REPORT TO BOARD OF TRUSTEES

ALASKA MENTAL HEALTH TRUST AUTHORITY

2026 AUDIT PLAN
YEAR ENDED JUNE 30, 2026

BDO

Welcome

BDO USA, P.C.
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July 7, 2026

Board of Trustees

Alaska Mental Health Trust Authority

We look forward to discussing with you the current year audit plan for Alaska Mental Health Trust Authority (the Trust). This report provides an overview of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

We are pleased to be of service to the Trust, are committed to executing a quality audit, and look forward to discussing our audit plan, as well as other matters that may be of interest to you.

Respectfully,

BDO USA

Copy to: Mary Wilson, CEO
Julee Farley, CFO

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The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Trustees) and, if appropriate, management of the Trust, and is not intended and should not be used by anyone other than these specified parties.

Executive Summary

Executive Summary

Audit timeline

- We will perform our interim and year-end procedures during the months of July, August, September and October.

Audit strategy, including significant risks identified

- Our audit strategy, including significant risks identified, for the 2026 audit is outlined in the “Areas of Significant Risk” on pages 12-15.

Audit Overview & Strategy

Overview

Our audit strategy follows a risk-based approach, so that our audit work, including the nature, timing and extent of audit procedures planned, is focused on the areas of the financial statements where the risk of material misstatement is assessed to be significant as well as other areas of the financial statements where we have identified risks of material misstatement.

In preparation for our audit, we will discuss with Board of Trustees and management significant matters including, but not limited to, market conditions, activities, and changes to the Trust's business, systems, accounting principles and controls, and obtain management’s view regarding potential audit risk in order to update our understanding of the Trust. This is important to our identification and assessment of risks of material misstatement to the financial statements and related disclosures.

Key components of our audit objectives and strategy are highlighted within this report.

We will continue to update the resulting assessment throughout the audit. We will communicate to you any significant changes to the planned audit strategy, or the significant risks initially identified and communicated herein, and the reason for such changes, as applicable, when we present the results of our audit upon completion.

Terms of the Audit and Independence

AUDITOR'S RESPONSIBILITY

BDO USA, P.C., as your auditor, is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with the applicable financial reporting framework. In addition, our audit will be conducted in accordance with standards for financial audits contained in the *Government Auditing Standards* (GAS or Yellow Book), issued by the Comptroller General of the United States.

The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities.

INDEPENDENCE

- Our engagement letter will describe our responsibilities in accordance with professional standards and certain regulatory authorities and *Government Auditing Standards* regarding independence and the performance of our services. This letter also stipulates the responsibilities of the Trust with respect to independence as agreed to by the Trust. Please refer to that letter for further information.

TERMS OF THE AUDIT

Our establishment and understanding of the terms of the audit engagement have been documented in our annual engagement letter, which will be provided to you in July 2026 and will include the objectives of the audit along with the responsibilities of both the auditor and of management for your reference.

- We will plan and perform the audit of the financial statements for the year ended June 30, 2026, in accordance with *Government Auditing Standards*.
- We will perform tests of 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 is not an objective of our audit.

Determining Our Planned Audit Strategy

We focus on areas with higher risk of material misstatement to the financial statements, whether due to error or fraud.

In addition, *Government Auditing Standards* require that we also plan and perform the audit to obtain reasonable assurance about whether the Trust has complied with applicable laws, regulations and the terms and conditions of the federal awards that may have a direct and material effect on each of Trust's major federal programs.

