Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Basic Financial Statements and *Government Auditing Standards* Auditor's Report
Year Ended June 30, 2026

(With Independent Auditor's Report Thereon)

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The report accompanying these financial statements was issued by
BDO USA, P.C., a Virginia professional corporation, and the U.S. member of
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Alaska Mental Health Trust Authority

(A Component Unit of the State of Alaska)

Basic Financial Statements and *Government Auditing Standards*
Auditor's Report
Year Ended June 30, 2026

(With Independent Auditor's Report Thereon)

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

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Independent Auditor's Report

The Board of Trustees
Alaska Mental Health Trust Authority
Anchorage, Alaska

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alaska Mental Health Trust Authority (the Trust), a component unit of the State of Alaska, as of and for the years ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Trust, as of June 30, 2026, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the *investments managed by the Alaska Permanent Fund Corporation and related disclosures in the notes of the financial statements*, which represent 80%, 81% and 74%, respectively, of the assets and deferred outflows, net position, and revenues of the Trust, respectively. Those schedules were audited by other auditors whose report *has* been furnished to us, and our *opinion*, insofar as it relates to the amounts included for the Schedules of Investments Managed by the Alaska Permanent Fund Corporation, is based solely on the report of the other auditors.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Alaska Mental Health Trust Authority and do not purport to, and do not, present fairly the financial position of the State of Alaska nor the Alaska Permanent Fund Corporation as of June 30, 2026, the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered 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.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules of the Trust's proportionate share of the net pension and net OPEB liability or asset and the Trust's contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated *[date of report]* on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

(Signed BDO USA, P.C.)

_____, 2026

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Management's Discussion and Analysis

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Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) of the Alaska Mental Health Trust Authority (the Trust or Authority) provides an overview and analysis of the Trust's financial activities for the fiscal year ended June 30, 2026, with comparisons to the prior year. The MD&A is intended to assist readers in understanding the Trust's financial position, results of operations, and significant changes from the prior year.

Overview of the Financial Statements

The discussion should be read in conjunction with the accompanying financial statements and notes. The Trust is a component unit of the State of Alaska and administers a perpetual trust to improve the lives of Alaskans with mental illness, developmental disabilities, substance use disorders, Alzheimer's disease and related dementia, and traumatic brain injuries. Its financial statements present the Trust's activities, rather than the financial position of the State as a whole. This MD&A highlights significant financial activity and events that affected the Trust during the fiscal year.

The government-wide Statement of Net Position presents the Trust's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year-end. The Statement of Activities explains changes in net position during the year. These statements use the economic resources measurement focus and accrual basis of accounting, recognizing revenues when earned and expenses when liabilities are incurred, regardless of the timing of cash receipts or payments. All activities presented are governmental activities.

The governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources. Governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items. Reconciliations explain differences between fund balance and net position. More detail about the measurement focuses and basis of accounting can be found in the first note to the financial statements on the Summary of Significant Accounting Policies.

The Notes to the Basic Financial Statements provide additional information and context necessary to understand the reported amounts. Required supplementary information presents pension and other postemployment benefit schedules. Together, these statements and schedules provide complementary information about the Trust's financial condition and operating results.

Financial Summary

Trust Net Position

Table A-1 shows comparative balances for net position as of June 30, 2026 and 2025. As of June 30, 2026, the Trust's total net position was $1.04 billion, an increase of $85.5 million, or 8.9 percent, compared with 2025. This increase is primarily due to a $67.2 million increase in unrestricted net position which was the result of the investment performance of Trust investments.

The Restricted net position increased $18.8 million to $702.7 million as a result of principal land revenues and allocated unrealized investment gains. Unrestricted net position increased $67.2 million to $325.4 million primarily because of realized earnings for investments managed by APFC and total earnings for the reserve managed by Treasury. Accounting classifications do not by

themselves establish immediate spending availability; Trust purposes, investment liquidity, and Board policies also govern the use of assets.

Table A-1:

	Fiscal Year 2026	Fiscal Year 2025	Percentage Change
Current and other assets	**$ 1,109,835,000**	$ 1,008,348,000	10.1%
Capital assets, net	**13,636,000**	14,065,000	(3.1%)
Total assets	**1,123,471,000**	1,022,413,000	9.9%
Deferred outflows of resources	**1,274,000**	1,364,000	(6.6%)
Long-term liabilities	**(9,752,000)**	(10,254,000)	(4.9%)
Other liabilities	**(63,917,000)**	(48,764,000)	31.1%
Total liabilities	**(73,669,000)**	(59,018,000)	24.8%
Deferred inflows of resources	**(9,284,000)**	(8,490,000)	9.4%
Net position			
Net investment in capital assets	**$ 13,636,000**	$ 14,065,000	(3.1%)
Restricted	**702,712,000**	683,932,000	2.7%
Unrestricted	**325,444,000**	258,272,000	26.0%
Total net position	**$ 1,041,792,000**	$ 956,269,000	8.9%

Trust Activities

Total investment income, including nonexpendable investment income, and land revenues represented 86 percent and 13 percent of total revenues, respectively. Investment income excluding nonexpendable investment income was $92.1 million. Table A-2 presents investment assets and reported investment returns for FY2026 and the prior year, including the Trust's overall FY2026 investment return of 12.3 percent. Higher investment income was the primary source of the $39.0 million increase in revenues; land revenues also increased by $4.8 million.

Table A-2:

Investment Assets	**2026**	investment return*	2025	investment return*
Trust Investment Fund managed by APFC	**843,240,000**	12.4%	757,092,000	9.4%
Budget Reserves managed by Treasury	**84,314,000**	14.6%	73,570,851	12.4%
Commercial Real Estate	**21,063,000**	4.6%	37,425,000	(14.1%)
Trust Investment Assets	**948,617,000**	12.3%	868,087,851	8.1%

Table A-3 shows that revenues of $126.5 million exceeded $40.9 million in expenses in the current year, resulting in an increase in net position of $85.5 million.

Table A-3:

	Fiscal Year 2026	Fiscal Year 2025	Percentage Change
Revenues			
Investment income	**$ 92,063,509**	$ 58,134,000	58.4%
Nonexpendable investment income	**17,040,000**	16,680,000	2.2%
Total Investment Income	**109,103,509**	74,814,000	
Nonexpendable rents, royalties and exchanges	**13,148,000**	6,150,000	113.8%
Rents and royalties	**2,984,491**	5,531,000	(46.0%)
Charges for services, fines and forfeitures	**504,000**	150,000	236.0%
Total Land Revenues	**16,636,491**	11,831,000	40.6%
PERS on-behalf revenue	**238,000**	135,000	76.3%
Other	**476,000**	665,000	(28.4%)
Total revenues	**126,454,000**	87,445,000	44.6%
Expenses			
Grant awards	**28,379,000**	24,389,000	16.4%
Personnel services	**3,701,000**	3,951,000	(6.3%)
Travel	**58,000**	66,000	(12.1%)
Services	**2,441,000**	2,462,000	(0.9%)
Supplies	**77,000**	59,000	30.5%
Depreciation	**429,000**	441,000	(2.7%)
Trust land office and land management	**5,846,000**	19,222,000	(69.6%)
Total expenses	**40,931,000**	50,590,000	(19.1%)
Change in net position	**85,523,000**	36,855,000	132.1%
Net position—beginning of period	**956,269,000**	919,414,000	4.0%
Net position—end of period	**$ 1,041,792,000**	$ 956,269,000	8.9%

Detailed Analyses

Revenue: Higher total investment income, including nonexpendable investment income, accounted for $34.3 million, or 87.9 percent, of the revenue increase. Total revenue increased by $39.0 million, or 44.6 percent, from $87.4 million to $126.5 million. Because APFC manages the majority of the Trust's investments, market performance and valuation changes within the APFC-managed portfolio strongly influence the Trust's annual results.

Land revenues increased to $16.6 million with the $4.8 million increase primarily the result of a $6.7 million increase in nonexpendable mineral income, while the rents and royalties decline of

$2.5 million was spread across various land revenue categories. As nonexpendable revenues represent the permanent removal of certain land or goods, nonexpendable revenues are generally non-reoccurring. Certain other rents and royalties may be recurring.

Expenses: As the Trust continued to increase its grantmaking, the grant expense increased 16 percent to $28.4 million.

Total expenses declined $9.7 million, or 19 percent, from $50.6 million to $40.9 million. This decline reflects the one-time $12.4 million expense adjustment of previously capitalized Icy Cape exploration costs included in FY2025 land management expenses which is partially offset by a $4.0 million increase in in grant expense.

Without the one-time $12.4 million expense adjustment in FY2025, land management expenses decreased by $1.0 million; other Trust operating expenses decreased by $0.3 million.

Significant Capital Asset and Long-Term Financing Activity

Capital assets, net of accumulated depreciation, declined from $14.1 million to $13.6 million, a decrease of $0.4 million, or 3 percent. Depreciation was the principal reason for the decline. Although there was minimal activity on the land corpus, there was no net effect on the reported corpus land balance as detailed further in Note 6. Buildings and infrastructure remained at a gross carrying amount of $12.5 million. The approximately one million acres of settlement land are carried at the historical accounting amount of $1 per acre when conveyed, rather than current market value.

Currently Known Facts Decisions or Conditions

This section addresses matters known as of date that are expected to have a significant effect on financial position or to produce significant differences from FY2026 results. The Trust's reliance on investment income and land revenue makes the Board's payout decisions, reserve levels, property transactions, and resource-development commitments relevant to subsequent-year operations.

The market value of, and earnings from, the Trust's investment assets are directly impacted by the volatility of the financial markets, as well as investment decisions made by the Trust's Board of Trustees and APFC's Board of Trustees. Diversification across asset classes in the APFC portfolio and the Trust's Treasury- managed reserves is intended to manage investment risk.

The Trust owns three remaining commercial real estate assets. One property was listed for sale in October 2026 and another is expected to be listed in the coming year. The remaining property is occupied partially by the Trust Land Office and a beneficiary-serving organization with a below-market lease as one of its tenants and is not expected to be sold.

At their meeting on August 26, 2026, Trustees authorized the transfer for the FY2027 payout of $34.3 million. Half of this amount was withdrawn from APFC managed spendable reserves in October 2026, and the remaining portion will be withdrawn later in FY2027.

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Basic Financial Statements

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Statement of Net Position

June 30, 2026

Assets and Deferred Outflows of Resources	
Cash and investments	$ 1,025,598,000
Accounts receivable, net of allowance	15,508,000
Prepaid items	339,000
Securities lending collateral invested	43,782,000
Notes receivable, net of allowance	10,080,000
Net OPEB asset	4,967,000
Leases receivable	9,561,000
Capital assets, net of accumulated depreciation	13,636,000
Total Assets	1,123,471,000
Deferred Outflows of Resources	
Related to pension	1,196,000
Related to OPEB	78,000
Total Deferred Outflows of Resources	1,274,000
Total Assets and Deferred Outflows of Resources	$ 1,124,745,000
Liabilities, Deferred Inflows of Resources, and Net Position	
Liabilities	
Accounts payable and accrued liabilities	$ 18,623,000
Due from State of Alaska	75,000
Securities lending collateral	43,782,000
Unearned revenue	1,437,000
Accrued leave	938,000
Net pension liability	8,814,000
Total Liabilities	73,669,000
Deferred Inflows of Resources	
Related to OPEB	290,000
Related to pension	219,000
Related to leases receivable	8,775,000
Total Deferred Inflows of Resources	9,284,000
Net Position	
Net investment in capital assets	13,636,000
Restricted nonexpendable corpus	697,744,000
Restricted for other postemployment benefits	4,967,000
Unrestricted	325,445,000
Total Net Position	1,041,792,000
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 1,124,745,000

See accompanying notes to basic financial statements.

