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 $\mathsf{Form} 990$

Department of the Treasury Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

									<u> </u>
			lendar year, or tax year beginning C Name of organization	g 01-01-2011 and ending 12-	-31-2011		D Employ	er ident	ification number
	eck if a _l dress ch	pplicable	SANTA YNEZ VALLEY COTTAGE HOSPI	TAL			95-22	24265	
_		-	Doing Business As			_	E Telepho		ber
_	me cha	-					(805)	682-71	11
Ini	tıal retu	rn	Number and street (or P O box if many PO BOX 689	all is not delivered to street address)	Room/suit	e			14,580,001
Te	rmınate	d	PO BOX 689			ŀ		, 4 co.p.c	
_ Am	nended i	return	City or town, state or country, and Z	IP + 4		_			
— Ap	plication	pending	SANTA BARBARA, CA 931020689						
			F Name and address of prin	cipal officer		H(a) Is thu	s a droun	return f	or
			Ronald Werft			affilia		recurring.	⊤Yes ▼ No
			Same As Above Santa Barbara,CA 93102						
						H(b) Are all			?
I Ta	ıx-exem	pt status	▼ 501(c)(3)	nsert no)	27		p exempti		
1 W	ohsite	• • \ \/\A		NRG		ii(c)	p =p = .		
					<u> </u>				
			Corporation Trust Association	Other 🕨		L Year of for	mation 196	52 M S	tate of legal domicile CA
Pa	rt I	Sum	ımary						
Governance] 6	It is the and to or decision access h	escribe the organization's missio mission of Santa Ynez Valley Co ur core values of excellence, inte is that will improve health care achospital. The hospital provides crited hospital that provides a high-	ttage Hospital to provide supe grity, and compassion The vol cess, affordability and quality itical emergency services whic	rıor healt unteer B SYVCH	oard of Directis a rural hos	tors uses pital and	these c is desig	ore values to make nated a critical
	2	Check th	his box 🛏 if the organization dis	continued its operations or dis	posed of	f more than 2	5% of its	net ass	ets
Activities &	1 8	Number	of voting members of the governi	ng body (Part VI, line 1a) .			1	з	19
Ė	4 1	Number	of independent voting members of	f the governing body (Part VI,	lıne 1b)		Ī	4	14
ទ្ធ	5 1	Total nu	mber of individuals employed in c	alendar year 2011 (Part V, lin	e 2a) .			5	94
	6	Total nu	mber of volunteers (estimate if no	ecessary)			Γ	6	207
	7a 1	Total un	related business revenue from Pa	art VIII, column (C), line 12			Γ	7a	15,862
	ы	Net unre	elated business taxable income fr	om Form 990-T, line 34				7b	-1,411
						Prio	r Year		Current Year
_	8	Contri	butions and grants (Part VIII, lir	ne 1h)		3,398,3	39	935,108	
ПE	9	Progra	am service revenue (Part VIII, lir	ne 2g)		12,428,		13	13,274,677
Revenue	10	Invest	tment ıncome (Part VIII, column		93,2	93	63,538		
ш	11	Other	$revenue\ (Part\ VIII,\ column\ (A\),$	109,411			114,895		
	12		revenue—add lines 8 through 11				16,029,4	56	14,388,218
	13		s and similar amounts paid (Part				10,1		10,000
	14		ts paid to or for members (Part I)			0			0
	15		es, other compensation, employe						
8		5-10)		7,107,826			7,245,862		
Expenses	16a	Profes	ssional fundraising fees (Part IX,			0	0		
<u>F</u>	Ь	Total fu	ındraısıng expenses (Part IX, column (D)	, line 25) 🕨					
_	17		expenses (Part IX, column (A), I				4,775,9	01	5,690,263
	18	Total	expenses Add lines 13–17 (mus	t equal Part IX, column (A), lır	ne 25)		11,893,902		12,946,125
	19	Reven	ue less expenses Subtract line 1	18 from line 12			4,135,5		1,442,093
Net Assets or Fund Balances						Beginning	of Currer ear	nt	End of Year
Set Ses	20	Total	assets (Part X, line 16)		_		18,793,5	65	20,638,573
d B	21		liabilities (Part X, line 26)				2,857,1		3,826,488
∌£ Z£	22		ssets or fund balances Subtract I				15,936,3		16,812,085
	rt III		nature Block				, , -	ı	,,
Unde know	r penal	ties of p	erjury, I declare that I have examine of, it is true, correct, and complete.						
		I					12-11-14		
Sigr		F Signa	ature of officer			Da	te		
Her	е		Bricher Senior Vice President and CFO or print name and title						
		F Type	ог ринт нагне ани шие	T	Т		1		
		Preparer		Date		heck if elf-	Preparer's		r identification number
Paid		r's Firm's name (or yours).					, 355 111361		
							EIN Þ		_
Use	Only	address,	mployed), , and ZIP + 4						
							Phone no	•	

Par	t III		ervice Accomplishments response to any question in this Part III		୮
1	Brief	y describe the organization's m	sion		
core	values		ge Hospital to provide superior health care passion The volunteer Board of Directors I quality		
2	the p	or Form 990 or 990-EZ? .	nificant program services during the year v		No
		s," describe these new services			
3	servi	ces?	, or make significant changes in how it cond	ducts, any program ⊤Yes ▼	No
	If "Y∈	s," describe these changes on S	hedule O		
4	exper	ises Section 501(c)(3) and 50:	ervice accomplishments for each of its thre (c)(4) organizations and section 4947(a)(1 ital expenses, and revenue, if any, for each	.) trusts are required to report the am	
4a	(Cod	e) (Expenses \$	10,104,110 including grants of \$	10,000) (Revenue \$ 13,	866,892)
	days, outpa comr regar and a healt Disco Hosp 600 f exerc mand	served 28,511 outpatients including er itient surgical services, laboratory, imag- nunities of Solvang, Buellton, Santa Yne dless of their ability to pay. All patients are assisted in applying for charity if the incare, Santa Ynez Valley Cottage Hospi unted care is also available for families tal also rents medical office space on a lu shots at a reduced cost to the comm use program for seniors. Santa Ynez Va	d acute-care hospital located in the rural area knownergency services to 6,757 patients. The Hospital prong diagnostic services and cardiac rehabilitation services, and Ballard. Santa Ynez Valley Cottage who do not present with third-party insurance are autoatient does not qualify for any other assistance. To all offers full charity care to all patients whose income who make up to 542% of the FPL. In order to ensure over clinic basis. In 2011, Santa Ynez provided 79 pat mity, low cost bike helmets and CPR classes. The hosp to the provided a major earthquake or close its doors. The Community.	vided essential emergency treatment, inpatient ces to the residents of the Santa Ynez Valley, Hospital provides emergency services to anyotomatically screened for eligibility in government ensure that every member of the community elevel is at or below 350% of the Federal Pover that the Community has access to physician tients with financial assistance. In 2011, the Hispital's cardiac rehabilitation service also provide the facilities in order to comply with the unfunctions.	at acute care, including the one seeking care, ent health programs has access to verty Level (FPL) specialists, the oospital provided over des a low cost ded California
4b	(Cod	e) (Expenses \$	including grants of \$) (Revenue \$)
4 c	(Cod	e) (Expenses \$	including grants of \$) (Revenue \$)
_	_				
4d	Oth	er program services (Describe i	Schedule O)		
	(Exp	enses \$ 0	including grants of \$	0)(Revenue\$	0)
4e	Tota	l program service expenses►\$	10,104,110		

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes,"</i> complete Schedule A	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 🕏	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3		No
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II</i>	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
а	Did the organization report an amount for land, buildings, and equipment in Part X, line10? If "Yes," complete Schedule D, Part VI.	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII.	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX.	11d		No
е	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X.	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X.	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI , XII , and $XIII$	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(II)? If "Yes," complete Schedule E	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Part I	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S? If "Yes," complete Schedule F, Part II and IV.	15		No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? If "Yes," complete Schedule F, Part III and IV	16		No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I	17		No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19		No
20a	Did the organization operate one or more hospitals? If "Yes," complete Schedule H	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Par	t IV Checklist of Required Schedules (continued)			
21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1 ? If "Yes," complete Schedule I, Parts I and II	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III	22	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
С	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If</i> "Yes," complete Schedule L, Part I	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? If "Yes," complete Schedule L, Part II	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III </i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
а	A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28a	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28b		No
С	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? If "Yes," complete Schedule L, Part IV	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M	29		Νo
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? <i>If</i> "Yes," complete Schedule R, Part I	33		No
34	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section $512(b)(13)$?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19?	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

	Check if Schedule O contains a response to any question in this Part V		. [
			Yes	No
a	Enter the number reported in Box 3 of Form 1096 Enter -0 - if not applicable			
	1a 35			
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable 1b			
_	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable			
C	gaming (gambling) winnings to prize winners?	1c	Yes	
a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax			
	Statements filed for the calendar year ending with or within the year covered by this			
L	return			
D	11 at least one is reported on line 2a, did the organization line all required lederal employment tax returns?	2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)			
a	Did the organization have unrelated business gross income of \$1,000 or more during the			
	year [?]	3a	Yes	
	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b	Yes	
a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities			
	account)?	4a		Νo
b	If "Yes," enter the name of the foreign country			
	See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts			
	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		Νo
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			
		5c		
а	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a		Νo
ь	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts			
	were not tax deductible?	6b		
	Organizations that may receive deductible contributions under section 170(c).			
а	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and	7a		Νo
L	services provided to the payor?	76		
	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
С	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c		Νo
d	If "Yes," indicate the number of Forms 8282 filed during the year 7d			
е	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		No
	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as			
	required?	7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a	76		
	Form 1098-C?	7h		
	the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess			
	business holdings at any time during the year?	8		
	Sponsoring organizations maintaining donor advised funds.			
а	Did the organization make any taxable distributions under section 4966?	9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
0	Section 501(c)(7) organizations. Enter			
а	Initiation fees and capital contributions included on Part VIII, line 12 10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club			
	facilities			
	Section 501(c)(12) organizations. Enter			
	Gross income from members or shareholders			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)			
	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the			
3	year Section 501(c)(29) qualified nonprofit health insurance issuers.			
	Is the organization licensed to issue qualified health plans in more than one state?			
d	Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue			
	qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state	13a		
h	Enter the aggregate amount of reserves the organization is required to maintain by			
J	the states in which the organization is licensed to issue qualified health plans			
c	Enter the aggregate amount of reserves on hand			
_	13c	ایرا		
	Did the organization receive any payments for indoor tanning services during the tax year?	14a		No
b	If "Yes." has it filed a Form 720 to report these payments? If "No." provide an explanation in Schedule O	14b		i l

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI

Se	ection A. Governing Body and Management				
		_		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	19			
b	Enter the number of voting members included in line 1a, above, who are independent	14			
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship other officer, director, trustee, or key employee?	with any	2	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the supervision of officers, directors or trustees, or key employees to a management company or other pe		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 99 filed?	F	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's asse	ts?	5		No
6	Did the organization have members or stockholders?		6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appo	oint one or	7-	Vac	
b	more members of the governing body?	ockholders	7a 7b	Yes	
	or persons other than the governing body?	`			
8	Did the organization contemporaneously document the meetings held or written actions undertaken duyear by the following	iring the			
а	The governing body?	[8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be rea organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No
Se	ection B. Policies (This Section B requests information about policies not required by the				
Re	evenue Code.)				
		г		Yes	No
	Did the organization have local chapters, branches, or affiliates?		10a		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such charaffiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		10b		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body the form?		11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review the Form 990				
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13		12a	Yes	
b	Were officers, directors or trustees, and key employees required to disclose annually interests that corrise to conflicts?		12b	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Ye in Schedule O how this was done	· -	12c	Yes	
13	Did the organization have a written whistleblower policy?	•	13	Yes	
14	Did the organization have a written document retention and destruction policy?	}	14	162	No
15	Did the process for determining compensation of the following persons include a review and approval b		17		140
а	independent persons, comparability data, and contemporaneous substantiation of the deliberation and The organization's CEO, Executive Director, or top management official		15a	Yes	
	Other officers or key employees of the organization	F	15b	Yes	
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)	• •	130	163	
	These, to fine 13a of 13b, describe the process in Schedule O (see instructions)				
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arranger taxable entity during the year?		16a		No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate participation in joint venture arrangements under applicable federal tax law, and take steps to safegua organization's exempt status with respect to such arrangements?	ard the	46.		
<u> </u>		· · ·	16b		
<u>Se</u> 17	List the States with which a copy of this Form 990 is required to be filed CA				
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-				
10	(3)s only) available for public inspection. Indicate how you made these available. Check all that apply				

Own website Another's website V Upon request

- Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table
- State the name, physical address, and telephone number of the person who possesses the books and records of the organization 🕨 20 Karen Jones

400 West Pueblo

Santa Barbara, CA 93105

(805)682-7111

<u>Part VII</u> Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- ◆ List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0 in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's current key employees, if any See instructions for definition of "key employee"
- ◆ List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

Check this box if neither the organization nor any related organizations compensated any current or former officer, director, or trustee

• List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

(A) Name and Title	(B) Average hours per week (describe hours	director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related	
	for related organizations in Schedule O)	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former		MISC)	organizations	
(1) Steve Aınsley Board Member	2	х						0	0	0	
(2) J Robert Andrews Esq Board Member	3	х						0	0	0	
(3) Margaret Baker Board Member	2	х						0	0	0	
(4) Ed Birch PhD Vice Chair	3	х		Х				0	0	0	
(5) Jon Clark Board Member	2	х						0	0	0	
(6) Greg Faulkner Esq Board Member	2	х						0	0	0	
(7) Frederick Gluck Board Member	3	х						0	0	0	
(8) Judith Hopkinson Board Member	2	х						0	0	0	
(9) Angel Iscovich MD Board Member	3	х						0	0	0	
(10) Charles A Jackson Board Member	3	Х						0	0	0	
(11) Alex Koper MD Board Member	2	х						0	25,385	0	
(12) Jeffrey Kupperman MD Secretary	3	х		Х				0	15,013	0	
(13) Fred Lukas Board Member	2	х						0	0	0	
(14) Gretchen Milligan Chair	4	х		Х				0	0	0	
(15) Robert Nakasone Vice Chair	3	х		х				0	0	0	
(16) Robert Nourse Board Member	2	Х						0	0	0	
(17) Elliot Prager MD Board Member	2	Х						0	240,231	0	

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and Title	(B) Average hours per week (describe	n on son er a	t che e bo is be nd a stee	x, oth		(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-	(F) Estimated amount of other compensation from the organization and			
	hours for related organizations in Schedule O)	Individual trustee or director	Institutional Trustee	Officei	Ke) employee	Highest compensated employee	Former		MISC)	related organizations	
(18) John Romo Board Member	2	х						0	0	0	
(19) Marshall Turner Board Member	2	х						0	0	0	
(20) Tom Watson MD Board Member	2	х						0	11,725	0	
(21) Ronald C Werft CEO	40			х				0	985,900	614,404	
(22) Steven A Fellows COO	40			Х				О	578,747	156,703	
(23) Joan Bricher CFO	40			х				О	514,928	241,780	
(24) Julie Artoux Assistant Secretary	40			Х				0	119,146	16,212	
(25) Wende Cappetta VP SYVCH	40				Х			200,693	0	31,754	
(26) Madeline Lozano Clinical Lab Scientist III	40					х		158,409	0	18,175	
(27) Gayle Mercado Clinical Manager	40					х		154,965	0	18,003	
(28) Denise Holmes Clinical Manager	40					х		137,740	0	17,142	
(29) Mary Puryear Clinical Manager	40					х		135,892	0	17,049	
(30) Rıcardo Gonzalez Menchaca Radıology Technician III	40					х		135,621	0	17,036	
1b Sub-Total											
c Total from continuation sheets to Part VII, Section A											
d Total (add lines 1b and 1c) .							•	923,320	2,491,075	1,148,258	
Total number of individuals (including but not limited to those listed above) who received more than											

Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization►12

			Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee			
	on line 1a? If "Yes," complete Schedule J for such individual	3		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such			
	ındıvıdual	4	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for			
	services rendered to the organization? If "Yes," complete Schedule I for such person	5		No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year

(A) Name and business address	(B) Description of services	(C) Compensation
CALIFORNIA EM-1 MEDICAL SERVICES 7032 COLLECTION CENTER DR CHICAGO, IL 60693	PHYSICIAN	263,551
COMFORCE PO BOX 31001-0893 PASADENA, CA 91110	NURSING	213,131
HAGEN MD KATHARYN 870 COYOTE ROAD SANTA BARBARA, CA 93108	PHYSICIAN	125,255
SMITH ROGER A PO BOX 634 SANTA YNEZ, CA 93460	INSPECTION SERVICES	104,625
Total number of independent contractors (including but not limited to those listed above)	who received more than	

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►4

Part v		Statement of Revenue					
				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512,513,or 514
数数	1a	Federated campaigns 1a	0				
등등	Ь	Membership dues 1b	4,090				
ಕ್ಕ್	_c	Fundraising events 1c					
क्राह्य च			867,000				
ਰੂ <u>ਵ</u>	d						
Contributions, gifts, grants and other similar amounts	e	Government grants (contributions) 1e	9,567				
	f	All other contributions, gifts, grants, and 1f similar amounts not included above	54,451				
	 g	Noncash contributions included in					
불유	•	lines 1a-1f \$					
ခြင်း မေ	h	Total. Add lines 1a-1f	▶	935,108			
			Business Code				
Ę	2a	NET PATIENT SERVICE REVENUE	900099	13,217,978	13,217,978	0	0
ē.							-
22	Ь	HOSPITAL MEDI-CAL SUPPLEMENTAL FEE	900099	31,289	31,289	0	0
92	C	PHYSICIAN ROOM RENT	900099	25,410	25,410	0	0
<u>2</u>	d						
S	e						
Program Serwce Revenue	f	All other program service revenue		0	0	0	0
ڮٚ							
	g	Total. Add lines 2a-2f		13,274,677			
	3	Investment income (including dividend		FE 004	0	0	FE 004
	_	and other similar amounts)		55,984	0	0	55,984
	4	Income from investment of tax-exempt bond p	· · · · ·	0	0	0	0
	5	Royalties		۷	U	0	0
	_	(ı) Real	(II) Personal				
	6a .	Gross rents					
	Ь	Less rental expenses					
	c	Rental income 0 or (loss)	0				
	d	Net rental income or (loss)					
		(ı) Securities	(II) Other				
	7a	Gross amount 174,352	0				
		from sales of assets other					
	_	than inventory					
	Ь	Less cost or 166,798 other basis and	U				
	_	sales expenses Gain or (loss) 7,554	0				
	c			7,554	ol	0	7,554
	d o-	Net gain or (loss)	· · · · · · · · · · · ·	7,334	0	0	7,334
ψ	8a	Gross income from fundraising events (not including					
듄		\$0					
>-		of contributions reported on line 1c) See Part IV, line 18					
œ		a	12.674				
<u>a</u>	Ь	Less direct expenses b	12,674 24,985				
Other Revenue	c	Net income or (loss) from fundraising e		-12,311		0	-12,311
_	9a	Gross income from gaming activities	· · · · · · · · · · · · · · · · · · ·	·			·
		See Part IV, line 19					
		а					
	ь	Less direct expenses b					
	c	Net income or (loss) from gaming activ	ities				
	10a	Gross sales of inventory, less returns and allowances .					
	ь	Less cost of goods sold b					
	С	Net income or (loss) from sales of inve	ntory 🟲				
		Miscellaneous Revenue	Business Code				
	11a	THRIFT SHOP REVENUE	453310	100,752	0	0	100,752
	ь	LABORATORY MISC REVENUE	621511	15,862	0	15,862	0
	c	REBATES AND REFUNDS	900099	4,673	4,673	0	0
	d	All other revenue		5,919	5,919	0	0
	e	Total. Add lines 11a-11d	 	·			
	12	Total revenue. See Instructions	· · · · •	127,206			
	**	iocal revenue. See Instructions	•	14,388,218	13,285,269	15,862	151,979

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

Do no	heck if Schedule O contains a response to any question in this Part IX ot include amounts reported on lines 6b, b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service	(C) Management and	(D) Fundraising
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21		expenses	general expenses	expenses
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0	0		
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	10,000	10,000		
4	Benefits paid to or for members	0	0		
5	Compensation of current officers, directors, trustees, and key employees	232,447	197,580	34,867	0
6	Compensation not included above, to disqualified persons (as defined under section $4958(f)(1)$) and persons described in section $4958(c)(3)(B)$	0	0	0	0
7	Other salaries and wages	4,835,558	3,934,122	901,436	0
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	484,009	394,589	89,420	0
9	Other employee benefits	1,318,141	1,028,724	289,417	0
10	Payroll taxes	375,707	316,079	59,628	0
11	Fees for services (non-employees)				
а	Management	876,215	369,885	506,330	0
b	Legal	1,705	0	1,705	0
С	Accounting	20,280	0	20,280	0
d	Lobbying	5,485	0	5,485	0
е	Professional fundraising See Part IV, line 17	0			0
f	Investment management fees	25,849	0	25,849	0
g	Other	2,608,100	2,128,689	479,411	0
12	Advertising and promotion	0	0	0	0
13	Office expenses	211,547	100,807	110,740	0
14	Information technology	49,948	39,051	10,897	0
15	Royalties	0	0	0	0
16	Occupancy	293,700	225,916	67,784	0
17	Travel	13,816	6,596	7,220	0
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0	0	0	0
19	Conferences, conventions, and meetings	661	0	661	0
20	Interest	0	0	0	0
21	Payments to affiliates	0	0	0	0
22	Depreciation, depletion, and amortization	574,390	505,475	68,915	0
23	Insurance	68,472	0	68,472	0
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
а	MEDICAL SUPPLIES	603,637	603,637	0	0
b	EQUIPMENT MAINTENANCE	294,869	239,519	55,350	0
С	LICENSES	25,329	392	24,937	0
d					
e					
f	All other expenses	16,260	3,049	13,211	0
25	Total functional expenses. Add lines 1 through 24f	12,946,125	10,104,110	2,842,015	0
26	Joint costs. Check here ► ☐ If following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				rm 990 (2011)

Part X **Balance Sheet** (A) (B) Beginning of year End of year 2,489,710 3,336,405 1 1 1,723,549 1.848.730 2 2 3 0 3 0 1.307.447 4 2.042.025 4 5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of 0 0 5 6 Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of 0 0 6 0 0 7 78.314 8 82.967 9 125,443 104,428 Prepaid expenses and deferred charges 10a 16,738,035 Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D 10a 10b 4,320,681 b Less accumulated depreciation 12,063,974 **10c** 12,417,354 0 11 11 0 0 12 12 Investments—other securities See Part IV, line 11 0 0 13 13 Investments—program-related See Part IV, line 11 . . 0 0 14 14 1,005,128 806,664 15 15 18,793,565 20,638,573 16 Total assets. Add lines 1 through 15 (must equal line 34) . . . 16 1,353,709 1,395,729 17 17 Accounts payable and accrued expenses . 18 0 18 0 19 0 19 0 20 0 20 0 21 0 21 0 Escrow or custodial account liability Complete Part IV of Schedule D . . Liabilities 22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified 0 22 0 0 23 Secured mortgages and notes payable to unrelated third parties . . . 23 24 Unsecured notes and loans payable to unrelated third parties 0 24 0 25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule 1,503,468 25 2,430,759 D 26 2,857,177 26 3,826,488 **Total liabilities.** Add lines 17 through 25 Organizations that follow SFAS 117, check here ▶ 🔽 and complete lines 27 Balances through 29, and lines 33 and 34. 27 15,850,382 27 16,723,448 Unrestricted net assets 88,637 86,006 28 28 Temporarily restricted net assets Fund 29 0 29 0 Permanently restricted net assets Organizations that do not follow SFAS 117, check here ▶

and complete lines 30 through 34. ö 30 Capital stock or trust principal, or current funds 30 Assets 31 31 Paid-in or capital surplus, or land, building or equipment fund 32 32 Retained earnings, endowment, accumulated income, or other funds ¥ 33 Total net assets or fund balances 15.936.388 33 16.812.085 34 Total liabilities and net assets/fund balances 18.793.565 34 20.638.573

Ра	Check if Schedule O contains a response to any question in this Part XI			. [~	
1	Total revenue (must equal Part VIII, column (A), line 12)	1		14 -	388,21
2	Total expenses (must equal Part IX, column (A), line 25)	2			946,12
3	Revenue less expenses Subtract line 2 from line 1	3			142,09
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4		15,9	36,38
5	Other changes in net assets or fund balances (explain in Schedule O)	5		- 5	66,39
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6		16,8	312,08
Pa	TEXII Financial Statements and Reporting			_	
	Check if Schedule O contains a response to any question in this Part XII		•	Г	1
				Yes	No
1	Accounting method used to prepare the Form 990				
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		2a		Νo
b	Were the organization's financial statements audited by an independent accountant?	[2b	Yes	
C	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of t audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O		2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were is on a separate basis, consolidated basis, or both	ssued			
2-	Separate basis Consolidated basis Both consolidated and separated basis				
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		3a		Νo
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the readult or audits, explain why in Schedule O and describe any steps taken to undergo such audits	equired	3b		

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DLN: 93493320034452

OMB No 1545-0047

OMB No 1545-004

2011

2011

Inspection

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury Internal Revenue Service

