

**CLENCH FRAUD TRUST**  
**Financial Statements**  
**Year Ended December 31, 2009**

**CLENCH FRAUD TRUST**  
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**Year Ended December 31, 2009**

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AUDITORS' REPORT

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To the Members of Clench Fraud Trust

We have audited the statement of financial position of Clench Fraud Trust as at December 31, 2009 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*MacNeill Edmundson*

London, Ontario  
March 2, 2010

PROFESSIONAL CORPORATION  
CHARTERED ACCOUNTANTS  
Authorized to practice public accounting by  
the Institute of Chartered Accountants of Ontario

**CLENCH FRAUD TRUST**  
**Statement of Financial Position**  
**December 31, 2009**

	2009	2008
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash - Members <i>(Note 4)</i>	\$ 100,880	\$ 74,767
Cash - Minors <i>(Note 4)</i>	26,888	14,344
Marketable securities - Minors <i>(Note 4)</i>	821,891	827,554
Marketable securities - Members <i>(Note 4)</i>	11,376,783	10,610,299
Accounts receivable	6,800	6,800
	<b>\$ 12,333,242</b>	<b>\$ 11,533,764</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable	\$ 24,580	\$ 20,981
Due to related parties <i>(Note 6)</i>	842,468	644,585
	867,048	665,566
DUE TO MEMBERS <i>(Note 5)</i>	330,000	331,500
DUE TO MINORS <i>(Note 5)</i>	782,894	810,217
	1,979,942	1,807,283
 <b>NET ASSETS</b>		
Capital fund	11,412,338	11,412,338
Revenue fund	(1,059,038)	(1,685,857)
	10,353,300	9,726,481
	<b>\$ 12,333,242</b>	<b>\$ 11,533,764</b>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ *Trustee*

\_\_\_\_\_ *Trustee*

**CLENCH FRAUD TRUST**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2009**

	Capital Fund	Revenue Fund	<b>2009</b>	2008
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 11,412,338	\$ (1,685,857)	<b>\$ 9,726,481</b>	\$ 11,582,962
Excess of revenue over expenses	-	626,819	<b>626,819</b>	(1,856,481)
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 11,412,338</b>	<b>\$ (1,059,038)</b>	<b>\$ 10,353,300</b>	<b>\$ 9,726,481</b>

**CLENCH FRAUD TRUST**  
**Statement of Revenues and Expenditures**  
**Year Ended December 31, 2009**

	2009	2008
<b>REVENUE</b>		
Interest income	\$ 231,358	\$ 551,128
Dividend income	145,787	61,462
Foreign income	26,606	19,426
Loss on disposal of investments	(597,764)	(836,462)
	<u>(194,013)</u>	<u>(204,446)</u>
<b>EXPENSES</b>		
Investment management fees	69,743	78,609
Honorarium and travel	35,052	46,063
Salaries and wages	14,215	35,341
Accounting fees	8,744	16,077
Sub-contracts	8,250	-
Office supplies	5,420	4,512
Training	4,570	1,825
Meetings	1,850	4,393
Office rental	1,112	1,112
Contingency	422	3,282
Legal fees	315	1,614
Interest and bank charges	104	518
Consulting fees	-	4,650
Communications	-	4,242
	<u>149,797</u>	<u>202,238</u>
<b>DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<b>(343,810)</b>	<b>(406,684)</b>
<b>OTHER INCOME</b>		
Unrealized gains (losses) on investments	<u>1,253,353</u>	<u>(975,527)</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE TRUST DISTRIBUTIONS</b>	<b>909,543</b>	<b>(1,382,211)</b>
<b>TRUST DISTRIBUTIONS</b>	<u>282,724</u>	<u>474,270</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ 626,819</b>	<b>\$ (1,856,481)</b>

**CLENCH FRAUD TRUST**  
**Statement of Cash Flows**  
**Year Ended December 31, 2009**

	2009	2008
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ 626,819	\$ (1,856,481)
Changes in non-cash working capital:		
Accounts payable	3,598	1,319
Prepaid expenses	-	1,326
Due to Members	-	(9,000)
Due to Minors	(28,822)	(152,459)
	(25,224)	(158,814)
Cash flow from (used by) operating activities	601,595	(2,015,295)
<b>INVESTING ACTIVITIES</b>		
Marketable securities - Members	(766,484)	1,547,765
Marketable securities - Minors	5,663	106,443
Cash flow from (used by) investing activities	(760,821)	1,654,208
<b>FINANCING ACTIVITY</b>		
Advances from related parties	197,883	223,271
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>38,657</b>	<b>(137,816)</b>
Cash - beginning of year	89,111	226,927
<b>CASH - END OF YEAR</b>	<b>\$ 127,768</b>	<b>\$ 89,111</b>
<b>CASH CONSISTS OF:</b>		
Cash - Members	\$ 100,880	\$ 74,767
Cash - Minors	26,888	14,344
	<b>\$ 127,768</b>	<b>\$ 89,111</b>

**CLENCH FRAUD TRUST**  
**Notes to Financial Statements**  
**Year Ended December 31, 2009**

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1. DESCRIPTION OF TRUST

The trust was created on November 26, 2004 with the purpose of receiving the settlement from the Government of Canada relating to the Clench Defalcation. The trust was created to benefit the members of the Chippewas of the Thames First Nation. Trust property is to be used to provide funding for benevolent purposes, to promote economic development and to assist in housing needs.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The trust follows accounting principals generally accepted in Canada in preparing its financial statements. The significant accounting policies that were used are as follows:

Fund accounting

The trust uses the restricted fund method to account for contributions, as such a Capital and Revenue fund have been created.

