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Form **990-PF**Department of the Treasury
Internal Revenue Service**Return of Private Foundation
or Section 4947(a)(1) Nonexempt Charitable Trust
Treated as a Private Foundation**

OMB No 1545-0052

2011

Note. The foundation may be able to use a copy of this return to satisfy state reporting requirements.

For calendar year 2011 or tax year beginning

OCT 1, 2011

, and ending

SEP 30, 2012

Name of foundation

The Babies Hospital Foundation, Inc.

A Employer identification number

56-0547500

Number and street (or P O box number if mail is not delivered to street address)

Room/suite

1430 Commonwealth Dr., Suite 302

B Telephone number

910-509-9000

City or town, state, and ZIP code

Wilmington, NC 28403C If exemption application is pending, check here ☐

G Check all that apply:

☐ Initial return☐ Initial return of a former public charity☐ Final return☐ Amended return☐ Address change☐ Name changeD 1. Foreign organizations, check here ☐2. Foreign organizations meeting the 85% test, check here and attach computation ☐

H Check type of organization:

☒ Section 501(c)(3) exempt private foundation☐ Section 4947(a)(1) nonexempt charitable trust☐ Other taxable private foundationE If private foundation status was terminated under section 507(b)(1)(A), check here ☐

I Fair market value of all assets at end of year

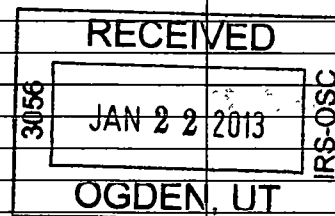
J Accounting method:

☒ Cash☐ Accrual

(from Part II, col. (c), line 16)

☐ Other (specify) _____F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here ☐▶ \$ **839,180.** (Part I, column (d) must be on cash basis.)

Part I Analysis of Revenue and Expenses (The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a).)		(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
Revenue	1 Contributions, gifts, grants, etc., received			N/A	
	2 Check ☒ if the foundation is not required to attach Sch B				
	3 Interest on savings and temporary cash investments				
	4 Dividends and interest from securities	18,875.	18,875.		Statement 1
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain or (loss) from sale of assets not on line 10	7,258.			
	b Gross sales price for all assets on line 6a	133,834.			
	7 Capital gain net income (from Part IV, line 2)		7,258.		
	8 Net short-term capital gain				
	9 Income modifications				
	10a Gross sales less returns and allowances				
b Less Cost of goods sold					
c Gross profit or (loss)					
11 Other income					
12 Total. Add lines 1 through 11	26,133.	26,133.			
Operating and Administrative Expenses	13 Compensation of officers, directors, trustees, etc	0.	0.		0.
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16a Legal fees				
	b Accounting fees Stmt 2	1,100.	0.		0.
	c Other professional fees Stmt 3	7,193.	7,193.		0.
	17 Interest				
	18 Taxes				
	19 Depreciation and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications				
	23 Other expenses Stmt 4	1,350.	0.		1,350.
	24 Total operating and administrative expenses. Add lines 13 through 23	9,643.	7,193.		1,350.
	25 Contributions, gifts, grants paid	40,000.			40,000.
26 Total expenses and disbursements. Add lines 24 and 25	49,643.	7,193.		41,350.	
27 Subtract line 26 from line 12:					
a Excess of revenue over expenses and disbursements	-23,510.				
b Net investment income (if negative, enter -0-)		18,940.			
c Adjusted net income (if negative, enter -0-)			N/A		



