

Charity registration number: 1149502

Company Registration number: 07832735

## China Next Foundation

(A registered charity and a company limited by guarantee)

Trustee Report and Consolidated Financial Statements for the Year Ended

31 March 2021

# Reference and Administrative Details

Charity name	China Next Foundation
Charity registration number	1149502
Company registration number	07832735
Registered office (London)	7 Bell Yard, London, WC2A 2JR
Trustees	LIAO, Leo Liyuan WU, Yabing ZHU, Jie

# TRUSTEES REPORT

The Trustees (For the Charities Act 2011) present their report and Consolidated Financial Statements for the year ended 31 March 2021.

## Trustees

The Board of Trustees consists of up to 10 members in the UK but vacancies are permissible. Power to appoint new or additional Trustees is vested in the existing Board. The Trustees have no term limits but must stand for re-election at the end of the financial year or mandatorily resign.

The following Trustees served throughout the year until the financial year ended 31<sup>st</sup> March 2021.

Mr LIAO, Leo Liyuan \*

The following Trustees were appointed during and immediately after the financial year ended.

Ms WU, Yabing (Appointed 1 Feb 2021)

Ms ZHU, Jie (Appointed 1 April 2021)

Mr GUO, Jun (Appointed 6 September 2021)

*\*Following regulatory advice on charity governance, all non-UK based directors who sat on the board in FY2020 have resigned from the UK board at the start of this financial year. Those include Mr XU, Benling, Mr ZHANG, Heqing and MR LI, Sean. The Board consists of UK-based directors only since FY2021.*

## Charity Status

The Foundation has been registered with the Charity Commission of England and Wales (No. 1149502) since October 2012 and is a company limited by guarantee registered in England (No. 07832735).

The Foundation's China programmes had been run by our affiliated charitable institution, Shanghai ChinaNext Foundation (CNF Shanghai, 上海明日公益事业发展中心) which was under the same management control of the Foundation until FY2021. CNF Shanghai is registered as a Private Non-Company Institute (民办非企业单位, No. 52310000MJ492519XW), the legal form for non-profit organizations in China, at Shanghai Civil Affairs Bureau (上海市民政局) since February 2016.

When the two institutions were under the same management control from FY2014 to FY2020, we combined their financial results for reporting purposes.

After the financial year ended on 31<sup>st</sup> March 2020, however, following updated government guidance and the board decision, we have decided to separate their operations and put them under separate management. Consequentially, all non-UK based trustees had resigned from the board at the start of this financial year, leaving the Foundation a UK-focused charitable organization running UK-based activities since FY2021.

## Constitution and objects

The Foundation is constituted by the Founders' Resolution and its objects are to promote for the public benefit the efficiency and effectiveness of charities and not-for-profit institutions in China to relieve poverty, financial hardship, or other social or economic disadvantages.

In furtherance of this, the Foundation will foster the development of modern citizenship awareness among the next generation of Chinese people, by training and education, and by empowering and enabling young people to participate in community services and voluntary work.

We put our objects simply as: supporting civil society in China. We believe young NGO leaders are the only viable civil society leaders in the country, hence supporting them is the right thing to do.

The Trustees are responsible for the day to day administration of the Foundation.

In planning the activities for the year the Trustees kept in mind the Charity Commission guidance on public benefit at the Board meetings.

## Development and achievements

### **Institutional Development**

To achieve our stated objectives and missions, all the Foundation has done to date is helping NGO leaders of our choice in China. The Foundation was registered with the Charity Commission of England in October 2012 and has been active since.

We started the Foundation by providing financial sponsorship, from the UK, to selected young NGO leaders (NextFellow) in China. The sponsorship programme was our principal activity from the Foundation's start to 2016. We collaborated with China Youth Development Foundation (中国青少年发展基金会) to run the *NextFellow Fund* for this programme.

On 9<sup>th</sup> June 2015, the Trustees of the Foundation resolved to register Shanghai ChinaNext Foundation (CNF Shanghai, 上海明日公益事业发展中心) as our local presence to carry out the Foundation's work in China. On 22<sup>nd</sup> February 2016, the Shanghai Civil Affairs Bureau approved the new institution. Despite being a standalone institution legally in its own right, CNF Shanghai was overseen by the identical board of Trustees of the Foundation and staffed by the same team. For these reasons, from then on to FY2020, CNF Shanghai was run as our China office with its finances combined in this reporting.

In 2016, The Broad of trustees decided that instead of providing financial sponsorship, we should provide more direct managerial supervision to a smaller audience of more carefully chosen NGO leaders. That's the *NextLeader* programme we ran through CNF Shanghai until FY2021.