Name of the organization SANTA YNEZ VALLEY COTTAGE HOSPITAL

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

Public Charity Status and Public Support

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

Employer identification number

__ _ _ _

					_ ,				95-2224			
Par				blic Charity Sta						nstructions	S	
	ganız —			te foundation becaus								
1	<u> </u>			ion of churches, or as				b)(1)(A)(i)				
2	_			in section 170(b)(1								
3	고		hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).									
4	Γ			h organızatıon operat ity, and state	ted in conjur	nction with a	a hospital des	cribed in s	ection 170(b)	(1)(A)(iii).	Enter the	
5	Г	=	•	erated for the benefit	_	e or univers	ıty owned or (operated by	a governmen	ital unit des	cribed in	
6	\vdash			local government or	•	tal unit dec	cribed in sect	ion 170(h)	(1)(A)(y)			
7	<u>'</u>			at normally receives	=					from the ger	neral publi	с
		describ section		(A)(vi) (Complete P	art II)							
8	\Box			described in section	•	A)(vi) (Co	mplete Part I	Ι)				
9	_	An orga receipt its supi	anization the s from activ port from gr	at normally receives rities related to its ex oss investment incol ganization after June	(1) more th xempt functi me and unre	nan 331/3% ons—subjec lated busin	of its suppor ct to certain e ess taxable ii	t from cont exceptions, ncome (les	, and (2) no mo s section 511	ore than 33	1/3% of	
0	_			ganized and operated	•			•	•			
1	<u></u>	An orga one or i the box	anization or more public that descr Type I	ganized and operated ly supported organization lbes the type of supp b Type II	d exclusively ations descr orting organ I c	y for the ber ribed in sec nization and Type II	nefit of, to per tion 509(a)(1 complete line I - Functiona	form the fu) or sectio es 11e thro lly integrat	nctions of, or n 509(a)(2) S ough 11h ced	d Γ Typ	509(a)(3) pe III - Ot	.Check her
e f g	•	other the section If the ocheck the Since A	nan foundat 509(a)(2) rganization his box august 17, 2	ox, I certify that the ion managers and oth received a written de 2006, has the organi	her than one	or more pu	blicly suppor	ted organiz	ations describ	oed in section	on 509(a)((1) or
			g persons?	rectly or indirectly c	antrols auth	er alone or	together with	nercone de	escribed in (ii)	١	Yes	T No.
				governing body of th			_	persons di	escribed iii (ii,		g(i)	No
			•	er of a person descril		_	zacion.					+
			•	•			ahovo?				g(ii)	+
h				lled entity of a persoing information about						[119	y(iii)	
(i) Name of supported organization		ted	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see	organızat col (ı) lıs your gove	(iv) Is the organization in col (i) listed in your governing document? (v) (vi) (vi) Is the organization in organization in col (i) of your support? (vi) (vi) (vi) (vi) (vi) (vi) (vi) (vi)		ne tion in ganized	A mo	vii) ount of port?		
				(see (nstructions))	Yes	No	Yes	No	Yes	No	7	
				"			1			1		
							1			†	1	
at a I												

instructions

Sch	edule A (Form 990 or 99	90-EZ)2011						Page 2
	(Complet	e only if you	checked the	box on line 5,	7, or 8 of Part	(b)(1)(A)(iv) I or if the orgar	nızatıon faıle	d to qualify
			<u>organızatıon f</u>	fails to qualify ι	<u>under the tests</u>	listed below, pl	<u>lease comple</u>	ete Part III.)
	ection A. Public Su					Т	1	
Cal	endar year (or fiscal ye in)	ar beginning	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1	Gifts, grants, contribut	ions, and						
	membership fees recei							
	ınclude any "unusual							
_	grants ") Tax revenues levied fo	rtho						
2	organization's benefit a							
	paid to or expended on							
	behalf							
3	The value of services of							
	furnished by a governme the organization withou							
4	Total. Add lines 1 thro	_						
5	The portion of total cor	-						
-	by each person (other	than a						
	governmental unit or p	•						
	supported organization line 1 that exceeds 2%							
	amount shown on line 1							
	(f)	21,0014						
6	Public Support. Subtractine 4	ct line 5 from						
S	ection B. Total Sup	port						
Cal	endar year (or fiscal yea	r beginning	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
_	ın)	_	(4) 2007	(2) 2000	(4) 2005	(4) 2020	(0) 2022	(1) 1 3 4 4
7 8	A mounts from line 4 Gross income from inte	rost –						
0	dividends, payments re							
	securities loans, rents							
	and income from simila	ır						
_	sources							
9	Net income from unrela business activities, wh							
	not the business is reg							
	carried on							
10	Other income (Explain							
	IV) Do not include gai from the sale of capital							
11	Total support (Add line							
	through 10)							
12	Gross receipts from re	lated activities	s, etc (See inst	ructions)			12	
13	First Five Years If the		r the organizati	on's first, second	l, thırd, fourth, or	fıfth tax year as a	501(c)(3) or	
	check this box and sto	p here						▶ □
S	ection C. Computat	ion of Publ	ic Support F	Percentage				
14	Public Support Percen	tage for 2011	(line 6 column	(f) dıvıded by lıne	11 column (f))		14	
15	Public Support Percen	tage for 2010	Schedule A , Pa	rt II, line 14			15	
16a	33 1/3% support test-					line 14 is 33 1/3%	% or more, che	
h	and stop here. The org 33 1/3% support test					6a and line 15 is	33 1/20% or m	ore check this
D	box and stop here. The					oa, and inte 15 IS	1/3%0 UI M	ore, check this
17a	10%-facts-and-circum	-	•		-	ne 13, 16a, or 16	b and line 14	٠,
	ıs 10% or more, and ıf							
	in Part IV how the orga	anızatıon meet	s the "facts and	d circumstances"	test The organiz	zatıon qualıfıes as	a publicly su	
b	organization 10%-facts-and-circum	stances test—	2010. If the ora	anization did not	check a hov on li	ne 13, 16a 16b	or 17a and lin	▶ □
,	15 is 10% or more, an							-
	Explain in Part IV how	the organizati						
10	supported organization Private Foundation If t		n did not chools	a hov on line 12	16a 16h 17a a	or 17h chack this	hov and coc	► □

▶□

Schedule A (Form 990 or 990-EZ) 2011 Page 3 Part III Support Schedule for Organizations Described in IRC 509(a)(2) (Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.) Section A. Public Support Calendar year (or fiscal year beginning (a) 2007 **(b)** 2008 (c) 2009 (d) 2010 (e) 2011 (f) Total ın) Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ") Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose Gross receipts from activities that are not an unrelated trade or business under section 513 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf The value of services or facilities furnished by a governmental unit to the organization without charge Total. Add lines 1 through 5 7a Amounts included on lines 1, 2, and 3 received from disqualified persons Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year c Add lines 7a and 7b Public Support (Subtract line 7c from line 6) Section B. Total Support Calendar year (or fiscal year beginning (a) 2007 **(b)** 2008 (c) 2009 (d) 2010 (e) 2011 (f) Total ın) Amounts from line 6 Gross income from interest, 10a dividends, payments received on securities loans, rents, royalties and income from similar sources Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 Add lines 10a and 10b C Net income from unrelated 11 business activities not included in line 10b, whether or not the business is regularly carried on Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV) Total support (Add lines 9, 10c, 13 11 and 12) First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here Section C. Computation of Public Support Percentage Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f)) 15 15 Public support percentage from 2010 Schedule A, Part III, line 15 16 16 Section D. Computation of Investment Income Percentage

Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))

19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not

18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions

33 1/3% support tests-2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line

more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization

Investment income percentage from 2010 Schedule A, Part III, line 17

17

18

17

18

▶[

Part IV	Supplemental Information. Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).						
	Facts And Circumstances Test						
	Explanation						

Schedule A (Form 990 or 990-EZ) 2011

efile GRAPHIC print - DO NOT PROCESS | As Filed Data -

DLN: 93493320034452

OMB No 1545-0047

SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527 ► Complete if the organization is described below. ► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

lf th	e organization answered "Ye	s," to Form 990, Part IV, Line 3, or	Form 990-EZ, Pa	art V, line 46 (Political Car	npaign Activities),
ther					
	, ,, , -	mplete Parts I-A and B Do not complet		De met eenmalete Deut I D	
	ction 501(c) (other than section 5 ction 527 organizations Complete	501(c)(3)) organizations Complete Par	is FA and C belov	w Do not complete Part FB	
		s," to Form 990, Part IV, Line 4, or	Form 990-EZ, Pa	art VI, line 47 (Lobbying A	activities), then
		have filed Form 5768 (election under			
	· / · / •	t have NOT filed Form 5768 (election u		• • • •	•
	_	s," to Form 990, Part IV, Line 5 (Pr	oxy Tax) or Fori	m 990-EZ, line 35c (Proxy	Tax), then
	ction 501(c)(4), (5), or (6) organized me of the organization	zations Complete Part III		Employer (den)	tification number
	ITA YNEZ VALLEY COTTAGE HOSPITAL			Limployer ident	tine action mainber
				95-2224265	
Par	t I-A Complete if the or	ganization is exempt under	section 501(d	c) or is a section 527	organization.
1		ganızatıon's dırect and ındırect politic	cal campaign act	ivities on behalf of or	
_	in opposition to candidates for	public office in Part IV			
2	Political expenditures			•	\$
3	Volunteer hours				
Par	t I-B Complete if the or	ganization is exempt under	section 501(d	c)(3).	
1		e tax incurred by the organization und	_		\$
2	Enter the amount of any excise	e tax incurred by organization manage	ers under sectior	n 4955 🕨	\$
3	If the organization incurred a s	ection 4955 tax, did it file Form 472	O for this year?		☐ Yes ☐ No
4a	Was a correction made?	,	,		┌ Yes ┌ No
ь	If "Yes," describe in Part IV				
		ganization is exempt under	section 501(d	c) except section 501	(c)(3).
1		ended by the filing organization for se	-		\$
2	Enter the amount of the filing o	rganization's funds contributed to ot	her organizations	for section 527	
	exempt funtion activities		J	►	\$
3	Total exempt function expendi	tures Add lines 1 and 2 Enter here a	and on Form 112	0-POL, line 17b ►	¢
4	Did the filing organization file F	Form 1120-POL for this year?			↑
5		nd employer identification number (E)	N) of all section	527 political organizations	
,		For each organization listed, enter the			
		ns received that were promptly and d			
	separate segregated fund or a	political action committee (PAC) If	auditional space	is needed, provide informat	IOII IN PARCIV
	(a) Name	(b) Address	(c) EIN	(d) A mount paid from	(e) A mount of political
				filing organization's	contributions received
				funds If none, enter -0-	and promptly and directly delivered to a
					separate political

f Grassroots lobbying expenditures

(The term "expenditures" means amounts paid or incurred.) Lia Total lobbying expenditures to influence public opinion (grass roots lobbying) b Total lobbying expenditures to influence a legislative body (direct lobbying) c Total lobbying expenditures (add lines 1a and 1b) d Other exempt purpose expenditures e Total exempt purpose expenditures (add lines 1c and 1d) f Lobbying nontaxable amount Enter the amount from the following table in both columns If the amount on line 1e, column (a) or (b) is: The lobbying nontaxable amount is: Not over \$500,000 but not over \$1,000,000 \$100,000 plus 15% of the excess over \$500,000 over \$1,000,000 but not over \$1,500,000 \$175,000 plus 10% of the excess over \$1,000,000 over \$1,500,000 but not over \$17,000,000 \$225,000 plus 5% of the excess over \$1,500,000 over \$1,000,000 but not over \$1,000,000 \$1,000,000 g Grassroots nontaxable amount (enter 25% of line 1f) Subtract line 1g from line 1a If zero or less, enter -0- i Subtract line 1f from line 1c If zero or less, enter -0- j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? 4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete all columns below. See the instructions for lines 2a through 2f on page 4.)	ווטפ	edule C (F	01111 9 9 0 01 9 9 0 - EZ) 2 0 1 1					Page ∠
A Check If the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member expenses, and share of excess lobbying expenditures) Check If the filing organization checked box A and "limited control" provisions apply Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.) Organization Total Incurred (The term "expenditures" means amounts paid or incurred.)	Pa	rt II-A		n is exempt under	section 501(c)(3) and fi	iled Form 5768	(election
expenses, and share of excess lobbying expenditures) Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.) Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.) Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.) Limits on Lobbying Expenditures (The term "expenditures to influence public opinion (grass roots lobbying) Lobbying expenditures to influence a legislative body (direct lobbying) Total lobbying expenditures (add lines 1a and 1b) Other exempt purpose expenditures Total obtaining purpose expenditures (add lines 1c and 1d) Lobbying nontaxable amount Enter the amount from the following table in both columns If the amount on line 1e, column (a) or (b) is: If the amount on line 1e, column (a) or (b) is: If the amount on line 1e, column (a) or (b) is: Not over \$500,000 but not over \$1,000,000 Over \$1,000,000 but not over \$1,000,000 Over \$1,000,000 but not over \$1,500,000 S1,000,000 but not over \$1,500,000 Over \$1,000,000 but not over \$1,500,000 Over \$1,000,000 but not over \$1,500,000 S1,000,000 but not over \$1,500,000 Over \$1,000,000 but not over \$1,500,000 S1,000,000 but not over \$1,500,000 S1,000,000 but not over \$1,500,000 Over \$1,000,000 but not over \$1,500,000 S1,000,000 but not over \$1,500,000 Over \$1,000,000 but not over \$1,500,000 Over \$1,000,000 but not over \$1,500,000 S1,000,000 but not over \$1,500,000 Over \$1,000,000 but not over \$1,500,000 S1,000,000 but not over \$1,500,000 S1,000,000 but not over \$1,500,000 Over \$1,000,000 but not over \$1,500,000 S1,000,000 but not over \$1,500,000 S1,000,000 but not over \$1,500,000 Over \$1,000,000 but not over \$1,500,000 S1,000,000 but not over \$1,500,000 S1,000 but not over \$1,500,000 Over \$1,000,000 but not over \$1,500,000 S1,000 but not over \$1,500,000 S1,000 but not over \$1,500,000 Over \$1,0	١	Check		an affiliated group (and	lıst ın Part IV ea	ch affiliated gr	oup member's nam	e, address, EIN,
Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.) Total lobbying expenditures to influence public opinion (grass roots lobbying) Total lobbying expenditures (add lines 1 aand 1b) Other exempt purpose expenditures (add lines 1 aand 1b) Lobbying nontaxable amount Enter the amount from the following table in both columns If the amount on line Le, column (a) or (b) is: If the amount on line Le, column (a) or (b) is: Not over \$500,000 Over \$500,000 but not over \$1,000,000 Over \$1,000,000 but not over \$1,000,000 Over \$1,000,000 but not over \$1,000,000 Over \$1,000,000 but not over \$1,000,000 S10,000,000 Over \$1,000,000 but not over \$1,000,000 S10,000,000 If the excess over \$1,000,000 Over \$1,000,000 but not over \$1,000,000 S10,000,000 If the excess over \$1,000,000 Over \$1,000,000 but not over \$1,000,000 Over \$1,000,000 but not over \$1,000,000 If the excess over \$1,000,000 If the excess over \$1,000,000 Over \$1,000,000 but not over \$1,000,000 If the excess over \$1,000,000 If the excess over \$1,000,000 Over \$1,000,000 If the excess over \$1,000			expenses, and share of excess lob	bying expenditures)		_	•	
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(The term "expenditures" means amounts paid or incurred.) Ital Total lobbying expenditures to influence public opinion (grass roots lobbying) b Total lobbying expenditures (add lines 1a and 1b) d Other exempt purpose expenditures e Total exempt purpose expenditures (add lines 1c and 1d) f Lobbying nontaxable amount Enter the amount from the following table in both columns If the amount on line 1e, column (a) or (b) is: The lobbying nontaxable amount is: Not over \$500,000 Over \$500,000 but not over \$1,000,000 Over \$1,000,000 but not over \$1,000,000 S1225,000 plus 10% of the excess over \$1,000,000 Over \$17,000,000 Over \$17,000,000 S11,000,000 S11,000,000 F11,000,000			Limits on Lobbying	Expenditures			(a) Filing	(b) Affiliated
Total lobbying expenditures to influence public opinion (grass roots lobbying) b Total lobbying expenditures (add lines 1a and 1b) d Other exempt purpose expenditures Total exempt purpose expenditures (add lines 1c and 1d) f Lobbying nontaxable amount Enter the amount from the following table in both columns If the amount on line 1e, column (a) or (b) is: The lobbying nontaxable amount is: Not over \$500,000 Over \$500,000 but not over \$1,000,000 Over \$1,000,000 but not over \$1,000,000 Over \$1,000,000 but not over \$1,000,000 Over \$1,000,000 but not over \$1,000,000 S175,000 plus 15% of the excess over \$1,000,000 Over \$1,000,000 but not over \$1,000,000 S100,000 plus 15% of the excess over \$1,000,000 Over \$1,000,000 Over \$1,000,000 Over \$1,000,000 The lobbying nontaxable amount is: Not over \$500,000 Over \$1,000,000 Over \$1,000,00					l.)		Organization's Totals	Group Totals
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Columns If the amount on line 1e, column (a) or (b) is: Not over \$500,000 Over \$500,000 but not over \$1,000,000 Over \$500,000 but not over \$1,500,000 Over \$1,000,000 but not over \$1,500,000 Over \$1,500,000 but not over \$1,500,000 Over \$1,500,000 but not over \$1,7000,000 Over \$1,500,000 but not over \$1,500,000 Over \$1,500,000 but not over \$1,500,000 Over \$1,500,000 but not over \$1,500,000 Over \$1,000,000 Over \$1,500,000 but not over \$1,500,000 Over \$1,500,000 but not over \$1,500,000 Over \$1,500,000 but not over \$1,500,000 Over \$1,500,000 Over \$1,500,000 S1,000,000	e	Total exe	mpt purpose expenditures (add lines 1	.c and 1d)				
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Over \$1,000,000 but not over \$1,500,000 Over \$1,500,000 but not over \$1,500,000 Over \$1,500,000 but not over \$1,500,000 Section \$225,000 plus 5% of the excess over \$1,500,000 Over \$17,000,000 g Grassroots nontaxable amount (enter 25% of line 1f) h Subtract line 1g from line 1a If zero or less, enter -0- i Subtract line 1ffrom line 1c If zero or less, enter -0- j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? 4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete all columns below. See the instructions for lines 2a through 2f on page 4.) Lobbying Expenditures During 4-Year Averaging Period Calendar year (or fiscal year beginning in) (a) 2008 (b) 2009 (c) 2010 (d) 20 2a Lobbying ceiling amount		Not over \$5	500,000	20% of the amount on lii	ne 1e			
Over \$1,500,000 but not over \$17,000,000 \$225,000 plus 5% of the excess over \$1,500,000 Over \$17,000,000 \$1,00		Over \$500,	000 but not over \$1,000,000	\$100,000 plus 15% of the	e excess over \$500,0	000		
g Grassroots nontaxable amount (enter 25% of line 1f) h Subtract line 1g from line 1a If zero or less, enter -0- i Subtract line 1f from line 1c If zero or less, enter -0- j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? 4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete all columns below. See the instructions for lines 2a through 2f on page 4.) Lobbying Expenditures During 4-Year Averaging Period Calendar year (or fiscal year beginning in) (a) 2008 (b) 2009 (c) 2010 (d) 20 Lobbying celling amount		Over \$1,00	0,000 but not over \$1,500,000	\$175,000 plus 10% of the	e excess over \$1,000	,000		
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h Subtract line 1g from line 1a If zero or less, enter -0- i Subtract line 1f from line 1c If zero or less, enter -0- j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? 4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete all columns below. See the instructions for lines 2a through 2f on page 4.) Lobbying Expenditures During 4-Year Averaging Period Calendar year (or fiscal year beginning in) (a) 2008 (b) 2009 (c) 2010 (d) 20 2a Lobbying ceiling amount		Over \$17,0	00,000	\$1,000,000				
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i Subtract line 1f from line 1c If zero or less, enter -0- j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? 4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete all columns below. See the instructions for lines 2a through 2f on page 4.) Lobbying Expenditures During 4-Year Averaging Period Calendar year (or fiscal year beginning in) (a) 2008 (b) 2009 (c) 2010 (d) 20 Lobbying non-taxable amount		Grassroo	ts nontaxable amount (enter 25% of li	ne 1f)				
i Subtract line 1f from line 1c If zero or less, enter -0- j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? 4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete all columns below. See the instructions for lines 2a through 2f on page 4.) Lobbying Expenditures During 4-Year Averaging Period Calendar year (or fiscal year beginning in) (a) 2008 (b) 2009 (c) 2010 (d) 20 Lobbying non-taxable amount	h	Subtract	line 1a from line 1a If zero or less. en	ter -0 -				
Jection 4911 tax for this year? 4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete all columns below. See the instructions for lines 2a through 2f on page 4.) Lobbying Expenditures During 4-Year Averaging Period Calendar year (or fiscal year beginning in) (a) 2008 (b) 2009 (c) 2010 (d) 20 Lobbying ceiling amount								
4-Year Averaging Period Under Section 501(h) (Some organizations that made a section 501(h) election do not have to complete al columns below. See the instructions for lines 2a through 2f on page 4.) Lobbying Expenditures During 4-Year Averaging Period Calendar year (or fiscal year beginning in) (a) 2008 (b) 2009 (c) 2010 (d) 20 Lobbying non-taxable amount					organization file	Form 4720 re	portina	
(Some organizations that made a section 501(h) election do not have to complete al columns below. See the instructions for lines 2a through 2f on page 4.) Lobbying Expenditures During 4-Year Averaging Period Calendar year (or fiscal year beginning in) (a) 2008 (b) 2009 (c) 2010 (d) 20 Lobbying non-taxable amount							F - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	┌ Yes ┌ No
Calendar year (or fiscal year beginning in) (a) 2008 (b) 2009 (c) 2010 (d) 2009 Lobbying non-taxable amount		(Sor	ne organizations that made a	section 501(h) el	ection do not	have to co		ne five
beginning in) (a) 2008 (b) 2009 (c) 2010 (d) 20 2a Lobbying non-taxable amount b Lobbying ceiling amount			Lobbying Exp	enditures During	4-Year Avera	ging Period	d	
b Lobbying ceiling amount				(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
	2a	Lobbyin	g non-taxable amount					
	b							
c Total lobbying expenditures	c	Total loi	obying expenditures					
d Grassroots non-taxable amount	d	Grassro	ots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))	e							

	· · · · · · · · · · · · · · · · · · ·	
Part II-B	Complete if the organization i	s exempt under section 501(c)(3) and has NOT filed Form 5768
	(election under section 501(h)).

		(a)		(b)	
		Yes	No	Amount	
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of				
а	Volunteers?		No		
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No		
c	Media advertisements?		No		
d	Mailings to members, legislators, or the public?		No		
e	Publications, or published or broadcast statements?		Νo		
f	Grants to other organizations for lobbying purposes?		No		
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		Νo		
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No		
i	Other activities? If "Yes," describe in Part IV	Yes		5,485	
j	Total lines 1c through 1i			5,485	
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No		
b	If "Yes," enter the amount of any tax incurred under section 4912				
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912		ļ		
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?				

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

			Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1		
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2		
3	Did the organization agree to carryover lobbying and political expenditures from the prior year?	3		

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes".

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
а	Current year	2a	
ь	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1i Also, complete this part for any additional information

Identifier	Return Reference	Explanation
SchC_P2B_S00_L01		LOBBYING ACTIVITIES ARE CALCULATED AS A PERCENTAGE OF DUES PAID TO VARIOUS ORGANIZATIONS

DLN: 93493320034452

OMB No 1545-0047

SCHEDULE D (Form 990)

Department of the Treasury

► Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b

Supplemental Financial Statements

Open to Public

temai	Revenue Service	orm 990. F See separate instructions.	Inspection
	ne of the organization TA YNEZ VALLEY COTTAGE HOSPITAL		Employer identification number
_	O seed allow Materials Bosson As	liante de Olha Civila E	95-2224265
Ра	organizations Maintaining Donor Active organization answered "Yes" to Form 99		inds or Accounts. Complete if the
	organization unionered test to term 32	(a) Donor advised funds	(b) Funds and other accounts
L	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
1	Aggregate value at end of year		
5	Did the organization inform all donors and donor advis funds are the organization's property, subject to the o		or advised Yes No
5	Did the organization inform all grantees, donors, and used only for charitable purposes and not for the bend conferring impermissible private benefit		
Pai	t III Conservation Easements. Complete	ıf the organızatıon answered "Yes" to	Form 990, Part IV, line 7.
L 2	Purpose(s) of conservation easements held by the or Preservation of land for public use (e.g., recreating protection of natural habitat Preservation of open space Complete lines 2a-2d if the organization held a quality	on or pleasure)	historically importantly land area ertified historic structure of a conservation
	easement on the last day of the tax year	Г	Held at the End of the Year
а	Total number of conservation easements	The state of the s	2a
b	Total acreage restricted by conservation easements	-	2b
c	Number of conservation easements on a certified his		2c
d	Number of conservation easements included in (c) ac	equired after 8/17/06	2d
3	Number of conservation easements modified, transfe	L	d by the organization during
	the taxable year 🛌	,	, .
ŀ	Number of states where property subject to conserva	ition easement is located ►	_
5	Does the organization have a written policy regarding enforcement of the conservation easements it holds?		ling of violations, and Yes No
5	Staff and volunteer hours devoted to monitoring, insp	ecting and enforcing conservation easem	ents during the year 🛌
7	A mount of expenses incurred in monitoring, inspecting.	ng, and enforcing conservation easements	during the year
3	Does each conservation easement reported on line 2 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?	(d) above satisfy the requirements of sec	tion Yes No
•	In Part XIV, describe how the organization reports cobalance sheet, and include, if applicable, the text of the organization's accounting for conservation easen	he footnote to the organization's financial	
ar	Organizations Maintaining Collectio Complete if the organization answered "		or Other Similar Assets.
La	If the organization elected, as permitted under SFAS art, historical treasures, or other similar assets held provide, in Part XIV, the text of the footnote to its fin	for public exhibition, education or researc	h in furtherance of public service,
b	If the organization elected, as permitted under SFAS historical treasures, or other similar assets held for provide the following amounts relating to these items	public exhibition, education, or research ir	
	(i) Revenues included in Form 990, Part VIII, line 1		► \$
	(ii) Assets included in Form 990, Part X		▶ \$
2	If the organization received or held works of art, histofollowing amounts required to be reported under SFAS		
а	Revenues included in Form 990, Part VIII, line 1		▶ -\$