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Statement of Activities

Year ended June 30, 2026

Expenses		
Personnel services	$	3,700,000
Travel		58,000
Services		2,441,000
Supplies		77,000
Trust land office and land management		5,846,000
Grant awards		28,379,000
Depreciation		429,000
Total Expenses		40,930,000
Revenues		
Program revenues:		
Nonexpendable rents, royalties, and exchanges		13,148,000
Rents and royalties		2,984,000
Nonexpendable investment income		17,040,000
Investment income		92,063,000
Charges for services, fines and forfeitures		504,000
PERS on-behalf revenue		238,000
Other revenues		476,000
Total Revenues		126,453,000
Change in Net Position		85,523,000
Net Position, beginning of year		956,269,000
Net Position, end of year	$	1,041,792,000

See accompanying notes to basic financial statements.

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Governmental Fund Balance Sheet

June 30, 2026

Assets	
Cash and investments	1,025,598,000
Accounts receivable, net of allowance	15,508,000
Prepaid items	339,000
Securities lending collateral invested	43,782,000
Notes receivable, net of allowance	10,080,000
Leases receivable	9,561,000
Total Assets	$ 1,104,868,000
Liabilities, Deferred Inflows of Resources, and Fund Balance	
Liabilities	
Accounts payable and accrued liabilities	$ 18,623,000
Due to State of Alaska	75,000
Securities lending collateral	43,782,000
Unearned revenue	1,437,000
Total Liabilities	63,917,000
Deferred Inflows of Resources	
Land sales - unavailable	10,347,000
Leases receivable - unavailable	8,775,000
Total Deferred Inflows of Resources	19,122,000
Total Liabilities and Deferred Inflows of Resources	83,039,000
Fund Balance	
Nonspendable:	
Nonexpendable corpus	687,397,000
Prepaid items	339,000
Assigned	334,093,000
Total Fund Balance	1,021,829,000
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 1,104,868,000

See accompanying notes to basic financial statements.

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Reconciliation of Governmental Fund Balance Sheet to Statement of Net Position

June 30, 2026

Total Fund Balance	$ 1,021,829,000
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	13,636,000
Long-term assets are not receivable in the current period and therefore are not reported as fund assets. This is the amount of net OPEB asset.	4,967,000
Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. Long-term liabilities reported in these statements consist of:	
Accrued leave	(938,000)
Net pension liability	(8,814,000)
Total Long-Term Liabilities	(9,752,000)
Certain changes in net pension liabilities are deferred rather than recognized immediately. These are amortized over time:	
Deferred outflows of resources related to pension	1,196,000
Deferred outflows of resources related to OPEB	78,000
Deferred inflows of resources related to pension	(219,000)
Deferred inflows of resources related to OPEB	(290,000)
Total Deferred Pension Items	765,000
Land sales contract receivables are not available to pay current period expenditures, and therefore are deferred in the governmental funds.	10,347,000
Total Net Position	$ 1,041,792,000

See accompanying notes to basic financial statements.

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year ended June 30, 2026

Revenues	
Investment income	92,063,000
Nonexpendable investment income	17,040,000
Nonexpendable rents, royalties and exchanges	12,334,000
Rents and royalties	2,984,000
Charges for services, fines and forfeitures	504,000
PERS on-behalf revenue	238,000
Other revenues	476,000
Total Revenues	125,639,000
Expenditures	
Personnel services	4,367,000
Travel	58,000
Services	2,441,000
Supplies	77,000
Trust land office and land management	6,181,000
Grant awards	28,391,000
Total Expenditures	41,515,000
Net Change in Fund Balance	84,124,000
Fund Balance, beginning of year	937,704,000
Fund Balance, end of year	$ 1,021,828,000

See accompanying notes to basic financial statements.

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities

Year ended June 30, 2026

Net Change in Fund Balance	$	84,124,000
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		(1,000)
Depreciation		(429,000)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. This is the effect of disposal of capital assets.		1,000
Some expenses do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount of change in accrued leave.		(70,000)
Changes in net pension liability and related accounts can increase or decrease net position. This is the net increase in net position due to changes in net pension liability and the related deferred outflows and inflows of resources.		422,000
Changes in net OPEB assets and related accounts can increase or decrease net position. This is the net increase in net position due to changes in net OPEB assets and the related deferred outflows and inflows of resources.		662,000
Some revenues in the statement of activities that do not provide current financial resources are not reported in the statement of revenues, expenditures, and changes in fund balance. This is the change in unavailable land sales revenue.		814,000
Change in Net Position	$	85,523,000

See accompanying notes to basic financial statements.

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1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements include only the accounts of the Alaska Mental Health Trust Authority (the Trust), a component unit of the State of Alaska (the State), created by an act of the State of Alaska legislature as the result of the settlement of mental health land trust litigation (Weiss v. State). The act authorized the Trust to use income from the Alaska Mental Health Trust Fund to assist it in fulfilling its purpose and ensuring an integrated comprehensive mental health program for the State. The Trust is governed by a Board of Trustees appointed by the governor. These financial statements are not intended to present the complete financial activity of the State as a whole. The complete financial activity of the State is shown in the Annual Comprehensive Financial Report (ACFR) available from the Division of Finance in the Department of Administration.

The 1994 settlement reconstituted the Trust, and the related legislation transferred $200 million of cash principal and nearly one million acres of land to the Trust. As required by the settlement and legislation, the Trust contracts with the Alaska Permanent Fund Corporation to manage the cash corpus of the Trust and with the Department of Natural Resources (DNR) to manage the land corpus of the Trust. The Trust Land Office (TLO) was established within DNR for this purpose and manages about one million acres of Trust land throughout the State on behalf of the Trust. The TLO manages Trust land to generate revenue, which is used by the Trust to improve the lives and circumstance of Trust beneficiaries.

By statute and memorandum of agreement, a portion of the assets of the Trust are to be held and invested by the Alaska Permanent Fund Corporation (APFC) under the same investment authority as the Alaska Permanent Fund (the Fund) is managed. The APFC is a component unit of the State and is administered by a Board of Trustees (the APFC Trustees). By statute, net income generated from Trust investments managed by APFC is distributed to the Mental Health Trust Income Account and is not included in the computation of Fund dividends, which are distributed to eligible State residents annually. These financial statements are not intended to present the complete financial activity of the APFC as a whole.

Basis of Presentation

The accounts of the Trust are organized as a Permanent Fund. Accordingly, the financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Measurement Focus and Basis of Accounting – Government-Wide Statements

The government-wide financial statements include the statement of net position and the statement of activities and report information about the Trust as a whole.

The government-wide financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred.

Measurement Focus and Basis of Accounting – Fund Statements

The fund financial statements have been prepared using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. The Trust considers receivables collected within the fiscal year to be available and recognizes them as revenues of the current year. Expenditures are recorded at the time fund liabilities are incurred, as under accrual accounting. However, expenditures related to accrued leave are recorded only to the extent they have matured.

Cash and Temporary Investments

Included in the amounts shown on the statement of net position as cash and investments are amounts with the State of Alaska, Department of Revenue, Treasury Division (Treasury) and the APFC. The amounts shown as cash and temporary investments include cash on deposit at the custodian bank, cash swept to overnight investment funds, cash collateral held at derivative brokers, U.S. Treasury bills, commercial paper, and the net fair value of foreign exchange forward contracts. The APFC's asset allocation includes approximately 1% in cash. APFC's investment policy specifies that funds dedicated to this portion of the asset allocation will be invested in money market funds or fixed income securities with weighted-average maturities of no greater than 24 months.

State of Alaska Department of Revenue Managed Funds

Treasury manages pooled investments for which the Commissioner has fiduciary responsibility. Investment activities are performed by Treasury investment officers or contracted external investment managers. The complete financial activity of the Fund is presented in the State's ACFR, available from the Department of Administration, Division of Finance. The Fund participates in the General Fund and Other Nonsegregated Investments Pool (GeFONSI), which consists of the State's internally managed Short-Term Fixed Income Pool, Short-Term Liquidity Fixed Income Pool, and Intermediate-term Fixed Income Pool.

Within the Treasury pooled investment framework described above, the Fund also invests in the State's internally managed Short-Term Fixed Income Pool and Broad Market Fixed Income Pool and its externally managed Domestic Equity and International Equity pools.

Assets in the pools are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Fixed income securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the most current sale price or based on a valuation provided by investment managers. Domestic and international equity securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers.

The accrual basis of accounting is used for the investment income. General Fund and Other Nonsegregated Investments (GeFONSI) investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by the State legislature. Income in the Short-term, Short-term Liquidity, and Intermediate-term Fixed Income Pools is allocated to the pool participants daily on a pro-rata basis.

For additional information on interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk see the separately issued report on the Invested Assets of the Commissioner of Revenue at: http://treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx.

APFC Managed Funds

The Trust's investments managed by the APFC have been commingled with the assets of the Fund and the Power Cost Equalization Endowment Fund for investment purposes. The investments have been credited with unit shares and fractions of unit shares, which represent an undivided beneficial interest in the commingled assets managed by the APFC equal to the proportion those shares bear to the total unit shares outstanding. The Trust has received unit shares and fractions of unit shares based directly upon the dollar amount per share of funds contributed; the Trust will be charged with unit shares and fractions of unit shares based directly upon the dollar amount per share of funds withdrawn.

Investment Income

Earnings are allocated from the commingled invested assets monthly as a credit to the Trust on the basis of total unit shares outstanding at the end of the month. All earnings are subject to allocation, which includes interest, dividends, and realized and unrealized gains and losses on total investments managed by the APFC.

Carrying Value of Investments

The investments managed by the APFC are reported at fair value in the schedules. Investments without a readily determinable fair value are generally reported by using the net asset value (NAV) per share (or its equivalent) of the investment. Securities transactions are recorded on the trade date that securities are purchased or sold. Unrealized gains and losses are reported as components of net change in fund balance.

State Investment Regulations

In accordance with Alaska Statute 37.13.120(a), the APFC Trustees have adopted regulations designating the types of eligible investments for Fund assets. The regulations follow the prudent investor rule, requiring the exercise of judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the assets over time while maximizing the expected total return from both income and the appreciation of capital.

Investment Policy - Asset Allocation

The APFC Trustees have established a long-term goal of achieving a 5% real rate of return over time on the investment portfolio. To help achieve this goal, the Trustees of the Fund allocate the investments among various asset classes. At June 30, 2026, the APFC's strategic asset allocation targets were as follows:

Asset Class	Asset Class Target (%)
Public equities	32
Fixed income	20
Private equity	18
Real estate	11
Private income	10
Absolute return	7
Tactical opportunities	1
Cash	1

To allow for market fluctuations and to minimize transaction costs, the APFC Trustees have adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each asset class, the APFC's Chief Investment Officer has discretionary authority to permit target deviations within one specified range (referred to as the green zone in the investment policy), the APFC's Executive Director can approve target deviations for up to 90 days within a broader range (the yellow zone), and the Board can approve operating for longer than 30 days within a third range (the red zone). For example, the target dollar allocation for the public equities class is 32%, with the green zone range set at plus or minus 5%, the yellow zone range set at 0% to 5% beyond the green zone, and red zone range set at greater than 5% beyond the green zone. In a similar manner, the APFC investment policy also requires the APFC to monitor relative risk (the expected investment portfolio's risk and return relative to the risk benchmark using standard industry risk measures), active budget risk (risk due to active management decisions made by managers), and limits on private investments and future commitments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The APFC manages the Trust's exposure to interest rate risk in part through tracking error guidelines set forth in the APFC investment policy. Duration is an indicator of a portfolio's market sensitivity to changes in interest rates. In general, the major factors affecting duration are, in order of importance, maturity, prepayment frequency, level of market interest rates, size of coupon, and frequency of coupon payments. Rising interest rates generally translate into the value of fixed income investments declining, while falling interest rates are generally associated with increasing value. Effective duration attempts to account for the price sensitivity of a bond to changes in prevailing interest rates, including the effect of embedded options. As an example, for a bond portfolio with a duration of five years, a one-percentage-point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of 5%.