From 2017, as our *NextLeader* programme continued to gain traction, many NextLeaders decided to join CNF Shanghai together with their projects to receive better management supervision. Those activities turned our sponsees in effect employees of CNF Shanghai and their projects legally CNF programmes. So we combined their financial results into our own during FY2017-FY2020.

While this arrangement was effective in maintaining international standards in terms of accountability and transparency in the charitable projects we supported, we incurred risks to the management of our institution in the process. In 2019, regularity bodies both in China and in the UK expressed their concerns about how the operations of the NextLeaders and

that of ourselves are combined, and how our China-based operations and our UK-based operations were intertwined.

To provide clearer insights to the regulators and the public, the board resolved to separate them. We decided to separate the operations of the NextLeaders we support from that of CNF Shanghai, and further separate the operations of CNF Shanghai from that of this Foundation. Consequently, all non-UK based trustees resigned from the board of the Foundation at the start of FY2021. For FY2021, the Foundation and CNF Shanghai have not been under the same management control, hence their accounts are no longer combined in this report.

The Foundation and CNF Shanghai will continue to work together as equal partners toward a common goal. But their day to day operations, management and board will be separated. Following this change, the Foundation has become solely UK-based and concentrates on UK-based training and exchange activities. We believe this structure provides better oversight to both institutions.

### **Operational review**

Like what happened in other charities, the COVID pandemic put a complete halt to all of NextLeader’s charitable operations and all of our operations in both China and the UK in this financial year. We could not operate in any way except for maintaining the basic structures of the Foundation. But we anticipate a strong comeback if and when the Pandemic is over and international exchanges resume.

We continue to believe that supporting civil society leaders in China is the best cost-effective strategy to achieve our stated mission, but we have been monitoring and reviewing the practical elements constantly.

We constantly review if we have the right strategies to achieve this goal. In our strategic view carried out in FY2017, the board identified four areas that require maintenance to a high standard. We confirm that these strategic focuses remain in space.

Since this financial year, the main activities of the Foundation have shifted to provide only UK-based training, exchange and international participation for the selected NGO leaders. We will facilitate the exchange between UK and Chinese NGO leaders, present Chinese NGO leaders to the wider society and the international community, hence manifesting the NGO work in China and the young leaders behind them. The Trustees are set to serve as bridges between the NGOs and the public, the Chinese NGOs and the international community, and between effective modern NGO leaders themselves.

At the end of FY2021, we represent a total of 9 promising NGO leaders on our support list:

<b>Time of signing up</b>	<b>Project Name</b>	<b>Next Leader</b>	<b>Agenda</b>	<b>Status</b>
January 2017	Wakey Wakey	Xiupei LI	Narcolepsy support	Temporarily paused
July 2017	Youth Spotlight	Emily YUE	Education for Left-behind children	Normal, the Silver Award of Best Charity project 2017
September 2017	Voice Changer	Xintong DU	Voice correction	Normal, the Gold award of Best Charity project 2018
January 2018	Better Blue	Miao WANG	Oceanic environment protection	The leader was selected as UN Young Champions of Earth

July 2018	Be Happy	Krystal YU	Gender equality and family support	New project, SAP's annual social innovation gold reward
December 2018	Character Lab	Boya Yang	Character building for teenagers	New project
July 2019	Nature Epic	Chuanhui ZHU	Environment Protection	New project. The leader was selected as UN Young Champions of Earth
June 2020	Forget Me Not	Sandy LI	Dementia support	Approved and active
August 2020	President X	Xi LIU	Youth Education	Approved and active

On the institutional level, we also maintained compliance with the law and with the government. There was no report of disciplinary action by either the Charity Commission of England or authorities in China.

### **Funding and Responsibilities**

The Foundation received most of its donations in the UK from the general public. At the end of the financial year, the HQs employed one full-time staff.

We received the UK government's Bounce Back Loan and received funding in the form of furlough pay during the financial year. The majority of the Bounce Back Loan is payable in 10 years and has been deposited to liquid investments managed by the Board.

Looking forward, a key direction of the Foundation's development is to provide UK-based training, exchange and international participation for the selected NGO leaders from China. We will derive our income from a mixture of general donations, income from exchange activities and UK government funding.

## Investment Powers

The Articles of Association authorizes the Trustees to make and hold Investment deposits using the general funds of the Foundation.

The Foundation held liquid Investments at the end of the Financial Year. The investments were liquid investments into the UK and US-listed shares and funds with a fair value of £53,618 (FY2020: £7,000) at the end of the year.

## Financial review

Details of the application of the Foundation's funds are shown in the Statement of Financial Activities.

