MetLife Foundation

Financial Statements as of and for the
Years Ended December 31, 2017 and 2016
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, 2017 and 2016, 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, 2017 and 2016, and the changes in its 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 14, 2018

METLIFE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Investments:		
Investments—at fair value:		
Equity investments	$133,096,930	$157,148,526
Short-term investments	-	6,992,964
Program-related investments—net of allowance of $750,000 for 2017 and 2016	6,878,185	5,551,039
Total investments	139,975,115	169,692,529
Cash and cash equivalents	19,001,020	14,206,029
Due and accrued investment income	305,713	5,148
Amounts receivable for investments sold	-	704,682
TOTAL ASSETS	$159,281,848	$184,608,388
LIABILITIES AND NET ASSETS		
Cash overdraft	$ 687,895	$ 540,026
Amounts payable for investments acquired	-	692,974
Accrued expenses and other payables	1,550	1,550
Federal excise tax payable	216,089	203,172
Total liabilities	905,534	1,437,722
NET ASSETS—Unrestricted	158,376,314	183,170,666
TOTAL LIABILITIES AND NET ASSETS	$159,281,848	$184,608,388

See notes to financial statements.

METLIFE FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
REVENUE:		
Investment income:		
Dividends and interest	$ 4,292,838	$ 4,101,796
Realized gains and changes in fair value of investments	12,173,490	7,409,337
Contributions from MetLife	-	22,000,000
Contributed services	1,391,828	1,486,532
Total revenue	17,858,156	34,997,665
GRANTS AND EXPENSES:		
Grants	39,886,380	43,035,038
General expenses	1,045,383	1,780,914
Expense of contributed services	1,391,828	1,486,532
Federal excise tax	328,917	230,923
Total grants and expenses	42,652,508	46,533,407
CHANGE IN NET ASSETS	(24,794,352)	(11,535,742)
NET ASSETS—Beginning of year	183,170,666	194,706,408
NET ASSETS—End of year	$158,376,314	$183,170,666

See notes to financial statements.

METLIFE FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (24,794,352)	$ (11,535,742)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized gains and changes in fair value of investments	(12,173,490)	(7,409,337)
Accretion of discount/amortization of premiums on investments	(64,773)	(61,535)
Change in due and accrued investment income	(300,565)	(2,218)
Change in cash overdraft	147,869	(729,824)
Change in accrued expenses and other payables	-	25
Change in federal excise tax payable	12,917	(101,376)
Net cash used in operating activities	(37,172,394)	(19,840,007)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	78,843,010	92,400,208
Purchase of investments	(36,875,625)	(78,319,636)
Net cash provided by investing activities	41,967,385	14,080,572
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,794,991	(5,759,435)
CASH AND CASH EQUIVALENTS—Beginning of year	14,206,029	19,965,464
CASH AND CASH EQUIVALENTS—End of year	$ 19,001,020	$ 14,206,029
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION—Federal excise taxes paid	$ 316,000	$ 332,300

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 recognize income when earned and expenses when incurred.

Investments at Fair Value—The Foundation's equity investments are principally composed of exchange-traded funds. Short-term investments 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.

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 ('Program-Related 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 at outstanding indebtedness or cost. 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. For the years ended December 31, 2017 and 2016, the allowance for losses on program-related investments reported in the statements of activities and changes in net assets was zero. As of December 31, 2017 and 2016, the allowance reported in the statements of financial position was $0.8 million. 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 was not made since the difference between fair value and the outstanding indebtedness or cost would not 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, 2017 and 2016, represent grant disbursements that cleared the operating bank account in 2018 and 2017, respectively.

Amounts Receivable for Investments Sold and Amounts Payable for Investments Acquired—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.

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 multi-year grants and program-related loans is dependent upon each grantee/borrower's satisfaction of the applicable conditions, the amount of conditional multi-year 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.

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.

Future Adoption of New Accounting Pronouncements—In August 2016, the Financial Accounting Standards Board (FASB) issued new guidance (Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): 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 is effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application, and early application of the guidance is permitted. The Foundation is currently evaluating the impact of this 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 is currently evaluating the impact of this guidance 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 US GAAP; however, it will not impact 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 impacted, 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, short-term 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, or the price ultimately realized for these securities, depends upon the demand and liquidity in the market and therefore, 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, 2017:				
Equity investments	$133,081,930	$ -	$15,000	$133,096,930
Cash equivalents	17,998,384	-	-	17,998,384
Short-term investments	-	-	-	-
Total	$151,080,314	$ -	$15,000	$151,095,314
December 31, 2016:				
Equity investments	$157,133,526	$ -	$15,000	$157,148,526
Cash equivalents	10,997,729	1,999,738	-	12,997,467
Short-term investments	6,992,964	-	-	6,992,964
Total	$175,124,219	$1,999,738	$15,000	$177,138,957

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, Cash Equivalents, and Short-Term Investments—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		
	Valuation Techniques: Principally the market approach. Key Input: • quoted prices in markets that are not considered active	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 • independent nonbinding broker quotations
Cash Equivalents and Short-Term Investments		
	Valuation Techniques: Principally the market approach. Key Inputs: • quoted prices in markets that are not active • benchmark US Treasury yield or other yields • the spread off the US Treasury yield curve for the identical security • issuer ratings and issuer spreads; broker-dealer quotes • comparable securities that are actively traded	• N/A

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 any level are assumed to occur at the beginning of the period.

Transfers between Levels 1 and 2—There were no transfers between Levels 1 and 2 for assets and liabilities measured at estimated fair value during the year ended December 31, 2017. Transfers between Levels 1 and 2 for assets and liabilities measured at estimated fair value during the year ended December 31, 2016, were not significant.

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.

The following tables summarize the change of all assets measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3). There were no unrealized or realized gains (losses) on Level 3 assets during the years ended December 31, 2017 and 2016.

	Balance, January 1	**Investment Income**	**Purchases**	**Sales**	**Balance, December 31**
December 31, 2017— equity investments	$15,000	$ -	$ -	$ -	$15,000

	Balance, January 1	**Investment Income**	**Purchases**	**Sales**	**Balance, December 31**
December 31, 2016— equity investments	$15,000	$ -	$ -	$ -	$15,000

3. RELATED-PARTY TRANSACTIONS

The Foundation received cash contributions of $22 million from MetLife during the year ended December 31, 2016. There were no contributions received during the year ended December 31, 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 $1.4 million and $1.5 million for the years ended December 31, 2017 and 2016, 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 $1.5 million and $5.3 million for the years ended December 31, 2017 and 2016, respectively.

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 2% in 2017 and 2016. The rate for deferred excise taxes was 2% in 2017 and 2016. There were no uncertain tax positions taken by the Foundation as of December 31, 2017 and 2016.

5. COMMITMENTS

As of December 31, 2017, the Board of Directors had authorized conditional grants and program-related investments for future years as follows:

	Conditional Grants	Program-Related Investments
2018	$17,626,897	$980,000
2019	10,916,676	-
2020	4,321,011	-
	$32,864,584	$980,000

6. SUBSEQUENT EVENTS

The Foundation has evaluated all subsequent transactions and events after the statement of financial position date and through February 14, 2018, which is the date these financial statements were available to be issued. There are no transactions or events requiring disclosure.

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