

Charity registration number: 1149502

Company Registration number: 07832735



(A registered charity and a company limited by guarantee)

Trustee Report and Consolidated Financial Statements for the
Year Ended

March 2023

31 March 2023

Reference and Administrative Details

| | |
|-----------------------------|---|
| Charity name | China Next Foundation |
| Charity registration number | 1149502 |
| Company registration number | 07832735 |
| Registered office | 7 Bell Yard, London WC2A 2JR |
| Trustees | Leo Liyuan Liao Yabing Wu Jessie (Jie) Zhu Jun Guo |

TRUSTEES REPORT

The Trustees (For the Charities Act 2011) present their report and Consolidated Financial Statements for the year ended 31 March 2023.

TRUSTEES

The Board of Trustees consists of up to seven members in the UK but vacancies are permissible. The 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 on 31st March 2023.

Mr LIAO, Leo Liyuan (Chairman)

Ms WU, Yabing (Secretary)

Ms ZHU, Jie

Mr GUO, Jun

CHARITY STATUS

The Foundation was set up in November 2011 as a company limited by guarantee registered in England (No. 07832735). We are registered with and regulated by the Charity Commission of England and Wales (No. 1149502) since October 2012.

The Foundation's China programmes, when applicable, were run together through our partner, Shanghai ChinaNext Foundation (CNF Shanghai, 上海明日公益事业发展中心). CNF Shanghai is a locally registered Private Non-Company Institute (民办非企业单位, No. 52310000MJ492519XW, the legal form for non-profit organisations in China). CNF Shanghai was managed as a consolidated entity until FY2020 but has been separately formally with a distinct board of directors and management since then. Our Trustees do, however, continue to provide managerial support and financial support where appropriate.

The Trustees are satisfied with the ongoing partnership while do not rule out forming more partnerships with other Chinese charities.

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, through 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, for the future, for all.***

To advance this cause, the Foundation had focused on training and supporting local young NGO leaders as the best, if not the only viable avenue. We had employed multiple

strategies and adopted different structures to best achieve this goal. At the moment, however, amid a tightened political environment for NGOs with international backgrounds, the Foundation has shifted its focus back to the UK, working with young people in the thriving Chinese community here, while facilitating exchanges between civil societies between these countries.

Our objective and causes remain unchanged.

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

History of Institutional Development

Throughout our history since its founding in 2012, the Foundation employed multiple structures and strategies to achieve our stated objectives and missions.

We started our activities by providing direct financial sponsorship to selected young NGO leaders (*NextFellow*) in China, firstly from the UK until 2014, then through a partnership with China Youth Development Foundation (CYDF, 中国青少年发展基金会) to about 2016. In the second half of 2016, the Trustees of the Foundation set up Shanghai ChinaNext Foundation (CNF Shanghai) as our local presence; In 2017-2020, the Foundation shifted focus from financial sponsorship to non-financial support and incubating for social and NGO entrepreneurs (*NextLeaders*). We had controlled all aspects of CNF Shanghai and combined its results into our own. At the end of 2020, we separated the operations of CNF Shanghai from that of this Foundation but we remain supportive of the team within CNF Shanghai. From FY2023, we operate as a charity mainly in the UK, for the UK.

Operational review

In the years leading to 2023, the operations of CNF Shanghai have faced significant challenges due to the political situation in China. Activities of Chinese NGOs were heavily affected by persistent lockdowns, economic woes and an overarching sense of uncertainty regarding the country's trajectory. The sector dedicated to fostering "civil society," a core focus of the Foundation's mission, experienced a prolonged period of dormancy. In particular, voluntary activities that carry even a hint of "foreign influence" are exceptionally difficult, if not impossible to carry out by our affiliated NGO leaders, and there was the heightened scrutiny imposed by the Party in many aspects of normal life.

On the global stage, in the public discourse addressing some of humanity's most critical issues today — such as climate change, artificial intelligence, equal opportunity, progress, and poverty reduction — the voice of practitioners from China has been notably absent. China, in the context of the global non-profit landscape, seems to be perceived as a lost cause.

The current circumstances are worse than the challenges faced during the pandemic years, when NGOs and other charity groups, particularly those dedicated to mitigating the effects of lockdowns, experienced a surge in support. But this year saw numerous such local NGOs forced to stop working. We also witnessed well-established international NGOs shutting down their China offices and/or withdrawing international staff due to difficult situations in working in that country.

Despite these, fortunately, we count ourselves as one who can manage to maintain a level of influence there, partly attributed to our collaboration with our affiliated local institution. That allowed us to see encouraging signs. In the cruel locked-down city of Shanghai, Xi'an, and Urumqi, in the striking crowds of Foxconn's semi-military plants in Zhengzhou, we saw brave young men and women standing up to defend their rights. For the first time since perhaps the foundation of the PRC, pioneering demonstrators have pointed to the heart of many of China's problems: *a strong tendency to allow a strong man to impose his will, unchecked, on the whole population.*

We think this is a disaster but we do appreciate the value of patience. Our core activities throughout these periods hence concentrate on preserving the "seed" while waiting for the spring. In this financial year, we limited our activities to support the core team of CNF Shanghai, with training, team building, research and development. We did this in the hope that when the zero covid policy inevitably comes to an end, the civil society sector in China will flourish again.

