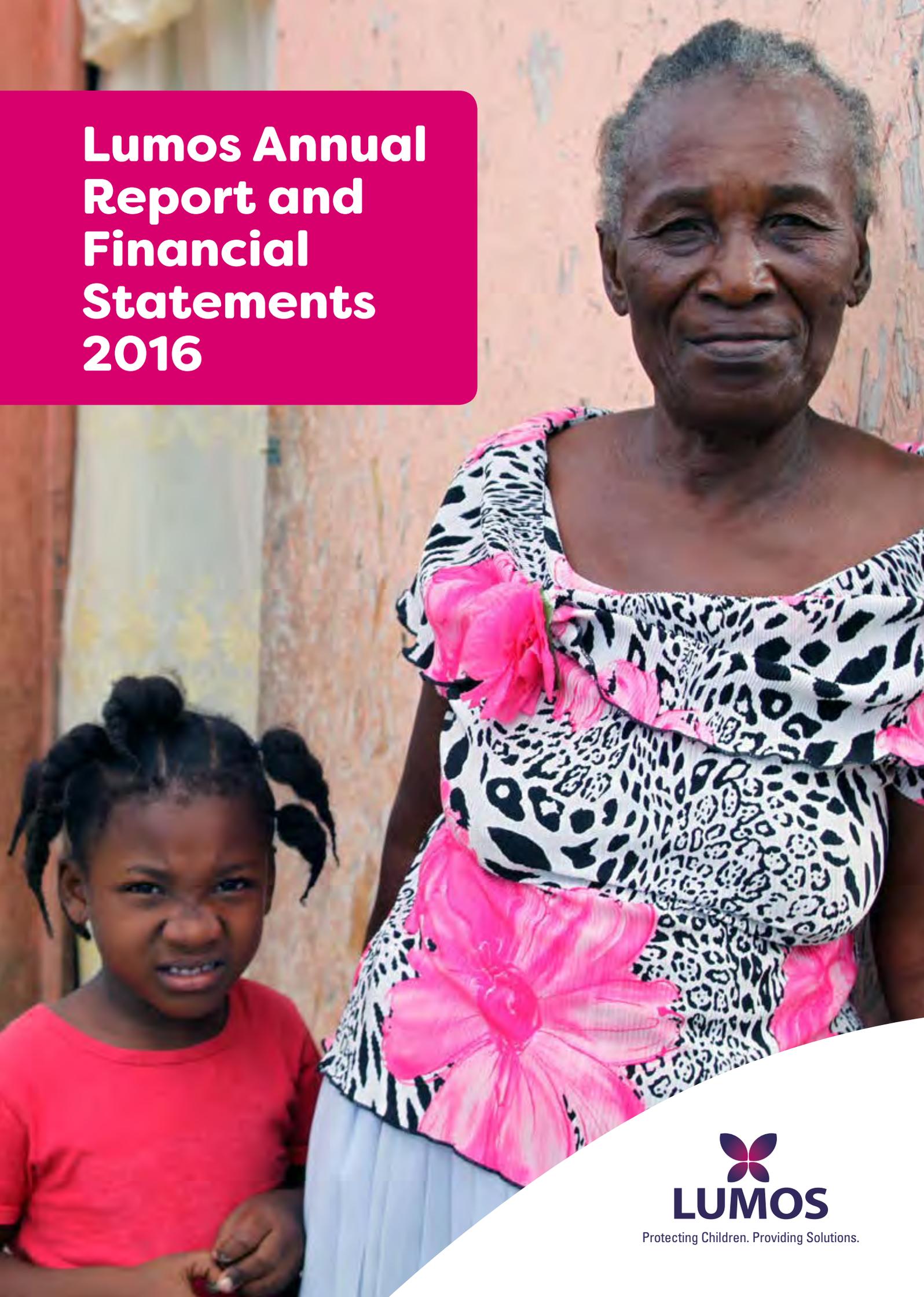


Lumos Annual Report and Financial Statements 2016



LUMOS

Protecting Children. Providing Solutions.