Our audit strategy includes consideration of the following:

- Prior year audit results including discussions with management and those charged with governance regarding the Trust's operations and risks.
- Inherent risk within Trust (i.e., the susceptibility of the financial statements to material error or fraud) without regard to the effect of controls.
- A continual assessment of materiality thresholds based upon qualitative and quantitative factors affecting the Trust.
- Recent developments within the industry, regulatory environment, and general economic conditions.
- Recently issued and effective accounting and financial reporting guidance.
- The Trust's significant and critical accounting policies and procedures, including those requiring significant management judgments and estimates and those related to significant unusual transactions.
- The control environment, risk management and monitoring activities, and the possibility that internal controls may fail to prevent or detect a material misstatement due to error or fraud.
- The use of information systems and service organizations in the financial reporting process and overall IT environment.
- We will consider the Trust's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing an opinion on the financial statements, not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting..

We will communicate to you any significant changes to the planned audit strategy, or to the significant risks initially identified, that may occur during the audit due to the results of audit procedures or in response to external factors, such as changes in the economic environment.

Areas of Significant Risk

Our areas of significant risk, which are risks with both a higher likelihood of occurrence and a higher magnitude of effect that require special audit considerations, are as follows. Our planned audit procedures for these risks are detailed starting on page 12-15.

- Fraud Risk – Management Override Of Controls
- Fraud Risk – Improper Revenue Recognition
- Valuation of Real Estate Investments
- Net Position and Fund Balance

Detail of Significant Risks & Additional Audit Considerations

Fraud Risk – Management Override of Controls

SUMMARY OF AREA OF SIGNIFICANT RISK

Management override of controls is presumed to be a significant fraud risk across all entities.

Management has the ability to override internal controls through several means, including: 1) posting inappropriate or unauthorized journal entries, 2) exercising bias in the development of significant accounting estimates, particularly those involving significant unobservable inputs, and 3) entering into significant or unusual transactions outside the normal course of business.

SUMMARY OF PLANNED AUDIT PROCEDURES

BDO will perform substantive and other procedures over transactions in the general ledger that may be unauthorized or unusual. A review of management judgments involving accounting estimates.

In order to address this significant risk, we plan to perform the following procedures:

- Perform a walkthrough of the business process and evaluate the design and implementation of relevant controls.
- Review journal entries and perform testing on those that meet risk criteria established by the engagement team.
- Assess the reasonableness of management judgments and assumptions used in significant accounting estimates, where applicable.
- Review significant and unusual transactions, where applicable

Fraud Risk – Improper Revenue Recognition

SUMMARY OF AREA OF SIGNIFICANT RISK

The Trust's primary revenue sources include investment income managed by the APFC and the State of Alaska's Treasury, as well as revenue from Trust Land activities such as land sales, leasing, timber, and resource development. There is a risk of improper revenue recognition, potentially overstating land sales, lease revenues, royalties, investment property income, or recording revenue in an incorrect period.

Given the Trust's core mission is to prudently grow its corpus assets in support of future mental health services in Alaska, the organization operates under significant public scrutiny to ensure alignment with this objective. Accordingly, there is an inherent risk of fraud or error in revenue recognition, including the possibility that revenue may be recorded inaccurately, recognized in an incorrect period, or misclassified.

SUMMARY OF PLANNED AUDIT PROCEDURES

In order to address this significant risk, we plan to perform the following procedures:

- Obtain land revenue details from the Trust, reconcile them to the trial balance, and perform sample testing to assess the existence and accuracy of revenue streams, including land sales, investment property income, rent, and royalties.
- Obtain year-end real estate investment statements and broker opinions, reconcile them to the real estate schedule and trial balance, and vouch property-related cash receipts and owner distributions to supporting documentation.

Valuation of Real Estate Investments

SUMMARY OF AREA OF SIGNIFICANT RISK

AMHTA holds real estate investments through separate LLCs that are recorded at fair value based on independent appraisals or broker opinions. There is a risk that fair value adjustments may not be recorded accurately or timely, which could result in misstated asset values and impact the reliability of the financial statements due to the subjective nature of valuation assumptions and the significance of unobservable market inputs.

SUMMARY OF PLANNED AUDIT PROCEDURES

To address this significant risk, we plan to perform the following procedures:

- Obtain year-end real estate investment property statements, appraisals, and broker opinions.
- Develop our own estimate of fair market value for each property using the sources provided by the brokers and then compare our estimate to the appraisals to assess whether the appraised fair market values are reasonable.

