

QUARTERLY REPORT

ORLANDO HEALTH, INC.

Quarter Ended June 30, 2018

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Orlando Health, Inc.
June 30, 2018

Interim Condensed Consolidated Financial Statements

Consolidated Balance Sheets (in 000's)

	June 30	September 30
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 531,425	\$ 358,845
Assets limited as to use	31,468	38,701
Accounts receivable, less allowance for doubtful accounts	493,215	297,845
Other receivables	87,971	40,033
Inventory	65,719	51,355
Other current assets	58,220	36,690
Total current assets	<u>1,268,018</u>	<u>823,469</u>
Assets limited as to use:		
Debt service and reserve funds held by bond trustee	2	43,932
Interest rate swap collateral	7,533	14,258
Designated by board for malpractice self-insurance	45,585	13,428
	<u>53,120</u>	<u>71,618</u>
Less amount required to meet current obligations	<u>(31,468)</u>	<u>(38,701)</u>
	21,652	32,917
Long-term investments - unrestricted	1,949,127	1,185,747
Long-term investments - restricted	172,622	107,651
Investments in related parties	50,600	37,499
Other assets	275,475	268,259
Property and equipment, net	2,022,686	1,301,899
Total assets	<u>\$ 5,760,180</u>	<u>\$ 3,757,441</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 341,686	\$ 256,546
Other current liabilities	160,014	122,718
Current portion of long-term debt	29,951	23,288
Total current liabilities	<u>531,651</u>	<u>402,552</u>
Long-term debt, less current portion	1,632,802	959,404
Accrued malpractice claims	138,751	105,178
Other noncurrent liabilities	115,227	96,935
Total liabilities	<u>2,418,431</u>	<u>1,564,069</u>
Net assets:		
Unrestricted		
Orlando Health, Inc. and Controlled Affiliates	3,155,755	2,018,745
Non-controlling interest in Controlled Affiliates	(1,271)	(878)
Total unrestricted	<u>3,154,484</u>	<u>2,017,867</u>
Temporarily restricted	184,284	174,122
Permanently restricted	2,981	1,383
Total net assets	<u>3,341,749</u>	<u>2,193,372</u>
Total liabilities and net assets	<u>\$ 5,760,180</u>	<u>\$ 3,757,441</u>

The accompanying notes are an integral part of these consolidated financial statements.

Orlando Health, Inc.
June 30, 2018

Consolidated Statements of Operations and Changes in Net Assets (in 000's)

	Quarter ended June 30		Year-to-date June 30	
	2018	2017	2018	2017
Unrestricted revenues and other support				
Net patient service revenue (net of contractual allowances and discounts)	\$ 1,032,252	\$ 649,854	\$ 3,041,841	\$ 1,998,340
Provision for bad debts	(120,486)	(2,386)	(349,713)	(119,040)
Net patient service revenue less provision for bad debts	911,766	647,468	2,692,128	1,879,300
Other revenue	102,753	41,270	170,730	100,846
Net assets released from restrictions	1,541	1,453	3,778	3,883
Total unrestricted revenues and other support	1,016,060	690,191	2,866,636	1,984,029
Expenses				
Salaries and benefits	480,204	344,647	1,431,971	1,017,048
Supplies and other	339,258	215,222	935,594	626,711
Professional fees	11,343	9,063	33,612	28,284
Depreciation and amortization	48,595	32,251	140,698	93,341
Interest	18,745	10,876	52,272	32,157
Total expenses	898,145	612,059	2,594,147	1,797,541
Income from operations	117,915	78,132	272,489	186,488
Non-operating gains and losses				
Investment income	4,811	24,163	39,668	55,594
Gain (loss) on interest rate swap agreements	1,787	(1,055)	7,766	15,124
Nonoperating gain	-	-	2,976	1,900
Loss on early extinguishment of debt	-	-	(4,707)	-
Non-operating gains and losses, net	6,598	23,108	45,703	72,618
Excess of revenues, other support, and gains over expenses and losses	124,513	101,240	318,192	259,106
Deficit of revenues, other support, and gains over expenses and losses attributed to non-controlling interests	139	497	394	435
Excess of revenues, other support, and gains over expenses and losses attributed to Orlando Health, Inc. and Controlled Affiliates	124,652	101,737	318,586	259,541

The accompanying notes are an integral part of these consolidated financial statements.

