

REPORT TO THE BOARD OF TRUSTEES

ALASKA MENTAL HEALTH TRUST AUTHORITY

2026 AUDIT RESULTS

YEAR ENDED JUNE 30, 2026

Welcome

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November 2, 2026

Board of Trustees

Alaska Mental Health Trust Authority

We look forward to discussing with you the current year audit results for Alaska Mental Health Trust Authority. On July 29, 2026, we presented an overview of our plan for the audit of the financial statements of Alaska Mental Health Trust Authority (the Trust) as of and for the year ended June 30, 2026.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Trust's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Trust is responsible.

We are pleased to be of service to the Trust and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

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

Results of Our Audit

- Overview and Status – We completed our audit work with respect to the financial statements for the year ended June 30, 2026.
- Quality of the Trust's Financial Reporting
- Significant Risk Overview & Discussion
- Corrected and Uncorrected Misstatements
- Internal Control Over Financial Reporting



Audit Results

Overview & Status of Our Audit

We completed our audit of the financial statements as of and for the year ended June 30, 2026. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

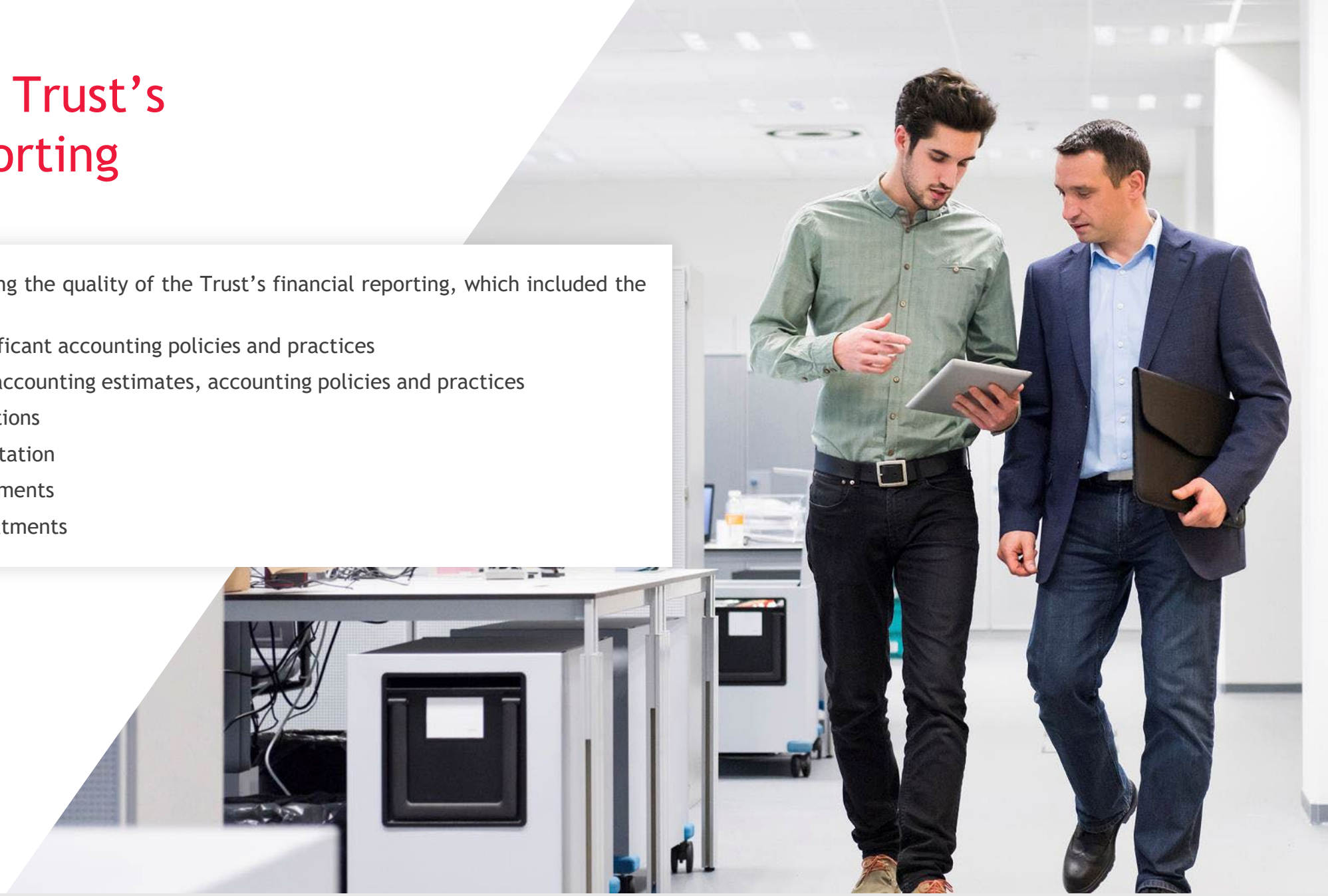
- The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- The scope of the work performed was substantially the same as that described to you in our earlier Audit Plan communications.
- We expect to issue an unmodified opinion on the financial statements.
- We expect to issue our 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*.
- Our responsibility for other information in documents containing the Trust's audited financial statements (e.g., management's discussion and analysis, schedules of pension and OPEB amounts) does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the Trust and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- All records and information requested by BDO were freely available for our inspection.
- We received full access to all information that we requested while performing our audit and we acknowledge the full cooperation extended to us by all levels of Trust personnel throughout the course of our work.



