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**INDEPENDENT AUDITOR'S REPORT
AMERICAN OVERSEAS SCHOOL OF ROME**

**CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 JUNE 2025**

INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees of the Rome Branch of
American Overseas School of Rome, Inc.**

Opinion

We have audited the accompanying consolidated financial statements of the Rome Branch of American Overseas School of Rome, Inc. and subsidiary (the "Company"), which comprise the consolidated balance sheet as of 30 June 2025, the consolidated statement of revenue and expenses and consolidated statement of cash flow for the year than ended and related notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the Company for the year ended June 30, 2025 are prepared, in all material respects, in accordance with the financial reporting provisions disclosed in the notes to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical and independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) applicable for the audit of consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to the notes to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared to report on the financial position and results of operation of the Company as of and for the year than ended 30 June 2025 as required by the Company's governance. As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for your information and should not be distributed to third parties other than the Board of Trustees of the Rome Branch of American Overseas School of Rome, Inc. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements in accordance with the criteria disclosed in the notes and, within the terms established by law, for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

Those charged with governance are responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE & TOUCHE S.p.A.



Francesco Legrottaglie

Partner

Rome, Italy
November 6th, 2025

Consolidated Financial Statements

YEAR ENDING JUNE 30, 2025

American Overseas School of Rome and Subsidiary

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Consolidated Balance Sheet

	Year ended June 30, 2025	Year ended June 30, 2024		Year ended June 30, 2025	Year ended June 30, 2024
Current Assets			Current Liabilities		
Cash and Banks	3,968,046	6,348,261	Accounts Payable and Accrued Liabilities	3,225,195	3,750,925
Receivables - Tuition and Fees	9,936,490	8,805,602	Payroll Withholding Taxes	116,501	117,207
Receivables - Other	827	10,693	Social Security Due	151,460	113,018
Reimbursable Taxes and Prepaid Expenses	1,063,019	529,667	Deferred Revenue - Advanced Tuition Billed	14,554,580	13,556,189
Total Current Assets	14,968,381	15,694,222	Total Current Liabilities	18,047,736	17,537,339
Non Current Assets			Non Current Liabilities		
Land	102,681	102,681	Deferred Revenue	22,757	34,135
Buildings	13,274,054	11,040,365	Reserve for Termination Indemnities	211,253	222,083
Furniture and Equipment	5,234,747	4,969,443	Total Non Current Liabilities	234,010	256,218
Total Non Current Assets	18,611,483	16,112,490	Fund Balance		
Accumulated Depreciation	(8,500,511)	(8,053,843)	Accumulated Surplus	6,021,922	4,944,204
Net Fixed Assets	10,110,971	8,058,646	Share Deposit Contribution	14,892	14,581
Deposits and Deferred Costs	46,427	77,192	Net Income	807,220	1,077,718
Total Assets	25,125,780	23,830,061	Total Fund Balance	6,844,034	6,036,504
			Total Liabilities and Fund Balance	25,125,780	23,830,061

The Notes on the following pages are an integral part of these financial statements.

Consolidated Statement of Revenue and Expenses

	Year ended 6/30/2025	Year ended 6/30/2024
Revenue and Expense		
Tuition, Registration and new Family Fees, Net Financial Aid	13,470,286	13,361,755
Bus Service	906,360	960,280
Contributions and Donations	29,036	82,884
Government Grants	77,528	79,853
Total Revenue	14,483,211	14,484,772
Operating Expenses	(13,275,458)	(12,418,087)
Income from Operations	1,207,753	2,066,685
Interest Expense and Other Accruals, Net	(7,976)	(372,888)
Income Before Taxes	1,199,776	1,693,797
Income Taxes - IRES	(308,464)	(484,399)
Income Taxes - IRAP	(84,093)	(131,680)
Net Income	807,220	1,077,718

The Notes on the following pages are an integral part of these financial statements.

