



ANNUAL REPORT 2008/2009

1100 BAGBY STREET ♦ HOUSTON, TEXAS 77002
713/655-1912

WWW.HERITAGESOCIETY.ORG

The Heritage Society is a 501(C)(3) non-profit organization. The purpose of The Heritage Society is to preserve the complete history of the community and region through preservation and restoration of historic structures, exhibition of historical artifacts, and presentation of educational programs which focus on Houston and Harris County's diverse past, and its relationship to the present and future.

EDUCATIONAL PROGRAMMING

The Heritage Society (THS) offers a wide variety of educational programming ranging from children's school tours to its lunchtime Hill/Finger Lecture Series. The Heritage Society's educational offerings are driven by the principal that through learning of our shared past, the community can build a shared future. The Heritage Society's unique setting in Sam Houston Park offers visitors a hands-on experience where history comes alive to impart its story.

Guided Tours of Historic Structures and Museum – Led by well-trained volunteers and staff members, the number of tour and museum visitors in 2008/2009 totaled 18,938. In addition to local and regional visitors, The Heritage Society conducted tours for convention attendees, international students, consular groups, and tourists from England, Wales, Scotland, Canada, Germany, Australia, France, Mexico, the Netherlands, Spain, Italy, Denmark, Ecuador, Honduras, Japan, Korea, Malaysia, Argentina, Belgium, Brazil, China, Columbia, Hungary, Iraq, Norway, the Philippines, Russia, Singapore, Switzerland, and Venezuela.

John McGovern Heritage Tours for Children – Thanks to the generosity of the John P. McGovern Foundation, free tours were provided to 2,733 students and their teachers. Children viewed *What In the World Is This?*, an interactive video about pioneer life in Texas. They were challenged to identify old fashioned objects such as churns, washboards, oil lamps and toys, and to understand how the objects were used in daily life. The next stop on their tour was the Duncan Store, a replica of an actual general store in Egypt, Texas, which shows a variety of late 19th century merchandise. The tour proceeded to Old Place, an 1823 pioneer cabin thought to be the oldest existing structure in Harris County. It is furnished to show how early settlers lived on the Texas frontier and serves as an interactive venue featuring many of the objects seen in *What In the World Is This?* The children then visited Yates House, built in 1870 by the Reverend Jack Yates, a formerly enslaved individual who settled in Houston in the late 1860s. By visiting this structure, children learned about the educational, religious and economic opportunities available to post-Civil War African Americans. The last stop on the tour was St. John Church, built in 1891 by German immigrants, where students explored the significance of immigration and rural life in Texas. Older students also visited the 1905 Staiti House which gave them the opportunity to compare and contrast 19th century pioneer life with early 20th century lifestyles.

Cell Phone Tours – During 2008/2009, 2,069 visitors to the park who chose not to participate in a docent-guided tour, who were visiting the park after tour hours, or who were visually impaired learned about Houston's diverse cultural history through The Heritage Society's cell phone tours.

Traveling Trunk Shows – Traveling trunk shows introduced children to the history of Houston and of Texas through presentations at public libraries, local schools, and Boy and Girl Scout day camps. The trunk shows demonstrated some of the same kinds of objects that children who visit THS would see on a tour. Costumed volunteers entertained and

delighted children with stories about pioneer life, dress, and play. A total of 475 children experienced The Heritage Society's trunk shows during 2008/2009.

Adult Community Outreach – Adults who are not able to visit the park experienced Houston's history through The Heritage Society's adult outreach programs. During the 2008/2009 program year, 438 adults in groups at retirement homes, assisted living facilities, churches, and community centers enjoyed one of our traveling programs including *Steeple and Stained Glass*, *Sam and Margaret, 170 Years of Houston History* and *The History of Houston through Bob Bailey Studios Photographs*.

Heritage Family Days – Three hundred sixty three children and adults participated in three family-friendly, free Heritage Family Days during 2008/2009. Family Days were coordinated thematically with exhibits in the Museum Gallery. "*Setting the Table – How Food Has Changed in America*" took place on October 12, 2008. This event gave children and their families the opportunity to learn how food preparation and eating patterns have changed over the course of two hundred years. They were also presented with materials on healthy eating and children's culinary arts classes, and created pasta skeletons and macaroni necklaces. Visitors to the "Out of This World" Heritage Family Day on January 25, 2009 viewed videos in a portable planetarium from the Houston Museum of Natural Science, received special NASA space program pins, decals, and photographs, and enjoyed heavenly snacks such as Tang, Moon Pies, Starbursts, and Milky Ways. The May 31, 2009 Heritage Family Day featured "Customs and Cultures of Mexico." Families were introduced to the important art forms of retablos, ex votos, and millagros. Dancers from Ambassadors International Ballet Folklorico and a storyteller from Express Children's Theater provided entertainment while children created Mexican folk art and enjoyed fruit drinks and traditional Mexican sweet pastries.

