MetLife Foundation

Financial statements as of and for the
Years Ended December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, 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 14, 2020

METLIFE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
INVESTMENTS:		
Equity investments at fair value	$ 91,606,338	$ 93,608,416
Program-related investments—net of allowance of $0 for 2019 and $750,000 for 2018	13,899,729	7,066,609
Total investments	105,506,067	100,675,025
CASH AND CASH EQUIVALENTS	19,430,772	16,625,307
DUE AND ACCRUED INVESTMENT INCOME	224,908	238,823
TOTAL ASSETS	$ 125,161,747	$ 117,539,155
LIABILITIES AND NET ASSETS		
CASH OVERDRAFT	$ 918,075	$ 538,785
UNCONDITIONAL GRANTS PAYABLE	1,264,329	278,478
ACCRUED EXPENSES AND OTHER PAYABLES	1,550	1,550
FEDERAL EXCISE TAX PAYABLE	230,561	45,074
Total liabilities	2,414,515	863,887
NET ASSETS WITHOUT DONOR RESTRICTIONS	122,747,232	116,675,268
TOTAL LIABILITIES AND NET ASSETS	$ 125,161,747	$ 117,539,155

See notes to financial statements.

METLIFE FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
REVENUE:		
Investment income (loss):		
Dividends and interest	$ 3,143,265	$ 3,499,438
Realized and unrealized gains (losses) on investments	16,570,943	(5,241,910)
Reversal of allowance for program-related investments	750,000	-
Contributions from MetLife	27,000,000	-
Contributed services	1,785,469	1,621,344
Total revenue (loss)	49,249,677	(121,128)
GRANTS AND EXPENSES:		
Grants	40,925,028	38,138,750
General and administrative services:		
Professional services	256,729	2,035,839
Contributed services	1,785,469	1,621,344
Federal excise tax expense (benefit)	210,487	(216,015)
Total grants and expenses	43,177,713	41,579,918
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	6,071,964	(41,701,046)
NET ASSETS WITHOUT DONOR RESTRICTIONS— Beginning of year	116,675,268	158,376,314
NET ASSETS WITHOUT DONOR RESTRICTIONS— End of year	$ 122,747,232	$ 116,675,268

See notes to financial statements.

METLIFE FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets without donor restrictions	$ 6,071,964	$ (41,701,046)
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Realized and unrealized (gains) losses on investments	(16,570,943)	5,241,910
Reversal of allowance for program-related investments	(750,000)	-
Accretion of discount on investments	-	(26,447)
Change in due and accrued investment income	13,915	66,890
Change in cash overdraft	379,290	(149,110)
Change in federal excise tax payable	185,487	(171,015)
Change in unconditional grants payable	985,851	278,478
Net cash used in operating activities	(9,684,436)	(36,460,340)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales, maturities, and repayments of investments	35,666,484	43,439,262
Purchases of investments	(23,176,583)	(9,354,635)
Net cash provided by investing activities	12,489,901	34,084,627
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,805,465	(2,375,713)
CASH AND CASH EQUIVALENTS—Beginning of year	16,625,307	19,001,020
CASH AND CASH EQUIVALENTS—End of year	$ 19,430,772	$ 16,625,307
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION—Net federal excise taxes paid (received)	$ 25,000	$ (45,000)

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 recognize income when earned and expenses when incurred.

Equity Investments at Fair Value—The Foundation's equity investments are principally composed of exchange traded funds. 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 and unrealized gains (losses) on investments in the Statements of Activities and Changes in Net Assets, which amounted to $0.4 million and $0.2 million for the years ended December 31, 2019 and 2018, respectively. Investments accounted for under the equity method had a carrying value of $4.1 million and $2.7 million at December 31, 2019 and 2018, respectively.

For certain program-related investments where the investment has no readily determinable fair value, the Foundation measures the investment at cost adjusted for any impairment or observable price changes. Prior to the adoption of Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (as clarified and amended by ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities)*, effective January 1, 2019, the Foundation accounted for one program-related investment on its cost basis. The carrying amount of this investment in the Statements of

Financial Position was $1.9 million and $0.5 million at December 31, 2019 and 2018, respectively. The carrying amount at December 31, 2019 included a $1.5 million upward adjustment due to an observable price change for the investment, which is included within realized and unrealized gains (losses) on investments in the Statements of Activities and Changes in Net Assets.

The Foundation routinely evaluates each of its program-related 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, 2019 and 2018. 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. Maturities of the loan investments range from 2021 through 2029.

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, 2019 and 2018, represent grant disbursements that cleared the operating bank account in 2020 and 2019, respectively.

Dividends and Interest—Dividends on investments are recognized in investment income when declared. Interest income is recognized when earned.