The Foundation's assets are held to apply the Foundation Fund and Income thereof for the purposes as specified in the Founders' Resolution dated 1 July 2012 and the Board of Trustees consider that the financial position of the foundation at 31 March 2018 to be satisfactory.

## Reserves Policy

It is the policy of the Foundation to retain adequate liquid resources to meet at least six months' running costs.

## Risk Review

The Trustees have examined the major strategic and operational risks which the Foundation faces. These are kept under review at regular Board meetings at which appropriate reports are presented to keep such risks to the minimum.

## Statement of Trustees' responsibilities

The Trustees are required under the Charities Act 2011 to prepare Financial Statements for each financial year which give a true and fair view of the Foundation's financial activities during the year and of its financial position at the end of the year. In preparing Financial Statements giving a true and fair view, the Trustees should follow the best practice and:

- Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Foundation will continue in operation.
- The Trustees are responsible for keeping accounting records that disclose with reasonable accuracy at any time the financial position of the Foundation and which enable them to ensure that the Financial Statements comply with applicable law and regulations. They are also responsible for safeguarding the assets of the Foundation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Small company provisions

This report has been prepared under the small companies' regime under the Companies Act 2006.

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31  
March 2019

Profit & Loss Account (inc. pro forma FY2020)

<b><i>Income Resources GBP £</i></b>			
		<b>FY2021</b>	<b>FY2020 (UK)</b>
<b>3</b>	Donations (inc. gift aid)	15,389	16,651
<b>3</b>	Government grants	721	0
	<b>Total</b>	<b>16,109</b>	<b>16,651</b>
<b><i>Charitable Costs GBP £</i></b>			
		<b>FY2021</b>	<b>FY2020 (UK)</b>
<b>4</b>	Direct costs	16,087	11,520
	<b>Total</b>	<b>16,087</b>	<b>11,520</b>
<b><i>Expenses GBP £</i></b>			
		<b>FY2021</b>	<b>FY2020 (UK)</b>
<b>4</b>	Rent	107	133
<b>4</b>	Office expenses	2,571	1,879
	<b>Total</b>	<b>2,678</b>	<b>2,012</b>
	<b>Net Surplus (Loss)</b>	<b>(2,657)</b>	<b>3,120</b>



## Balance Sheet (inc. pro forma FY2020)

<b>Assets GBP £</b>			
		FY2021	FY2020 (UK)
<b>5</b>	Cash	608	1,785
<b>5</b>	Investment deposits	53,638	7,000
<b>6</b>	Fixed Assets	1,575	-
	VAT to be repaid	1,161	-
	<b>Total Assets:</b>	<b>56,981</b>	<b>8,785</b>
<b>Liabilities GBP £</b>			
<b>7</b>	Long Term Loan	50,000	-
<b>7</b>	Directors' Loan	853	-
	<b>Total Liabilities:</b>	<b>50,854</b>	<b>-</b>
	<b>Assets - Liabilities</b>	<b>6,128</b>	<b>8,785</b>
<b>Reserves GBP £</b>			
<b>10</b>	Reserve Capital	-	-
	Profit & Loss Account	6,128	8,785
	<b>Total Capital:</b>	<b>6,128</b>	<b>8,785</b>

## Cash Flow Statement

<b>Cashflow from Operations GBP£</b>		
Donations	14,150	
Govt grants	721	
Gift Aid	1,240	
Paid to staff	(16,087)	
Operating Expenses	(3,021)	
<b>Total CFO</b>	<b>(2,997)</b>	
<b>Cashflow from Investments GBP£</b>		
Equipment	(1,190)	
VAT refunded	485	
Reduction in Investments	1,210	
Increase in Investments	(48,681)	
<b>Total CFI</b>	<b>(48,176)</b>	
<b>Cash flow from Financing GBP£</b>		
<b>Bounce Back Loan</b>	<b>50,000</b>	
<b>Total CFF</b>	<b>2529</b>	
<b>Net change in cash</b>	<b>(1174)</b>	

## Notes to the financial statements

The notes on pages 11 to 17 form an integral part of these financial statements.

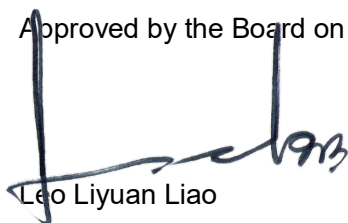
For the Financial Year ended 31 March 2021, the Foundation (the UK operations) was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The Trustees have not required the Foundation (the UK operations in this FR) to obtain an audit of its consolidated accounts for the year in question per section 476.

