The MasterCard Foundation

Financial Statements
December 31, 2010
(expressed in thousands of US dollars)

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Independent Auditor's Report

To the Directors of
The MasterCard Foundation

We have audited the accompanying financial statements of The MasterCard Foundation, which comprise the statement of financial position as at December 31, 2010 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of The MasterCard Foundation as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

The MasterCard Foundation

Statement of Financial Position

As at December 31, 2010

(expressed in thousands of US dollars)

	2010 $	2009 $ (note 2)
Assets		
Current assets		
Cash	4,703	3,149
Portfolio investments (note 3)	5,813	14,101
Prepaid expenses and sundry assets	506	484
	11,022	17,734
Investment in MasterCard Incorporated shares (notes 4 and 10)	2,328,508	2,694,857
Property and equipment (note 5)	293	350
Intangible assets (note 6)	268	268
	2,340,091	2,713,209
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	828	472
Net Assets		
Unrestricted funds	10,462	17,530
Restricted funds	2,328,508	2,694,857
Invested in property and equipment	293	350
	2,339,263	2,712,737
	2,340,091	2,713,209

Commitments (note 13)

Approved by the Board of Directors

_______________ Director _______________ Director

The MasterCard Foundation

Statement of Revenue and Expenditures

For the year ended December 31, 2010

(expressed in thousands of US dollars)

	2010 $	2009 $
Revenue		
Investment income	8,262	8,983
Realized gain (loss) on sale of investments (note 4)	31,168	(5,624)
	39,430	3,359
Expenditures		
Program disbursements (note 13(b))	47,061	18,819
Program costs (note 8)	2,320	1,265
Administration costs (note 7)	3,629	2,574
Excise tax recovery (note 14)	(800)	-
	52,210	22,658
Deficiency of revenue over expenditures for the year	(12,780)	(19,299)

The MasterCard Foundation

Statement of Changes in Net Assets

For the year ended December 31, 2010

(expressed in thousands of US dollars)

	Invested in property and equipment $	Restricted funds $	Unrestricted funds $ (note 2)	Total $
Balance - January 1, 2009	377	1,446,837	31,132	1,478,346
Deficiency of revenue over expenditures for the year	(76)	-	(19,223)	(19,299)
Increase in unrealized appreciation of investments	-	1,248,020	5,670	1,253,690
Interfund transfers	49	-	(49)	-
Balance - December 31, 2009	350	2,694,857	17,530	2,712,737
Deficiency of revenue over expenditures for the year	(83)	-	(12,697)	(12,780)
Decrease in unrealized appreciation of investments	-	(360,404)	(290)	(360,694)
Interfund transfers	26	(5,945)	5,919	-
Balance - December 31, 2010	293	2,328,508	10,462	2,339,263

The MasterCard Foundation

Statement of Cash Flows

For the year ended December 31, 2010

(expressed in thousands of US dollars)

	2010 $	2009 $ (note 2)
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenditures for the year	(12,780)	(19,299)
Items not affecting cash		
Amortization of property and equipment	83	76
Realized (gain) loss on sale of investments	(31,168)	5,624
Net change in non-cash operating items		
Prepaid expenses and sundry assets	(22)	(111)
Accounts payable and accrued liabilities	356	(18)
Program payables	-	(874)
Excise taxes payable	-	(800)
	(43,531)	(15,402)
Investing activities		
Purchase of property and equipment - net	(26)	(49)
Proceeds from sale of portfolio investments - net	8,398	17,265
Proceeds from sale of MasterCard Incorporated shares	36,713	-
	45,085	17,216
Increase in cash during the year	1,554	1,814
Cash - Beginning of year	3,149	1,335
Cash - End of year	4,703	3,149
Non-cash transactions		
(Decrease) increase in unrealized appreciation of investment in MasterCard Incorporated shares and offsetting (decrease) increase in restricted net assets	(360,404)	1,248,020
(Decrease) increase in unrealized appreciation of portfolio investments and offsetting (decrease) increase in unrestricted net assets	(290)	5,670

(expressed in thousands of US dollars)

1 Nature of organization

The MasterCard Foundation (the Foundation) was incorporated under the Canada Corporations Act by letters patent on October 28, 2005 as a corporation without share capital. The Foundation is an independent, private foundation established through a gift of MasterCard Incorporated shares (note 4) in May 2006. Through collaboration with partners, the Foundation advances microfinance and youth learning to promote financial inclusion and prosperity in developing countries.