Hill/Finger Noontime Lecture Series – Funded by William J. Hill and the Jerry and Nanette Finger Foundation, this lunchtime series offered interesting and educational lectures on a variety of topics. Four hundred forty people took advantage of Thursday noontime lectures, held on the third Thursday of each month in The Heritage Society Tea Room. Topics during 2008/2009 included: "The Broadening of Political Power in Houston Since 1900" (by Chase Untermeyer), "The Rowdy Loafers of Early Houston" (by Stephen Hardin), "Houston Cinema (by David Welling), "Cooking and Southern Women: A History" (by Rebecca Sharpless), "Project Star" (by Sylvia Garcia), "The Expansion and Restoration of the Julia Ideson Building" (by Phoebe Tudor and Barry Moore), "Influences on Houston's African American Community" (by Patricia Prather), "A Strange Case for Moving Vince's Bridge" (by C. David Pomeroy), "Glenwood Cemetery: The Silent Garden" (by Jim Parsons), "Revival of a Great City Building – The Farnsworth Chambers Building" (by Joe Turner, David Kornberg, and Kris McGraw).

Texas History Teachers Workshop – 2008/2009 marked the second year of The Heritage Society’s “Best Little Workshop in Texas,” a professional development program for teachers of Texas History. The workshop was designed to integrate aspects of Houston history into the state approved Texas History curriculum for middle school students. Fifty teachers attended the workshop on Saturday, September 27, 2008. The workshop provided lesson plans, visual aids and primary resources from The Heritage Society’s collections for teachers to use in their classrooms. The Heritage Society awarded six hours of professional development credit in Texas History for participation in the workshop and Texas Association for the Gifted and Talented (TAGT) allowed those participants to count six hours of credit toward the TAGT Awareness Certificate. The workshop committee was comprised of veteran teachers and volunteers who planned an outstanding opportunity for area teachers.

COLLECTIONS

The Heritage Society’s Permanent Collection includes nearly 15,000 regional items, each carefully preserved and used to tell the story of Houston and its place in Texas history. In 2008/2009, a wide array of items was accessioned into the permanent collection. Accessions of note are:

- 1) Texas hide-covered chair by Texas cabinetmaker Jim Marrow, c 1880; (donated by J.D. Bartell)
- 2) Important collection of materials belonging to J.L. Watson, publisher of Houston Post, including a diary, c. 1880; two photographs, c. 1880s; and silver match safe inscribed “J.L. Watson, Manager – Houston Post;” (donated by Mrs. Arthur D. Pinkham)
- 3) Zither in original wooden case (donated by Marguerite Untermeyer)
- 4) Collection of four items from the 1928 Democratic National Convention, including tickets to the convention and hand-painted souvenir donkey (donated by Al Davis)
- 5) Rare collection of material relating to the Houston Turn Verein containing membership ledgers, artifacts, and photographs, c 1880-1970 (donated by Frank Hayward, III)
- 6) The Pictorial History of the American Revolution inscribed “Geo. Fisher, 1847” (donated by Mrs. Thomas Van Zandt)
- 7) Houston Heights - Houston’s Oldest, largest, and Most Beautiful Suburb inscribed “by John Millroy”, c. 1900 (donated by Nancy Sue Bammel)
- 8) Photograph of August and Catharina Bering by Roberts Photography, Houston, c. 1890 (anonymous donor)
- 9) Andrew Jackson Young, Mr. Ambassador by Ira Bryant, respected African American Houston educator (donated by Darrel Beck)
- 10) Plate inscribed “Houston Post Dispatch” (donated by William J. Hill)
- 11) Souvenir dish imprinted “Galveston sea wall” (donated by William J. Hill)
- 12) Child’s dress shirt that belonged to Roy G. Watson, owner of Houston Post; with gold and diamond shirt

stud with Houston label, c. 1890 (donated by Mrs. Arthur D. Pinkham)

- 13) Painting of Pillot House by Houston artist Don Edelman, c. 1996 (donated by Raymond Salas)

In addition to the items listed above, the following objects were also accessioned during 2008/2009:

1. Sam Houston souvenir bust (donated by William J. Hill)
2. Harris County tax receipts for Wm. Reichart; 1920 Houston Public School Certificate for Martha Reichart; invitation to Inaugural Ball for Governor Miriam A. Ferguson (donated by Maggie Mays)
3. Two Houston business paperweights, Hill and Hill Trucking and W.F. Daly & Son (donated by Jon St. Claire)
4. “Buffalo Bayou: Alligators to Art Cars” quilt, designed and created by The Heritage Society Quilt Committee, May 2008, donated by Jane Ellen Cable
5. Five books on Houston history, c. 1900, 1920, 1951 (donated by Nancy Sue Bammel)
6. Key chain pertaining to The Heritage Society and first issue Texas quarters from 2004 (anonymous donor)
7. Houston Astros 2000 Enron Field, Home of the Houston Astros (anonymous donor)
8. Collection of Rice Hotel employee publications, c. 1960 (donated by Marvin Minton)
9. Haviland China with Houston imprint, c. 1900 (donated by Bill Taylor)
10. Two pair of high top leather shoes and one pair of suede gloves from Everit Buelow and Sakowitz,, all with Houston imprint, c. 100, 1930 (anonymous donor)
11. Singer sewing machine (donated by Mark Goldberg)
12. 1957 Stewart Title Company Prepayment: Mortgage Yield Table (anonymous donor)
13. Debutante dress, c. 1927 (donated by Kit Smyth Basquin)
14. 1919 promotional item from W.C.Munn Co. (transfer from Mayborn Museum Complex)

Additionally, several items were added to expand the Teaching and Exhibit Support Collections.