b Assets included in Form 990, Part X

sing the organization's accession and other ems (check all that apply) Public exhibition	r records, check an	y of th d	ne foll	_		_		e of its collectio	n	
		d		Loano						
			'	Loan of	rexc	hange progra	ms			
Scholarly research		e	Γ	Other						
Preservation for future generations										
	ollections and expla	iin hov	w they	further	the o	organızatıon's	sexe	mpt purpose ın		
									Yes	┌ No
						n answered	"Ye	s" to Form 99	0,	
	ıan or other ınterme	ediary	forc	ontributi	ions	or other asse	ts no		Yes	┌ No
"Yes," explain the arrangement in Part XI\	/ and complete the	follow	ving ta	able		Г	$\overline{}$	A mo	unt	
aginning halance						-	16	71110	<u> </u>	
						_	-			
						<u> </u>	-			
• ,						_	-			
•	orm 990 Part X lin	e 212				<u></u>			Vec	□ No
-	•	C 21.						,	103	, 110
		n ans	were	d "Yes	" to	Form 990 I	Part	TV line 10		
Endownient Fanasi Complete	(a)Current Year								e) Four Y	ears Back
ginning of year balance										
ontributions										
vestment earnings or losses										
ants or scholarships										
dministrative expenses										
nd of year balance										
ovide the estimated percentage of the yea	r end balance held	as		•				•		
ard designated or quasi-endowment 🕨										
rmanent endowment 🕨										
rm endowment 🕨										
•	ssion of the organiz	ation	that a	re held	and a	idministered	for th	ne	Yes	No
									1	<u> </u>
	•						•	<u>3b</u>		<u> </u>
Land, Buildings, and Equipme	ent. See Form 99	7U, Pa	Τ ΄				\neg	T		
Description of property								(c) Accumulated depreciation	(d) Bo	ok value
d		•			0	22,5	82			22,582
dıngs					0	8,877,0	57	1,751,749		7,125,308
sehold improvements					0		0	0		0
ipment					0	4,598,0	041	2,508,328		2,089,713
rpment	<u> </u>	· ·			0	4,598,0 3,240,3		2,508,328 60,604		2,089,713 3,179,751
	rest XIV rests to be sold to raise funds rather than the sets to be sold to raise funds rather than the sets to be sold to raise funds rather than the sets to be sold to raise funds rather than the sets to be sold to raise funds rather than the set there endowment funds not in the posses ganization by unrelated organizations "Yes," to 3a(II), are the related organization in clude and the year and the set in the part of the year and the set in th	uring the year, did the organization solicit or receive donations sets to be sold to raise funds rather than to be maintained as V Escrow and Custodial Arrangements. Complementally, line 9, or reported an amount on Form 99 the organization an agent, trustee, custodian or other intermiculated on Form 990, Part X? "Yes," explain the arrangement in Part XIV and complete the eiginning balance diditions during the year instributions (a)Current Year eiginning of year balance (b) do fyear balance (b) do fyear balance (c) (a)Current Year eigenning the year end balance held of year balance (c) (a)Current Year endowment (c)	uring the year, did the organization solicit or receive donations of an sets to be sold to raise funds rather than to be maintained as part of Part IV, line 9, or reported an amount on Form 990, Part IV, line 9, or reported an amount on Form 990, Part No. "Yes," explain the arrangement in Part XIV and complete the following during the year istributions during the year inding balance did the organization include an amount on Form 990, Part X, line 21? "Yes," explain the arrangement in Part XIV Indicate the organization include an amount on Form 990, Part X, line 21? "Yes," explain the arrangement in Part XIV Indicate the organization include an amount on Form 990, Part X, line 21? "Yes," explain the arrangement in Part XIV Indicate the organization answers in Part XIV Indicate the organization include an amount on Form 990, Part X, line 21? "Yes," explain the arrangement in Part XIV Indicate the organization answers in Part XIV Indicate the organization answers in Part XIV Indicate the organization include an amount on Form 990, Part X, line 21? Indicate the organization include an amount on Form 990, Part X, line 21? Indicate the organization include an amount on Form 990, Part X, line 21? Indicate the organization include an amount on Form 990, Part X, line 21? Indicate the organization include an amount on Form 990, Part X, line 21? Indicate the organization include an amount on Form 990, Part X, line 21? Indicate the organization include an amount on Form 990, Part X, line 21? Indicate the organization include an amount on Form 990, Part X, line 21? Indicate the organization include an amount on Form 990, Part X, line 21? Indicate the organization include an amount on Form 990, Part X, line 21? Indicate the organization include an amount on Form 990, Part X, line 21? Indicate the organization include an amount on Form 990, Part X, line 21? Indicate the organization include an amount on Form 990, Part X, line 21? Indicate the organization include an amount on Form 990, Part X, line 21	unit XIV Integrated the programization solicit or receive donations of art, his sets to be sold to raise funds rather than to be maintained as part of the V Escrow and Custodial Arrangements. Complete if the part IV, line 9, or reported an amount on Form 990, Part X the organization an agent, trustee, custodian or other intermediary for cluded on Form 990, Part X? "Yes," explain the arrangement in Part XIV and complete the following to did the organization include an amount on Form 990, Part X, line 21? "Yes," explain the arrangement in Part XIV V Endowment Funds. Complete if the organization answere againing of year balance and the complete in the arrangement in Part XIV Endowment Funds. Complete if the organization answere againing of year balance and the complete in the arrangement in Part XIV Endowment earnings or losses and different year in the part of the organization and the part of the estimated percentage of the year end balance held as a part designated or quasi-endowment and designated or quasi-endowment and the programs and designated or quasi-endowment and the part of the organization that a ganization by a unrelated organizations "Yes" to 3a(ii), are the related organizations listed as required on Schedescribe in Part XIV the intended uses of the organization's endowment furces and programs and programs and programizations. "Yes" to 3a(ii), are the related organizations listed as required on Schedescribe in Part XIV the intended uses of the organization's endowment furces and programization and programs and program	uring the year, did the organization solicit or receive donations of art, historical to sets to be sold to raise funds rather than to be maintained as part of the organization sets to be sold to raise funds rather than to be maintained as part of the organization be sold to raise funds rather than to be maintained as part of the organization and part IV, line 9, or reported an amount on Form 990, Part X, line 2 the organization and agent, trustee, custodian or other intermediary for contributed used on Form 990, Part X? "Yes," explain the arrangement in Part XIV and complete the following table aginning balance diditions during the year instributions during the year instributions during the year instributions during the arrangement in Part XIV Endowment Funds. Complete if the organization answered "Yes aginning of year balance (a)Current Year (b)Pinor Year aginning of year balance (a)Current Year (b)Pinor Year aginning of year balance (b) and of year balance (c) and of year	uring the year, did the organization solicit or receive donations of art, historical treass sets to be sold to raise funds rather than to be maintained as part of the organization. VESCOW and Custodial Arrangements. Complete if the organization Part IV, line 9, or reported an amount on Form 990, Part X, line 21. the organization an agent, trustee, custodian or other intermediary for contributions of cluded on Form 990, Part X? "Yes," explain the arrangement in Part XIV and complete the following table eiginning balance didutions during the year intermediary for contributions during the year balance intermediary for contributions during the year balance intermediary for contributions during the year balance intermediary for contributions in the possession of the organization that are held and a gainization by the property intermediary for contributions in the possession of the organization that are held and a gainization in Part XIV the intermediary for contributions in the possession of property intermediary for contributions in the property intermediary for contributions in the property interme	int XIV Integrate year, did the organization solicit or receive donations of art, historical treasures or other sets to be sold to raise funds rather than to be maintained as part of the organization's collection. ✓ Escrow and Custodial Arrangements. Complete if the organization answered Part IV, line 9, or reported an amount on Form 990, Part X, line 21. He organization an agent, trustee, custodian or other intermediary for contributions or other assected on Form 990, Part X? "Yes," explain the arrangement in Part XIV and complete the following table aginning balance diditions during the year diditions during the year and the organization include an amount on Form 990, Part X, line 21? "Yes," explain the arrangement in Part XIV ✓ Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part X, line 21? "Yes," explain the arrangement in Part XIV ✓ Endowment Funds. Complete if the organization answered "Yes" to Form 990, aginning of year balance (a)Current Year (b)Phor Year (c)Two Years Back are purposed to the complete of the part XIV the intended uses of the organization's endowment funds The Land, Buildings, and Equipment. See Form 990, Part X, line 10. Description of property definition of the part XIV the intended uses of the organization's endowment funds The Land, Buildings, and Equipment. See Form 990, Part X, line 10. (a) Cost or other basis (investment) (b) Cost or other basis (investment)	and XIV In the year, did the organization solicit or receive donations of art, historical treasures or other simil sets to be sold to raise funds rather than to be maintained as part of the organization's collection? ✓ Escrow and Custodial Arrangements. Complete if the organization answered "Yee Part IV, line 9, or reported an amount on Form 990, Part X, line 21. the organization an agent, trustee, custodian or other intermediary for contributions or other assets no cluded on Form 990, Part X? "Yes," explain the arrangement in Part XIV and complete the following table eginning balance diditions during the year did he organization include an amount on Form 990, Part X, line 21? "Yes," explain the arrangement in Part XIV ✓ Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part X, line 21? "Yes," explain the arrangement in Part XIV ✓ Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part X, line 21? "Yes," explain the arrangement in Part XIV ✓ Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part X, line 21? "Yes," explain the arrangement in Part XIV ✓ Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part X, line 21? "Yes," explain the arrangement in Part XIV ✓ Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part X, line 10. — In the organization of the organization that are held and administered for the part XIV decomplete in the possession of the organization that are held and administered for the ganization by a purielated organizations — Yes" to 3a(ii), are the related organizations listed as required on Schedule R? — Land, Buildings, and Equipment. See Form 990, Part X, line 10. — Description of property d. — Cost or other basis (investment) Description of property d. — Cost or other basis (investment)	aring the year, did the organization solicit or receive donations of art, historical treasures or other similar sets to be sold to raise funds rather than to be maintained as part of the organization's collection? ■ Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 99 Part IV, line 9, or reported an amount on Form 990, Part X, line 21. the organization an agent, trustee, custodian or other intermediary for contributions or other assets not cluded on Form 990, Part X, line 21. "Yes," explain the arrangement in Part XIV and complete the following table ginning balance diditions during the year did lead of the organization include an amount on Form 990, Part X, line 21? "Yes," explain the arrangement in Part XIV ■ Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10. ginning of year balance (a)Current Year (b)Prior Year (c)Two Years Back (d)Thies Years Back (organization Scholarships (b)Prior Year (c)Two Years Back (d)Thies Years	and the year, did the organization solicit or receive donations of art, historical treasures or other similar sets to be sold to raise funds rather than to be maintained as part of the organization's collection? ▼Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part XI, line 9, or reported an amount on Form 990, Part XI, line 9, or reported an amount on Form 990, Part XI, line 9, or reported an amount on Form 990, Part XI, line 9, or reported an amount on Form 990, Part XI, line 21. The organization an agent, trustee, custodian or other intermediary for contributions or other assets not clude on Form 990, Part XI and complete the following table ### Amount

Part VII Investments—Other Securities. See	Form 990, Part X, line 12		1.6.1.1
(a) Description of security or category (including name of security)	(b)Book value		d of valuation -year market value
(1)Financial derivatives			,
(2)Closely-held equity interests			
Other			
o their			
Total. (Column (b) should equal Form 990, Part X, col (B) line 12)			
Part VIII Investments—Program Related. See	Form 990, Part X, line	13.	
(a) Description of investment type	(b) Book value	(c) Metho	d of valuation
(a) Description of investment type	(b) Dook value		-year market value
Total. (Column (b) should equal Form 990, Part X, col (B) line 13)			
Part IX Other Assets. See Form 990, Part X, lin			
(a) Descrip	tion		(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 1			
Part X Other Liabilities. See Form 990, Part X	, line 25.		
1 (a) Description of Liability	(b) A mount		
Federal Income Taxes	0		
MINIMUM PENSION LIABILITY	1,197,601		
SELF INSURANCE LIABILITY	585,388		
DUE TO AFFILIATES			
	476,366		
PHYSICIAN GUARANTEE	136,819		
RETIREMENT PLAN - SERP	34,585		
Total. (Column (b) should equal Form 990, Part X, col (B) line 25) ▶	2,430,759		

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	
Par	t XII Reconciliation of Revenue per Audited Financial Statements With Revenue p	er Re	turn
1	Total revenue, gains, and other support per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
а	Net unrealized gains on investments		
b	Donated services and use of facilities		
C	Recoveries of prior year grants		
d	Other (Describe in Part XIV)		
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
а	Investment expenses not included on Form 990, Part VIII, line 7b . 4a		
b	Other (Describe in Part XIV)]	
С	Add lines 4a and 4b	4c	
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	
	Reconciliation of Expenses per Audited Financial Statements With Expenses	per F	Return
1	Total expenses and losses per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
а	Donated services and use of facilities	.	
b	Prior year adjustments	.	
C	Other losses	_	
d	Other (Describe in Part XIV)	1	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
а	Investment expenses not included on Form 990, Part VIII, line 7b 4a	4	
b	Other (Describe in Part XIV)	↓	
С	Add lines 4a and 4b	4c	
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	
	t XIV Supplemental Information		
	nplete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, P t V. line 4. Part X. Part XI. line 8. Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete	-	· · · · · · · · · · · · · · · · · · ·

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

additional information

Identifier	Return Reference	Explanation
SchD_P10_S00_L01	Schedule D, Part X, Line 1	The System and its affiliates are not-for-profit corporations and are tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and are exempt from income taxation under Section 501(a) of the Code and corresponding provisions of the California Revenue and Taxation Code, except to the extent of income derived from taxable unrelated business activities Unrelated business income is not material to the financial statements. The System completed an analysis of its tax positions, in accordance with ASC 740 Income Taxes, and determined that there are no uncertain tax positions taken or expected to be taken. The System has recognized no interest or penalties related to uncertain tax positions. The System is subject to routine audits by the taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The System believes it is no longer subject to income tax examinations for years prior to 2008.
SchD_P10_S00_L02	Schedule D, Part X, Line 2	The System completed an analysis of its tax positions, in accordance with ASC 740 Income Taxes, and determined that there are no uncertain tax positions taken or expected to be taken. The System has recognized no interest or penalties related to uncertain tax positions. The System is subject to routine audits by the taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The System believes it is no longer subject to income tax examinations for years prior to 2008.

OMB No 1545-0047

Open to Public **Inspection**

SCHEDULE H (Form 990)

Department of the Treasury Internal Revenue Service

► Complete if the organization answered "Yes" to Form 990, Part IV, question 20. ► Attach to Form 990. ► See separate instructions.

Hospitals

Name of the organization SANTA YNEZ VALLEY COTTAGE HOSPITAL **Employer identification number**

Б	art I Charity Care and	Cartain O	ther Com-	nunity Benefits at		2224265			
ľ	Charity Care and	Certain O	uier comi	пинну вепентѕ ат	CUST			Yes	No
1 a	Did the organization have a c	harity care po	olicy? If "No,	" skip to question 6a		[1a	Yes	
ŀ	If "Yes," is it a written policy	·					1b	Yes	
2	If the organization had multip care policy to the various hos		ndicate whic	h of the following best	describes application (of the charity		100	
	Applied uniformly to all ho	spitals	le	Applied uniformly	to most hospitals				
2	•	·		w critoria that applied	to the largest number s	of +b a			
3	Answer the following based or organization's patients during		care engionit	y criteria triat applies	to the largest number o	or the			
а	Did the organization use Fede If "Yes," indicate which of the					are?	3a	Yes	
		┌ 20	0%	Other	3.50 %				
b			= :						
	"Yes," indicate which of the fo	ollowing is the	family incor	me limit for eligibility fo	r discounted care .		3b	Yes	
	□ 200% □ 250%	□ 30	0%	350% Г 40	0% 🔽 Other_	5.42 <u>%</u>			
С	If the organization did not use determining eligibility for free test or other threshold, regard	or discounte	d care Inclu	de in the description w	hether the organizatior				
4	Did the organization's policy	provide free o	r discounted	care to the "medically	ındıgent"?		4	Yes	
5a	Did the organization budget a the tax year?			nted care provided unde	er its financial assistar • • • • •	nce policy during	5a	Yes	
b	If "Yes," did the organization'	's charity care	e expenses e	exceed the budgeted ar	nount?	[5b		No
C	If "Yes" to line 5b, as a resul- care to a patient who was elig						5c		
6a	Did the organization prepare a	a community	benefit repor	tduring the tax year?		[6a	Yes	
6Ł	If "Yes," did the organization	make it avail	able to the p	ublic?		[6b	Yes	
	Complete the following table i worksheets with the Schedule		ksheets prov	ided in the Schedule H	instructions Do not s	ubmit these			
7	Charity Care and Certain O	ther Commur	nity Benefits	at Cost					
	Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community be expense	enefit	(f) Pero total ex	
а	Charity care at cost (from Worksheet 1)			68,436		68	3,436	(53 %
b	Medicaid (from Worksheet 3, column a)			605,310	270,818	334	1,492	Ž	2 58 %
С	Costs of other means-tested government programs (from Worksheet 3, column b)			18,382	4,515	13	3,867	(0 11 %
d	Total Charity Care and Means-Tested Government Programs	0	0	692,128	275,333	410	5,795		3 22 %
e	Other Benefits Community health improvement services and community benefit operations (from (Worksheet 4)			16,455		14	5,455		0 13 %
f	Health professions education (from Worksheet 5)			10,433		1	-,.55		13 /3
g	Subsidized health services (from Worksheet 6)			68,096	22,071	46	5,025	(35 %
h i	Research (from Worksheet 7) Cash and in-kind contributions for community benefit (from Worksheet 8)								
-	Total Other Benefits	0	0	84,551 776,679	22,071 297 404		2,480		3 70 %
k	Total. Add lines 7d and 7i	. ^!	. ^	776 670	297 101	170	ょフバー	7	4 /() %

	activities.	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	1 ' '	(d) Direct offsetting revenue		(e) Net communit building expense		(f) Perc total ex	
1	Physical improvements and housing	, , ,									
2	Economic development										
3	Community support										
4	Environmental improvements										
	Leadership development and training										
	for community members										
	Coalition building Community health improvement								_		
<u>_</u>	advocacy										
8	Workforce development										
9	Other Total										
	t IIII Bad Debt, Medicar	e. & Collec	l lion Practic	es							
		<u> </u>									
	ion A. Bad Debt Expense	4 4-64			I NA					Yes	No
1	Did the organization report bac Statement No 15?				ancial M	anagei	ment A:	ssociation	1	Yes	
2	Enter the amount of the organ					2		331,825			
3	Enter the estimated amount of	_		•		3		0			
4	patients eligible under the org Provide in Part VI the text of t						ribes h	ad debt evnense			
•	In addition, describe the costi rationale for including a portio	ng methodolog	jy used in deter	mining the amounts							
ect	ion B. Medicare										
5	Enter total revenue received f							5,850,090			
6	Enter Medicare allowable cost					-		5,692,645			
7 8	Subtract line 6 from line 5 Th Describe in Part VI the extent Also describe in Part VI the c Check the box that describes	to which any so osting method the method us	shortfall reporte ology or source ed	ed in line 7 should b used to determine	e treated the amou						
	Cost accounting system	I v Co	st to charge rat	io I	Other						
	ion C. Collection Practices										
9a	Did the organization have a wr If "Yes," did the organization's			-	harafıta	notice	• •	ng the tay year	9a	Yes	
Ь	contain provisions on the colle assistance? Describe in Part	ection practice	s to be followed	for patients who ar	e known				9b	Yes	
Pai	rt IV Management Com	panies and									
		T					T				
	(a) Name of entity	(E	Description of pr activity of entity	ımary ((c) Organiz profit % oi ownershi	stock	e) Officers, directors, trustees, or key mployees' profit % r stock ownership%	(e	e) Physic fit % or wnershi	stock
<u> </u>	(a) Name of entity	(E) Description of pr	ımary ((c) Organız profit % oı	stock	e	trustees, or key mployees' profit %	(e	fit % or	stock
	(a) Name of entity	(t) Description of pr	ımary ((c) Organız profit % oı	stock	e	trustees, or key mployees' profit %	(e	fit % or	stock
2	(a) Name of entity	(t) Description of pr	ımary ((c) Organız profit % oı	stock	e	trustees, or key mployees' profit %	(e	fit % or	stock
2	(a) Name of entity	(t) Description of pr	ımary ((c) Organız profit % oı	stock	e	trustees, or key mployees' profit %	(e	fit % or	stock
2	(a) Name of entity	(t) Description of pr	ımary ((c) Organız profit % oı	stock	e	trustees, or key mployees' profit %	(e	fit % or	stock
2 3 4	(a) Name of entity	(t) Description of pr	ımary ((c) Organız profit % oı	stock	e	trustees, or key mployees' profit %	(e	fit % or	stock
2 3 4	(a) Name of entity	(t) Description of pr	ımary ((c) Organız profit % oı	stock	e	trustees, or key mployees' profit %	(e	fit % or	stock
2 3 4 5	(a) Name of entity	(t) Description of pr	ımary ((c) Organız profit % oı	stock	e	trustees, or key mployees' profit %	(e	fit % or	stock
1 2 3 4 5 6 7	(a) Name of entity	(t) Description of pr	ımary ((c) Organız profit % oı	stock	e	trustees, or key mployees' profit %	(e	fit % or	stock
2 3 4 5 5 7	(a) Name of entity	(t) Description of pr	ımary ((c) Organız profit % oı	stock	e	trustees, or key mployees' profit %	(e	fit % or	stock
2 3 4 5 7 7	(a) Name of entity	(t) Description of pr	ımary ((c) Organız profit % oı	stock	e	trustees, or key mployees' profit %	(e	fit % or	stock
2 3 4 5 7 7 3 9	(a) Name of entity	(t) Description of pr	ımary ((c) Organız profit % oı	stock	e	trustees, or key mployees' profit %	(e	fit % or	stock
2 3 4 5 6	(a) Name of entity	(t) Description of pr	ımary ((c) Organız profit % oı	stock	e	trustees, or key mployees' profit %	(e	fit % or	stock

Part	V Facility Information									
	on A. Hospital Facilities	Licens	Gener	Children's	Teach	Ortica	Resea	ER-24 hours	ER-other	
(list in	order of size from largest to smallest)	Licensed hospital	General medical &	en's hos	Teaching hospital	acces	Research facility	. hours	her 	
How r	nany hospital facilities did the organization operate during x year? 1	pital	cal & surgical	. hospital	prtal	Critical access hospital	lity			
Name	and address									
Name	and address									Other (Describe)
1	Santa Ynez Valley Cottage Hospital PO Box 689 Santa Barbara, CA 93102	x	Х			х		х		
		+								
		+								
						1				
		-				<u> </u>				
		+			<u> </u>	 	-			
			<u> </u>			 				
						 				

Part V Facility Information (continued) Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V , Section A)

Santa Ynez Valley Cottage Hospital

Name of Hospital Facility:		
Line Number of Hospital Facility (from Schedule H, Part V, Section A):	1	

			Yes	No
Coı	mmunity Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1	During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment	١.		
	("Needs Assessment")? If "No," skip to question 8	1		Νo
	If "Yes," indicate what the Needs Assessment describes (check all that apply) a			
	b Demographics of the community			
	Existing health care facilities and resources within the community that are available to respond to the health			
	needs of the community d How data was obtained			
	<u></u> -			
	The health needs of the community			
	Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and			
	minority groups The process for identifying and prioritizing community health needs and services to meet those needs			
	h The process for consulting with persons representing the community's interests			
	i Information gaps that limit the hospital facility's ability to assess the community's health needs			
_	j Cother (describe in Part VI)			
	Indicate the tax year the hospital facility last conducted a Needs Assessment 20			
3	In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into			
	account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4	Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the			
	other hospital facilities in Part VI	4		
5	Did the hospital facility make its Needs Assessment widely available to the public?	5		
	If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
	a Hospital facility's website			
	b Available upon request from the hospital facility			
	c T Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
	a 「 Adoption of an implementation strategy to address the health needs of the hospital facility's community			
	b Execution of the implementation strategy			
	c Development of a community-wide community benefit plan for the facility			
	d Participation in community-wide community benefit plan			
	e Inclusion of a community benefit section in operational plans			
	f Adoption of a budget for provision of services that address the needs identified in the CHNA			
	g Prioritization of health needs in the community			
	h Prioritization of services that the hospital facility will undertake to meet health needs in its community			
	i Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No,"			
_	explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Fin	ancial Assistance Policy			
	Did the hospital facility have in place during the tax year a written financial assistance policy that]		
8	Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9	Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care $\frac{350}{\%}$ If "No," explain in Part VI the criteria the hospital facility used			
_	Schadula	U /F	000)	2011

Pä	art V Facility Information (continued)			
			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 542%			
	If "No," explain in Part VI the criteria the hospital facility used		U	
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply) a ▼ Income level			
	b ✓ Asset level c			
	d Insurance status			
	e Uninsured discount			
	f Medicaid/Medicare			
	g			
	h Cother (describe in Part VI)			
	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	The policy was posted at all times on the hospital facility's web site			
	The policy was attached to all billing invoices			
	The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d The policy was posted in the hospital facility's admissions offices			
	e The policy was provided, in writing, to patients upon admission to the hospital facility			
	f The policy was available upon request			
	g 🔽 Other (describe in Part VI)			
	ling and Collections	т —	I I	
14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's	<u> </u>	100	
	policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's			
	FAP			
	a Reporting to credit agency			
	b Lawsuits			
	c Liens on residences			
	d Body attachments or arrests			
	e C Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before	16		No
	making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No_
	Reporting to credit agency			
	b Lawsuits			
	c Liens on residences			
	d Body attachments			
	e Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all			
1,	that apply)			
	a Notified patients of the financial assistance policy upon admission			
	b Notified patients of the financial assistance policy prior to discharge			
	c Notified patients of the financial assistance policy in communications with the patients regarding the patients'			
	bills			
	d Documented its determination of whether patients were eligible for financial assistance under the hospital			
	facility's financial assistance policy			
	e T Other (describe in Part VI)			

If "Yes," explain in Part VI

Part V Facility Information (continued) Policy Relating to Emergency Medical Care Yes 18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals **18** | Yes If "No," indicate why a The hospital facility did not provide care for any emergency medical conditions **b** The hospital facility's policy was not in writing The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part Other (describe in Part VI)

Inc	Individuals Eligible for Financial Assistance								
19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care								
	The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged								
	b The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged								
	c The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged d Other (describe in Part VI)								
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	20		No					
21	If "Yes," explain in Part VI Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?								

21

Νo

chedule H	(Form	990)	2011
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Page **7**

Dort V	Engility	Information	(continued)
Part V	racility	information	i continuea)

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility (list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year?		
Name and address	Type of Facility (Describe)	
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

- Required descriptions. Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part III, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1₁, 3, 4, 5c, 6₁, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- Patient education of eligibility for assistance. Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- Promotion of community health. Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.)
- Affiliated health care system. If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
SchH_P01_S00_L06a	Schedule 11, Fait 1, Line 0a	Cottage Health System prepares a Community Benefit Report and files it with the State of California, in compliance with California Senate Bill 697 The Community Benefit Report is available to the public upon request

Identifier	ReturnReference	Explanation
SchH_P01_S00_L07	Schedule II, Fait I, Line /	Our costing methodology includes inpatient, outpatient, and emergency department and is broken down by payer categories. Both direct and overhead costs have been allocated, by services rendered. Each Payer's net revenue is offset by the total cost and the results by Payer are calculated. In addition to a hospital-wide cost/charge ratio, we have calculated cost/charge ratios for each Payer, based on the cost of the type of services rendered to their specific patients. Therefore, the community benefit amounts attributable to Medicaid and other government programs are calculated based on their specific cost/charge ratio.

Identifier	ReturnReference	Explanation
SchH_P01_S00_L07g	Schedule H, Part I, Line 7g	Cardiac Rehab services are provided at a loss to the hospital

Identifier	ReturnReference	Explanation
SchH_P03_S0A_L04	 4	No Note in Audited Financial Statements regarding bad debt Bad debt is not included in the Community Benefit report Bad debt expense is derived from cost to charge ratios

Identifier	ReturnReference	Explanation
SchH_P03_S0B_L08		The hospital provides care to patients whose insurance (Medicare) does not cover the entire cost of their care. The loss on services provided to Medicare recipients represents a significant shortfall for Medicare patients to the hospital. This provides significant aid to the elderly in the community. The dollars reported are taken from the 2011 Medicare Cost Report and are derived following their guidelines of allowable and non-allowable costs. Santa Ynez's status as a critical access hospital provides for additional reimbursement that covers the "Medicare allowable" costs but still does not cover the total cost of care. With total costs applied, SYVCH experienced a loss of approximately \$1 million.