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Introduction to the Lumos Trustees' report

The Lumos Trustees are pleased to present their annual report, together with the consolidated financial statements of the charity and Lumos Foundation USA Inc. for the year ended 31 December 2016, which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements have been prepared in accordance with the accounting policies set out on pages 66 to 70 of the attached financial statements and comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

Lumos Foundation (A company limited by guarantee)
Annual Report and Financial Statements
Year ending 31 December 2016
Charity number 1112575
Company number 05611912



Foreword by Chair and CEO

In 2016, Lumos expanded its global reach and influence, making demonstrable progress towards ending the institutionalisation of children worldwide by 2050.

The outstanding work of our teams in Bulgaria, Czech Republic and Moldova continued to drive national reform, while also sharing their expertise with other countries across the European region. The support we have provided to partners in Greece and Ukraine has helped to build the capacity of professionals to ensure deinstitutionalisation is on the political agenda. We began work in Russia for the first time, supporting practitioners to deliver reform, grounded in experience from Lumos' demonstration countries. This demonstration at a country level has been assisted by tangible changes to the European political and funding landscape, due to our joint campaigning and advocacy efforts, which have helped redirect more than €300 million of European Union funding away from orphanages and institutions and towards community-based services.



[WATCH J.K. ROWLING IN CONVERSATION](#)

[GET INVOLVED](#)

[ABOUT LUMOS](#)

[HOW YOUR MONEY HELPS](#)

[100% PLEDGE](#)

We Are Lumos Worldwide

"Eight million voiceless children are currently suffering globally under a system that, according to all credible research, is indefensible. We owe them far, far better. We owe them families." - J.K. Rowling

[JOIN US & MAKE A DIFFERENCE](#)



We supported the closure of three orphanages in Haiti, helping reunite 111 children with their families, while also responding to the devastation caused by Hurricane Matthew, with the provision of emergency care and supplies to help over 2,000 people. Our presence in the Latin America and the Caribbean region will be further strengthened with the establishment of a second demonstration country in 2017.

Lumos' global profile was further enhanced through major events in the UK and New York as part of an international fundraising and awareness-raising campaign; We Are Lumos Worldwide. A Facebook live interview by Lumos Founder and Life President J.K. Rowling was viewed by over two million people; this was a call for action to ensure that the estimated eight million children living in institutions are not forgotten.



We focussed heavily on influencing major international development funders, such as the European Union, private foundations and faith-based communities to change their policies and practice and worked tirelessly to ensure that children outside families are counted and included in the UN's Sustainable Development Goals. Our high-profile report on trafficking in orphanages in Haiti had a major impact on donors' and policymakers' understanding of the orphanage business as a form of trafficking. We aim to build on this by ensuring this form of trafficking is recognised in relevant policies and laws in the future.



Since Lumos started we have helped almost 18,000 children move from institutions back to their families, or family-like care, and prevented a further 20,915 from entering institutions. Reflecting our global mission, we have supported professionals in 34 countries and trained over 30,000 practitioners. These are strong foundations as we seek to build on the support of our Founder, supporters and many partners to ensure that that the world's most vulnerable children can be protected from harm, receive the love of their families, be included in their communities and reach their potential.

Neil Blair
Chair of Trustees
Lumos Foundation

Georgette Mulheir
Chief Executive Officer
Lumos Foundation

2016 Impact Summary

Since 2009...



17,948

Lumos ensured that 17,948 children moved from harmful institutions to families, family-style settings or independent living (885 in 2016)

The number of children in harmful institutions across Bulgaria since 2009, the Czech Republic since 2008 and Moldova since 2007 has reduced by

28,656

62%



Provided training and technical support to 34 countries

-  Countries where Lumos has worked directly or actively (includes long-term technical assistance)
-  Countries where Lumos has provided technical advice
-  Countries represented at DI training



In 2016, over 2,000 people in Haiti were provided with basic life-saving care and supplies in the aftermath of Hurricane Matthew



20,915

Prevented 20,915 children from entering harmful institutions (4,224 in 2016).

2,490

Provided 2,490 medical and social interventions that have directly supported vulnerable children and families in immediate and severe risk from illness, malnutrition or abuse.