A number of Permanent Collection objects were de-accessioned and transferred to local repositories, making the objects more accessible to researchers. Recipients of de-accessioned items were George Ranch Historical Park and Missouri History and Research Center.

PRESERVATION

Other than routine maintenance and repairs caused by Hurricane Ike, numerous conservation and maintenance projects were accomplished during 2008/2009. Electricity was restored to the 1868 Pillot House; the structure's chimneys were sealed for better environmental control, and the house's fence and fence gates were repaired. The 1870 Yates House had repairs to its front porch and stairs, and additional exterior lights were installed to enhance visibility and safety. At the 1890 St. John Church, additional exterior lighting was installed, the front and back door thresholds were rebuilt, the handicapped access ramp was repaired, and the chimney sealed. New air conditioning and heating units were installed at the 1868 San Felipe Cottage and the structure's chimneys were sealed. Maintenance performed at the 1850 Nichols Rice Cherry House included the restoration of the front porch pedestals and repair of the handicapped access ramp. Roofing repairs were performed at the 1866 4th Ward Cottage and at the 1847 Kellum Noble House. New air conditioning units were installed at Kellum Noble House as well. At the Long Row building, roof repairs were made, exterior light fixtures added, and numerous air conditioning system repairs were made. Exterior doors at the Museum Gallery were coated with ultraviolet light filtering materials, roof repairs were performed, an air conditioner condenser was relocated, rust problems on the building's southern elevation were mitigated, and new fencing was constructed to protect the building's exterior air conditioning equipment. The walkways in front of both the Long Row and Museum buildings were repainted. Additionally, newly-designed signage was fabricated and installed along Bagby Street.

EXHIBITIONS

The Heritage Society continued to expand its temporary exhibitions in the Museum Gallery. In 2008/2009, exhibitions were available free of charge to guests. Each exhibit examined different aspects of 19th and early 20th century culture. Exhibitions were made possible by a grant from the City of Houston through the Houston Arts Alliance.

June 10 – September 28, 2008

Interwoven Traditions: The Spiritual Journey from African to African American - This exhibit featured many hidden spiritual symbols found on archeological excavations of plantations in Texas, Louisiana, and South Carolina. The exhibit was co-curated by Dr. Kenneth L. Brown and Dr. Carol McDavid with assistance from the Levi Jordan Plantation State Historic Site and the Texas Historical Commission, who loaned the artifacts for the exhibit.

June 10 – July 27, 2008

The Road to the Promised Land: Martin Luther King Jr. & the Civil Rights Movement - This traveling exhibit from Humanities Texas, consisting of 20 black and white framed panels, featured photographs, facsimiles of landmark documents, and quotations by Dr. King and others engaged in the struggle for civil rights in 20th century America. This inspiring exhibit covered a variety of subjects including environmental racism, the Lorraine Motel, and trailblazers like Rosa Parks and Texas' own Barbara Jordan.

August 5 – September 28, 2008

Snapshots of Houston History from the Bob Bailey Studios Collection - The Heritage Society filled the walls of the Museum Gallery with vintage photos of Houston from the 1930s through 1960s. The photographs, taken by Bob and Marvin Bailey, were donated to The Heritage Society by the Houston Photographic and Architectural Foundation Trust in 2004.

October 7, 2008 – January 4, 2009

What's Cookin'? Two Centuries of American Foodways - This fascinating traveling exhibit examined how and why Americans' eating patterns have changed over time. Everything from dining etiquette, to the changing science of nutrition, to government in the kitchen via the Food and Drug Administration, to food fads and the rise of the fast-food restaurant were discussed in the exhibit's twelve panels. The exhibit also featured photographs of vintage Houston grocery stores and restaurants, menus and uniforms from favorite local eateries and 100 years of Houston cookbooks. The exhibition was developed by the Rogers Historical Museum, Rogers, Arkansas, and supported in part by a grant from the Historical Resources and Museums Services section of Arkansas State Parks in the Department of Parks and Tourism.

January 13 – April 26, 2009

Creating Space City, USA - The exhibition focused on the early years of the space program, from the creation of NASA in 1958 to the naming of the first class of space shuttle astronauts in 1978. In particular, it highlighted the human side of Johnson Space Center, from the community they lived in, to their hopes and fears in preparing to go where no man had gone before. The exhibit was the result of a collaboration between The Heritage Society, Johnson Space Center History Office and the University of Houston's *Houston History* magazine.

May 5 – July 12, 2009

Retablos: Art for the Masses - This exhibit featured a rare collection of works revered for their beauty and their historical and cultural significance. The individuality and expression found in the works are the result of the naïve primitive copyist or patron and the application of the saints to various regions. Most of the items featured in the exhibit were loaned by a local private collector, Bob Briddick.