The Foundation is registered under the Income Tax Act (Canada) (the Act) effective April 18, 2006 and, as such, is exempt from Canadian income taxes and is able to issue donation receipts for income tax purposes under registration number 817387277 RR 0001.

In 2010, the Foundation received tax exempt status in the United States under Section 501(c)(4) of the Internal Revenue Code, retroactive to the date of its formation in 2005.

2 Summary of significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles with all amounts reported in US dollars, the Foundation's functional currency. The accrual basis of accounting is used for reporting all revenue and expenditures.

Net assets

The Foundation follows the restricted fund method of accounting for contributions. It ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

Restricted funds represent the investment in MasterCard Incorporated shares, which are subject to disposition restrictions as further explained in note 4.

Unrestricted funds represent funds available to the Foundation for operational and charitable disbursement purposes.

The funds invested in property and equipment relate to the Foundation's investment in property and equipment. Property and equipment acquisitions are funded by transfers from the unrestricted fund.

Revenue recognition

Contributions are recognized as revenue in the year received or receivable, if the amounts can be reasonably estimated and collection is reasonably assured. Donations in-kind are recorded at fair value at the date of gifting.

Investment income represents interest and dividends. Interest is recognized as earned and dividends are recognized at the ex-dividend date.

Investment transactions are accounted for on a trade date basis. Realized gain and losses from investment transactions are calculated on an average cost basis.

(expressed in thousands of US dollars)

Program disbursements

Disbursements to conduct program activities are recorded as expenditures when approved by the Foundation's Board of Directors and when a contract has been executed between the Foundation, qualified donees or with a third party. In the case of multi-year fundings to qualified donees and third parties, the initial disbursements are recorded as expenditures in the year when the contract has been executed. Subsequent disbursements are recognized as expenditures based on a schedule of payments when or if specified performance criteria are met.

Program disbursement commitments

Commitments to program funding to qualified donees and other third parties are sometimes made in multiple disbursements. Where funding has been approved by the board of directors and not expensed in the year, such amounts are disclosed as commitments.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Amortization of furniture and fixtures and computer and other equipment is determined using the straight-line method over the estimated useful lives of the respective assets, generally ranging from two to ten years; software is amortized over two years. Amortization of leasehold improvements is determined using the straight-line method over the terms of the related lease.

Intangible assets

Intangible assets consist of the non-exclusive right to use the MasterCard trademark and copyrighted materials related to MasterCard Incorporated as used by the MasterCard Foundation, both of which have indefinite useful lives. The Foundation reviews the value of the intangible asset on an annual basis for impairment or at any other time when events or changes have been occurred that would suggest an impairment of the carrying value.

Program costs

Program costs are operating expenses associated with charitable giving activities.

Allocation of expenses

The Foundation engages in microfinance and youth learning programs. Program costs include personnel, legal and other costs directly related to the programs. The Foundation also incurs other costs related to personnel, premises and other expenditures for the administration of the Foundation. Some of these costs are allocated to program costs, such as personnel costs which have been allocated in proportion to time spent and effort expended on programming. The basis of allocation is applied consistently each year.

(expressed in thousands of US dollars)

Investments in MasterCard Incorporated shares

Investments in MasterCard Incorporated shares are recorded at fair value. Fair value is determined based on their appraised fair value, generally their closing bid price, less an estimated discount factor to reflect the restricted nature of the shares (note 4). The valuation discount rate used as at December 31, 2010 is 22% (December 31, 2009 - 22%).

