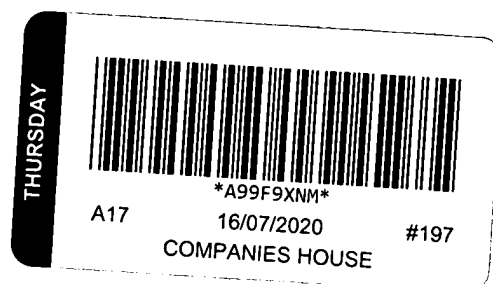


Registered Company No: 06451283

Registered Charity No: 1133206

Huo Family Foundation (UK) Limited

Annual report and financial statements for the year ended 31 December 2019



Huo Family Foundation (UK) Limited

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Huo Family Foundation (UK) Limited

Charity details

Directors and Trustees

Yan Huo
Xue Fang (Chairman)
Philip Michaels
Samuel Xun-Wei Lowe

Registered office

20 Old Bailey
London
EC4M 7AN

Independent auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Investment manager

Partners Capital LLP
5 Young Street
5th Floor
London W8 5EH

Bankers

Citibank, N.A.
41 Berkeley Square
London
W1J 5AN

J. P. Morgan
1 Knightsbridge
London
SW1X 7LX

Solicitors

Withers LLP
20 Old Bailey
London
EC4M 7AN

Status

Huo Family Foundation (UK) Limited is a private limited company, company number 06451283. It is registered in the United Kingdom as a charity, number 1133206.

Huo Family Foundation (UK) Limited

Trustees' annual report for the year ended 31 December 2019

The directors, who are also the trustees of Huo Family Foundation (UK) Limited ("the Foundation"), present their report (including their strategic report) and audited financial statements for the year ended 31 December 2019, which have been prepared in accordance with the Charities SORP (FRS 102) second edition – October 2019, the Companies Act 2006 and the Charities Act 2011, and applicable accounting standards in the United Kingdom.

The charity details on page 1 form part of this report.

Governing documents

The Foundation is a charitable company limited by shares governed by its Memorandum and Articles of Association as amended on 4 December 2019. It was incorporated on 12 December 2007 and registered with the Charity Commission as a charity on 9 December 2009.

The Huo Family Foundation, a charity registered in the USA, owns the entire issued share capital of the Foundation. The Huo Family Foundation is a non-stock corporation incorporated in the State of Delaware and established exclusively for charitable purposes. Yan Huo, Xue Fang, and Philip Michaels are common directors and trustees of both the Huo Family Foundation and the Foundation.

Objects and strategy

The objects of the Foundation are such exclusively charitable purposes as the trustees may in their absolute discretion determine.

The Foundation has been established as a grant making charity and the trustees intend to make grants primarily to charities that support the advancement of art and education for the public benefit.

The directors have referred to the guidance contained in the Charity Commission's general guidance on public benefit, as required by Section 17 of the Charities Act 2011, when reviewing the objects and strategy of the Foundation and in planning future activities. In particular, the directors consider how planned activities will contribute to the strategy of the Foundation. The directors are of the view that the current grant levels meet the charitable objectives of the Foundation.

Appointment of directors

As per the Articles of Association, the directors shall be appointed by ordinary resolution of the sole shareholder. The number of directors shall not be less than two but is not subject to any maximum number. A director is elected to serve the time that he or she is appointed or, in absence of such an appointment, until removed or retirement.

Trustee induction and training

New trustees are briefed on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the decision-making processes of the Foundation and the Foundation's future plans and objectives. The trustees are kept updated on any changes to their obligations and responsibilities.

Huo Family Foundation (UK) Limited

Trustees' annual report for the year ended 31 December 2019 (continued)

Organisation

The directors are responsible for the strategic direction and policy of the Foundation and make all decisions in relation to the Foundation. In furtherance of this, the directors meet as and when required. The directors may delegate any of their powers or functions to a committee of two or more directors, but the terms of delegation must be agreed in advance.

The Foundation has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision remains in force during the financial year and as at the date of approving the Directors' Report.

Fundraising activities

Charities Act 2016 requires charities to make a statement regarding fundraising activities. The legislation defines fundraising as 'soliciting or otherwise procuring money or other property for charitable purposes. In relation to this statement, the Foundation does not undertake widespread fundraising from the general public and does not employ professional fundraisers to do so. The charity is therefore not bound by any regulatory scheme and does not consider it necessary to comply with any voluntary code of practice. The Foundation does not have policies in relation to fundraising activities nor do we consider it necessary to design specific policies and procedures to monitor activities.

Advisors

The names and addresses of the Foundation's advisors are shown on page 1.

STRATEGIC REPORT

Review of activities

In 2019, the Foundation continued its commitment to supporting charitable organisations that concentrate on art and education, with a full list of beneficiaries shown in note 4 on page 20. To share its mission and key areas of funding interest and to increase its public profile, the Foundation engaged with a brand consultant and launched its first website (www.huofamilyfoundation.org) in January 2020.