p 2

Part II Balance Sheets		Attached schedules and amounts in the description column should be for end-of-year amounts only			
		Beginning of year (a) Book Value	End of year (b) Book Value (c) Fair Market Value		
Assets	1 Cash - non-interest-bearing				
	2 Savings and temporary cash investments	19,116.	14,199.	14,199.	
	3 Accounts receivable ▶				
	Less: allowance for doubtful accounts ▶				
	4 Pledges receivable ▶				
	Less: allowance for doubtful accounts ▶				
	5 Grants receivable				
	6 Receivables due from officers, directors, trustees, and other disqualified persons				
	7 Other notes and loans receivable ▶				
	Less: allowance for doubtful accounts ▶				
	8 Inventories for sale or use				
	9 Prepaid expenses and deferred charges				
	10a Investments - U.S. and state government obligations				
	b Investments - corporate stock Stmt 5	741,213.	722,620.	824,981.	
	c Investments - corporate bonds				
Liabilities	11 Investments - land, buildings, and equipment basis ▶				
	Less: accumulated depreciation ▶				
	12 Investments - mortgage loans				
	13 Investments - other				
	14 Land, buildings, and equipment: basis ▶				
	Less: accumulated depreciation ▶				
	15 Other assets (describe ▶)				
	16 Total assets (to be completed by all filers)	760,329.	736,819.	839,180.	
	17 Accounts payable and accrued expenses				
	18 Grants payable				
Net Assets or Fund Balances	19 Deferred revenue				
	20 Loans from officers, directors, trustees, and other disqualified persons				
	21 Mortgages and other notes payable				
	22 Other liabilities (describe ▶)				
23 Total liabilities (add lines 17 through 22)	0.	0.			
Foundations that follow SFAS 117, check here ▶ ☐	and complete lines 24 through 26 and lines 30 and 31.				
	24 Unrestricted				
	25 Temporarily restricted				
	26 Permanently restricted				
	Foundations that do not follow SFAS 117, check here ▶ ☒	and complete lines 27 through 31.			
		27 Capital stock, trust principal, or current funds	760,329.	736,819.	
		28 Paid-in or capital surplus, or land, bldg., and equipment fund	0.	0.	
		29 Retained earnings, accumulated income, endowment, or other funds	0.	0.	
30 Total net assets or fund balances	760,329.	736,819.			
31 Total liabilities and net assets/fund balances	760,329.	736,819.			

Part III Analysis of Changes in Net Assets or Fund Balances

1 Total net assets or fund balances at beginning of year - Part II, column (a), line 30 (must agree with end-of-year figure reported on prior year's return)	1	760,329.
2 Enter amount from Part I, line 27a	2	-23,510.
3 Other increases not included in line 2 (itemize) ▶	3	0.
4 Add lines 1, 2, and 3	4	736,819.
5 Decreases not included in line 2 (itemize) ▶	5	0.
6 Total net assets or fund balances at end of year (line 4 minus line 5) - Part II, column (b), line 30	6	736,819.

Part IV Capital Gains and Losses for Tax on Investment Income

(a) List and describe the kind(s) of property sold (e.g., real estate, 2-story brick warehouse; or common stock, 200 shs. MLC Co.)		(b) How acquired P - Purchase D - Donation	(c) Date acquired (mo., day, yr.)	(d) Date sold (mo., day, yr.)
1a Schedule attached		P		
b				
c				
d				
e				

(e) Gross sales price	(f) Depreciation allowed (or allowable)	(g) Cost or other basis plus expense of sale	(h) Gain or (loss) (e) plus (f) minus (g)
a 133,834.		126,576.	7,258.
b			
c			
d			
e			

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69

(i) F.M.V. as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any	(l) Gains (Col. (h) gain minus col. (k), but not less than -0-) or Losses (from col. (h))
a			7,258.
b			
c			
d			
e			

2 Capital gain net income or (net capital loss)	{ If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7	2	7,258.
3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6): If gain, also enter in Part I, line 8, column (c). If (loss), enter -0- in Part I, line 8		3	N/A

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to the section 4940(a) tax on net investment income.)

If section 4940(d)(2) applies, leave this part blank.

Was the foundation liable for the section 4942 tax on the distributable amount of any year in the base period?

☐ Yes ☒ No

If "Yes," the foundation does not qualify under section 4940(e). Do not complete this part.

1 Enter the appropriate amount in each column for each year; see instructions before making any entries.

(a) Base period years Calendar year (or tax year beginning in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (col. (b) divided by col. (c))
2010	41,169.	779,564.	.052810
2009	39,350.	790,155.	.049800
2008	38,850.	839,523.	.046276
2007	50,450.	897,036.	.056241
2006	51,350.	961,299.	.053417

2 Total of line 1, column (d)	2	.258544
3 Average distribution ratio for the 5-year base period - divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years	3	.051709
4 Enter the net value of noncharitable-use assets for 2011 from Part X, line 5	4	791,641.
5 Multiply line 4 by line 3	5	40,935.
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	189.
7 Add lines 5 and 6	7	41,124.
8 Enter qualifying distributions from Part XII, line 4	8	41,350.