We have, moreover, established new working relationships right here in the ever-thriving

Chinese community in the UK. In addition to supporting cultural and exchange programmes, we are especially supporting young people who participate in the discussion of community issues, through which we count more than enough rising young stars of the future. The seeds of a better next China may lie right here in the UK, where the Trustees have decided to reallocate more of our time and resources.

Looking forward, we continue to believe that supporting civil society leaders in China is the best cost-effective strategy to achieve our stated mission. But we constantly review if we have the right strategies to achieve this goal.

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.

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 £44,602 (FY2022: £53,638) 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 the financial position of the Foundation on 31 March 2023 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 that 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:

- 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 laws 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 202

For the Financial Year ended 31 March 2023, the Foundation (the UK operations) was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

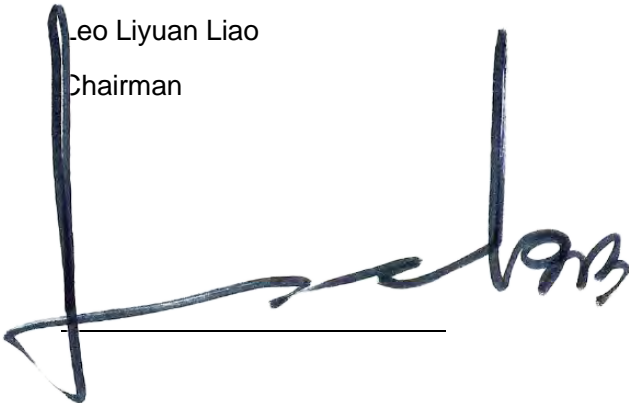
The Trustees have not required the Foundation (the UK operations in this FR) to obtain an audit of its consolidated accounts for the year in question per section 476.

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 concerning governance, accounting records, and the preparation of accounts.

These accounts have been prepared under 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 2022 and signed on its behalf by:

Leo Liyuan Liao
Chairman

A handwritten signature in dark ink, appearing to be 'Leo Liyuan Liao', written over a horizontal line. The signature is stylized and includes the year '2023' at the end.

Balance Sheet (inc. Pro-forma FY2020)

| Assets GBP £ | | | | |
|--------------------------|-----------------------------|---------------|---------------|---------------|
| | | FY2023 | FY2022 | FY2021 |
| 5 | Cash | 9,908 | 7,174 | 1,461 |
| 5 | Investment deposits | 44,603 | 53,638 | 53,618 |
| 6 | Fixed Assets | 3,372 | 1,593 | 1,575 |
| | Others | - | - | 327 |
| | Total Assets: | 57,882 | 62,405 | 56,981 |
| | | | | |
| Liabilities GBP £ | | | | |
| 7 | Long Term Loan | 37,479 | 44,878 | 50,000 |
| | Wages and NI owed | 8,802 | 5,051 | - |
| | Others | 5,922 | 578 | 853 |
| | Total Liabilities: | 52,203 | 50,507 | 50,854 |
| | Assets - Liabilities | 5,678 | 11,898 | 6,128 |
| | | | | |
| Reserves GBP £ | | | | |
| 10 | Reserve Capital | | | - |
| | Profit & Loss Account | 5,678 | 11,898 | 6,128 |
| | Total Capital: | 5,678 | 11,898 | 6,128 |

Profit & Loss Account (inc. Pro-forma FY2020)

| Income Resources GBP £ | | | | | |
|-------------------------------|---------------------------|---------------|---------------|----------------|--------------------|
| | | FY2023 | FY2022 | FY2021 | FY2020 (UK) |
| 3 | Donations (inc. gift aid) | 79,611 | 23,184 | 15,389 | 16,651 |
| 3 | Government grants | - | 7,059 | 721 | 0 |
| | Total | 79,611 | 30,243 | 16,109 | 16,651 |
| | | | | | |
| Charitable Costs GBP £ | | | | | |
| | | FY2023 | FY2022 | FY2021 | FY2020 (UK) |
| 4 | Charitable Activities | 48,955 | 3,507 | 16,087 | 11,520 |
| | Total | 48,955 | 3,507 | 16,087 | 11,520 |
| | | | | | |
| Expenses GBP £ | | | | | |
| | | FY2023 | FY2022 | FY2021 | FY2020 (UK) |
| | Personnel costs | 17,470 | 16,277 | - | - |
| 5 | Rent | 6,931 | 233 | 107 | 133 |
| 5 | Other expenses | 5,856 | 259 | 2,571 | 1,879 |
| | Total | 31,257 | 16,780 | 2,678 | 2,012 |
| | Net Surplus (Loss) | (602) | 9,956 | (2,657) | 3,120 |