202

Supported 202 children with eating and drinking interventions.

700

Saved 700 lives with hydrocephalus treatment over the last ten years.

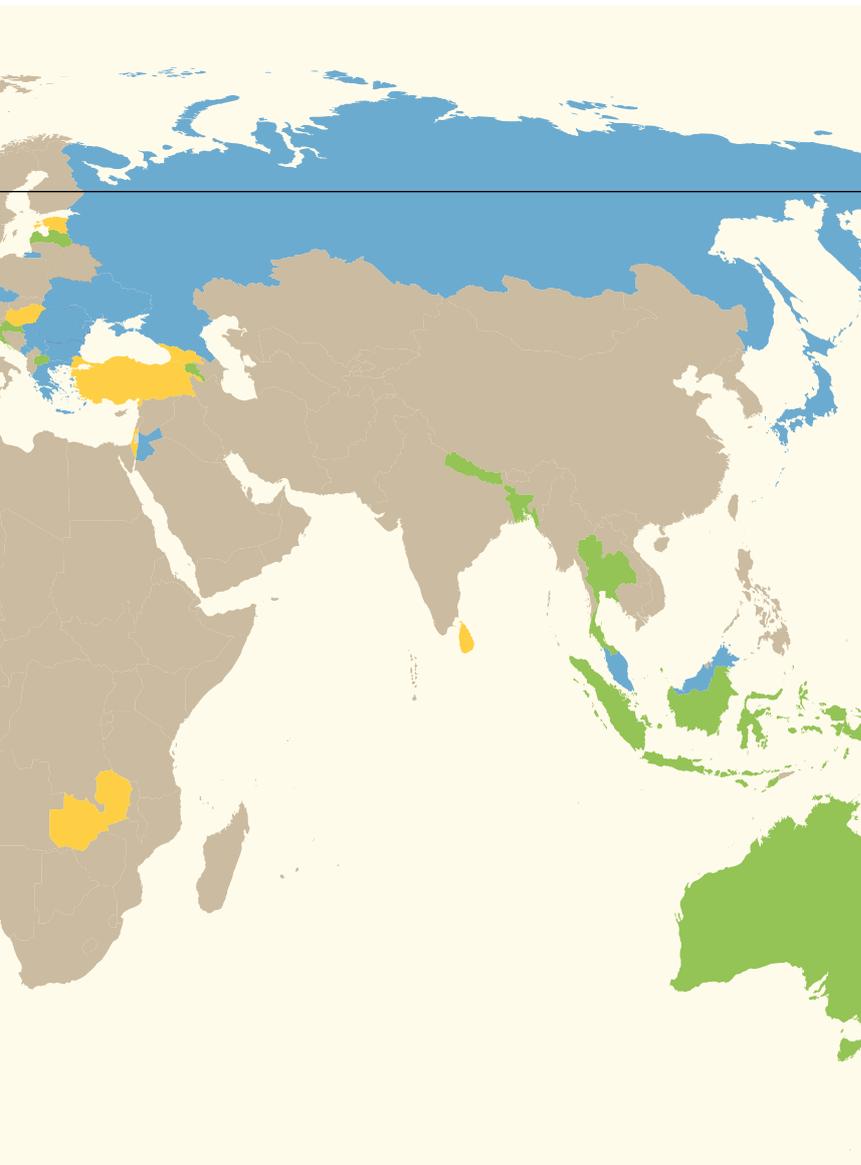
31,693

Trained 31,693 professionals responsible for supporting vulnerable children, including social workers, medical professionals, teachers, carers, civil servants and policy makers (4,173 in 2016).



Helped redirect more than €300 million of European Union funding

allocated to children's services between 2009 and 2014, away from orphanages and institutions and towards community-based services. Lumos has played a key role in establishing mechanisms to identify and monitor whether development aid from private, public and faith-based organisations supports institutional care, and has influenced the redirection of funds to promote the transition to community-based care.