If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate. See the Part VI instructions.

Part VI. Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948 - see instructions)

1a Exempt operating foundations described in section 4940(d)(2), check here ☐ and enter "N/A" on line 1. Date of ruling or determination letter: _____ (attach copy of letter if necessary-see instructions)		1	189.
b Domestic foundations that meet the section 4940(e) requirements in Part V, check here ☒ and enter 1% of Part I, line 27b		2	0.
c All other domestic foundations enter 2% of line 27b. Exempt foreign organizations enter 4% of Part I, line 12, col. (b).		3	189.
2 Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)		4	0.
3 Add lines 1 and 2		5	189.
4 Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)		6a	52.
5 Tax based on investment income. Subtract line 4 from line 3. If zero or less, enter -0-		6b	
6 Credits/Payments:		6c	
a 2011 estimated tax payments and 2010 overpayment credited to 2011		6d	
b Exempt foreign organizations - tax withheld at source		7	52.
c Tax paid with application for extension of time to file (Form 8868)		8	
d Backup withholding erroneously withheld		9	137.
7 Total credits and payments. Add lines 6a through 6d		10	
8 Enter any penalty for underpayment of estimated tax. Check here ☐ if Form 2220 is attached		11	
9 Tax due. If the total of lines 5 and 8 is more than line 7, enter amount owed			
10 Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid			
11 Enter the amount of line 10 to be: Credited to 2012 estimated tax ☐ Refunded ☐			

Part VII-A. Statements Regarding Activities

	Yes	No
1a During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?		X
b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see instructions for definition)? If the answer is "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities.		X
c Did the foundation file Form 1120-POL for this year?		X
d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: (1) On the foundation. ► \$ 0. (2) On foundation managers. ► \$ 0.		
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers. ► \$ 0.		
2 Has the foundation engaged in any activities that have not previously been reported to the IRS? If "Yes," attach a detailed description of the activities.		X
3 Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? If "Yes," attach a conformed copy of the changes		X
4a Did the foundation have unrelated business gross income of \$1,000 or more during the year?		X
b If "Yes," has it filed a tax return on Form 990-T for this year?		
5 Was there a liquidation, termination, dissolution, or substantial contraction during the year? If "Yes," attach the statement required by General Instruction T.		X
6 Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either: • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	X	
7 Did the foundation have at least \$5,000 in assets at any time during the year? If "Yes," complete Part II, col. (c), and Part XV	X	
8a Enter the states to which the foundation reports or with which it is registered (see instructions) ► NC		
b If the answer is "Yes" to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by General Instruction G? If "No," attach explanation	X	
9 Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2011 or the taxable year beginning in 2011 (see instructions for Part XIV)? If "Yes," complete Part XIV		X
10 Did any persons become substantial contributors during the tax year? If "Yes," attach a schedule listing their names and addresses		X

N/A

Part VII-A Statements Regarding Activities (continued)

11	At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule (see instructions)	11		X
12	Did the foundation make a distribution to a donor advised fund over which the foundation or a disqualified person had advisory privileges? If "Yes," attach statement (see instructions)	12		X
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Website address ► <u>N/A</u>	13	X	
14	The books are in care of ► <u>The Foundation</u> Telephone no. ► <u>910-509-9000</u> Located at ► <u>1430 Commonwealth Dr., Suite 302, Wilmington, NC</u> ZIP+4 ► <u>28403</u>			
15	Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of Form 1041 - Check here and enter the amount of tax-exempt interest received or accrued during the year ► 15 <u>N/A</u>			
16	At any time during calendar year 2011, did the foundation have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country ►	16	Yes	No
				X

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required

File Form 4720 if any item is checked in the "Yes" column, unless an exception applies.

