

THE OWASP FOUNDATION, INC. AND AFFILIATE
COMBINED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2022

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Independent Auditors' Report

Board of Directors
The OWASP Foundation, Inc. and Affiliate
Wakefield, Massachusetts

Opinion

We have audited the accompanying combined financial statements of The OWASP Foundation, Inc. and Affiliate (a not-for-profit organization), which comprise the combined statement of financial position as of December 31, 2022, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The OWASP Foundation, Inc. and Affiliate as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of The OWASP Foundation, Inc. and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The OWASP Foundation, Inc. and Affiliate's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- 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 OWASP Foundation, Inc. and Affiliate' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The OWASP Foundation, Inc. and Affiliate' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

 Anders Minkler Huber & Helms LLP

March 1, 2024

**The OWASP Foundation, Inc. and Affiliate
Combined Statement of Financial Position
December 31, 2022**

Assets

| | |
|---------------------------|-------------------------|
| Current Assets | |
| Cash and cash equivalents | \$ 2,783,533 |
| Accounts receivable | 38,114 |
| Prepaid expenses | <u>95,623</u> |
| Total Current Assets | <u>2,917,270</u> |
| Total Assets | <u>\$ 2,917,270</u> |

Liabilities and Net Assets

| | |
|--------------------------------------|-------------------------|
| Current Liabilities | |
| Accounts payable | \$ 733,932 |
| Deferred revenue | <u>113,669</u> |
| Total Current Liabilities | <u>847,601</u> |
| Net Assets | |
| Without donor restrictions | <u>2,069,669</u> |
| Total Net Assets | <u>2,069,669</u> |
| Total Liabilities and Net Assets | <u>\$ 2,917,270</u> |

**The OWASP Foundation, Inc. and Affiliate
Combined Statement of Activities
Year Ended December 31, 2022**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|--------------|
| Revenue, Gains and Other Support | | | |
| Conferences | \$ 1,836,789 | \$ - | \$ 1,836,789 |
| Membership fees | 276,176 | 683,250 | 959,426 |
| Contributions | 67,031 | 117,800 | 184,831 |
| Other | 55,580 | - | 55,580 |
| Satisfaction of time and usage restrictions | 869,363 | (869,363) | - |
| Total Revenues, Gains and Other Support | 3,104,939 | (68,313) | 3,036,626 |
| Expenses | | | |
| Program Services | 1,791,180 | - | 1,791,180 |
| Supporting Activities | | | |
| Management and general | 335,846 | - | 335,846 |
| Membership retention | 111,949 | - | 111,949 |
| Total Supporting Activities | 447,795 | - | 447,795 |
| Total Expenses | 2,238,975 | - | 2,238,975 |
| Change in Net Assets | 865,964 | (68,313) | 797,651 |
| Net Assets, Beginning of Year | 1,203,705 | 68,313 | 1,272,018 |
| Net Assets, End of Year | \$ 2,069,669 | \$ - | \$ 2,069,669 |