Key achievements in 2016

1

Lumos in Europe: Lumos' country programmes in Bulgaria, the Czech Republic and Moldova continued to support the development and strengthening of community-based services so that children could safely move from institutions to families and family-based care, while others were prevented from entering institutions. In total, 774 children were moved out of harmful institutions and 4,224 were prevented from entering. Lumos also provided expert support to governments, agencies and NGOs to help plan and implement reform in Russia, Greece and Ukraine.

2



Bulgaria: Lumos completed a large-scale national assessment of the outcomes of over 1,200 children and young people with disabilities who moved from institutions into community services as part of the government's deinstitutionalisation strategy.

3

Moldova: Lumos played a key role in supporting inclusive education reform in the country. 10,393 children with special educational needs are now included in mainstream schools, a 729% increase from the 1,253 children in 2010. Lumos opened Moldova's first Inclusive Education Unit in 2016, helping 15 children with severe disabilities to go to school for the first time.



4

Czech Republic: Lumos supported the closure of an institution for babies in Pardubice, one of Lumos' demonstration regions. All institutions for children without disabilities or challenging behaviour in the county now have deinstitutionalisation plans in place.

5

Greece: Lumos raised the issue of children in institutions up the political agenda, started an emergency intervention in an institution in Western Greece and completed an assessment of the current child care system in Attica and Western Greece.

6

Russia: Lumos started work in the country for the first time, delivering training programmes on deinstitutionalisation in Moscow for more than 70 professionals from ten regions.

7

Ukraine: Lumos established close relationships with government agencies to support the development of a national deinstitutionalisation strategy.

8

Haiti: Lumos helped close three orphanages and reunite 111 children with their families. Lumos provided parenting skills training for 161 parents, and supported a further 131 families to develop the skills needed to set up small businesses and begin generating an income, so that they can afford to look after their children at home. In addition, Lumos supported 2,000 people affected by Hurricane Matthew, providing basic life-saving supplies to ensure families were safe. Lumos released a ground-breaking report recognising how children are being trafficked into orphanages in the country.





9

Advocacy: Lumos co-hosted a seminar at the European Parliament, together with MEPs, on orphanage trafficking. Following meetings with Haitian delegates, European Commission officials acknowledged that the commodification of children in Haitian institutions constitutes a form of trafficking.

10 Support for young self-advocates: Lumos' self-advocacy groups spoke at national and international high profile advocacy events, including at the prestigious International Alternative Care Conference in Geneva.



11

Training and technical support: Lumos trained more than 4,000 professionals, provided emergency support in Haiti and Greece and remote support and advice in Japan, Malaysia and Jordan.

13 Fundraising: Lumos and Lumos Foundation USA ran major fundraising events in the UK and New York as part of an international fundraising and awareness-raising campaign, We Are Lumos Worldwide, that ran from September to November 2016. Lumos' total income for 2016 was over £6.3 million, an increase of 62% on the previous year.



12

Research: Lumos published a number of high profile reports, providing evidence of the importance of moving from institutional care to family and community-based services.



14

Communications: Lumos increased awareness of the issue of children living in institutions, particularly through digital channels. By the end of 2016, Lumos had more than 230,000 followers on key social media platforms – Twitter (130,000), Facebook (64,000) and Instagram (36,000). During the period of the We Are Lumos Worldwide campaign, Lumos' social media following nearly doubled - an increase of more than 105,000 followers.

Why it matters

The impact of Lumos' work

No child should be deprived of an education

John, 12, needs a high level of care. His mother made many sacrifices to try to keep him at home but doctors said he needed to go to school to develop. There were no local schools able to meet his needs, so the family faced a long journey on public transport to get him to a school which was further away, with other passengers complaining about the noises John made. Because of this, he stayed at home, received no education and was isolated from the community. Now John attends an 'Inclusive Education Unit,' in Ialoveni County, developed with funding from Lumos donors. Support from the Unit means that John is now included in school alongside his peers without disabilities and has access to additional support when he needs it. His sister said, **“For me this is a great joy, because in this way he will be included in society and will become a pupil just like us. I think John will be very happy.”**



I love my family very much

Lumos helped a 15-year-old girl leave a Haitian orphanage and return to her family. She said, **“I am very happy to be with my family because I used to be in the orphanage. I did not see them for six years. I thank God for the fact that I live with them. I love my family very much. When I was staying in the orphanage I was not well. The kids used to say I was buried under earthquake rubble because I could not see my Mum.”**