	Yes	No
1a During the year did the foundation (either directly or indirectly):		
(1) Engage in the sale or exchange, or leasing of property with a disqualified person?	☐ Yes ☒ No	
(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?	☐ Yes ☒ No	
(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person?	☐ Yes ☒ No	
(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person?	☐ Yes ☒ No	
(5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)?	☐ Yes ☒ No	
(6) Agree to pay money or property to a government official? (Exception. Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.)	☐ Yes ☒ No	
b If any answer is "Yes" to 1a(1)-(6), did any of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance (see instructions)? Organizations relying on a current notice regarding disaster assistance check here ► ☐	1b	X
c Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2011?	1c	X
2 Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)):		
a At the end of tax year 2011, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2011? If "Yes," list the years ► _____, _____, _____	☐ Yes ☒ No	
b Are there any years listed in 2a for which the foundation is not applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to all years listed, answer "No" and attach statement - see instructions.)	N/A	2b
c If the provisions of section 4942(a)(2) are being applied to any of the years listed in 2a, list the years here. ► _____, _____, _____		
3a Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year?	☐ Yes ☒ No	
b If "Yes," did it have excess business holdings in 2011 as a result of (1) any purchase by the foundation or disqualified persons after May 26, 1969; (2) the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest; or (3) the lapse of the 10-, 15-, or 20-year first phase holding period? (Use Schedule C, Form 4720, to determine if the foundation had excess business holdings in 2011.)	N/A	3b
4a Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4a	X
b Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2011?	4b	X

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required (continued)**5a** During the year did the foundation pay or incur any amount to:

(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))?

☐ Yes ☒ No

(2) Influence the outcome of any specific public election (see section 4955); or to carry on, directly or indirectly, any voter registration drive?

☐ Yes ☒ No

(3) Provide a grant to an individual for travel, study, or other similar purposes?

☐ Yes ☒ No

(4) Provide a grant to an organization other than a charitable, etc., organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)?

☐ Yes ☒ No

(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals?

☐ Yes ☒ No**b** If any answer is "Yes" to 5a(1)-(5), did any of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance (see instructions)?

N/A

Organizations relying on a current notice regarding disaster assistance check here

☒**c** If the answer is "Yes" to question 5a(4), does the foundation claim exemption from the tax because it maintained expenditure responsibility for the grant?

N/A

☐ Yes ☐ No

If "Yes," attach the statement required by Regulations section 53.4945-5(d).

6a Did the foundation, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?☐ Yes ☒ No**b** Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract?

If "Yes" to 6b, file Form 8870.

6b

X

7a At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction?☐ Yes ☒ No**b** If "Yes," did the foundation receive any proceeds or have any net income attributable to the transaction?

N/A

7b

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors**1** List all officers, directors, trustees, foundation managers and their compensation.

(a) Name and address	(b) Title, and average hours per week devoted to position	(c) Compensation (If not paid, enter -0-)	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
See Statement 6		0.	0.	0.

2 Compensation of five highest-paid employees (other than those included on line 1). If none, enter "NONE."

(a) Name and address of each employee paid more than \$50,000	(b) Title, and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
NONE				

Total number of other employees paid over \$50,000

0

Part VIII**Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors** (continued)**3** Five highest-paid independent contractors for professional services. If none, enter "NONE."

(a) Name and address of each person paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of others receiving over \$50,000 for professional services		0

Part IX-A Summary of Direct Charitable Activities

List the foundation's four largest direct charitable activities during the tax year. Include relevant statistical information such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc.

	Expenses
1 Activities consist of direct grants to 501(c)(3) organizations selected by the directors.	0.
2	
3	
4	

Part IX-B Summary of Program-Related Investments

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2.

	Amount
1 N/A	
2	
All other program-related investments. See instructions.	
3	
Total. Add lines 1 through 3	0.

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Part X Minimum Investment Return (All domestic foundations must complete this part. Foreign foundations, see instructions.)

1	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes:	
a	Average monthly fair market value of securities	1a 787,039.
b	Average of monthly cash balances	1b 16,657.
c	Fair market value of all other assets	1c
d	Total (add lines 1a, b, and c)	1d 803,696.
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e 0.
2	Acquisition indebtedness applicable to line 1 assets	2 0.
3	Subtract line 2 from line 1d	3 803,696.
4	Cash deemed held for charitable activities. Enter 1 1/2% of line 3 (for greater amount, see instructions)	4 12,055.
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5 791,641.
6	Minimum investment return. Enter 5% of line 5	6 39,582.