FUNDRAISING

The 46th *Annual Candlelight Tour* created a magical night for 4,585 visitors on December 12 and 13, 2008. Children delighted in having their pictures taken with Santa, hearing stories, and participating in holiday craft projects with THS volunteers. Choral groups and performers serenaded visitors as they strolled along candlelit paths to tour the historic structures decorated in period holiday fashion. Raising over \$90,000 to fund day to day programming, the 46th *Annual Candlelight Tour* was chaired by Sherri & Chris Boatwright and Annette & John Boatwright, Jr. Candlelight Tour Committee members included Joanne Zumbrun, Cy Clark, Kae Theilen and Carol Tindall. Joining The Heritage Society in presenting Candlelight Tour 2008 were A Healing Touch Foundation, Devon Energy Corporation, Heritage Plaza Property Services, LLC., Apache Corporation, Houston Parks

and Recreation Department, City of Houston through Houston Arts Alliance, William Hill Land & Cattle Co., The Robert and Janice McNair Foundation, an anonymous donor in honor of Martha C. Whiting, Port of Houston Authority, Falcon Gas Storage Company, Kuehnert's Auction Gallery, Darryl & Co., AJ's Landscaping & Design, Inc., Masraff's on Post Oak Lane, Mayor's Office of Special Events, Fiesta Mart, Inc., Aramark, Ballard Exploration Company, Inc., T.R. & Isla Reckling, Adept Word Management, Mrs. James Anderson, Jr., Evelyn & John Boatwright, Mr. and Mrs. Andrew Fossler, Haak Vineyards & Winery, Marion S. Hargrove, Harriet Latimer & Associates, Holder Construction, Hull & Hull, Inc., Nathan Sommers Jacobs, and SWCA Environmental Consultants.

The Heritage Society was honored to again present Leslie Keno and Leigh Keno as the featured speakers of the *Houston Heritage Luncheon*. Held at the River Oaks Country Club on February 12, 2009, the Keno brothers offered a high energy, exciting, and amusing look into their passion - antiques. The "Buzz Lady" Roseann Rogers joined the event as Mistress of Ceremonies and revenues exceeded \$100,000. Chaired by Kirby Cohn McCool, luncheon underwriters included William J. Hill, Morton Kuehnert Auctioneers & Appraisers, Mr. & Mrs. Morton Cohn, Friedman Foundation, Kirby & Scott McCool, John P. Mc Govern Foundation, Robert and Janice McNair Foundation, Amegy Bank, Continental Airlines, Berthica & Hugh Fitzsimons, Marion S. Hargrove, Hotel ZaZa Houston, Southwest Airlines, Alan & Carol Walker, Trish & Ty Whitcomb, Lynne Bonham, Catherine C. Brock, Sally Hopper, Betty & John Cabaniss, Doris & Frank Cantrell, Jane Ellen & Ray Cable, Harriet & Truett Latimer, Alice Collette, Cy Clark, Sibley Kopmeier-Havlick, Joanne Zumbrun, Sue T. Whitfield, and Joan Blaffer Johnson.

The Heritage Society Board of Directors continued to demonstrate its commitment and dedication during 2008/2009. All of the members of the Board contributed to the *Annual Board Campaign*. Cash and in-kind contributions by Board members to all THS projects totaled more than \$230,000.

Community support enables The Heritage Society to be a good steward of its collections. During 2008/2009, THS received cash or in-kind donations of \$1,000 or more from Houston Parks and Recreation Department, The Brown Foundation, Inc., 1111 Goddard Investment Group, City of Houston through Houston Arts Alliance, Houston Oil Producing Enterprises, Inc., A Healing Touch Foundation, The Wortham Foundation, Inc., John P. McGovern Foundation, William J. Hill, Anchorage Foundation of Texas, William J. Hill Company, The Robert & Janice McNair Foundation, Houston Oil Producing Enterprises, George and Mary Josephine Hamman Foundation, Morton Kuehnert Auctioneers & Appraisers, Devon Energy Corporation, Jan & J. Venn Leeds Foundation, Mr. & Mrs. Morton Cohn, Mr. & Mrs. Scott McCool, Friedman Foundation, Apache Corporation, The Andrew Delaney Foundation, Mr. and Mrs. Mario Cassier, Lorna Hume Thomas Trust, Houston Antiques Dealers Association, Ray C. Fish Foundation, Art Colony Association, David A. Cantwell, Jerry and Nanette Finger Foundation, Mr. & Mrs. Alan C. Walker, Mrs. Marion S.

Hargrove, ExxonMobil Foundation, Mr. & Mrs. Hugh Fitzsimons, Shell, Mrs. Joan Blaffer Johnson, Port of Houston Authority, Amegy Bank, William J. Hill Company Texas, H. Russell Pitman, Dr. & Mrs. Richard Ruiz, Mr. & Mrs. Grover Jackson, Mr. & Mrs. Milton Havlick, Falcon Gas Storage Company, Inc., Mr. & Mrs. A.L. Ballard, Fiesta, Mr. & Mrs. T.R. Reckling, Mr. & Mrs. Harper Trammell, Chevron, Mr. & Mrs. Truett Latimer, Mr. and Mrs. Ray Cable, Jr., Hall Barnham Lucchesi Architects, Cy Clark, Alice Collette & Scott Warren, Mr. & Mrs. H. Richard Walton, Joanne Zumbrun & George Hodge, Mr. & Mrs. Frank Cantrell, Mr. & Mrs. John Hopper, Nona M. Muir Estate, Gensler, Helmle Shaw Foundation, The Greentree Fund, Marguerite G. Untermeyer Estate, Mr. & Mrs. Marc C. Melcher, Mr. & Mrs. John Cabaniss, Dr. & Mrs. Fred Lummis, Jr., Janiece Longoria & Stephen Lasher, Mr. and Mrs. Williams Bonham, Mr. & Mrs. Harry L. Bowles, Mr. & Mrs. Don Eckhardt, Mr. and Mrs. John Boatwright, and Mr. & Mrs. Bill Braken.