Net Position and Fund Balance

SUMMARY OF AREA OF SIGNIFICANT RISK

There is a risk that the beginning fund balance does not properly reconcile to the prior year's ending balance, potentially due to unrecorded adjustments, misclassifications, or incomplete rollforward activity between periods.

Additionally, there is a risk that balances may be incorrectly allocated between spendable and nonspendable categories, which could result in misstated fund balance classifications and affect users' understanding of the Trust's liquidity and financial position.

SUMMARY OF PLANNED AUDIT PROCEDURES

In order to address this significant risk, we plan to perform the following procedures:

- Perform a reconciliation of net position and a rollforward of fund balances to confirm agreement between periods.
- Assess the accuracy of classifications between spendable and nonspendable balances by reviewing supporting documentation, including board minutes and resolutions, conducting inquiries, and comparing amounts to information audited by the APFC.

Inquiries of Those Charged with Governance

Obtaining Information from Those Charged with Governance

We perform inquiries related to fraud and other matters to help inform our audit strategy and execution of our audit procedures. As part of the upcoming meeting with you, we would like to discuss the following topics with you to understand any matters of which you believe we should be aware, including, but not limited to:

- Your views about the risk of material misstatements due to fraud, including risks associated with management override of controls
- How you exercise oversight over the Trust's assessment of fraud risks and the establishment of controls to address these risks
- Your awareness of any actual, alleged or suspected fraud or illegal acts affecting the Trust
- Your awareness of tips or complaints regarding the Trust's financial reporting and your response to such tips and complaints
- Your awareness of other matters relevant to the audit including, but not limited to, violations or possible violations of laws or regulations
- Your awareness of noncompliance with laws and regulations to include consideration of noncompliance with provisions of contracts and grant agreements.
- Your awareness of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- Your awareness of any significant communications between the Trust and regulators
- Your understanding of the Trust's relationships and transactions with related parties that are significant to the Trust
- Any business relationships between a BDO firm and the Trust or its affiliates
- Whether the Trust has entered into any significant unusual transactions
- Your awareness of any other information that is important to the identification and assessment of risks of material misstatement

Other Topics

BDO's System of Quality Management

An audit firm's effective system of quality management ("SoQM") is crucial for supporting the consistent performance of high-quality audits and reviews of financial statements, or other assurance or related services engagements under professional standards, and applicable legal and regulatory requirements.

Accordingly, BDO has implemented a SoQM designed to provide reasonable assurance that its professionals fulfill their responsibilities and conduct engagements in accordance with those standards and requirements. The firm's SoQM supports the consistent performance of quality audits through many ongoing activities including, at least annually, certification by leaders with responsibility for key controls and related processes. Our Assurance Quality Management team performs regular reviews and testing of key controls and processes throughout the SoQM and identifies and communicates areas for improvement. In addition, our Audit Quality Advisory Council supports or SoQM by providing guidance and input on audit quality initiatives.

As required by International Standard on Quality Management 1 (ISQM 1) under the International Auditing and Assurance Standards Board (IAASB), BDO has conducted an evaluation of the effectiveness of its system of quality management and concluded, as of July 31, 2024, that, except for certain deficiencies related to the execution of its issuer audits, that system provides reasonable assurance that our professionals will perform audits and reviews of financial statements or related assurance services engagements in accordance with professional standards, and applicable legal and regulatory requirements. BDO has either implemented or is designing remedial actions to address those deficiencies prior to our next evaluation.

We will continue to provide you with updates on our progress. Currently, you may find discussion of BDO's system of quality management within our annual Audit Quality Reports, the most recent of which is accessible here.

CLICK HERE TO ACCESS IAASB ISQM-1 IN ITS ENTIRETY >

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Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your needs.

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