MetLife Foundation

Financial Statements as of and for the
Years Ended December 31, 2018 and 2017, and
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of MetLife Foundation:

We have audited the accompanying financial statements of MetLife Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Foundation'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 Foundation'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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2018 and 2017, and the results of its activities and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

February 18, 2019

METLIFE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
INVESTMENTS:		
Equity investments—at fair value	$ 93,608,416	$ 133,096,930
Program-related investments—net of allowance of $750,000 for 2018 and 2017	7,066,609	6,878,185
Total investments	100,675,025	139,975,115
CASH AND CASH EQUIVALENTS	16,625,307	19,001,020
DUE AND ACCRUED INVESTMENT INCOME	238,823	305,713
TOTAL ASSETS	$ 117,539,155	$ 159,281,848
LIABILITIES AND NET ASSETS		
CASH OVERDRAFT	$ 538,785	$ 687,895
UNCONDITIONAL GRANTS PAYABLE	278,478	-
ACCRUED EXPENSES AND OTHER PAYABLES	1,550	1,550
FEDERAL EXCISE TAX PAYABLE	45,074	216,089
Total liabilities	863,887	905,534
NET ASSETS WITHOUT DONOR RESTRICTIONS	116,675,268	158,376,314
TOTAL LIABILITIES AND NET ASSETS	$ 117,539,155	$ 159,281,848

See notes to financial statements.

METLIFE FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUE:		
Investment income (loss):		
Dividends and interest	$ 3,499,438	$ 4,292,838
Realized (losses) gains and changes in fair value of investments	(5,241,910)	12,173,490
Contributed services	1,621,344	1,391,828
Total (loss) revenue	(121,128)	17,858,156
GRANTS AND EXPENSES:		
Grants	38,138,750	39,886,380
General and administrative services:		
Professional services	2,035,839	1,045,383
Contributed services	1,621,344	1,391,828
Federal excise tax (benefit) expense	(216,015)	328,917
Total grants and expenses	41,579,918	42,652,508
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(41,701,046)	(24,794,352)
NET ASSETS WITHOUT DONOR RESTRICTIONS—Beginning of year	158,376,314	183,170,666
NET ASSETS WITHOUT DONOR RESTRICTIONS—End of year	$ 116,675,268	$ 158,376,314

See notes to financial statements

METLIFE FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets without donor restrictions	$ (41,701,046)	$ (24,794,352)
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Realized gains and changes in fair value of investments	5,241,910	(12,173,490)
Accretion of discount/amortization of premiums on investments	(26,447)	(64,773)
Change in due and accrued investment income	66,890	(300,565)
Change in cash overdraft	(149,110)	147,869
Change in federal excise tax payable	(171,015)	12,917
Change in unconditional grants payable	278,478	-
Net cash used in operating activities	(36,460,340)	(37,172,394)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale and maturities of investments	43,439,262	78,843,010
Purchases of investments	(9,354,635)	(36,875,625)
Net cash provided by investing activities	34,084,627	41,967,385
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,375,713)	4,794,991
CASH AND CASH EQUIVALENTS—Beginning of year	19,001,020	14,206,029
CASH AND CASH EQUIVALENTS—End of year	$ 16,625,307	$ 19,001,020
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION—Net federal excise taxes (received) paid	$ (45,000)	$ 316,000

See notes to financial statements

The MetLife Foundation (the "Foundation") was formed for the purpose of supporting various philanthropic organizations and activities. During 2013, the Foundation began an initiative of devoting resources to advancing financial inclusion, helping to build a secure future for individuals and communities around the world.

1. ACCOUNTING POLICIES

Summary of Significant Accounting Policies—The Foundation's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which recognizes income when earned and expenses when incurred.

Equity Investments at Fair Value—The Foundation's equity investments are principally comprised of exchange-traded funds (ETFs). Short-term investments, if any, include investments with remaining maturities of one year or less, but greater than three months, at the time of acquisition. Related holding gains and losses are reported in investment income. The Foundation is not exposed to any significant concentration of credit risk in its investment portfolio. Security transactions are recorded on the trade date. A receivable is recognized for securities sold, and a payable is recognized for investments acquired, which are not yet settled as of a respective year-end.