VOLUNTEERS

More than 600 volunteers performed a variety of duties around The Heritage Society during 2008/2009. Members of the Board of Directors devoted their time to the organization's governance and to developing policies, evaluating programming, raising funds, helping preserve and expand the collections, and planning for the future. Docents and Museum Guides provided invaluable information about the historic structures' unique histories and the items and subject matter presented in temporary exhibitions. Other volunteers participated in a number of special events and projects including Candlelight Tour, Family Days, Houston Heritage Luncheon, Bayou City Arts Festival, workshops, outreach presentations, inventorying, cataloging, data entry, organizing records, marking collections items and research projects.

PARTNERSHIPS

The Heritage Society again worked diligently and effectively with its primary partners - Houston Parks & Recreation Department and Mayor's Office of Special Events to preserve and protect historic Sam Houston Park, the city's first public park during 2008/2009. Working collaboratively, new fencing and sidewalks were added to the park to further ensure the safety of the park's more than 250,000 annual users. The Heritage Society's partnerships with Bayou City Art Festival, iFest, Orange Show Foundation and others were enhanced through increased programming for these organizations' events in the park.

FINANCIAL STATEMENTS

To see The Heritage Society's 2008/2009 audited financial statements, click [here](#).

BOARD OF DIRECTORS 2008/2009

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KEY STAFF 2008/2009

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Wallace Saage, *Collections Curator*

The Heritage Society

Financial Statements
and Independent Auditors' Report
for the years ended May 31, 2009 and 2008

Independent Auditors' Report

To the Board of Directors of
The Heritage Society:

We have audited the accompanying statements of financial position of The Heritage Society as of May 31, 2009 and 2008 and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the management of The Heritage Society. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Heritage Society as of May 31, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

November 17, 2009

The Heritage Society

Statements of Financial Position as of May 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 99,846	\$ 321,839
Accounts receivable and other assets <i>(Note 3)</i>	33,341	34,252
Pledges receivable	16,545	96,935
Investments <i>(Note 4)</i>	1,319,251	1,829,189
Property and equipment, net <i>(Note 6)</i>	112,804	105,395
Collections <i>(Note 7)</i>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 1,581,787</u>	<u>\$ 2,387,610</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 106,691	\$ 27,255
Deferred revenue	<u>5,300</u>	<u>0</u>
Total liabilities	<u>111,991</u>	<u>27,255</u>
Net assets:		
Unrestricted <i>(Note 9)</i>	357,170	825,424
Temporarily restricted <i>(Note 10)</i>	20,582	442,887
Permanently restricted <i>(Note 11)</i>	<u>1,092,044</u>	<u>1,092,044</u>
Total net assets	<u>1,469,796</u>	<u>2,360,355</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,581,787</u>	<u>\$ 2,387,610</u>

See accompanying notes to financial statements.

The Heritage Society

Statement of Activities for the year ended May 31, 2009

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions (<i>Note 12</i>)	\$ 340,201	\$ 166,844		\$ 507,045
Special events	234,510			234,510
Direct donor benefit costs	(60,255)	(5,351)		(65,606)
Membership dues and admissions	38,814			38,814
Investment return, net (<i>Note 4</i>)	(210,614)	(202,519)		(413,133)
Insurance proceeds – Hurricane Ike	49,514			49,514
Other income	<u>30,719</u>	<u>1,525</u>		<u>32,244</u>
Total revenue	422,889	(39,501)		383,388
Net assets released from restrictions:				
Expenditures for program purposes	<u>382,804</u>	<u>(382,804)</u>		
Total	<u>805,693</u>	<u>(422,305)</u>		<u>383,388</u>
EXPENSES:				
Program services:				
Collections and exhibits	567,910			567,910
Educational programs	<u>463,071</u>			<u>463,071</u>
Total program services	1,030,981			1,030,981
Management and general	139,487			139,487
Fundraising	<u>103,479</u>			<u>103,479</u>
Total expenses	<u>1,273,947</u>			<u>1,273,947</u>
CHANGES IN NET ASSETS	(468,254)	(422,305)		(890,559)
Net assets, beginning of year	<u>825,424</u>	<u>442,887</u>	<u>\$ 1,092,044</u>	<u>2,360,355</u>
Net assets, end of year	<u>\$ 357,170</u>	<u>\$ 20,582</u>	<u>\$ 1,092,044</u>	<u>\$ 1,469,796</u>

See accompanying notes to financial statements.

