



**THE OWASP FOUNDATION, INC.  
AND AFFILIATE**

**COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

**THE OWASP FOUNDATION, INC.  
AND AFFILIATE**

**CONTENTS  
DECEMBER 31, 2013**

|   | <b><u>PAGES</u></b> |
|---|---------------------|
| <b>INDEPENDENT AUDITOR'S REPORT .....</b>                       | <b>1</b>            |
| <b>COMBINED FINANCIAL STATEMENTS:</b>                           |                     |
| Combined Statement of Financial Position .....                  | 2                   |
| Combined Statement of Activities and Changes in Net Assets..... | 3                   |
| Combined Statement of Cash Flows .....                          | 4                   |
| Notes to Combined Financial Statements .....                    | 5 - 9               |



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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
The OWASP Foundation, Inc. and Affiliate:

**Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of The OWASP Foundation, Inc. (a Delaware corporation, not for profit) and Affiliate, which comprise the combined statement of financial position as of December 31, 2013, and the related combined statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the combined financial statements.

**Management's Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of The OWASP Foundation, Inc. and Affiliate as of December 31, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Alexander, Aronson, Finning & Co., P.C.*

Boston, Massachusetts  
October 31, 2014

**THE OWASP FOUNDATION, INC.  
AND AFFILIATE**

**COMBINED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2013**

**ASSETS**

**CURRENT ASSETS:**

|                     |                |
|---------------------|----------------|
| Cash                | \$ 447,883     |
| Accounts receivable | 98,466         |
| Prepaid expenses    | <u>142,504</u> |

Total current assets 688,853

**PROPERTY AND EQUIPMENT, net** 6,727

Total assets \$ 695,580

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

|                  |               |
|------------------|---------------|
| Accounts payable | \$ 85,082     |
| Accrued expenses | 23,033        |
| Deferred revenue | <u>48,564</u> |

Total current liabilities 156,679

**NET ASSETS:**

|  |              |
|--|--------------|
| Unrestricted:  |              |
| Operating  | 257,077      |
| Property and equipment   | 6,727        |
| Cumulative adjustment for foreign currency<br>translation adjustment | <u>1,203</u> |

Total unrestricted 265,007

Temporarily restricted 273,894

Total net assets 538,901

Total liabilities and net assets \$ 695,580

*The accompanying notes are an integral part of these combined statements.*

**THE OWASP FOUNDATION, INC.  
AND AFFILIATE**

**COMBINED STATEMENT OF ACTIVITIES  
AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | <u>UNRESTRICTED</u> | <u>TEMPORARILY<br/>RESTRICTED</u> | <u>TOTAL</u>      |
|---|---------------------|-----------------------------------|-------------------|
| <b>OPERATING REVENUE AND SUPPORT:</b>   |                     |                                   |                   |
| Conference                              | \$ 1,727,221        | \$ -                              | \$ 1,727,221      |
| Membership fees                         | 286,167             | 115,012                           | 401,179           |
| Donated services                        | 86,076              | -                                 | 86,076            |
| Interest and other                      | 32,916              | -                                 | 32,916            |
| Contributions and grants                | 9,140               | 48,941                            | 58,081            |
| Net assets released from restrictions:  |                     |                                   |                   |
| Satisfaction of purpose restrictions    | 91,668              | (91,668)                          | -                 |
|   | <u>2,233,188</u>    | <u>72,285</u>                     | <u>2,305,473</u>  |
| Total operating revenue and support     |                     |                                   |                   |
| <b>OPERATING EXPENSES:</b>              |                     |                                   |                   |
| Personnel and related:                  |                     |                                   |                   |
| Salaries                                | 263,735             | -                                 | 263,735           |
| Payroll taxes and fringe benefits       | 32,782              | -                                 | 32,782            |
|   | <u>296,517</u>      | <u>-</u>                          | <u>296,517</u>    |
| Total personnel and related             |                     |                                   |                   |
| Conference                              | 1,428,987           | -                                 | 1,428,987         |
| Marketing                               | 123,351             | -                                 | 123,351           |
| Chapter                                 | 116,931             | -                                 | 116,931           |
| Office supplies and expenses            | 100,093             | -                                 | 100,093           |
| Travel and entertainment                | 51,807              | -                                 | 51,807            |
| Professional fees                       | 39,679              | -                                 | 39,679            |
| Registrations                           | 21,363              | -                                 | 21,363            |
| Miscellaneous                           | 13,412              | -                                 | 13,412            |
| Insurance                               | 7,739               | -                                 | 7,739             |
| Bank charges                            | 5,775               | -                                 | 5,775             |
| Depreciation                            | 3,879               | -                                 | 3,879             |
|   | <u>2,209,533</u>    | <u>-</u>                          | <u>2,209,533</u>  |
| Total operating expenses                |                     |                                   |                   |
| Changes in net assets from operations   | 23,655              | 72,285                            | 95,940            |
| <b>NON-OPERATING REVENUE:</b>           |                     |                                   |                   |
| Foreign currency translation adjustment | 1,203               | -                                 | 1,203             |
|   | <u>24,858</u>       | <u>72,285</u>                     | <u>97,143</u>     |
| Changes in net assets                   |                     |                                   |                   |
| <b>NET ASSETS, beginning of year</b>    | <u>240,149</u>      | <u>201,609</u>                    | <u>441,758</u>    |
| <b>NET ASSETS, end of year</b>          | <u>\$ 265,007</u>   | <u>\$ 273,894</u>                 | <u>\$ 538,901</u> |