The Foundation's mission is to support education, communities and the pursuit of knowledge. Its current areas of focus are education; neuroscience and psychology; public policy; the arts and Covid-19 research.

Through its donations, the Foundation hopes to improve the prospects of individuals, and to support the work of organisations seeking to ensure a safe and successful future for all society.

Review of transactions and financial position

During the year, total income was US\$20,361,979 (2018: US\$18,693,527). This is represented by investment income of US\$1,611,979 (2018: US\$1,079,571), donations of US\$15,000,000 (2018: US\$14,170,207) from Yan Huo, one of the directors of the Foundation, and gift aid on that donation of US\$3,750,000 (2018: US\$3,443,749).

Huo Family Foundation (UK) Limited

Trustees' annual report for the year ended 31 December 2019 (continued)

The net movement in funds for the year, as shown in the statement of financial activities, amounted to a surplus of US\$21,781,539 (2018: US\$530,268).

The value of the Foundation's net assets at 31 December 2019 is US\$98,261,596 (2018: US\$76,480,057). The Foundation's donation income has not been impacted by Covid-19, having received donation income of US\$20,000,000 and gift aid on that income of US\$5,000,000 in the first quarter of 2020. The donation income and gift aid on that income has compensated for any decline in the valuation of the Foundation's investment portfolio.

Recent developments and Covid-19 response

The Foundation is very aware of the added pressure that Covid-19 puts on all its beneficiaries, and it is keen to assure all of them of the Foundation's commitment to them during this unprecedented season. As such, the Foundation joined others in the philanthropic community to sign up to a pledge to grant recipients, initiated by London Funders.

In summary, the London Funder's initiative is a commitment pledge that involves communicating to all of your beneficiaries the following approach:

1. Adapting activities – the Foundation recognises that beneficiaries may experience difficulties achieving some of the outputs or outcomes previously agreed during the outbreak, and has reiterated its commitment to maintain its grant payments to them at originally-agreed levels during this period;
2. Discussing dates – if beneficiaries struggle to meet a reporting deadline, the Foundation has agreed to provide more time for them to send updates and reports wherever possible;
3. Financial flexibility – beneficiaries may need to use their funding to help cover sickness, purchase equipment, or deliver services differently, and the Foundation has offered to provide flexibility for them to move money between budget headings to ensure their work can continue; and
4. Listening to the needs of beneficiaries – the Foundation makes itself available to talk about the situation they are facing.

Since the Covid-19 outbreak, the Foundation has communicated the above with all its beneficiaries which have all been received very positively. The Foundation has also been actively engaged with its beneficiaries to understand their current situation and whether any of the projects or initiatives funded by the Foundation been impacted. Where beneficiaries have been severely impacted due to Covid-19, the Foundation may consider providing further support.

In addition to the pledge described above, in February 2020, the Foundation donated US\$150,000 to Fudan University's Medical Fund, in order to support Fudan University and its affiliated hospitals, including those in Wuhan, to fight the Covid-19 epidemic.

Service agreement with Faculty Road Limited

During the year, the Foundation entered into a service agreement with Faculty Road Limited for administrative support services. Faculty Road Limited is a company incorporated in England and has employed staff members working on various matters relating to the Foundation. This includes financial reporting and control, cash flow management, grant administration, due diligence on and communication with beneficiaries, tax reporting and filing, project management, investment appraisal, IT support and cyber security, filing, compliance, HR and oversight of professional advisors. For the provision of these services, Faculty Road Limited charges the Foundation overhead costs at a fair market value and reasonable out-of-pocket expenses.

Huo Family Foundation (UK) Limited

Trustees' annual report for the year ended 31 December 2019 (continued)

As Yan Huo and Xue Fang are Directors of Faculty Road Limited (see note 16), to avoid any potential conflict of interests, Faculty Road Limited has committed to donate its distributable profits to the Foundation via a deed of covenant.

As of the date of this report, Faculty Road Limited remains fully equipped to continue to provide services to the Foundation in light of Covid-19. It remains fully operational and its staff have been able to perform their duties remotely.

Investment policy and performance

In accordance with the Memorandum and Articles of Association, the directors have the power to invest in such stocks, shares and investments as they see fit. The directors can delegate the management of investments to a financial expert only on the terms set in the Articles of Association.

In 2019, the Foundation adopted a revised investment policy, stating its objectives, expected returns, asset allocation, time horizon, benchmarks, reserves policy, and risk tolerance. To meet its objectives, and in recognizing that the overall size of the investment portfolio has grown over the years, the Foundation appointed Partners Capital LLP as its investment manager to oversee a portion of the investment portfolio; with the remainder being self-managed by the Foundation. Investments in equities and hedge funds previously held by JP Morgan were disposed of in 2019 and reinvested elsewhere.