The Heritage Society

Statement of Activities for the year ended May 31, 2008

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions (<i>Note 12</i>)	\$ 566,290	\$ 260,480		\$ 826,770
Special events	217,803			217,803
Direct donor benefit costs	(50,011)			(50,011)
Membership dues and admissions	40,779			40,779
Investment return, net (<i>Note 4</i>)	(8,330)	(33,925)		(42,255)
Other income	<u>34,065</u>	<u>7,411</u>		<u>41,476</u>
Total revenue	800,596	233,966		1,034,562
Net assets released from restrictions:				
Expenditures for program purposes	715,417	(715,417)		
Expiration of time restrictions	<u>7,450</u>	<u>(7,450)</u>		
Total	<u>1,523,463</u>	<u>(488,901)</u>		<u>1,034,562</u>
EXPENSES:				
Program services:				
Collections and exhibits	862,449			862,449
Educational programs	<u>27,556</u>			<u>27,556</u>
Total program services	890,005			890,005
Management and general	123,518			123,518
Fundraising	<u>126,992</u>			<u>126,992</u>
Total expenses	<u>1,140,515</u>			<u>1,140,515</u>
Changes in net assets before acquisitions of collection items	382,948	(488,901)		(105,953)
Acquisition of collection items	<u>(2,845)</u>			<u>(2,845)</u>
CHANGES IN NET ASSETS	380,103	(488,901)		(108,798)
Net asset reclassification based on change in law (<i>Note 11</i>)	(419,335)	419,335		
Net assets, beginning of year	<u>864,656</u>	<u>512,453</u>	<u>\$ 1,092,044</u>	<u>2,469,153</u>
Net assets, end of year	<u>\$ 825,424</u>	<u>\$ 442,887</u>	<u>\$ 1,092,044</u>	<u>\$ 2,360,355</u>

See accompanying notes to financial statements.

The Heritage Society

Statements of Cash Flows for the years ended of May 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (890,559)	\$ (108,798)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized loss on investments	454,274	99,954
Depreciation	34,058	29,630
Changes in operating assets and liabilities:		
Accounts receivable and other assets	911	(2,339)
Pledges receivable	80,390	218,303
Accounts payable and accrued expenses	79,436	(2,293)
Deferred revenue	<u>5,300</u>	<u>(2,780)</u>
Net cash provided (used) by operating activities	<u>(236,190)</u>	<u>231,677</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(296,130)	(944,449)
Proceeds from sales and maturities of investments	351,794	1,039,941
Purchases of property and equipment	<u>(41,467)</u>	<u>(68,525)</u>
Net cash provided by investing activities	<u>14,197</u>	<u>26,967</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances on line of credit		125,000
Payments on line of credit		<u>(125,000)</u>
Net cash provided by financing activities		<u>0</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(221,993)	258,644
Cash and cash equivalents, beginning of year	<u>321,839</u>	<u>63,195</u>
Cash and cash equivalents, end of year	<u>\$ 99,846</u>	<u>\$ 321,839</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid on line of credit	\$0	\$2,938

See accompanying notes to financial statements.

The Heritage Society

Notes to the Financial Statements for the years ended May 31, 2009 and 2008

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – The Heritage Society (THS) was incorporated in 1954 as a nonprofit corporation. The purpose of THS is to preserve the complete history of the community and region through preservation and restoration of historic structures, exhibition of historical artifacts, and presentation of educational programs that focus on Houston and Harris County’s diverse past and its relationship to the present and future. THS is supported by voluntary contributions of time and money from members and the community in connection with fundraising events and by gifts of historical items.

Federal income tax status – THS is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2).

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.
- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity. Income from these funds is available for maintenance of structures, grounds, and collections.

Cash and cash equivalents – Cash equivalents are highly liquid financial instruments with original maturities of three months or less that are not restricted for long-term investment purposes. Cash equivalents consist of money market funds of \$80,492 and \$235,405 at May 31, 2009 and 2008, respectively. At times, bank deposits exceed the federally insured limit per depositor per institution.

Financial instruments – THS’s financial instruments included cash and cash equivalents, investments, accounts receivable, pledges receivable, accounts payable and accrued expenses. The carrying amounts reported in the statements of financial position for these financial instruments approximate their fair value.

Pledges receivable – Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in more than one year are discounted to estimate the present value of future cash flows. At May 31, 2009, all pledges receivable are due within one year.

Investments – Investments are reported at fair value.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

Property and equipment – Property and equipment is stated at cost if purchased and at estimated fair value at the date of contribution if donated. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 25 years.

Collections – Collections are not recorded as assets in the statement of financial position. Purchases of collection items are reflected as decreases in unrestricted net assets in the year in which the items are acquired, or as decreases in temporarily restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Contributions received – Contributions are recorded as revenue at estimated fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit the use of the donated assets are recorded as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Non-cash contributions – Donated materials and use of facilities are recorded at fair value as contributions when an unconditional commitment is received from a donor. The related expense is recorded as the item is used. Contributions of services are recognized when services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenues and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – AGREEMENT WITH THE CITY OF HOUSTON

THS operates a museum and nine historical structures located in Sam Houston Park (the Park) under the terms of an agreement with the City of Houston (the City). The agreement is subject to certain restrictions set by the City, and THS does not have exclusive use of the land. The agreement is for a term of five years and will be renewed automatically in successive five-year terms unless THS elects otherwise. The agreement terminates in June 2014. Title to all buildings located within the Park vest in the City upon the termination of the agreement.