**The OWASP Foundation, Inc. and Affiliate
Combined Statement of Functional Expenses
Year Ended December 31, 2022**

| | <u>Supporting Activities</u> | | | <u>Total Supporting Services</u> | <u>Total Expenses</u> |
|-------------------------------------|------------------------------|-----------------------------------|---------------------------------|--|---------------------------|
| | <u>Program Services</u> | <u>Management and general</u> | <u>Membership retention</u> | | |
| Salaries and Related Expenses | | | | | |
| Salaries | \$ 492,045 | \$ 92,258 | \$ 30,753 | \$ 123,011 | \$ 615,056 |
| Payroll taxes and benefits | <u>164,740</u> | <u>30,889</u> | <u>10,296</u> | <u>41,185</u> | <u>205,925</u> |
| Total Salaries and Related Expenses | 656,785 | 123,147 | 41,049 | 164,196 | 820,981 |
| Other Expenses | | | | | |
| Conferences | 667,103 | 125,082 | 41,694 | 166,776 | 833,879 |
| Professional fees | 144,330 | 27,062 | 9,020 | 36,082 | 180,412 |
| Local chapter expenses | 75,871 | 14,226 | 4,742 | 18,968 | 94,839 |
| Software and website | 49,406 | 9,264 | 3,088 | 12,352 | 61,758 |
| Project expenses | 49,315 | 9,247 | 3,082 | 12,329 | 61,644 |
| Travel | 44,798 | 8,399 | 2,800 | 11,199 | 55,997 |
| Chapter outreach | 33,361 | 6,255 | 2,085 | 8,340 | 41,701 |
| Bank service charges | 26,378 | 4,946 | 1,648 | 6,594 | 32,972 |
| Training | 16,185 | 3,034 | 1,012 | 4,046 | 20,231 |
| Insurance | 7,258 | 1,361 | 454 | 1,815 | 9,073 |
| Supplies and materials | 6,410 | 1,202 | 401 | 1,603 | 8,013 |
| Associate expenses | 6,156 | 1,154 | 385 | 1,539 | 7,695 |
| Telephone and postage | 5,886 | 1,104 | 368 | 1,472 | 7,358 |
| Marketing and merchandise | <u>1,938</u> | <u>363</u> | <u>121</u> | <u>484</u> | <u>2,422</u> |
| Total Expenses | <u>\$ 1,791,180</u> | <u>\$ 335,846</u> | <u>\$ 111,949</u> | <u>\$ 447,795</u> | <u>\$ 2,238,975</u> |

**The OWASP Foundation, Inc. and Affiliate
Combined Statement of Cash Flows
Year Ended December 31, 2022**

| | |
|--|---------------------|
| Cash Flows From Operating Activities | |
| Change in net assets | \$ 797,651 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | |
| (Increase) decrease in assets: | |
| Accounts receivable | 125,525 |
| Prepaid expenses | (45,790) |
| Increase (decrease) in liabilities: | |
| Accounts payable | 676,370 |
| Deferred revenue | <u>(325,050)</u> |
| Net Cash Provided By Operating Activities | <u>1,228,706</u> |
| Net Increase in Cash and Cash Equivalents | 1,228,706 |
| Cash and Cash Equivalents, Beginning of Year | <u>1,554,827</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 2,783,533</u> |

The OWASP Foundation, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2022

1. Nature of Operations and Basis of Presentation

Organization

The OWASP Foundation, Inc. and Affiliate ("OWASP", or the "Foundation") is a not-for-profit organization that is an open community dedicated to enabling organizations to develop, purchase, and maintain software applications that can be trusted. All of the Foundation's tools, documents forums and chapters are free and open to anyone interested in improving application security. The Foundation 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.

The Foundation's European affiliate, 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 the Foundation's aims. The Foundation and the Affiliate (collectively, the "Organization") are affiliates through common Board of Directors.

Basis of Presentation

The accompanying combined financial statements have been prepared in accordance with the provisions of the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification (the "FASB ASC"), which is the source of authoritative, non-governmental accounting principles generally accepted in the United States of America ("GAAP"). All references to authoritative accounting guidance contained in our disclosures are based on the general accounting topics within the FASB ASC.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified into two categories of net assets, as applicable, and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. Board designated funds are established by the Board of Directors and represent net assets without donor restrictions that have been set aside for discretionary purposes.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may be satisfied by specific activities or the passage of time, or are required to be maintained in perpetuity by the Organization.

The OWASP Foundation, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2022

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

The Organization follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. The three general valuation techniques used to measure fair value are the market approach, cost approach, and income approach.

Cash and Cash Equivalents

The Organization considers all short-term investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Foreign Currency Translation

The financial activity of the Affiliate is translated in accordance with the provision of the ASC Topic 830, *Foreign Currency Matters*. Under these provisions, current assets and liability 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 an expense 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 next assets.

Accounts Receivable and Allowance for Doubtful Accounts

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.

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.

The OWASP Foundation, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2022

Property and Equipment

Purchased property and equipment are stated at cost. Major additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. Donated assets are recorded at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose or period of time. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss arising from such disposition is included as income or expense in the year of disposition.

Depreciation is computed using the straight line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the life of the related asset or the term of the lease.