Consolidated Cash Flow Statement

	Year ended June 30, 2025	Year ended June 30, 2024
Cash Flow from Operating Activities		
Net Income	807,220	1,077,718
Adjustments Provided by Operating Activities		
Depreciation and amortization, net	446,668	353,937
Amortization of Licenses and Software	39,315	46,830
Deposits and Amortization of Deferred Costs	9,000	-
Amortization of Deferred Revenue	(11,378)	(11,378)
Provision for termination indemnities	469,638	443,650
Changes in Assets and Liabilities		
(Increase) decrease in Receivables, net Advanced Tuition Billed	(122,631)	1,110,426
(Increase) decrease in Reimbursable Taxes and Prepaid Expenses	(533,352)	(184,871)
Increase (decrease) in Accounts Payable and Accrued Liabilities	(492,850)	603,698
Increase (decrease) in Payroll Withholding Taxes	(706)	3,978
Increase (decrease) in Social Security Due	38,441	(48,875)
Increase (decrease) in fund for contingencies	(32,879)	318,600
Payment to INPS	(123,779)	(118,256)
Payment of termination indemnities, net	(356,689)	(359,820)
Total Adjustments	(671,203)	2,157,918
Net Cash Provided by Operating Activities	136,017	3,235,636
Cash Flow From Investing Activities		
Building improvements and purchase of equipment, net	(2,498,993)	(3,447,391)
(Increase) in deferred costs, net	(17,550)	(54,710)
Net Cash Used by Investing Activities	(2,516,543)	(3,502,101)
Cash Flow from Financing Activities		
Share deposit contributions	311	256
Net Cash Provided by Financing Activities	311	256
Net Increase in Cash and Banks		
Cash and Banks at Year Open	6,348,261	6,614,471
Cash and Banks at End of Year	3,968,046	6,348,261
	(2,380,215)	(266,209)

The Notes on the following pages are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

As of June 30, 2025 and for the year then ended

1. Basis of presentation and consolidation

The accompanying financial statements have been prepared using the accrual method of accounting and inspired by accounting principles established by the Italian Accounting Profession. The presentation of the consolidated financial statements and the information provided in the accompanying notes reflect international reporting practices. Amounts have been recorded based on their historical cost, unless otherwise indicated.

These financial statements include the accounts of the Rome Branch of American Overseas School of Rome, Inc. (a Delaware, U.S. not-for-profit organization) and the accounts of its wholly-owned subsidiary, IVT S.R.L. (an Italian real estate company which owns the premises where AOSR is located). Throughout the notes the companies will be referred to on a stand-alone basis, as "AOSR" and "IVT", or collectively as "the Companies". The consolidated amounts reflect the elimination of intercompany accounts and transactions. All amounts are expressed in Euro.

2. Revenue recognition

Tuition and related fees are recognized as income in the year to which they apply. Tuition and related fees billed in advance for the next academic year are carried as a deferred income and recognized in the subsequent year. Receivables represent the amount due for the current and subsequent academic year, not yet collected.

Tuition and scholastic fees slightly increased this year as a result of an approved average increase in tuition fees of 3% for the school year 2024-2025, that totally offset a decrease in enrolment of 2% (paying students); 600 students in 2024-2025 (including 39 employees' children) compared to 607 students in 2023-2024 (including 34 employees' children).

3. Receivables – tuition and fees

Receivables are stated at net realizable value. As of June 30, 2025, the line item includes tuition and fees due from parents totalling €9,903,294 related to 2025-2026 billings not yet collected and €33,196 related to billing from prior years. The deferred revenue-advanced tuition account as of June 30, 2025 includes all 2025-2026 billings at that time, some of which have already been collected.

4. Reimbursable taxes and prepaid expenses

As of June 30, 2025, reimbursable taxes and prepaid expenses amount to €1,063,019 (€529,667 at June 30, 2024). This line item includes €332,561 related to invoices received before the end of June 2025 for expenses regarding the next fiscal year, such as instructional materials and new employees' expenses, €9,511 for deferred tax asset, mostly due to the anticipated tax effect regarding the provision for contingencies, €12,785 for advances paid to contractors for construction work done in the summer of the subsequent fiscal year and €507,294 tax credit..

