To the Regents of the University of Michigan:

We have audited the accompanying consolidated financial statements of the University of Michigan and its subsidiaries (the "University"), which comprise the consolidated statement of net position as of June 30, 2019 and 2018, and the related consolidated statements of revenues, expenses and changes in net position and of cash flows for the years then ended.

MANAGEMENT’S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS’ RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of consolidated 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 University's internal control.

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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP, 500 Woodward Avenue, Detroit, Michigan 48226
T: (313) 394 6000, F: (313) 394 6555, www.pwc.com/us

Report of Independent Auditors

Kevin P. Hegarty
Executive Vice President and Chief Financial Officer

October 17, 2019
REPORT OF INDEPENDENT AUDITORS

October 17, 2019

PricewaterhouseCoopers LLP, 500 Woodward Avenue, Detroit, Michigan 48226
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MANAGEMENT’S DISCUSSION AND ANALYSIS

UNAUDITED

INTRODUCTION

The following discussion and analysis provides an overview of the financial position of the University of Michigan (the "University") at June 30, 2019 and 2018 and its activities for the three fiscal years ended June 30, 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The University is a comprehensive public institution of higher learning with over 63,700 students and approximately 8,500 faculty members on three campuses in southeast Michigan. The University offers a diverse range of degree programs from baccalaureate to post-doctoral levels through 19 schools and colleges, and contributes to the state and nation through related research and public service programs. The University also has a nationally renowned health system which includes the University of Michigan Health System ("UMHS"), the University’s Medical School, Michigan Health Corporation (a wholly-owned corporation created for joint venture and managed care initiatives) and UM Health (a wholly-owned corporation created to hold and develop the University’s statewide network of hospitals, hospital joint ventures and other hospital affiliations, currently consisting of Metropolitan Health Corporation). The University’s health system currently includes four hospitals as well as numerous health centers and outpatient clinics.

The University consistently ranks among the nation’s top universities by various measures of quality, both in general academic terms and in terms of strength of offerings, in specific academic disciplines and professional subjects. Research is central to the University’s mission and a key aspect of its strong reputation among educational institutions. The University is widely recognized for the breadth and excellence of its research enterprise as well as for the exceptional level of cooperation across disciplines, which allows faculty and students to address the full complexity of real-world challenges.

The University’s health system also has a tradition of excellence in teaching, advancement of medical science and patient care, consistently ranking among the best health care systems in the nation.

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