Quality of the Trust's Financial Reporting

A discussion was held regarding the quality of the Trust's financial reporting, which included the following:

- Qualitative aspects of significant accounting policies and practices
- Our assessment of critical accounting estimates, accounting policies and practices
- Significant unusual transactions
- Financial statement presentation
- New accounting pronouncements
- Alternative accounting treatments



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 audit procedures for these risks are detailed starting on page 14.

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

Corrected & Uncorrected Misstatements

- There were no corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management.
- There were no uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management.

Internal Control Over Financial Reporting

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 our auditing procedures 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.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Trust's internal control over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Control Deficiency	A deficiency in internal control over financial reporting 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.
Significant Deficiency	A deficiency or combination of deficiencies in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Material Weakness	A deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Trust's financial statements will not be prevented or detected and corrected on a timely basis.

In conjunction with our audit of the financial statements, we noted no material weaknesses.

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 for all entities.

Management can circumvent internal controls through 1) posting of journal entries, 2) manipulation of significant estimates, especially those with significant unobservable inputs, and 3) engagement in significant and unusual transactions.

SUMMARY OF AUDIT PROCEDURES

BDO performed review and substantive procedures over transactions in the general ledger that may be unauthorized or unusual. A review of management's judgments involving accounting estimates was also performed.

To address this significant risk, we performed the following procedures:

- Performed a walkthrough of the business process and evaluated the design of controls in this area.
- Using tailored criteria, we identified journal entries with a higher risk of management override, then tested those entries to assess their reasonableness, the adequacy of supporting documentation and evidence of appropriate approval.

Fraud Risk – Improper Revenue Recognition

SUMMARY OF AREA OF SIGNIFICANT RISK

The Trust derives its principal revenues from financial investments managed by the Alaska Permanent Fund Corporation (APFC) and the State of Alaska's Department of Revenue, Investments Division (Treasury), together with income from Trust Land activities. These activities include land leases and sales, commercial timber sales, mineral exploration and production, and exploration for coal, oil and gas. Improper revenue recognition presents a risk that the Trust could overstate revenue from land sales and the financial performance of its properties.

Responsibly increasing corpus assets to fund future mental health services in Alaska is central to the Trust's mission. Substantial public oversight seeks to ensure that the organization manages its assets consistently with this objective. Within this context, revenue remains subject to an inherent risk of fraud or error, including inaccurate recognition, recording in an incorrect accounting period or inappropriate classification.

SUMMARY OF AUDIT PROCEDURES

BDO performed the following procedures to address this significant risk:

- Obtained the Trust's detailed land revenue records and reconciled them to the trial balance. Selected and tested samples to assess the existence and accuracy of revenue from land sales, investment property, rent and royalties.
- Obtained year-end real estate property statements and broker opinions, then reconciled the statements to the real estate schedule and agreed the schedule to the trial balance. For property cash receipts and owner distributions, examined supporting documentation to substantiate the recorded transactions.

Valuation of Real Estate LLCs

SUMMARY OF AREA OF SIGNIFICANT RISK

Through separate LLCs, the Trust owns several real estate investments and reports them in its financial statements at fair market value, using independent appraisals or broker opinions as the basis for valuation. If the Trust records required fair value adjustments inaccurately or fails to recognize them promptly, the financial statements may contain misstated asset values. These valuation errors could, in turn, affect the reliability and integrity of the financial information that the Trust reports.