Identifier	ReturnReference	Explanation
SchH_P03_S0C_L09b	9 b	All patients receive 6 statements over 135 days, which include a statement about how to inquire about financial assistance Patients who are known to qualify for charity care or are in the process of applying for charity care are not sent to collection until a final charity care determination is made If they qualify, their account is written down to zero

Identifier	ReturnReference	Explanation
SchH_P05_S0B_L13	13	A summary of the policy is posted in admitting offices. The full policy is reported to and available from the OSHPD website. The policy can also be obtained upon request from a Patient Financial Counselor, whose contact information is provided on all billing statements along with a message regarding financial assistance.

Identifier	ReturnReference	Explanation
SchH_P05_S0B_L19		The maximum that could be charged is based on % of charges that is lower than commercial rates

Identifier	ReturnReference	Explanation		
SchH_P06_S00_L02	Schedule H, Part VI, Line 2	Cottage Health System is currently in the process of updating its review of community needs. In its last assessment in 2009, Cottage Health System began an overhaul of its community benefit process and programs. First, Cottage reviewed focus areas of local, state, and national organizations to determine its own focus areas and then next reviewed its internal community outreach programs to ensure they aligned. Cottage Health System reviewed its external community grants process. Funds were shifted from the Foundation to Operations and grant guidelines were developed around the identified focus areas. Both the focus areas and grant program were part of an overall Community Benefit Plan that was approved by the Board of Directors in early 2010. As part of the community benefit review in 2009, Cottage Health System reviewed focus areas of multiple organizations. The Centers for Disease Control and Prevention and The National Health Foundation were reviewed at the national level, and the California Department of Public Health was reviewed at a state level. Locally, four organizations' focus areas and reports were reviewed. Santa Barbara County Public Health Department Status Report 2009, Santa Barbara KIDS Network, United Way of Santa Barbara, and Santa Barbara Neighborhood Clinics. Cottage Health System conducts a regular community perception survey, which includes questions regarding community needs. Cottage Health System also held a brainstorming session with 20 different hospital departments, and the Community Health. Coordinating Committee provided input. After reviewing all of the information, Cottage Health System determined the greatest needs to be children's health, seniors' health, cancer, heart disease and stroke, and prevention and wellness.		

Identifier	ReturnReference	Explanation
SchH_P06_S00_L03		Cottage Health System has a multi-faceted Financial Assistance Program to ensure that patients who do not have insurance are screened for eligibility in a government-sponsored healthcare plan and receive information about charity care programs. Every patient who does not present the hospital with proof of insurance or existing government support will be given a handout (in English or Spanish) upon registration that is compliant with California Assembly Bill 774 (AB774). The handout contains information about the Hospital's charity care programs. This includes where to obtain applications, income guidelines, other qualification information and contact information for Customer Service and the Admitting department. The Hospital posts information about the charity care program in all registration areas required by AB774. Signs in English and Spanish are located in all areas where patients are registered for inpatient and outpatient services. Signs are also located in the patient billing office and cashier office. Patients will also be contacted by an admitting representative or eligibility counselor to assist the patient in determining eligibility for government-sponsored insurance programs and assist with the application process at no cost to the patient. Patient Financial Counselors who answer customer service calls are instructed to offer charity care applications to all patients who indicate they have financial need.

Identifier	ReturnReference	Explanation
SchH_P06_S00_L04	Schedule H, Part VI, Line 4	Santa Barbara County is situated on the southern coast of California, with Ventura County bordering on the east, San Luis O bispo County on the north, and Kern County on the northeastern corner Roughly rectangular in shape, the county contains 2,750 square miles of varied terrain Much of the county is mountainous. The Santa Ynez, San Rafael and Sierra Madre mountains extend in a predominately east-west direction. Within the county, there are numerous fertile agricultural areas, including the Santa Maria, Cuyama, Lompoc, and Santa Ynez Valleys, and the southeast coastal plain. These areas, which include most of the developed land, also accommodate the majority of the population. The Los Padres. National Forest, in the eastern part of the county, covers approximately 44 percent of the total county area. The county's 430,200 population is divided into five sub regions. South Coast (205,800), Lompoc Valley (61,200), Santa Maria Valley (137,600), Santa Ynez Valley (24,000), Cuyama (1,500). For people reporting one race, 88.6% are White, 2.4% are Black or African American, 1.7% are American Indian or Alaska Native, 4.5% are Asian, less than 0.3% are Native Hawaiian or Other Pacific Islander, and 2.5% reported 2 or more races. 40.4% are persons of Hispanic or Latino origin. Twenty-one percent of the county's population are foreign-born, and 32.8% of persons over the age of five reported speaking a language other than English at home. 12.7% of county residents live below the poverty level.

I dentifier ReturnReference	Explanation
mem Y nez healt Hosp Com finan Hosp Com annu and v Boar to re to co Calif hosp earth value the co SYVO	e Board of Directors is made up of prominent community imbers who volunteer their time to ensure that the Santa ez Valley Community has access to high-quality, affordable althcare. The Board of Directors is actively involved in the spital's strategic decisions and takes its commitment to the mmunity very seriously. The Board approves of an annual ancial budget and ten-year financial plan to guarantee the spital will continue to offer hospital services to the mmunity for years to come. The Board also approves of nual top goals that are consistent with the mission, vision divalues of the Hospital. The financial forethought of the ard of Directors resulted in surplus funds that are being used rebuild the facility. SYVCH is building a new hospital in order comply with the unfunded mandate of the State of lifornia's Senate Bill 1953 (SB1953), which requires all spitals to retrofit or rebuild in order to withstand a major rethquake. The Hospital used this opportunity to live the core like of excellence by ensuring that the new facility will meet be current and future healthcare needs of the Community VCH works cooperatively with the open medical staff to prove healthcare in the community. The Hospital is exploring with better align with physicians in order to provide the thest quality of care.

Identifier	ReturnReference Explanation	
SchH_P06_S00_L06	Schedule H, Part VI, Line 6	Cottage Health System is the parent organization of Santa Barbara Cottage Hospital, Goleta Valley Cottage Hospital and Santa Ynez Valley Cottage Hospital These organizations have a common Board of Directors Cottage Health System Hospitals are the sole hospital providers in the Community and strategic plans are created with all the Hospitals and their Communities in mind SYVCH is the smallest of the three hospitals and the only federally-designated critical access

Identifier	ReturnReference	Explanation
SchH_P06_S00_L07	ischedule II. Fait VI. Lille /	Cottage Health System files an annual community benefit report in the State of California

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Schedule I

Grants and Other Assistance to Organizations, Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22. ► Attach to Form 990

OMB No 1545-0047

DLN: 93493320034452

Open to Public **Inspection**

Department of the Treasury Internal Revenue Service Name of the organization

(Form 990)

SANTA YNEZ VALLEY COTTAGE HOSPITAL

Employer identification number

95-2224265

Part II Grants and Other A Form 990, Part IV, lin Part IV and Schedule	e 21 for any recip	ient that received n	nore than \$5,000. Ch	eck this box if no one	recipient receive	d more than \$5,000.	. Use
(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) A mount of cash grant	(e) A mount of non- cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grai or assistance
							_

Part III	Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990,	Part IV, line 22.
	Use Schedule I-1 (Form 990) if additional space is needed.	

(a)Type of grant or assistance	(b) Number of recipients	(c)A mount of cash grant	(d)A mount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance
(1) Scholarships	3	10,000			

Part IV Supplemental Information. Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
SchI_P01_S00_L02	, ,	Scholarship applications are reviewed before funds are disbursed and verification that the student has enrolled and paid for the semester is required before funds are disbursed. For auxiliary patient-account payments, a bill is received from the Business Office to verify amount. The payment is made directly to the hospital.

DLN: 93493320034452

OMB No 1545-0047

Schedule J (Form 990)

Department of the Treasury Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest **Compensated Employees**

► Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

► Attach to Form 990. ► See separate instructions.

Open to Public Inspection

Name	of th	ie orga	anizatio	n
SANTA	YNEZ '	VALLEY	COTTAGE	HOSPITAL

Employer identification number

95-2224265

Pai	rt I Questions Regarding Comper	isation			
				Yes	Νo
		tion provided any of the following to or for a person listed in Form Part III to provide any relevant information regarding these items			
	First-class or charter travel	Housing allowance or residence for personal use			
	Travel for companions	Payments for business use of personal residence			
	Tax idemnification and gross-up payme	nts			
	Discretionary spending account	Personal services (e g , maid, chauffeur, chef)			
b		d the organization follow a written policy regarding payment or es described above? If "No," complete Part III to explain	1b		
2		rior to reimbursing or allowing expenses incurred by all ecutive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the organization's CEO/Executive Director Che ✓ Compensation committee ✓ Independent compensation consultant Form 990 of other organizations	ganization uses to establish the compensation of the ck all that apply Written employment contract Compensation survey or study Approval by the board or compensation committee			
4	During the year, did any person listed in Fori or a related organization	n 990, Part VII, Section A, line 1a with respect to the filing organization			
а	Receive a severance payment or change-of-	control payment?	4a		No
b	Participate in, or receive payment from, a su	pplemental nonqualified retirement plan?	4b	Yes	
С	Participate in, or receive payment from, an e	quity-based compensation arrangement?	4c		Νo
		and provide the applicable amounts for each item in Part III			
5	Only 501(c)(3) and 501(c)(4) organizations For persons listed in form 990, Part VII, Secompensation contingent on the revenues of	tion A , line 1a , did the organization pay or accrue any			
а	The organization?		5a		No
b	Any related organization?		5b		No
	If "Yes," to line 5a or 5b, describe in Part II	ı			
6	For persons listed in form 990, Part VII, Secompensation contingent on the net earning	ction A , line 1a, did the organization pay or accrue any sof			
а	The organization?		6a		No
b	Any related organization?		6b		No
	If "Yes," to line 6a or 6b, describe in Part II	ı			
	For persons listed in Form 990, Part VII, Se payments not described in lines 5 and 6? If	ction A, line 1a, did the organization provide any non-fixed "Yes," describe in Part III	7		No
8	subject to the initial contract exception desc	rt VII, paid or accured pursuant to a contract that was ribed in Regs section 53 4958-4(a)(3)? If "Yes," describe			
	ın Part III		8		Νo
9	If "Yes" to line 8, did the organization also for section 53,4958-6(c)?	ollow the rebuttable presumption procedure described in Regulations	۵		

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(1)-(III) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of	W-2 and/or 1099-MI	SC compensation	(C) Retirement and	(D) Nontaxable	(E) Total of columns	(F) Compensation
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation	other deferred compensation	benefits	(B)(ı)-(D)	reported in prior Form 990 or Form 990-EZ
(1) Elliot Prager MD	(I) (II)	0 236,762	0 0	0 3,469	0 0	0 4,273	0 244,504	
(2) Ronald C Werft	(ı) (ıı)	0 725,498	0 249,255	0 11,147	0 604,149	0 10,255	0 1,600,304	
(3) Steven A Fellows	(I) (II)	0 423,622	0 125,335	0 29,789	0 146,448	0 10,255	0 735,449	
(4) Joan Bricher	(I) (II)	0 409,331	0 98,073	0 7,524	0 231,525	0 10,255	0 756,708	
(5) Wende Cappetta	(I) (II)	167,324 0	29,068 0	4,301 0	21,499 0	10,255 0	232,447 0	
(6) Madeline Lozano	(ı) (ıı)	148,538 0	0	9,872 0	7,920 0	10,255 0	176,585 0	
(7) Gayle Mercado	(ı) (ıı)	142,664 0	8,733 0	3,567 0	7,748 0	10,255 0	172,967 0	
(8) Denise Holmes	(I) (II)	128,532 0	8,794 0	414 0	6,887 0	10,255 0	154,882 0	
(9) Mary Puryear	(ı) (ıı)	121,455 0	10,277 0	4,159 0	6,795 0	10,255 0	152,941 0	
(10) Rıcardo Gonzalez Menchaca	(I) (II)	135,222	0	4 00 0	6,781	10,255 0	152,658 0	
				1				

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8 Also complete this part for any additional information

Identifier	Return Reference	Explanation
	Part I, Line 3	On an annual basis the Executive Compensation Committee (ECC) of the Board of Directors meets to determine appropriate compensation for executives, including the CEO, COO, CFO, and vice presidents. All members of the ECC are independent members of the Board of Directors. The ECC engages an independent consultant to prepare comparative compensation reports for each position. The executive's individual performance will also be considered when determining compensation. The ECC recommends compensation for the executives to the full Board for approval. This process takes place annually for all executives.
	1	The amounts reported in the current year's deferred compensation includes recognition of past service. The amounts are subject to a substantial risk of forfeiture. Any amounts paid under this plan in the future will be reported again as reportable compensation in the year paid.

efile GRAPHIC print - DO NOT PROCESS

As Filed Data -

DLN: 93493320034452

Schedule L

Department of the Treasury

Internal Revenue Service

(Form 990 or 990-EZ)

Transactions with Interested Persons

► Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b.

► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

OMB No 1545-0047

Open to Public **Inspection**

	of the organization NEZ VALLEY COTTAGE HOSPITAL							E	mployer id	dent if ica	tion numb	er
								9	5-22242	6 5		
Part I												
	Complete if the organizat	ion ans	wered "	Yes" on Fori	m 990 <i>,</i> F T	Part IV, line 25a c	or 25b,	or Form	990-EZ,	Part V , lı	ne 40b	
1	(a) Name of disqu	ualified	person			(b) Desc	rintion	of trans	action			(c) rected?
-	(4)		P - 1 - 2 - 1			(b) Desc	.iiptioii	or crans	action		Yes	
	ter the amount of tax imposection 4958	ed on th	ne orgai			disqualified pers		_	ear under •	r · ¢		
	ter the amount of tax, if any	on line	abo							· \$		
5 E			-			e organization :				<u> </u>		
Part I												
	Complete if the organiz	zation a T	nswere	d "Yes" on F I	orm 990	, Part IV, line 26	, or For	m 990-E		, line 38	<u>а</u> Т	
			oan to				(e)	In	(f) Approv	/ed	(g)Writ	ten
(a) Nan	ne of interested person and purpose	1	m the zation?	(-)		(d)Balance due	defau			agreement?		
	purpose		Т	Principal c	amount				committee?		 	
		То	From				Yes	No	Yes	No	Yes	No
								+				+
								1				
								1				
								1				
Total .					▶ \$					•		•
Part II												
	Complete if the orga	nızatıc						27.				
	(a) Name of interested pers	on				een interested per ganization	son	(c) A m	nount of g	rant or ty	pe of assi	stance
				ali	id the or	gamzacion						
			_									

Part IV	Business	Transactions	Involvina	Interested	Persons

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the	(c) A mount of transaction	(d) Description of transaction	organı	arıng of zatıon's nues?
	organization			Yes	No
(1) California EM-1 Care	Board Member is presdident	263,551	medical professional fees		No

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier Return Reference Explanation

Schedule L (Form 990 or 990-EZ) 2011

efile GRAPHIC print - DO NOT PROCESS

As Filed Data -

DLN: 93493320034452

OMB No 1545-0047

Open to Public Inspection

SCHEDULE O (Form 990 or 990-EZ)

Department of the Treasury Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

Name of the organization
SANTA YNEZ VALLEY COTTAGE HOSPITAL

SANTA YNEZ VALLEY COTTAGE HOSPITAL

95-2224265

	,,,	
E.,	nlanation	

ldentifier	Return Reference	Explanation
F990_P06_S0A_L02	Form 990, Part VI, Section A, Line 2	J Robert Andrews and Greg Faulkner, business relationship

ldentifier	Return Reference	Explanation
F990_P06_S0A_L06	Form 990, Part VI, Section A, Line 6	Cottage Health System is the sole corporate member of Santa Barbara Cottage Hospital, Goleta Valley Cottage Hospital, Santa Ynez Valley Cottage Hospital and Goleta Valley Professional Buildings, Inc

ldentifier	Return Reference	Explanation
F990_P06_S0A_L07a	Form 990, Part VI, Section A, Line 7a	Cottage Health System is the sole corporate member of Santa Barbara Cottage Hospital, Goleta Valley Cottage Hospital, Santa Ynez Valley Cottage Hospital, and Goleta Valley Professional Buildings, Inc and can appoint Directors to the Board

ldentifier	Return Reference	Explanation
F990_P06_S0A_L07b	Form 990, Part VI, Section A, Line 7b	The Board of Directors for Santa Barbara Cottage Hospital, Goleta Valley Cottage Hospital, Santa Ynez Valley Cottage Hospital, and Goleta Valley Professional Buildings, Inc must obtain prior approval of the Board of Directors for Cottage Health System, in order to a) amend or restate the Articles of Incorporation or Bylaws, b) implement the annual budget and long-term capital and operational budget, c) sell, lease, mortgage, pledge, merge, consolidate or make any other disposition of any material part of the property and assets of this corporation, or d) voluntarily dissolve the corporation

ldentifier	Return Reference	Explanation
F990_P06_S0B_L11b	, ,	Form 990 is prepared under the direction of the Vice President of Finance and CFO. Form 990 is review ed by VP Finance, CFO and CEO prior to submitting to the Audit and Compliance Committee Audit and Compliance Committee reviews and approves Form 990. All members of the Board receive a copy of the organization's form 990 prior to filing.

ldentifier	Return Reference	Explanation
F990_P06_S0B_L12c	Form 990, Part VI, Section B, Line 12c	The purpose of the Conflict of Interest policy is to protect the interest of the Hospital when it contemplates entering into a transaction or arrangement that could benefit the private interest of a Director or Officer of Cottage Health System, Santa Barbara Cottage Hospital, Goleta Valley Cottage Hospital, Santa Ynez Valley Cottage Hospital, Santa Barbara Cottage Hospital, Foundation and Goleta Valley Professional Buildings, Inc., collectively known as Cottage Health System The Cottage Health System Directors have a duty to 1) discharge their duties to benefit the Cottage Health System and not the Directors personally 2) disclose situations with the potential for conflict of interest with the vision and mission of Cottage Health System 3) refrain from discussing confidential Cottage Health System business with others. Each Board member and officer will annually complete the Cottage Health System Directors Annual Conflict Disclosure Form. The Disclosure information will be reviewed annually by the Board Chair and the results reported to the full Board. Each Director or Officer will disclose to the Board Chair for items to be discussed at a Board meeting. If there are any material financial or personal interests a Board member/family member may have in a Board decision, the Director or Officer will disclose this to the Committee Chair for items to be discussed at Board Committees, before the Board reviews the transaction and takes action. In general, an Officer who had disclosed a potential conflict should be excused from the decision making portion of the discussion and is prohibited from voting on a matter involving a potential conflict of interest if the Board has reasonable cause to believe that a Director or Officer failed to disclose a material financial interest or other potential material conflict of interest, the Board Chair shall inform the member of the basis for the belief and afford the member an opportunity to explain the alleged failure to disclose After hearing the Director or Officer's response

ldentifier	Return Reference	Explanation
F990_P06_S0B_L15	Form 990, Part VI, Section B, Line 15	On an annual basis the Executive Compensation Committee (ECC) of the Board of Directors meets to determine appropriate compensation for executives, including the CEO, COO, CFO, and vice presidents All members of the ECC are independent members of the Board of Directors. The ECC engages an independent consultant to prepare comparative compensation reports for each position. The executive's individual performance will also be considered when determining compensation. The ECC recommends compensation for the executives to the full Board for approval. This process takes place annually for all executives.

ldentifier	Return Reference	Explanation
F990_P06_S0C_L19		Governing documents can be obtained upon request from the Assistant Secretary of the Board Tax filings can be obtained upon request from the CFO Audited Financial Statements are attached to the Form 990 in accordance with IRS instructions. Conflict of Interest policy is available upon request from the Assistant Secretary of the Board.

ldentifier	Return Reference	Explanation
F990_P07_S0A_L01a	Form 990, Part VII, Section A, Line 1a	As required by the instructions of Form 990, the compensation amounts for Ronald C Werft, CEO, Steven A Fellows, COO, Joan Bricher, CFO and Julie Artoux, Assistant Secretary are repeated on the Form 990 for all organizations for which they serve as officers. The following list provides the amount of time each employed officer listed in Part VII performed services for related organizations. Ronald C Werft. Santa Barbara Cottage Hospital 24 hours, Goleta Valley Cottage Hospital 6 hours, Santa Yinez Valley Cottage Hospital 1 hour, Santa Barbara Cottage Hospital Foundation 9 hours, Steven A Fellows. Santa Barbara Cottage Hospital 33 hours, Goleta Valley Cottage Hospital 6 hours, Santa Yinez Valley. Cottage Hospital 1 hour, Santa Barbara Cottage Hospital Foundation 0 hours, Joan Bricher. Santa Barbara Cottage Hospital 30 hours, Goleta Valley Cottage Hospital 4 hours, Santa Yinez Valley Cottage. Hospital 1 hour, Santa Barbara Cottage Hospital Foundation 5 hours, Julie Artoux. Santa Barbara. Cottage Hospital 24 hours, Goleta Valley Cottage Hospital 6 hours, Santa Yinez Valley Cottage Hospital 1 hour, Santa Barbara Cottage Hospital Foundation 9 hours.

ldentifier	Return Reference	Explanation
F990_P11_S00_L05	Form 990, Part XI, Line 5	OTHER CHANGES IN NET ASSETS INCLUDE. UNREALIZED LOSSES - (\$17,598), CHANGE IN PENSION LIABILITY - (\$542,561), CHANGE IN CRT - (\$6,263), AUDIT ADJUSTMENT - \$26

DLN: 93493320034452

OMB No 1545-0047

Open to Public Inspection

Schedule R (Form 990) 2011

SCHEDULE R (Form 990)

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37. ► Attach to Form 990. See separate instructions.

Department of the Treasury Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990.

Employer identification number Name of the organization SANTA YNEZ VALLEY COTTAGE HOSPITAL 95-2224265 Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity		
Part II Identification of Related Tax-Exempt Organ or more related tax-exempt organizations during		f the organization	answered "Yes"	on Form 990, Pa	rt IV, line 34 becaus	e ıt had	one
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	Section 5 cont organ	rolled ization
(1) Cottage Health System						Yes	No
PO Box 689	Parent organization for 3 hospitals and medical professional building	CA	501 (C) (3)	11b-I	I N/A		No
Santa Barbara, CA 931020689 77-0431902							
(2) Santa Barbara Cottage Hospital							
PO Box 689 Santa Barbara, CA 931020689	Hospital	CA	501 (C) (3)	3	Cottage Health System	Yes	
95-1644629 (3) Goleta Valley Cottage Hospital							
PO Box 689	Hospital	CA	501 (C) (3)	3	Cottage Health System	Yes	
Santa Barbara, CA 931020689 95-2413596							
(4) Santa Barbara Cottage Hospital Foundation							
PO Box 689	Fundraising	CA	501 (C) (3)	7	Santa Barbara Cottage Hospital	Yes	
Santa Barbara, CA 93102 95-3802238							
(5) Goleta Valley Professional Buildings Inc							
PO Box 689	Medical prof bldg	CA	501 (C) (3)	11b-I	Cottage Health System	Yes	
Santa Barbara, CA 931020689 77-0004202							
(6) Santa Ynez Valley Cottage Hospital Foundation							
2050 Viborg Rd	Fundraising	CA	501(c)(3)	-	N/A		No
Santa Barbara, CA 934632220 95-3308522							

Cat No 50135Y

Part III	Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, lin	ie 34
	because it had one or more related organizations treated as a partnership during the tax year.)	