At June 30, 2026, the Trust held fixed income investments with floating, step, and variable interest rates, valued at $18.7 million. The annual interest rates ranged from 0% to 9.0%.

Unit Shares

Unit shares represent an undivided beneficial interest in the commingled assets managed by the APFC and are computed on the next calendar day following the valuation date.

Valuation Date

The last calendar day of each month is designated as the valuation date.

Deposits to Investment Fund

Contributions from the Authority, State appropriations, and other sources are recorded when they are received.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a marketable debt investment will not fulfill its obligations. The APFC requires that its investment-grade fixed income managers invest in domestic and non-domestic bonds that have an explicit or implied investment grade rating. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within seven months. Certain high-yield investment managers are allowed to invest a specified amount of funds in bonds rated below investment grade.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure the Trust's deposits may not be returned. The APFC generally requires that all investment securities at custodian banks be held in the name of the Fund or the APFC (on behalf of the Trust). For the Trust's nondomestic securities held by most sub-custodians, the APFC's primary custodian provides contractual indemnities against sub-custodial credit risk. Excess cash in custodial accounts is swept daily to a money market fund. Late deposits of cash which miss the money market sweep deadline are deposited to an interest-bearing account at the custodian. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, balances in individual accounts exceed this limit.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to holding investments from a single issuer. The APFC manages the Trust's concentration of credit risk by following its strategic asset allocation policy, diversifying investments among managers with varying investment styles and mandates, and monitoring tracking error. Tracking error is a measure of how closely a portfolio follows the index to which it is benchmarked. The APFC's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with APFC investment policy and investment manager contracts. There is no single-issuer exposure within the APFC portfolio that comprises 5% or more of the overall portfolio. Therefore, no concentration of credit risk is reported in the notes to the schedules.

Foreign Currency Risk

Foreign currency risk is the risk of loss from adverse changes in foreign currency exchange rates. Foreign currency risk is managed through foreign currency forward contracts, and by diversifying assets into various countries and currencies.

Forward Exchange Contracts

The APFC's investment managers enter into a variety of forward currency contracts in their trading activities and management of foreign currency exchange rate risk exposure. These contracts are typically intended to neutralize the effect of foreign currency fluctuations, and the contract amounts do not appear on the balance sheet. Realized gains and losses are included in the net increase/decrease in the fair value of investments at the time the contract is settled and determined based on the difference between the contract rate and the market rate at the time of maturity or closing. Unrealized gains and losses are also included in the net increase/decrease in the fair value of investments and are calculated based on the difference between the contract rate and a forward market rate determined as of the balance sheet date.

A portion of the investment in forward exchange contracts is intended to manage, rather than neutralize, foreign currency fluctuations. Certain managers seek to control the effect of fluctuations in foreign exchange rates within their overall portfolio strategy rather than on a security-by-security basis. They attempt to optimize their foreign currency exposure in a market rather than accept the natural geographical exposure to the market's currency.

Futures

Certain equity and fixed income managers at APFC for the Fund are permitted to buy and sell equity and interest rate index futures. The gross contract and fair value of futures does not appear in the balance sheet. The net unrealized gain or loss on open futures trades is included in investments on the balance sheet, based on the difference between the future's purchase price and the current value of such index futures. Realized gains and losses on futures are included in the net increase in the fair value of investments at the time the futures contract expires. The net change in unrealized gains and losses is included in the net increase/decrease in the fair value of investments.

Real Estate

Trust assets are invested in a variety of real estate interests, including directly owned real estate, real estate investment trusts, a multi-family and industrial real estate operating companies, private real estate funds and other entities in which the assets consist primarily of real property. The APFC invests Trust assets in real estate directly through ownership of interests in corporations, limited liability companies, and partnerships that hold title to the real estate. Real estate is included in investments and is reported at fair value in accordance with GASB 52, *Land and Other Real Estate*.

Held as Investments by Endowments.

The net change in unrealized gains and losses is included in investment income. The Trust's real estate investments are managed by either 1) APFC, 2) by the Trust CEO (for directly owned commercial real estate not under the fiduciary care of APFC.) APFC initiated an internal real estate management program during FY2021, and two existing direct holdings were moved into this program. APFC also holds a portfolio of real estate loans collateralized by income-producing, institutional real estate in the United States; these are administered by an external institutional real estate management firm.

The APFC periodically reviews real estate investments for other than temporary impairment. During FY2026, it was determined that one real estate holding was impaired because it was more likely than not that the carrying cost would be recovered over the remaining estimated holding period of the assets. In order to reflect the impairment in statutory net income, $663,000 of unrealized losses were realized through a write-down of cost to fair value.

Alternative Investments

Alternative investments include the Trust's investments in or through absolute return strategies, private equity, infrastructure, and private credit.

Absolute return strategies are investments in specialized funds that seek to deliver returns that are largely uncorrelated with traditional market-driven asset classes. The Trust is invested in two existing limited partnerships, in which the Trust is the only limited partner (fund-of-one); both are currently in liquidation. The Trust also holds direct hedge fund investments, in which the Trust is one of many limited partners. External investment management services are provided by institutional investment managers who have acknowledged their status as fiduciaries to the Trust. Because of the off-exchange and private nature of many absolute return strategies, investments may have no readily determinable fair value, and the estimated fair values could differ significantly from values that would be obtained in a market transaction for the assets. Each manager provides the APFC with fair value estimates of partnership interests and undergoes an annual independent audit.

The Trust invests in private credit through limited partnerships that invest either directly in distressed or mezzanine debt, or in commingled limited liability funds with a distressed debt or credit opportunity focus. These investments are funded over time as opportunities arise. The limited partnership and funds undergo annual independent audits. Private credit investments by their nature generally have no readily determinable fair value, and the estimated fair value may differ significantly from values that would be obtained in a market transaction for the assets.

The Trust holds private equity through investments in limited liability companies and limited partnerships that typically invest in unlisted, illiquid common and preferred stock and, to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. The APFC has hired external advisors to select private equity holdings diversified by geography and strategy. Private equity is funded slowly over time as opportunities are identified by the APFC staff, the external advisors, and the underlying fund managers. The underlying private equity funds provide the APFC with fair value estimates of the investments utilizing the most current information available. In addition, the external advisors review the fair value estimates, and the underlying private equity funds undergo annual independent audits. Private equity investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

Infrastructure investments involve ownership or operating agreements in essential long-term service assets with high barriers to entry. Examples of infrastructure assets include: toll roads; airports; deep water ports; communication towers; and energy generation, storage, and transmission facilities. Investments in this asset class are expected to have inflation protection attributes and exhibit low correlations with other major asset classes in the APFC's investment strategy. The Trust holds infrastructure investments through commingled funds organized as limited partnerships whose investment managers provide periodic fair value estimates and undergo annual independent audits. Infrastructure investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

Fair Value Measurement

Various inputs are used in valuing the investments held by the Trust. GAAP establishes a hierarchy of inputs used to value investments emphasizing observable inputs and minimizing unobservable inputs. These inputs are summarized as follows:

Level 1 – This level consists of quoted prices for identical assets in an active market.

Level 2 – This level consists of inputs, other than quoted prices, that are observable for the asset, either directly or indirectly.

Level 3 – This level consists of unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

Investments measured using NAV per share as a practical expedient to fair value are not categorized into input levels.

Accounts and Notes Receivable

Accounts receivable have been established and offset with proper provisions for estimated uncollectible accounts where applicable. Practically all accounts receivable of the Trust are due from interest income related to resource management and investments with the State and APFC.

Notes receivable are secured through land sale contracts. Notes are generally repaid over terms ranging from two to 20 years, with annual scheduled principal and interest payments. Interest rates are fixed at the time the loan agreement is signed.

The allowance for doubtful accounts uses Department of Natural Resource's (DNR) department-wide methodology which uses historical loan delinquencies relative to the remaining duration on the remaining notes receivable and extrapolates those percentages to current loans. The associated journal entry is developed by DNR as part of their year-end, department-wide process.

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Capital Assets

Capital assets, which include land, buildings, infrastructure, and other equipment, are reported in the statement of net position. Capital assets are defined by the Alaska Mental Health Trust as assets with an initial, individual cost of more than $100,000. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Corpus land is received from the State of Alaska and recorded at $1 per acre when it is conveyed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Category	Years
Equipment	3-10
Buildings and infrastructure	10-40

Deposits

It is the Trust's policy to receive advance payment deposits prior to the usage of land. The Trust may apply the deposit to pay for the performance of the default obligation incurred as a result of the lessee or the deposit is returned when the lessee has fully satisfied the terms of the agreement.

Accrued Leave

It is the Trust's policy to permit employees to accumulate earned but unused personal leave. All personal leave pay is accrued when incurred in the statement of net position. A liability for these amounts is reported on the fund statements only if they have matured (e.g., the employee has terminated employment).

Due to/from State of Alaska

The Trust uses the State of Alaska's central treasury for payments of current obligations. The obligations are settled daily from the Trust's cash or investment accounts with the central treasury.

Deferred Inflow and Deferred Outflow of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Generally, the Trust reports pension related items as deferred outflows of resources. These items are amortized to expense over time.

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In addition to the liabilities, the financial statements may also present deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until later. The Trust reports certain pension related items as deferred inflows of resources. These items are amortized as a reduction of expense over varying periods of time based on their nature. Deferred inflows of resources are also related to lease receivables. Initially, the deferred inflows are recognized in the amount of the initial measurement of lease receivable plus lease payments received from lessees at or before the commencement of the lease term that relate to future periods. Subsequently the Trust recognizes the deferred inflow of resources as inflows of resources in a systematic manner over the term of the lease.

Deferred inflows in the governmental fund financial statements include those items that are measurable, but not yet available for revenue recognition under the modified accrual basis of accounting rules. Specifically, this includes receivables for amounts not collected for land sales contracts that are not considered to be available to liquidate liabilities of the current period.

Fund Balance

The 1994 State legislature authorized the appropriation of $200,000,000 and approximately 957,170 acres nominally valued at $1 per acre to the principal of the Trust. The principal, or corpus, of the Trust is to be retained perpetually for investment and is included in nonspendable fund balance – nonexpendable corpus. Additionally, the Board of Trustees of the Trust has approved additional reservations of Trust income, as authorized by State law.

By statute, earnings of the Trust may be used to offset the effect of inflation on the value of the corpus of the Trust. Increases to the nonspendable fund balance consist of land sales, resource and royalty revenues, special appropriations, and inflation-proofing transfers to the Trust corpus, as well as allocated unrealized appreciation or depreciation of invested assets. Assigned fund balances consist of the spendable earnings of the Trust, which have not yet been allocated for expenditure.

Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets (net of debt, when applicable); restricted net position, which includes the nonspendable balance and deferred inflows not made available for spending; and unrestricted net position. Net position is reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Program Revenues and Expenses

Program revenues are comprised of investment earnings and revenue from land management activities. Investment earnings are from investments managed by APFC, Department of Revenue, and commercial real estate properties managed by the Trust. Revenues received from the management of Trust land is allocated between principal and income as follows: to principal, 100% of (a) land sale revenue, b) royalties on coal, oil, gas, materials, and minerals, c) revenues for perpetual easements, and d) 85% of timber sales; to income, 100% of a) interest from land sale contracts, b) bonus bids, c) rents, and d) 15 percent of timber sales.

Program expenses include funding of comprehensive mental health programs for Alaskans who experience mental illness, developmental disabilities, chronic alcohol or drug addiction, Alzheimer's disease and related dementia, or traumatic brain injury, and operating costs of the Trust Authority and TLO.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Management's Use of Estimates

Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows/inflows of resources, and liabilities and the disclosure of contingent assets, deferred outflows/inflows of resources, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Leases

The Trust has leased to third parties multiple nonfinancial assets. The Trust recognizes a lease receivable and a deferred inflow of resources in both the government-wide and governmental fund financial statements where applicable.

At the commencement of the lease, the Trust initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments receivable. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Trust determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts (The Trust uses the US Treasury High Quality Market Corporate Bond spot rate as the discount rate for leases. Lease receipts included in the measurement of the lease receivable are composed of expected fixed payments from the lessee. The Trust reviews amendments on lease agreements that may require a remeasurement of the lease.)

Income Taxes

The Internal Revenue Code provides that gross income for tax purposes does not include income accruing to a state, territory, or any political subdivision thereof which is derived from the exercise of any essential governmental function or any public utility. The Trust is a political subdivision of the State of Alaska and is therefore exempt from state and federal taxes.

2. Cash and Investments

At June 30, 2026, the fund's share of pooled investments and APFC investments was as follows:

	Alaska Mental Health Trust Reserve AY70	GeFONSI 3320	GeFONSI 1092	GeFONSI 3322	Commercial Real Estate Managed by the Trust	Alaska Permanent Fund Corp	Total
Investment type:							
Cash and temporary investments	$ -	$ -	$ -	$ -	$ -	$ 34,492,000	$ 34,492,000
Corporate bonds	-	-	-	-	-	73,563,000	73,563,000
Mortgage-backed securities	-	-	-	-	-	29,235,000	29,235,000
Commingled and exchange traded funds	-	-	-	-	-	202,000	202,000
Commercial mortgage/ asset-backed securities	-	-	-	-	-	8,227,000	8,227,000
Non-U.S. treasury and government bonds	-	-	-	-	-	25,394,000	25,394,000
Non-U.S. corporate bonds	-	-	-	-	-	10,368,000	10,368,000
Preferred and common stock	-	-	-	-	-	297,222,000	297,222,000
Real estate	-	-	-	-	21,063,000	75,975,000	97,038,000
Alternative investments:							
Absolute return	-	-	-	-	-	64,093,000	64,093,000
Private credit	-	-	-	-	-	24,626,000	24,626,000
Private equity	-	-	-	-	-	134,781,000	134,781,000
Infrastructure	-	-	-	-	-	37,108,000	37,108,000
U.S. Treasury bills, notes, bonds, and TIPS	-	-	-	-	-	27,954,000	27,954,000
Fixed income securities:							
Investment Managed by Department of Revenue	84,314,000	204,000	70,009,000	6,760,000	-	-	161,287,000
Cash in transit	-	2,000	6,000	-	-	-	8,000
Net Cash and Investments	$ 84,314,000	$ 206,000	$ 70,015,000	$ 6,760,000	$ 21,063,000	$843,240,000	$1,025,598,000

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Uninvested cash was held at the custodian, sub-custodian, or derivatives broker banks, primarily in interest-bearing accounts. All pooled funds were invested in a money market fund. U.S. Treasury bills are explicitly guaranteed by the U.S. government.

Fair Value Measurement

The Trust's asset managers measure the value of investments using standard input levels. The Trust's investments and derivative instruments, managed by the APFC, are summarized as follows:

June 30, 2026

	Level 1	Level 2	Level 3	Using NAV	Total
APFC:					
Marketable debt securities	$ 28,144,000	$ 146,795,000	$ 4,000	$ -	$ 174,943,000
Preferred and common stock	295,642,000	201,000	-	1,379,000	297,222,000
Real estate	4,769,000	-	-	71,206,000	75,975,000
Absolute return	-	-	-	64,093,000	64,093,000
Private credit	-	-	-	24,626,000	24,626,000
Private equity	-	-	-	134,781,000	134,781,000
Infrastructure	-	-	-	37,108,000	37,108,000
Total Investments	$ 328,555,000	$ 146,996,000	$ 4,000	$ 333,193,000	$ 808,748,000

Marketable debt securities and preferred and common stock classified as Level 1 are valued using prices quoted in active markets for those securities. Marketable debt securities classified as Level 2 are valued using matrix pricing and those at Level 3 are term loans. Commingled funds reported at NAV use the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date.

Publicly traded real estate investment trusts are valued using prices quoted in active markets and are reported as Level 1. Directly held real estate, real estate debt investments, and private real estate funds are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Directly owned real estate investments managed by APFC are subject to annual appraisals and audits. Directly owned real estate investment managed by the Trust Authority are subject to annual appraisals.

Absolute return investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date. Absolute return investments undergo annual independent financial statement audits. The redemption notice period is from 2-100 days and the frequency of redemption is monthly to semiannually.

Private credit investments are reported at NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the balance sheet date. Private credit investments undergo annual independent financial statement audits. Redemptions are not allowed, and the usual life of these investments is five to seven years.

Private equity investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions made prior to the

balance sheet date. Private equity investments undergo annual independent financial statement audits. Redemptions are not allowed, and the usual life of these investments is ten to 12 years.

Marketable Debt Duration

To manage its interest rate risk on marketable debt securities, the APFC and Treasury portfolio managers monitor fair values daily and routinely review portfolio effective duration in comparison to established benchmarks. At June 30, 2026, the effective duration by investment type, based on fair value, for marketable debt securities managed by APFC is as follows:

	Percent of Bond Holdings (%)	Duration (in years)
Domestic Bonds		
Treasury and government notes/bonds	20.13	5.65
Mortgage-backed securities	21.05	5.36
Corporate bonds	52.97	6.63
Commercial mortgage and asset backed securities	5.71	1.62
Commingled and exchange traded funds	0.15	-
Total Domestic Bonds	100.00	5.87
Nondomestic Bonds		
Treasury and government bonds	70.41	7.00
Corporate bonds	28.75	5.37
Commercial mortgage and asset backed securities	0.84	0.25
Total Nondomestic Bonds	100.00	6.47

Credit Risk

Marketable Debt Credit Rating

To manage credit risk for marketable debt securities, the APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate, issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Minimum standards are a Standard & Poor's Corporation rating of BBB or better, or Moody's Investors Service, Inc. rating of Baa or better, or a comparable rating by another Nationally Recognized Statistical Rating Organizations (NRSRO) or by a recognized rating service in the jurisdiction of the issuer. Accounts with high-yield mandates are allowed to hold positions in assets with below-investment-grade ratings (high-yield bonds). For purposes of this note, if credit ratings differ among the NRSROs used, the rating with the highest degree of risk (the lowest rating) is reported.

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At June 30, 2026, the Trust's credit ratings for its marketable debt securities are as follows:

NRSRO Quality Rating	Domestic	Non-Domestic	Total Fair Value	Percent of Holdings (%)
AAA	$ 6,958,000	$ 2,592,000	$ 9,550,000	5.46
AA	5,530,000	4,816,000	10,346,000	5.91
A	20,485,000	8,808,000	29,293,000	16.74
BBB	30,647,000	6,964,000	37,611,000	21.50
BB	13,933,000	2,850,000	16,783,000	9.59
B	3,484,000	400,000	3,884,000	2.22
CCC	-	4,000	4,000	-
D		1,828,000	1,828,000	1.04
Total Fair Value of Rated Debt Securities	81,037,000	28,262,000	109,299,000	62.48
Exchange-traded funds	202,000	-	202,000	0.12
Not rated	637,000	7,803,000	8,440,000	4.82
U.S. government explicitly backed by the U.S. Government (AA)	34,898,000	-	34,898,000	19.95
U.S. government implicitly Backed by the U.S. government (AA)	22,104,000	-	22,104,000	12.63
Total Fair Value Debt Securities	$ 138,878,000	$ 36,065,000	$ 174,943,000	100.00

Preferred and Common Stock

Direct investments in preferred and common stock are held by the APFC's custodian bank on behalf of the Trust. The Trust also invests in commingled stock funds, which are held by the custodian bank of the fund manager on behalf of fund investors, and equity index futures, which are held at the prime broker.

Preferred and common stocks and commingled stock funds at June 30 are summarized as follows, and include the net fair value of equity index futures of $30,000 as of June 30, 2026:

	Cost	Fair Value	Unrealized Holding Gains
Direct investments:			
Domestic	$ 143,973,000	$ 175,409,000	$ 31,436,000
Nondomestic	94,146,000	119,324,000	25,178,000
Commingled funds	1,486,000	2,489,000	1,003,000
Total Preferred and Common Stock	$ 239,605,000	$ 297,222,000	$ 57,617,000

Marketable Debt Securities

Marketable debt securities held by the APFC on behalf of the Trust at June 30, 2026 are summarized as follows, categorized by debt instrument type and by country of registration:

	Amortized Cost	Fair Value	Unrealized Holding Gains (Losses)
Mortgage-backed securities	$ 29,620,000	$ 29,235,000	$ (385,000)
U.S. Treasury and government notes/bonds	28,114,000	27,954,000	(160,000)
U.S. corporate bonds	74,841,000	73,563,000	(1,278,000)
U.S. commercial mortgage and asset-backed securities	8,025,000	7,924,000	(101,000)
U.S. exchange-traded funds	200,000	202,000	2,000
Non-U.S. government bonds	26,091,000	25,394,000	(697,000)
Non-U.S. corporate bonds	10,429,000	10,368,000	(61,000)
Non-U.S. commercial mortgage and asset-backed securities	308,000	303,000	(5,000)
Total Marketable Debt Securities	$ 177,628,000	$ 174,943,000	$ (2,685,000)

Foreign Currency Exposure

Alaska Permanent Fund Corporation

Foreign currency risk arises when a loss could result from adverse changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets into various countries and currencies.

Cash amounts in the schedule below include receivables, payables, certificates of deposits, and cash balances in each related currency. If payables exceed receivables and cash balances in a currency, then the total cash balance for that currency will appear as a negative value. The remaining Trust assets are invested in U.S. cash, equities, and debt, as well as in direct real estate properties, absolute return and similar funds, and infrastructure, all of which are denominated in U.S. dollars, and are not included in the schedule below.