Cash Flow Statement

Cash Flow Report
from 01/04/2022 to 31/03/2023

Money In

| | Apr 22 | May 22 | Jun 22 | Jul 22 | Aug 22 | Sep 22 | Oct 22 | Nov 22 | Dec 22 | Jan 23 | Feb 23 | Mar 23 | Total |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| VAT owed to HMRC | - | 37 | - | 635 | - | - | - | - | - | 155 | 921 | - | 1,748 |
| Donations | 7,006 | 7,207 | 2,017 | 10,576 | 8 | 2,317 | 5,000 | 11,597 | 10,579 | 1,967 | - | 7,710 | 65,984 |
| Investments | - | - | - | - | - | - | - | - | - | 3,400 | - | - | 3,400 |
| Gift Aid | 3,994 | 1,752 | 3,750 | 1,818 | - | - | - | - | - | - | 6,177 | - | 17,491 |
| Sub-Contractors | - | - | - | - | - | - | - | - | - | - | - | 1,000 | 1,000 |
| Leo Liyuan Liao Director's Loan Account | - | 5,000 | - | - | - | - | - | - | - | - | - | - | 5,000 |
| Equipment | - | - | 260 | - | - | - | - | - | - | - | - | - | 260 |
| Total | 11,000 | 13,996 | 6,027 | 13,029 | 8 | 2,317 | 5,000 | 11,597 | 10,579 | 5,522 | 7,098 | 8,710 | 94,883 |

Money Out

| | Apr 22 | May 22 | Jun 22 | Jul 22 | Aug 22 | Sep 22 | Oct 22 | Nov 22 | Dec 22 | Jan 23 | Feb 23 | Mar 23 | Total |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Rent | 207 | - | 1,800 | - | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 6,807 |
| Telephone Costs | - | - | - | - | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 120 |
| Website & Software Costs | 59 | 18 | 18 | 18 | 36 | 37 | 62 | 61 | 19 | 18 | 16 | 21 | 383 |
| Loan | 1,138 | 569 | - | 569 | 1,138 | 569 | 569 | 569 | 569 | 569 | 569 | 569 | 7,397 |
| Donations | - | - | - | - | - | - | - | - | - | - | 3,864 | - | 3,864 |
| Credit card/Paypal fees | - | - | - | 18 | 143 | 79 | 56 | 110 | - | 147 | 121 | 54 | 728 |
| Sub-Contractors | 7,000 | 11,500 | - | 8,000 | - | - | - | 14,500 | 6,900 | - | 1,000 | - | 48,900 |
| Wages owed to employees | 413 | 829 | 450 | - | 900 | 1,200 | 675 | 675 | 640 | - | 100 | - | 5,882 |
| Directors Salary | - | - | 2,130 | - | - | - | - | - | - | - | - | 100 | 2,230 |

NOTES TO THE FINANCIAL STATEMENT

The notes on pages 11 to 15 form an integral part of these financial statements.

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 purpose, the use of which is restricted to that area or purpose.

All other funds the Foundation received during the Financial Year ended 31 March 2023 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 that ended March 2023, we received mainly donations from the UK public through private donations, charity sale websites including eBay, PayPal, and Amazon, as well as community charity sales. Those funds are non-refundable and hence are recognised as Income Resources.

The Table below illustrates the donations and gift aid we received this year.

| | £ |
|--------------------|------------------|
| Sales | |
| Donations | 62,120.94 |
| Gift Aid | 17,489.94 |
| Total Sales | <u>79,610.88</u> |

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 ending March 2023, those costs mainly include staff costs directly associated with the running of such charitable activities, including the financial aid we gave to CNF Shanghai.

Other expenses throughout the Financial Year include 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.

A full breakdown of our expenses are as follows:

| Direct Costs | £ |
|-----------------------|----------|
| Charitable Activities | 47,900 |
| Donor relations | 1,055 |
| Total | 48,955 |

| Expenses | £ |
|---------------------------|----------|
| Personnel Costs | 17,470 |
| Travel and Subsistence | 1,232 |
| Rent | 6,932 |
| Legal and office expenses | 6,856 |
| Total: | 31,257 |

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. 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 with Starling 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 £44,603 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. Depreciation has been charged to the asset value to reflect the usage.

7. Borrowing

The Foundation received a total of £50,000 in FY2021 in the form of a 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. Monthly repayments were made throughout this financial year, reducing the amount outstanding to £37,479. We also incurred a payable of £5,483 to the director's loan accounts due to out-of-pocket expenses.

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 accrual 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 2022, the Foundation has the following reserves.

| | FY2023 | FY2022 | FY2021 |
|-----------------------|--------|--------|--------|
| Cash & Equivalents | 9,908 | 7,174 | 1,461 |
| Investment Receivable | 44,602 | 53,638 | 53,618 |
| Fixed Assets | 3,371 | 1,593 | 1,575 |
| Total Assets | 57,882 | 62,405 | 56,981 |
| Total Liabilities | 52,203 | 50,507 | 50,854 |
| Net Asset Value | 5,678 | 11,898 | 6,128 |
| Reserve Capital | | | - |
| Profit & Loss Account | 5,678 | 11,898 | 6,128 |
| Total Capital: | 5,678 | 11,898 | 6,128 |

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