Portfolio investments

Portfolio investments are recorded at fair value and comprise cash and short-term investments and fixed income securities. The fair value is determined based on the market value, generally their closing bid price. Investments are made in accordance with the Foundation's investment policy.

Foreign exchange translation

Revenue and expenses denominated in foreign currencies are translated into US dollars at the transaction date. Assets and liabilities denominated in foreign currencies are translated at the year-end date. Foreign exchange gains and losses are included in the statement of revenue and expenditures.

Financial instruments

The Foundation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Foundation's accounting policy for each category is as follows:

Financial instrument	Category	Measurement
Cash	held-for-trading	fair value
Portfolio investments	available-for-sale	fair value
Sundry assets	loans and receivables	cost
Investment in MasterCard Incorporated shares	available-for-sale	fair value
Accounts payable and accrued liabilities	other financial liabilities	cost

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates included in these financial statements are used in determining the useful lives of property and equipment, accruals, the discount rate used in the valuation of the MasterCard Incorporated shares and the allocation of expenditures. Actual results could differ from those estimates.

Prior period adjustment

In prior years, dividend income from the Foundation's investment in MasterCard Incorporated was recorded based on the date the dividend was declared, rather than based on the ex-dividend date as required by Canadian generally accepted accounting principles. The dividend amount for each of fiscal 2009 and 2008 had not

(expressed in thousands of US dollars)

changed, therefore there are no changes to the comparative figures for either the statement of revenue and expenditures, or the statement of cash flows; however, the comparative figures for the statement of financial position, and changes in net assets has been restated as follows:

	As reported $	Adjustments $	As restated $
Statement of Financial Position			
Dividends and interest receivable	2,158	(2,025)	133
Unrestricted funds	19,555	(2,025)	17,530
Statement of Changes in Net Assets			
Unrestricted funds			
Balance - January 1, 2009	33,157	(2,025)	31,132
Balance - December 31, 2009	19,555	(2,025)	17,530

Future accounting changes

In December 2010, the Canadian Accounting Standards Board issued a comprehensive set of accounting standards applicable to not-for-profit organizations. The standards are effective for fiscal years beginning on or after January 1, 2012 and require retrospective application, except for certain exemptions and exceptions contained within the standards. Early adoption of the standards is permitted. The Foundation is currently considering the impact of the adoption of these standards.

3 Portfolio investments

Portfolio investments consist of the following:

			2010			2009
	Cost $	Fair value $	%	Cost $	Fair value $	%
Cash and short-term investments	5,798	5,813	100	471	473	3
Fixed income securities	-	-	-	13,324	13,628	97
	5,798	5,813	100	13,795	14,101	100

The Foundation held no fixed income securities in its investment portfolio at December 31, 2010. In the prior year, the Foundation held fixed income securities which had a weighted average term of 2.1 years to maturity and a weighted average interest of 1.7%. These investments are settled in both Canadian and US dollars. The fair value of investments held in Canadian dollars at the year-end is CAD$1,623 (2009 - CAD$5,678).

(expressed in thousands of US dollars)

4 Investment in MasterCard Incorporated shares

	2010		2009
	Exchange value at date of donation $	**Fair value $**	**Fair value $**
13,320,544 Class A MasterCard Incorporated shares - gifted shares (2009 - 13,496,933)	448,969	2,328,508	2,694,857