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—The following table shows new ASUs adopted by the Foundation effective January 1, 2019, as follows:

Standard	**Description**	**Effective Date and Method of Adoption**	**Impact on Financial Statements**
ASU No. 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*	The new guidance requires exchange treatment for transfer assets received by the recipient if the asset provider receives commensurate value in return for the transfer assets. If no commensurate value is received by the provider, then the transfer assets received are treated as a contribution. Also, a contribution is conditional if the agreement includes both a barrier (or barriers) that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. If both conditions are not met, the contribution is unconditional. The new guidance includes specific criteria to consider when determining whether a transaction should be accounted for as a contribution or as an exchange	January 1, 2019 (resource recipient transactions). The Foundation adopted using a retrospective approach.	Since the Foundation only receives unconditional contributions and does not provide commensurate value to MetLife, its resource provider, the adoption of this guidance did not have an impact on the Statements of Financial Position or the Statements of Activities and Changes in Net Assets.

Standard	Description	Effective Date and Method of Adoption	Impact on Financial Statements
	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.		
ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, as clarified and amended by ASU No. 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*.	The new guidance changed the 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.	January 1, 2019. The Foundation adopted using a prospective approach.	Except as disclosed in the "Program-Related Investments" accounting policy, the adoption of the guidance did not have a material impact on the Statements of Financial Position or the Statements of Activities and Changes in Net Assets.
ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*	The new guidance supersedes nearly all existing revenue recognition guidance under GAAP. 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.	January 1, 2019. The Foundation adopted using a modified retrospective approach.	Since the Foundation's revenue streams are not within the scope of this new guidance, the adoption of this guidance did not have an impact on the Statements of Financial Position or the Statements of Activities and Changes in Net Assets.

Future Adoption of New Accounting Pronouncements—New ASUs issued, but not yet adopted as of December 31, 2019, that are currently being assessed and may or may not have a material impact on the Foundation's financial statements are summarized in the table below.

Standard	**Description**	**Effective Date and Method of Adoption**	**Impact on Financial Statements**
ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*	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.	January 1, 2020, to be applied prospectively (with early adoption permitted).	The new guidance will not have a material impact on the Foundation's financial statements.
ASU No. 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*	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 (i.e., grant) 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.	January 1, 2020 (resource provider transactions), to be applied on a modified prospective basis.	The Foundation is currently evaluating the impact of the new guidance on the financial statements.

Standard	Description	Effective Date and Method of Adoption	Impact on Financial Statements
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*; ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*; ASU No. 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief*; ASU No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842);* and ASU No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*	This new guidance requires an allowance for credit losses based on the expectation of lifetime credit losses on financing receivables carried at amortized cost. The new guidance also requires enhanced disclosures.	January 1, 2023, to be applied on a modified retrospective basis, which requires transition adjustments to be recorded as a cumulative effect adjustment to net assets without donor restrictions.	The Foundation is currently evaluating the impact of the new guidance on the 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 (loss).

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. 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 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.

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. 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 measured at estimated fair value on a recurring basis and their corresponding placement in the fair value hierarchy are presented below at:

	Level 1	**Level 2**	**Level 3**	**Total Estimated Fair Value**
December 31, 2019:				
Equity investments	$ 91,606,338	$ -	$ -	$ 91,606,338
Cash equivalents	17,997,720	-	-	17,997,720
Total	$109,604,058	$ -	$ -	$109,604,058
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

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, 2019 and 2018.

The following table summarizes the change of all assets measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3). There were no assets measured at estimated fair value on a recurring basis using significant unobservable inputs during the year ended December 31, 2019.

	Balance, January 1	**Realized Losses**	**Purchases**	**Sales**	**Balance, December 31**
2018—equity investments	$ 15,000	$ (15,000)	$ -	$ -	$ -

3. RELATED-PARTY TRANSACTIONS

The Foundation received cash contributions of $27.0 million from MetLife during the year ended December 31, 2019. There were no contributions received during the year ended December 31, 2018.

MetLife provides the Foundation with management and administrative services without charge, which are reflected as contributed services in the Statements of Activities and Changes in Net Assets. Contributed services amounted to $1.8 million and $1.6 million for the years ended December 31, 2019 and 2018, 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 for each of the years ended December 31, 2019 and 2018, of which $0.5 million and $0 were recorded as unconditional grants payable at December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, the Foundation held program-related investments of $4.2 million and $3.2 million, respectively, with organizations 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 both 2019 and 2018. The rate for deferred excise taxes was 1.39% in 2019 and 2% in 2018. As of December 31, 2019 and

2018, the Foundation had a deferred excise tax liability of $0.2 million and $0.1 million, respectively, resulting from changes in the fair value of investments. There were no uncertain tax positions taken by the Foundation as of December 31, 2019 and 2018.

5. COMMITMENTS

As of December 31, 2019, the Board of Directors had authorized conditional grants and program-related investments for future years as follows.

	Conditional Grants	Program-Related Investments
2020	$ 14,044,373	$ 1,486,313
2021	5,337,890	-
	$ 19,382,263	$ 1,486,313

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 14, 2020, which is the date these financial statements were available to be issued. There are no transactions or events requiring disclosure.

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