Orlando Health, Inc.
June 30, 2018

Consolidated Statements of Operations and Changes in Net Assets (in 000's)(continued)

	Quarter ended		Year-to-date	
	June 30		June 30	
	2018	2017	2018	2017
Unrestricted net assets				
Excess of revenues, other support and gains over expenses and losses	\$ 124,513	\$ 101,240	\$ 318,192	\$ 259,106
Other changes in unrestricted net assets:				
Net assets released from restriction for property and equipment	15,402	13,262	32,137	10,553
Non-controlling interests and other changes	5,299	(186)	786,288	(198)
Increase in unrestricted net assets	<u>145,214</u>	<u>114,316</u>	<u>1,136,617</u>	<u>269,461</u>
Temporarily restricted net assets				
Contributions	5,015	4,936	20,066	10,753
Net assets released from restrictions	(22,259)	(14,715)	(41,235)	(14,436)
Net realized and unrealized gains on investments	95	849	1,054	1,951
Other changes	-	(139)	30,277	(143)
Increase in temporarily restricted net assets	<u>(17,149)</u>	<u>(9,069)</u>	<u>10,162</u>	<u>(1,875)</u>
Permanently restricted net assets				
Contributions	-	-	60	83
Other	-	-	1,538	-
Net realized and unrealized gains on investments	-	-	-	1
Increase in permanently restricted net assets	<u>-</u>	<u>-</u>	<u>1,598</u>	<u>84</u>
Increase in net assets	<u>128,065</u>	<u>105,247</u>	<u>1,148,377</u>	<u>267,670</u>
Net assets, beginning of period	<u>3,213,684</u>	<u>2,017,324</u>	<u>2,193,372</u>	<u>1,854,901</u>
Net assets, end of period	<u>\$ 3,341,749</u>	<u>\$ 2,122,571</u>	<u>\$ 3,341,749</u>	<u>\$ 2,122,571</u>

The accompanying notes are an integral part of these consolidated financial statements.

Orlando Health, Inc.
June 30, 2018

Consolidated Statements of Cash Flows (in 000's)

	Quarter ended		Year-to-date	
	June 30		June 30	
	2018	2017	2018	2017
Operating activities				
Change in net assets	\$ 128,065	\$ 105,247	\$ 1,148,377	\$ 267,670
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization	48,595	32,251	140,698	93,341
Change in value of interest rate swap agreements	(1,787)	1,055	(7,766)	(15,124)
Net unrealized losses (gains) on investments	27,165	(16,629)	21,789	(33,156)
Loss on early extinguishment of debt	-	-	4,707	-
Gain on Sale of Lucerne property	-	-	-	(1,900)
Inherent contribution from business combination	-	-	(788,141)	-
Restricted contributions and investment income	(5,110)	(5,646)	(21,180)	(12,562)
Changes in operating assets and liabilities:				
Accounts receivable, net	11,875	(6,105)	(76,989)	(32,376)
Other operating assets	(19,718)	1,914	(18,010)	2,811
Accounts payable and accrued expenses	39,953	22,117	14,893	3,139
Other operating liabilities	4,179	(15,017)	47,255	33,891
Net cash provided by operating activities	<u>233,217</u>	<u>119,187</u>	<u>465,633</u>	<u>305,734</u>
Investing activities				
Purchases of property, equipment and other assets	(165,586)	(31,768)	(326,370)	(103,859)
Proceeds from sale of group purchasing organization	-	-	2,976	-
Decrease in assets limited as to use	19,894	10,623	86,676	34,908
Purchases of trading securities, net of sales	(116,643)	(7,621)	(416,141)	(76,284)
Other investing activities	7,382	497	(1,640)	(27,059)
Net cash used in investing activities	<u>(254,953)</u>	<u>(28,269)</u>	<u>(654,499)</u>	<u>(172,294)</u>
Financing activities				
Proceeds from issuance of long-term debt	-	-	475,000	-
Refunding and repayments of long-term debt	(1,611)	(705)	(147,153)	(8,469)
Proceeds from debt service reserve fund liquidation	-	-	14,509	-
Bond proceeds used for loan costs	-	-	(2,090)	-
Restricted contributions and investment income	5,110	5,646	21,180	12,562
Net cash provided by financing activities	<u>3,499</u>	<u>4,941</u>	<u>361,446</u>	<u>4,093</u>
Increase in cash and cash equivalents	(18,237)	95,859	172,580	137,533
Cash and cash equivalents at beginning of period	549,662	312,386	358,845	270,712
Cash and cash equivalents at end of period	<u>\$ 531,425</u>	<u>\$ 408,245</u>	<u>\$ 531,425</u>	<u>\$ 408,245</u>

The accompanying notes are an integral part of these consolidated financial statements.