Program-Related Investments—Such investments are authorized by the board of directors of the Foundation (the "Board of Directors") and represent loans to or equity investments in qualified charitable organizations or investments for appropriate charitable purposes as set forth in the Internal Revenue Code and regulations thereunder, and are carried on the equity method, outstanding indebtedness, or cost basis.

The Foundation uses the equity method of accounting for certain program-related investments when it has more than a minor ownership interest or more than a minor influence over the investee's operations. The Foundation recognizes its share of the investee's earnings in realized gains (losses) and changes in fair value of investments in the statements of activities and changes in net assets, which amounted to $0.2 million and $0.1 million for the years ended December 31, 2018 and 2017, respectively. Investments accounted for under the equity method had a carrying value of $2.7 million and $1.5 million at December 31, 2018 and 2017, respectively.

The Foundation routinely evaluates its investments for impairment. The Foundation considers financial and other information provided by the investee, other known information and inherent risks in the underlying investments, as well as future capital commitments, in determining whether an impairment has occurred. There were no impairments recognized for the years ended December 31, 2018 and 2017. An allowance for possible losses is established when the Foundation does not expect repayment in full on any program-related loan and when such uncollectible amount can be reasonably estimated. In addition, the income generated by the program-related loans is generally dependent upon the financial ability of the borrowers to keep current on their obligations. For disclosure purposes, a reasonable estimate of fair value could not be made without incurring excessive costs and any differences between the fair value and carrying value of these program-related investments are not expected to be significant. Maturities of the loan investments range from 2021 through 2022.

Cash Equivalents and Cash Overdraft—Cash equivalents are highly liquid investments purchased with an original or remaining maturity of three months or less at the date of purchase and are carried at fair value. The Foundation generally invests funds required for cash disbursements in cash equivalents and transfers such funds to its operating bank account when checks are presented for payment. The cash overdrafts at December 31, 2018 and 2017 represent grant disbursements that cleared the operating bank account in 2019 and 2018.

Contributions from MetLife—Contributions are recorded as revenue in the period earned. All contributions received to date by the Foundation have been unrestricted and, therefore, all of its net assets are similarly unrestricted. All contributions are received from MetLife, Inc. and subsidiaries ("MetLife").

Contributed Services—The Foundation receives certain management and administrative services from MetLife without charge. These contributed services are recorded at the cost recognized by MetLife in providing these services. Such amounts are included in revenue, with an offsetting charge recorded in grants and expenses within the statements of activities and changes in net assets.

Grants—Grants are recorded as expenses in the period they are incurred. Such transactions are authorized by the Board of Directors. Conditional grants authorized for payment in future years are subject to further review and approval by the Board of Directors. Since the obligation to make payment of conditional multiyear grants and program-related loans is dependent upon each grantee/borrower's satisfaction of the applicable conditions, the amount of conditional multiyear grants and program-related loans reported as commitments is based upon the expected or estimated fulfillment of such conditions. These commitments are based on conditions that must be met and are therefore not included as a liability in the statements of financial position. Multiyear unconditional grants are grants that will be paid in future years and are not dependent on the grantee achieving specific, measurable goals or any other conditions. These grants are included as liabilities in the statements of financial position.

Use of Estimates—The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein and the disclosure of contingent assets and liabilities, if any, as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Net Assets and Liquidity—Net assets without donor restrictions are assets not subject to limits by action of the donor. All of the Foundation's net assets are without donor-imposed restrictions, and additionally, the Board of Directors has not imposed any restrictions on net assets of the Foundation. The Foundation maintains sufficient unrestricted net assets to meet its cash needs for general expenditures within one year.

Adoption of New Accounting Pronouncements—Effective January 1, 2018, the Foundation adopted, using a retrospective approach, guidance relating to presentation of financial statements of not-for-profit entities that changes how a not-for-profit entity classifies its net assets, as well as enhancing the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The guidance did not have a material impact on the statements of financial position or the statements of activities and changes in net assets.

