

Terra Institute, Ltd.

Annual Report

**Fiscal year:
2003 - 2004**



TERRA INSTITUTE LTD.

1406 Hwy. 18-151E • Mt. Horeb, WI 53572 USA

ph: (608) 437-8716 • fx: (608) 437-8801

TerraInstituteUSA@att.net

REMARKS OF THE PRESIDENT AND CHAIRMAN OF THE BOARD OF DIRECTORS

Terra Institute, Ltd., continued its success as an international research and consulting firm dealing with land tenure, land reform, land administration, registration and privatization activities during the fiscal year ending in June 2004. The Institute has one large project in the Republic of Georgia and a variety of smaller ones in various locations throughout the world. As a result of these projects and assistance in organizing overseas conferences, Terra continues to be financially sound. Each of our segregated accounts, such as those for project development, income continuation, and SEP IRA, continue to be fully funded.

Terra Institute was organized as an independent 501(c)(3) nonprofit association in 1974 and incorporated as such under statutes of the State of Wisconsin. In addition to the professionally staffed home office in Mt. Horeb, Wisconsin, USA, Terra Institute has over 40 members, not only in the United States, but worldwide, who have a broad range of skills and expertise in both the physical and social sciences available to the Institute as the need arises for projects. The skills and expertise of these member-consultants were called upon several times and contributed greatly to Terra's success this year.

Terra's Board of Directors represents a variety of professions with both private and public employment experiences to adequately govern the Institute in performing its mission. The Board met for an annual meeting in addition to several special meetings during the year to establish policy and provide guidance to the Institute in its work. In addition, home office staff were in constant contact with Board members for information and advice.

Financial support for Terra's various projects is from the United States Agency for International Development (USAID), World Bank and several international regional banks, such as the Asian Development Bank and Inter-American Development Bank. Terra Institute has been a prime contractor and a subcontractor with other consulting firms, universities and NGO's.

At the end of fiscal year 2004 Terra Institute completed the fourth year of a five-year "Land Market Development Project" (GLMDP) under a Cooperative Agreement with USAID in the Republic of Georgia working with the Association for the Protection of Landowner's Right (APLR), a Georgian nongovernmental organization, to strengthen the APLR's administrative, financial and legal capacities as it undertakes to protect the Georgian landowners and to improve the operation of land markets. Terra contracted with other consulting firms to perform certain portions of the project and to provide advice and technical assistance on both financial and managerial matters. Terra was asked by three prime contractors to become a subcontractor in their bid proposals to USAID for a three-year project in Afghanistan, "Support for Economic Growth and Institutional Reform Project (SEGIR) Privatization II." We chose to subcontract with a Washington, D.C., prime contractor, Emerging Markets Groups, Ltd. (EMG), and our personnel with the assistance of other consultants prepared portions of the proposal submitted by EMG to USAID. USAID awarded the project to EMG and Terra began hiring long and short-term consultants who would begin work in Afghanistan in December 2004.

In this fiscal year Terra members attended international conferences in Switzerland and Austria, and Terra co-sponsored the "Who Owns America? V" Conference in Madison, WI. In fulfillment of its 501(c)3 nonprofit status, Terra provided educational assistance by hosting study tour groups from the Republic of Georgia & Vietnam and also provided financial support for two Ph.D. candidates from the University of WI-Madison for research and study tour activities.

As Terra Institute moves forward we look to expand our scope to include taxation, environmental issues, soil conservation and erosion control, forestry, public land management, land use controls and water resources. Work on these subjects may include domestic as well as foreign activities.

To learn more about Terra Institute, its work and its capabilities, please visit our website at www.terrainstitute.org.

Dean T. Massey, President
TERRA INSTITUTE, LTD.

APLR capacity-building; 4) land privatization, legal reform, and land market support; 5) SRO development support; 6) development of real estate and cadastral services associations, and 7) resident advisor support.

In *April 2003*, USAID and Terra Institute, Ltd. signed a two-year extension program. Under the then-current conditions of the Georgian transition to a market-oriented economy, the proposed extension listed the following core objectives: 1) implement quality assurance of initial land registration, 2) advance the process of land privatization, 3) strengthen APLR and other land market institutions, 4) conduct legal and business consultations, 5) provide land and property information services, and 6) to continue financial management development.

During the *July 2003-June 2004* time period, Terra Institute continued to support the APLR in implementing these activities, some of which were new to the APLR. Terra guided the APLR in concentrating more on its professional development, Public Education, and consultancy work, as these are judged to be the necessary tools to establish the APLR as a successful SRO with strong management skills, high public recognition, and self-financing capabilities.