Part XI Distributable Amount (see instructions) (Section 4942(j)(3) and (j)(5) private operating foundations and certain foreign organizations check here ☐ and do not complete this part.)

1	Minimum investment return from Part X, line 6	1 39,582.
2a	Tax on investment income for 2011 from Part VI, line 5	2a 189.
b	Income tax for 2011. (This does not include the tax from Part VI.)	2b
c	Add lines 2a and 2b	2c 189.
3	Distributable amount before adjustments. Subtract line 2c from line 1	3 39,393.
4	Recoveries of amounts treated as qualifying distributions	4 0.
5	Add lines 3 and 4	5 39,393.
6	Deduction from distributable amount (see instructions)	6 0.
7	Distributable amount as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1	7 39,393.

Part XII Qualifying Distributions (see instructions)

1	Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes:	
a	Expenses, contributions, gifts, etc. - total from Part I, column (d), line 26	1a 41,350.
b	Program-related investments - total from Part IX-B	1b 0.
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	2
3	Amounts set aside for specific charitable projects that satisfy the:	
a	Suitability test (prior IRS approval required)	3a
b	Cash distribution test (attach the required schedule)	3b
4	Qualifying distributions. Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	4 41,350.
5	Foundations that qualify under section 4940(e) for the reduced rate of tax on net investment income. Enter 1% of Part I, line 27b	5 189.
6	Adjusted qualifying distributions. Subtract line 5 from line 4	6 41,161.

Note. The amount on line 6 will be used in Part V, column (b), in subsequent years when calculating whether the foundation qualifies for the section 4940(e) reduction of tax in those years.

Part XIII Undistributed Income (see instructions)

	(a) Corpus	(b) Years prior to 2010	(c) 2010	(d) 2011
1 Distributable amount for 2011 from Part XI, line 7				39,393.
2 Undistributed income, if any, as of the end of 2011				
a Enter amount for 2010 only			0.	
b Total for prior years:		0.		
3 Excess distributions carryover, if any, to 2011:				
a From 2006	339.			
b From 2007	9,208.			
c From 2008				
d From 2009	274.			
e From 2010	2,553.			
f Total of lines 3a through e	12,374.			
4 Qualifying distributions for 2011 from Part XII, line 4: ► \$	41,350.			
a Applied to 2010, but not more than line 2a			0.	
b Applied to undistributed income of prior years (Election required - see instructions)		0.		
c Treated as distributions out of corpus (Election required - see instructions)	0.			
d Applied to 2011 distributable amount				39,393.
e Remaining amount distributed out of corpus	1,957.			
5 Excess distributions carryover applied to 2011 (If an amount appears in column (d), the same amount must be shown in column (a).)	0.			0.
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	14,331.			
b Prior years' undistributed income. Subtract line 4b from line 2b		0.		
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed		0.		
d Subtract line 6c from line 6b. Taxable amount - see instructions		0.		
e Undistributed income for 2010. Subtract line 4a from line 2a. Taxable amount - see instr.			0.	
f Undistributed income for 2011. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2012				0.
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3)	0.			
8 Excess distributions carryover from 2006 not applied on line 5 or line 7	339.			
9 Excess distributions carryover to 2012. Subtract lines 7 and 8 from line 6a	13,992.			
10 Analysis of line 9:				
a Excess from 2007	9,208.			
b Excess from 2008				
c Excess from 2009	274.			
d Excess from 2010	2,553.			
e Excess from 2011	1,957.			

Part XV Supplementary Information (continued)**3** Grants and Contributions Paid During the Year or Approved for Future Payment

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
a Paid during the year				
Brigade Boys & Girls Club 2759 Vance Street Wilmington, NC 28412		Exempt	Contribution	7,500.
Carousel Center for Abused Children 1501 Dock Street Wilmington, NC 28401		Exempt	Contribution	2,500.
CF Community College Foundation 411 N. Front St Wilmington, NC 28401		Exempt	Contribution	20,000.
Domestic Violence 2901 Market Street Wilmington, NC 28409		Exempt	Contribution	2,000.
Junior Achievement of Cape Fear 217 N. Fifth Ave Wilmington, NC 28401		Exempt	Contribution	2,000.
Total	See continuation sheet(s)			40,000.
b Approved for future payment				
None				
Total			3b	0.

Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

- | | | |
|--|--|-------------------|
| <p>1 Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?</p> <p>a Transfers from the reporting foundation to a noncharitable exempt organization of:</p> <p>(1) Cash</p> <p>(2) Other assets</p> <p>b Other transactions:</p> <p>(1) Sales of assets to a noncharitable exempt organization</p> <p>(2) Purchases of assets from a noncharitable exempt organization</p> <p>(3) Rental of facilities, equipment, or other assets</p> <p>(4) Reimbursement arrangements</p> <p>(5) Loans or loan guarantees</p> <p>(6) Performance of services or membership or fundraising solicitations</p> <p>c Sharing of facilities, equipment, mailing lists, other assets, or paid employees</p> <p>d If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting foundation. If the foundation received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received.</p> | <p>1a(1)</p> <p>1a(2)</p> <p>1b(1)</p> <p>1b(2)</p> <p>1b(3)</p> <p>1b(4)</p> <p>1b(5)</p> <p>1b(6)</p> <p>1c</p> | <p>Yes</p> |
|--|--|-------------------|

	Yes	No
1a(1)		X
1a(2)		X
1b(1)		X
1b(2)		X
1b(3)		X
1b(4)		X
1b(5)		X
1b(6)		X
1c		X

[illegible]

- 2a** Is the foundation directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527?

☐ Yes ☒ No

- b** If "Yes," complete the following schedule.

(a) Name of organization	(b) Type of organization	(c) Description of relationship
N/A		

**Sign
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer or trustee

1-17-2013
Date

▶ Vice President
Title

May the IRS discuss this return with the preparer shown below (see instr)?

☒ Yes ☐ No

**Paid
Preparer
Use Only**

Print/Type preparer's name

W.L. Lanier, CPA

Preparer's signature

WL Lanier CPA 1-4-13

Date	
------	--

Check ☐ self-employed

PTIN

P00401870

Firm's name ▶ **Lanier, Whaley, Craft & Co.**

Firm's EIN ▶ 56-1758968

Firm's address ► 1404 Commonwealth Drive, Suite 200
Wilmington, NC 28403

Phone no. 910-256-6366

Form **990-PF** (2011)

56-0547500

3 Grants and Contributions Paid During the Year (Continuation)

1. *Journal of Management Studies*, 1997, 34, 1, 1-14.

Babies Hospital Foundation, Inc.
Capital gains
YE 9/30/12

<u>Shares</u>	<u>Description</u>	<u>Date sold</u>	<u>Date Bot</u>	<u>Sales price</u>	<u>Cost basis</u>	<u>Gain (loss)</u>
<u>Short term gains</u>						
55	POWERSHARES DB ETF COMM ID TRACKING FD	7/31/12	7/30/12	1,500	1,518	(18)
59	POWERSHARES EM MAR ETF SOV DE PT	7/31/12	7/30/12	<u>1,764</u>	<u>1,764</u>	<u>-</u>
Total Short Term Capital Gains				<u>3,264</u>	<u>3,282</u>	<u>(18)</u>
<u>Long term gains</u>						
684	BARCLAYS BK PLC ETN	7/30/12	3/23/10	29,593	27,265	2,328
81	ISHARES MSCI EAFE INDEX	7/31/12	3/19/07	4,056	5,603	(1,547)
64	ISHARES TR S&P 500 INDEX FD	7/30/12	3/19/08	8,912	8,489	423
53	ISHARES TR S&P 500 INDEX FD	7/31/12	3/19/08	7,359	7,030	329
30	ISHARES TR RUSSELL 1000 VALUE INDEX	7/31/12	7/28/11	2,071	1,991	80
28	ISHARES BARCLAYS TIPS BOND FUND	7/30/12	3/19/08	3,387	3,074	313
23	ISHARES BARCLAYS TIPS BOND FUND	7/31/12	3/19/08	2,794	2,525	269
296	ISHARES BARCLAYS 1-3 TREASURY BOND	7/30/12	3/19/08	25,009	24,921	88
50	ISHARES BARCLAYS 1-3 TREASURY BOND	7/31/12	3/19/08	4,226	4,209	17
49	SPDR S&P INTL SMALL ETF CAP	7/31/12	3/19/08	1,252	1,482	(230)
202	BARCLAYS CAPS ETF HIGH YIELD BOND	7/30/12	7/27/10	8,038	7,972	66
33	BARCLAYS CAPS ETF HIGH YIELD BOND	7/31/12	7/27/10	1,315	1,302	13
252	VANGUARD TOTAL BOND ETF	7/30/12	7/15/09	21,440	19,495	1,945
67	VANGUARD TOTAL BOND ETF	7/31/12	7/15/09	5,713	5,183	530
52	VANGUARD REIT ETF	7/31/12	7/15/09	3,474	1,578	1,896
25	VANGUARD MID CAP	7/31/12	7/15/09	<u>1,931</u>	<u>1,175</u>	<u>756</u>
Total Long Term Capital Gains				<u>130,570</u>	<u>123,294</u>	<u>7,276</u>
Total				<u>133,834</u>	<u>126,576</u>	<u>7,258</u>

