

OPEN WEB APPLICATION SECURITY PROJECT FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

WITH INDEPENDENT AUDITORS' REPORT THEREON

OPEN WEB APPLICATION SECURITY PROJECT FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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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, 2007, and the related statements of unrestricted revenues and expenses and change in net assets and cash flows 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, 2007, 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

June 16, 2008

Members

American Institute of Certified Public Accountants

Maryland Association of Certified Public Accountants

OPEN WEB APPLICATION SECURITY PROJECT FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2007

ASSETS

Cash and cash equivalents	\$ 400,653
Accounts receivable	28,978
Property and equipment - net	<u>1,529</u>
Total assets	<u>431,160</u>

LIABILITIES AND NET ASSETS

Accounts payable	<u>47,635</u>
Total liabilities	<u>47,635</u>
Net assets - Unrestricted - available for general activities	<u>383,525</u>
Total net assets	<u>383,525</u>
Total liabilities and net assets	<u>\$ 431,160</u>

OPEN WEB APPLICATION SECURITY PROJECT FOUNDATION, INC.

**STATEMENT OF UNRESTRICTED REVENUES AND EXPENSES
AND CHANGE IN NET ASSETS**

YEAR ENDED DECEMBER 31, 2007

Revenues, gains and other support:	
Contributions	\$ 500
Memberships	149,141
Program service revenue	371,106
Interest and other	<u>9,232</u>
Total revenues, gains and other support	<u>529,979</u>
Expenses:	
Program services	321,024
Supporting services - Management and general	<u>20,711</u>
Total expenses	<u>341,735</u>
Change in net assets	188,244
Net assets - beginning of year	<u>195,281</u>
Net assets - end of year	<u>\$ 383,525</u>

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

OPEN WEB APPLICATION SECURITY PROJECT FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2007

Cash flows from operating activities:	
Change in net assets	\$ 188,244
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	10,306
Increase in accounts receivable	(25,978)
Increase in accounts payable	<u>47,634</u>
Net cash provided by operating activities	<u>220,206</u>
Cash flows from investing activities - Capital expenditures	<u>(1,835)</u>
Net cash used in investing activities	<u>(1,835)</u>
Net increase in cash and cash equivalents	218,371
Cash and cash equivalents - beginning of year	<u>182,281</u>
Cash and cash equivalents - end of year	<u>\$ 400,653</u>

OPEN WEB APPLICATION SECURITY PROJECT FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2007

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>
Payroll and payroll related	\$ 2,594	\$ 2,594	\$ 5,188
Professional fees	13,583	12,036	25,619
Program expense	76,750	--	76,750
Travel	4,104	800	4,904
Conference expenses	202,918	--	202,918
Other	10,769	5,281	16,050
Depreciation	10,306	--	10,306
	<u>\$ 321,024</u>	<u>\$ 20,711</u>	<u>\$ 341,735</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.

Statement of Cash Flows

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.

Membership Dues

Membership dues are recognized as revenue during the applicable membership period.

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.

OPEN WEB APPLICATION SECURITY PROJECT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3 - Property and Equipment

Property and equipment consisted of the following at December 31, 2007:

Property and equipment	\$ 2,179
Less accumulated depreciation	<u>650</u>
	<u>\$ 1,529</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 \$ 24,819 for 2007.

6 - Use of Estimates in Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.