Leaving no children behind

Krushari was Bulgaria's most notorious institution, where children died regularly from malnutrition-related illnesses. Whilst Lumos helped the government develop services to replace the institution, it was clear the children needed extra help. Lumos hired professional carers for five children with severe disabilities who were most at risk. One of these carers looked after a 13 year old boy, for a time but thought fostering was “mad” as no-one in Bulgaria did it. She moved on from her role but then heard that the boy was ill in hospital, and she visited and

decided there and then to foster him. She said, **“He looked like a skeleton. I held him in my arms and felt he might fall apart. He looked at me with a tear in his eye and everything inside me turned. I went home and straight away applied to become his foster parent.”** Since he has been living with his new foster mother, he has flourished. He is gaining weight and learning new skills and frequently makes joyful noises.

Vital support for governments

“The input of Lumos in the closure of Krushari not only changed the lives of the children, they also provided us with a new environment and a better way of working. Lumos has become a magic word for us, spreading light in the darkness. It is a fairy tale that has come true in our Bulgarian society, in helping the children in institutions.”

Eva Jecheva, Head of the Bulgarian State Agency for Child Protection 2013 – 2016, speaking in 2016.



Lumos: a global vision and mission

An estimated eight million children around the world live in orphanages and other institutions.¹ It is estimated that 80% have at least one living parent.²

Children are separated from their families for a number of reasons including poverty, disability, a lack of affordable or accessible community services, conflict, disease and disaster. Emerging evidence also demonstrates that in some countries children are trafficked into institutions, where unscrupulous individuals deliberately deceive parents into giving up their children in the false hope that they will receive a better life with education and medical care when, in many cases, orphanage directors are profiting at their expense.³

An 'institution' may look and feel different in different countries and contexts. In some countries there are large state-run institutions housing hundreds of children, whereas in others, institutions may emerge in response to natural disasters, opened by opportunistic entrepreneurs who recognise they can receive significant international aid if they have a full orphanage.

Lumos defines 'institutional care' as any residential care where institutional culture prevails.⁴ The size of the institution matters but is not the only defining feature, and institutions can include large residential units with over 10 children, as well as smaller units with strict regimes, units for children who have committed minor offences, residential health facilities and residential special schools. In institutions, children are isolated from the broader community and compelled to live together. These children do not have sufficient control over their lives and decisions which affect them and the requirements of the organisation tend to take precedence over the children's individual needs.

Institutional care, however well-intentioned, can never replace the loving care and support a family provides.

Over 80 years of research from across the world has demonstrated the significant harm caused to children in institutions, who are deprived of loving parental care and who suffer life-long physical and psychological harm as a consequence.⁵ Babies in particular fail to develop as they should without one-to-one parental interaction, and research demonstrates the severe impact of institutionalisation on early brain development. According to numerous studies, children who remain in institutions after the age of six months often face severe developmental impairment, including mental and physical delays.⁶ Children who grow up in institutions face significantly higher risks of neglect, abuse and exploitation,⁷ as well as poorer health, education and employment prospects in adult life.

Lumos' vision is a world in which all children have the opportunity to grow up and thrive in a safe and caring family or, where there is no alternative, in specialist placements that meet all their needs, respect their rights and ensure they can fulfil their potential.

Lumos' mission is to end the institutionalisation of children worldwide by 2050.

1 Pinheiro, P. (2006). World Report on Violence Against Children. UNICEF, New York.

2 Csáky, C. (2009). Keeping Children Out of Harmful Institutions. London, UK: Save the Children.

https://www.savethechildren.org.uk/sites/default/files/docs/Keeping_Children_Out_of_Harmful_Institutions_Final_20.11.09_1.pdf [accessed 18/04/17].

3 See Lumos' report on trafficking in Haitian orphanages https://wearelumos.org/sites/default/files/Haiti%20Trafficking%20Report_ENG_WEB_NOV16.pdf

4 Reference: For further information see: European Commission. (2009). Report of the Ad Hoc Expert Group on the Transition from Institution to Community-Based Care.