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At June 30, 2026, the Trust's cash holdings, foreign currency forward contracts, nondomestic public and private equity, and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent at fair value and based on the currency in which the securities are held and traded):

Foreign Currency	Cash and Cash Equivalents	Foreign Exchange Forward Contracts	Equity, Private Debt, Real Estate, Infrastructure	Debt	Total Foreign Currency Exposure
Australian dollar	$ 27,000	$ (489,000)	$ 3,042,000	$ 303,000	$ 2,883,000
Brazilian real	(16,000)	18,000	1,023,000	-	1,025,000
Canadian dollar	37,000	(864,000)	6,794,000	710,000	6,677,000
Chilean peso	(6,000)	8,000	68,000	-	70,000
Chinese yuan renminbi	58,000	(4,206,000)	2,648,000	4,132,000	2,632,000
Columbian peso	(2,000)	4,000	28,000	-	30,000
Czech koruna	1,000	(100,000)	13,000	100,000	14,000
Danish krone	7,000	(140,000)	846,000	135,000	848,000
Egyptian pound	3,000	(2,000)	19,000	-	20,000
Euro currency	653,000	(10,716,000)	35,770,000	8,787,000	34,494,000
Hong Kong dollar	5,000	(195,000)	6,501,000	-	6,311,000
Hungarian forint	1,000	(52,000)	90,000	56,000	95,000
Indian rupee	43,000	-	2,865,000	-	2,908,000
Indonesian rupiah	9,000	(250,000)	422,000	233,000	414,000
Israeli new shekel	7,000	(67,000)	648,000	68,000	656,000
Japanese yen	76,000	(4,918,000)	13,453,000	4,797,000	13,408,000
Kuwaiti dinar	2,000	-	93,000	-	95,000
Malaysian ringgit	6,000	(337,000)	286,000	333,000	288,000
Mexican peso	1,000	(205,000)	683,000	202,000	681,000
New Taiwan dollar	13,000	(11,000)	9,410,000	-	9,412,000
New Zealand dollar	9,000	(257,000)	158,000	233,000	143,000
Norwegian krone	67,000	(61,000)	508,000	-	514,000
Pakistani rupee	-	-	17,000	-	17,000
Peruvian sol	4,000	(171,000)	-	165,000	(2,000)
Philippine peso	4,000	-	148,000	-	152,000
Polish zloty	9,000	(126,000)	375,000	119,000	377,000
British pound	170,000	(2,875,000)	10,682,000	1,975,000	9,952,000
Qatari riyal	4,000	(1,000)	158,000	-	161,000
Romanian leu	-	(25,000)	-	21,000	(4,000)
Russian ruble	-	-	2,000	-	2,000
Saudi riyal	(1,000)	4,000	620,000	-	623,000
Singapore dollar	16,000	(175,000)	930,000	161,000	932,000
South African rand	5,000	(3,000)	951,000	-	953,000
South Korean won	(10,000)	(504,000)	10,851,000	533,000	10,870,000
Swedish krona	(4,000)	(11,000	1,419,000	-	1,404,000
Swiss franc	(55,000)	(143,000)	4,185,000	89,000	4,076,000
Thai baht	5,000	(218,000)	425,000	219,000	431,000
Turkish lira	4,000	(3,000	139,000	-	140,000
UAE dirham	4,000	3,000	604,000	-	611,000
Total Foreign Currency Exposure	$ 1,156,000	$ (27,088,000)	$116,874,000	$ 23,371,000	$114,313,000

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Cash amounts in the table above include receivables, payables, and cash balances in each related currency. If payables exceed receivables and cash balances in a currency, then the total cash balance for that currency will appear as a negative value. The remaining Trust assets are denominated in U.S. dollars and are not included in the table above.

Foreign Exchange Contracts, Futures, Derivative Exposure, and Off-Balance-Sheet Risk

Alaska Permanent Fund Corporation

Certain external investment managers enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell specified amounts of foreign currencies at specified rates and future dates for the purpose of managing or optimizing foreign currency exposure. The maturity periods for outstanding contracts at June 30, 2026 ranged between one and 100 days.

The counterparties to the FX forward contracts consisted of a diversified group of financial institutions. The Trust is exposed to credit risk to the extent of nonperformance by these counterparties. The market risk as of June 30, 2026 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts are summarized as follows:

June 30, 2026		
Fair Value of FX Forward Contracts, beginning of year	$	(296,000)
Net change in fair value of FX forward contracts		724,000
Fair Value of FX Forward Contracts, end of year	$	428,000
Notional Amount of FX Forward Contracts, end of year	$	66,565,000

Certain APFC equity and fixed income investment managers are permitted to trade equity and U.S. Treasury index futures. Equity index futures are traded in both domestic and nondomestic markets based on an underlying stock exchange value. Equity index futures are settled with cash for the net difference between the trade price and the settle price.

Activity and balances related to equity index futures are summarized as follows:

June 30, 2026		
Fair Value of Equity Index Futures, beginning of year	$	(20,000)
Net change in fair value of equity index futures		50,000
Fair Value of Equity Index Futures, end of year	$	30,000
Notional Amount of Equity Index Futures, end of year	$	346,000

Activity and balances related to fixed income accounts are summarized as follows:

June 30, 2026	
Fair Value of U.S. Treasury Index Futures, beginning of year	$ (27,000)
Net change in fair value of U.S. Treasury index futures	17,000
Fair Value of U.S. Treasury Index Futures, end of year	$ (10,000)
Notional Amount of U.S. Treasury Index Futures, end of year	$ 3,944,000

Real Estate

Real estate investments at June 30, 2026 are summarized as follows:

	Cost	Fair Value	Unrealized Holding Gains (Losses)
APFC-Managed Real Estate Investments			
Real estate investment trusts	$ 3,823,000	$ 4,769,000	$ 946,000
Real estate funds and notes	21,222,000	22,327,000	1,105,000
American Homes 4 Rent II	554,000	656,000	102,000
Directly owned real estate:			
Retail	6,253,000	12,002,000	5,749,000
Hotel	557,000	589,000	32,000
Office	17,460,000	17,792,000	332,000
Industrial	3,263,000	7,338,000	4,075,000
Multifamily	3,321,000	4,286,000	965,000
Development	6,335,000	6,216,000	(119,000)
Total APFC Real Estate	62,788,000	75,975,000	13,187,000
Trust-Managed Real Estate Investments			
Directly owned real estate - Office	33,967,000	21,063,000	(12,904,000)
Total Real Estate	$ 96,755,000	$ 97,038,000	$ 283,000

As of June 30, 2026, the APFC, on behalf of the Trust, had outstanding future funding commitments of $10.8 million for real estate fund investments.

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Alternative Investments

Alternative investments at June 30, 2026 are summarized as follows:

	Cost	Fair Value	Unrealized Holding Gains
Absolute return	$ 42,299,000	$ 64,093,000	$ 21,794,000
Private credit	21,889,000	24,626,000	2,737,000
Private equity	94,569,000	134,781,000	40,212,000
Infrastructure	28,379,000	37,108,000	8,729,000
Total Alternative Investments	$ 187,136,000	$ 260,608,000	$ 73,472,000

The APFC periodically reviews alternative investments for other-than-temporary impairment. During FY2026, it was determined that three private credit funds, 42 private equity funds, and one infrastructure fund were impaired because it was more likely than not that the carrying cost would not be recovered over the remaining estimated holding period of the assets. In order to reflect the impairment in statutory net income, $2.8 million of unrealized losses were realized through a write-down of cost to fair value. These impairments have no impact on the carrying value of investments or on the net increase in the fair value of investments.

As of June 30, 2026, the APFC, on behalf of the Trust, had outstanding future funding commitments of $437,000 for absolute return, $14.0 million for private credit, $41.2 million for private equity, and $13.7 million for infrastructure investments. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

3. Securities Lending

State regulations at 15 AAC 137.510 and the APFC investment policy authorize the APFC to enter into securities lending transactions on behalf of the Trust. Through a contract with the Bank of New York Mellon (the Bank), the Trust lends marketable debt and equity securities to borrowers who are banks and broker-dealers. The loans are collateralized with cash or marketable securities guaranteed by the U.S. government or a U.S. government agency. Under the APFC's contract with the Bank, the Bank must mark the loaned securities and collateral to the market daily, and the loan agreements require the borrowers to maintain the collateral at not less than 102% of the fair value of domestic loaned securities (and nondomestic loaned securities denominated in U.S. dollars) and not less than 105% of the fair value for other nondomestic loaned securities. The APFC can sell securities that are on loan. If a borrower fails to return the loaned securities (borrower default), the Bank can use cash collateral (and the proceeds on the sale of any noncash collateral) to purchase replacement securities. Generally, the Trust is protected from credit risk associated with the lending transactions through indemnification by the Bank against losses resulting from counterparty failure, reinvestment of cash collateral, default on collateral investments, or a borrower's failure to return loaned securities.

Cash collateral received for loaned securities is reported on the Trust's statement of net position and invested by the Bank on behalf of the Trust. As of June 30, 2026, such investments were in overnight repurchase agreements that had a weighted-average maturity of one day. The average term of the loans was also one day.

At June 30, 2026, the value of securities on loan is as follows:

Fair Value of Securities on Loan, secured by cash collateral	$	42,654,000
Cash Collateral	$	43,782,000
Fair Value of Securities on Loan, secured by noncash collateral	$	100,466,000
Noncash Collateral	$	110,327,000

The Trust receives 80% of earnings derived from securities lending transaction and the Bank retains 20%. During the years ended June 30, 2026, the Trust incurred no losses from securities lending transactions. The Trust received $277,000 in earnings from securities lending for the year ended June 30, 2026.

4. Accounts Receivable

Accounts receivable at June 30, 2026 are as follows:

Interest and dividends receivable	$	15,289,000
Other receivables		233,000
Total Accounts Receivable		15,522,000
Allowance for uncollectible accounts		(14,000)
Total Accounts Receivable, net of allowance	$	15,508,000

5. Notes Receivable

Notes receivable at June 30, 2026 are as follows:

Land sale notes receivable	$	11,536,000
Allowance for uncollectible accounts		(1,456,000)
Total Notes Receivable, net of allowance	$	10,080,000

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6. Capital Assets

The Trust owns and accounts for all land and buildings. Contributed assets are recorded at fair value at date of receipt. Capital asset activity for the is as follows:

	Balance, July 1, 2025	Adjustments	Additions	Deletions	Balance, June 30, 2026
Nondepreciable Assets					
Land:					
Corpus	$ 992,000	-	1,000	(1,000)	$ 992,000
Land and land improvements	6,749,000	-	-	-	6,749,000
Total Nondepreciable Assets	7,741,000	-	1,000	(1,000)	7,741,000
Depreciable Assets					
Buildings and infrastructure	12,522,000	-	-	-	12,522,000
Land Improvements	181,000	-	-	-	181,000
Total Depreciable Assets	12,703,000	-	-	-	12,703,000
Accumulated depreciation	(6,379,000)	-	(429,000)	-	(6,808,000)
Total Capital Assets, net of accumulated depreciation	$ 14,065,000	-	(428,000)	(1,000)	$ 13,636,000

Depreciation expense for the year ended June 30, 2026 was $429,000.

The Trust's estate titles include the Fee Simple (surface and subsurface), Land (surface only), and Mineral and Hydrocarbon Estates (subsurface only). Each of these estates is counted as one acre. The surface portion of the fee simple estate may be conveyed, but the subsurface is retained and the total acreage reported for capital assets results in no change.
The schedule below provides a visual representation, intentionally left unrounded, of the acreage changes between the surface estate and the subsurface estate:

	Balance, July 1, 2025	Additions	Deletions	Balance, June 30, 2026
Fee Simple Estate	543,468	-	(814)	542,654
Land	841	28	-	869
Mineral and Hydrocarbon	448,298	706	-	449,004
Total	992,607	734	(814)	992,527

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2026 are summarized as follows:

Accounts payable	$ 18,462,000
Accrued payroll and benefits	161,000
Total	$ 18,623,000

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8. Accrued Leave Liability

The following is a summary of the accrued leave liability for the year ended June 30, 2026:

Balance, July 1, 2025	Additions	Deletions	Balance, June 30, 2026	Due Within One Year
$ 868,000	$ 698,000	$ (628,000)	$ 938,000	$ 634,000

9. Pension and Other Postemployment Benefits Plans

Defined Benefit Pension Plan

General Information About the Plan

The Trust participates in the State of Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple-employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in an ACFR that includes financial statements and other required supplemental information. That report is available via the internet at https://drb.alaska.gov/docs/reports/#pers. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and postemployment healthcare benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other postemployment benefits (OPEB). A complete benefit comparison chart is available at the website noted above.