Capital Fund

The Capital fund is restricted, and was used to report the initial defalcation settlement, the legal fees paid relating to that settlement and the initial distribution payments made to the members of the Chippewas of the Thames First Nation. The Capital Fund is increased annually by 60% of the non-taxable capital gains which are attributable to the members.

Revenue Fund

The Revenue fund is unrestricted and it is used to report the investment income earned on the members portion of the settlement and the administrative expenses incurred by the trust. An annual distribution is recorded as payable (by form of a Memorandum of Understanding) to the Chippewas of the Thames First Nation to reduce the otherwise taxable income of the trust to Nil. 60% of the non-taxable capital gains are transferred to the Capital Fund. The remaining 40% is used to fund the future administrative expenses and other expenses deemed necessary by the trustees.

Revenue recognition

- a) Income from investments held is recognized when earned.

Investments

Short term investments are considered held-for-trading financial instruments and as such are recognized at their fair market value.

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**CLENCH FRAUD TRUST**  
**Notes to Financial Statements**  
**Year Ended December 31, 2009**

3. FINANCIAL INSTRUMENTS

The trust's financial instruments consist of cash, investments, accounts payable and accrued liabilities. The trust has significant investments in interest bearing securities and a change in the interest rates would produce a substantial change in the value of these investments. The fair value of these financial instruments approximate their carrying values at the financial statement date, unless otherwise noted.

4. MARKETABLE SECURITIES

**Members Investments**

	<u>2009</u>	<u>2008</u>
Investments	\$ 10,982,052	\$ 11,468,921
Unrealized gain (loss) on investments	<u>394,731</u>	<u>(858,622)</u>
Market value at December 31	11,376,783	10,610,299
Cash	<u>100,880</u>	<u>74,767</u>
Total value of cash and investments at December 31	<u>\$ 11,477,663</u>	<u>\$ 10,685,066</u>

**Minors Investments**

Investments	792,463	882,981
Unrealized gain (loss) on investments	<u>29,428</u>	<u>(55,427)</u>
Market value at December 31	821,891	827,554
Cash	<u>26,888</u>	<u>14,344</u>
Total value of cash and investments at December 31	<u>848,779</u>	<u>841,898</u>

**CLENCH FRAUD TRUST**  
**Notes to Financial Statements**  
**Year Ended December 31, 2009**

5. DISTRIBUTIONS PAYMENTS DUE TO MEMBERS AND MINORS

On February 28, 2005 the Trustee's of the Clench Fraud Trust approved a one-time payout to each member of the Chippewas of the Thames First Nation on the date the settlement was signed with the Government of Canada. Each member received \$1,500 if they were 18 years of age on November 26, 2004. All minors will receive their payout plus accrued interest on their 18th birthday and once high school graduation is confirmed. If at age 21 high school graduation has not been achieved, the distribution will then be made. As at December 31, 2009, 220 members and 530 minors (2008 - 221 members and 566 minors) had not yet received their distribution.

	<b>2009</b>	<b>2008</b>
<b>DUE TO MEMBERS</b>		
Opening balance	\$ 331,500	\$ 340,500
Distribution payments made	(1,500)	(9,000)
	<b>\$ 330,000</b>	<b>\$ 331,500</b>
 <b>DUE TO MINORS</b>		
Opening balance	\$ 810,217	\$ 962,676
Distribution payments made	(54,000)	(54,000)
Interest paid on distribution payments	(8,711)	(6,545)
Investment income (loss) on investments	32,177	35,229
Unrealized gain (loss) on investments	84,856	(60,677)
Gain (loss) on disposal of investments	(76,178)	(66,466)
Expenses related to Minors Trust	(5,467)	-
	<b>\$ 782,894</b>	<b>\$ 810,217</b>

**CLENCH FRAUD TRUST**  
**Notes to Financial Statements**  
**Year Ended December 31, 2009**

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6. DUE TO RELATED PARTIES

	<u>2009</u>	<u>2008</u>
Opening balance	\$ 644,585	\$ 421,315
Trust distributions declared - Members	282,724	474,270
Trust distribution payments (note 7)	<u>(84,841)</u>	<u>(251,000)</u>
	<u>\$ 842,468</u>	<u>\$ 644,585</u>

Legal fees relating to the settlement of the Clench Defalcation were paid by the Chippewas of the Thames First Nation with funds advanced from the Government of Canada. These loan amounts reduced the net settlement received by the Clench Fraud Trust and were therefore recorded as an expense of the trust in 2004.

The trust declares distributions each year to the Chippewas of the Thames First Nation to reduce the trust's taxable income to Nil. The trust records payments of funds to beneficiaries as distributions of the income declared as payable to the Chippewas of the Thames First Nation.

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**CLENCH FRAUD TRUST**  
**Notes to Financial Statements**  
**Year Ended December 31, 2009**

7. TRUST DISTRIBUTION PAYMENTS

	2009	2008
<b>Benevolent purposes</b>		
Christmas giveaway	\$ 84,841	\$ 81,000
Naig Committee	-	16,935
Recreation committee	-	15,000
Tri-Township Arena	-	6,211
Competition POW-WOW	-	5,000
Chippewa 4-H club	-	3,400
Traditional Gathering	-	2,250
Chippewa Chiefs Fastball	-	620
<b>Economic development</b>		
Antler River Associates	-	21,000
Antler River Trading Post	-	10,000
EDCOM Multimedia	-	11,500
<b>Housing assistance</b>		
Chippewas of the Thames	-	42,500
<b>Education</b>		
Language and cultural committee	-	15,684
Library resources	-	12,000
Chippewas education department	-	7,900
	<b>\$ 84,841</b>	<b>\$ 251,000</b>

The above payments have been made to support the Chippewas of the Thames First Nation.