Orlando Health, Inc.
June 30, 2018

Notes to Interim Consolidated Financial Statements

1. Basis of Presentation

The accompanying unaudited interim consolidated financial statements include the accounts and activity of the Corporation and its Controlled Affiliates. All significant intercompany transactions have been eliminated in consolidation for all periods presented. The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information. However, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. These unaudited interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended September 30, 2017 and 2016.

2. Organization

Orlando Health, Inc. (Orlando Health) and Orlando Health Central, Inc. (Health Central) comprise the Obligated Group. Orlando Health is a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code, which controls a diversified healthcare delivery system headquartered in Orlando, Florida. Orlando Health includes the following hospitals operating in Central Florida: Orlando Regional Medical Center (ORMC), Dr. P. Phillips Hospital, Arnold Palmer Hospital for Children (APH), Winnie Palmer Hospital for Women and Babies (WPH), South Seminole Hospital and Health Central Hospital. APH and WPH are jointly referred to as the Arnold Palmer Medical Center (APMC). Health Central includes a hospital and Health Central Park, a skilled nursing facility. Orlando Health also has a home health services division and eight medical residency programs.

Controlled Affiliates are those entities Orlando Health controls as the sole or majority member, sole shareholder, or through board appointment and approval of all major transactions. Controlled Affiliates operate a variety of healthcare-related services, including Lakeland Regional Health Systems, Inc., physician practice groups (Orlando Health Physician Group, Inc., Orlando Physician Network, Inc., Orlando Cancer Center, Inc., Physician Associates, LLC (PAL)), ORHI, LLC (ORHI), which operates five imaging centers, a fund-raising organization (Orlando Health Foundation, Inc.) and other healthcare-related services. Effective October 1, 2017, the System completed an affiliation with Lakeland Regional Health Systems, Inc. (LRHS) to create an integrated regional health care system. Healthnet Services, Inc. and its subsidiaries are taxable corporations and are a part of the Controlled Affiliates. The Obligated Group, together with its Controlled Affiliates, is collectively referred to herein as the "System." These consolidated financial statements include the consolidated accounts of Orlando Health, Orlando Health Central, and their Controlled Affiliates. Significant transactions between entities have been eliminated.

Orlando Health has a 50% membership in South Lake Hospital, Inc. (South Lake), a not-for-profit acute care hospital. As Orlando Health does not hold a controlling interest in the accounts of South Lake, those accounts are excluded from the consolidated financial statements.

Orlando Health, Inc.
June 30, 2018

Consolidating Balance Sheets as of June 30, 2018 (in 000's)

	Consolidated	Eliminations	Orlando Health Obligated Group	Controlled Affiliates
Assets				
Current Assets:				
Cash and cash equivalents	\$ 531,425	\$ -	\$ 477,432	\$ 53,993
Assets limited as to use	31,468	-	20,831	10,637
Accounts receivable, less allowance for doubtful accounts	493,215	-	321,317	171,898
Other receivables	87,971	(39,933)	78,939	48,965
Inventory	65,719	-	50,619	15,100
Other current assets	58,220	-	47,230	10,990
Total current assets	1,268,018	(39,933)	996,368	311,583
Assets limited as to use:				
Debt service and reserve funds held by bond trustee	2	-	2	-
Interest rate swap collateral	7,533	-	7,533	-
Malpractice self-insurance	45,585	-	13,296	32,289
	53,120	-	20,831	32,289
Less amount required to meet current obligations	(31,468)	-	(20,831)	(10,637)
	21,652	-	-	21,652
Long-term investments - unrestricted	1,949,127	-	1,610,957	338,170
Long-term investments - restricted	172,622	-	-	172,622
Investments in related parties	50,600	(56,881)	14,247	93,234
Other assets	275,475	(142,403)	283,743	134,135
Property and equipment, net	2,022,686	-	1,391,909	630,777
Total assets	\$ 5,760,180	\$ (239,217)	\$ 4,297,224	\$ 1,702,173
Liabilities and net assets				
Current Liabilities:				
Accounts Payable and accrued expenses	\$ 341,686	\$ -	\$ 252,388	\$ 89,298
Other current liabilities	160,014	(38,639)	133,480	65,173
Current portion of long-term debt	29,951	-	20,637	9,314
Total current liabilities	531,651	(38,639)	406,505	163,785
Long-term debt less current portion	1,632,802	-	1,296,679	336,123
Accrued malpractice claims	138,751	-	114,469	24,282
Other noncurrent liabilities	115,227	(31,678)	78,861	68,044
Total liabilities	2,418,431	(70,317)	1,896,514	592,234
Net assets:				
Unrestricted				
Orlando Health, Inc. and Controlled Affiliates	3,155,755	(56,881)	2,260,965	951,671
Noncontrolling interest in Controlled Affiliates	(1,271)	-	-	(1,271)
Total unrestricted	3,154,484	(56,881)	2,260,965	950,400
Temporarily restricted	184,284	(110,963)	138,929	156,318
Permanently restricted	2,981	(1,056)	816	3,221
Total net assets	3,341,749	(168,900)	2,400,710	1,109,939
Total liabilities and net assets	\$ 5,760,180	\$ (239,217)	\$ 4,297,224	\$ 1,702,173