Terra also continues to facilitate the APLR in establishing connections to and support of other USAID programs as well as other international organizations. These include the United Nations Development Program, the World Bank, KfW Bankengruppe, British Petroleum, GTZ (a German NGO), the UK Department for International Development, and the UN's Working Party on Land Administration. The APLR continues to develop linkages with Georgian organizations such as the Georgian Development Foundation, Association of Notaries, Georgian Real Estate Association, Georgian Federation of Professional Asset Valuers, Association of Judges, Association of Banks, and the Georgia Business Confederation.

Total Contract Value: *US \$8,122,795*

KOSOVO LAND AND PROPERTY RIGHTS ASSESSMENT

In association with ARD, Inc., Terra's Consultant conducted a land tenure and property rights assessment to determine how property rights are currently influencing conflict, investment, agriculture, and municipal governance. The principal objective of this assessment was to provide a

comprehensive picture of the property rights situation in Kosovo. By researching and documenting past, ongoing and planned activities in this area, USAID hopes to rectify confusion regarding the current state of formal and informal property rights. The assessment team evaluated informal property rights and options for converting socially recognized property rights into registered titles that can be bought and sold and honored as collateral. They also addressed all manners of property issues (movable and immovable, private and public, rural and urban, etc.) as they pertain to Kosovo. The work identified possible areas where USAID/Kosovo might provide technical assistance to draft laws, strengthen institutions and/or resolve conflicts which will enhance household property security and business investment, improve economic growth, and lead to more effective local governance.



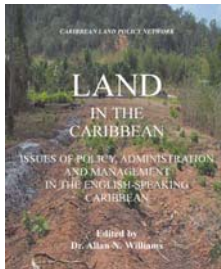
The photo above shows a typical property document archive in Kosovo. Secure, organized and climate controlled record keeping is the exception rather than the norm. Safekeeping of records is a priority for many registration offices in developing countries.

Total Contract Value: *US\$20,920*

WORKSHOP ON LAND POLICY, ADMINISTRATION AND MANAGEMENT IN THE ENGLISH SPEAKING CARIBBEAN – Follow-on Activity

Following the March 2003 Workshop on Land Policy, Administration and Management in the English Speaking Caribbean, The Network Steering Committee (NSC) was established. The NSC, also with the assistance of Terra Institute and ACT Associates, produced a manuscript of the Proceedings including the Framework papers, case studies and diagnostic country papers. This book, entitled “**LAND IN THE CARIBBEAN: Issues of Policy, Administration and Management in the English-Speaking Caribbean**” was edited by Dr. Allan N. Williams, a member of Terra Institute, Ltd. This document provides significant reference support to technical persons throughout the region. Copies of the book have been distributed to workshop

participants by Terra Institute, Ltd. and to university & research libraries and other interested land administrative professionals throughout the world. Copies of the manuscript are still available.



To receive information about the book, please contact Terra Institute directly. Or, for a complete online version of the book visit Terra's website at: www.terrainstitute.org

Total Contract Value: US \$108,380

RESEARCH SUPPORT

As mandated by its mission statement and its status as a 501(c)(3) non-profit organization, research and educational assistance are integral components of Terra's activities. In fiscal year 2003-2004 Terra provided partial financial support for UW-Madison Agricultural Economics Ph.D. candidate Ms. Kelley Cormier, as well as continuing a grant to partially fund an assistantship for Mr. Kyle Rearick, a research assistant and Ph.D. candidate in the Department of Urban and Regional Planning.

UKRAINE STUDY TOUR

Terra's support enabled Ms. Cormier to participate in a study tour to the Ukraine sponsored by the Madison, WI-based Friends of Chernobyl Centers U.S. Inc. (FOCCUS), a non-governmental organization formed to strengthen recovery efforts of individuals and communities in Belarus, Russia, and the Ukraine that were severely affected by the Chernobyl nuclear accident. Ms. Cormier spent two weeks in June of 2004 on the Study Tour which included visits to research centers and meetings with representatives and local experts on agriculture, environment, and health. Her role in the group was to raise questions about land use and the structure of the food system in the aftermath of the Chernobyl disaster. Her assignment from Terra Institute was to write a report based on her personal interviews and any primary documents summarizing current land issues especially as they related to the effects of the Chernobyl accident.