Under the deed of gift with MasterCard Incorporated, the Foundation may not dispose of these gifted shares during the no-alienation period, defined as that period from the date of donation (May 31, 2006) to the fourth anniversary of that date (May 30, 2010). Subsequent to this period, limited disposition may be done to satisfy the Foundation's disbursement quota and operating expenses. This period of limited alienation is effective for 16 years and 11 months from one day after the fourth anniversary (April 30, 2027). After this limited alienation period (May 1, 2027), the Foundation may dispose of the shares at its discretion, in an orderly and structured manner so as not to unreasonably disrupt the market for MasterCard Incorporated's stock. Furthermore, the then balance of the gift on the commencement of the unlimited alienation period is required to be divided into two funds, namely the Perpetual Endowment Fund (the capital is to be held in perpetuity; the income is to be disbursed to satisfy the charitable purpose of the gift) and the Remaining Fund (to be disbursed in its entirety within the first ten years of the unlimited alienation period), with allocation between the funds being based on the gifting agreement.

The Board of Directors has approved processes to execute the sale of the gifted shares. During the year, the Foundation disposed of 176,389 gifted shares (2009 - nil gifted shares) as set out in the Foundation's processes for total proceeds of $36,713, realized a gain on sale of $30,768, which is included in the realized gain on sale of investments.

5 Property and equipment

			2010
	Cost $	**Accumulated amortization $**	**Net $**
Leasehold improvements	146	67	79
Furniture and fixtures	212	50	162
Computer and other equipment	92	46	46
Software	51	45	6
	501	208	293

(expressed in thousands of US dollars)

			2009
	Cost **$**	**Accumulated amortization** **$**	**Net** **$**
Leasehold improvements	146	38	108
Furniture and fixtures	212	29	183
Computer and other equipment	70	31	39
Software	47	27	20
	475	125	350

6 Intangible assets

	2010 **$**	**2009** **$**
MasterCard Incorporated trademark	179	179
Copyrighted material	89	89
	268	268

7 Administration costs

	2010 **$**	**2009** **$**
Payroll and personnel related costs	1,351	692
Professional fees	1,037	627
Legal and audit	383	718
Office expense	332	180
Travel	240	118
Occupancy	188	170
Amortization	83	79
Foreign exchange (gain) loss	15	(10)
	3,629	2,574

8 Allocation of expenses

Included in program costs are certain payroll and personnel related costs of $428 (2009 - $355), which have been allocated from administration costs.

(expressed in thousands of US dollars)

9 Related party transactions

The Foundation has a formal professional code of conduct in place for staff and the Board of Directors, governing conflict of interest and competitive purchasing practices. During the year, seven organizations (2009 - seven) affiliated with certain current and former members of the Board of Directors received disbursements to conduct charitable activities. The total program disbursements included in the accounts of the Foundation related to these organizations amount to $1,420 (2009 - $1,480), as follows:

	2010 $	2009 $
Directors' grants (2010 - 4; 2009 - 4)	100	100
Disbursements to director affiliated organizations (2010 - 3; 2009 - 3)	1,320	1,380
	1,420	1,480

10 Financial risk management

Financial risk management relates to the understanding and active management of risks associated with the operations of the Foundation and its assets. The Foundation is exposed to interest, currency, credit, market and liquidity risks as follows:

Interest risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income and short-term investments (note 3).

Currency risk

The Foundation holds portfolio investments and cash balances denominated in currencies (principally Canadian dollars) other than its reporting currency, the US dollar. Consequently, the Foundation is exposed to risks that the exchange rate of the US dollar relative to the Canadian dollar may change in a manner that has an adverse or beneficial effect on the reported value of the Foundation's investments.

Credit risk

The Foundation bears credit risk associated with its holdings of cash and cash equivalents and of investments in the portfolio. The Foundation places its cash in interest bearing accounts with a schedule I Canadian chartered bank.

Market risk

Investments in the portfolio are subject to market risk, which includes price risk arising from market volatility and the risk of loss of capital associated with investment in fixed income securities. The Foundation works with professional investment manager to manage the risk within a target mix of short-term bonds and money

(expressed in thousands of US dollars)

market securities as set out in the Foundation's investment policy. To diversify the credit concentration risk associated with investments in the portfolio, the Foundation's investment policy limits the amount that can be invested in bonds of companies within any one generally recognized industry group.