The accompanying notes are an integral part of these consolidated financial statements.

Orlando Health, Inc.
June 30, 2018

Consolidating Balance Sheets as of September 30, 2017 (in 000's)

	Consolidated	Eliminations	Orlando Health Obligated Group	Controlled Affiliates
Assets				
Current Assets:				
Cash and cash equivalents	\$ 358,845	\$ -	\$ 340,487	\$ 18,358
Assets limited as to use	38,701	-	38,701	-
Accounts receivable, less allowance for doubtful accounts	297,845	-	269,357	28,488
Other receivables	40,033	(24,766)	47,906	16,893
Inventory	51,355	-	49,261	2,094
Other current assets	36,690	-	36,039	651
Total current assets	823,469	(24,766)	781,751	66,484
Assets limited as to use:				
Debt service and reserve funds held by bond trustee	43,932	-	43,932	-
Interest rate swap collateral	14,258	-	14,258	-
Malpractice self-insurance	13,428	-	13,428	-
	71,618	-	71,618	-
Less amount required to meet current obligations	(38,701)	-	(38,701)	-
	32,917	-	32,917	-
Long-term investments - unrestricted	1,185,747	-	1,185,747	-
Long-term investments - restricted	107,651	-	-	107,651
Investments in related parties	37,499	(55,922)	11,895	81,526
Other assets	268,259	(134,690)	304,778	98,171
Property and equipment, net	1,301,899	-	1,278,887	23,012
Total assets	<u>\$3,757,441</u>	<u>\$ (215,378)</u>	<u>\$ 3,595,975</u>	<u>\$ 376,844</u>
Liabilities and net assets				
Current Liabilities:				
Accounts Payable and accrued expenses	\$ 256,546	\$ -	\$ 224,285	\$ 32,261
Other current liabilities	122,718	(23,684)	118,546	27,856
Current portion of long-term debt	23,288	-	22,004	1,284
Total current liabilities	402,552	(23,684)	364,835	61,401
Long-term debt less current portion	959,404	-	953,712	5,692
Accrued malpractice claims	105,178	-	105,178	-
Other noncurrent liabilities	96,935	(31,057)	81,465	46,527
Total liabilities	1,564,069	(54,741)	1,505,190	113,620
Net assets:				
Unrestricted				
Orlando Health, Inc. and Controlled Affiliates	2,018,745	(55,923)	1,926,066	148,602
Noncontrolling interest in Controlled Affiliates	(878)	-	-	(878)
Total unrestricted	2,017,867	(55,923)	1,926,066	147,724
Temporarily restricted	174,122	(103,718)	163,963	113,877
Permanently restricted	1,383	(996)	756	1,623
Total net assets	2,193,372	(160,637)	2,090,785	263,224
Total liabilities and net assets	<u>\$3,757,441</u>	<u>\$ (215,378)</u>	<u>\$ 3,595,975</u>	<u>\$ 376,844</u>

The accompanying notes are an integral part of these consolidated financial statements.