The Trustees acknowledge their responsibilities for complying with the requirements of the Act concerning accounting records and the preparation of accounts. The Trustees also acknowledge their responsibilities for complying with the requirements of China Charity Law and other relevant regulations with respect to governance, accounting records, and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Approved by the Board on 4 November 2021 and signed on its behalf by:

A handwritten signature in blue ink, appearing to read 'Leo Liyuan Liao', is written over a rectangular box. The signature is stylized and includes the year '2021' at the end.

Leo Liyuan Liao

Chairman

## 1. Accounting Policies

### Basis of preparation

The Financial Statements have been prepared under the historical cost convention and following the Statement of Recommended Practice 'Accounting and Reporting by Charities (SORP 2005)', issued in March 2005, the Financial Reporting Standard for Smaller Entities (effective April 2008) and the Companies Act 2006.

## 2. Fund Accounting Policy

Unrestricted income funds are general funds that are available for use at the Trustees' discretion in furtherance of the objectives of the Foundation. Restricted funds are those donated for use in an area or specific purposes, the use of which is restricted to that area or purpose.

All other funds the Foundation received during the Financial Year ended 31 March 2021 are unrestricted.

### 3. Income Resources

Incomes are recognised where there is an entitlement, certainty of receipt and the amount can be measured with sufficient reliability. We account for them as and when there's reasonable assurance that the funds have been paid or promised.

For the Financial year ended March 2021, we received mainly donations from the UK public through charity sale websites including eBay, PayPal, Amazon, as well as community charity sales. In addition, we received UK government grants. Those funds are non-refundable hence are recognised as Income Resources.

#### 4. Expenditure on charitable activities and general expenses

Charitable expenditure comprises those costs incurred by the Foundation in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them. For the Financial year ended March 2021, those costs mainly include staff costs directly associated with the running of such charitable activities.

SG&A is Selling, General & Administrative Expense throughout the Financial Year including admin costs, office rentals, the costs of trustee meetings and the cost of any legal advice to trustees on governance or constitutional matters, costs of the preparation and examination of the statutory accounts, employee costs and subsistence costs paid to volunteers.

## 5. Cash and Investment

Account Receivable reflects the difference between when a donation has been pledged and when it is received. It also reflects staff advances. In this year, there are no staff advances.

Cash available to the Foundation in the UK is deposited in the primary bank accounts of the Foundation, held within Santander Bank in the UK.

The Articles of Association authorizes the Trustees to make and hold Investment deposits using the general funds of the Foundation.

The Foundation held liquid Investments at the end of the Financial Year. The investments were liquid investments into the UK and US-listed shares and funds with a fair value of £53,618 (FY2020: £7,000) at the end of the year.

## 6. Fixed Assets

The Fixed Assets owned by the Foundation are mainly working computers/laptops that are needed for normal operation. As the Foundation acquired two new laptops in this financial year, depreciation has not been charged to reflect the used portion of asset value.

## 7. Borrowing

The Foundation received a total of £50,000 (FY2020 nil) in the form of Bounce Back Loan from the UK government. The loan carries an interest rate of 2.5% p.a. with a one-year interest-free holiday. It is payable over ten years. No repayments were made, nor was interest accrued during the financial year.

Due to the change of bank account, a small proportion of charity expenditure is expended from the Director's account. These amounts were recorded here as Director's Loan. The loan is fully paid as and when our new bank account is up and running.

## 8. Taxes

The Foundation is a registered charity and is, therefore, exempt from taxation.

## 9. Payables

Grants payable are payments made to third parties in the furtherance of the charitable objectives. Where the Foundation gives a grant with conditions for its payment being a specific level of service or output to be provided, such grants are only recognised once the recipient of the grant has provided the specific service or output.

Grants payable without performance conditions are only recognised in the accounts when a commitment has been made and there are no conditions to be met relating to the grant which remain in the control of the Foundation.

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty about either the timing of the grant or the amount of grant payable.

Liabilities are recognised as soon as there is a legal or constructive obligation committing the Foundation to the expenditure. All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.



## 10. Members' liability

The Foundation is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £nil towards the assets of the Foundation in the event of a liquidation.

## 11. Related parties

The Foundation is controlled by the trustees who are all Trustees of the company. We work intensively with China Next Foundation (Shanghai) on an operational basis, but as the management and board are now separated and independent from each other we no longer classify China Next Foundation (Shanghai) as our related party.

## 12. Analysis of Reserves

On 1 April 2021, the Foundation has the following reserves.

	FY2021	FY2020
Cash & Equivalents	608	1,785
Investment Receivable	53,638	7,000
Fixed Assets inc. Properties	1,575	-
<b>Total Assets</b>	<b>56,981</b>	<b>8,785</b>
Total Liabilities	50,854	-
<b>Net Asset Value</b>	<b>6,128</b>	<b>8,785</b>

Contact:

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