

Audit Committee Meeting BOARD OF DIRECTORS MEETING

November 6, 2024 | 2 – 3:00 p.m.

Agenda

- Call the meeting to order
- Approve the meeting minutes from March 26, 2024 Audit Committee meeting*
- September 30, 2024, Preliminary Financial Summary Presentation and Discussion
- Annual Review of Audit-Related Policies
- Compliance
- Audit Plan Presentation by KPMG
- Executive Session with External Auditor (No Management Present)
- Executive Session with CFDIO
- Closing Remarks and Adjourn Meeting

FY 2024 Financial Statement Preliminary Highlights

(As of September 30, 2024)

Partner Revenue

Total partner cash contributions and in-kind contributions were \$129.8M for the period ending September 30, 2024

- Partner Cash Contributions – \$68.5M in partner contributions.
- In-Kind Contributions – \$60K in in-kind contributions.
- Partner Programs – \$1.3M in Program Revenues.

Expenses

- Expenses are estimated at \$255M for the period ending September 30, 2024
- Projected 5% (\$14M) below the Original Budget of \$269M.

Cash Flow

- Cash Reserves remain strong, above the \$40M floor.

ESTA

- ESTA met the match requirements for 2024

Annual Policies and Procedure Review

- Accepting Gifts and Gift Report Form
- Business Ethics & Standards of Conduct
- Cash Management, Operating Reserves & Investments
- Conflict of Interest Policy
- Record Retention Policy & Schedule
- Whistleblower Policy
- Cash and In-Kind Policies and Guidelines
- Employee Handbook (Contains Travel and Expense Management Policy)
- **Procurement Policy
- **Travel and Expenses Management Policy

** new language added

Compliance Update



FY 2024 Independent Auditor Audit Plan



Brand USA Discussion with those charged with governance

Audit plan and strategy for the year ending September 30, 2024

November 6, 2024





Delivering a better audit experience drives us

With KPMG, you can expect an experience that's better for your team, your organization, and the capital markets. An experience that's built for a world that demands agility and integrity.

We aim to deliver an exceptional client experience by focusing on:



Quality



Experience



Productivity



Insights

Improving the client experience with Generative AI

Artificial intelligence in the audit

KPMG's latest investment in artificial intelligence, building on years of experience in this space, is **KPMG – Audit Chat**. This generative artificial intelligence chatbot has all the capabilities of commercially available large language models in **KPMG's secure environment**.

KPMG's generative artificial intelligence chatbot enhances the client experience through:



Increased quality



Greater insights



Enhanced communications

Illustrative deployment opportunities

Gap Analysis

Highlight control gaps or process risk points based on process narratives and walkthrough transcripts

Agreement Analyzer

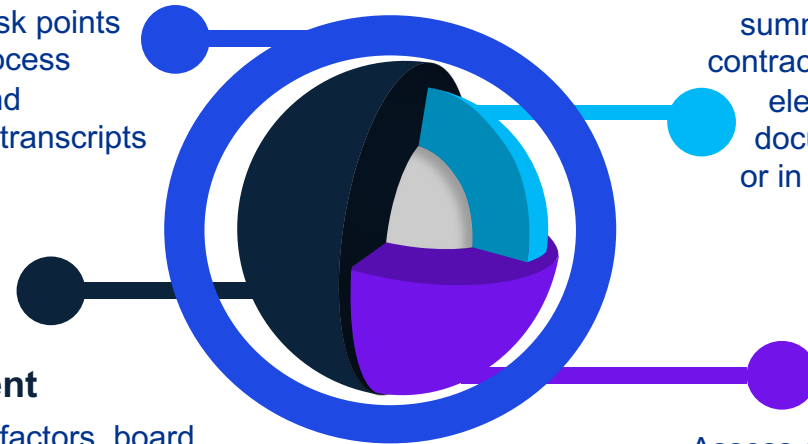
Extract, identify and summarize relevant contract terms or data elements to aid in document analysis or in year-over-year comparisons

Risk Assessment

Analyze risk factors, board minutes, industry dynamics, estimates, and financial statements to aid in effective risk assessment

Industry Insights

Assess and summarize financial statement disclosures and differences between client and industry disclosures



We go bold, but not alone.

KPMG collaborates with the world's leading technology companies to innovate, secure, and deploy artificial intelligence.

New Engagement Leader



Allen Devine, CGFM, CISA, CPA

Federal Audit Managing Director

With over 21 years of experience, Allen has been a dedicated provider of financial statement audit, attestation, and advisory services to federal agencies, local governments, and nonprofits. He broadened his expertise during a two-year rotation with KPMG's United Kingdom member firm, where he delivered audit services to various public sector entities, including hospitals and universities. Additionally, Allen spent a decade as an adjunct professor at The George Washington University, sharing his knowledge and experience with future leaders in the field. Allen is an active member of the AGA's Washington D.C. Chapter, and has presented at numerous AGA conferences on various technical topics.