As a result of the change in strategy and asset allocation, the assets are currently primarily invested in a mixed portfolio of equities, real assets and private debt, held in custody at Partners Capital, with a view to build up its allocation to private equity over time. Partners Capital consolidates the performances of the investment portfolio, including the portion managed by the Foundation, and provides monthly performance reports as well as quarterly presentations.

The directors have monitored the performance of investments in the financial year by reviewing monthly and quarterly performance reports. The Finance Committee, which comprises Yan Huo and Sam Lowe, also meets on a regular basis to review performance and cash flow and is actively engaged with Partners Capital on tactical asset allocation and rebalancing based on market conditions, especially in light of the increased volatility due to Covid-19.

During the financial year, investments were disposed at a realised gain of US\$3,046,460 (2018: loss US\$338,486) and the portfolio had increased in value by US\$29,142,222 (2018: US\$10,653,704) due to the realised gain, net additions of US\$20,606,137 (2018: US\$13,086,445) and unrealised gain of US\$5,489,625 (2018: loss US\$2,094,255).

Policy statement on reserves

The policy of the directors is to maintain sufficient reserves in order to fulfil future expected funding requirements of projects that extend over several years. In determining the appropriate level of reserves, the directors take into account the nature of the Foundation i.e. one-off giving as well as multi-year grants in the form of endowments and scholarships, as well as potential fluctuation of its income stream in future years. The policy is reviewed on an annual basis.

Having regard to these considerations, taking into account its foreseeable activity level and general operating environment, including the impact of Covid-19, the Foundation currently targets free reserves representing the available cash balances to sufficiently meet the upcoming year's grant payments and operating expenses,

Huo Family Foundation (UK) Limited

Trustees' annual report for the year ended 31 December 2019 (continued)

which is expected to be approximately US\$7,100,000 for 2020. As at 31 December 2019, this balance was \$6,811,911. However, further funding was received through a donation in January 2020 which was in excess of this deficit to support meeting the upcoming year's grant payments and operating expenses without the need to drawdown on the Foundation's investments.

The Foundation's investments are currently held primarily in liquid assets that could be called upon should the need arise. The directors believe the Foundation's reserves are sufficient to meet future needs while leaving some flexibility to evaluate new grant proposals and make new commitments. During the year the foundation awarded grants of \$6,435,841, excluding support costs. The Foundation's long-term plan is to maintain grant expenditure of at least 5% of its assets each year, or more where resources allow, and to maintain the real term value of the fund for future grant making activity. The Foundation's reserve policy has not been affected by Covid-19.

As at 31 December 2019, the Foundation has reserves of US\$98,261,596 (2018: US\$76,480,057), which is an increase of US\$21,781,539, relative to last year end. This difference was primarily driven by donation income in the year, as well as gains and interest income, offset by grants made throughout the year.

In 2019, the Foundation has adopted a voluntary change in accounting policy to now present all funds as one line on the balance sheet of unrestricted funds and remove the previous designation between the general fund and revaluation reserve. The reason for applying this new accounting policy is that the directors have decided that, given the restructuring of the investment portfolio, it is no longer appropriate to continue with the designation of the Foundations' reserves between general and revaluation reserve. The reserve balance at 31 December 2019 was \$98,261,594 (2018: \$76,480,055).

Grant making

The directors review applications and appeals, and then distribute funds in furtherance of the Foundation's objects. During the year, the Foundation awarded grants of US\$6,435,841, excluding support costs (2018: US\$15,364,225). The Foundation does not accept unsolicited grant applications from the public.

Plans for future developments

In the coming year, the Foundation plans to provide charitable support in accordance with its objectives and strategy as described on page 2. In light of Covid-19, the Foundation will continue to support existing grant beneficiaries (as described above) as well as potential new beneficiaries which have been in discussion with the Foundation and have submitted grant proposals prior to the Covid-19 outbreak.

Public benefit statement

In shaping our objectives for the year and planning our activities, the trustees have considered the Charity Commission's guidance on public benefit, including the 'public benefit: running a charity (PB2)'. The trustees confirm that they have complied with the duty in section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission.

The Foundation plans to provide charitable support for the public benefit in accordance with its objectives and strategy as described on page 2. This is done through donations to charities and other organisations that support the advancement of art and education for the public benefit.

Huo Family Foundation (UK) Limited

Trustees' annual report for the year ended 31 December 2019 (continued)

Internal controls and the mitigation of major risks

The trustees have identified and reviewed the major risks of the Foundation such as foreign exchange movements, investment performance, emerging risks from the Coronavirus outbreak and the Foundation's cash flow position and have established internal controls to mitigate these risks. The trustees confirm that the controls implemented are appropriate to the size of the Foundation and the nature of its operations. There has been no impact on the effectiveness of the Foundation's controls as a result of changes to working practices due to Covid-19.