SUMMARY OF AUDIT PROCEDURES

Our response to this significant risk included the following audit procedures:

- Collected year-end statements for the real estate properties, along with appraisals and broker opinions.
- Using the sources supplied by the brokers, we prepared our own fair market value estimate for each property. We then evaluated the reasonableness of the appraised fair market values by comparing the appraisals with our estimates.

Net Position and Fund Balance

SUMMARY OF AREA OF SIGNIFICANT RISK

Differences between the current period's beginning fund balance and the prior year's ending balance may signal errors or omissions in the rollforward process. Unrecorded adjustments or incorrect classifications could explain such discrepancies. Incomplete transfers of balances from one reporting period to the next may also prevent the reported opening and closing amounts from reconciling.

The allocation of balances to spendable and nonspendable categories introduces another potential source of inaccuracies in financial reporting. An incorrect allocation could result in a misstatement of fund balance classifications. In turn, users may form an inaccurate view of the Trust's liquidity and available resources, which could also affect their understanding of its overall financial position.

SUMMARY OF AUDIT PROCEDURES

To address this significant risk, we performed the following procedures:

- Performed net position reconciliation and fund balance rollforward.
- Verified accuracy of the allocation of balances between spendable and nonspendable categories by comparing information to board minutes and resolutions, performed inquiries and compared information to information audited by APFC.

Detail of Significant Accounting Practices, Policies, Estimates and Disclosures

Significant Accounting Practices, Policies, Estimates and Significant Unusual Transactions

ACCOUNTING PRACTICES, POLICIES, ESTIMATES, SIGNIFICANT UNUSUAL TRANSACTIONS

The following summarizes the more significant required communications related to our audit concerning the Trust's accounting practices, policies, estimates and significant unusual transactions:

The Trust's significant accounting practices and policies are those included in Note 1 to the financial statements. These accounting practices and policies are appropriate, comply with the applicable financial reporting framework and industry practice, were consistently applied, and are adequately described within Note 1 to the financial statements.

- A summary of recently issued accounting pronouncements is included in Note 17 to the Trust's financial statements.
- The Trust adopted GASB Statement No. 103, Financial Reporting Model Improvements, during the current period. The standard requires a five-section MD&A that explains the reasons for year-over-year changes and reduces repetitive discussion. The Trust also adopted GASB Statement No. 104, Disclosure of Certain Capital Assets. The standard requires separate disclosures for specified intangible capital assets and additional disclosures for capital assets held for sale. Adoption had no material impact on the Trust's financial statements.
- There were no other changes in significant accounting policies and practices during the fiscal year.

Critical accounting estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The Trust's critical accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in Note 1 of the financial statements.

Critical Accounting Estimates
Net Pension/OPEB Liabilities – The net pension/OPEB liabilities and related deferred inflows and outflows of resources are estimated based on actuarial and other actual contribution data provided to the Trust by the PERS Plan Administrator.

- Management did not make any significant changes to the processes or significant assumptions used to develop the critical accounting estimates in 2026.

Additional Required Communications

Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to the Trust:

Requirement	Discussion Point
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Plan communications.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the Trust's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of requirements of an applicable financial reporting framework.
Significant findings and issues arising during the audit in connection with the Trust's related parties	We have evaluated whether the identified related party relationships and transactions have been appropriately identified, accounted for, and disclosed and whether the effects of the related party relationships and transactions, based on the audit evidence obtained, prevent the financial statements from achieving fair presentation.
Significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management	There were no significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management.

Other Required Communications (cont.)

Following is a summary of other required items, along with specific discussion points as they pertain to the Trust:

Requirement	Discussion Point
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the Trust's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Matters that are difficult or contentious for which the auditor consulted outside the engagement team	There were no difficult or contentious matters that we consulted with others outside the engagement team that we reasonably determined to be relevant to those charged with governance regarding their oversight of the financial reporting process.
Other matters significant to the oversight of the Trust's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the Trust's financial reporting process that have not been previously communicated.
Representations requested from management	Please refer to the management representation letter signed at issuance.

Independence

Our engagement letter to you dated July 28, 2026, describes 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.



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.

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 September 30, 2025, that the 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.



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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