*The accompanying notes are an integral part of these combined statements.*

**THE OWASP FOUNDATION, INC.  
AND AFFILIATE**

**COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|  |                          |
|--|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                          |
| Changes in net assets  | \$ 97,143                |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: |                          |
| Depreciation   | 3,879                    |
| Foreign currency translation adjustment  | (1,203)                  |
| Changes in operating assets and liabilities:   |                          |
| Accounts receivable  | (43,832)                 |
| Prepaid expenses   | (29,227)                 |
| Accounts payable   | 39,791                   |
| Accrued expenses   | 20,578                   |
| Deferred revenue   | <u>48,564</u>            |
| Net cash provided by operating activities  | 135,693                  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                          |
| Acquisition of property and equipment  | (5,088)                  |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>   | <u>1,203</u>             |
| <b>NET INCREASE IN CASH</b>  | 131,808                  |
| <b>CASH, beginning of year</b>   | <u>316,075</u>           |
| <b>CASH, end of year</b>   | <u><u>\$ 447,883</u></u> |

*The accompanying notes are an integral part of these combined statements.*

**THE OWASP FOUNDATION, INC.  
AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**

**OPERATIONS AND NONPROFIT STATUS**

The OWASP Foundation, Inc. (OWASP) is a not-for-profit entity that is an open community dedicated to enabling organizations to develop, purchase, and maintain software applications that can be trusted. All of OWASP's tools, documents, forums, and chapters are free and open to anyone interested in improving application security. OWASP advocates approaching application security as a people, process, and technology problem because the most effective approaches to application security include improvements in all these areas.

OWASP is a new kind of organization. Freedom from commercial pressures allows OWASP to provide unbiased, practical, cost effective information about application security. OWASP is not affiliated with any technology company, although OWASP supports 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.

OWASP Europe VZW (the Affiliate) is a Belgian not-for-profit organization established to organize knowledge-sharing activities and undertake activities that directly or indirectly contribute to the achievement of OWASP's aims. OWASP and Affiliate (collectively, the Foundation) are affiliates through common Board of Directors.

OWASP is exempt from Federal income taxes as a foundation (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). OWASP is also exempt from state income taxes. Donors may deduct contributions made to OWASP within IRC requirements.

**SIGNIFICANT ACCOUNTING POLICIES**

The Foundation prepares its combined financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

**Basis of Presentation**

The combined financial statements include the accounts of OWASP and its Affiliate. All material intercompany accounts and transactions have been eliminated.

**Accounts Receivable**

Accounts receivable are carried at the original invoice amount less an estimate of doubtful receivables. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as revenue when received.

**Allowance for Doubtful Accounts**

An allowance for potentially uncollectible accounts receivable is provided based upon management's assessment of potential defaults. This assessment includes such factors as collection history and type of receivable. No allowance was deemed necessary as of December 31, 2013.

**THE OWASP FOUNDATION, INC.  
AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)**

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at fair value at the time of donation. Renewals and betterments with an expected life greater than one year are capitalized, while repairs and maintenance are expensed as incurred.