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total Income	(g) Share of end-of- year assets	(h Disprop allocat	rtionate	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j Gener mana partr	al or ging	(k) Percentage ownership
							Yes	No		Yes	No	i

Part IV Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Villa Riviera Real Estate Company Inc PO Box 689 Santa Barbara, CA 93102 27-2996284	Workforce Housing Developer	CA	SBCHF	С	0	39,324,510	1 00 %

Schedule	e R (Form 990) 2011		Р	age 3
Part \	Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)		
No	ote. Complete line 1 if any entity is listed in Parts II, III or IV		Yes	No
1 Durin	ng the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Re	eceipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity	1a		No
b Gı	ift, grant, or capital contribution to related organization(s)	1b		No
c Gi	ft, grant, or capital contribution from related organization(s)	1 c	Yes	;
d Lo	pans or loan guarantees to or for related organization(s)	1d		No
e Lo	pans or loan guarantees by related organization(s)	1 e		No
f Sa	ale of assets to related organization(s)	1f		No
g Pu	urchase of assets from related organization(s)	1 g		No
h Ex	xchange of assets with related organization(s)	1h		No
i Lea	ase of facilities, equipment, or other assets to related organization(s)	1 i		No
j Le	ase of facilities, equipment, or other assets from related organization(s)	1j		No
k Pe	erformance of services or membership or fundraising solicitations for related organization(s)	1k		No
I Pe	rformance of services or membership or fundraising solicitations by related organization(s)	11	Yes	i
m Sh	naring of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	n Yes	í
n Sh	naring of paid employees with related organization(s)	1n	Yes	;
o Re	eimbursement paid to related organization(s) for expenses	10	Yes	;
p Re	eimbursement paid by related organization(s) for expenses	1 p	Yes	<u>: </u>
q Ot	ther transfer of cash or property to related organization(s)	1 q	Yes	•
r Ot	ther transfer of cash or property from related organization(s)	1r		No

2	If the answer to any of the above is "Yes,"	see the instructions for information on who must complete this line, including covered relationships and transaction thresholds	
---	---	---	--

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) Santa Barbara Cottage Hospital	n	809,777	accrual
(2) Goleta Valley Cottage Hospital	n	74,726	accrual
(3) Santa Barbara Cottage Hospital	o	2,099,391	accrual
(4) Santa Barbara Cottage Hospital	p	60,438	accrual
(5) Santa Barbara Cottage Hospital	q	256,493	accrual
(6) Santa Ynez Valley Cottage Hospital Foundation	С	867,000	accrual

Part VI Unrelated Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	Gene man part	j) eral or aging ener?	(k) Percentage ownership
			,	Yes	No			Yes	No		Yes	No	

Part VII Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier Return Reference Explanation

Software ID: 11000129

Software Version: v1.00

EIN: 95-2224265

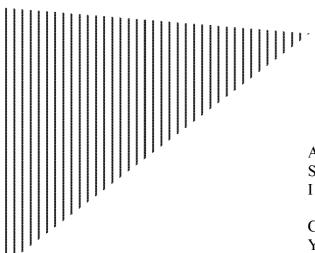
Name: SANTA YNEZ VALLEY COTTAGE HOSPITAL

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c) (3))	(f) Direct Controlling Entity	g Section 512 (b)(13) controlled organization	
Cottage Health System PO Box 689 Santa Barbara, CA 931020689 77-0431902	Parent organization for 3 hospitals and medical professional building	CA	501 (C) (3)	11b-II	N/A		No
Santa Barbara Cottage Hospital PO Box 689 Santa Barbara, CA 931020689 95-1644629	Hospital	СА	501 (C) (3)		Cottage Health System	Yes	
Goleta Valley Cottage Hospital PO Box 689 Santa Barbara, CA 931020689 95-2413596	Hospital	СА	501 (C) (3)		Cottage Health System	Yes	
Santa Barbara Cottage Hospital Foundation PO Box 689 Santa Barbara, CA 93102 95-3802238	Fundraising	CA	501 (C) (3)	7	Santa Barbara Cottage Hospital	Yes	
Goleta Valley Professional Buildings Inc PO Box 689 Santa Barbara, CA 931020689 77-0004202	Medical prof bldg	CA	501 (C) (3)		Cottage Health System	Yes	
Santa Ynez Valley Cottage Hospital Foundation 2050 Viborg Rd Santa Barbara, CA 934632220 95-3308522	Fundraising	СА	501(c) (3)	7	N/A		No

Form 990, Schedule R, Part V - Transactions With Related Organizations

	(a) Name of other organization	(b) Transaction type(a-r)	(c) A mount Involved (\$)	(d) Method of determining amount involved
(1)	Santa Barbara Cottage Hospital	n	809,777	accrual
(2)	Goleta Valley Cottage Hospital	n	74,726	accrual
(3)	Santa Barbara Cottage Hospital	0	2,099,391	accrual
(4)	Santa Barbara Cottage Hospital	р	60,438	accrual
(5)	Santa Barbara Cottage Hospital	q	256,493	accrual
(6)	Santa Ynez Valley Cottage Hospital Foundation	С	867,000	accrual



AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Cottage Health System Years Ended December 31, 2011 and 2010 With Report of Independent Auditors

Ernst & Young LLP



Cottage Health System

Audited Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2011 and 2010

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Ernst & Young LLP 725 South Figueron Street Los Angeles, California 90017

Tel +1213 977 3200

Report of Independent Auditors

Board of Directors Cottage Health System

We have audited the accompanying consolidated balance sheets of Cottage Health System (the System) as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended These financial statements are the responsibility of the System's management 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 Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the System's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cottage Health System at December 31, 2011 and 2010, and the consolidated results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with U S generally accepted accounting principles

As discussed in Note 1 to the consolidated financial statements, the System changed (1) its method of accounting for insurance claims and related insurance recoveries and (2) its classification of the provision for doubtful accounts in the statement of operations. These changes are the result of the adoption of amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update (ASU) No 2010-24, Presentation of Insurance Claims and Related Insurance Recoveries, effective January 1, 2011, and ASU No 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities, applied retroactive to January 1, 2010

1110-1299750



Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The accompanying consolidating balance sheets as of December 31, 2011 and 2010, and the consolidating statements of operations and changes in net assets for the years then ended, are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Ernst + Young LLP

April 30, 2012

Consolidated Balance Sheets

	December 31				
	2011	2010			
Assets					
Current assets					
Cash and cash equivalents	\$ 13,737,431	\$ 32,278,086			
Short-term investments	264,533,256	229,839,406			
Patient accounts receivable (less allowance for					
doubtful accounts of \$27,264,000 in 2011					
and \$25,634,000 in 2010)	97,171,454	96,303,188			
Current portion of assets limited as to use	1,343,000	1,200,000			
Other receivables	11,890,069	19,963,858			
Inventories	12,394,169	12,621,447			
Prepaid expenses and other current assets	7,219,695	6,351,159			
Total current assets	408,289,074	398,557,144			
Assets limited as to use, less current portion					
By Board	60,299,857	137,271,811			
Self-insurance trusts	6,731,777	6,145,018			
Total assets limited as to use	67,031,634	143,416,829			
Property, plant and equipment, net	742,268,555	629,484,951			
Other assets	31,995,717	28,649,353			
Interest in net assets and amounts due from affiliates	257,831,793	253,167,487			
Total assets	\$1,507,416,773	\$1,453,275,764			

	December 31				
	2	011		2010	
Liabilities and net assets					
Current liabilities					
Accounts payable	\$ 52	2,165,301	\$	57,931,512	
Accrued expenses and other liabilities	2	7,753,720		24,481,968	
Current portion of accrued self-insurance claims		5,918,407		5,829,604	
Current maturities of long-term debt		5,610,000		6,654,266	
Total current liabilities	92	2,447,428		94,897,350	
Other liabilities					
Accrued self-insurance claims, less current portion	23	3,385,614		18,018,049	
Long-term debt, less current maturities	333	3,995,000		339,605,000	
Pension liability and other	99	9,440,221		53,572,812	
·	450	5,820,835		411,195,861	
Total liabilities	549	0,268,263		506,093,211	
Net assets					
Unrestricted	859	9,714,685		858,228,977	
Temporarily restricted	79	9,321,221		71,278,091	
Permanently restricted	19	,112,604		17,675,485	
Total net assets	958	3,148,510		947,182,553	
Total liabilities and net assets	\$1,50	7,416,773	\$1.	453,275,764	

See accompanying notes.

Consolidated Statements of Operations

	Year Ended	Dec	eember 31
	2011		2010
Unrestricted revenues, gains and other support			
Patient service revenue (net of contractual allowances			
and discounts)	\$ 584,377,906	\$	548,188,184
Provision for doubtful accounts	(16,016,545)		(13,586,894)
Net patient service revenue	568,361,361		534,601,290
Hospital Medi-Cal supplemental payment	10,996,544		29,129,182
Other operating revenue	4,816,777		5,830,168
Net assets released from restrictions	323,536		175,207
Total unrestricted revenues, gains and other support	584,498,218		569,735,847
Expenses			
Salaries and benefits	288,528,295		262,057,134
Supplies and services	183,553,492		165,528,984
Hospital quality assurance fee	10,092,910		29,976,936
Professional fees	31,874,327		27,473,863
Insurance	3,802,330		2,816,561
Depreciation and amortization	25,318,114		26,227,458
Interest	996,848		4,042,703
Total expenses	544,166,316		518,123,639
Operating income	40,331,902		51,612,208
Other (loss) income			
Investment (loss) income	(3,232,654)		28,445,702
Change in fair value of interest rate swaps	(11,846,126)		(18,866,703)
Loss on extinguishment of debt	_		(1,716,937)
Change in unrestricted net assets of affiliates	(3,344,784)		67,531,190
Total other (loss) income	 (18,423,564)		75,393,252
Excess of revenues over expenses	21,908,338		127,005,460
Change in pension liability	(20,600,974)		8,131,347
(Decrease) increase in unrestricted net assets	\$ 1,307,364	\$	135,136,807

See accompanying notes.

Consolidated Statements of Changes in Net Assets

	Year Ended December 31				
		2011		2010	
Unrestricted net assets				_	
Excess of revenues over expenses	\$ 2	21,908,338	\$	127,005,460	
Change in pension liability	(2	20,600,974)		8,131,347	
(Decrease) increase in unrestricted net assets		1,307,364		135,136,807	
Temporarily restricted net assets					
Contributions		423,753		65,275	
Investment (losses) gains		(145,353)		916,846	
Net assets released from restrictions		(323,536)		(175,207)	
Changes in value of contribution from charitable					
remainder trusts		(6,263)		7,040	
Change in net assets of affiliates		8,272,873		(49,915,822)	
Increase (decrease) in temporarily restricted net assets		8,221,474		(49,101,868)	
Permanently restricted net assets					
Change in net assets of affiliates		1,437,119		1,632,193	
Increase in permanently restricted net assets		1,437,119		1,632,193	
Increase in net assets	1	10,965,957		87,667,132	
Net assets at beginning of year		47,182,553		859,515,421	
Net assets at end of year		58,148,510	\$	947,182,553	

See accompanying notes.

Consolidated Statements of Cash Flows

	Year Ended December 31			
	2011	2010		
Operating activities	Φ 10.0 <i>CE</i> .0 <i>EE</i>	Φ 07.667.122		
Increase in net assets	\$ 10,965,957	\$ 87,667,132		
Adjustments to reconcile increase in net assets to net cash				
provided by operating activities	25 242 44 4	24 227 450		
Depreciation and amortization	25,318,114	26,227,458		
Provision for doubtful accounts	16,016,545	13,586,894		
Change in investments designated as trading, including net	20.424.040	(2 (02 705)		
unrealized gains/losses	38,436,849	(3.682.705)		
Equity in losses of alternative investments	3,111,496	5,963,965		
Change in fair value of interest rate swaps, net of cash collateral	11,846,126	18,473,862		
Loss on extinguishment of debt	_	1,716,937		
Change in pension liability	20,600,974	(8,131,347)		
Change in interest in net assets and amounts due from affiliates	(4,664,306)	37,768,397		
Changes in operating assets and liabilities				
Patient accounts receivable	(16,884,811)	(26,850,572)		
Other receivables, inventories, prepaid expenses and other				
current assets	7,432,531	(18,284,051)		
Accounts payable	(5,766,211)	7,928,827		
Accrued expenses and other liabilities	3,271,752	1,804,239		
Accrued self-insurance claims	6,456,368	503,826		
Net cash provided by operating activities	116,141,384	144,692,862		
Investing activities				
Purchases of property plant and equipment and property				
held for use, net	(138,101,718)	(180,379,075)		
Change in other assets and liabilities	10,073,945	(5.722.004)		
Net cash used in investing activities	(128,027,773)	(186,101,079)		
Net easil used in investing activities	(120,027,773)	(100,101,072)		
Financing activities				
Proceeds from issuance of debt	_	292,600,000		
Principal payments on debt and capital lease obligations	(6,654,266)	(278,572,400)		
Net cash (used in) provided by financing activities	(6,654,266)	14,027,600		
Not do wood and only on a solution	(10.540.655)	(27.280.617)		
Net decrease in cash and cash equivalents	(18,540,655)	(27.380.617)		
Cash and cash equivalents at beginning of year	32,278,086	59,658,703		
Cash and cash equivalents at end of year	\$ 13,737,431	\$ 32,278,086		

Consolidated Statements of Cash Flows (continued)

	Year Ended	Dece	mber 31
	 2011		2010
Supplemental disclosure of cash flow information			
Interest paid (net of capitalized interest)	\$ 1,985,688	\$	320,888

Supplemental schedule of noncash financing activities

The System capitalized construction in progress for approximately \$5,112,000 and \$10,272,000 at December 31, 2011 and 2010, respectively, that we had not paid for The offsetting amount due was recorded in the consolidated balance sheets under accounts payable

See accompanying notes

Notes to Consolidated Financial Statements

December 31, 2011

1. Organization and Summary of Significant Accounting Policies

Organization

Cottage Health System (the System) was organized in 1996 as a not-for-profit California corporation to provide health care services through three acute care hospitals (collectively, the Hospitals) and related organizations in Santa Barbara, California The System is affiliated with the following not-for-profit entities, each of which shares a common Board of Directors (Board)

- Santa Barbara Cottage Hospital (Santa Barbara Cottage) an accredited 408-bed acute care facility offering inpatient and outpatient services
- Santa Ynez Valley Cottage Hospital (Santa Ynez Cottage) an accredited 10-bed acute care facility offering inpatient and outpatient services
- Goleta Valley Cottage Hospital (Goleta Valley Cottage) an accredited 122-bed acute care facility offering inpatient and outpatient services
- Goleta Valley Professional Buildings, Inc (the Professional Building) a medical office building adjacent to Goleta Valley Cottage The Professional Building leases office space to medical providers and others
- Santa Barbara Cottage Hospital Foundation (the Santa Barbara Cottage Foundation) a charitable foundation which solicits funds for the benefit of Santa Barbara Cottage

The System is the sole corporate member of the above entities except for the Santa Barbara Cottage Foundation (see Note 5) The System is also affiliated with the following not-for-profit entities which are governed by separate Boards of Directors

- Santa Ynez Valley Cottage Hospital Foundation (Santa Ynez Cottage Foundation) a charitable foundation which solicits funds for the benefit of Santa Ynez Cottage
- Goleta Valley Cottage Hospital Foundation (Goleta Valley Cottage Foundation) a charitable foundation which solicits funds for the benefit of Goleta Valley Cottage
- Rehabilitation Hospital Foundation (Rehabilitation Foundation) a charitable foundation
 which solicits funds for the benefit of rehabilitation programs performed at Santa Barbara
 Cottage

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Santa Barbara Cottage is the sole corporate member of Pacific Diagnostic Laboratories, LLC, a reference laboratory

Basis of Presentation

The accompanying financial statements consolidate all not-for-profit organizations controlled by the System through sole corporate membership status, and all for-profit organizations which the System holds a controlling financial interest, including the accounts of Santa Barbara in Cottage, Goleta Valley Cottage, Santa Ynez Cottage, the Professional Building and Pacific Diagnostic Laboratories All significant intercompany accounts and transactions have been eliminated

Santa Barbara Cottage

The System accounts for the Santa Barbara Cottage Foundation under the provisions of Financial Accounting Standards Board (FASB), Accounting Standard Codification (FASB ASC) 958, Not-for-Profit-Entities FASB ASC 958 addresses situations in which the recipient organization and the specified beneficiary meet the criteria defining them as financially interrelated organizations. If the organizations are financially interrelated, the recipient organization reports an asset and contribution revenue when it receives assets from the donor, and the specified beneficiary reports its interest in the net assets of the recipient organization. The System periodically adjusts its interest for its share of the change in net assets of the Santa Barbara Cottage Foundation

Santa Barbara Cottage and the Santa Barbara Cottage Foundation's Board of Directors have historically been made up of the same individuals. However, neither the Santa Barbara Cottage Foundation's bylaws nor its articles of incorporation give Santa Barbara Cottage, its Board of Directors, or any other party the power to appoint or select members of the Santa Barbara Cottage Foundation's Board of Directors. As a result, Santa Barbara Cottage does not control the Santa Barbara Cottage Foundation through the power to select the Foundation's directors. The Santa Barbara Cottage Foundation solicits funds for the sole benefit of Santa Barbara Cottage. As such, the Santa Barbara Cottage Foundation and Santa Barbara Cottage are financially interrelated organizations as defined under FASB ASC 958. The interest in the net assets of the Santa Barbara Cottage Foundation is included in the financial statements. The System records Santa Barbara Cottage Foundation's change in unrestricted net assets above the performance indicator because Santa Barbara Cottage has access to Santa Barbara Cottage Foundation's assets at will because of their common board of directors

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

The Rehabilitation Foundation solicits funds for the sole benefit of rehabilitation services performed at Santa Barbara Cottage As such, the Rehabilitation Foundation and Santa Barbara Cottage are financially interrelated organizations as defined by FASB ASC 958 The interest in the net assets of the Rehabilitation Foundation is included in the consolidated financial statements

Goleta Valley Cottage

Goleta Valley Cottage and Goleta Valley Cottage Foundation are financially interrelated organizations as defined by FASB ASC 958 due to Goleta Valley Cottage's ability to influence the operating and financial decisions of Goleta Valley Cottage Foundation and Goleta Valley Cottage's ongoing economic interest in the net assets of the Goleta Valley Cottage Foundation The interest in the net assets of the Goleta Valley Cottage Foundation is included in the consolidated financial statements

Santa Ynez Cottage

Santa Ynez Cottage and Santa Ynez Cottage Foundation are financially interrelated organizations as defined by FASB ASC 958 due to Santa Ynez Valley Cottage's ability to influence the operating and financial decisions of Santa Ynez Cottage Foundation and Santa Ynez Cottage's ongoing economic interest in the net assets of the Santa Ynez Cottage Foundation The interest in the net assets of the Santa Ynez Cottage Foundation is included in the consolidated financial statements

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Summarized financial information for the Foundations follows (as of or for the year ended) (please refer to Note 5 for significant transactions between the System and the Foundations)

	December 31				
		2011		2010	
Santa Barbara Cottage Foundation					
Total assets	\$:	235,388,000	\$:	233,024,000	
Net assets		227,234,000		227,195,000	
Increase (decrease) in net assets		39,000		(41,406,000)	
Rehabilitation Foundation					
Total assets	\$	9,892,000	\$	7,995,000	
Net assets		9,881,000		7,994,000	
Increase in net assets		1,887,000		1,713,000	
Goleta Valley Cottage Foundation					
Total assets	\$	11,041,000	\$	8,333,000	
Net assets		11,041,000		8,333,000	
Increase in net assets		2,708,000		4,234,000	
Santa Ynez Cottage Foundation					
Total assets	\$	9,678,000	\$	9,646,000	
Net assets		9,676,000		9,646,000	
Increase (decrease) in net assets		30,000		(2,309,000)	

Use of Estimates

The preparation of financial statements in conformity with U S generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements Estimates also affect the reported amounts of revenues and expenses during the reporting period Actual results could differ from these estimates

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Community Benefit and Charity Care

In furtherance of their charitable purpose, the Hospitals provide a wide variety of benefits to the community A large number of prevention and wellness programs are provided by the Hospitals including low cost immunizations, wellness fairs, health screenings, and health education classes, and the donation of space for use by community groups Additionally, the Hospitals and the Foundations provide multiple health care-related grants to local nonprofit organizations and support educational programs to increase the supply of health care professionals

A patient is classified as a charity patient by reference to certain established policies of the Hospitals Essentially, these policies define charity services as those services for which no payment is anticipated and includes patients who are unable to pay deductible and coinsurance amounts as determined by the insurance plan These charges are not included in accounts receivable or net patient service revenue The costs and expenses incurred in providing charity care are included in the Hospitals' operating expenses. It is the Hospitals' policy to treat emergency patients regardless of their ability to pay Charity care, uncompensated care to Medicare and Medicaid beneficiaries, and community benefits provided for the years ended December 31 were as follows

Costs to provide charity care Uncompensated costs to Medicare and Medicaid	\$ 11,679,000	\$ 9,997,000
services	96,467,000	83,228,000
Expenses incurred to provide community benefits	 12,585,000	 11,464,000
	\$ 120,731,000	\$ 104,689,000

2011

2010

Net Patient Service Revenue

The Hospitals have agreements with third-party payors that provide for payments to the Hospitals at amounts different from its established rates Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments Net patient service revenue is reported on the accrual basis in the period in which services are provided, net of third-party contractual allowances for Medicare, Medicaid, managed care, and other programs Contractual allowances include differences between established billing rates and amounts estimated by management as reimbursable under various cost reimbursement formulas and contracts in effect

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Net patient service revenues recognized for the years ended December 31 is as follows

	 2011	2010
	(In Thousar	nds)
Government	\$ 182,627 \$	171,498
Contracted	373,642	338,812
Self-pay and others	28,109	37,878
Patient service revenue (net of contractual allowances and discounts	584,378	548,188
Provision for doubtful accounts	 (16,017)	(13,587)
Net patient service revenue	\$ 568,361 \$	534,601

The administrative procedures related to the cost reimbursement programs in effect generally preclude final determination of amounts due to or payable by the Hospitals until cost reports are audited or otherwise reviewed and settled upon by the applicable administrative agencies Normal estimation differences between final settlements and amounts accrued in previous years are reported as adjustments of net patient service revenue in the current year In 2011 and 2010, the Hospitals settled several previously filed Medicare and Medicaid cost reports and recorded changes in estimates benefiting net patient service revenue and excess of revenues over expenses totaling \$1,008,000 and \$331,000, respectively In the opinion of management, adequate provision has been made for adjustments, if any, that might result from subsequent reviews

The Hospitals are reimbursed for services provided to patients under certain programs administered by governmental agencies. The Medicare program accounted for approximately 23% and 23% of the System's net patient service revenue in 2011 and 2010, respectively. The Medicaid programs accounted for approximately 10% of the System's net patient service revenue in 2011 and 13% in 2010. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospitals believe that they are in compliance with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Bad Debt Write-offs

In July 2011, the FASB issued Accounting Standards Update (ASU) No 2011-07, *Presentation and Disclosure of Patient Service Revenue*, *Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU 2011-07) The provisions of ASU 2011-07 require certain health care entities to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue in the statement of operations rather than an operating expense Additional disclosures related to sources of patient service revenue and allowance for uncollectible accounts will also be required. This new guidance is effective for fiscal years beginning after December 15, 2011, with early adoption permitted. The System adopted the provisions of ASU 2011-07 as of and for the year ended December 31, 2011, and retrospectively applied the presentation requirements to all periods presented.

Electronic Health Records Incentive Payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH) The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period Initial Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments

Through December 31, 2011, the System has received no EHR incentive payments

Investments

The System participates with other affiliates in a master custodial account (Custodial Account) The System records its share of the income, expenses, gains and losses of the Custodial Account based on its pro-rata share of the Custodial Account's total fair value The System's share of the Custodial Account's assets was 71% and 70% at December 31, 2011 and 2010, respectively

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

The Custodial Account invests in equity securities, debt securities, mutual funds and alternative investments including funds-of-funds, limited partnerships, and private equity funds. These alternative investments implement a range of strategies including, but not limited to, long/short equity positions, arbitrage investment activities, emerging markets investments, and real estate. Some of these partnership/funds have specific industry focus in their investment assets or specific asset investments in their strategy focus. At the investment manager's discretion, the fund may invest in marketable equity and fixed income securities denominated in both U.S. and foreign currency with exposure to both emerging markets and developed markets. Alternative investments, other than private equities, are redeemable monthly or quarterly or annually with a short notice period of usually 60 days or less Private Equities are subject to lock up provisions of 10 years

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets based on quoted prices from recognized securities exchanges. Management determines the appropriate classification of all marketable securities at the date of purchase and reevaluates such designations at each balance sheet date. Such investments have been designated as trading securities at December 31, 2011 and 2010. Properties held for investment are stated at cost, which is not in excess of fair value.

Investment income or loss (including realized and unrealized gains and losses on trading securities, interest, dividends, and equity interests in gains and losses of alternative investments) is reported as excess of revenues over expenses in unrestricted net assets unless the income or loss is restricted by donor or law Realized and unrealized gains and losses with respect to disposition of investments are based on the specific-identification method

The System accounts for its ownership interests in the alternative investments under the equity method of accounting The gain or loss from the alternative investments is included in investment income in the consolidated statements of operations As of December 31, 2011 and 2010, these alternative investments comprised approximately 29% and 23%, respectively, of the System's total investments, including assets limited as to use

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Derivatives and Hedging Activities

The System follows FASB ASC 815, *Derivative and Hedging*, which requires derivative financial instruments, such as interest rate swaps, to be recognized as assets or liabilities in the balance sheets at fair value Derivatives that do not qualify for hedge accounting are adjusted to fair value in the consolidated statements of operations, above the performance indicator At December 31, 2011, the System's derivative instruments do not qualify for hedge accounting and are limited to interest rate swap agreements with a notional amount totaling \$248,750,000 (see Note 6) The System entered into interest rate swap agreements to manage its interest rate risk

Inventories

Inventories are recorded at cost (by the first-in, first-out method), which is not in excess of market

Assets Limited as to Use

Assets limited as to use include unrestricted resources designated by the Board for replacement and acquisitions of property, plant and equipment, and self-insurance trust funds for medical malpractice claims

Property, Plant and Equipment

Property, plant and equipment are recorded at cost at the date of acquisition Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets Leasehold improvements and equipment under capital lease obligations are amortized on the straight-line method over the shorter of the lease term or the estimated useful life and are included in depreciation and amortization expense Interest cost incurred on borrowed funds net of interest income on proceeds from bonds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets (see Note 6) Repairs and maintenance are charged to expense as incurred

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

The general range of useful lives is as follows

Buildings	10-40 years
Land improvements	10 - 20 years
Equipment	3-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support at fair market value at the date of donation, and are excluded from excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used Gifts of long-lived assets with explicit restrictions on use and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service

Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of

The System reviews long-lived assets for impairment when events or changes in business conditions indicate that their carrying value may not be recoverable. The System considers assets to be impaired and writes them down to fair value if expected associated undiscounted cash flows are less than the carrying amounts. Fair value is the present value of the associated cash flows. The System has determined that no long-lived assets are impaired at December 31, 2011.

Donations and Donor-Restricted Net Assets

Donations are generally made to the Santa Barbara Cottage Foundation, Rehabilitation Foundation, Goleta Valley Cottage Foundation, and Santa Ynez Cottage Foundation (collectively, the Foundations) for the benefit of the Hospitals To the extent expenditures are made for the purpose intended, funds are transferred from the Foundations Unrestricted donations received directly by the Hospitals are included in other operating revenues Resources restricted by donors to specific time periods or operating purposes are recorded as temporarily restricted net assets Permanently restricted net assets have been restricted by donors to be maintained by the Hospitals in perpetuity

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets used in operations are reclassified as unrestricted net assets and reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions (other operating revenue) in the consolidated statements of operations. Resources temporarily restricted by donors for additions to property, plant and equipment whose purpose has been met are recorded as an increase in unrestricted net assets in the consolidated statements of operations.

Donor-restricted resources are invested in cash, marketable equity securities, and mutual funds until expended Donor-restricted resources held by the Foundations are included in the System's interest in net assets and amounts due from affiliates Assets held by the System which are temporarily restricted by donors for operational uses are included in cash and cash equivalents and short-term investments Resources held by the System, which are restricted by donors for capital acquisitions and permanently restricted assets, are included in other assets in the consolidated balance sheets

Accrued Self-Insurance Claims

The System is self-insured for certain employee health care claims. Employee health care claims, including an estimate for incurred but not reported claims, are estimated by management based on historical experience. Total accruals were \$2,897,000 and \$2,399,000 at December 31, 2011 and 2010, respectively

The System is self-insured up to \$750,000 per workers' compensation claim Claims in excess of these amounts are commercially insured Accruals for the self-insurance portion of claims liabilities, including an estimate for claims incurred but not reported, are estimated by an actuary based on the Hospitals' claims experience and are discounted by an interest factor of 2% in 2011 and 2010 Total accruals at December 31, 2011 and 2010, were \$20,635,000 and \$15,459,000, respectively The System's self-insurance obligations are guaranteed by the state of California through an alternative security program in the amount of \$13,184,000 and \$13,671,000 at December 31, 2011 and 2010, respectively

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

The System is self-insured for general and professional liability claims up to \$500,000 per claim Individual claims in excess of \$500,000 are covered by claims-made insurance policies. An irrevocable trust fund has been established for the self-insurance program. Accruals for the self-insured portion of claims liabilities, including an estimate for claims incurred but not reported, are estimated by an actuary based upon the System's claims experience and are discounted by an interest factor of 2% in 2011 and 2010. Total liabilities were \$6,772,000 and \$5,651,000 at December 31, 2011 and 2010, respectively

Estimated claims payable are continually monitored and reviewed and, as settlements are made or accruals adjusted, differences are reflected in current operations. Self-insurance accruals expected to be paid in the following year are included in accrued expenses and other liabilities. The remaining self-insured accruals are reported in noncurrent liabilities.