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Key themes for our discussion



Modernizing the audit experience



Enhancing your experience



Scope of the audit



Required communications



Audit Committee insights



Key risks and our Audit Plan



Required communications to those charged with governance

Prepared on: 10/23/2024

Presented on: 11/06/2024



Audit plan required communications and other matters

Our audit of the consolidated financial statements of Brand USA as of and for the year ended September 30, 2024, will be performed in accordance with auditing standards generally accepted in the United States of America.

Performing an audit of financial statements includes consideration of internal control over financial reporting (ICFR) 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 ICFR.

Matters to communicate		Response
Role and identity of engagement partner	✓	Lead audit engagement managing director is: Allen Devine
Significant findings or issues discussed with management	X	No matters to report
Materiality in the context of an audit	✓	Page 9
Our timeline	✓	Page 10
Risk assessment: Significant risks	✓	Page 11
Risk assessment: Additional risks identified	✓	Page 12
Risk assessment: Significant Estimate	✓	Page 13
Involvement of others	✓	Economic Valuation Specialist
Independence	✓	Page 14
Responsibilities	✓	Page 15
Inquiries	✓	Page 16

✓ = Matters to report X = No matters to report

Materiality in the context of an audit

We will apply materiality in the context of the preparation and fair presentation of the consolidated financial statements, considering the following factors:

Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.	Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.	Judgments about materiality involve both qualitative and quantitative considerations.
Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.	Determining materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the financial statements.	Judgments about the size of misstatements that will be considered material provide a basis for <ol style="list-style-type: none">Determining the nature and extent of risk assessment procedures;Identifying and assessing the risks of material misstatement; andDetermining the nature, timing, and extent of further audit procedures.

Our timeline

August – October

Planning and risk assessment

- Planning and initial risk assessment procedures, including:
 - Involvement of others
 - Identification and assessment of risks of misstatements and planned audit response for relevant processes
- Obtain and update an understanding of the BrandUSA and its environment
- Inquire of those charged with governance, management and others within BrandUSA about risks of material misstatement
- Perform process walkthroughs and identification of process risk points for certain processes
- Communicate audit plan
- Identify IT applications and environments

November – Early February

Testing and Completion

- Perform substantive audit procedures
- Complete control testing for entity-level controls, where applicable
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Review financial statement disclosures
- Present audit results to those charged with governance and perform required communications
- **DELIVERABLES (January 31st)**
 - Issue Internal control deficiency letter, if any

Filing date: Issue audit report January 31, 2025

Risk assessment: Significant risks

Significant risk	Susceptibility to:	
	Error	Fraud
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.	No	Yes



Risk assessment: Additional Risks identified

Area of Focus	Relevant factors affecting our risk assessment
Statement of Financial Position	<ul style="list-style-type: none"> • Cash • Fair value of investments • Valuation of in-kind assets • Leases • Net assets (with/without restriction)
Statement of Activities	<ul style="list-style-type: none"> • Revenue: Travel promotion funds proceeds • Revenue: Partner contributions • Revenue: In-kind contributions • Advertising and media expenses • Valuation of in-kind expenses
Other Items	<ul style="list-style-type: none"> • Entity level controls • Related parties • Financial reporting • Journal entries

Risk assessment: Significant Estimate

Area of Focus	Relevant factors affecting our risk assessment
Valuation of In-Kind Revenue and Assets	<ul style="list-style-type: none">• Management specialists• Proprietary data and third party external data

Shared responsibilities: Independence

Auditor independence is a shared responsibility and most effective when management, those charged with governance and audit firms work together in considering compliance with the independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, those charged with governance, and KPMG each play an important role.

System of Independence Quality Control

The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information regarding upcoming transactions or other business changes is necessary to effectively maintain the firm's independence in relation to:

- New affiliates (which may include subsidiaries, equity method investees/investments, sister companies, and other entities that meet the definition of an affiliate under AICPA independence rules)
- New officers or directors with the ability to affect decision-making, individuals who are beneficial owners with significant influence over the Company, and persons in key positions with respect to the preparation or oversight of the financial statements

Certain relationships with KPMG

Independence rules prohibit:

- Certain employment relationships involving directors, officers, or others in an accounting or financial reporting oversight role and KPMG and KPMG covered persons.
- The Company or its directors, officers, from having certain types of business relationships with KPMG or KPMG professionals.

Responsibilities



Management responsibilities

- Communicating matters of governance interest to those charged with governance.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



KPMG responsibilities – objectives

- Communicating clearly with those charged with governance the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit.
- Obtaining from those charged with governance information relevant to the audit.
- Providing those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
- Promoting effective two-way communication between the auditor and those charged with governance.
- Communicating effectively with management and third parties.