5. Land, buildings and equipment and accumulated depreciation

Land, buildings and equipment are initially recognized at cost and subsequently carried at the revalued amounts, in line with Law N. 576 of December 2, 1975, Law N. 72 of March 19, 1983 and Law N. 413 of December 30, 1991.

Depreciation is calculated using the straight-line method, at the annual rate of 3% for buildings, 12% for furniture and 15% or 25% for equipment, 20% for computers and 33% for intangible assets (software licenses).

Maintenance expenses are charged to the Statement of revenue and expenses as incurred. The following reflects the changes in fixed assets and in accumulated depreciation for the year ending June 30, 2025:

Fixed assets

	Land	Buildings	Furniture & Equipment	Total
30-Jun-23	102,681	7,878,311	4,684,107	12,665,098
Additions	-	3,162,055	285,336	3,447,391
30-Jun-24	102,681	11,040,365	4,969,443	16,112,490
Additions	-	2,233,689	265,304	2,498,993
30-Jun-25	102,681	13,274,054	5,234,747	18,611,483

The additions in 2024/2025 school year are in the amount of €2,498,993, being the main categories the following:

The school proudly inaugurated the Middle School Commons at the start of the school year. The amount invested during this school year is €584,482, with a total amount of €4,008,059 construction cost. The school bought new classroom furniture for this building in the amount of €56,944.

The new Performance Centre, inaugurated one year ago, has been now used for several art performances, concerts and school classes, improving our school top-quality Art programs. During the year 2024/2025 the school invested an additional amount of €139,095, totalling €1,541,484 construction cost.

The new Sport Fields: during this school year, the school invested €1,372,252. The fields were finished by the end of November 2024.

The Performance Centre and the Middle School Commons were part of the so-called Piano Casa Project, together with the new Sport Fields project. This significant improvement on our school's facilities enhanced student learning and overall programs.

Other capital projects for the year ending June 30, 2025 include the start phase of the new Walkway (€42,700) and the restructuring of the ground floor of the Villa (€95,160).

The school continued to invest in new monitors BenQ, buying one smart monitor for each classroom (€45,970),

Other projects include improvements in Security Infrastructure (€70,495), technology projects for classrooms and new pieces of furniture for the Middle School Commons.

Accumulated depreciation

	Land	Buildings	Furniture & Equipment	Total
30-Jun-23	-	3,413,096	4,286,810	7,699,906
Additions	-	197,555	156,382	353,937
30-Jun-24	-	3,610,650	4,443,192	8,053,842
Additions	-	281,982	164,687	446,668
30-Jun-25	-	3,892,632	4,607,878	8,500,510

6. Accounts payable and accrued liabilities

Accounts Payable are stated at their nominal value. Provisions are accounted for when a potential liability related to a prior event is considered probable and can be estimated. In relation to contingent tax matters, a provision is accounted for when the school receives a tax assessment from the Tax Authority for the entire amount requested (including penalties and interest), while for uncertain tax positions over subsequent years, a best estimate is accrued.

This caption includes payables to AOSR's suppliers in the amount of €316,054 (€455,192 as of June 30, 2024), for invoices to be paid, or those not yet received, at the end of the fiscal year. In addition, this caption includes accrued payables to personnel in the amount of €1,277,222 (€1,364,536 at June 30, 2024), related to July and August salaries paid in July of the subsequent fiscal year, recognized as 2024-2025 expenses and a provision of €1,416,660 (€1,449,539 at June 30 2024) related to fiscal and labor contingencies including related legal fees. The fiscal provision is related to the fact that the Italian Tax Authority has challenged the eligibility of AOSR to apply IRES (Italian Corporate Income Tax) at the reduced rate (50% of the ordinary rate – currently 24%; until 2017 it was 27.5%) provided for non-profit organizations.

