatements.
- Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.
- Materiality depends on the size and nature of the item or error judged in the particular circumstances of its omission or misstatement.



Risk assessment: Significant risk

Significant Risk

Potential management override of controls

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Susceptibility to:	
Error	Fraud
✓	✓



Risk assessment: Areas of focus

Significant accounts	Other items	Information technology
<p><u>Statement of Financial Position</u></p> <ul style="list-style-type: none"> — Cash — Fair value of investments — Accounts receivable — In-kind assets — Intangible assets — Net assets (with/ without restriction) <p><u>Statement of Activities</u></p> <ul style="list-style-type: none"> — Revenue: Travel promotion fund for ESTA process — Revenue: Partner contributions — Revenue: In-kind contributions — Functional expenses — Advertising and media expenses — In-kind expenses 	<ul style="list-style-type: none"> — Entity level controls — Commitments and contingencies — Related parties — Financial reporting — Journal entries — Implementation of two revenue recognition standards: <ul style="list-style-type: none"> a. ASC 606, <i>Revenue from Contracts with Customers</i> b. ASU 2018-08, <i>Clarifying Scope and Accounting Guidance for Contributions Received and Made</i> 	<ul style="list-style-type: none"> — General information technology control environment at Brand USA and service organizations



KPMG independence quality controls

KPMG maintains a comprehensive system of quality controls designed to maintain our independence and to comply with regulatory and professional requirements.

- Pre-approval of all worldwide engagements by the audit engagement team through Sentinel, a KPMG independence and conflict checking system (includes services for/relationships with the audit client, its affiliates, and its affiliated persons)
- Tracking partner rotation requirements using PRS (Partner Rotation System), the firm's automated partner rotation tracking system
- Automated investment tracking system used by all KPMG member firms (KICS)
- Training and awareness programs, including a required annual independence training deployed globally
- Annual independence confirmation required for all existing partners and employees and for all new individuals who subsequently join the firm
- Independence Confirmation Work Paper completed in conjunction with all audits and interim reviews that captures a variety of independence matters and requires review by the Quality Control Reviewing partner
- Compliance testing programs
- Formal disciplinary policy and process
- Annual reporting to the Audit Committee regarding independence



Independence of mind and appearance

- Independence consists of independence of mind and in appearance. Independence in appearance is the avoidance of circumstances that would cause a reasonable and informed third party who has knowledge of all relevant information, including safeguards applied, to reasonably conclude that the integrity, objectivity, or professional skepticism of the firm or members of the audit engagement team is compromised.
- Close personal relationships between firm personnel and audit client personnel can impact the appearance of independence or an auditor's independence of mind.
- KPMG has issued reminders and conducted training regarding KPMG's existing policies that require interactions between firm personnel and audit client personnel (including client entertainment) be directly related to a business purpose, reasonable, and infrequent (i.e., generally no more than four times a year). Additionally, we closely monitor our compliance with Brand USA policy of such interactions not exceeding prescribed thresholds.



Breaches of independence

KPMG policies regarding breaches of independence:

- For any breaches of the independence rules, as soon as practicable KPMG will:
 - Assess the impact of the breach
 - Identify the actions performed or to be performed to address the consequences of the breach
 - Communicate in writing and discuss the breach and actions to address the breach with the Audit Committee
 - Obtain concurrence from the Audit Committee on the auditor's conclusion regarding the breach (i.e., that the actions taken satisfactorily address the consequences of the breach and the impact of the breach on KPMG's objectivity and impartiality with respect to the audit)
 - Document the details of the breach, the actions described above, and the result



Independence matters

In order for us to fulfill our professional responsibility to maintain and monitor independence in relation to Brand USA, timely information is required from management regarding the following:

- Brand USA's affiliates – This includes entities that are part of the financial statements and other entities that meet the definition of an affiliate under professional standards
- Brand USA's affiliated persons – This includes members of Brand USA and those in Financial Reporting Oversight Roles (FROR)

Brand USA independence assessment

- In accordance with AICPA professional standards, at least annually, we report all relationships between KPMG and any of our affiliates and Brand USA or persons in financial reporting oversight roles at Brand USA that may reasonably be thought to bear on independence. We are also required to discuss with the Audit Committee the potential effects of such relationships on our independence and affirm our independence with the Audit Committee. We are not aware of any relationships which would impair our independence under these standards.



Audit quality and transparency

2019 Audit Quality Report

- Highlights the steps we have taken in 2019 to evolve and enhance our audit practice and our firm
- Provides an overview of how we are strengthening our culture, continuing to invest in our people, and the new technologies that will enable our workforce



2019 Transparency Report

- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's structure, governance and approach to audit quality
- Discusses how the firm aligns with the requirements and intent of applicable professional standards




Reports and supplements available at: read.kpmg.us/auditquality




Responsibilities

Management responsibilities – Financial statements




- Adopting sound accounting policies.
- Fairly presenting the financial statements, including disclosures, in conformity with U.S. GAAP
- Adjusting the financial statements to correct material misstatements and affirming in the representation letter that the effects of any uncorrected misstatements aggregated by us are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management responsibilities – ICOFR




- Establishing and maintaining effective internal control over financial reporting (ICOFR), including programs and controls to prevent, deter, and detect fraud.