Statement of trustees' responsibilities

The trustees (who are also directors of Huo Family Foundation (UK) Limited for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and regulation.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS102) second edition – October 2019;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- a) there is no relevant audit information of which the charitable company's auditors are unaware; and
- b) the trustees have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Huo Family Foundation (UK) Limited

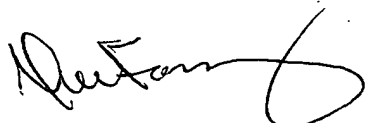
Trustees' annual report for the year ended 31 December 2019 (continued)

Independent auditors

The auditors PricewaterhouseCoopers LLP is deemed to be re-appointed under section 487 (2) of the Companies Act 2006. A resolution to re-appoint PricewaterhouseCoopers LLP will be proposed at the annual general meeting.

The Trustees' annual report is approved by the trustees of the charity. The strategic report, which forms part of the Trustees' annual report, is approved by the trustees in their capacity as directors in company law of the charity.

On behalf of the board of directors



Xue Fang
Director

Date: 08/07/2020

Huo Family Foundation (UK) Limited

Independent auditors' report to the members of Huo Family Foundation (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Huo Family Foundation (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2019 and of its incoming resources and application of resources, including its income and expenditure, and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of financial activities (incorporating income and expenditure account) and the cash flow statement for the year then ended; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the charitable company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Huo Family Foundation (UK) Limited

Independent auditors' report to the members of Huo Family Foundation (UK) Limited

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Trustees' Annual Report

In our opinion, based on the work undertaken in the course of the audit the information given in the Trustees' annual report, including the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Trustees' annual report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Trustees' Annual Report. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of trustees' responsibilities set out on page 7, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Huo Family Foundation (UK) Limited

Independent auditors' report to the members of Huo Family Foundation (UK) Limited

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Guy Flynn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
Date: 08 July 2020

Huo Family Foundation (UK) Limited

Statement of financial activities for the year ended 31 December 2019

(incorporating income and expenditure account)

	Notes	2019 Unrestricted Funds US\$	2018 Unrestricted Funds US\$ (Restated) ¹
Income from:			
Donations	2	18,750,000	17,613,956
Investments	3	1,611,979	1,079,571
Total		20,361,979	18,693,527
Expenditure on:			
Charitable activities	4	(6,814,801)	(15,460,129)
Raising funds	4	(416,652)	(242,303)
Total		(7,231,453)	(15,702,432)
Net gains/(losses) on investments	8	8,536,085	(2,368,593)
Net Income		21,666,611	622,502
Other recognised gains and losses			
Foreign exchange gain/(losses)		114,928	(92,234)
Net movement in funds		21,781,539	530,268
Fund balances brought forward at 1 January		76,480,057	75,949,789
Fund balances carried forward at 31 December		98,261,596	76,480,057

All of the Foundation's activities are derived from continuing operations.

The Foundation has no recognised gains and losses other than those shown above and therefore no separate income and expenditure account has been presented.

1. Refer to Note 1: Fund accounting

Huo Family Foundation (UK) Limited
Registered Company No: 06451283
Registered Charity No: 1133206

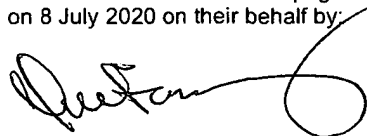
Huo Family Foundation (UK) Limited

Balance sheet As at 31 December 2019

	Notes	2019 US\$	2018 US\$ (Restated) ¹
Fixed assets			
Investments	8	<u>101,100,533</u>	<u>71,958,311</u>
Current assets			
Debtors	9	218,992	1,168,390
Cash at bank and in hand		<u>6,658,599</u>	<u>13,902,272</u>
Total current assets		<u>6,877,591</u>	<u>15,070,662</u>
Creditors: amounts falling due within one year	10	<u>(6,811,911)</u>	<u>(5,907,543)</u>
Net current assets		<u>65,680</u>	<u>9,163,119</u>
Total assets less current liabilities		<u>101,166,213</u>	<u>81,121,430</u>
Creditors: amounts falling due after more than one year	11	<u>(2,904,617)</u>	<u>(4,641,373)</u>
Net assets		<u>98,261,596</u>	<u>76,480,057</u>
The funds of the charity			
Share capital	12	2	2
Unrestricted funds	13	<u>98,261,594</u>	<u>76,480,055</u>
Total charity funds	14	<u>98,261,596</u>	<u>76,480,057</u>

1. Refer to Note 1: Fund accounting

The financial statements on pages 12 to 28 were approved by the directors on 3 June 2020 and were signed on 8 July 2020 on their behalf by:



Xue Fang
Director

Huo Family Foundation (UK) Limited
Registered Company No: 06451283
Registered Charity No: 1133206

