

To: Brent Fisher, Chair
Through: Kevin Fimon, Audit and Risk Committee Chair
From: Julee Farley, Chief Financial Officer
Date: February 18, 2026
Re: Audit & Risk Committee Report – January 7, 2026

Meeting Summary:

The Audit & Risk Committee met virtually on January 7, 2026. The meeting was attended by Committee members Kevin Fimon (chair), Corri Feige, and Anita Halterman, and Board Chair Brent Fisher (ex-officio). Trustee John Morris also attended.

Review of the FY25 Audit Report by BDO:

Bikky Shrestha presented the FY25 Basic Financial Statements and Government Auditing Standards Auditor's Report :

- A special Committee meeting was called so the report could be finalized and provided to the State of Alaska so that AMHTA could be included as a component unit in the State's financial statements.
- Mr. Shrestha noted that BDO reports directly to Trustees, and the audit is conducted in accordance with Government Auditing Standards based on information provided by management.
- BDO will issue an unmodified, or clean opinion, on the financial statements. This is the highest level of assurance for an audit.
- Mr. Shrestha reported that management identified an adjustment related to Icy Cape expenditures that had previously been capitalized. BDO concurred that a \$12.4 million adjustment was necessary as GAAP does not permit mining expenses to be capitalized until a feasibility study has been completed. Prior year financials were not adjusted and the entire write-off was recorded as an expense in FY25.
- The Icy Cape adjustment also resulted in significant deficiency of internal controls relating to the recognition of capital assets.
- Mr. Shrestha noted that management has prepared the Management, Discussion & Analysis included in the financial report. This report is not audited, but the information presented does align with the financial statements.
- Mr. Shrestha reviewed the accounting for Commercial Real Estate owned by the Trust, and noted that gains are recorded as property valuation changes, but because of those annual changes it is not expected that major gains or losses would be reported when the property is sold.

The following motion was approved by the Committee:

The Audit & Risk Committee recommends that the Board of Trustees accepts the Alaska Mental Health Trust Authority basic financial statements and government accounting standards auditor's report for the year ended June 30, 2025.

The next scheduled meeting of the Audit & Risk Committee is **April 22, 2026**.