Form 990-PF	Dividends and Interest from Securities	Statement	1
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Source	Gross Amount	Capital Gains Dividends	Column (A) Amount
Wells Fargo Advisors	18,875.	0.	18,875.
Total to Fm 990-PF, Part I, ln 4	18,875.	0.	18,875.

Form 990-PF	Accounting Fees	Statement	2
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Description	(a) Expenses Per Books	(b) Net Invest- ment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Tax Return Preparation	1,100.	0.		0.
To Form 990-PF, Pg 1, ln 16b	1,100.	0.		0.

Form 990-PF	Other Professional Fees	Statement	3
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Description	(a) Expenses Per Books	(b) Net Invest- ment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Investment Manager Fees	7,193.	7,193.		0.
To Form 990-PF, Pg 1, ln 16c	7,193.	7,193.		0.

Form 990-PF	Other Expenses	Statement	4
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Description	(a) Expenses Per Books	(b) Net Invest- ment Income	(c) Adjusted Net Income	(d) Charitable Purposes
D&O liability insurance	1,350.	0.		1,350.
To Form 990-PF, Pg 1, ln 23	1,350.	0.		1,350.

Form 990-PF	Corporate Stock	Statement	5
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Description	Book Value	Fair Market Value
Wells Fargo Advisors #1599	722,620.	824,981.
Total to Form 990-PF, Part II, line 10b	722,620.	824,981.

Form 990-PF	Part VIII - List of Officers, Directors Trustees and Foundation Managers	Statement	6
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Name and Address	Title and Avrg Hrs/Wk	Compen- sation	Employee Ben Plan Contrib	Expense Account
Walker Taylor, III 1430 Commonwealth Dr, #302 Wilmington, NC 28403	President 1.00	0.	0.	0.
Katherine G. Taylor 1430 Commonwealth Dr, #302 Wilmington, NC 28403	Vice President 1.00	0.	0.	0.
Robert A. Little, Jr. 1430 Commonwealth Dr, #302 Wilmington, NC 28403	Secretary 1.00	0.	0.	0.
George Boylan 1430 Commonwealth Dr, #302 Wilmington, NC 28403	Director 1.00	0.	0.	0.
William O.J. Lynch 1430 Commonwealth Dr, #302 Wilmington, NC 28403	Director 1.00	0.	0.	0.
William H. Joyner, Jr. 1430 Commonwealth Dr, #302 Wilmington, NC 28403	Director 1.00	0.	0.	0.
Dr. R.V. Fulk 1430 Commonwealth Dr, #302 Wilmington, NC 28403	Director 1.00	0.	0.	0.
Dr. Gordon Coleman 1430 Commonwealth Dr, #302 Wilmington, NC 28403	Director 1.00	0.	0.	0.
Totals included on 990-PF, Page 6, Part VIII		0.	0.	0.