Ms. Cormier met with representatives of the People's Voice Project, the UN Agricultural Policy and Human Development Project, and the Ukraine Land Title Initiative. The full text of Ms. Cormier's report

can be found on Terra's website: www.terrainstitute.org Terra's hopes, based on this report, are to identify potential funding sources and engage in an indigenous discussion on culturally relevant strategies for the promotion of land related associations in the Ukraine.

RESEARCH ASSISTANTSHIP

Mr. Rearick's grant had the overall goal of developing a research methodology and to describe the evolution of three land-related non-governmental associations in the Madison area. These case studies were then to fit into the overall research proposal for implementation in selected countries of the Former Soviet Union, demonstrating how the research would be done in that more ambitious project as well as providing comparative data for that study. This research would then be part of Mr. Rearick's dissertation-related research and study program.

Mr. Rearick's task was to select three local natural resource oriented NGOs, interview staff and members, and review documentation on the historical development of the three organizations. He was to place special emphasis on documenting the historical problems that then led to the organization's goal formation, the actual organizational goals, the nature of leadership, organizational technologies employed, linkages developed, policy advocacy successes and failures, and the nature of the resources the organization is dependent on.

With David Stanfield, his thesis advisor, they wrote a paper titled "The Effectiveness of Land Related Voluntary Associations in the Former Soviet Union" which can be found on the Terra Institute website, www.terrainstitute.org. He then wrote and circulated a proposal to develop a project in Georgia analyzing the effectiveness of local land-related associations based on the research findings of his US organizations. This proposal is currently still under review.

INTERNATIONAL VISITORS TRAINING PROGRAMS

Terra also conducts training programs for foreign visitors to the United States. Topics include land tenure issues, natural resource management, environmental protection, rural and urban land use controls, business organization, privatization of state-owned enterprises, economics of agriculture, and best farming practices. Terra Institute wishes to continue and expand upon the concept of international

exchange programs within the next few years. During this Fiscal Year the Institute partnered with the International Institute of Wisconsin to bring in two groups; one from the Republic of Georgia and one from Vietnam.

In August of 2003, Terra hosted a group representing three associations from the **Republic of Georgia**. The groups represented include the Association for the Protection of Landowner's Rights, the Georgian Federation of Professional Asset Valuers (a group of real estate appraisers) and the Georgian Real Estate Association. These three non-governmental organizations are key to the successful development of Georgia's real estate market. The study tour was intended to allow senior representatives of the three groups to meet with the principal U.S. institutions active in this field and to be exposed to these groups' methods and "best practices". Key visits included: First Weber Realty; The WI Realtors Association; the University of WI (UW) Land Information and Computer Graphics Facility, the UW Department of Real Estate; Dane County Register of Deeds office; and the Patron's Mercantile Cooperative, which is the oldest cooperative in the United States.

The purpose of the October 2003 **Study Tour for Vietnamese Urban Planners** was to expose them to information about the urban planning process in the US and to introduce the visitors to the "Smart Growth" concept that promotes the environment while developing the economy, advancing social equity, promoting affordable housing & community development and preserving farmland. The Vietnamese urban planners met with individuals from the City of Milwaukee (WI), the University of Wisconsin-Milwaukee, the University of Wisconsin-Madison and Terra Institute, Ltd.. Terra's primary focus for this study tour was to illustrate the relationship of land to economic development, socio-political organizations and environmental sustainability.

CONFERENCES AND SEMINARS

In January of 2004, J. David Stanfield was invited to present two papers at the **Real Estate Research in Eastern and Southeastern Europe Conference** which was held in Vienna, Austria. The conference was sponsored by Central European Land Knowledge Center (CELK) The CELK Center's mission is to serve Central, Eastern and South-Eastern European countries as a regional land knowledge management information and advisory center on Land Market and Real Property Rights related issues. The vision of the

Center is to be acknowledged as the primary source for regional information on Land Market and Real Property Rights related topics. Dr. Stanfield's presentations included a paper on land registration in Albania, and a second on "Multi-unit Apartment Buildings in Albania". The latter is available on Terra's website.

Dr. Stanfield was also invited to present a paper on "The Creation Of An Immovable Property Registration System In Albania" to the **Symposium on Land Administration in Post Conflict Areas** which was organized by Commission 7 (Cadastre and Land Management) of the International Federation of Surveyors (FIG). The April 2004 event was held in Geneva, Switzerland and was co-sponsored by the Kosovo Cadastral Agency and UN-Habitat. Jeff Underwood, an attorney and member of Terra Institute, Ltd. accompanied Stanfield on this trip. The full text of the presentation is available on Terra's website.

