

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

2022

31 March 2022

Reference and Administrative Details

Charity name	China Next Foundation
Charity registration number	1149502
Company registration number	07832735
Registered office	2 St David's House, 15 Worple Way, Richmond, TW10 6DG
Trustees	LIAO, Leo WU, Yabing GUO, Jun ZHU, Jie

TRUSTEES REPORT

The Trustees (For the Charities Act 2011) present their report and Consolidated Financial Statements for the year ended 31 March 2022.

TRUSTEES

The Board of Trustees consists of up to 10 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 2022.

Mr LIAO, Leo Liyuan (Chairman)

Ms WU, Yabing (Secretary)

Ms ZHU, Jie

Mr GUO, Jun

**All non-UK-based directors who sat on the board until FY2020 have resigned from the UK board at the start of FY2021. The Board only consists of UK-based directors since FY2021.*

CHARITY STATUS

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

The Foundation's China programmes have 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 is registered as a Private Non-Company Institute (民办非企业单位, No. 52310000MJ492519XW), the legal form for non-profit organisations in China, at Shanghai Civil Affairs Bureau (上海市民政局). CNF Shanghai was managed as a consolidated entity with the Foundation until 2020 but was separated in March 2020.

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.** We believe that young NGO leaders are the only viable civil society leaders in the country,

hence supporting them remains the only viable avenue to our objectives.

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

The Foundation took an agile structure to achieve our stated objectives and missions,

We are, first of all, a UK-registered charity at the Charity Commission of England since October 2012.

We started our activities by providing financial sponsorship, directly from the UK, to selected young NGO leaders (*NextFellow*) in China until about 2014.

In 2014, we formed a partnership with China Youth Development Foundation (CYDF, 中国青少年发展基金会) to run an onshore *NextFellow Fund*, under a joint committee consisting of representatives from the Foundation and CYDF. We transferred funds raised in the UK to this fund and sponsored *NextFellows* from the Fund.

On 9th 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 22nd 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 the reports of this Foundation.

In 2016, The Board 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 FY2020.

In 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 beneficiaries 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 the charitable projects we supported, we incurred risks to the management of the Foundation. In 2019, regulatory bodies both in China and in the UK expressed their concerns about how the operations of the *NextLeaders* and 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 separated the operations of the *NextLeaders* we support from that of CNF Shanghai and further separated 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. As the Foundation and CNF Shanghai have not been under the same management control since FY2021, 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

In the financial year, our operations remain heavily affected by the zero-covid policy the Chinese government pursued. Much has been said about the public health considerations, domestic politics, geopolitics and the general direction China is taking, but the fact relevant to us is the presence of unprecedented headwinds faced by China's civil society groups—namely the complete stop of activities of everyone. It is as if the whole country has stopped working to wait for the newly installed supreme leader to make up his mind. In a year like 2022 when one expects such values as liberty and freedom to prevail, this development in the world's most populous country is sad and worrying.

Amid this backdrop, however, we remain one of the few institutions to have levers to pull to support whatever is left for China's NGOs. Thanks to our agile institutional structure, we remain one of the few international NGOs that still can operate in mainland China, albeit having to reduce to the bare minimum. We see very brave young men and women standing up to the societal "wind" with an apparent intention to blow China back to the dark ages, when a single emperor in Beijing relished his power by pushing through his wants, likes, thoughts and personal preferences to all of the Chinese people through his strictly pyramidal hierarchy. There was but one man in the whole country who mattered. Everyone else was "*nucai*", or slaves, albeit in different forms or shapes.

We stand firmly with the brave young men and women who stand in his way. We refuse to subscribe to the idea that somehow the Chinese people collectively chose this, and that this fate is somehow part of the nation's genes. The Chinese are not inferior to the rest of the human race; they ARE us. Their fate, thus, is our fate.

We do, nonetheless, 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, for example, 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.

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 £53,638 (FY2022: £53,618) 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 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 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 2022, 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.

