The MasterCard Foundation

Financial Statements
December 31, 2009
(expressed in thousands of US dollars)

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Auditors' Report

To the Directors of
The MasterCard Foundation

We have audited the statement of financial position of **The MasterCard Foundation** as at December 31, 2009 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

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The MasterCard Foundation

Statement of Financial Position

As at December 31, 2009

(expressed in thousands of US dollars)

	2009 $	2008 $ (note 2)
Assets		
Current assets		
Cash	3,149	1,335
Portfolio investments (note 3)	14,101	31,320
Dividends and interest receivable	2,158	2,285
Prepaid expenses and sundry assets	351	113
	19,759	35,053
Investment in MasterCard Incorporated shares (note 4)	2,694,857	1,446,837
Property and equipment (note 5)	350	377
Intangible assets (note 6)	268	268
	2,715,234	1,482,535
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	472	490
Program payables (note 13(b))	-	874
Excise taxes payable (note 14)	-	800
	472	2,164
Net Assets (note 2)		
Unrestricted funds	19,555	33,157
Restricted funds	2,694,857	1,446,837
Invested in property and equipment	350	377
	2,714,762	1,480,371
	2,715,234	1,482,535

Commitments (note 13)

Contingency (note 14)

Approved by the Board of Directors

Ron Queller _______________ Director

_______________ Director

The MasterCard Foundation

Statement of Revenue and Expenditures

For the year ended December 31, 2009

(expressed in thousands of US dollars)

	2009 $	2008 $ (note 2)
Revenue		
Investment income	8,983	9,760
Loss on sale of portfolio investments (note 3)	(5,624)	(8,612)
	3,359	1,148
Expenditures		
Program disbursements (note 13(b))	18,819	8,741
Program costs (note 8)	1,265	843
Administration costs (note 7)	2,574	2,134
Non-resident taxes (note 14)	-	800
	22,658	12,518
Deficiency of revenue over expenditures for the year	(19,299)	(11,370)

The MasterCard Foundation

Statement of Cash Flows

For the year ended December 31, 2009

(expressed in thousands of US dollars)

	2009 $	2008 $ (note 2)
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenditures for the year	(19,299)	(11,370)
Items not affecting cash		
Amortization of property and equipment	76	127
Loss on sale of portfolio investments	5,624	8,612
Net change in non-cash operating items		
Dividends and interest receivable	127	(26)
Prepaid expenses and sundry assets	(238)	(80)
Accounts payable and accrued liabilities	(18)	395
Program payables	(874)	874
Excise taxes payable	(800)	800
	(15,402)	(668)
Investing activities		
Purchase of property and equipment - net	(49)	(372)
Proceeds from (purchases of) portfolio investments - net	17,265	(8,784)
	17,216	(9,156)
Increase (decrease) in cash during the year	1,814	(9,824)
Cash - Beginning of year	1,335	11,159
Cash - End of year	3,149	1,335
Non-cash transactions		
Increase (decrease) in unrealized appreciation of investment in MasterCard Incorporated shares and increase in restricted net assets	1,248,020	(876,795)
Increase (decrease) in unrealized appreciation of portfolio investments and decrease in unrestricted net assets	5,670	(4,845)

The MasterCard Foundation

Statement of Changes in Net Assets

For the year ended December 31, 2009

(expressed in thousands of US dollars)

	Invested in property and equipment $	Restricted funds $	Unrestricted funds $	Total $
Balance - January 1, 2008 (note 2)	132	2,323,632	49,617	2,373,381
Deficiency of revenue over expenditures for the year (note 2)	(127)	-	(11,243)	(11,370)
Decrease in unrealized appreciation of investments	-	(876,795)	(4,845)	(881,640)
Investment in property and equipment	372	-	(372)	-
Balance - December 31, 2008	377	1,446,837	33,157	1,480,371
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
Investment in property and equipment	49	-	(49)	-
Balance - December 31, 2009	350	2,694,857	19,555	2,714,762

(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 following the gifting of MasterCard Incorporated shares (note 4). The Foundation has its own Board of Directors. MasterCard Incorporated does not exercise control over the Foundation. The Foundation is a private charitable foundation, organized to broaden access to the global economy through innovative microfinance programs and to increase access to quality education opportunities for young people around the world.