Orlando Health, Inc.
June 30, 2018

Consolidating Statements of Operations for the Quarter Ended June 30, 2018 (in 000's)

	Consolidated	Eliminations	Orlando Health Obligated Group	Controlled Affiliates
Unrestricted revenues and other support				
Net patient service revenue	\$ 1,032,252	\$ -	\$ 720,527	\$ 311,725
Provision for bad debts	(120,486)	-	(79,881)	(40,605)
Net patient service revenue less provision for bad debts	911,766	-	640,646	271,120
Other revenue	102,753	(14,682)	94,520	22,915
Net assets released from restrictions	1,541	(1,683)	1,339	1,885
Total unrestricted revenues and other support	1,016,060	(16,365)	736,505	295,920
Expenses				
Salaries and benefits	480,204	-	266,074	214,130
Supplies and other	339,258	(14,703)	262,315	91,646
Professional fees	11,343	(1,856)	9,357	3,842
Depreciation and amortization	48,595	-	31,543	17,052
Interest	18,745	-	13,260	5,485
Total expenses	898,145	(16,559)	582,549	332,155
Income (loss) from operations	117,915	194	153,956	(36,235)
Nonoperating gains and losses				
Investment income	4,811	-	4,512	299
Gain on interest rate swap agreements	1,787	-	1,787	-
Nonoperating gains and losses, net	6,598	-	6,299	299
Excess (deficiency) of revenues, other support and gains over expenses and losses	124,513	194	160,255	(35,936)
Plus noncontrolling interest	139	-	-	139
Excess (deficiency) of revenues, other support and gains over expenses and losses attributed to Orlando Health, Inc. and Controlled Affiliates	124,652	194	160,255	(35,797)

The accompanying notes are an integral part of these consolidated financial statements.

Orlando Health, Inc.
June 30, 2018

Consolidating Statements of Operations for the Quarter Ended June 30, 2017 (in 000's)

	Consolidated	Eliminations	Orlando Health Obligated Group	Controlled Affiliates
Unrestricted revenues and other support				
Net patient service revenue	\$ 649,854	\$ -	\$ 569,451	\$ 80,403
Provision for bad debts	(2,386)	-	1,925	(4,311)
Net patient service revenue less provision for bad debts	647,468	-	571,376	76,092
Other revenue	41,270	(21,373)	31,913	30,730
Net assets released from restrictions	1,453	(1,518)	1,453	1,518
Total unrestricted revenues and other support	690,191	(22,891)	604,742	108,340
Expenses				
Salaries and benefits	344,647	-	246,791	97,856
Supplies and other	215,222	(19,160)	203,364	31,018
Professional fees	9,063	(1,606)	8,417	2,252
Depreciation and amortization	32,251	-	30,601	1,650
Interest	10,876	-	10,753	123
Total expenses	612,059	(20,766)	499,926	132,899
Income (loss) from operations	78,132	(2,125)	104,816	(24,559)
Nonoperating gains and losses				
Investment gain	24,163	-	21,881	2,282
Loss on interest rate swap agreements	(1,055)	-	(1,055)	-
Nonoperating gains and losses, net	23,108	-	20,826	2,282
Excess (deficiency) of revenues, other support and gains over expenses and losses	101,240	(2,125)	125,642	(22,277)
Less noncontrolling interest	497	-	-	497
Excess (deficiency) of revenues, other support and gains over expenses and losses attributed to Orlando Health, Inc. and Controlled Affiliates	101,737	(2,125)	125,642	(21,780)

The accompanying notes are an integral part of these consolidated financial statements.

Orlando Health, Inc.
June 30, 2018

Operating and Statistical Information

Sources of Patient Revenues and Utilization of Patient Services

The table below lists the approximate percentage of gross patient charges for hospital services by payor category and patient services utilization statistics for the Obligated Group.