Terra Institute sponsored the opening reception for "**Who Owns America V?**" conference organized primarily by the University of Wisconsin-Madison Department of Rural Sociology and the Land Tenure Center. The conference, held May 23-25, 2004 included participants from non-government organizations, universities, Native American Nations, and employees of city or federal government. The conference focused on land acquisition and retention among those who are often excluded, marginalized, unequally served, or have limited participation in setting public policy.

Sessions were varied and included: a discussion of "colonias" along the US/Mexico border, where immigrants or non-citizens were rented lots with the unfulfilled promise that they would receive title when the lots were paid for; an overview of Baltimore, MD's project to deal with abandoned, tax-delinquent lots and buildings, converting them to community assets; issues of mineral rights in Appalachia, where coal companies with mineral rights have damaged residents' properties or are sidestepping the law to strip mine the surface; and other sessions including the problems of African-American small landholders, Native American land claims, sustainable tourism development in Hawaii, "Smart Growth" legislation, farmland preservation, and community land trusts.

Terra Institute was a co-sponsor of this event with the Ford Foundation, the Annie E. Casey Foundation, Smart Growth America, the Local Initiatives Support Corporation, and the National Rural Funders Collaborative.

Terra Institute, Ltd.

STATEMENT OF FINANCIAL POSITION - June 30, 2004

ASSETS

Current Assets

Cash	\$ 415,023
Accounts Receivable	129
Total Current Assets	<u>415,152</u>
Property & Equipment	13,575
Less: Accumulated Depreciation	<u>(10,597)</u>
Net Property & Equipment	<u>2,978</u>
TOTAL ASSETS	<u><u>\$ 418,130</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 37,333
Accrued Expenses	121,068
Payroll Withholdings	3,832
Line of Credit	<u>5</u>
Total Current Liabilities	<u>162,238</u>

Net Assets

Unrestricted Net Assets:	
Board Designated Net Assets	96,978
Undesignated Net Assets	<u>158,914</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 418,130</u></u>

STATEMENT OF ACTIVITIES - for the year ended June 30, 2004

Revenues and Support

Grant Revenue	\$ 1,588,736
Contract revenue	31,244
Interest Income	<u>2,452</u>
Total Revenues and Support	<u>1,622,432</u>

Expenses

Program Services	1,420,665
Management and General	<u>225,884</u>
Fundraising	<u>12,387</u>
Total Expenses	<u>1,658,936</u>
Increase (Decrease) in Unrestricted Net Assets	(36,504)
Net Assets at Beginning of Year	<u>292,396</u>
Net Assets at End of Year	<u><u>\$ 255,892</u></u>

Johnson ▲ Block
AND COMPANY, INC.

Certified Public Accountants



Our top priority is your bottom line.

Millard W. Johnson ▲ James L. Block ▲ Alan L. Brey ▲ Joseph G. Mohlmann

TERRA INSTITUTE, LTD.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2004

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unqualified
Internal control over financial reporting -	
Material weaknesses identified?	No
Reportable condition identified and not considered a material weakness?	No
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs –	
Material weakness identified?	No
Reportable condition identified and not considered a material weakness?	No
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-13 3	No
Identification of major program -	
<u>Federal Program Name</u>	<u>CFDA Number</u>
Land Markets Development Project	None
Dollar threshold used to distinguish between type A and type B programs	\$300,000
Auditee qualified as a low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

TERRA INSTITUTE, LTD. BOARD OF DIRECTORS

James Bockheim, Ph.D.
Regional Planner and Professor of Soil Science
University of WI – Madison

Lynn Burns
Chief Operations Officer
Terra Institute, Ltd.
Mt. Horeb, WI

William Chatterton
Legal Specialist and Attorney
Madison, WI

Carol Grant
Attorney and Certified Financial Planner
Minneapolis, MN

Brenda Haskins
Legal Specialist and Associate Researcher
Land Tenure Center
University of WI – Madison

Dean T. Massey
President
Legal Specialist and Economist
Madison, WI

J. David Stanfield, Ph.D.
Principal Founder
Land Tenure Specialist and Senior Scientist Emeritus
Land Tenure Center
University of WI – Madison

Bill Thiesenhusen, Ph.D.
Professor Emeritus of Agricultural and Applied Economics and Agricultural Journalism
University of WI – Madison

Michael Waidelich
Senior Planner – City of Madison
Madison, WI