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 2009, the Foundation applied for recognition of 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. The Foundation's desire for exemption under Section 501(c)(4) is to clarify its status under US Federal tax law on the basis that it operates for social welfare purposes (note 14).

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.

Changes in accounting policies

Effective January 1, 2009, the Foundation adopted retrospectively the changes to the recommendations in The Canadian Institute of Chartered Accountants (CICA) Handbook Section 1000, Financial Statement Concepts. This standard clarifies that items that do not meet the definition of an asset or a liability may not be recognized on the statement of financial position. As a result, certain costs that would have been previously recorded on the statement of financial position of $145 were expensed during the year. The change in accounting policy has been accounted for retrospectively and thus the comparative statement of financial position, statement of revenue and expenditures, statement of changes in net assets and statement of cash flows for fiscal 2008 have been restated as follows:

	As previously reported $	Adjustment $	Restated amount $
Prepaid expenses and sundry assets	291	(203)	88
Unrestricted funds - End of year	(33,360)	203	(33,157)
Expenditures	12,315	203	12,518

In addition to the adjustment above, there is a reclassification of $25.

(expressed in thousands of US dollars)

Effective January 1, 2009, the Foundation adopted amendments to CICA Handbook Section 4400, Financial Statement Presentation by Not-for-Profit Organizations, which include the option to eliminate the requirement to separately disclose the amount of net assets invested in property and equipment. The Foundation has chosen to continue to disclose net assets invested in property and equipment as a separate component of its net assets.

Effective January 1, 2009, the Foundation retrospectively adopted CICA Handbook Section 4470, Disclosure of Allocated Expenses by Not-for-Profit Organizations, which requires an organization to disclose its policy, if it classifies expenses by function and allocates some of its administration costs to another function. This standard impacts the Foundation's disclosures but will not affect the Foundation's results or financial position (note 8).

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. Income is recognized as earned and dividends are recognized at the ex-dividend date.

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

Program disbursements not expensed are disclosed as commitments in the year of approval by the Board of Directors.

(expressed in thousands of US dollars)

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Amortization of furniture and fixtures and 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 intangible assets for impairment when events or changes in circumstances indicate their carrying value may not be recoverable.

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 a number of other costs including the costs of personnel, premises and other expenditures for the corporate services functions. Such personnel costs are allocated to program costs in proportion to time spent and effort expended on programming. This basis of allocation is applied consistently each year. No portion of corporate governance and other administration costs are allocated to program costs.

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. The estimated discount rate used as at December 31, 2009 is 22% (2008 - 25%).

Portfolio investments

Portfolio investments are recorded at fair value and comprise cash and short-term investments, fixed income, and marketable 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.

(expressed in thousands of US dollars)

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
Dividends and interest receivable	loans and receivables	cost
Investment in MasterCard Incorporated shares	available-for-sale	fair value
Accounts payable and accrued liabilities	other financial liabilities	cost
Program payables	other financial liabilities	cost
Excise taxes payable	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, taxes payable and the discount rate used in the valuation of the MasterCard Incorporated shares. Actual results could differ from those estimates.

3 Portfolio investments

Portfolio investments consist of the following:

			2009			2008
	Cost $	Market value $	%	Cost $	Market value $	%
Cash and short-term investments	471	473	3	1,181	1,195	4
Fixed income securities	13,324	13,628	97	23,307	22,725	73
Marketable securities	-	-	-	12,192	7,400	23
	13,795	14,101	100	36,680	31,320	100

Fixed income securities have a weighted average term of 2.1 years (2008 - 6.3 years) to maturity and a weighted average interest of 1.7% (2008 - 3.1%) at December 31, 2009. These investments are settled in both Canadian and US dollars. The market value of investments held in Canadian dollars at the year-end is $5,678.