Huo Family Foundation (UK) Limited

Cash flow statement for the year ended 31 December 2019

	2019	2018
	US\$	US\$
Cash flows from operating activities		
Net cash provided by operating activities	11,850,863	9,375,797
Cash Flow from Investing activities		
Investment income – bank interest	450,765	1,018,790
Investment income – dividends	1,161,214	60,781
Bank interest and charges	(100,378)	(139,145)
Purchase of investments	(145,504,037)	(31,898,505)
Sale of investments	124,897,900	18,812,060
Net cash (used in) investing activities	(19,094,536)	(12,146,019)
Change in cash and cash equivalents	(7,243,673)	(2,770,222)
Cash and cash equivalents at the beginning of the year	13,902,272	16,672,494
Cash and cash equivalents at the end of year	6,658,599	13,902,272
Reconciliation of operating Profit to net Cash inflow from Operating Activities	2019 US\$	2018 US\$
Net income	21,666,611	622,502
Interest received	(450,765)	(1,018,790)
Bank interest and charges	100,378	139,145
Dividend receivable	(1,161,214)	(60,781)
Net (gains)/losses on investments	(8,536,085)	2,368,593
Foreign exchange gains/(losses)	114,928	(92,234)
Decrease/(increase) in debtors	949,398	(829,113)
(Decrease)/increase in creditors	(832,388)	8,246,475
Net cash inflow from operating activities	11,850,863	9,375,797
Analysis of changes in net debt	2018 US\$	2019 US\$
	Cash Flows	Foreign Exchange Movement
Cash	13,902,272	(474,541)
	(6,769,132)	6,658,599

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

1. Principal accounting policies

Company information

Huo Family Foundation (UK) Limited is a limited company domiciled and incorporated in England and Wales. The registered office is 20 Old Bailey, London, EC4M 7AN.

Accounting Convention

The charity constitutes a public benefit entity as defined by FRS 102. These financial statements have been prepared in accordance with Charities SORP (FRS 102) second edition – October 2019 applicable to charities preparing their financial statements in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Charities Act 2011 and the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost convention, modified by the recognition of certain financial assets and liabilities measured at fair value. The principal accounting policies adopted are set out below.

Functional currency

The financial statements are prepared in US\$, which is the functional currency of the Foundation, since this is the currency of the primary economic environment in which the Foundation operates. All donations receivable are expected to be denominated in US\$.

Going concern

The Foundation has adequate financial resources; specifically, the Foundation has set aside the cash needed to pay grants and operating expenses for the upcoming year and the Foundation's investments are currently held primarily in liquid assets that could be called upon should the need arise. As a consequence, the trustees believe that the Foundation is well placed to manage its business risks successfully, including any impact of Covid-19.

The trustees have a reasonable expectation that the Foundation has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing these financial statements.

Income

Income, which includes both donations and gift aid, is credited to the statement of financial activities on a receivable basis and valued on date of receipt. Investment income is stated inclusive of recoverable taxation. Dividends are recognised when declared, whereas interest is recognised on an accruals basis as earned.

Donated goods, facilities or services are recognised in income only when the charity has entitlement, it is probable that the charity will benefit and that the value can be reliably measured at fair value.

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Principal accounting policies (continued)

Expenditure

Liabilities are recognised as resources expended when there is a legal or constructive obligation committing the Foundation to the expenditure.

Grants, both single and multi-year, are recognised in the financial statements as liabilities after they have been approved by the directors, the recipients have been notified and there are no further terms and conditions to be fulfilled which are within the control of the Foundation. In these circumstances there is a valid expectation by the recipients that they will receive the grant, even if the recipients must meet further reporting conditions, which are not considered performance obligations.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the Foundation and are included with support costs allocated to the Foundation's charitable activity. Management fees included within support costs comprise of re-charged costs from Faculty Road Limited under a service agreement which are recognised on the basis laid out in the 'Key accounting estimates and assumptions' section below. No support costs are allocated to raising funds.

Investments

Investments are stated at market value (bid price) as at the Balance Sheet date.

Investment gains and losses

Net gains and losses on investments includes both realised and unrealised gains/losses during the financial year.

All gains and losses are taken to the Statement of Financial Activities as they arise.

Foreign currencies

Transactions in foreign currencies are translated into US\$ at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into US\$ at the rate of exchange ruling at the balance sheet date. Exchange differences are charged / credited to the statement of financial activities and hence are taken into account in arriving at the net movement in funds.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Principal accounting policies (continued)

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

Impairment of financial assets

Financial assets, other than those held at fair value through Statement of Financial Activities, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the Statement of Financial Activities.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities

The Foundation recognises grants payable at the point the grant offer is made; any grants unpaid at the year-end are presented within creditors until drawn down.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

Derivatives

Derivatives are comprised of foreign currency hedging instruments, that are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Principal accounting policies (continued)

Fund accounting

The unrestricted fund comprises general funds, which may be used towards meeting the charitable objects of the Foundation at the discretion of the directors, and share capital. In 2019, the Foundation has adopted a voluntary change in accounting policy to now present all funds as one line on the balance sheet of unrestricted funds and remove the previous designation between the general fund and revaluation reserve. The reason for applying this new accounting policy is that the directors have decided that, given the restructuring of the investment portfolio, it is no longer appropriate to continue with the designation of the Foundation's reserves between general and revaluation reserve.