Property and equipment are depreciated using the straight-line basis over estimated useful lives of three years and consist of the following as of December 31, 2013:

|                                 |                 |
|---------------------------------|-----------------|
| Website                         | \$30,000        |
| Equipment                       | <u>24,156</u>   |
|                                 | 54,156          |
| Less - accumulated depreciation | <u>47,429</u>   |
|                                 | <u>\$ 6,727</u> |

Net Assets

**Unrestricted Net Assets**

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Foundation. The Foundation has grouped its unrestricted net assets into the following categories:

**Operating Net Assets** represent funds available to carry on the operations of the Foundation.

**Property and Equipment Net Assets** represent the net book value of the Foundation's property and equipment.

**Cumulative Adjustment for Foreign Currency Translation Adjustment Net Assets** represent the cumulative effect of translating the Affiliate's financial activities and position into the Foundation's reporting currency (U.S. dollars).

**Temporarily Restricted Net Assets**

Temporarily restricted net assets represent funds contributed by donors for specific purposes or time periods. When a stipulated time restriction ends, or a purpose restriction is accomplished, temporarily restricted funds are reclassified to unrestricted net assets and are reflected as net assets released from restrictions in the accompanying combined statement of activities and changes in net assets. All temporarily restricted net assets as of December 31, 2013, are purpose restricted.



**THE OWASP FOUNDATION, INC.  
AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)**

**(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition

Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed.

The Foundation receives membership fees from various members and registrations for various events and conferences. Membership fees are recognized as revenue on the membership start date each year. Conference revenue is recognized when the conference occurs. Deferred revenue in the accompanying combined statement of financial position consists of event registration fees paid in advance.

Foreign Currency Translation

The financial activity of the Affiliate are translated in accordance with the provisions of the ASC Topic, *Foreign Currency Matters*. Under these provisions, current assets and liabilities of the Affiliate are translated into U.S. dollars at year-end exchange rates. Property and equipment are translated at the exchange rate in effect at acquisition. Revenue and expenses are translated at the average rates in effect during the year. Translation effects are shown within non-operating section of the combined statement of activities and changes in net assets.

Donated Services

Donated services are recorded based on pro-bono invoices or statements submitted from the relevant service providers. The Foundation received donated services totaling \$86,076 for the year ended December 31, 2013. These expenses are included in marketing and office supplies and expenses in the accompanying combined statement of activities and changes in net assets.

Expense Allocations

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Total expenses are comprised of the following for the year ended December 31, 2013:

|                            |                    |
|----------------------------|--------------------|
| Program expenses           | \$1,907,467        |
| General and administrative | 151,676            |
| Fundraising                | <u>150,390</u>     |
| Total                      | <u>\$2,209,533</u> |

Chapter expenses of \$116,931 included in the accompanying combined statement of activities and changes in net assets consist of reimbursements to members for travel, meals and entertainment for the year ended December 31, 2013.

**THE OWASP FOUNDATION, INC.  
AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

(Continued)

**(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Estimates

The preparation of combined financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Fair Value Measurements

ASC Topic *Fair Value Measurements* establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. The Foundation has determined that none of its financial or nonfinancial assets or liabilities is measured at fair value, therefore the disclosure requirements do not currently apply.

Income Taxes

The Foundation accounts for uncertainty in income taxes in accordance with ASC Topic *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statement regarding a tax position taken or expected to be taken in a tax return. The Foundation has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at December 31, 2013. The Foundation's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Subsequent Events

Subsequent events have been evaluated through October 31, 2014, which is the date the combined financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combined financial statements.

**(2) CONCENTRATIONS**

Credit Risk

The Foundation maintains cash balances in United States banks. At certain times during the year, the cash balances in some of the accounts exceed the maximum amount of insurance provided by the Federal Deposit Insurance Corporation. The Foundation has not experienced any losses in such accounts. The Foundation also maintains one bank account in euros that had a balance totaling \$67,802 as of December 31, 2013.

**THE OWASP FOUNDATION, INC.  
AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)**

**(2) CONCENTRATIONS (Continued)**

Economic Dependency

At December 31, 2013, 36% of accounts receivable were due from two companies.

At December 31, 2013, 75% of operating revenue is from the annual conference.

Net Assets in Foreign Countries

Net assets in Europe of \$233,755 are included in the accompanying combined statement of financial position as of December 31, 2013.

**(3) CONTINGENCY**

In the ordinary course of business, the Foundation is from time to time a party to various claims and lawsuits. If management determines, based on the underlying facts and circumstances, that it is probable a loss will result from a litigation contingency and the amount of the loss can be reasonably estimated, the estimated loss is accrued for. Management does not expect any adverse financial impact from open litigation matters occurring in the normal course of business as of December 31, 2013.