NOTE 3 – RESTORATION OF HISTORICAL STRUCTURES

During 2001, two historical structures experienced significant flood damage. Repairs were substantially complete in 2006. The mitigation portion was funded by a grant from the Federal Emergency Management Agency (FEMA) and other repairs were funded through contributions. Accounts receivable at May 31, 2009 and 2008 include approximately \$32,000 due from FEMA related to the mitigation. During 2008, FEMA conducted an audit of grant expenditures and final issues were resolved in September 2009. THS expects to receive final payment on the grant in 2010.

NOTE 4 – INVESTMENTS

Investments consist of the following:

	<u>2009</u>	<u>2008</u>
Equity securities	\$ 501,903	\$ 747,498
Corporate bonds	399,448	495,208
Equity mutual funds	305,438	459,354
Money market mutual funds	70,220	81,784
U.S. government securities	<u>42,242</u>	<u>45,345</u>
Total investments	<u>\$ 1,319,251</u>	<u>\$ 1,829,189</u>

Investment return includes earnings on investments and cash balances and consists of the following:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 51,758	\$ 68,647
Net realized and unrealized loss	(454,274)	(99,954)
Custodial and investment advisory fees	<u>(10,617)</u>	<u>(10,948)</u>
Investment return, net	<u>\$ (413,133)</u>	<u>\$ (42,255)</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

Effective June 1, 2008, THS adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which provides a framework for measuring fair value of certain assets and liabilities and expands disclosures about fair value measurements. As defined in SFAS 157, fair value is 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. SFAS 157 establishes a three-tier hierarchy that prioritizes the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of fair value hierarchy defined by SFAS 157 are as follows:

- *Level 1* – Pricing inputs include quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived from or corroborated by observable market data as of the reporting date. Investments valued using prices obtained from independent quotation bureaus that use computerized valuation formulas to calculate fair values are reported as Level 2.
- *Level 3* – Pricing inputs include those that are unobservable for the asset or liability and reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

Cash equivalents and investments measured at fair value at May 31, 2009 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Cash equivalents	\$ 80,492			\$ 80,492
Investments	<u>877,561</u>	<u>\$ 441,690</u>	<u> </u>	<u>1,319,251</u>
Total	<u>\$ 958,053</u>	<u>\$ 441,690</u>	<u>\$ 0</u>	<u>\$ 1,399,743</u>

Cash equivalents and investments measured at fair value at May 31, 2008 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Cash equivalents	\$ 235,405			\$ 235,405
Investments	<u>1,288,636</u>	<u>\$ 540,553</u>	<u> </u>	<u>1,829,189</u>
Total	<u>\$ 1,524,041</u>	<u>\$ 540,553</u>	<u>\$ 0</u>	<u>\$ 2,064,594</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2009</u>	<u>2008</u>
Gallery and exhibition fixtures	\$ 455,944	\$ 455,944
Furniture and equipment	200,833	205,801
Park fence	<u>76,150</u>	<u>53,458</u>
Total property and equipment, at cost	732,927	715,203
Accumulated depreciation	<u>(620,123)</u>	<u>(609,808)</u>
Property and equipment, net	<u>\$ 112,804</u>	<u>\$ 105,395</u>

NOTE 7 – COLLECTIONS

THS's collections are made up of historical artifacts that are held for educational, research, and curatorial purposes. Each of the items is catalogued, preserved, and cared for, and activities verifying existence and assessing condition are performed periodically. The collections are subject to a policy that requires proceeds from the sale or other disposition of collection items to be used to acquire other items for the collections. During 2009 and 2008, various collection items including paper archival materials, furniture, housewares, and other accessories were deaccessioned from the permanent collection.

NOTE 8 – NOTE PAYABLE

Subsequent to May 31, 2009, THS renewed a \$100,000 unsecured line of credit with a bank. The line of credit expires on June 24, 2010. Amounts outstanding under the line bear interest at the bank's prime rate plus .5% (5.5% at May 31, 2009), and may not be less than 5%. At May 31, 2009 and 2008, no amount was outstanding on this line of credit.

NOTE 9 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2009</u>	<u>2008</u>
Undesignated	\$ 129,963	\$ 361,715
Board-designated endowment for maintenance of historical structures (<i>Note 11</i>)	334,437	463,709
Aggregate deficiency of donor-restricted endowment funds (<i>Note 11</i>)	<u>(107,230)</u>	<u> </u>
Total unrestricted net assets	<u>\$ 357,170</u>	<u>\$ 825,424</u>

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Unexpended earnings of donor-restricted endowment fund (<i>Note 11</i>)		\$ 273,436
Maintenance of historical structures		80,559
Park fencing	\$ 10,689	47,560
Kellum Noble House structural repair study		30,464
Museum collections	9,893	8,368
Collections intern	<u> </u>	<u>2,500</u>
Total temporarily restricted net assets	<u>\$ 20,582</u>	<u>\$ 442,887</u>

NOTE 11 – ENDOWMENT FUNDS

THS maintains an endowment fund which is comprised of (a) donor-restricted endowment funds which are maintained in accordance with explicit donor stipulations and (b) unrestricted assets set aside by Board designation. The endowment fund is invested to support maintenance of structures, grounds and collections.

During the year ended May 31, 2009, THS adopted Financial Accounting Standards Board Staff Position No. 117-1 (FAS 117-1), which 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. Additionally, it provides expanded disclosures about an organization's donor-restricted endowment funds and board-designated endowment funds.