5 Berens, A. & Nelson, C. (2015). The science of adversity: Is there a role for large institutions in the care of vulnerable children? The Lancet. Available from:

[http://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(14\)61131-4/abstract](http://www.thelancet.com/journals/lancet/article/PIIS0140-6736(14)61131-4/abstract) [accessed 08/08/16].

6 Rutter, M. (1998). Development catch-up, and deficit, following adoption after severe global early privation. Journal of Child Psychology and Psychiatry. 39(4): 465-476.

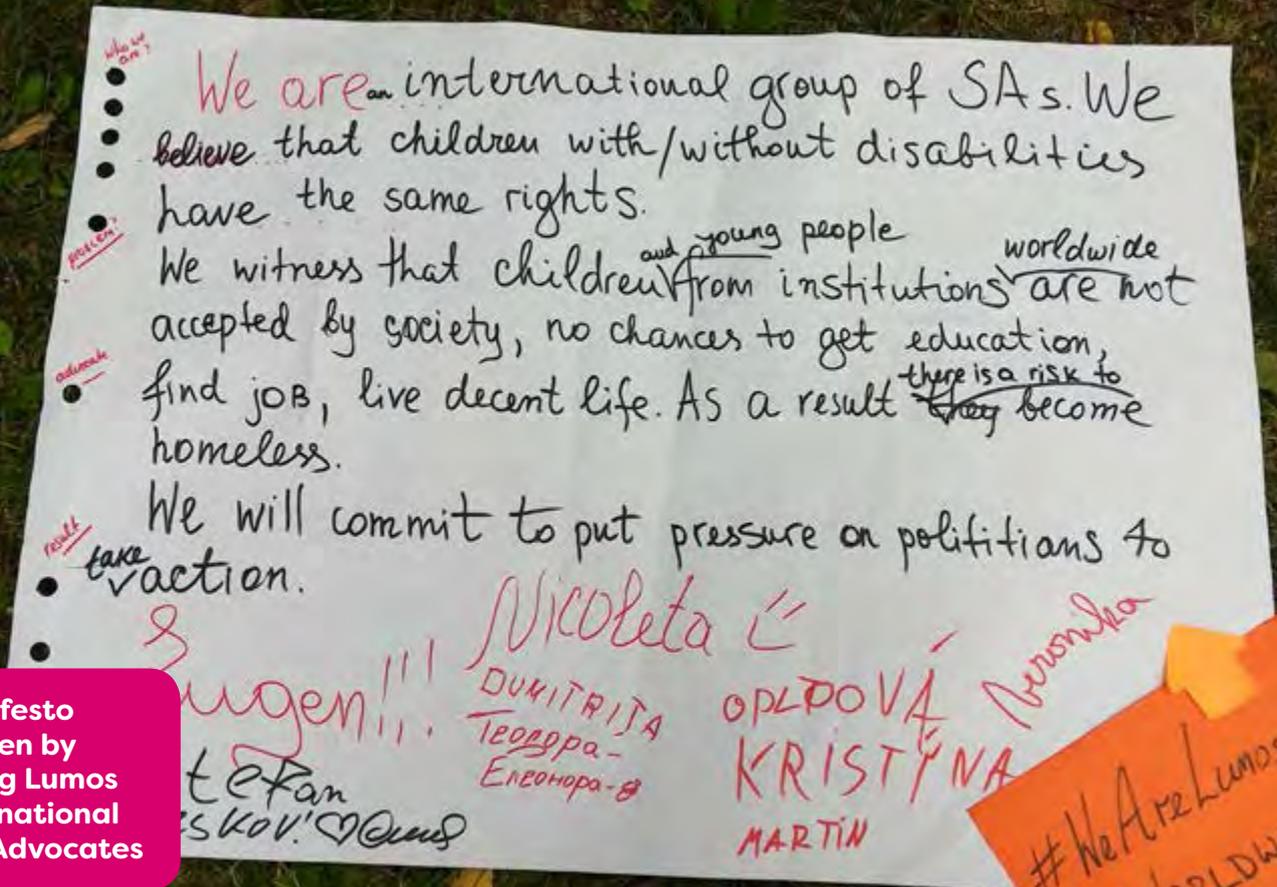
7 Csáky, C. (2009). Keeping Children Out of Harmful Institutions: Why We Should Be Investing in Family-Based Care. London, UK: Save the Children.

https://www.savethechildren.org.uk/sites/default/files/docs/Keeping_Children_Out_of_Harmful_Institutions_Final_20.11.09_1.pdf [accessed 8 May 2017].