At 31 December 2018, the value of the General fund was \$74,809,935 and the Revaluation reserve was \$1,670,120 which are now both shown within unrestricted funds.

In the 2018 financial statements, the Foundation recognised net unrealised (losses) on investments of \$2,334,504 and losses on disposal of investments of \$34,089 which are now both shown within Net gain/(losses) on investments.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

Taxation

The Foundation is a registered charity, and therefore is not liable for income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities. VAT is included within expenditure where it is not recoverable. However, tax on investment income is still due in the US on an annual basis, as the Huo Family Foundation (UK) Limited is controlled by Huo Family Foundation, a charity registered in the USA.

Judgements and key sources of estimation uncertainty

In the application of the charity's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical Judgements in applying the Foundation's accounting policies

The Trustees do not consider grant reporting requirements within grant agreements to be grant performance related conditions as defined by the Charity SORP. Grant payables are not discounted due to the effect of discounting being immaterial to the financial statements.

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Principal accounting policies (continued)

Key Accounting estimates and assumptions

Fair value of investments are stated at the quoted market price of the listed asset. For unlisted investments, the fair value is based on the valuation estimates from custodians and investment managers. Please see note 8 for further details.

Management fees comprise of re-charged costs from Faculty Road Limited under a service agreement for staff time and out-of-pocket expenses. These are re-charged based on an estimate of the percentage of staff time spent on the Foundation's activities.

2. Donations

	2019 Unrestricted Funds US\$	2018 Unrestricted Funds US\$
Monetary donations	15,000,000	14,170,207
Gift aid recoverable	3,750,000	3,443,749
	<u>18,750,000</u>	<u>17,613,956</u>

In the year, monetary donations of US \$15,000,000 (2018: US\$14,170,207) represent donations received from Yan Huo, one of the trustees of the Foundation.

3. Investment Income

	2019 US\$	2018 US\$
Bank interest receivable	450,765	1,018,790
Dividend receivable	1,161,214	60,781
	<u>1,611,979</u>	<u>1,079,571</u>

Disclosures in relation to the risks arising from financial instruments and how these are managed by the Foundation are included within note 8.

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

4. Charitable activities

	2019 US\$	2018 US\$
Natural History Museum	381,810	-
University of Oxford	883,884	-
Princeton University	1,500,000	5,950,000
Teach First	2,155,852	252,047
Teach for All	750,000	200,000
Policy Exchange	132,675	127,141
Tate Gallery	631,620	140,360
Teach for China	-	3,175,000
Absolute Return for Kids	-	1,559,699
Youth Communication	-	80,000
University of Cambridge	-	3,879,978
Support costs (Note 5)	378,960	95,904
	<u>6,814,801</u>	<u>15,460,129</u>

Raising funds

	2019 US\$	2018 US\$
Advisory and operating fees	28,304	-
Bank interest and charges	100,378	139,145
Custody fees	46,216	99,014
Investment management professional fees	207,363	4,144
Overseas tax on investment income	34,391	-
	<u>416,652</u>	<u>242,303</u>

All 7 (2018: 9) grants made payable during the year were to institutions.

5. Support costs

	2019 US\$	2018 US\$
Audit fees	49,035	35,793
Accountancy fees	28,120	21,295
Tax fees	13,005	5,000
Management fees	180,631	-
Legal fees	69,314	27,140
	<u>340,105</u>	<u>89,228</u>
Governance costs	340,105	89,228
Advertising and promotion	32,409	-
Insurance	6,446	6,676
	<u>378,960</u>	<u>95,904</u>

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

6. Net income

Net income for the year is stated after charging:

	2019 US\$	2018 US\$
Auditors' remuneration (excluding VAT)		
- Audit	40,863	29,828

7. Staff costs, directors' remuneration and Key Management Personnel

No staff were employed by the Foundation during the year (2018: none), hence trustees are the only key management personnel.

The Trustees received no remuneration in respect of their services to the Foundation during the year (2018: US\$nil). No trustee received any reimbursement of expenses during the year (2018: US\$nil).