See discussion of change in accounting principle related to self-insured liabilities effective as of December 31, 2011, as discussed in "Recently Issued Accounting Standards" following

Cash Equivalents and Short-Term Investments

The System considers all highly liquid debt instruments with remaining maturities, at acquisition date, of three months or less, to be cash equivalents Financial instruments including debt securities with maturities over 90 days at the time of purchase and marketable securities are included in short-term investments Cash and cash equivalents and short-term investments exclude amounts which are limited as to use and resources which are permanently restricted by donors or temporarily restricted by donors for capital purchases

Concentrations of Credit Risk

Financial instruments which potentially subject the System to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and accounts receivable. The investment portfolio is managed by the System within the guidelines established by the Board of Directors which, as a matter of policy, limit the amounts which may be invested in any one issue. Concentrations of credit risk with respect to accounts receivable are limited, except with respect to programs under contract with the federal and state governments, due to the large number of payors comprising the System's patient base.

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The System's consolidated balance sheets include the following financial instruments cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, and long-term obligations. Investments are stated at fair value based primarily on quoted market prices (the composition of which is described elsewhere in Notes 1 and 4). The System considers the carrying amounts of all other current assets and liabilities to approximate their fair value because of the relatively short period of time between origination of the instruments and their expected realization or settlement. The carrying amount of Fixed Rate Demand Revenue bonds Series 2003. B is \$50,740,000 and for Series 2010 is \$288,865,000, while the fair value is \$51,459,000 and \$297,987,000 as of December 31, 2011, respectively. The fair value was determined using a discounted cash flow analysis and is considered to be Level 2 inputs

Income Taxes

The System and its affiliates are not-for-profit corporations and are tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and are exempt from income taxation under Section 501(a) of the Code and corresponding provisions of the California Revenue and Taxation Code, except to the extent of income derived from taxable unrelated business activities Unrelated business income is not material to the financial statements

The System completed an analysis of its tax positions, in accordance with ASC 740 Income Taxes, and determined that there are no uncertain tax positions taken or expected to be taken The System has recognized no interest or penalties related to uncertain tax positions. The System is subject to routine audits by the taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The System believes it is no longer subject to income tax examinations for years prior to 2008.

Performance Indicator

Management considers excess of revenues over expenses to be the System's performance indicator Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include items such as change in pension liability, cumulative effect of changes in accounting principle, reclassification of endowment net assets and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets)

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Physician Guarantees

The System has agreements with nonemployed physicians that guarantee a certain level of income to the physicians. The physicians are expected to practice in the System's defined area for a defined period. Amounts paid to the physician during the guarantee period are ratably forgiven, resulting in income to the physician in the years of forgiveness. The carrying amounts of the asset and liability for the System's obligation under these guarantees are \$3,467,000 and \$2,527,000, respectively, at December 31, 2011, and \$3,656,000 and \$2,945,000, respectively, at December 31, 2010, and are included in other assets and pension liability and other in the accompanying consolidated balance sheets. Recourse provisions in the contracts provide for recovery of amounts paid if all terms of the contract are not fulfilled.

Fair Value Measurement

As defined in FASB ASC 820, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, FASB ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below

Level 1 Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities The fair value hierarchy gives the highest priority to Level 1 inputs

Level 2 Observable prices that are based on inputs not quoted on active markets, but corroborated by market data

Level 3 Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in the tables below

- (a) Market approach Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities
- (b) Cost approach Amount that would be required to replace the service capacity of an asset (replacement cost)
- (c) Income approach Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess earnings models)

In determining fair value, the System utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value

At December 31, 2011, the System held certain assets and instruments that are required to be measured at fair value on a recurring basis. These included a beneficial interest in securitized commercial bonds and loans that have a contractual cash flow. The fair value is the present value of estimated future cash flows, which are estimated using observable market information, including default rates, for instruments with similar securitized assets. The System has categorized this investment as Level 2

The fair value of the System's interest rate swap contracts is determined by calculating the value of the discounted cash flows of the difference between the fixed interest rate of the interest rate swaps and the counterparty's forward LIBOR curve, which would be the input used in the valuations. The forward LIBOR curve is readily available in public markets or can be derived from information available in public quoted markets. Therefore, the System has categorized the interest rate swaps as Level 2.

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Financial assets and liabilities carried at fair value as of December 31, 2011, are classified in the table below in one of the three categories described above

	Level 1	Level 2	Total	Valuation Technique (a, b, c)
Assets				
Marketable equity securities				
Domestic equities	\$ 87,054,994	\$ 82,156	\$ 87,137,150	a
Foreign equities	10,086,473	_	10,086,473	a
Fixed income securities				
Government bonds	_	33,518,857	33,518,857	a
Corporate bonds	_	66,119,729	66,119,729	a
Mutual funds	17,777,164	_	17,777,164	a
Other	705,436	410,077	1,115,513	a
Liabilities				
Interest rate swaps	_	(34,790,196)	(34,790,196)	c

Financial assets and liabilities carried at fair value as of December 31, 2010, are classified in the table below in one of the three categories described above

		Level 1	Level 2	Total	Valuation Technique (a, b, c)
Assets	_	Level 1	Level 2	10111	(a, b, c)
Marketable equity securities					
Domestic equities	\$	62,090,120	\$ 1,405,210	\$ 63,495,330	a
Foreign equities		7,001,256	_	7,001,256	a
Fixed income securities					
Government bonds		7,152,831	24,187,575	31,340,406	a
Corporate bonds		_	124,294,563	124,294,563	a
Mutual funds		21,068,591	_	21,068,591	a
Other		426,231	426,021	852,252	a
Liabilities					
Interest rate swaps		_	(22,944,000)	(22,944,000)	С

Notes to Consolidated Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Standards

In August 2010, the FASB issued ASU No 2010-23, *Measuring Charity Care for Disclosure* ASU 2010-23 provides guidance regarding the measurement basis for charity care disclosure purposes. Under this guidance, the charity care disclosure should be measured based on the direct and indirect costs of providing these services ASU 2010-23 is effective for fiscal years beginning after December 15, 2010. As the System is currently reporting its charity care on this basis, adoption of this guidance did not have a material effect, on the System's financial statement disclosures.

In August 2010, the FASB issued ASU No 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries* ASU 2010-24 concluded that health care entities should no longer net insurance recoveries against a related claim liability, the claim liability should be determined without consideration of insurance recoveries ASU 2010-24 is effective for fiscal years beginning after December 15, 2010 The effect on the System is an increase in claim liability with a corresponding increase in receivable from insurance recovery of \$5,047,000 at December 31, 2011

Reclassifications

Certain prior year amounts in the consolidated financial statements have been reclassified to conform to the current year presentation. These reclassification primarily result from the adoption of amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update (ASU) No 2010-24, Presentation of Insurance Claims and Related Insurance Recoveries, effective January 1, 2011, and ASU No 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities, applied retroactive to January 1, 2010

Subsequent Events

The System has evaluated subsequent events occurring between the end of the most recent fiscal year and April 30, 2012, the date the financial statements were available for issuance

Notes to Consolidated Financial Statements (continued)

2. Property, Plant and Equipment

Property, plant and equipment at December 31 is summarized as follows

	2011	2010
Buildings and improvements Equipment	\$ 274,485,376 162,217,545	\$ 258,427,493 162,754,820
Less accumulated depreciation and amortization	436,702,921	421,182,313
·	(252,680,557) 184,022,364	188,215,357
Construction in progress Land	536,966,959 21,279,232	419,990,362 21,279,232
Property, plant and equipment, net	\$ 742,268,555	\$ 629,484,951

Property, plant and equipment increased due to \$138,102,000 of 2011 expenditures, principally the result of construction under the Facilities Master Plan (see Note 8) The increases were offset by depreciation and amortization of \$25,318,000 for in-use facilities

3. Pension and Other Post-Retirement Benefit Plan

The System sponsors the Cottage Health System Cash Balance Retirement Plan (the Plan) The Plan is a contributory defined benefit pension plan covering substantially all of the employees of the Hospitals The Plan calls for a minimum contribution by the System to the participant's account equal to 2% of salary and an additional voluntary contribution by the participants up to 3% of the participant's salary, which will be matched 100% by the System

The System also sponsors a Supplemental Executive Retirement Plan (the SERP), a defined benefit pension plan covering selected executives of the Hospitals The SERP provides for payments to executives at retirement equal to a percent of monthly base pay averaged over the final number of months of service as defined in the Plan

Executive Supplemental Retirement Program

The System provides certain executives a supplemental retirement program. The program is defined as deferred compensation under the IRC Section 457(f). The annual contribution is 6.95% of base year's salary with the contributions vesting five years from crediting date, or at

Notes to Consolidated Financial Statements (continued)

3. Pension and Other Post-Retirement Benefit Plan (continued)

age 62, or immediately in the event of death, disability or involuntary termination without cause The unvested account balances are assets of the System and are included in other assets and the accrued expense is included in pension liability and other

In addition to providing pension benefits, the System provides certain health care benefits for retired employees who elect to continue care under the Medi-Gap Retiree Health Coverage Plan Substantially all of the System's employees who retire upon reaching age 60 (with 25 or more years of service) may become eligible for these benefits until they reach age 65 These and similar benefits for active employees are provided through the System's self-insurance program The System pays health care claims as they come due

The following table sets forth the changes in benefit obligations, changes in plan assets, and components of net periodic benefit cost for both pension plans and the post-retirement health care benefit plan as measured by consulting actuaries as of the end of each year

	Pension Benefits December 31					Other Benefits December 31			
		2011	~ ·	2010		2011	2010	_	
Change in projected benefit								_	
obligation									
Benefit obligation at									
beginning of year	\$	182,417,818	\$	152,226,087	\$	3,179,198 \$	2,860,891		
Service cost		11,680,143		9,101,418		183,879	155,091		
Interest cost		9,832,021		9,281,071		164,146	162,839		
Plan participant's contributions		7,003,544		6,487,765		34,317	23,306		
Actuarial losses		12,617,397		12,002,911		58,892	35,351		
Benefits paid		(6,291,964)		(6,681,434)		(40,230)	(58,280))	
Plan amendments		_		_		104,000	_		
Projected benefit obligation								_	
at end of year	<u>\$</u>	217,258,959	\$	182,417,818	\$	3,684,202 \$	3,179,198	_	

Notes to Consolidated Financial Statements (continued)

3. Pension and Other Post-Retirement Benefit Plan (continued)

	Pension Benefits December 31				Other Benefits December 31			
		2011	2010		2011	2010		
Change in plan assets								
Fair value of plan assets at								
beginning of year	\$	168,792,717 \$	136,894,728	\$	- \$	_		
Actual return on plan assets		(4,338,236)	22,091,658		_	_		
Employer contribution		4,600,000	10,000,000		5,913	34,974		
Plan participant contributions		7,003,544	6,487,765		34,317	23,306		
Benefits paid		(6,291,964)	(6,681,434)		(40,230)	(58,280)		
Fair value of plan assets at		, , , ,	,		, ,			
end of year	\$	169,766,061 \$	168,792,717	\$	- \$	_		
Funded status included in other assets (accrued benefits cost included in pension liability and						· · · · · · · · · · · · · · · · · · ·		
other)	\$	(47,492,898) \$	(13.625.101)	\$ (3,684,202) \$ (3,179,198)		

Included in unrestricted net assets at December 31, 2011 and 2010, are the following amounts that have not been recognized in net periodic pension cost

	 Pension Ber December		Other Benefits December 31		
	 2011	2010	2011	2010	
Unrecognized prior service costs Unrecognized actuarial (loss) gain	\$ (790,135) \$ (57,137,513)	(1,052,078) \$ (36,349,237)	(754,797) \$ (8,291)	(739,052) 50,605	

Notes to Consolidated Financial Statements (continued)

3. Pension and Other Post-Retirement Benefit Plan (continued)

Pension assets carried at fair value as of December 31, 2011, are classified in the table below in one of the three categories described above

	Assets	* a	t Fair Value	as o	f December	31,	2011	Valuation Techniques
	Level 1		Level 2		Level 3		Total	(a,b,c)
Cash and cash equivalents Marketable equity securities	\$ 7,170,242	\$	-	\$	-	\$	7,170,242	a
Domestic equities	68,614,565		_		_		68,614,565	a
Foreign equities	8,411,192		_		_		8,411,192	a
Fixed income securities								
Government bonds	_		19,177,502		_		19,177,502	a
Corporate bonds	_		4,476,762		_		4,476,762	a
Mutual funds	27,389,971		_		_		27,389,971	a
Alternative investments	_		24,758,810		_		24,758,810	a
Private equities	_		_		1,321,010		1,321,010	c
Other	537,452		_		_		537,452	a
Total assets at fair value	\$ 112,123,422	\$	48,413,074	\$	1,321,010	\$	161,857,506	•

Pension assets carried at fair value as of December 31, 2010, are classified in the table below in one of the three categories described above

	Assets* at Fair Value as of December 31, 2010								Valuation Techniques
		Level 1		Level 2		Level 3		Total	(a,b,c)
Cash equivalents	\$	3,986,805	\$	_	\$	_	\$	3,986,805	a
Marketable equity securities									
Domestic equities		53,355,028		_		_		53,355,028	a
Foreign equities		9,251,398		_		_		9,251,398	a
Fixed income securities									
Government bonds		_		2,709,968		_		2,709,968	a
Corporate bonds		4,807,715		6,575,803		_		11,383,518	a
Mutual funds		54,859,273						54,859,273	a
Alternative investments		_		26,935,954		_		26,935,954	a
Total assets at fair value	\$ 1	26,260,219	\$	36,221,725	\$	_	\$	162,481,944	- -

^{*} Excludes loans to participants of \$7,908,555 and \$6,310,773 as of December 31, 2011 and 2010, respectively, as they are designated as notes receivable from participants

Notes to Consolidated Financial Statements (continued)

3. Pension and Other Post-Retirement Benefit Plan (continued)

	Private Equities
Balance at December 31, 2010	\$ _
Realized/unrealized losses	(80,854)
Purchase, sales, insurance and settlements, net	 1,401,864
Balance at December 31, 2011	\$ 1,321,010

Included in the Cottage Health System Cash Balance Retirement Plan asset portfolio are alternative investments such as hedge funds and private equities with an estimated fair value of \$26,079,820 and \$26,935,954 as of December 31, 2011 and 2010, respectively Alternative investments held within a company's pension plan assets are subject to the FASB ASC 820 fair value measurement The alternative investment fair value was measured at the December 31, 2011, net asset value, which was based on quoted prices for comparable market transactions

Changes in plan assets and benefit obligations recognized as a change in unrestricted net assets during 2011 and 2010 include

	Pension Benefits			Other Benefits			
		Year Ended Dec	ember 31	Year Ended December 31			
		2011	2010	2011	2010		
Unrecognized actuarial (loss) gain Amortization of unrecognized prior	\$	(32,091,544) \$	(2.924,134) \$	5 (58,895) \$	(35,351)		
service costs		261,943	202,665	88,255	88,255		
Amortization of prior actuarial loss		11,303,267	10,799,912	_	_		
Amortization of amendment loss		_	_	(104,000)	_		
	\$	(20,526,334) \$	8,078,443	(74,640) \$	52,904		

The unrecognized prior service costs and unrecognized prior actuarial losses, which are included as a reduction of unrestricted net assets, will be recognized as components of future net periodic (benefit) cost of \$433,000 and \$14,085,000, respectively, during 2012

Notes to Consolidated Financial Statements (continued)

3. Pension and Other Post-Retirement Benefit Plan (continued)

plan assets

Rate of compensation increase

The accumulated benefit obligation for the defined benefit pension plans was \$210,589,355 and \$176,417,000 at December 31, 2011 and 2010, respectively

Pension Benefits Year Ended December 31 **Other Benefits**

Year Ended December 31

N/A

N/A

N/A

N/A

	Tear Ended I	occember of	Tear Ended B	ecciniber or	
	2011	2010	2011	2010	
Components of net periodic					
benefit cost					
Service cost	11,680,143	\$ 9,101,418	\$ 183,879 \$	155,091	
Interest cost	9,832,021	9,281,071	164,146	162,839	
Expected return on plan assets	(15,135,911)	(13,012,881)	_	_	
Amortization of prior service					
cost	261,943	202,665	88,255	88,255	
Recognized net actuarial loss	11,303,267	10,799,912	_	_	
_	17,941,463	\$ 16,372,185	\$ 436,280 \$	406,185	
•	· · · · · · · · · · · · · · · · · · ·		·		
	Pension 1	Benefits	Other Be	nefits	
	Year Ended I		Year Ended De		
_	2011	2010	2011	2010	
Weighted-average assumptions					
used to determine benefit					
obligations at December 31					
Discount rate	4.75%	5 25%	4.75%	5 25%	
Expected long-term rate of				/ -	
return on plan assets	8.75%	9 00%	N/A	N/A	
Rate of compensation increase	5.00%	5 00%	N/A	N/A	
Weighted-average assumptions				- 11 -	
used to determine net periodic					
benefit cost for year ended at					
December 31					
Discount rate	4.75%	5 25%	4.75%	5 25%	
Expected long-term return on		. •	· · · · · · · · · · · · · · · · · · ·	. •	

1110-1299750 31

8.75%

5.00%

9 00%

5 00%

Notes to Consolidated Financial Statements (continued)

3. Pension and Other Post-Retirement Benefit Plan (continued)

The expected rate of return on plan assets is updated annually, taking into consideration the Plan's asset allocation, historical returns on the types of assets held in the Plan, and the current economic environment

	December 31		
	2011	2010	
Assumed health care cost trend rates at December 31			
Health care cost trend rate assumed for next year	8.5%	8 5%	
Rate to which the cost trend rate is assumed to			
decline (the ultimate trend rate)	5.0%	5 0%	
Year that the rate reaches the ultimate trend rate	2018	2018	

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effect

	Po	entage int ease	P	centage oint crease
Effect on total of service and interest cost	\$	*	\$	**
Effect on post retirement benefit obligation	\$		\$	**

^{*} The portion of the retiree health plan costs paid by the System is limited to the 2004 level, plus an increase of 4 5% per year for future years. Costs in excess of this limit will be paid by the retiree. Consequently, an increase in health care costs has no effect on service and interest costs or benefit obligations.

^{**} The excise taxes that are expected to apply in 2018 would negate any impact of a decrease in health care trend rates

Notes to Consolidated Financial Statements (continued)

3. Pension and Other Post-Retirement Benefit Plan (continued)

Plan Assets

The composition of plan assets at December 31, 2011 and 2010, is as follows

Pension I	Benefits	Other Benefits		
2011	2010	2011	2010	
48%	38%	− %	_%	
14	9	_	_	
17	34	_	_	
16	17	_	_	
5	2	_		
100%	100%	− %₀	_% <u></u>	
	2011 48% 14 17 16 5	48% 38% 14 9 17 34 16 17 5 2	2011 2010 2011 48% 38% -% 14 9 - 17 34 - 16 17 - 5 2 -	

The primary objective is to achieve the highest possible total return commensurate with safety and preservation of capital in real (inflation adjusted) terms. The overall investment strategy does not follow the conventional weighted-average target asset allocations, but rather targets a return as required by current and future plan liabilities. Investments are broadly diversified to mitigate the specific risk of any particular asset class. Investments are diversified among common stocks, fixed income instruments, cash equivalents, real estate, and alternative investments. In addition, investments are diversified within asset classes by style and size.

The overriding long-term objective is to ensure that the Plan is able to meet its distribution requirements while growing the assets to meet future liability expenditures, adjusted for inflation The return on the assets should meet or exceed the sum of the distribution rate, inflation rate, and growth of the assets to accommodate current and future liabilities

Notes to Consolidated Financial Statements (continued)

3. Pension and Other Post-Retirement Benefit Plan (continued)

Defined Contribution Plan

Employees of Pacific Diagnostics are covered by a 401(k) defined contribution retirement plan Pacific Diagnostics matches up to 4% of employee compensation, 100% of an employee's contributions on the first 3% of compensation, and 50% of an employee's contributions on the next 2% of compensation Pacific Diagnostic's contributions are included in salaries and benefits in the amounts of \$254,000 and \$233,000 for 2011 and 2010, respectively Cash Flows

Contributions

The System expects to contribute \$15,000,000 (unaudited) to its pension plans and \$167,000 (unaudited) to its other post retirement benefit plan in 2012

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid

		Pension Benefits		Other Benefits	
2012	\$	10,997,472	\$	166,743	
2013	·	11,341,701	,	244,103	
2014		14,609,952		250,773	
2015		16,596,002		233,287	
2016		15,510,375		245,783	
Years 2017-2021		98,673,008		1,567,443	

Notes to Consolidated Financial Statements (continued)

4. Investments and Assets Limited as to Use

Investments, recorded at fair market value at December 31 comprised the following investment categories and balance sheet lines

Affiliates'

		Master Custodial	Sel	lf-Insu rance	Oı	ther Managed		
		Account	~ •	Trusts		Accounts		Total
2011	_							
Cash and cash equivalents	\$	29,161,249	\$	4	\$	222,355	\$	29,383,608
Marketable equity securities		97,223,623		_		_		97,223,623
Fixed income securities		71,097,094		8,074,773		20,466,719		99,638,586
Mutual funds		17,777,164		_		_		17,777,164
Alternative investments ^(*)		97,789,552		_		_		97,789,552
Other		705,436		_		410,077		1,115,513
	\$	313,754,118	\$	8,074,777	\$	21,099,151	\$	342,928,046
Short-term investments	s	244,274,533	\$	_	\$	20,258,723	\$	264,533,256
Current portion of assets limited as to use			•	1,343,000			•	1,343,000
Assets limited as to use		59,889,780		6,731,777		410,077		67,031,634
Other assets		9,589,805		_		430,351		10,020,156
	\$	313,754,118	\$	8,074,777	\$	21,099,151	\$	342,928,046
		,,						
		Affiliates'						
		Master Custodial	€ al	lf Industria	Ω	hau Managad		
		Custoulai	36		Other Managed			
		Account			O.	٠,		Total
2010		Account		Trusts		Accounts		Total
2010 Cash and cash equivalents	•			Trusts		Accounts		
Cash and cash equivalents	\$	45,701,937	\$		\$	٠,	\$	46,573,309
Cash and cash equivalents Marketable equity securities	\$	45,701,937 70,496,586		Trusts 3 -		871.369 -		46,573,309 70,496,586
Cash and cash equivalents Marketable equity securities Fixed income securities	\$	45,701,937 70,496,586 128,977,077		Trusts		Accounts		46,573,309 70,496,586 155,634,969
Cash and cash equivalents Marketable equity securities Fixed income securities Mutual funds	\$	45,701,937 70,496,586 128,977,077 21,068,591		Trusts 3 -		871.369 -		46,573,309 70,496,586 155,634,969 21,068,591
Cash and cash equivalents Marketable equity securities Fixed income securities	\$	45,701,937 70,496,586 128,977,077 21,068,591 89,797,864		Trusts 3 -		871,369 - 19,312,877 - -		46,573,309 70,496,586 155,634,969 21,068,591 89,797,864
Cash and cash equivalents Marketable equity securities Fixed income securities Mutual funds Alternative investments ^(*)	\$	45,701,937 70,496,586 128,977,077 21,068,591		Trusts 3 -		871.369 -		46,573,309 70,496,586 155,634,969 21,068,591
Cash and cash equivalents Marketable equity securities Fixed income securities Mutual funds Alternative investments ^(*) Other	\$	45,701,937 70,496,586 128,977,077 21,068,591 89,797,864 426,231 356,468,286	\$	7,345,015	\$	871,369 	\$	46,573,309 70,496,586 155,634,969 21,068,591 89,797,864 852,252 384,423,571
Cash and cash equivalents Marketable equity securities Fixed income securities Mutual funds Alternative investments(*) Other	_	45,701,937 70,496,586 128,977,077 21,068,591 89,797,864 426,231	\$	7,345,015 - 7,345,018	\$	871,369 	\$	46.573.309 70.496.586 155.634.969 21.068.591 89.797.864 852.252 384.423.571 229.839.407
Cash and cash equivalents Marketable equity securities Fixed income securities Mutual funds Alternative investments Other Short-term investments Current portion of assets limited as to use	\$	45,701,937 70,496,586 128,977,077 21,068,591 89,797,864 426,231 356,468,286 209,913,123	\$	7,345,015 7,345,018 1,200,000	\$	871,369 	\$	46,573,309 70,496,586 155,634,969 21,068,591 89,797,864 852,252 384,423,571 229,839,407 1,200,000
Cash and cash equivalents Marketable equity securities Fixed income securities Mutual funds Alternative investments Other Short-term investments Current portion of assets limited as to use Assets limited as to use	\$	45,701,937 70,496,586 128,977,077 21,068,591 89,797,864 426,231 356,468,286 209,913,123 — 136,845,790	\$	7,345,015 - 7,345,018	\$	871,369 19,312,877 426,021 20,610,267 19,926,284 426,021	\$	46,573,309 70,496,586 155,634,969 21,068,591 89,797,864 852,252 384,423,571 229,839,407 1,200,000 143,416,829
Cash and cash equivalents Marketable equity securities Fixed income securities Mutual funds Alternative investments Other Short-term investments Current portion of assets limited as to use	\$	45,701,937 70,496,586 128,977,077 21,068,591 89,797,864 426,231 356,468,286 209,913,123	\$	7,345,015 7,345,018 1,200,000	\$	871,369 	\$	46,573,309 70,496,586 155,634,969 21,068,591 89,797,864 852,252 384,423,571 229,839,407 1,200,000

^(*) Alternative investments are accounted for on the equity method, however, the carrying amount approximates the fair value of these investments

Notes to Consolidated Financial Statements (continued)

4. Investments and Assets Limited as to Use (continued)

Investment income (loss) for the years ended December 31 includes the following

	2011		2010	
Interest and dividends	\$	8,140,179 \$	11,060,573	
Realized gains, including equity interest in earnings of alternative investments and joint ventures Changes in unrealized (losses) gains on trading securities		2,224,420 (13,597,245)	13,259,601 4,125,528	
Changes in amounted (105505) gains on trading securities	\$	(3,232,654) \$		

5. Transactions with Related Parties

A summary of the significant transactions between the System and its affiliates follows

The Santa Barbara Cottage Foundation

The Santa Barbara Cottage Foundation was established to engage in the solicitation, receipt, and administration of contributions for the sole benefit of Santa Barbara Cottage The Santa Barbara Cottage Foundation's unrestricted net assets are distributed to the Santa Barbara Cottage Hospital in amounts and in periods determined by the Santa Barbara Cottage Foundation's Board of Directors, which may restrict the use of these funds for specific purposes The Santa Barbara Cottage Foundation's temporarily restricted net assets are held or distributed to Santa Barbara Cottage at the donor's request

Donations from the Santa Barbara Cottage Foundation for the years ended December 31 were as follows

	2011		2010
To Santa Barbara Cottage			
For capital assets	\$	<u> </u>	55,000,000

During 2011 and 2010, Cottage Health System and Santa Barbara Cottage provided facilities and administrative services to the Santa Barbara Cottage Foundation for consideration of \$866,785 and \$945,000, respectively At December 31, 2011 and 2010, amounts due from the Santa Barbara Cottage Foundation totaled \$44,857 and \$1,129,000, respectively These amounts are due on a current basis and have been eliminated through the recording of the System's net interest in the Foundation

Notes to Consolidated Financial Statements (continued)

5. Transactions with Related Parties (continued)

Santa Ynez Cottage Foundation

Santa Ynez Cottage received \$842,000 and \$3,346,000 in contributions from Santa Ynez Cottage Foundation for capital assets in 2011 and 2010, respectively

6. Long-Term Debt

Long-term debt at December 31 consists of the following

	2011	2010
CSCDA Fixed Rate Revenue Bonds, Series 2010 payable in annual installments through 2040, with interest rates ranging from 2 0% to 5 0%	\$ 288,865,000	\$ 292,600,000
CHFFA Fixed Rate Demand Revenue Bonds, Series 2003B payable in annual installments through 2033, with interest rates ranging from 3 7% to 5 25%	50,740,000	52,030,000
Notes payable	_	1,629,266
	339,605,000	346,259,266
Less current maturities	(5,610,000)	(6,654,266)
Long-term debt, net of current maturities	\$ 333,995,000	\$ 339,605,000

The System uses debt to finance a portion of Santa Barbara Cottage and Goleta Valley Cottage replacement hospitals and certain other capital improvements. In 2010, the System issued \$292,600,000 of California Statewide Communities Development Authority, noted in table above as CSCDA Fixed Rate Revenue Bonds, Series 2010 (Series 2010 Bonds) to refinance the Series 2008 A-E CSCDA Variable Rate Revenue Bonds. A loss on extinguishment of debt of \$1,716,000 was recorded as a component of other income (loss) in the 2010 consolidated statement of operations.