Lumos: a global approach to change

Over the last ten years, Lumos’ primary focus was in Europe, establishing demonstration programmes in Bulgaria, the Czech Republic and Moldova, supported by advocacy in Brussels and Washington DC, to influence the policies and practice of major international development bodies, such as the EU. With Lumos’ support, a ‘tipping point’ has been reached in the European region, with most countries now following or developing strategies or plans to close institutions.

This was achieved in part through the regulation introduced by the European Union in early 2014, after sustained advocacy by Lumos and partners, stating that funding for Member States must not be used to build or renovate institutions and should support the transition to community services. Lumos has continued to expand its presence across Europe through the provision of training, technical support, legislative guidance, research and emergency support, most notably in Greece, Ukraine and Russia.



Manifesto written by young Lumos international Self Advocates

The harm children face in institutions is not limited to Europe but is a global problem, with evidence highlighting that children are unnecessarily separated from their families across the world. The primary underlying reasons for separation are similar across different regions, but there are also significant differences and new challenges.

Lumos has a flexible approach to reforming systems in different countries and regions. Using an evidence-based approach to plan and implement reform, Lumos builds on practices from its demonstration programmes, while remaining cognisant of the reality and needs from different cultures and contexts.

In 2015, Lumos expanded beyond Europe into Latin America and the Caribbean, with the first demonstration programme established in Haiti, and in 2016 further in-depth scoping was undertaken in the region to develop a regional strategy and select a second demonstration country.

Using a phased approach over the next ten years, Lumos will develop expert 'hubs' in new regions to demonstrate what reform looks like in different contexts and cultures. By establishing programmes in different regions of the world, Lumos seeks to identify and respond to the different drivers of institutionalisation to achieve a truly global tipping point.

To achieve change at a global level, Lumos builds on the following foundations:

- **Demonstrating that change is possible:** To respond to resistance to reform, Lumos develops country programmes in different cultures and circumstances to demonstrate how children can move from institutions to families or family-like care and how families can be supported to safely look after their children at home. Lumos offers expertise and guidance to support the planning, policy and practice needed to reform systems and to ensure that resources are ring-fenced and attitudes are changed to make sure that reform is irreversible. Where necessary, Lumos also undertakes emergency interventions to save the lives of children in institutions who are at immediate and severe risk from illness, malnutrition or abuse;
- **Demonstrating the case for change:** Lumos documents and shares evidence of the process and outcomes of reform to build the case for deinstitutionalisation at national and international levels. Lumos also supports international initiatives to evidence the impact of institutionalisation on brain development;
- **Shifting policy, practice and money:** Lumos builds coalitions to encourage and sustain political and societal will to ensure that multilaterals, governments, private donors, charities and the public commit to supporting efforts to keep families together, and shifting money from institutions to community-based services. Lumos works with partners to ensure that the right of a child to a family life, as enshrined in the UN Convention on the Rights of the Child (CRC), the UN Convention on the Rights of Persons with Disabilities (CRPD) and the European Convention on Human Rights (ECHR), is realised;
- **Strengthening the capacity of professionals:** Lumos supports a broad range of professionals to reform child care systems. In some cases, this involves training decision makers and politicians on planning for national reform, whereas in others, training is provided for practitioners working directly with children on areas such as child protection;
- **Including the voices of children:** Children have a right to be meaningfully involved in decisions that affect them. Lumos supports self-advocacy by young people in institutions, those with intellectual disabilities and other marginalised groups, who have gone unheard for too long. Lumos' Self-Advocates' Manifesto, was created at the Lumos Youth Forum in July 2016, which brought together self-advocates from Bulgaria, the Czech Republic and Moldova to establish their terms of engagement:

“We are an international group of self-advocates. We believe that children with and without disabilities have the same rights. We witness that children and young people from institutions worldwide are not accepted by society: with few chances to get an education, find a job or live a decent life. As a result, there is a risk of becoming homeless. We commit to put pressure on politicians to take action.”