Liquidity risk

Liquidity risk is the risk the Foundation will not be able to meet its financial obligations primarily related to program disbursements as they come due. The Foundation manages liquidity risk through regular monitoring of forecast and actual cash flows in conjunction with the determination of both the timing and amount of sales of the MasterCard Incorporated shares, which are subject to sale restrictions as disclosed in note 4.

Subsequent to the year-end, the Foundation sold 212,180 shares of MasterCard Incorporated for total proceeds of $49,857 and realized a gain on sale of $42,705.

11 Status of foundation

The Foundation is a Canadian registered charity and is designated as a private foundation under subsection 149.1(1) of the Act. The Act requires that a private foundation expend certain amounts each year on its own charitable activities or by way of donations to other qualified donees (disbursement quota). The Foundation is subject to an averaging arrangement with respect to its disbursement quota obligations, representing the sum of its annual disbursement quotas for fiscal years 2007 through 2016 inclusive (the Ten-Year Period). The Foundation is considered to have met its disbursement quota requirements for each of the fiscal years 2007 to 2016 provided it has expended amounts on its own charitable activities and/or has made gifts to qualified donees on a cumulative basis, which equal or exceed its disbursement quota requirements for the Ten-Year Period ending December 31, 2016.

12 Management of capital

The Foundation views its capital as the combination of its restricted and unrestricted funds. The Foundation's objectives when managing capital are to safeguard its ability to continue as a going concern and fulfill its mandate to increase access to microfinance and youth learning programs (note 1). The Foundation has determined it should maintain a certain level of working capital to ensure the stability of its operations. The restricted funds primarily represent the investment in MasterCard Incorporated shares. These shares are subject to external restrictions on their disposition (note 4). Unrestricted funds are available for the Foundation's operations.

The Board of Directors has determined that, in seeking a return on the Unrestricted Funds, such funds shall be invested in a portfolio of short-term bonds and money market securities, managed by a professional investment manager.

At the end of 2010, the Foundation's Board approved the operating expenses and program disbursements for 2011. The Foundation is expected to dispose of sufficient MasterCard Incorporated shares in 2011 to meet its working capital needs, including its scheduled program commitments.

(expressed in thousands of US dollars)

13 Commitments

a) Lease commitments

The Foundation is committed to total lease payments under operating leases for office space and equipment as follows:

	$
2011	247
2012	247
2013	181
	675

b) Current program disbursements and commitments

During the year, the Foundation expensed $47,061 (2009 - $18,819) relating to program disbursements to qualified donees and other third parties.

Commitments to program funding to qualified donees and other third parties are sometimes made in multiple disbursements; however, the Foundation only commits to and expenses one disbursement at a time for each donee or other third party, with the subsequent disbursements subject to review for compliance to specified performance criteria. If the specified performance criteria are met, and funds are available, further funding of subsequent disbursements are made.

The total program commitments relating to future years, not yet expensed amount to $141,149 (2009 - $54,814) and are scheduled to be paid as follows:

Included in these commitments is $1,195 (2009 - $2,142) committed to an organization affiliated with a member of the Board of Directors.

	$
2011	47,935
2012	32,389
2013	24,987
2014	16,310
2015	9,671
Post 2015	9,857
	141,149

14 Excise tax recovery

In 2009, the Foundation reviewed its US income tax status. In determining whether the Foundation has exposure to certain US excise taxes, the Foundation estimated its potential exposure and accrued for certain US excise taxes related to its US source income for both the current and prior fiscal years. In May 2009, the

(expressed in thousands of US dollars)

Foundation made a payment equal to this estimated liability. In 2010, the Foundation's Application for Recognition of Exemption under Section 501(c)(4) was approved by the Internal Revenue Service, retroactively to the Foundation's date of formation. The Foundation received the refund of such taxes previously paid.

15 Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.