THS is subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) which has been enacted by the State of Texas. The Board of Directors of THS has interpreted TUPMIFA as requiring a focus on the entirety of donor-restricted endowment funds, including the original gift amount and net appreciation. TUPMIFA provides guidelines about what constitutes prudent spending and explicitly requires consideration of preservation of the fund.

As a result of the interpretation, THS classifies the amount specified by explicit donor stipulation as an endowment as permanently restricted net assets. This amount is not reduced by losses on investments in the endowment fund or by approved appropriations for expenditure from the fund. The portion of the donor-restricted endowment funds not classified as permanently restricted, are classified as temporarily restricted net assets (time restricted) until they are appropriated for expenditure. Temporarily restricted net assets are reclassified to unrestricted net assets for the amount appropriated when the purpose restriction has been met.

Assets designated by the Board to function as an endowment for maintenance of historical structures are classified as unrestricted net assets.

Endowment funds are maintained in a separate investment account which is managed by an independent financial firm that follows guidance provided in an investment policy approved by the Board of Directors. The Board approves appropriations for expenditures of endowment funds as part of the annual budget or as an unexpected need arises.

THS has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding for maintenance supported by its endowment while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate-of-return objectives, THS 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). THS targets a diversified asset allocation that places an emphasis on a blend of equity-based investments and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

From time to time, the fair value of assets associated with the donor-restricted endowment funds may fall below the level that the donor specified as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets as an aggregate deficiency of the fair value of net endowment assets over permanently restricted net assets. As of May 31, 2009, a deficiency of \$107,230 resulted from unfavorable market fluctuations in investment values during the fiscal year.

The endowment fund by net asset classification is as follows:

	<u>2009</u>	<u>2008</u>
Permanently restricted net assets – donor-restricted	\$ 1,092,044	\$ 1,092,044
Temporarily restricted net assets		273,436
Unrestricted net assets – board-designated	334,437	463,709
Unrestricted net assets – aggregate deficiency of donor-restricted endowment fund	<u>(107,230)</u>	<u> </u>
Total endowment net assets	<u>\$ 1,319,251</u>	<u>\$ 1,829,189</u>

Changes in the endowment fund for the year ended May 31, 2008 are as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, June 1, 2007	\$ 932,591		\$ 1,092,044	\$ 2,024,635
Net asset reclassification based on change in law	(419,335)	\$ 419,335		
Investment return:				
Interest and dividends	16,593	48,863		65,456
Net realized and unrealized loss	(25,339)	(74,615)		(99,954)
Investment management fees	(2,775)	(8,173)		(10,948)
Appropriation for expenditure	<u>(38,026)</u>	<u>(111,974)</u>	<u> </u>	<u>(150,000)</u>
Endowment net assets, May 31, 2008	<u>\$ 463,709</u>	<u>\$ 273,436</u>	<u>\$ 1,092,044</u>	<u>\$ 1,829,189</u>

Changes in the endowment fund for the year ended May 31, 2009 are as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, June 1, 2008	\$ 463,709	\$ 273,436	\$ 1,092,044	\$ 1,829,189
Investment return:				
Interest and dividends	12,663	37,290		49,953
Net realized and unrealized loss	(222,391)	(231,883)		(454,274)
Investment management fees	(2,691)	(7,926)		(10,617)
Appropriation for expenditure	<u>(24,083)</u>	<u>(70,917)</u>	<u> </u>	<u>(95,000)</u>
Endowment net assets, May 31, 2009	<u>\$ 227,207</u>	<u>\$ 0</u>	<u>\$ 1,092,044</u>	<u>\$ 1,319,251</u>

NOTE 12 – CONTRIBUTIONS

During 2009, THS recognized contributions from a board member that accounts for 14% of total contributions and special events revenue.

A substantial number of volunteers have contributed significant amounts of time in connection with the program services and administration of THS for which no amount has been recorded in the financial statements because the services did not meet the criteria for recording under generally accepted accounting principles.

During 2009 and 2008, THS received \$169,644 and \$95,412, respectively, of contributed printing, advertising, educational services, and historic house maintenance. These amounts are recorded as contributions and expenses in the accompanying statements of activities.

NOTE 13 – EMPLOYEE SAVINGS PLAN

THS provides a §403(b) Group Retirement Annuity (GRA) retirement plan to employees who work 1,000 hours within a 12-month period. Eligible employees can elect to make voluntary contributions to the GRA for their own account, not to exceed the limits imposed by IRS Code §403(b). After one year of service, THS matches employee contributions up to 3% of salary for the employee's GRA account. THS's contribution is vested on a graduated scale over six years. At the end of six years of service, the employee is fully vested. THS's contributions to the GRA were \$8,212 and \$7,123 in 2009 and 2008, respectively.

Effective May 31, 2009, THS dissolved the §403(b) GRA. Current employees became fully vested in all employer matching funds upon dissolution. All individual accounts continue to be held by the GRA custodian.

NOTE 14 – OPERATING LEASES

THS leases storage space for the collections under a non-cancelable operating lease agreement. Lease expense for 2009 and 2008 totaled \$24,743 and \$24,937, respectively. At May 31, 2009, future minimum lease commitments were \$18,022 for the year ending May 31, 2010.