Santa Barbara Cottage, Goleta Valley Cottage, and Santa Ynez Cottage comprise the Members of the Obligated Group and as such all three are jointly and severally obligated with respect to the obligations issued under the bond indentures collateralizing the bonds. The System is not a member of the Obligated Group, but acts as the Obligated Group Representative

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt (continued)

Bond Covenants

The Master Trust Indentures (Indentures) govern the disposition and repayments of the Series 2003B Bonds and Series 2010 Bonds The terms of the Indentures require the Obligated Group to pledge all of the revenues or any other amounts held in any fund or account established pursuant to the Indentures for the terms of the Series 2003B and Series 2010 Bonds The Indentures and Agreement contain restrictions which, among other things, require maintenance of certain financial ratios, limit the disposal of assets, and restrict certain additional indebtedness At December 31, 2011 and 2010, the Obligated Group complied with all financial covenants

In 2011 and 2010, interest costs incurred were \$16,684,000 and \$14,943,000, respectively, of which \$15,691,000 and \$10,900,000, respectively, was capitalized as part of the costs of construction in progress. The amounts capitalized are reduced by investment income earned on tax exempt financings borrowed for specific qualifying projects. Investment income earned that was capitalized as part of construction in progress was \$0 and \$3,500 in 2011 and 2010, respectively.

The aggregate amounts of annual maturities and sinking fund payments for the years subsequent to December 31, 2011, are as follows

2012	\$ 5,610,000
2013	5,785,000
2014	6,030,000
2015	6,270,000
2016	6,570,000
Thereafter	309,340,000
	\$ 339,605,000

Interest Rate Swaps

The System has interest rate swap contracts (the Swaps) with notional amounts and termination dates to match each of the outstanding variable rate bonds prior to the repayment of the variable rate bonds. Concurrent with the repayment of the variable rate bonds, two of the contracts with a combined notional amount of \$102,300,000 were terminated with a payment to the Swap Counterparty of \$19,931,000

1110-1299750

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt (continued)

Under the terms of the Swaps, the System has agreed to pay to Morgan Stanley Capital Services, Inc (the Swap Counterparty) fixed rates of interest ranging from 3 592% to 3 667% and the Swap Counterparty has agreed to pay the System 68% of one-month LIBOR, based on the notional amounts of the Swaps For 2011 and 2010, the decrease in fair value of all interest rate swaps of \$11,846,000 and \$18,867,000, respectively, has been recorded as a component of other (loss) income in the consolidated statements of operations The fair value of the Swaps is recorded in other liabilities and totaled \$34,790,000 and \$22,944,000 in 2011 and 2010, respectively Payments to the Swap Counterparty increased interest costs by \$0 in 2011 and \$7,587,000 in 2010 Subsequent to the repayment of the variable rate bonds, payments to the Swap Counterparty were recorded as investment (loss) income

In March 2011, the System entered into an additional interest rate swap contract with the Swap Counterparty effectively reversing an existing swap contract. Under the terms of the Swap contract, the Swap Counterparty agreed to pay the System a fixed rate of interest of 2 53%. The notional value of the interest rate swap is \$73,750,000.

Each of the interest rate swap agreements has collateral posting thresholds when the mark-to-market exceeds \$40,000,000 The System has a cash collateral balance with the Swap Counterparty of \$0 and \$393,000 at December 31, 2011 and 2010, respectively The System has offset the fair value of the collateral against the fair value of the swap liability in the consolidated balance sheets as a reduction of other long-term liabilities, pursuant to the provision of FASB ASC 210-20, Offsetting of Amounts Related to Certain Contracts

7. Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets at December 31 are available for the following purposes

	2011	2010
Purchase of equipment and construction Patient care services and hospital operations	\$ 66,695,581 27,960,321	\$ 59,359,065 25,771,515
Research	1,307,285	1,618,043
Health education	1,135,538	1,082,970
Nursing and medical education	1,331,906	1,118,988
Employee assistance	 3,194	2,995
	\$ 98,433,825	\$ 88,953,576

1110-1299750

Notes to Consolidated Financial Statements (continued)

7. Temporarily and Permanently Restricted Net Assets (continued)

Temporarily restricted net assets at December 31, 2011 and 2010, include \$71,691,000 and \$63,391,000, respectively, of donor-restricted resources held by the affiliates on behalf of the Hospitals Permanently restricted net assets of \$19,113,000 and \$17,675,000 were held by the System at December 31, 2011 and 2010, respectively These resources are restricted to investments to be held in perpetuity, the income from which is expendable to support health care services and research

FASB ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) UPMIFA was enacted in California on September 30, 2008, with an effective date of January 1, 2009 The net asset classification provisions of FASB ASC 958 were adopted by the System in 2009 when UPMIFA was enacted into law in California FASB ASC 958 also contains disclosure provisions which are included below

<u>Endowment</u> The System's endowment includes all permanently and certain temporarily restricted net assets which contain donor restrictions as to use as well as board-designated funds

<u>Funds with Deficiencies</u> The fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the System to retain as a fund of perpetual duration Deficiencies of this nature are reported in unrestricted net assets unless the income from such endowment funds is restricted as to use in which case such amounts are reflected in temporarily restricted net assets There were no such deficiencies as of December 31, 2011 and 2010

Return Objectives and Risk Parameters The System has investment policies that attempt to provide a predictable stream of funding to programs supported by operations as well as endowment donations. Assets are invested in a manner that is intended to produce results that exceed the respective benchmark while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount

<u>Strategies Employed for Achieving Objectives</u> To satisfy its long-term rate-of-return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) The System targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints

Notes to Consolidated Financial Statements (continued)

7. Temporarily and Permanently Restricted Net Assets (continued)

Interpretation of Relevant Law The System has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary As a result of this interpretation, the System classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until the donor's restriction is met and the funds are appropriated In accordance with UPMIFA, the System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds

- (1) The duration and preservation of the fund
- (2) The purposes of the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the System
- (7) The investment policies of the System

The endowment net asset composition by type of fund as of December 31, 2011, consists of the following

	 Femporarily Restricted	ermanently Restricted	Total
Donor-restricted endowment funds	\$ 6,042,046	\$ 5,594,256	\$ 11,636,302
Total funds	\$ 6,042,046	\$ 5,594,256	\$ 11,636,302

Notes to Consolidated Financial Statements (continued)

7. Temporarily and Permanently Restricted Net Assets (continued)

The endowment net asset composition by type of fund as of December 31, 2010, consists of the following

		Permanently	
	Restricted	Restricted	<u> Total</u>
Donor-restricted			
endowment funds	\$ 6,525,895	\$ 5,594,256	\$ 12,120,151
Total funds	\$ 6,525,895	\$ 5,594,256	\$ 12,120,151

The changes in endowment net assets for the year ended December 31, 2011, are as follows

		Temporarily Restricted	ermanently Restricted	Total
Endowment net assets, beginning of year	\$	6,525,895	\$ 5,594,256	\$ 12,120,151
Investment return Investment income Net depreciation (realized and		350,765	_	350,765
unrealized)		(496,118)	_	(496,118)
Total investment return		(145,353)	_	(145,353)
Appropriation		(338,496)	_	(338,496)
Endowment net assets, end of year	<u>\$</u>	6,042,046	\$ 5,594,256	\$ 11,636,302

Notes to Consolidated Financial Statements (continued)

7. Temporarily and Permanently Restricted Net Assets (continued)

The changes in endowment net assets for the year ended December 31, 2010, are as follows

	T	Cemporarily	P	ermanently	
		Restricted		Restricted	Total
Endowment net assets, beginning of					
year	\$	5,793,179	\$	5,594,256	\$ 11,387,435
Investment return					
Investment income		373,965		_	373,965
Net appreciation (realized and					
unrealized)		698,887		_	698,887
Total investment return		1,072,852		_	1,072,852
Appropriations		(340, 136)		_	(340,136)
Endowment net assets,					
end of year	\$	6,525,895	\$	5,594,256	\$ 12,120,151

8. Commitments and Contingencies

Leases

Goleta Valley Cottage leases land on which the acute care facility was built from the Santa Barbara Cottage Foundation

Notes to Consolidated Financial Statements (continued)

8. Commitments and Contingencies (continued)

The following is a summary of minimum noncancelable operating lease commitments (including renewal options) for the years ending December 31

	Operation Land and	ng]	Leases
	Building		Equipment
2012	\$ 3,285,000	\$	1,558,000
2013	2,786,000		1,122,000
2014	2,602,000		880,000
2015	2,400,000		645,000
2016	2,357,000		323,000
Thereafter	21,414,000		_
Total minimum lease payments	\$ 34,844,000	\$	4,528,000

Construction Projects

The Hospitals are required to comply with the Hospital Seismic Safety Act (SB1953), which regulates the seismic performance of all aspects of hospital facilities in California SB1953 imposes near-term and long-term compliance deadlines for seismic safety assessments, submission of corrective plans, and the retrofitting or replacement of the Hospitals' facilities to comply with current seismic standards. These requirements are expected to result in significant operational changes and capital outlays Based on preliminary estimates, total costs for the Hospitals' Facilities Master Plan are estimated to be \$810 million (unaudited) for Santa Barbara Cottage Actual amounts could differ from these estimates The City of Santa Barbara and the Office of Statewide Health Planning and Development have approved the plans for Santa Barbara Cottage The project consists of eight phases Construction for phases one, two and three is complete and a certificate of occupancy was received in September 2011 for phase four The plan for Goleta Valley Cottage received approval from the City of Goleta and the Office of Statewide Planning and Development Construction began in early 2011 and is anticipated to be completed in early 2014 This plan has an estimated cost of \$115 million (unaudited) Completion of the new wing at Santa Ynez Valley Cottage was completed in early 2011 and the remodel of the existing space is anticipated to be completed by early 2013 The total project is estimated at \$14 million (unaudited)

Notes to Consolidated Financial Statements (continued)

8. Commitments and Contingencies (continued)

Subsequent Event

On February 12, 2012, patients were moved into phase four of Santa Barbara Cottage Hospital This phase includes 197 patient care beds, surgical services, radiology, labor and delivery and support departments such as nutrition, materials and sterile processing. The estimated cost of this phase, including equipment, is \$410 million

Asset Retirement Obligations

In 2006, the System adopted FASB ASC 410, Asset Retirement and Environmental Obligations, which clarifies that the term "conditional asset retirement obligations" (ARO) and refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlements are conditional on a future event that may or may not be within the control of the entity. The guidance indicates that an entity must record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated and also clarifies when an entity should have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The System is subject to state requirements to retrofit certain buildings to current seismic standards by as early as 2013. Management has evaluated and estimated costs by which such facility will be brought into compliance with the current code (through replacement or retrofit), the settlement date and costs involved, including cost for asbestos abatement. A liability of \$200,000 has been recorded in the consolidated balance sheets

Legal Proceedings

The System and its affiliates are defendants in various legal actions arising from the normal conduct of business Management believes that the ultimate resolution of the various proceedings will not have a material adverse effect upon its consolidated financial position, results of operations or cash flows

Notes to Consolidated Financial Statements (continued)

9. Functional Expenses

The System provides general health care services to residents within its geographic location Expenses related to providing these services for the year ended December 31 are as follows

	2011	2010
Health care services	\$ 392,634,152	\$ 386 252 837
General and administrative		131,870,802
	\$ 544,166,316	\$ 518,123,639

Supplementary Information

Consolidating Balance Sheet

December 31, 2011

	Obligated Group				Total						
	Santa Barbara	Goleta Valley	Santa Y nez	Elimination	Obligated	Cottage Health	Professional	Diagnostic	Affiliates	Elimination	Total
	Cottage	Cottage	Cottage	Entries	Group	System	Building	Laboratories	Net Assets	Entries	Consolidated
Assets											
Current assets											
Cash and eash equivalents	\$ 5,206,338	\$ 1,554,395	\$ 3,519,421	S - S	10,280,154	\$ 1,110,742	\$ 1,446,668	\$ 899.867	\$ -	\$ -	\$ 13,737,431
Short-term investments	253,054,231	9.842.163	1,636,862	_	264,533,256	_	_	_	_	_	264,533,256
Patient accounts receivable, net	84,893,444	10,235,985	2,042,025	_	97,171,454	_	_	_	_	_	97,171,454
Current portion of assets limited											
as to use	1,343,000	_	_	_	1,343,000	-	-	-	-	_	1,343,000
Other receivables	21.074.062	229,445	152,721	_	21.456.228	106,602	30,089	4.319.130	_	(14.021.980)	11,890,069
Due from affiliates	2,391,894	9,418	255,073	(2,345,898)	310,487	793,643	95,925	_	_	(1.200.055)	_
Inventories	11.041.822	564,500	82.967	_	11,689,289	_	_	704,880	_	_	12.394,169
Prepaid expenses and other											
current assets	3,344,917	543,843	104,428	-	3,993,188	2.786.268	_	440,239	_	_	7.219.695
Total current assets	382.349.708	22.979.749	7,793,497	(2.345,898)	410,777,056	4.797.255	1.572.682	6.364.116	-	(15.222,035)	408.289.074
Assets limited as to use, less											
current portion											
By Board	60,299,857	-	_		60,299,857	_	_	_	_	_	60,299,857
Self-insurance trusts	6,731,777	-	_	-	6,731,777	_	-	_	_	_	6,731,777
Total assets limited as to use	67.031.634	-	-	-	67.031.634	-	-	-	-	=	67.031.634
Property, plant and equipment, net	646,169,804	61,562,541	12,417,354	_	720,149,699	8,009,410	3,564,768	10,544,678	_	_	742.268,555
Other assets	29,864,535	88,397	153,556		30,106,488	358,702		8,414,319		(6.883.792)	31,995,717
Interest in net assets and amounts due from affiliates	_	_	_	_	_	_	_	_	257,831,793		257.831.793
Total assets	\$ 1,125,415,681	\$ 84,630,687	\$ 20,364,407	\$ (2,345,898) \$	1,228,064,877	\$ 13,165,367	\$ 5,137,450	\$ 25,323,113	\$ 257,831,793	\$ (22,105,827)	\$ 1,507,416,773
				- 1						- 1	

Consolidating Balance Sheet (continued)

December 31, 2011

	Obligated Group						Total Pacific												
	Santa Bar		Goleta Valley	Santa Y nez	Elimination		Obligated	Co	ottage Health		rofessional		gnostic		liates		imination		Total
T. 1994	Cottag	e	Cottage	Cottage	Entries		Group		System		Building	Lab	oratories	Net	Assets		Entries		Consolidated
Liabilities and net assets																			
Current liabilities	D 42.00				db.	45		db.		45	06.000	45	000001	db.		45		45	
Accounts payable	\$ 43,900	3,533	\$ 5,488,293	\$ 665,052	S –	\$	50,056,878	\$	1.015.439	\$	86,900	\$.006.084	\$	_	\$	_	- \$	52,165,301
Accrued expenses and other																			
liabilities	20.02	7.223	2,786,554	456,511	_		23,270,288		3,207,546		52,526		,223,360		_		-	-	27,753,720
Current portion of accrued																			=
self-insurance claims	5,832	2,301	633,300	143,063	_		6,608,664		309,743		_		-		_		-	-	6.918.407
Due to affiliates		-	2.588.819	476,366	(2.345,898)		719.287		376.944		417.814		291.799		_		(1.805.844	·)	_
Current maturities of long-term																			
debt	5,610	000,0	-	=	=		5,610,000		_		_		_		_		-	-	5,610,000
Total current liabilities	75,373	3,057	11,496,966	1,740,992	(2.345,898)		86,265,117		4.909.672		557,240	:	2,521,243		-		(1,805,844	·)	92,447,428
Accrued self-insurance claims.																			
less current portion	20.59	7.577	2,060,294	442,325	_		23,100,196		_		_		285,418		_		_	-	23,385,614
Long-term debt, less current																			
maturities	317,912	2,246	_	_	16,082,754		333,995,000		_		3,006,718	1.	2,680,467		_	(15,687,185)	333,995,000
Pension liability and other	78,080	0.316	19.026.055	1,369,005	(16,082,754)		82,392,622		14,095,406		_		2,952,193		_		_	-	99,440,221
Total liabilities	491,963	3.196	32.583.315	3,552,322	(2.345.898)		525,752,935		19,005,078		3,563,958	13	3,439,321		=	(17.493.029	')	549.268.263
Net assets																			
Member's capital		_	_	_	_		_		_		_	(5,883,792		_		(6,883,792	!)	_
Unrestricted	620,60	7.477	51,837,372	16,723,448	_		689,168,297		(5,839,711)		1,573,492		_	172.	541,613		2,270,994		859,714,685
Temporarily restricted	7,250).752	210,000	88,637	=		7,549,389				_		_	71.	771.832		_	-	79.321.221
Permanently restricted	5.59	1.256	_	_	=		5.594.256		_		_		_	13.	518.348		-	-	19.112.604
Total net assets	633,452	2.485	52,047,372	16,812,085	_		702,311,942		(5,839,711)		1,573,492	(5,883,792	257.	831,793		(4.612.798	3)	958,148,510
Total liabilities and net assets	\$ 1,125,413	5,681	\$ 84,630,687	\$ 20,364,407	\$ (2,345,898)	\$ 1.	,228,064,877	\$	13,165,367	\$	5,137,450		,323,113	\$ 257,	831,793	\$ (22,105,827	´) \$	1,507,416,773

Consolidating Statement of Operations

Year Ended December 31, 2011

		Obligated	d Group		Total			Pacific	Equity Interest		
	Santa Barbara	Goleta Valley	Santa Y nez	Elimination	Obligated	Cottage Health		Diagnostic	in Affiliates	Elimination	Total
	Cottage	Cottage	Cottage	Entries	Group	System	Building	Laboratories	Activity	Entries	Consolidated
Unrestricted revenues, gains and other support											
Patient Service Revenue (net of contractual											
allowaces and discounts)	\$474,513,472		\$ 13,799,601	\$ -	\$555,442,261		\$ -	\$ 28,935,645	\$ -	\$ -	\$584,377,906
Provision for doubtful accounts	(12,485,766)	(1.749,156)	(581,623)	-	(14,816,545)	<u> </u>	_	(1,200,000)	-	_	(16,016,545)
Net patient service revenue	462,027,706	65,380,032	13,217,978	_	540,625,716	_	_	27,735,645	_	_	568,361,361
Hospital Medi-Cal supplemental payment	10,596,467	368,788	31,289	_	10,996,544	-	_	_	_	_	10,996,544
Other operating revenue	3,249,105	253,347	1,001,016	_	4,503,468	511,165	672,565	11,355,918	(842,000)	(11.384.339)	4.816.777
Net assets released from restrictions	307,430	_	16,106	_	323,536	-	_	-	_	_	323,536
Total unrestricted revenues, gains and											
other support	476,180,708	66,002,167	14.266.389	-	556,449,264	511,165	672,565	39.091.563	(842,000)	(11.384.339)	584,498,218
Expenses											
Salaries and benefits	234,123,089	31,205,586	7,565,575	_	272,894,250	219,336	_	15,414,709	_	_	288,528,295
Supplies and services	157,003,220	20,002,728	3.985.622	_	180,991,570	(3,868,487)	318,448	17.655.384	(159.084)	(11.384.339)	183,553,492
Hospital quality assurance fee	9.517.684	575,226	_	_	10,092,910	-	_	_	_	_	10.092.910
Professional fees	25,774,758	1,928,266	675,734	_	28,378,758	746,516	34,122	2,714,931	_	_	31,874,327
Insurance	3,036,563	513,258	68,472	_	3,618,293	-	1,137	182,900	_	_	3,802,330
Depreciation and amortization	16.941.017	2.379.326	575,581	_	19,895,924	3,406,407	40,744	1,975,039	_	_	25,318,114
Interest	992.876	7	_	_	992,883	-	49,995	56,654	(49.995)	(52.689)	996.848
Total expenses	447,389,207	56,604,397	12.870.984	_	516,864,588	503,772	444,446	37,999,617	(209,079)	(11,437,028)	544,166,316
Operating income (loss)	28,791,501	9,397,770	1,395,405	-	39,584,676	7,393	228,119	1.091.946	(632,921)	52,689	40,331,902
Investment (loss) income	(1.942.316)	(166.346)	20,196	_	(2.088.466)	_	447	-	_	(1.144.635)	(3.232.654)
Changes in fair value of interest rate swaps	(11.846.126)	_	_	_	(11.846.126)	-	_	_	_	_	(11.846.126)
Loss on extinguishment of debt	_	-	-		-	_	-	-	_	-	_
Change in unrestricted net assets of											
the affiliates		_			<u> </u>				(4.412.765)	1.067.981	(3.344.784)
Excess (deficiency) of revenues over expenses	15,003,059	9,231,424	1,415,601	_	25,650,084	7,393	228,566	1.091.946	(5.045.686)	(23,965)	21,908,338
Change in pension liability	(11,399,012)	(2.812.297)	(542,561)	_	(14,753,870)	(5,847,104)	-	_	_	-	(20,600,974)
(Decrease) increase in unrestricted net assets	\$ 3,604,047	\$ 6,419,127	\$ 873,040	\$ -	\$ 10,896,214	\$ (5,839,711)	\$ 228,566	\$ 1,091,946	\$ (5,045,686)	\$ (23,965)	\$ 1,307,364

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Consolidating Statement of Changes in Net Assets