8. Fixed asset investments

	2019 US\$	2018 US\$
Movement in market value		
Opening market value	71,958,311	61,304,607
Additions at cost	145,504,037	31,898,505
Disposals at carrying value	(124,897,900)	(18,812,060)
Net gains/(losses) on investments	8,536,085	(2,432,741)
Closing market value	101,100,533	71,958,311

Net gains/(losses) on investments includes both realised and unrealised gains/losses during the financial year

Investments included in the following asset classes:

	2019 US\$	2018 US\$
Equities	57,948,485	5,642,514
Fixed Income	20,322,547	64,342,035
Private Debt	22,125,970	-
Private Equity	633,589	-
Hedge Funds	69,942	1,973,762
	101,100,533	71,958,311

The historic cost of these investments is US\$95,675,000 (2018: US\$71,857,125)

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

8. Fixed asset investments (continued)

Analysis of fair value hierarchy:

	2019 US\$	2018 US\$
Level 1	78,340,974	69,984,549
Level 2	22,759,559	1,973,762
Level 3	-	-
	<u>101,100,533</u>	<u>71,958,311</u>

Investments included in the above table with a market value greater than 5% of the total portfolio market value are as follows:

	2019 US\$	2018 US\$
US Treasury Notes 27	-	5,774,560
US Treasury Notes 40	-	13,816,546
US Treasury Notes 20	-	7,455,662
US Treasury Bonds 40	-	6,874,768
US Treasury Notes 19	-	6,980,312
US Treasury Notes 19	-	9,891,406
US Treasury Notes 19	-	9,935,156
Capula Tail Risk Fund	42,563,327	-
Partners Capital Greyhawk Cayman Feeder Fund	22,179,902	-
Partners Capital Phoenix Fund II Ltd	20,343,065	-

Market risks

The Foundation's exposure to market risks is in line with its investment objective of achieving a real return target of 4%. To achieve this aim, the Foundation maintains a diversified portfolio invested across asset classes, both liquid and illiquid. To manage the level of risk within the portfolio across asset classes, the Foundation utilises a risk metric based on expected beta to equity markets, we called this beta "equivalent net equity beta".

The Foundation's portfolio is, as set out in the investment policy statement, managed to a risk level, as represented by equivalent net equity beta, of c. 65%. This means the portfolio has a risk level similar to a portfolio 65% invested in public equities and 35% in cash. Accordingly, the Foundation's Portfolio is expected to have significant mark-to-market volatility in pursuit of the return target. If equity markets were to decline by 10%, we would expect the Foundation's portfolio to decline by 6.5%.

In 2019, the Foundation invested funds in the Tail Risk Fund offered by Capula Investment Management LLP ("Capula"), a UK-based hedge fund. The objective of this investment is to produce positive returns in times of systemic market and liquidity shocks, which may offset losses from the equity or fixed income exposure in the rest of the portfolio. The Tail Risk Fund can also be readily monetised including during times of market stress.

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

8. Fixed asset investments (continued)

In addition, the Foundation invests in illiquid assets. Over the long term, the Foundation aims to build a private markets portfolio representing 50% of the total portfolio value in order to maximise investment returns. This portfolio will take several years to build, and the current allocation is significantly lower. The Foundation acknowledges that additional risks relating to accurate valuations, cash flow requirements and underlying illiquidity exist within private asset classes and holds sufficient liquid assets to meet any resulting capital calls and/or grant payments.

In the short term, the extent of the impact of the Covid-19 outbreak on the performance of the Foundation's investments will depend on future developments, including the duration, spread of the outbreak, related advisories, restrictions, the impact of Covid-19 on the financial markets, and the overall economy, all of which are highly uncertain and unpredictable. The Directors and Partners Capital continue to closely monitor rapidly changing market conditions. If the financial markets and/or the overall economy are impacted for an extended period of time, the Foundation's investment performance may be materially adversely affected.

Currency risks

The Foundation takes a long-term view to risks arising from currency exposure. The Foundation's exposure to non-USD denominated investments is comparatively small and, as a result the Foundation does not hedge foreign currency exposure within the investment portfolio. However, once grants have been awarded, any GBP denominated liabilities resulting from grants are hedged to ensure the Foundation's liabilities have little to no currency risk. As of 31 Dec 2019, the Foundation's held foreign currency derivatives with a fair value of US\$218,992.

Credit risks

The carrying amounts stated above represent the Foundation's maximum exposure to credit risk. Therefore, further disclosure is not required.

9. Debtors

	2019 US\$	2018 US\$
Amounts falling due within one year		
Derivatives	218,992	513,362
Prepayments	-	354,556
Accrued income	-	300,470
Called up share capital not paid	-	2
	<u>218,992</u>	<u>1,168,390</u>

Derivatives consist of the fair value of foreign currency forward contracts entered into to mitigate the risk of foreign exchange movements in relation to the Foundation's future grants in GBP.