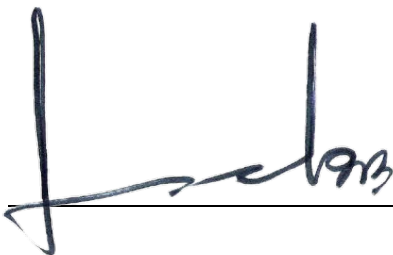
The Trustees acknowledge their responsibilities for complying with the requirements of the Act concerning accounting records and the preparation of accounts. The Trustees also acknowledge their responsibilities for complying with the requirements of China Charity Law and other relevant regulations concerning 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 blue ink, appearing to read 'Leo Liao', is written over a horizontal line.

Balance Sheet (inc. Pro-forma FY2020)

Assets GBP £				
		FY2022	FY2021	FY2020 (UK)
5	Cash	7,174	1,461	1,785
5	Investment deposits	53,638	53,618	7,000
6	Fixed Assets	1,593	1,575	-
	Others	-	327	-
	Total Assets:	62,405	56,981	8,785
Liabilities GBP £				
7	Long Term Loan	44,878	50,000	-
	Wages and NI owed	5,051	-	-
	Others	578	853	
	Total Liabilities:	50,507	50,854	-
	Assets - Liabilities	11,898	6,128	8,785
Reserves GBP £				
10	Reserve Capital		-	-
	Profit & Loss Account	11,898	6,128	8,785
	Total Capital:	11,898	6,128	8,785

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

<i>Income Resources GBP £</i>				
		FY2022	FY2021	FY2020 (UK)
3	Donations (inc. gift aid)	23,184	15,389	16,651
3	Government grants	7,059	721	0
	Total	30,243	16,109	16,651
<i>Charitable Costs GBP £</i>				
		FY2022	FY2021	FY2020 (UK)
4	Direct costs	3,507	16,087	11,520
	Total	3,507	16,087	11,520
<i>Expenses GBP £</i>				
		FY2022	FY2021	FY2020 (UK)
	Wages	16,277	-	-
4	Rent	233	107	133
4	Office expenses	259	2,571	1,879
	Total	16,780	2,678	2,012
	Net Surplus (Loss)	9,956	(2,657)	3,120

Cash Flow Statement

Cash Flow Report
from 01/04/2021 to 31/03/2022

Money In

	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Total
Donations	-	-	-	-	840	-	-	-	3,653	1,260	1,259	16,172	23,184
Gift Aid	-	-	-	-	-	-	-	-	-	-	1,215	351	1,566
Govt grants	760	608	703	608	703	608	1,503	-	-	-	-	-	5,493
VAT owed to HMRC	-	-	-	-	-	-	-	-	1,675	-	-	-	1,675
Total	760	608	134	-	43	39	934	-	192	667	-	-	3,377

Money Out

	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Total
Subscriptions	-	-	-	-	-	-	-	-	2	2	2	2	8
Website & Software Costs	-	-	-	-	-	-	-	-	-	18	17	17	52
Loan	-	-	569	569	-	569	569	569	569	569	569	569	5,121
office equipment	-	-	-	-	-	-	-	-	1	4	9	7	21
Wages owed to employees	-	-	-	-	-	-	-	-	4,564	-	2,057	8,016	14,637
Leo Liyuan Liao Director's Loan Account	-	-	-	-	-	-	-	-	-	-	-	7,595	7,595
Rent	-	-	-	-	-	-	-	-	-	-	-	60	60
Tax and NI owed to HMRC	-	-	-	-	-	-	-	-	-	-	-	776	776
Sub-Contractors	-	-	-	2,000	1,500	-	-	-	-	-	-	-	3,500
Total	-	-	-	1,961	-	-	-	569	-	-	181	520	3,231

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 2022 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 2022, 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. In addition, we received UK government grants. Those funds are non-refundable and 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 ending March 2022, those costs mainly include staff costs directly associated with the running of such charitable activities.

SG&A is Selling, General & Administrative Expenses 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. 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 £53,618 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 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.

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.

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.

	FY2022	FY2021	FY2021
Cash & Equivalents	7,174	1,461	1,785
Investment Receivable	53,638	53,618	7,000
Fixed Assets inc. Properties	1,593	1,575	-
Total Assets	62,405	56,981	8,785
Total Liabilities	50,507	50,854	-
Net Asset Value	11,898	6,128	8,785
Reserve Capital		-	-
Profit & Loss Account	11,898	6,128	8,785
Total Capital:	11,898	6,128	8,785

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