The PERS DB Plan was closed to new entrants effective July 1, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) plan described later in these notes.

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from a DB agent-multiple-employer plan to a DB cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation that statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes. The Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

Alaska Statute 39.35.280 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board (ARM Board). As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows of resources, and disclosures on this basis.

The Trust recorded the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

In accordance with Senate Bill 55 (SB55), during the year ended June 30, 2023, the Trust contributed to PERS at a rate adopted by the ARM Board. The rate tends to vary from year to year and for the year ended June 30, 2026, the Trust contributed 28.33% of covered payroll based on the ARM Board adopted rate for fiscal year 2026.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary.

Employer and Other Contribution Rates

There are several contribution rates associated with the pension contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate - This is the contractual employer pay-in rate. Under current legislation, the amount calculated for the statutory employer effective contribution rate is 22% on eligible wages. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the DC plan. Contributions derived from the DC employee payroll are referred to as the Defined Benefit Unfunded Liability (DBUL) contribution.

ARM Board Adopted Rate - This is the rate formally adopted by the ARM Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25-year term that ends in 2039. This change results in a lower ARM Board Rate than previously adopted.

State Contribution Rate - This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the proprietary funds and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

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Contribution rates for the year ended June 30, 2026 were determined in the June 30, 2024 actuarial valuations. The Trust's contribution rates for the 2026 fiscal year were as follows:

	ARM Board Adopted Rate (%)	State Contribution Rate (%)
Defined benefit plans:		
Pension	21.43	6.33
Postemployment healthcare (ARHCT)	-	-
Defined contribution - pension	6.90	-
Total Contribution Rates	28.33	6.33

Alaska Statute 39.35.255(a) capped the employer rate at 22% with the State of Alaska making a nonemployer contribution for the difference between actuarially required contribution and the cap. For the fiscal year the employer rate is 22.00% for pension and 0.00% for Alaska Retiree Healthcare Trust (ARHCT). The contribution requirements for the Trust are established and may be amended by the ARM Board. Additionally, there is a DBUL amount levied against the DC plan payroll. The DBUL amount is computed as the difference between (a) amount calculated for the statutory employer contribution rate of 22.00% on eligible salary less (b) total of the employer contribution for (1) defined contribution employer matching amount, (2) major medical, (3) occupational death and disability, and (4) health reimbursement arrangement. The difference is deposited based on an actuarial allocation into the defined benefit plan's pension and healthcare funds.

In 2026, the Trust was credited with the following contributions to the pension plan:

	Measurement Period from July 1, 2024 to June 30, 2025	Trust Fiscal Year from July 1, 2025 to June 30, 2026
Employer contributions (including DBUL)	$ 864,000	$ 951,000
Nonemployer contributions (on-behalf)	238,000	343,000
Total Contributions	$ 1,102,000	$ 1,294,000

In addition, employee contributions to the Plan totaled $102,000 during the Trust's fiscal year.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2026, the Trust reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Trust. The amount recognized by the Trust for its proportional share, the related State proportion, and the total portion of the net pension liability that was associated with the Trust were as follows:

June 30, 2026	
Total proportionate share of net pension liability associated with the Trust	$ 8,814,000
Total Net Pension Liability	$ 8,814,000

The total pension liability for the June 30, 2025 measurement date was determined by an actuarial valuation as of June 30, 2024 rolled forward to June 30, 2025 and adjusted to reflect updated assumptions to calculate the net pension liability as of that date. The Trust's proportion of the net pension liability was based on a projection of the Trust's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2025 measurement date, the Trust's proportion was 0.17762%, which was an increase of 0.00649 from its proportion measured as of June 30, 2024.

For the year ended June 30, 2026, the Trust recognized pension expense of $475,000 and on-behalf revenue of $0 for support provided by the State. At June 30, 2026, the Trust reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 245,000	$ (219,000)
Trust contributions subsequent to the measurement date	951,000	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions	$ 1,196,000	$ (219,000)

The $951,000 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2027	$ 343,000
2028	(215,000)
2029	(204,000)
2030	102,000
Total Amortization	$ 26,000

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2024, using the actuarial assumptions listed below, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025:

Actuarial cost method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	Increases range from 6.75% to 2.85% based on service.
Allocation methodology	Amounts for the June 30, 2025 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the Plan for the fiscal years 2026 to 2039. The liability is expected to go to zero at 2039.
Investment rate of return	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Mortality:	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement mortality rates for healthy retirees were based on 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

The total pension liability was determined by an actuarial valuation as of June 30, 2024, rolled forward to the measurement date of June 30, 2025. The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021.

Long-Term Expected Rate of Return

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return, excluding the inflation component of 2.51%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2025 are summarized in the following table:

Asset Class	Target Allocation (%)	Range (%)	Long-Term Expected Real Rate of Return (%)
Domestic equity	26	+/- 6	5.74
Global equity (non-U.S.)	17	+/- 4	6.37
Global equity	-	-	5.8
Aggregate bonds	23	+/-10	1.20
Multi-asset	6	+/- 4	-
Real assets	14	+/- 7	4.54
Private equity	14	+/- 7	9.28
Cash equivalents	-	-	0.60

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Trust's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Trust's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Proportional Share (%)	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Trust's proportionate share of the net pension liability	0.17762	$ 12,050,000	$ 8,814,000	$ 6,072,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Defined Contribution Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a DC plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the DB plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The ARM Board may also amend contribution requirements. Included in the Plan are individual pension accounts, a retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the ACFR for PERS, and at the following website, as noted above: https://drb.alaska.gov/docs/reports/#pers.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the Trust contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. Nonvested employer contributions are forfeited upon termination of employment from the Plan. Such forfeitures were applied in the year ended June 30, 2026 to cover a portion of the Trust's employer match contributions. For the year ended June 30, 2026, forfeitures reduced pension expense by $0.

Employee Contribution Rate

Employees are required to contribute 8% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2026, the Trust was required to contribute 5% of covered salary into the Plan.

The Trust and employee contributions to PERS for pensions for the year ended June 30, 2026 were $195,000 and $313,000, respectively. The Trust contribution amount was recognized as pension expense/expenditures.

Defined Benefit OPEB Plans

As part of its participation in PERS, the Trust participates in the following cost-sharing multiple-employer defined benefit OPEB plans: ARHCT, Retiree Medical Plan (RMP), and Occupational Death and Disability Plan (ODD).

The ARHCT, a healthcare trust fund, provides major medical coverage to retirees of the DB plan. The ARHCT is self-funded and self-insured. The ARHCT was closed to all new members effective July 1, 2006. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC plan (Tier IV). The RMP is self-insured. Members are not eligible to use the Plan until they have at least ten years of service and are Medicare age eligible. The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The plans are administered by the State of Alaska, Department of Administration. The OPEB plans are included in the ACFR for PERS, at the following website, https://drb.alaska.gov/docs/reports/#pers.

Employer Contribution Rates

Employer contribution rates are actuarially determined and adopted by and may be amended by the Board. Employees do not contribute.

Employer contribution rates for the year ended June 30, 2026 were as follows:

	Other (%)
Alaska Retiree Healthcare Trust	-
Retiree Medical Plan	0.86
Occupational Death and Disability	0.24
Total Contribution Rates	1.10

In 2026, the Trust was credited with the following contributions to the OPEB plans:

	Measurement Period from July 1, 2024 to June 30, 2025	Trust Fiscal Year from July 1, 2025 to June 30, 2026
Employer contributions – ARHCT	$ 187,000	$ 206,000
Employer contributions - RMP	29,000	10,000
Employer contributions - ODD	8,000	-
Total Contributions	$ 224,000	$ 216,000

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OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

At June 30, 2026, the Trust reported an asset for its proportionate share of the net OPEB asset that reflected a reduction for State OPEB support provided to the Trust. The amount recognized by the Trust for its proportional share, the related State proportion, and the total were as follows:

Trust's proportionate share of net OPEB asset – ARHCT	$	4,727,000
Trust's proportionate share of net OPEB asset - RMP		112,000
Trust's proportionate share of net OPEB asset – ODD		128,000
Total Net OPEB Asset	$	4,967,000

The total OPEB liability for the June 30, 2025 measurement date was determined by an actuarial valuation as of June 30, 2024 rolled forward to June 30, 2025 and adjusted to reflect updated assumptions to calculate the net OPEB assets as of that date. The Trust's proportion of the net OPEB assets was based on a projection of the Trust's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2024 Measurement Date Employer Proportion (%)	June 30, 2025 Measurement Date Employer Proportion (%)	Change
Trust's proportionate share of the net OPEB assets:			
ARHCT	0.17092	0.17760	0.00668
RMP	0.16604	0.17665	0.01061
ODD	0.16986	0.18112	0.01126

For the year ended June 30, 2026, the Trust recognized OPEB benefit of $(469,000). Of this amount, $0 was recorded for on-behalf revenue and expense for support provided by the ARHCT plan. OPEB expense (benefit) and on-behalf revenue is listed by plan in the table below:

	OPEB Expense (Benefit)	On-Behalf Revenue
Plan:		
ARHCT	$ (472,000)	$ -
RMP	9,000	-
ODD	(6,000)	-
Total	$ (469,000)	$ -

At June 30, 2026, the Trust reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

	ARHCT	RMP	ODD	Total
Deferred outflows of resources:				
Difference between expected and actual experience	$ -	$ 9,000	$ -	$ 9,000
Changes in assumptions	-	22,000	-	22,000
Trust contributions subsequent to the measurement date	39,000	10,000	(2,000)	47,000
Total Deferred Outflows of Resources Related to OPEB Plans	$ 39,000	$ 41,000	$ (2,000)	$ 78,000

	ARHCT	RMP	ODD	Total
Deferred inflows of resources:				
Difference between expected and actual experience	$ -	$ (7,000)	$ (25,000)	$ (32,000)
Changes in assumptions	-	(54,000)	-	(54,000)
Net difference between projected and actual earnings on OPEB plan investments	(187,000)	(10,000)	(3,000)	(200,000)
Changes in proportion and difference between Trust contributions and proportionate share of contributions	-	(1,000)	(3,000)	(4,000)
Total Deferred Inflows of Resources Related to OPEB Plans	$ (187,000)	$ (72,000)	$ (31,000)	$ (290,000)

Amounts reported as deferred outflows of resources related to OPEB plans resulting from Trust contributions subsequent to the measurement date will be recognized as an increase in the net OPEB assets in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,

	ARHCT	RMP	ODD	Total
2027	$ 278,000	$ (4,000)	$ (6,000)	$ 268,000
2028	(180,000)	(17,000)	(8,000)	(205,000)
2029	(168,000)	(13,000)	(6,000)	(187,000)
2030	(117,000)	(7,000)	(5,000)	(129,000)
2031	-	-	(3,000)	(3,000)
Thereafter	-	-	(3,000)	(3,000)
Total Amortization	$ (187,000)	$ (41,000)	$ (31,000)	$ (259,000)

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Actuarial Assumptions

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2025:

Actuarial cost method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	Increases range from 6.75% to 2.85% based on service.
Allocation methodology	Amounts for the June 30, 2026 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions to the Plan for fiscal years 2027 to 2039.
Investment rate of return	7.25%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Healthcare cost trend rates (ARHCT and RMP Plans)	Pre-65 medical: 6.2% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Rx/EGWP: 8.5% grading down to 4.5% Initial trend rates are from FY 2026 Ultimate trend rates reached in FY 2050
Mortality: (ARHCT and RMP Plans)	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement mortality rates for healthy retirees were based on 101% of male and 110% of female rates of the Pub-2010 General Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 101% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
(ODD Plan)	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement mortality rates for healthy retirees were based on 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

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Participation (ARHCT)	100% system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible. 25% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2024, rolled forward to the measurement date of June 30, 2025. The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. For the ARHCT and RMP plans, the per-capita claims costs were updated to reflect recent experience for the June 30, 2024 actuarial valuation. Employer Group Waiver Program (EGWP) subsidies were updated to reflect higher expected subsidies due to the Inflation Reduction Act. Because of the significant increase in the EGWP subsidy for FY25 and beyond due to the Inflation Reduction Act, and uncertainty regarding future subsidy levels, the ARM Board has adopted a smoothing of EGWP subsidy estimates over five years. In addition, the prescription drug and EGWP trend assumption was updated to reflect recent survey information indicating higher-than-initial trend rates in part due to the recent higher-than-expected inflationary environment.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return, excluding the inflation component of 2.51%, for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2025 are summarized in the following table:

Asset Class	Target Allocation (%)	Range (%)	Long-Term Expected Real Rate of Return (%)
Domestic equity	26	+/- 6	5.74
Global equity (non-U.S.)	17	+/- 4	6.37
Global equity	-	-	5.88
Aggregate bonds	23	+/- 10	2.30
Multi-asset	6	+/- 4	-
Real assets	14	+/- 7	4.54
Private equity	14	+/- 7	9.28
Cash equivalents	-	-	0.60

Discount Rate

The discount rate used to measure the total OPEB liability for each plan as of June 30, 2025 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy that meets State statutes. Based on those assumptions, the fiduciary net position or each plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term

expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability for each plan.

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the Trust's proportionate share of the net OPEB asset calculated using the discount rate of 7.25%, as well as what the Trust's proportionate share of the respective plan's net OPEB asset (liability) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Proportional Share (%)	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Trust's proportionate share of the net OPEB asset (liability):				
ARHCT	0.17760	$ 3,303,000	$ 4,727,000	$ 5,927,000
RMP	0.17665	3,000	112,000	195,000
ODD	0.18112	121,000	128,000	134,000

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates

The following presents the Trust's proportionate share of the net OPEB asset calculated using the healthcare cost trend rates as summarized in the 2024 actuarial valuation reports as well as what the Trust's proportionate share of the respective plan's net OPEB asset (liability) would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Proportional Share (%)	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Trust's proportionate share of the net OPEB asset (liability):				
ARHCT	0.17760	$ 6,064,000	$ 4,727,000	$ 3,143,000
RMP	0.17665	206,000	112,000	(15,000)
ODD	0.18112	N/A	N/A	N/A

OPEB Plan Fiduciary Net Position

Detailed information about each OPEB plan's fiduciary net position is available in the separately issued PERS financial report.

(d) Defined Contribution OPEB Plans

PERS DC Pension Plan participants (PERS Tier IV) also participate in the Health Reimbursement Arrangement Plan (HRA Plan). The HRA Plan allows for medical care expense to be reimbursed from individual savings accounts established for eligible persons. The HRA Plan became effective July 1, 2006 at which time contributions by employers began.

Contribution Rate

AS 39.30.370 establishes this contribution amount as "3% of the average annual employee compensation of *all employees of all employers* in the plan." As of July 1, 2025, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates $2,468 per year for each full-time employee, and $1.58 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In fiscal year 2026, the Trust contributed $70,000 in DC OPEB costs. This amount has been recognized as expense/expenditures.

10. Rental Income Under Operating Leases

The Trust's program revenues, rents, and royalties include the leasing of land, which is not in-scope of GASB 87, *Leases*, illustrated in Note 15. The following is a schedule of minimum future rental income payments under noncancelable operating leases for the next five years:

Year ending June 30,

	Land	Minerals, Oil, and Gas	Total
2027	$ 1,553,000	$ 924,000	$ 2,477,000
2028	1,480,000	937,000	2,417,000
2029	1,418,000	933,000	2,351,000
2030	1,394,000	942,000	2,336,000
2031	1,331,000	942,000	2,273,000
	$ 7,176,000	$ 4,678,000	$ 11,854,000

11. Statutory Income

By Alaska law, statutory net income is computed in accordance with GAAP, excluding any unrealized gains or losses attributed to Trust principal. However, the income from investments is required by GAAP to include unrealized gains and losses and income, regardless of source. Consequently, GAAP income from investments and statutory net income differ.

The APFC periodically reviews investments for other than temporary impairment of value. Investments with fair values significantly less than costs over multiple reporting periods may be considered impaired if the cost basis will not be recovered over the investment's remaining estimated holding period. If an other-than-temporary impairment is determined to exist for an investment, a realized loss will be recorded which will replace the previously recorded unrealized loss. Carrying value will not be affected, but the reclassification of the loss from unrealized to realized will affect the statutory net income of the Trust. During FY 2026, approximately $3.4 million of impairments were recorded.

Statutory net income for the year ended June 30, 2026 is calculated as follows:

Gain from investments managed by APFC	$	91,763,000
Less: unrealized holding gains		(17,040,000)
Statutory Net Income	$	74,723,000

12. Nonspendable Trust Assets Managed by the APFC

The legislature determines amounts to be contributed to, or distributed from, nonspendable Trust assets. The 1994 State legislature authorized the appropriation of $200,000,000 to the principal of the Trust, transferring the funds on July 3, 1995 to the APFC. Additionally, the Board of Directors of the Trust has approved additional reservations of Trust income, as authorized by State law. By statute, earnings of the Trust may be used to offset the effect of inflation on the value of the contributions to the Trust.

On June 16, 2009, the APFC received a State of Alaska Attorney General's Opinion (Opinion) clarifying the accounting treatment of unrealized gains and losses. Based on the Opinion, nonspendable fund balance and assigned fund balance should be allocated proportionate values of the unrealized appreciation or depreciation on invested assets. Previously unrealized gains and losses had been allocated in full to the nonspendable fund balance.

Based on the Opinion, the recorded unrealized earnings of the Trust assets were reclassified from assigned Trust fund balance to nonspendable Trust fund balance. The Opinion had no effect on previously reported gains or losses from investments managed by the APFC. See 2003 Attorney General Opinion (June 18; 663-03-0153).

Nonspendable funds under management at the APFC for the year ended June 30, 2026 are calculated as follows:

Contributions and appropriations to principal	$	571,650,000
Unrealized gains on principal		115,747,000
Nonspendable Fund Balance	$	687,397,000

13. Spendable Trust Assets Managed by the APFC

The Trust has two reserves accounts to ensure sufficient reserves are available to meet the disbursement requirements of the Trust's payout policy.

Reserves Managed by the APFC – This account consists of realized earnings of the principal invested by APFC. Realized earnings are available for disbursement. Additionally, unrealized earnings are allocated monthly to the Trust's account on the basis of its total unit shares and fractional unit shares outstanding on the valuation date. As stated in Note 12, the unrealized gains and losses of the Trust assets are allocated proportionally between the nonspendable Trust assets and spendable (or reserve) Trust assets managed by APFC.

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Reserves Managed by the Department of Revenue – This account was established in FY04 with funds from the reserves managed by APFC. The trustees determine the investment policy for this account. Unrealized gains and losses are recorded monthly.

14. Risk Management

With regards to workers' compensation insurance, the Trust participates in the State of Alaska Risk Management Pool. The risks are transferred to the Pool, and the premium is charged to the Trust based on payroll expenditures. The State is an authorized self-insurer under AS 23.30.090. Casualty and property insurance coverage is provided under endorsement to the State of Alaska Aviation and Airports program of insurance. For directly owned real estate holdings located outside of Alaska, commercial insurance policies are purchased from the marketplace in the state the property is located to indemnify the title holding entity and to mitigate the risk of loss that the Trust is exposed to.

15. Leases

GASB Statement Number 87, *Leases* (GASB 87), establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

The Trust has leased to third parties multiple nonfinancial assets, primarily land and office real estate. Lease terms vary and can include from one year to more than 50 years. The Trust recognizes a lease receivable and a deferred inflow of resources in both the government-wide and governmental fund financial statements where applicable.

At the commencement of the lease, the Trust initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments receivable. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Lease revenues recognized from the leases in scope of GASB 87 were $717,000 and related interest income recognized was $537,000 for the year ended June 30, 2026.

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The schedule of future payments that are included in the measurement of the lease receivable is as follows:

Fiscal year ending June 30

	Principal	Interest	Total Payments
2027	$ 182,000	$ 703,000	$ 885,000
2028	193,000	690,000	883,000
2029	207,000	676,000	883,000
2030	220,000	661,000	881,000
2031	238,000	645,000	883,000
2032-2036	859,000	3,042,000	3,901,000
2037–2041	713,000	2,820,000	3,533,000
2042–2046	792,000	2,580,000	3,372,000
2047–2051	628,000	2,337,000	2,965,000
2052-2056	776,000	2,071,000	2,847,000
Thereafter	4,753,000	4,870,000	9,623,000
	$ 9,561,000	$ 21,095,000	$ 30,656,000

16. Contingencies and Commitments

Environmental Contingencies and Commitments

As prescribed by the GASB under Statement 49, the Trust is required to estimate pollution remediation outlays and determine whether outlays should be accrued as a liability when the government is compelled to take pollution remediation action because of an eminent endangerment or when the government commences or legally obligates itself to commence pollution remediation.

There are several sites used by previous parties that may require environmental review, feasibility study, and remediation and restoration of the sites, as applicable. The Trust intends to seek reimbursement of pollution remediation costs from responsible parties, if applicable, and any remaining costs will be recognized by the Trust. While an obligating event, as defined by Statement 49, has occurred, no liability has been recognized by the Trust either because the amounts are not material to the financial statements and/or the risk is such that the Trust is under no obligation to address the site, or other responsible parties are noted.

17. New Accounting Pronouncements

The GASB has issued several new accounting standards with upcoming implementation dates. The following new accounting standards were implemented by the Trust for 2026 reporting:

GASB Statement No. 103, Financial Reporting Model Improvements – This is effective for year-end June 30, 2026. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The Statement resulted in changes in the presentation of the Management Discussion and Analysis.

GASB Statement No. 104, Disclosure of Certain Capital Assets – This is effective for year-end June 30, 2026. The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. The disclosure requirements will improve consistency and comparability between governments. The Statement did not have material impact on the Trust's financial statements.

The GASB has issued new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, and actual impacts have not yet been determined. The statements are as follows:

GASB Statement No. 105, Subsequent Events – This is effective for year-end June 30, 2027. Earlier application is encouraged. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

18. Subsequent Events

The Trust has evaluated subsequent events through _____, 2026, the date on which the financial statements were available to be issued. In November 2025, the Trust sold one of the real estate properties managed by the Trust.