Future Adoption of New Accounting Pronouncements—In August 2018, the Financial Accounting Standards Board (FASB) issued new guidance on fair value measurement (Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement)*. The new guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The guidance modifies the disclosure requirements on fair value by removing some requirements, modifying others, and providing the option to disclose certain other quantitative information with respect to significant unobservable inputs in lieu of a weighted average. The Foundation is currently evaluating the impact of the new guidance on its financial statements.

In June 2018, the FASB issued new guidance (ASU No. 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made)* clarifying the accounting for both makers and recipients of contributions and grants. The guidance is effective for annual periods beginning after December 15, 2018 for resource recipient transactions (revenue), and for annual periods beginning after December 15, 2019 for resource provider transactions (expense). Early adoption is permitted for both transactions. The guidance is to be applied on a modified prospective basis to agreements that have not been completed as of the effective date or that are entered into after the effective date, but retrospective application to each period presented is permitted. The new guidance includes specific criteria to consider when determining whether a transaction should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional, which may affect the timing of revenue or expense recognition. The Foundation is currently evaluating the impact of the new guidance on its financial statements.

In June 2016, the FASB issued new guidance on measurement of credit losses on financial instruments (ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as clarified and amended by ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*). The new guidance is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. For substantially all financial assets, the ASU should be applied on a modified retrospective basis through a cumulative effect adjustment to the statement of financial position. Early adoption is permitted. This ASU replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses should be based on historical loss information, current conditions, and reasonable and supportable forecasts. The guidance also requires enhanced disclosures. The Foundation is currently evaluating the impact of the new guidance on its financial statements.

In January 2016, the FASB issued new guidance (ASU No. 2016-01, *Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*) on the recognition and measurement of financial instruments. The new guidance changes the current accounting guidance related to (1) the classification and measurement of certain equity investments, (2) the presentation of changes in the fair value of financial liabilities measured under the fair value option that are due to instrument-specific credit risk, and (3) certain disclosures associated with the fair value of financial instruments. The guidance is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted for the instrument-specific credit risk provision. Additionally, there will no longer be a requirement to assess equity securities for impairment since such securities will be measured at fair value through net income. The Foundation does not expect the adoption of this guidance to have a material impact on its financial statements.

In May 2014, the FASB issued a comprehensive new revenue recognition standard ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*), effective for fiscal years beginning after December 15, 2018. The guidance may be applied retrospectively for all periods presented or retrospectively with a cumulative effect adjustment at the date of adoption. The new guidance will supersede nearly all existing revenue recognition guidance under GAAP; however, it will not affect the accounting for insurance and investment contracts within the scope of Financial Services insurance (Topic 944), leases, financial instruments and guarantees. For contracts that are affected, the guidance requires an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to, in exchange for those goods or services. Since the Foundation's revenue streams are not within the scope of this new guidance, the Foundation does not expect its adoption to have an impact on its financial statements.

2. FAIR VALUE MEASUREMENTS

The Foundation has elected to measure its equity investments and cash equivalents at fair value with related holding gains and losses reported in investment income.

When developing estimated fair values, the Foundation considers three broad valuation approaches: (i) the market approach, (ii) the income approach, and (iii) the cost approach. The Foundation determines the most appropriate valuation approach to use, given what is being measured and the availability of sufficient inputs, giving priority to observable inputs. The Foundation categorizes its assets and liabilities measured at estimated fair value into a three-level hierarchy, based on the significant input with the lowest level in its valuation. The input levels are as follows:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities. The Foundation defines active markets based on average trading volume for equity securities. The size of the bid/ask spread is used as an indicator of market activity for fixed maturity securities.

Level 2—Quoted prices in markets that are not active or inputs that are observable either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities other than quoted prices in Level 1, quoted prices in markets that are not active, or other significant inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and are significant to the determination of estimated fair value of the assets or liabilities. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. The Foundation's ability to sell securities as well as the price ultimately realized for these securities depends upon the demand and liquidity in the market and increases the use of judgment in determining the estimated fair value of certain securities.