During 2021 and 2022, AOSR received the tax assessments for the tax periods 2015, 2016 and 2017, respectively, from the Italian Tax Authority. A tax provision was accounted for when the school received the tax assessment from the Tax Authority for the entire amount requested (including penalties and interest), while for uncertain tax positions over subsequent years, a best estimate is accrued.

From fiscal year 2023-2024, the school started to calculate and pay the IRES tax at 100% of the ordinary rate (24% rate), following a conservative approach after the tax authorities dismissed the school's appeal in Court in relation to the tax period 2016-2017. During last school year 2024-2025, the school obtained a favourable judgement for year 2017-2018 school year. The school's management decided to keep a conservative approach, nevertheless the positive outcome, and continue to calculate IRES at 100% of the rate.

Other liabilities in total amounting to (€124,009), (€481,659 as of June 30, 2024), represent accrued liabilities of €141,745 and income tax payables of (€17,735).

7. Social security contributions

As of June 30, 2025, this caption amounts to €151,460 (€113,018 as of June 30, 2024) representing mainly social security contributions due for the month of June salaries, paid in July of the subsequent fiscal year.

8. Deferred revenue

The deferred revenue line item represents the remaining balance of past school's security grants, obtained from the United States Department of State some years ago, to improve the overall security of the school's premises. The funds are depreciated at the equivalent rate utilized for the related fixed assets. As of June 30, 2025, the line item amounts to €22,757 (€34,135 as of June 30, 2024). The decrease reflects the net result of the depreciation for the year ending June 30, 2025.

9. Reserve for termination indemnities

Italian law requires severance payments to be made to personnel upon termination of their employment. As of June 30, 2025, the reserve amounts to €211,253 (€222,083 as of June 30, 2024).

The reserve is classified as a non-current liability. The net yearly decrease amounts to €10,830 (€34,455 at June 30, 2024), and includes the total accrual for the year of €469,638 (€443,650 at June 30, 2024), the indemnities paid to departing personnel, including advances on the reserve for termination, equal to €356,689 (€359,820 at June 30, 2024) and the amount transferred to INPS equals to €123,605 (€118,256 at June 30, 2024).

10. Fund balance movements

Balance as of June 30, 2023	4,958,530
Additional share deposit	256
Net Income	1,077,718
Balance as of June 30, 2024	6,036,504
Additional share deposit	311
Net Income	807,220
Balance as of June 30, 2025	6,844,034

11. Income taxes

As both the Rome Branch of American Overseas School of Rome, Inc. and IVT S.R.L are located in Rome, Italy, the entities pay corporate income tax in Italy. Income taxes include the current tax expenses and deferred tax expenses.

For the year ending June 30, 2025, IVT is subject to State Income Tax (IRES, at a rate of 24%), and to Regional Tax on Productive Activities (IRAP, at a rate of 4.82%). AOSR is subject to State Income Tax (IRES, at a rate of 24%), and to the Regional Tax on Productive Activities (IRAP, at a rate of 4.82%).

Income before income taxes, and provision for income taxes, for the years ending June 30, 2025 and 2024, are reported as follows:

	June 30, 2025	June 30, 2024
Income Before Taxes	1,199,776	1,693,797
IRES Current	(308,464)	(477,477)
IRAP Current	(84,093)	(131,680)
IRES Deferred		(6,922)
IRAP Deferred		
Net Income	807,220	1,077,718

Deferred income taxes reflect the net tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

12. Consolidated Operating Expenses

	June 30, 2025	June 30, 2024
(Exhibit 1)		
Personnel		
Salaries and third parties	6,535,572	6,191,254
Social Charges	1,591,164	1,504,456
Provision for Termination Indemnities	469,638	443,850
Cafeteria	157,923	149,307
New Employee Expenditure	166,627	198,345
Professional Development	126,736	54,175
Other Personnel Costs	337,115	322,122
	9,384,775	8,863,508
Services		
Bus Service	934,460	945,224
Scholastic Activities	232,141	217,358
Professional Services	311,305	348,213
Utilities and Communications	309,677	280,624
Maintenance Expenses	372,209	315,543

