



**OPEN WEB APPLICATION SECURITY PROJECT
FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

WITH INDEPENDENT AUDITORS' REPORT THEREON

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Open Web Application Security Project Foundation, Inc.
Columbia, Maryland

We have audited the accompanying statement of financial position of Open Web Application Security Project Foundation, Inc., as of December 31, 2010, and the related statements of unrestricted revenues and expenses and change in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Open Web Application Security Project Foundation, Inc., as of December 31, 2010, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

T.R. Klein & Company

July 21, 2011

Members

American Institute of Certified Public Accountants

Maryland Association of Certified Public Accountants



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FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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July 21, 2011

OPEN WEB APPLICATION SECURITY PROJECT FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

ASSETS

Cash and cash equivalents	\$	383,094
Contributions Receivable		37,141
Prepaid expenses		11,065
Property and equipment - net		<u>6,048</u>
Total assets		<u><u>437,348</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses		14,648
Due to local chapters		120,381
Deferred Revenue		<u>1,942</u>
Total liabilities		<u><u>136,971</u></u>
Net assets -		
Unrestricted		<u>300,377</u>
Total net assets		<u><u>300,377</u></u>
Total liabilities and net assets	\$	<u><u>437,348</u></u>

The accompanying notes are an integral part of these financial statements.

OPEN WEB APPLICATION SECURITY PROJECT FOUNDATION, INC.

STATEMENT OF UNRESTRICTED REVENUES AND EXPENSES AND CHANGE IN NET ASSETS

YEAR ENDED DECEMBER 31, 2010

Revenues, gains, and other support:	
Contributions - memberships and other	\$ 194,374
Conference revenue	682,493
Interest and other	<u>2,131</u>
Total revenues, gains and other support	<u>878,998</u>
Expenses:	
Program service	720,415
Supporting services - Management, general and fund raising	<u>54,266</u>
Total expenses	<u>774,681</u>
Change in net assets	104,317
Net assets - beginning of year	<u>196,060</u>
Net assets - end of year	<u>\$ 300,377</u>

OPEN WEB APPLICATION SECURITY PROJECT FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010

Cash flows from operating activities:	
Change in net assets	\$ 104,317
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,969
Increase in:	
Contributions receivable	(19,170)
Prepaid expenses	(11,065)
Increase (decrease) in:	
Accounts payable	(8,546)
Due to local chapters	82,746
Deferred Revenues	1,942
	<hr/>
Net cash provided by operating activities	152,193
	<hr/>
Cash flows from investing activities -	
Capital expenditures	(4,854)
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Net cash used in investing activities	(4,854)
	<hr/>
Net increase in cash and cash equivalents	147,339
Cash and cash equivalents - beginning of year	235,756
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Cash and cash equivalents - end of year	\$ 383,094
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

OPEN WEB APPLICATION SECURITY PROJECT FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010

	Program Services	Supporting Services Management, General and Fund Raising	Total
Payroll and payroll related expenses	\$ 69,449	\$ 31,435	\$ 100,884
Professional fees	36,525	4,021	40,546
Program expense	23,325	-	23,325
Travel	7,151	170	7,321
Conference expenses	542,185	-	542,185
Rent expense	7,435	3,365	10,800
Postage and delivery	11,071	5,011	16,082
Internet and telephone	15,154	6,859	22,013
Other	6,765	2,791	9,556
Depreciation	1,355	614	1,969
	<u>\$ 720,415</u>	<u>\$ 54,266</u>	<u>\$ 774,681</u>

The accompanying notes are an integral part of these financial statements.

OPEN WEB APPLICATION SECURITY PROJECT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies

Nature of Organization

The Open Web Application Security Project Foundation, Inc. (OWASP) is an open community dedicated to enabling organizations to develop, purchase, and maintain applications that can be trusted. All of the OWASP tools, documents, forums, and chapters are free and open to anyone interested in improving application security. We advocate approaching application security as a people, process, and technology problem because the most effective approaches to application security include improvements in all these areas. We can be found at www.owasp.org.

OWASP is a new kind of organization. Our freedom from commercial pressures allows us to provide unbiased, practical, cost-effective information about application security. OWASP is not affiliated with any technology company, although we support the informed use of commercial security technology. Similar to many open-source software projects, OWASP produces many types of materials in a collaborative, open way. The OWASP Foundation is a not-for-profit entity that ensures the project's long-term success.

Contributions and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions. Governmental grant awards are classified as refundable advances until expended for the purpose of the grants since they are conditional promises to give.

Donated Services

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The donated services do not meet the criteria to be recorded in the financial statements.

OPEN WEB APPLICATION SECURITY PROJECT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

The Organization capitalizes substantial expenditures for property and equipment having a useful life of three (3) or more years. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful life of three (3) years using the straight-line method. The Organization uses the direct expensing method to account for planned major maintenance activities.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash equivalents to include all highly liquid debt instruments with original maturities of three (3) months or less.

Accounts Receivable

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are believed to be uncollectible by the time the financial statements are issued. Accounting principles generally accepted in the United States of America (GAAP) requires the allowance method for accounting for bad debts, but the differences between the two methods is immaterial.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates applicable to the rate and circumstances applicable to each of the promises to give. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

OPEN WEB APPLICATION SECURITY PROJECT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2 - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

The Internal Revenue Service has not examined (audited) any of the Organization's income tax returns thus the previous three years are subject to examination. The Organization has not taken any questionable tax positions with respect to unrelated business income tax or anything that would jeopardize its 501(c)(3) status.

3 - Property and Equipment

Property and equipment consisted of the following at December 31, 2010:

Property and equipment	\$ 11,510
Less accumulated depreciation	<u>5,462</u>
	<u>\$ 6,048</u>

4 - Functional Expenses

Management and general expenses include an immaterial amount of fundraising expenses.

5 - Related Party Transaction

Systems administration, accounting, and support are provided by Aspect Security, Inc. The Board president and treasurer are the owners of Aspect Security, Inc. The fees paid for the services were \$ 43,332 for 2010.

Aspect Security, Inc. also rents office space to the Organization. It is on a month-to-month basis at \$ 900 a month. Total rental expense was \$ 10,800 for 2010.

6 - Use of Estimates in Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets 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 those estimates.

OPEN WEB APPLICATION SECURITY PROJECT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7 - Contributions Receivable

Contributions receivable consist of unconditional promises to give all due within one year.

8 - Subsequent Events

GAAP requires organizations to evaluate events and transactions that occur after the statement of financial position date but before the date the financial statements are available to be issued. GAAP requires entities to recognize in the financial statements the effect of all events or transactions that provide additional evidence of conditions that existed at the statement of financial position date, including the estimates inherent in the financial preparation process. Subsequent events that provide evidence about conditions that arose after the statement of financial position date should be disclosed if the financial statements would otherwise be misleading. The Organization has evaluated subsequent events through the date the financial statements were available to be issued on July 21, 2011, and determined there are no material transactions to disclose.