Considerable judgment is often required in interpreting market data to develop estimates of fair value, and the use of different assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

Recurring Fair Value Measurements—The assets and liabilities measured at estimated fair value on a recurring basis and their corresponding placement in the fair value hierarchy presented below.

	Level 1	Level 2	Level 3	Total Estimated Fair Value
December 31, 2018:				
Equity investments	$ 93,608,416	$ -	$ -	$ 93,608,416
Cash equivalents	14,987,197	-	-	14,987,197
Total	$108,595,613	$ -	$ -	$108,595,613
December 31, 2017:				
Equity investments	$133,081,930	$ -	$15,000	$133,096,930
Cash equivalents	17,998,384	-	-	17,998,384
Total	$151,080,314	$ -	$15,000	$151,095,314

The following describes the valuation methodologies used to measure assets and liabilities at fair value. The description includes the valuation techniques and key inputs for each category of assets or liabilities that are classified within Level 2 and Level 3 of the fair value hierarchy.

Equity Investments and Cash Equivalents—When available, the estimated fair value of these financial instruments is based on quoted prices in active markets that are readily and regularly obtainable. Generally, these are the most liquid of the Foundation's securities holdings and valuation of these securities does not involve management's judgment.

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, giving priority to observable inputs. The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. When observable inputs are not available, the market standard valuation methodologies rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs can be based in large part on management's judgment or estimation and cannot be supported by reference to market activity. Even though these inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such securities and are considered appropriate given the circumstances.

Substantially all instruments have valuations using independent pricing sources, matrix pricing, discount cash flow methodologies, or other similar techniques that use market observable and/or unobservable inputs.

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Equity Investments	• N/A	Valuation Techniques: Principally the market and income approaches. Key Inputs: • credit ratings; issuance structures • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2

Transfers between Levels—Overall, transfers between levels occur when there are changes in the observability of inputs and market activity.

Transfers into or out of Level 3—Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and underlying inputs cannot be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable. There were no transfers into or out of Level 3 for the years ended December 31, 2018 and 2017.

The following tables summarize the change of all assets measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3).

	Balance January 1	Realized (Losses) Gains	Purchases	Sales	Balance December 31
2018					
Equity investments	$15,000	$(15,000)	$ -	$ -	$ -
2017					
Equity investments	$15,000	$ -	$ -	$ -	$15,000

3. RELATED-PARTY TRANSACTIONS

There were no contributions received from MetLife during the years ended December 31, 2018 and 2017.

MetLife provides the Foundation with management and administrative services without charge, which are reflected in the statements of activities and changes in net assets. Contributed services amounted to $1.6 million and $1.4 million for the years ended December 31, 2018 and 2017, respectively.

In support of its mission, the Foundation pays grants to certain organizations whose board members include a board member or member of the Foundation. These grants, which are subject to specific policies and procedures surrounding their approval, amounted to $2.5 million and $1.5 million for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018, the Foundation held one program-related investment in the amount of $3.2 million with an organization whose board members include a board member of the Foundation.

4. FEDERAL TAXES

The Foundation is exempt from federal income taxes; however, as a private foundation, it is subject to federal excise taxes on its net taxable investment income and realized capital gains. The rate for current excise taxes was 1% in 2018 and 2% in 2017. The rate for deferred excise taxes was 2% in both 2018 and 2017. There were no uncertain tax positions taken by the Foundation as of December 31, 2018 and 2017.

5. COMMITMENTS

As of December 31, 2018, the Board of Directors had authorized grants for future years as follows. Total authorized grants for future years include $278,478 of unconditional grants which have been recognized as a liability for financial statement purposes at December 31, 2018.

	Grants
2019	$ 20,152,424
2020	7,505,702
2021	2,998,790
	$ 30,656,916

6. SUBSEQUENT EVENTS

The Foundation has evaluated all subsequent transactions and events after the date of the statements of financial position date and through February 18, 2019, which is the date these financial statements were available to be issued. There are no transactions or events requiring disclosure.

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