Leases and Rentals	110,693	71,537
Advertising and Promotion	58,197	29,261
General and Administration	519,948	433,237
	2,848,630	2,640,996
Materials and Supplies		
Instructional	265,725	220,346
Library, Audiovisual and Subscriptions	143,740	102,365
Office Supplies	11,257	7,660
Cleaning and Sanitary	62,081	57,596
	482,802	387,967
Other		
Depreciation and Amortization	485,983	400,767
Taxes (Property tax & other)	111,131	107,769
Other Expenses (Revenues)	6,936	17,080
	604,050	525,615
Total Operating Expenses	13,320,258	12,418,087

Salaries and third parties: This line includes the total salaries for all school personnel as well as amounts paid to substitutes for absent teachers.

Social Charges: This line includes social charges and mandatory insurance (INAIL) paid to Italian and US Social Security.

Provision for Termination Indemnities: In accordance with Italian labor law, this line includes provisions for severance payments for all employees due upon the termination date of employment.

Cafeteria: As the Companies offer a fringe benefit to all employees for a subsidized lunch service, this line includes the amount paid to the catering company for this service.

New Employee Expenditure: The line includes all the expenses for hiring the new personnel and the costs of departing teachers at the end of the year.

Professional Development: This line includes registration fees, hotel and travel expenses for participants of professional development training and courses, as well as the cost of consultants for in-house conferences.

Other Personnel Costs: This line includes compensation fees paid for extracurricular activities, such as After School Activities personnel, coaches, referees, etc. This line increased as the school increased its activities due to less covid restrictions compared to prior year.

Services

Bus Service: This line includes the total expenses paid to the bus companies that provide scholastic transportation services to the school's students and staff. By the comparison of the related revenue line, the bus activity is essentially at breakeven.

Scholastic Activities: This line includes all expenses, net student participation contributions received, for additional activities such as the After School Activities program, Model UN, field trips and sports trips, summer camps, etc. The line

shows an increase due to the significant higher amount spent on school and sports trips this year compared to last few years due to covid restrictions.

Professional Services: This line includes fees for the annual financial statement audit, consultants, engineers, attorneys, etc.

Utilities and Communications: This line includes expenses for utilities such as water, electricity, gas and heating, as well as the internet connection and telephone system.

Maintenance Expenses: This line includes expenses for maintenance to the buildings, grounds and equipment as well as the sports fields and landscaping.

Leases and Rentals: Expenses included in the line are rental fees for the property, as well as photocopy machine rentals and other leases for technology.

Advertising and Marketing: This line includes costs for advertising efforts such as online and print advertisements, social media campaigns and print materials.

General and Administration: This line includes primarily insurance, security expenses, public relations and expenses for cars and vans.

Materials and Supplies

Instructional: This line includes expenses for textbooks, consumables and all materials used in class, along with costs for AP, IB and Italian state exams.

Library, Audiovisual and Subscriptions: This line includes costs for library books and materials and academic subscriptions.

Office Supplies: This line includes costs for stationary, printing and photocopying costs for faculty and staff.

Cleaning and Sanitary: This line includes costs for cleaning supplies and supplies for the nurse's office.

Other

Depreciation and Amortization: This line includes costs for depreciation of fixed assets and amortization of software licenses.

Taxes: This line includes the waste collection tax (AMA), property tax (IMU) and other taxes regulated by Italian law (such as TASI).

Other Expenses (Revenues): this line mostly includes the exchange rate difference Euro/US Dollar generated by the US bank balance's adjustment at the end of June 2023 and the bad debt reserve accrued for a potential uncollectible receivable.