During the year, in order to manage market and liquidity risk, the Foundation sold the remainder of its marketable securities having a fair value of $12,163 (2008 - $10,000), and invested the proceeds in fixed income securities, the majority of which are AA rated. The Foundation recorded realized losses of $5,941 (2008 - $7,895) from the sale of these marketable securities.

(expressed in thousands of US dollars)

4 Investment in MasterCard Incorporated shares

	2009		2008
	Exchange value at date of donation $	**Market value** $	**Market value** $
13,496,933 Class A MasterCard Incorporated shares - gifted shares	454,914	2,694,857	1,446,837

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. 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. After this limited alienation period, 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.

5 Property and equipment

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

			2008
	Cost $	**Accumulated amortization** $	**Net** $
Leasehold improvements	147	10	137
Furniture and fixtures	193	9	184
Equipment	45	18	27
Software	41	12	29
	426	49	377

(expressed in thousands of US dollars)

6 Intangible assets

	2009 $	2008 $
MasterCard Incorporated trademark	179	179
Copyrighted material	89	89
	268	268

7 Administration costs

	2009 $	2008 $
Professional fees	627	811
Payroll and personnel related costs	692	491
Legal and audit	718	251
Occupancy	170	189
Amortization	79	127
Office expense	180	121
Travel	118	113
Foreign exchange (gain) loss	(10)	31
	2,574	2,134

8 Allocation of expenses

Included in program costs are certain payroll and personnel related costs of $355 (2008 - $402), which have been allocated from administration costs.

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 (2008 - six) affiliated with certain members of the Board of Directors received disbursements to conduct charitable activities. The total disbursements included in the accounts of the Foundation related to these organizations amount to $1,480 (2008 - $425), as follows:

	2009 $	2008 $
Directors' grants (2009 - 4; 2008 - 4)	100	125
Disbursements to director affiliated organizations (2009 - 3; 2008 - 2)	1,380	300
	1,480	425

(expressed in thousands of US dollars)

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 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 securities. The Foundation works with professional investment managers to manage the risk within a target mix of asset categories 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 securities 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. The MasterCard Incorporated shares are not liquid as disclosed in note 4.

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-

(expressed in thousands of US dollars)

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 broaden access to the global economy through innovative microfinance programs and youth education 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 diversified portfolio, managed by professional investment managers.

The Foundation's management determines the appropriate level of program disbursements to make in the context of its cash flow from Unrestricted Funds and overall business risks. The Foundation has historically generated sufficient cash flow to meet its needs from Unrestricted Funds. At the end of 2009, the Foundation had funds on hand to cover the first six months of operating expenses and program disbursements of fiscal 2010. The Foundation is expected to dispose of sufficient MasterCard Incorporated shares in 2010 to cover the last six months of operating expenses and program disbursements sufficient to meet its working capital needs.

13 Commitments

a) Lease commitments

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

	$
2010	217
2011	220
2012	220
2013	160
	817

b) Current program disbursements and commitments

During the year, the Foundation expensed $18,819 (2008 - $8,741) relating to program disbursements to qualified donees and other third parties. Disbursements that have been expensed and payable in 2010 amount to $nil (2008 - $874).

(expressed in thousands of US dollars)

Commitments to program disbursements 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, 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 $54,814 (2008 - $25,199) and are scheduled to be paid as follows:

	2010 $	2011 $	2012 $	2013 $	Total $
Multi-year disbursements for future years, not yet expensed	29,209	16,429	7,236	1,940	54,814

Included in these commitments is $2,142 (2008 - $nil) committed to an organization affiliated with a member of the Board of Directors.

14 Contingency

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 Foundation made a payment equal to this estimated liability. However, the Foundation's Application for Recognition of Exemption under Section 501(c)(4) is under review by the Internal Revenue Service, and if it is approved, the Foundation anticipates it will not be subject to these US excise taxes, effective retroactively to the Foundation's date of incorporation. Once IRS recognition of the Foundation's Section 501(c)(4) status is secured, the Foundation plans to file a claim for refund of such taxes paid.

15 Comparative figures

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