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

10. Creditors: amounts falling due within one year

	2019 US\$	2018 US\$
Trade creditors	80,019	7,035
Grants payable	6,546,418	5,848,733
Accruals and deferred income	185,474	51,775
	<u>6,811,911</u>	<u>5,907,543</u>

11. Creditors: amounts falling due after more than one year

	2019 US\$	2018 US\$
Grants payable	<u>2,904,617</u>	<u>4,641,373</u>
Due in one to two years	2,197,929	4,361,373
Due within two to five years	706,688	280,000
	<u>2,904,617</u>	<u>4,641,373</u>

	2019 US\$	2018 US\$
Opening grants payable	10,490,106	1,961,546
Grants awarded	6,435,841	15,364,225
Grants paid	(7,680,976)	(6,783,217)
Foreign exchange	206,064	(52,448)
Closing grants payable	<u>9,451,035</u>	<u>10,490,106</u>

12. Share capital

	2019 US\$	2018 US\$
Allotted and called up		
1 (2018: 1) ordinary share of £1	<u>2</u>	<u>2</u>

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

13. Unrestricted income funds

	1 January 2019 US\$	Incoming resources US\$	Resources expended US\$	Other recognised income US\$	31 December 2019 US\$
Share capital	2	-	-	-	2
Unrestricted funds	76,480,055	20,361,979	(7,231,453)	8,651,013	98,261,594
Total	76,480,057	20,361,979	(7,231,453)	8,651,013	98,261,596

	1 January 2018 US\$	Incoming resources US\$	Resources expended US\$	Other recognised (losses) US\$	31 December 2018 US\$
Share capital	2	-	-	-	2
General funds	75,949,787	18,693,527	(15,702,432)	(2,460,827)	76,480,055
Total	75,949,789	18,693,527	(15,702,432)	(2,460,827)	76,480,057

14. Total charity funds

	2019 Unrestricted Funds US\$	2018 Unrestricted Funds US\$
Fund balances at 31 December are represented by:		
Investments	101,100,533	71,958,311
Debtors	218,992	1,168,390
Cash at bank and in hand	6,658,599	13,902,272
Creditors: amounts falling due within one year	(6,811,911)	(5,907,543)
Creditors: amounts falling due after more than one year	(2,904,617)	(4,641,373)
	98,261,596	76,480,057

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

15. Reconciliation of movements in funds

	2019 US\$	2018 US\$
Net movements in funds	21,781,539	530,268
Net addition to funds	<u>21,781,539</u>	<u>530,268</u>
Opening funds	76,480,057	75,949,789
Closing funds	<u>98,261,596</u>	<u>76,480,057</u>

16. Related party transactions

During the year, the Foundation received a donation of US\$15,000,000 (2018: US\$14,170,207) from Yan Huo, a director of the Foundation.

During the year, the Foundation awarded grants of US\$1,500,000 (2018: US\$5,959,000) to Princeton University, where Yan Huo is a Trustee with the outstanding amount payable at year end being US\$ 2,685,000 (2018: US\$3,770,000).

During the year, the Foundation awarded grants of US\$ nil (2018: US\$3,175,000) to Teach for China where Yan Huo is a Director with outstanding amount payable at year end being US\$1,058,333 (2018: US\$2,116,666). During 2019, a novation agreement was signed to transfer the remaining payable balance from Teach for China Inc, a US charity, to Teach for China HK Limited, a not-for-profit organisation incorporated in Hong Kong.

The Foundation has common Directors and Trustees with Faculty Road Limited. During the year, the Foundation entered into a service agreement with Faculty Road Limited for the procurement of administrative services to the Foundation. Yan Huo and Xue Fang are Directors of Faculty Road Limited. The total charge by Faculty Road Limited was \$180,631 (2018: nil); the amount of outstanding payment included within creditors at 31 December 2019 was \$62,050 (2018: nil).

A Deed of Covenant exists between the Huo Family Foundation and Faculty Road Ltd which so far as lawful will allow Faculty Road Ltd to make a donation to the Foundation which is equal to the distributable profits. For the year ended 31 December 2019, the distributable profits for Faculty Road Ltd were \$14,658 and it was agreed to be paid out to the Huo Family Foundation in 2020.

During the year, the Foundation subscribed US\$40,000,000 in a fee-free share-class of the Capula Tail Risk Fund. The investment decision was undertaken by Philip Michaels as the sole trustee of the Foundation who is not a conflicted trustee (Sam Lowe is a designated member of Capula, and Yan Huo and Xue Fang are husband and wife), on the basis that the investment was made to a "management" share class which are neither subject to management fees nor performance fees, and that no trustee stands to receive any payment of money or other material benefit directly or indirectly from the Foundation in relation to the investment. Further, the increase in Capula's assets under management arising from the investment does not provide any specific or quantifiable benefit to Capula or the Tail Risk Fund beyond the general ability to market itself as a fund of significant size in the commercial marketplace. Finally, to observe all US applicable rules, the Foundation's legal advisors, Withers LLP, have confirmed that the investment does not violate any restriction related to excess business holdings, self-dealing, jeopardy investments, and minimum distribution requirement.

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

17. Ultimate controlling party

The ultimate controlling party is the Huo Family Foundation, a charity registered in the USA.