KPMG responsibilities – other

- If we conclude that no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement, we should:
 - Withdraw from the audit engagement when possible under applicable law or regulation;
 - Communicate the circumstances to those charged with governance, and
 - Determine whether any obligation, either legal contractual, or otherwise, exists to report the circumstances to other parties, such as owners, or regulators.
- Forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- Establishing the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.
- Communicating any procedures performed relating to other information, and the results of those procedures.

Inquiries

Are those charged with governance aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
 - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Do those charged with governance have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the Company?
 - If so, have the instances been appropriately addressed and how have they been addressed

Additional inquiries:

- What are those charged with governance's views about fraud risks in the Company?
- Who is the appropriate person in the governance structure for communication of audit matters during the audit?
- How are responsibilities allocated between management and those charged with governance?
- What are the Company's objectives and strategies and related business risks that may result in material misstatements?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- What are those charged with governance's attitudes, awareness, and actions concerning (a.) the Company's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b.) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditor?
- Has the Company entered into any significant unusual transactions?
- Whether the entity is in compliance with other laws and regulations that have a material effect on the financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?



Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

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Appendix

Cybersecurity considerations

Factors and forces elevating cybersecurity risks:

- Shifts to remote work, online customer engagement, digital finance – ‘remote everything’
- Acceleration of digital strategies/transformation
- Surge and sophistication of cyber attacks
- Risks, vulnerabilities posed by third-party vendors

Your considerations for robust oversight

- Focus on internal controls, access, and security protocols
- Increase diligence around third-party vendors
- Insist on a robust data governance framework
- Obtain cyber expertise at board or upper management level
- Provide ongoing cyber awareness training to leaders in the company
- Trust but verify the information reported by the Chief Information Officer function and by third-party cyber service providers

Our audit responsibilities

- Evaluate risks of material misstatement resulting from, among other things, unauthorized access to financial reporting systems (e.g. IT applications, databases, operating systems)
- Determine whether there is a related risk of fraud
- Develop audit approach based on risk assessment
- If a cybersecurity incident occurs, we understand and evaluate its effect on our audit approach, as well as evaluate management’s assessment of the effect on the financial statements and disclosures

On the 2024 board agenda

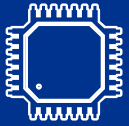
Issues for boards to keep in mind as they carry out their 2024 agendas



Link boardroom discussions on strategy, risk, and global disruption.



Maintain the focus on cybersecurity and data privacy



Monitor management's efforts to design and maintain a governance structure for the development and use of generative AI.



Enhance communication and coordination regarding risk oversight activities among the board and its committees.



Keep abreast of management's preparations for new US, state, and global climate and sustainability reporting requirements.



Clarify when the CEO/company should speak out on social issues.



Make talent, human capital management (HCM), and CEO succession a priority.



Identify the company's material or strategically significant climate and ESG issues, and embed them in risk and strategy discussions.



Think strategically about talent, expertise, and diversity in the boardroom.

[KPMG Audit Committee Institute: On the 2024 board agenda](#)

Positioning audit committees for the future: 10 areas of focus

1

Financial reporting and related expertise: Stay focused on financial reporting and related internal control risks—job number one.

2

Risk oversight: Continue to assess the risk oversight responsibilities assigned to the audit committee.

3

ESG risk and disclosures: Clarify the role of the audit committee in overseeing the company's climate and other ESG risks.

4

Talent in the finance organization: Focus on whether finance has the talent and skill sets to meet the evolving reporting and IT landscape.

5

Audit quality: Reinforce the importance of audit quality and set clear expectations.

6

Internal audit's value: Make sure internal audit is focused on the company's key risks.

7

Transparency: Insist on transparency among the board/audit committee, management, and auditors.

8

Compliance and culture: Closely monitor the tone at the top, culture, and behaviors.

9

Critical alignments: Help maintain alignment of culture, purpose, strategy, goals, risks, compliance, controls, incentives, performance metrics, and people.

10

Audit committee focus and effectiveness: Make the most of the committee's time together.

See the full report at <https://boardleadership.kpmg.us/>

US Audit Quality, Transparency and Impact reports



- Interactive dashboard highlights key quality metrics
- Details KPMG's investment in our audit approach, people, technology, quality management system and the future of audit

Audit Quality Report



- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's System of Quality Control
- Discusses how the firm aligns with the requirements and intent of applicable professional standards including our System of Quality Control Statement of Effectiveness.

Transparency Report



- Provides annual update on our progress on meeting goals aligned to People, Planet, Prosperity, and Governance
- Our goals reflect a materiality assessment and our aspiration to be an employer of choice

KPMG Impact Plan

In addition to this report, we are providing you with our Transparency Report Supplement: Assisting audit committees in meeting NYSE rules on auditor communications Reports and supplements available at: audit.kpmg.us/auditquality



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