	Quarter ended June 30		Year-to-date June 30	
	2018	2017	2018	2017
<i>Payor Mix</i>				
Medicare (includes HMO's)	34.4%	35.3%	34.7%	35.4%
Medicaid (includes HMO's)	17.6%	17.0%	18.9%	17.6%
Managed Care	35.1%	34.8%	34.7%	34.3%
Commercial	4.0%	3.3%	3.7%	3.3%
Self Pay	6.8%	7.7%	6.0%	7.3%
Other	2.1%	1.9%	2.0%	2.1%
	100.0%	100.0%	100.0%	100.0%
<i>Average Licensed Beds</i>	2,026	2,048	2,038	2,026
<i>Average Beds in Service</i>	1,952	1,932	1,966	1,892
<i>Average Daily Census</i>				
Adult	1,145	1,080	1,167	1,078
Newborn and neonatal	171	175	189	183
	1,316	1,255	1,356	1,261
<i>Admissions</i>				
Adult	23,491	21,992	71,025	64,649
Newborn and neonatal	3,395	3,487	11,038	10,896
	26,886	25,479	82,063	75,545
<i>Observation Cases</i>				
Adult and neonatal	7,656	7,753	22,267	23,636
<i>Patient Days</i>				
Adult	104,175	98,280	318,626	294,288
Newborn and neonatal	15,581	15,960	51,677	49,847
	119,756	114,240	370,303	344,135
<i>Average Length of Stay (days)</i>				
Adult	4.4	4.5	4.5	4.6
Newborn and neonatal	4.6	4.6	4.7	4.6
<i>Percent Occupancy (beds in service)</i>				
Adult	68.3	66.0	69.3	66.7
Newborn and neonatal	62.4	59.3	66.8	66.4
<i>Outpatient Visits</i>				
Outpatient Visits	178,242	172,456	526,000	509,519
Outpatient Surgery Cases	6,954	7,133	21,014	20,845
Total Outpatient Visits	185,196	179,589	547,014	530,364
<i>Emergency Dept. Patients Treated</i>	82,904	79,364	253,326	240,505
<i>Case Mix Index</i>				
Medicare only	1.83	1.87	1.85	1.89
All payors	1.73	1.71	1.73	1.69

Source: Records of the Corporation

Orlando Health, Inc.
June 30, 2018

Management's Discussion and Analysis

The following discussion and analysis is on a consolidated basis which includes the consolidated operations and financial position of Orlando Health, Inc. and its Controlled Affiliates.

Quarter ended June 30, 2018 Compared to the Same Period of the Prior Year

Excess of revenues, other support and gains over expenses and losses was \$124.5 million for the quarter ended June 30, 2018, a \$23.3 million increase from the prior year period. Income from operations was \$117.9 million for the quarter, a \$39.8 million increase from the prior year period, with a \$27.9 million increase attributed to the Obligated Group. Total unrestricted revenues increased \$325.9 million from the prior year period, of which \$264.3 million was from net patient service revenue. Total unrestricted revenue increased by \$195 million due to the inclusion of Lakeland Regional Health Systems (LRHS) as a controlled affiliate effective October 1, 2017. Total unrestricted revenues of the Obligated Group increased \$131.7 million or 22%.

Revenue, Utilization, and Payor Mix

Net patient service revenue, less the provision for bad debts for the quarter ended June 30, 2018 increased \$264.3 million or 40.8% compared to the prior year period. This was due to increases in patient volumes, increases in rates from contracted managed care plans, an increase in case mix and the addition of LRHS. Obligated Group admissions increased 5.5% and case mix index increased 1.3% for the quarter ended June 30, 2018 compared to the prior year period.

Bad debt expense was \$120.5 million for the quarter ended June 30, 2018, an increase of \$118 million compared to June 30, 2017.

Obligated Group combined admissions and observation cases increased 3.9% and outpatient visits increased 3.1%. Total case mix index increased from 1.71 to 1.73.

Expenses

Total expenses for the quarter ended June 30, 2018 increased \$286.1 million or 46.7% compared to the prior year period. The addition of LRHS resulted in an increase in expense of \$193.5 million. Total expenses of the Obligated Group increased \$82.6 million or 16.5% compared to the prior year period. The increase in expenses corresponds to the increases in net patient revenue and volume increases in supply intensive service lines.

Changes in Cash, Investments and Accounts Receivable during the Quarter ended June 30, 2018

Unrestricted cash and investments increased \$70.9 million or 2.9% during the current quarter.

Accounts receivable decreased \$11.9 million or 2.4% during the current quarter. The Obligated Group's days of revenue in accounts receivable, based on one year of net patient service revenue, were 45.7 days at June 30, 2018, compared with 48.1 days at March 31, 2018.

Capital Expenditures

Construction-in-progress represents numerous construction and renovation projects. Estimated costs to complete these projects as of June 30, 2018, are approximately \$247.4 million which includes \$30.6 million for Freestanding ED- Osceola, \$62.9 million for Freestanding ED- Seminole, \$10.2 million for North Bed Tower 11th floor buildout, \$10.0 million for 55 W Gore Parking Garage, \$13.9 million for the Horizons West campus development, \$9.9 million for an on campus Cancer Center at Health Central, and \$27.7 million for an on campus Skilled Nursing Facility at Health Central.