Year Ended December 31, 2011

Profession Pr			Obligated	l Group		Total			Pacific	Equity Interest		
Part		Santa Barbara	•	Santa Y nez	Elimination	Obligated	Cottage Health	Professional	Diagnostic	in Affiliates	Elimination	
Excess (deficiency) of revenues over expenses \$15,003,059 \$1,003,059 \$1,215,051 \$1,415,061 \$1,415		Cottage	C'ottage	Cottage	Entries	Group	System	Building	Laboratories	Activity	Entries	Consolidated
Permanenth restricted net assets of affiliates in temporarity restricted net assets of affiliates in temporarity restricted net assets of affiliates in temporarity restricted net assets of the Affiliates in the content gains (document the property of the Affiliates in the content gains (document the temporarity restricted net assets of the Affiliates in the content gains (document the property of the Affiliates in the content gains (document the property of the Affiliates in the content gains (document the Affiliates in the property of the Affiliates in the	Unrestricted net assets											
Change in pension hability (11.399.012) (2.812.297) (542.561) - (14.753.870) (5.847.104) (20.600.974) Increase in unrestricted net assets (3.604.047) (6.419.127) (873.040) - 10.896.214 (5.839.711) 228.566 (1.091.946) (5.045.686) (23.965) 1.307.3644 (7.839.713) (7.839.	Excess (deficiency) of revenues over											
Temporarily restricted net assets 3.604.047 6.419.127 873.040 - 10.896.214 (5.839.711) 228.566 1.091.946 (5.045.686) (23.965) 1.307.364	expenses	\$ 15,003,059	\$ 9.231.424	\$ 1,415,601	\$ -	\$ 25,650,084	\$ 7.393	\$ 228,566	\$ 1.091.946	\$ (5.045,686)	\$ (23,965)	\$ 21.908.338
Temporarily restricted net assets Contributions 188.753 210.000 25.000 - 423.753 423.753 Investment gams (loss) (145.353) (145.353) 423.753 Net assets released from restrictions (307.430) - (16.106) - (323.536) (145.353) Net assets released from restrictions (307.430) - (16.106) - (323.536) (323.536) Changes in value of contributions from charitable remainder trusts	Change in pension liability	(11.399.012)	(2.812.297)	(542,561)	_	(14,753,870)	(5,847,104)	_	_	_	_	(20,600,974)
Contributions 188.753 210.000 25.000 - 423.753 - - - 423.753 Investment gains (loss) (145.353) - - (145.353) - - (145.353) Net assets released from restrictions (307.430) - (16.106) - (323.536) - - - - - (145.353) Net assets released from restrictions (307.430) - (16.106) - (323.536) - <td>Increase in unrestricted net assets</td> <td>3,604,047</td> <td>6,419,127</td> <td>873,040</td> <td>-</td> <td>10,896,214</td> <td>(5,839,711)</td> <td>228,566</td> <td>1,091,946</td> <td>(5,045,686)</td> <td>(23,965)</td> <td>1,307,364</td>	Increase in unrestricted net assets	3,604,047	6,419,127	873,040	-	10,896,214	(5,839,711)	228,566	1,091,946	(5,045,686)	(23,965)	1,307,364
Investment gams (loss)	Temporarily restricted net assets											
Net assets released from restrictions (307.430) - (16.106) - (323.536) (323.536) Changes in value of contributions from charitable remainder trusts (6.263) - (6.263) (6.263) Change in net assets of affiliates	Contributions	188,753	210,000	25,000	_	423,753	_	-	-	_	-	423,753
Changes in value of contributions from charitable remainder trusts (6.263) - (6.263) (6.263) (6.263) Change in net assets of affiliates (6.263) (6.263) Increase in temporarily restricted net assets Changes in net assets Changes in net assets of the Affiliates	Investment gains (loss)	(145,353)	-	-	_	(145,353)	-	-	-	-	_	(145,353)
Change in net assets of affiliates Change in temporarily restricted net assets Changes in temporarily restricted net assets Changes in net assets of the Affiliates Changes in net assets of the Affiliates Increase (decrease) in permanently restricted net assets 3.340.017 Changes in net assets Changes in net assets of the Affiliates Changes in net assets Changes in net assets Changes in the asset	Net assets released from restrictions	(307,430)	-	(16,106)	-	(323,536)	=	=	=	=	-	(323,536)
Change in net assets of affiliates	Changes in value of contributions from											_
Permanently restricted net assets Changes in net assets of the Affiliates 1	charitable remainder trusts	_	_	(6.263)	_	(6.263)	_	_	_	_	_	(6.263)
Permanently restricted net assets Changes in net assets of the Affiliates Increase (decrease) in permanently restricted net assets 1.437.119 1.43	Change in net assets of affiliates		_	_	_	_	_	_	_	8,272,873	_	8,272,873
Changes in net assets of the Affiliates Increase (decrease) in permanently restricted net assets Increase (decrease) in net assets 3.340.017 6.629.127 875.671 - 10.844.815 (5.839.711) 228.566 1.091.946 4.664.306 (23.965) 10.965.957 Net assets at beginning of year 630.112.468 45.418.245 15.936.414 - 691.467.127 - 1.344.926 5.791.846 253.167.487 (4.588.833) 947.182.553	Increase in temporarily restricted net assets	(264.030)	210,000	2.631	-	(51.399)	-	-	-	8.272.873	-	8.221.474
Increase (decrease) in permanently restricted net assets - - - - - - - - - 1.437.119 - 1.437.119 - 1.437.119 Increase (decrease) in net assets 3.340.017 6.629.127 875.671 - 10.844.815 (5.839.711) 228.566 1.091.946 4.664.306 (23.965) 10.965.957 Net assets at beginning of year 630.112.468 45.418.245 15.936.414 - 691.467.127 - 1.344.926 5.791.846 253.167.487 (4.588.833) 947.182.553	Permanently restricted net assets											
restricted net assets - - - - - - - - - - - 1,437,119	Changes in net assets of the Affiliates		_	_	_	_	_	_	_	1,437,119	_	1,437,119
Increase (decrease) in net assets 3.340.017 6.629.127 875.671 - 10.844.815 (5.839.711) 228.566 1.091.946 4.664.306 (23.965) 10.965.957 Net assets at beginning of year 630.112.468 45.418.245 15.936.414 - 691.467.127 - 1.344.926 5.791.846 253.167.487 (4.588.833) 947.182.553	Increase (decrease) in permanently											
Net assets at beginning of year 630.112.468 45.418.245 15.936.414 - 691.467.127 - 1.344.926 5.791.846 253.167.487 (4.588.833) 947.182.553	restricted net assets	=	=	-	=	-	=	=	-	1.437.119	=	1.437.119
	Increase (decrease) in net assets	3.340.017	6.629.127	875.671	_	10,844,815	(5.839.711)	228.566	1.091.946	4.664.306	(23.965)	10.965.957
Net assets at end of year \$\\\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \\ \	Net assets at beginning of year	630,112,468	45,418,245	15,936,414	_	691,467,127	_	1.344,926	5,791,846	253,167,487	(4.588,833)	947,182,553
	Net assets at end of year	\$ 633,452,485	\$ 52,047,372	\$ 16,812,085	\$ -	\$ 702,311,942	\$ (5,839,711)	\$ 1,573,492	\$ 6,883,792	\$ 257,831,793	\$ (4,612,798)	\$ 958,148,510

Consolidating Balance Sheet

December 31, 2010

Santa Barbana Coltage		Obligated Group				Total		Pacific			
Assets Current assets Current assets Soft-term investments 214,267,034 13,980,200 1,592,172 - 229,839,406 - 6,630,31,88 - 6,614,984 9,380,757 1,307,447 - 96,303,188 - 6,614,984 9,380,757 1,307,447 - 96,303,188 - 6,614,984 9,380,757 1,307,447 - 96,303,188 - 6,614,984 9,380,757 1,307,447 - 96,303,188 - 6,614,984 9,380,757 1,307,447 - 96,303,188 - 6,614,984 9,380,757 1,307,447 - 96,303,188 - 6,614,984 9,380,757 1,307,447 - 96,303,188 - 6,614,984 9,380,757 1,307,447 - 96,303,188 - 6,614,984 9,380,757 1,307,447 - 6,630,303,188 - 6,614,984 9,380,757 1,307,447 - 6,630,303,188 - 6,614,984 9,380,757 1,41,172 1,614,984 1,414,		Santa Barbara	Goleta Valley	Santa Y nez	Elimination	Obligated	Professional	Diagnostic	Affiliates	Elimination	Total
Current assets Cash and cash equivalents \$ 20.345.969 \$ 8.213.467 \$ 2.603.117 \$ - \$ 31.162.553 \$ 1.195.299 \$ (79.766) \$ - \$ - \$ 32.278.086 \$ Short-term investments 214.267.034 \$ 13.980.200 \$ 1.592.172 \$ - \$ 229.839.406 \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 229.839.406 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$		C'ottage	Cottage	Cottage	Entries	Group	Building	Laboratories	Net Assets	Entries	Consolidated
Cash and cash equivalents \$ 2,0345,969 \$ 8,213,467 \$ 2,603,117 \$ - \$ 31,162,553 \$ 1,195,299 \$ (79,766) \$ - \$ - \$ 32,278,086 Short-term investments 214,267,034 13,980,200 1,592,172 - 96,303,188 - 7 229,839,406 - 7 229,839,406 - 7	Assets										
Short-term investments 214,267,034 13,980,200 1.592,172 - 229,839,406 229,839,406 Patient accounts receivable, net 85,614,984 9,380,757 1.307,447 - 96,303,188 96,303,188 Current portion of assets limited as to use 1.200,000 1.200,000 Other receivables 28,975,991 772,397 141,172 - 29,889,560 2.343 3,068,957 - (12,997,002) 19,963,858 Due from affiliates 3,996,670 (4,258) 338,323 (2,862,924) 1.467,811 93,730 (1,561,541) Inventories 11,616,847 460,375 78,314 - 12,155,536 - 465,911 12,621,447 Prepard expenses and other current assets 5,253,670 559,308 125,443 - 5,938,421 - 412,738 6,351,159 Total current assets 3,71,271,165 33,362,246 6,185,988 (2,862,924) 407,956,475 1,291,372 3,867,840 - (14,558,543) 398,557,144 Assets limited as to use, less	Current assets										
Patient accounts receivable, net Current portion of assets limited as to use 1,200,000	Cash and cash equivalents	\$ 20.345,969	\$ 8.213,467	\$ 2.603,117	\$ - 3	\$ 31,162,553	\$ 1,195,299	\$ (79.766)	\$ -	\$ -	\$ 32,278,086
Current portion of assets limited as to use 1.200.000	Short-term investments	214.267.034	13,980,200	1.592.172	_	229,839,406	_	_	-	-	229,839,406
as to use 1,200,000 - - - 1,200,000 - - - - 1,200,000 Other receivables 28,975,991 772,397 141,172 - 29,889,560 2,343 3,068,957 - (12,997,002) 19,963,858 Due from affiliates 3,996,670 (4,258) 338,323 (2,862,924) 1,467,811 93,730 - - - (1,561,541) - Inventories 11,616,847 460,375 78,314 - 12,155,536 - 465,911 - - - - 12,621,447 Prepaid expenses and other current assets 5,253,670 559,308 125,443 - 5,938,421 - 412,738 - - - 6,351,159 Total current assets 371,271,165 33,362,246 6,185,988 (2,862,924) 407,956,475 1,291,372 3,867,840 - (14,558,543) 398,557,144 Assets limited as to use, less	Patient accounts receivable, net	85,614,984	9,380,757	1,307,447	_	96,303,188	-	-	-	-	96,303,188
Other receivables 28.975.991 772.397 141.172 - 29.889.560 2.343 3.068.957 - (12.997.002) 19.963.858 Due from affiliates 3.996.670 (4.258) 338.323 (2.862.924) 1.467.811 93.730 - - (1.561.541) - Inventories 11.616.847 460.375 78.314 - 12.155.536 - 465.911 - - - 12.621.447 Prepaid expenses and other current assets 5.253.670 559.308 125.443 - 5.938.421 - 412.738 - - - 6.351.159 Total current assets 371.271.165 33.362.246 6.185.988 (2.862.924) 407.956.475 1.291.372 3.867.840 - (14.558.543) 398.557.144 Assets Imited as to use, less	Current portion of assets limited										
Due from affiliates 3.996.670 (4.258) 338.323 (2.862.924) 1.467.811 93.730 - - (1.561.541) - Inventories 11.616.847 460.375 78.314 - 12.155.536 - 465.911 - - 12.621.447 Prepaid expenses and other current assets 5.253.670 559.308 125.443 - 5.938.421 - 412.738 - - 6.351.159 Total current assets 371.271.165 33.362.246 6.185.988 (2.862.924) 407.956.475 1.291.372 3.867.840 - (14.558.543) 398.557.144 Assets limited as to use, less	as to use	1,200,000	_	_	_	1,200,000	_	_	_	_	1,200,000
Inventories 11.616.847 460.375 78.314 - 12.155.536 - 465.911 - - 12.621.447 Prepaid expenses and other current assets 5.253.670 559.308 125.443 - 5.938.421 - 412.738 - - 6.351.159 Total current assets 371.271.165 33.362.246 6.185.988 (2.862.924) 407.956.475 1.291.372 3.867.840 - (14.558.543) 398.557.144 Assets limited as to use, less	Other receivables	28.975.991	772.397	141,172	_	29,889,560	2,343	3,068,957	_	(12,997,002)	19.963.858
Prepaid expenses and other current assets 5.253.670 559.308 125.443 - 5.938.421 - 412.738 - - 6.351.159 Total current assets 371.271.165 33.362.246 6.185.988 (2.862.924) 407.956.475 1.291.372 3.867.840 - (14.558.543) 398.557.144 Assets limited as to use, less	Due from affiliates	3,996,670	(4.258)	338,323	(2,862,924)	1,467,811	93,730	_	_	(1,561,541)	_
current assets 5.253.670 559.308 125.443 - 5.938.421 - 412.738 - - 6.351.159 Total current assets 371.271.165 33.362.246 6.185.988 (2.862.924) 407.956.475 1.291.372 3.867.840 - (14.558.543) 398.557.144 Assets limited as to use, less	Inventories	11.616.847	460,375	78,314	_	12,155,536	_	465,911	-	_	12.621.447
Total current assets 371.271.165 33.362.246 6.185.988 (2.862.924) 407.956.475 1.291.372 3.867.840 – (14.558.543) 398.557.144 Assets limited as to use, less	Prepaid expenses and other										
Assets limited as to use, less	current assets	5,253,670	559.308	125,443	_	5,938,421	_	412,738	_	_	6.351,159
	Total current assets	371.271.165	33,362,246	6.185.988	(2.862.924)	407.956.475	1.291.372	3.867.840	-	(14.558,543)	398,557,144
current portion	Assets limited as to use, less										
	current portion										
By Board 137.271.811 137.271.811 137.271.811	By Board	137,271,811	_	_	_	137,271,811	_	_	_	_	137,271,811
Self-insurance trusts 6.145.018 – – – 6.145.018 – – – 6.145.018	Self-insurance trusts	6,145,018	_	_	_	6,145,018	_	_	-	_	6.145.018
Total assets limited as to use 143.416.829 143.416.829 143.416.829	Total assets limited as to use	143.416.829	-	-	=	143.416.829	=	=	=	-	143,416,829
Property, plant and equipment, net 566.512.246 38.017.292 12.063.973 – 616.593.511 3.100.798 9.790.642 – – 629.484.951	Property, plant and equipment, net	566.512.246	38,017,292	12,063,973	_	616,593,511	3,100,798	9,790,642	_	_	629,484,951
Other assets 25.194.135 140.628 17.971 - 25.352.734 - 9.088.465 - (5.791.846) 28.649.353	Other assets	25,194,135	140.628	17.971	_	25,352,734	_	9,088,465	_	(5,791,846)	28,649,353
Interest in net assets and amounts											
due from affiliates — 253.167.487 - 253.167.487	due from affiliates		_		-	-	_	-	253,167,487	-	253,167,487
Total assets \$\\\ \\$ 1,106,394,375 \\$ 71,520,166 \\$ 18,267,932 \\$ (2,862,924) \\$ 1,193,319,549 \\$ 4,392,170 \\$ 22,746,947 \\$ 253,167,487 \\$ (20,350,389) \\$ 1,453,275,764	Total assets	\$ 1,106,394,375	\$ 71,520,166	\$ 18,267,932	\$ (2,862,924)	\$ 1,193,319,549	\$ 4,392,170	\$ 22,746,947	\$ 253,167,487	\$ (20,350,389)	\$ 1,453,275,764

Consolidating Balance Sheet (continued)

December 31, 2010

	Obligated Group			Total		Pacific				
	Santa Barbara	Goleta Valley	Santa Y nez	Elimination	Obligated	Professional	Diagnostic	Affiliates	Elimination	Total
	Cottage	Cottage	Cottage	Entries	Group	Building	Laboratories	Net Assets	Entries	Consolidated
Liabilities and net assets										
Current liabilities										
Accounts payable	\$ 52.281.864	\$ 3,884,725	\$ 672,465	- :	\$ 56,839,054	\$ -	\$ 1.092,458	\$ -	\$ -	\$ 57.931.512
Accrued expenses and other liabilities	20,116,485	3,037,408	155,611	_	23,309,504	40,526	1.131.938	-	_	24,481,968
Current portion of accrued										_
self-insurance claims	5,148,641	541,000	139,963	_	5,829,604	_	_	_	_	5,829,604
Due to affiliates	-	2,605,949	676,108	(2.862.924)	419,133	_	(266.497)	-	(152,636)	_
Current maturities of long-term debt										
and capital lease obligations	6,654,266	_	_	_	6,654,266		_	_	_	6,654,266
Total current liabilities	84,201,256	10,069,082	1,644,147	(2.862.924)	93,051,561	40,526	1.957,899	-	(152,636)	94,897,350
Accrued self-insurance claims, less current										
portion	16.319.874	1,356,941	341,234	_	18.018.049	_	-	_	_	18.018.049
Long-term debt and capital lease										
obligations, less current maturities	323,522,246	_	_	16,082,754	339,605,000	3,006,718	12,602,202	_	(15,608,920)	339,605,000
Pension liability and other	52,238,531	14.675,898	346,137	(16,082,754)	51,177,812	_	2,395,000	_	_	53,572,812
Total liabilities	476.281.907	26,101,921	2.331.518	(2.862.924)	501,852,422	3,047,244	16,955,101	_	(15,761,556)	506,093,211
Net assets										
Member's capital	_	_	_	_	_	_	5.791.846	_	(5.791.846)	_
Unrestricted	616,825,086	45,418,245	15,850,408	_	678,093,739	1.344.926	_	177,587,299	1,203,013	858,228,977
Temporarily restricted	7.693.126	_	86,006	_	7,779,132	_	_	63.498.959	_	71.278.091
Permanently restricted	5,594,256	_	_	-	5,594,256	_	_	12.081.229	_	17,675,485
Total net assets	630,112,468	45,418,245	15,936,414	_	691.467.127	1.344.926	5,791,846	253,167,487	(4.588,833)	947,182,553
Total liabilities and net assets	\$ 1,106,394,375	\$ 71,520,166	\$ 18,267,932	\$ (2,862,924)	\$ 1,193,319,549	\$ 4,392,170	\$ 22,746,947	\$ 253,167,487	\$ (20,350,389)	\$ 1,453,275,764

Consolidating Statement of Operations

Year Ended December 31, 2010

	Obligated Group				Total		Pacific	Equity Interest		
	Santa Barbara	Goleta Valley	Santa Y nez	Elimination	Obligated	Professional	Diagnostic	in Affiliates	Elimination	Total
	Cottage	Cottage	Cottage	Entries	Group	Building	Laboratories	Activity	Entries	Consolidated
Unrestricted revenues, gains and other support	•									
Patient Service Revenue (net of contractual										
allowaces and discounts)	\$ 453,539,049	\$ 62,188,325	\$ 12,334,309	\$ -	\$ 528,061,683	\$ -	\$ 21.473.895	\$ -	\$ (1,347,394)	\$ 548,188,184
Provision for doubtful accounts	(10,929,196)	(1.724.383)	(443,315)	-	(13,096,894)	_	(490,000)	_	_	(13.586.894)
Net patient service revenue	442,609,853	60,463,942	11,890,994	-	514,964,789	_	20,983,895	-	(1.347.394)	534,601,290
Hospital Medi-Cal supplemental fee	28,100,410	962,493	66,279	-	29,129,182	_	_	_	_	29,129,182
Other operating revenue (deficit)	59,513,555	551,489	3,503,828	-	63,568,872	625,168	9,403,401	(58,345,504)	(9.421.769)	5,830,168
Net assets released from restrictions	175,207	-	-	-	175,207	-	-	_	-	175,207
Total unrestricted revenues, gains and										
other support	530,399,025	61,977,924	15,461,101	-	607,838,050	625,168	30,387,296	(58,345,504)	(10,769,163)	569,735,847
Expenses										
Salaries and benefits	214,869,271	28,140,180	7,105,689	_	250,115,140	_	11.941.994	_	_	262,057,134
Supplies and services	140,194,319	17.243.363	3,241,086	_	160,678,768	286,207	15.492.256	(159.084)	(10,769,163)	165,528,984
Hospital quality assurance fee	28,267,344	1,709,592	_	_	29,976,936	_	_	_	_	29,976,936
Professional fees	22,525,287	1,811,388	750,530	_	25,087,205	21,829	2,364,829	_	_	27,473,863
Insurance	2,773,840	(79,265)	54,788	_	2,749,363	_	67,198	_	_	2,816,561
Depreciation and amortization	22,245,437	2.604.606	244,082	_	25.094.125	85,379	1.047.954	_	_	26,227,458
Interest	4.042.098	55	_	_	4,042,153	49,995	46,482	(49,995)	(45.932)	4.042.703
Total expenses	434.917.596	51.429.919	11.396.175	-	497.743.690	443,410	30,960,713	(209,079)	(10.815.095)	518,123,639
Operating income (loss)	95,481,429	10,548,005	4.064.926	-	110,094,360	181.758	(573,417)	(58,136,425)	45,932	51,612,208
Investment income	26.874.859	1,005,480	37.878	_	27.918.217	=	_	=	527,485	28,445,702
Changes in fair value of interest rate swaps	(18.866,703)	_	_	_	(18.866,703)	_	_	_	_	(18,866,703)
Loss on extinguishment of debt	(1.716.937)	_	_	_	(1.716.937)	-	_	_	_	(1.716.937)
Change in unrestricted net assets of										
the affiliates	_	_	_	_	_	_	_	68,651,657	(1,120,467)	67,531,190
Excess (deficiency) of revenues over expenses	101.772,648	11,553,485	4.102.804	-	117.428.937	181.758	(573,417)	10,515,232	(547.050)	127,005,460
Change in pension liability	6,735,303	1.191.182	204,862		8.131.347			=	=	8,131,347
Increase (decrease) in unrestricted net assets	\$ 108,507,951	\$ 12,744,667	\$ 4,307,666	\$ -	\$ 125,560,284	\$ 181,758	\$ (573,417)	\$ 10,515,232	\$ (547,050)	\$ 135,136,807

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Consolidating Statement of Changes in Net Assets

Year Ended December 31, 2010

Santa Barbara Goleta Valley Santa Ynez Elimination Obligated Professional Diagnostic in Affiliates Elimination Cottage Cottage Entries Group Building Laboratories Activity Entries	Total Consolidated \$ 127,005,460
	\$ 127,005,460
Umestricted net assets	\$ 127,005,460
Excess (deficiency) of revenues over expenses \$ 101.772.648 \$ 11.553.485 \$ 4.102.804 \$ - \$ 117.428.937 \$ 181.758 \$ (573.417) \$ 10.515.232 \$ (547.050)	
Change in pension liability 6.735.303 1.191.182 204.862 - 8.131.347	8.131.347
Increase in unrestricted net assets 108.507.951 12.744.667 4.307.666 – 125.560.284 181.758 (573.417) 10.515.232 (547.050)	135,136,807
Temporarily restricted net assets	
Contributions 65.275 65.275	65,275
Investment gains 916.846 916.846 9	916.846
Net assets released from restrictions (175.207) – – – (175.207) – – – – –	(175,207)
Changes in value of contributions from	
charitable remainder trusts – – 7.040 – 7.040 – – – – –	7.040
Change in net assets of affiliates (49.915.822)	(49.915.822)
Increase in temporarily restricted net assets 806.914 – 7.040 – 813.954 – (49.915.822) –	(49,101,868)
Permanently restricted net assets	
Changes in net assets of the Affiliates – – – – – 1.632.193 –	1,632,193
Increase (decrease) in permanently restricted	
net assets 1.632.193	1.632.193
Increase (decrease) in net assets 109.314.865 12.744.667 4.314.706 - 126.374.238 181.758 (573.417) (37.768.397) (547.050)	87.667.132
Net assets at beginning of year 520.797.603 32.673.578 11.621.708 – 565.092.889 1.163.168 6.365.263 290.935.884 (4.041.783)	859,515,421
Net assets at end of year \$\\ \\$630,112,468 \\$ 45,418,245 \\$ 15,936,414 \\$ - \\$691,467,127 \\$ 1,344,926 \\$ 5,791,846 \\$ 253,167,487 \\$ (4,588,833)	\$ 947,182,553

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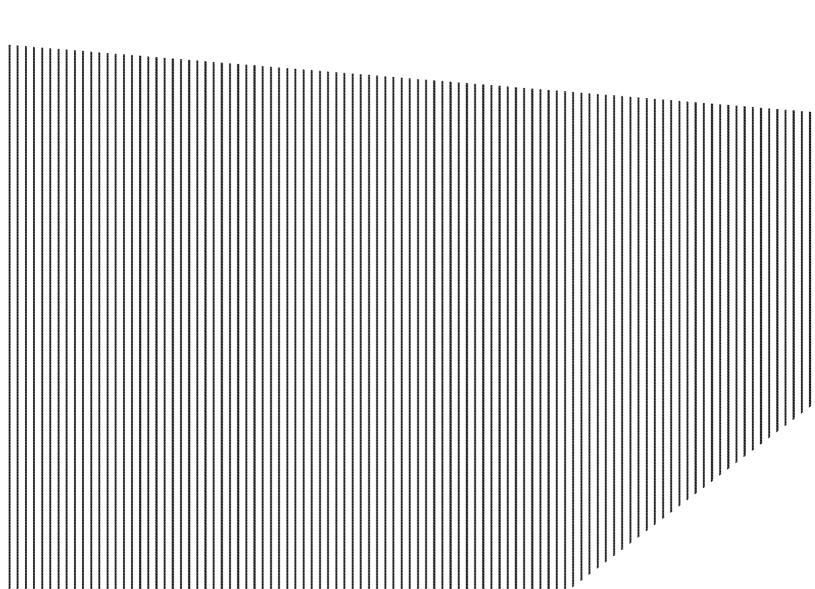
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Name: SANTA YNEZ VALLEY COTTAGE HOSPITAL

Form 990, Special Condition Description:

Special Condition Description

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) A verage hours per		() Ition that a		/)			(D) Reportable compensation from the	(E) Reportable compensation from related	(F) Estimated amount of other compensation	
	week	Individual trustaa or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former	organization (W- 2/1099-MISC)	organizations (W- 2/1099- MISC)	from the organization and related organizations	
Steve Ainsley Board Member	2	Х						0	0	C	
J Robert Andrews Esq Board Member	3	Х						0	0	C	
Margaret Baker Board Member	2	Х						0	0	(
Ed Birch PhD Vice Chair	3	Х		х				0	0	(
Jon Clark Board Member	2	х						0	0	(
Greg Faulkner Esq Board Member	2	х						0	0	(
Frederick Gluck Board Member	3	х						0	0	(
Judith Hopkinson Board Member	2	х						0	0	(
Angel Iscovich MD Board Member	3	Х						0	0	(
Charles A Jackson Board Member	3	х						0	0	(
Alex Koper MD Board Member	2	Х						0	25,385	(
Jeffrey Kupperman MD Secretary	3	Х		х				0	15,013	(
Fred Lukas Board Member	2	Х						0	0	(
Gretchen Milligan Chair	4	Х		х				0	0	(
Robert Nakasone Vice Chair	3	Х		х				0	0	(
Robert Nourse Board Member	2	Х						0	0	(
Elliot Prager MD Board Member	2	Х						0	240,231	(
John Romo Board Member	2	Х						0	0	(
Marshall Turner Board Member	2	Х						0	0	(
Tom Watson MD Board Member	2	Х						0	11,725	(
Ronald C Werft CEO	40			х				0	985,900	614,404	
Steven A Fellows COO	40			х				0	578,747	156,703	
Joan Bricher CFO	40			х				0	514,928	241,780	
Julie Artoux Assistant Secretary	40			Х				0	119,146	16,212	
Wende Cappetta VP SYVCH	40				x			200,693	0	31,754	

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours	(C) Position (check all that apply)						(D) Reportable compensation	(E) Reportable compensation	(F) Estimated amount of other	
	per week	Individual trustee or director	Institutional Trustee	Officei	Key employee	Highest compensated employee	Former	from the organization (W- 2/1099-MISC)	from related organizations (W- 2/1099- MISC)	compensation from the organization and related organizations	
Madeline Lozano Clinical Lab Scientist III	40					Х		158,409	0	18,175	
Gayle Mercado Clinical Manager	40					х		154,965	0	18,003	
Denise Holmes Clinical Manager	40					х		137,740	0	17,142	
Mary Puryear Clinical Manager	40					Х		135,892	0	17,049	
Rıcardo Gonzalez Menchaca Radıology Technıcıan III	40					х		135,621	0	17,036	