

Somaly Mam Foundation Statement to Accompany Audited Financial Reports For the Year Ended December 31, 2011

The audited financial statements for the year ended 12/31/2011 reflect a deficit of (\$1,140,000). This information below details the events leading up to the deficit, steps taken to correct the situation, and provides an update on the current finances of the foundation.

Subsequent to FY2011, The foundation was successful in raising large sums of funds and, consequently, expanded capacity with the goal of creating opportunities for survivors through our empowerment program. Significant infrastructures were created both in Cambodia and the US. In FY2011, it was quickly recognized, that significant financial and human resources were needed to support our large infrastructure and that projected revenue was overstated and would not be sufficient to maintain the full scope of operations.

As a result, the decision was made to re-evaluate the organizational strategy and to downsize in an effort to cut costs and redirect resources to direct programming. The downsizing resulted in the termination of some new business activities, the elimination of the micro-financing programs in Cambodia, and the downsizing of U.S. Operations. It was determined that it is more efficient to manage these activities through partnerships.

Somaly Mam Foundation has further taken action to stabilize the finances by developing strong internal controls around financial matters including expenses. Accountants with not for profit experience have been retained to oversee all finances and provide timely financial reports.

The fiscal year ended December 31, 2012 audit will begin soon. The unaudited FY2012 financials report a surplus of \$407K and total unrestricted net assets of \$1.2M.

As present the foundation expects that FY2013 will have a modest surplus. Cash on hand as of April is \$555k. We believe that the necessary steps have been taken to ensure the continued financial wellbeing of the Foundation and its programming.