Management responsibilities – Other



- Making all financial records and related information available to us.
- Identifying and ensuring that Brand USA complies with laws and regulations applicable to its activities, and for informing us of any known material violations of such laws and regulations.
- Providing us with a letter confirming certain representations made during the audit that includes, but is not limited to, management's:
 - Disclosure of all significant deficiencies, including material weaknesses, of which it has knowledge, in the design, or operation of internal controls which could adversely affect Brand USA's ability to record, process, summarize, and report financial data.
 - Acknowledgement of their responsibility for the design and implementation of programs and controls to prevent and detect fraud.
 - Affirming that the effects of any uncorrected misstatements aggregated by us are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Audit Committee responsibilities



- Oversight of the financial reporting process and ICOFR.
- Oversight of the establishment and maintenance by management of programs and controls designed to prevent, deter, and detect fraud.

Management and Audit Committee responsibilities



- Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards.
- The audit does not relieve management or the Audit Committee of their responsibilities.



Responsibilities (continued)

KPMG responsibilities – Audit



- Planning and performing our audit, with an attitude of professional skepticism, to obtain reasonable assurance about whether the financial statements of Brand USA are free of material misstatement, whether caused by fraud or error, and consideration of whether ICOFR was maintained in all material respects. Accordingly, there is some risk that a material misstatement of the financial statements or a material weakness in ICOFR will remain undetected. Although not absolute assurance, reasonable assurance is a high level of assurance. Our audit is not designed to detect error or fraud that is immaterial to the financial statements or deficiencies in ICOFR that, individually or in combination, are less severe than a material weakness. If, for any reason, we are unable to complete the audit or are unable to form an opinion, we may decline to express an opinion or decline to issue a report as a result of the engagement.
- Conducting the audit in accordance with professional standards and complying with the rules and regulations of the Code of Professional Conduct of the American Institute of Certified Public Accountants, and the ethical standards of relevant societies and state boards of accountancy.

KPMG responsibilities – Objectives & Communications



- Express an opinion about whether the financial statements of Brand USA that have been prepared by management with the oversight of Audit Committee are presented fairly, in all material respects, in conformity with U.S. GAAP.
- Consideration of management's ICOFR as a basis for designing audit procedures that are appropriate in the circumstances.
- Communicating to management and the Audit Committee all required information, including significant matters.
- Communicating to management and the Audit Committee in writing all significant deficiencies and material weaknesses in internal control identified during the audit and reporting to management in writing all deficiencies noted during our audit.
- Communicating to the Audit Committee circumstances, if any, that affect the form and content of the auditors' reports.
- Communicating in writing any conclusion(s) that the Audit Committee's oversight of external financial reporting and internal control over financial reporting is ineffective.

KPMG responsibilities – Other information in documents containing financial statements



- The auditors' report on the financial statements of Brand USA do not extend to or other information in documents containing audited financial statements
- Our responsibility is to read the other information to identify material inconsistencies with the audited financial statements or misstatement of facts prior to the date of the auditors' report.
- Any material inconsistencies or misstatement of facts that are not resolved prior to the report release date, and that require revision of the other information, may result in us modifying or withholding the auditors' report or withdrawing from the engagement.



Required inquiries (to be discussed during Executive Session)

The following inquiries are required in accordance with AU-C 260

Is the Audit Committee aware of:

- Matters relevant to the audits, including, but not limited to, violations or possible violations of laws or regulations?
- Tips or complaints regarding the financial reporting of Brand USA and, if so, Brand USA's responses to such tips and complaints?
- Any instances where Brand USA entered into any significant unusual transactions?

Does the Audit Committee have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting Brand USA?

Additional required inquiries:

- What is the Audit Committee's views about fraud risks at Brand USA?
- How does the Audit Committee exercise oversight of Brand USA's fraud risks and the establishment of controls to address fraud risks?
- Is the Audit Committee aware of, or has it formed an opinion about, the identification and assessment of risks of material misstatement?
- What is the Audit Committee's understanding of Brand USA's relationships and transactions with significant related parties?
- Is the Audit Committee concerned about the relationships or transactions with related parties, and, if so, what is the substance of those concerns?

Audit Committee governance considerations

Drawing on insights from interactions with audit committees and business leaders, KPMG's Board Leadership Center and industry leaders highlight six items that audit committees should keep in mind during this health matter and beyond.



First and foremost, focus on the health, safety, and well-being of employees and clients.



Monitor the organization's overall crisis response, risk management, and contingency protocols, and adjust frequency, focus, and structure of committee meetings, as appropriate.



Focus on financial risks and scenario planning, including liquidity.



Monitor management's progress in assessing financial reporting, tax, and compliance matters emerging as a result of COVID-19.



Understand key operational risks: program funding, supply chain, workforce, technology, and fund raising.



Oversight of business process and policy changes, and the impact on internal control.

Publication: *Navigating the Pandemic, a Board Lens*



C. Appendix

1 – Regulatory and standard setting update

Regulatory and standard setting update

Recent FASB development

- ASU No 2016-02 Leases (Topic 842)- Applies to any entity that enters into a lease, effective for fiscal years beginning after Dec 15, 2019. Due to COVID-19, an optional one year deferral was granted. For operating leases a lessee is required to recognize a right of use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position and recognize single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis. Requires lessees to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach.
- May be early adopted; otherwise Brand USA would adopt the standard in FY 2022.

Other upcoming standards with potential impact

Standard	Effective for fiscal year	
	2020	2021 or after
ASU 2016-18, <i>Statement of Cash Flows – Presentation of Restricted Cash</i>	✓	
ASU 2018-13, <i>Disclosure framework – Changes to the Disclosure Requirements for Fair Value Measurement</i>		✓
ASU 2020-07, <i>Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets</i>		✓



kpmg.com/socialmedia

© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.