The estimated lives for computing depreciation and amortization on property and equipment are:

| <u>Classification</u> | <u>Years</u> |
|-----------------------|--------------|
| Equipment | 3 - 5 |
| Website | 3 |

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended December 31, 2022.

Deferred Revenue

Deferred revenue consists of payments the Organization receives from members for annual membership dues, before revenue is recognized. This deferred revenue is removed when revenue is recognized. Changes in the deferred revenue balances during the year ended December 31, 2022 were not materially impacted by other factors.

The OWASP Foundation, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2022

Revenue Recognition

The Organization generally measures revenue for qualifying exchange transactions based on the amount of consideration the Foundation expects to be entitled for the transfer of goods or services to the customer, then recognized this revenue when or as the Organization satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance.

The Organization receives conference fees for registrations for various events and conferences. Conference revenue is recognized at a point in time when the conference occurs. Deferred revenue in the accompanying combined statement of financial position consists of event registration fees paid in advance that have not been earned as of December 31, 2022. Other revenue is recognized as earned.

In accordance with ASC Subtopic 958-605, Revenue Recognition, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barriers or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulation that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider the probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Membership fees do not have an intrinsic value benefit and are considered a donation. The Organization recognizes the revenue under ASC Subtopic 958-605 at the time of donation.

Contributions are recorded as revenue when received. Restricted contributions are recorded as net assets with donor restrictions when received. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed.

Support and Revenue

Contributions are recorded when received. All contributions are available for use unless specifically restricted by the donor. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with donor restrictions in which the restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying combined financial statements.

The OWASP Foundation, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2022

Donated Materials and Services (In Kind)

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Functional Expense Allocation

The costs of program services and supporting activities have been summarized on a functional basis in the combined statement of activities. The combined statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except on net income derived from unrelated business activities as defined in the Code. Accordingly, the Foundation files as a tax exempt organization.

The Foundation follows guidance issued by the FASB on accounting for income taxes and has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, and believes that no provision for income taxes is necessary to cover any uncertain tax positions. The Foundation's returns for tax years 2019 and later remain subject to examination by taxing authorities.

Subsequent Events

The Organization has evaluated subsequent events through March 1, 2024, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

Credit Losses on Financial Instruments

The FASB has issued new guidance on the presentation of financial assets measured at amortized cost. Such assets will be presented at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses will be based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amounts. The standard will also change the accounting for credit losses related to securities available for sale and purchased financial assets with a more-than-insignificant amount of credit deterioration since origination. The guidance will be required for the first fiscal year beginning after December 15, 2022. Based on a preliminary analysis, the Organization does not expect the new guidance to have a significant impact on its combined financial statements.

**The OWASP Foundation, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2022**

3. Property and Equipment

Property and equipment at December 31, 2022 is as follows:

| | |
|--|---------------|
| Equipment | \$ 40,863 |
| Website | <u>30,000</u> |
| | 70,863 |
| Less accumulated depreciation and amortization | <u>70,863</u> |
| | <u>\$ -</u> |

There was no depreciation expense for the year ended 2022.

4. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2022 reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations:

| | |
|---|---------------------|
| Cash and cash equivalents | \$ 2,783,533 |
| Accounts receivable | <u>38,114</u> |
| Financial Assets Available to Meet Cash Needs for Expenditures Within One Year | <u>\$ 2,821,647</u> |

5. Net Assets with Donor Restrictions

Net assets released from restrictions for the year ended December 31, 2022 are as follows:

| | |
|---|-------------------|
| Satisfaction of time and usage restrictions | <u>\$ 869,363</u> |
|---|-------------------|

6. Risks and Uncertainties

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents, and accounts receivable. The Foundation maintains its cash with one financial institution. Deposits at this bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2022, there were cash balances of \$2,142,997 in excess of federally insured limits at the bank. The Organization performs ongoing credit evaluations of its customers and maintains allowances, as needed, for potential credit losses. Although the Organization is directly affected by the financial stability of its customer base, management does not believe significant credit risk exists at December 31, 2022.