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Required Supplementary Information

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System Pension Plan
Schedule of the Trust's Proportionate Share of the Net Pension Liability - Pension Plan

Year ended June 30,

	Trust's Proportion of the Net Pension Liability	Trust's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Trust's Covered Payroll	Trust's Proportionate Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2026	0.17762%	$ 8,814,000	$ -	$ 8,814,000	$ 4,999,872	176.28%	71.23%
2025	0.17113%	9,386,000	-	9,386,000	4,346,000	215.96%	67.81%
2024	0.18739%	9,717,000	-	9,717,000	4,281,000	226.97%	68.23%
2023	0.17196%	8,764,000	-	8,764,000	4,117,000	212.87%	67.97%
2022	0.19683%	7,220,000	-	7,220,000	4,181,000	172.69%	76.46%
2021	0.14250%	8,409,000	3,480,000	11,889,000	3,272,000	257.00%	61.61%
2020	0.13295%	7,278,000	2,890,000	10,168,000	3,786,000	192.23%	63.42%
2019	0.13190%	6,554,000	1,899,000	8,453,000	3,272,000	200.31%	65.19%
2018	0.10445%	5,399,000	2,012,000	7,411,000	3,507,000	153.95%	63.37%
2017	0.14636%	8,181,000	1,031,000	9,212,000	3,761,000	217.52%	59.55%

See accompanying notes to required supplementary information.

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System Pension Plan
Schedule of the Trust's Contributions - Pension Plan

Year ended June 30,

	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Trust's Covered Payroll	Contributions as a Percentage of Covered Payroll
2026	$ 951,000	$ 951,000	$ -	$ 5,424,000	17.530%
2025	864,000	864,000	-	4,999,872	17.280%
2024	743,000	743,000	-	4,346,000	17.096%
2023	729,000	729,000	-	4,281,000	17.029%
2022	532,000	532,000	-	4,117,000	12.922%
2021	473,000	473,000	-	4,181,000	11.313%
2020	451,000	451,000	-	3,272,000	13.784%
2019	483,000	483,000	-	3,786,000	12.758%
2018	442,000	442,000	-	3,272,000	13.509%
2017	376,000	376,000	-	3,507,000	10.721%

See accompanying notes to required supplementary information.

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Trust's Proportionate Share of the Net OPEB Liability (Asset) - ARHCT

Year ended June 30,

	Trust's Proportion of the Net OPEB Liability (Asset)	Trust's Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	Total Net OPEB Liability (Asset)	Trust's Covered Payroll	Trust's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2026	0.17760%	$ (4,727,000)	$ -	$ (4,727,000)	$ 1,446,000	(326.88)%	136.81%
2025	0.17092%	(3,769,000)	-	(3,769,000)	1,467,000	(256.94)%	130.59%
2024	0.18743%	(4,313,000)	-	(4,313,000)	1,450,000	(297.42)%	133.96%
2023	0.17200%	(3,384,000)	-	(3,384,000)	1,695,000	(199.66)%	128.51%
2022	0.19677%	(5,048,000)	-	(5,048,000)	1,859,000	(271.54)%	135.54%
2021	0.14244%	(645,000)	(189,000)	(834,000)	1,515,000	(42.58)%	106.15%
2020	0.13294%	198,000	56,000	254,000	1,751,000	11.31%	98.13%
2019	0.13188%	1,353,000	393,000	1,746,000	1,515,000	89.31%	88.12%
2018	0.10446%	882,000	329,000	1,211,000	1,809,000	48.76%	89.91%
2017	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to required supplementary information.

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Trust's Contributions - ARHCT

Year ended June 30,

	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Trust's Covered Payroll	Contributions as a Percentage of Covered Payroll
2026	$ 206,000	$ 206,000	$ -	$ 1,515,000	13.60%
2025	187,000	187,000	-	1,446,000	12.93%
2024	161,000	161,000	-	1,467,000	10.97%
2023	92,000	92,000	-	1,450,000	6.34%
2022	499,000	499,000	-	1,695,000	29.44%
2021	241,000	241,000	-	1,859,000	12.96%
2020	162,000	162,000	-	1,515,000	10.69%
2019	175,000	175,000	-	1,751,000	9.99%
2018	126,000	126,000	-	1,515,000	8.32%
2017	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to required supplementary information.

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Trust's Proportionate Share of the Net OPEB Liability (Asset) - RMP

Year ended June 30,

	Trust's Proportion of the Net OPEB Liability (Asset)	Trust's Proportion Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability (Asset)	Trust's Covered Payroll	Trust's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2026	0.17665%	$ (112,000)	$ -	$ (112,000)	$ 3,553,000	(3.15)%	123.73%
2025	0.16604%	(78,000)	-	(78,000)	2,879,000	(2.71)%	119.87%
2024	0.18743%	(87,000)	-	(87,000)	2,832,000	(3.07)%	124.29%
2023	0.16612%	(58,000)	-	(58,000)	2,422,000	(2.39)%	120.08%
2022	0.32100%	(86,000)	-	(86,000)	2,322,000	(3.70)%	115.10%
2021	0.19698%	14,000	-	14,000	1,757,000	0.80%	95.23%
2020	0.18045%	43,000	-	43,000	2,034,000	2.11%	83.17%
2019	0.16615%	21,000	-	21,000	1,757,000	1.20%	88.71%
2018	0.13918%	7,000	-	7,000	1,697,000	0.41%	93.98%
2017	*		*		*		*

*Information for these years is not available.

See accompanying notes to required supplementary information.

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Trust's Contributions - RMP

Year ended June 30,

	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Trust's Covered Payroll	Contributions as a Percentage of Covered Payroll
2026	$ 10,000	$ 10,000	$ -	$ 3,909,000	0.26%
2025	29,000	29,000	-	3,553,000	0.82%
2024	11,000	11,000	-	2,879,000	0.38%
2023	31,000	31,000	-	2,832,000	1.09%
2022	26,000	26,000	-	2,422,000	1.07%
2021	29,000	29,000	-	2,322,000	1.25%
2020	18,000	18,000	-	1,757,000	1.02%
2019	19,000	19,000	-	2,034,000	0.93%
2018	7,000	7,000	-	1,757,000	0.40%
2017	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to required supplementary information.

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Trust's Proportionate Share of the Net OPEB Asset - ODD

Year ended June 30,

	Trust's Proportion of the Net OPEB Asset	Trust's Proportion Share of the Net OPEB Asset	State of Alaska Proportionate Share of the Net OPEB Asset	Total Net OPEB Asset	Trust's Covered Payroll	Trust's Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset
2026	0.18112%	$ (128,000)	$ -	$ (128,000)	$ 5,000,000	-2.52%	353.09%
2025	0.16986%	(101,000)	-	(101,000)	4,346,000	-2.32%	346.81%
2024	0.18648%	(96,000)	-	(96,000)	2,832,000	-3.39%	349.24%
2023	0.16889%	(74,000)	-	(74,000)	2,422,000	-3.06%	348.80%
2022	0.11771%	(52,000)	-	(52,000)	2,322,000	-2.24%	374.22%
2021	0.20016%	(55,000)	-	(55,000)	1,757,000	-3.13%	238.80%
2020	0.18363%	(45,000)	-	(45,000)	2,034,000	-2.21%	297.43%
2019	0.16615%	(32,000)	-	(32,000)	1,757,000	-1.82%	270.62%
2018	0.13918%	(20,000)	-	(20,000)	1,697,000	-1.18%	212.97%
2017	*		*		*		*

*Information for these years is not available.

See accompanying notes to required supplementary information.

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Alaska Mental Health Trust Authority
(A Component Unit of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Trust's Contributions - ODD

Year ended June 30,

	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Trust's Covered Payroll	Contributions as a Percentage of Covered Payroll
2026	$ -	$ -	$ -	$ 5,424,000	0.17%
2025	8,000	8,000	-	5,000,000	0.16%
2024	19,000	19,000	-	2,879,000	0.66%
2023	8,000	8,000	-	2,832,000	0.28%
2022	8,000	8,000	-	2,422,000	0.33%
2021	7,000	7,000	-	2,322,000	0.30%
2020	3,000	3,000	-	1,757,000	0.17%
2019	5,000	5,000	-	2,034,000	0.25%
2018	3,000	3,000	-	1,757,000	0.17%
2017	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to required supplementary information.

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1. Public Employees' Retirement System Pension Plan

Schedule of the Trust's Proportionate Share of the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2026, the Plan measurement date is June 30, 2025.

Changes in Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2024, rolled forward to the measurement date of June 30, 2025. The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021.

In 2022, the discount rate was lowered from 7.38% to 7.25%.

Amounts reported reflect a change in assumptions between 2016 and 2017 in the method of allocating the net pension liability from actual contributions to present value of projected future contributions.

Schedule of the Trust's Contributions

This table is based on the Trust's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the statement of net position.

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1. Public Employees' Retirement System OPEB Plans

Schedule of the Trust's Proportionate Share of the Net OPEB Liability (Asset)

This table is presented based on the Plan measurement date. For June 30, 2026, the Plan measurement date is June 30, 2025.

Changes in Assumptions

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2024, rolled forward to the measurement date of June 30, 2025. The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. For the ARHCT and RMP plans, the per-capita claims costs were updated to reflect recent experience for the June 30, 2024 actuarial valuation. EGWP subsidies were updated to reflect higher expected subsidies due to the Inflation Reduction Act. Because of the significant increase in the EGWP subsidy for FY25 and beyond due to the Inflation Reduction Act, and uncertainty regarding future subsidy levels, the ARM Board has adopted a smoothing of EGWP subsidy estimates over five years. In addition, the prescription drug and EGWP trend assumption was updated to reflect recent survey information indicating higher-than-initial trend rates in part due to the recent higher-than-expected inflationary environment.

In 2022, the discount rate was lowered from 7.38% to 7.25%.

In 2019, an EGWP was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy (RDS) under Medicare Part D and resulted in larger projected subsidies to offset the cost of prescription drug coverage.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the Trust will present only those years for which information is available.

Schedule of the Trust's Contributions

This table is based on the Trust's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the statement of net position.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the Trust will present only those years for which information is available.

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Government Auditing Standards Auditor's Report

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
Alaska Mental Health Trust Authority
Anchorage, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alaska Mental Health Trust Authority (Trust), a component unit of the State of Alaska, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated *[August 15, 20X1]*. Our report includes a reference to other auditors who audited the Schedules of Investments Managed by the Alaska Permanent Fund Corporation, as described in our report on the Trust's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

(Signed BDO USA, P.C.)

Anchorage, Alaska

_____, 2026

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Schedule of Findings and Responses

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP.	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	X no
• Significant deficiency(ies) identified?	_____ yes	X none reported
Noncompliance material to financial statements noted?	_____ yes	X no

Section II – Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in Government Auditing Standards.

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Alaska Mental Health Trust Authority
Audit Responses (Unaudited)

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Trust
Alaska Mental Health Trust Authority

3745 Community Park Loop, Suite 200
Anchorage, AK 99508
Tel 907.269.7960
www.mhtrust.org

To: Mary Wilson, Chief Executive Officer
From: Julee Farley, Chief Financial Officer
Date: November 3, 2026
Re: FY2026 Financial Audit – Status on Prior Year Finding

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There was one finding reported for the FY2025 financial audit. Below is a summary of the finding and the current year status.

Finding 2025-001: Capital Asset Recognition – Significant Deficiency in Internal Control over Financial Reporting. Approximately $12.4M of expenditures related to the Icy Cape project since 2017 had been capitalized, but further research indicated US GAAP does not permit capitalization of these costs. As a result, there was an adjustment of $12.4M to reduce capital assets and increase land management expenses in FY25.

Current Year Status:

Starting in FY26, capital asset records are jointly maintained by the Trust Authority CFO and Budget Controller. Expenditures that can be considered for capitalization will be reviewed in conjunction with the TLO, with the final accounting treatment determined by the Trust Authority CFO. The Trust Authority has developed a Capital Asset Policy that outlines this accounting treatment of capital assets.