Lumos aims to reach a global tipping point in the way vulnerable children are cared for which involves: major international agencies and donors shifting their funding away from orphanages towards family and community based responses and at least two-fifths of countries in the world having some form of national legislation or action plan in place to end the institutionalisation of children.

This will be achieved through a range of actions taking place at local, national, regional and international levels, to ensure scalable and sustainable change.

- **Demonstration:** Strategically selected demonstration countries will show how to transform systems of care for vulnerable children in different contexts. Different approaches will generate evidence of how to ensure family care is possible for all children in complex circumstances, such as unaccompanied refugee children or children with HIV. Demonstrations will provide evidence needed to convince other countries – and the funders currently supporting orphanages there – to transform their systems;
- **Education:** Training and awareness raising will take place at national, regional and global levels to dispel myths regarding orphanage care: providing evidence of the harm caused by orphanages and that better alternatives exist; financial evidence of the sustainability of transformed systems and developing sufficient capacity among key professionals to manage reform;
- **Communication:** When tackling belief systems and ingrained behaviours, there is a need for strategies that effect changes in behaviour. Regional and global behaviour change communications strategies will target the behaviour of faith-based and secular volunteers, funders and orphanage service-providers;
- **Advocacy:** Influencing the behaviour of major policy makers, governments and funders at national, regional and global levels is essential. Advocacy initiatives rely heavily on the use of scientific and economic evidence to convince stakeholders that change is possible, necessary, affordable, sustainable, and that they will gain in standing with politicians, the public, and international bodies if they enact change.

Regional and global behaviour change communications strategies will target the behaviour of faith-based and secular volunteers, funders and orphanage service-providers.



Demonstration Countries

Strategically selected demonstration countries will show how to transform systems of care for vulnerable children in different contexts.

Milestones

Reaching a global tipping point

● Milestone 8:

Global shift in attitudes of faith-based organisations – shifting away from supporting orphanages and towards families and communities.

● Milestone 1:

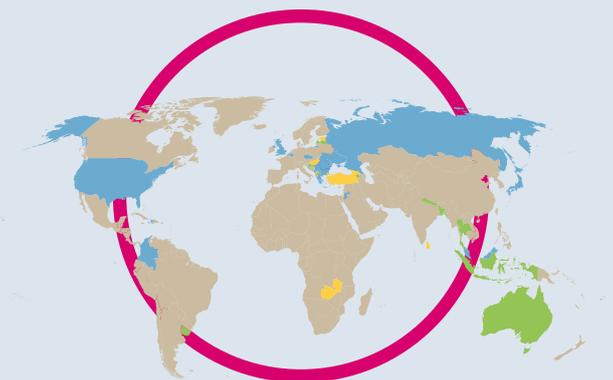
Key global policy and decision-makers adopt policies to end institutionalisation and prioritise the development of child protection systems.

● Milestone 2:

Key global funders adopt regulations that prohibit expenditure on orphanages and prioritise transition from institutions to community-based care.

● Milestone 7:

Global shift in attitudes to voluntourism – away from volunteering in orphanages.



● Milestone 3:

US\$15 billion at least re-directed from orphanages to community-based services.

● Milestone 6:

4 regions in the world have reached regional tipping point.

● Milestone 5:

Evidence documented and accepted by global decision-makers of successful transformation of care systems for groups at most risk of being left behind (e.g. children with multiple complex disabilities, unaccompanied refugee and migrant children, children in conflict with the law, inter alia).

● Milestone 4:

Evidence documented and accepted by global decision-makers of successful transformation of care systems in a range of geo-political/cultural/income countries.

Lumos: guiding principles and values

Lumos' mission to end the institutionalisation of children worldwide by 2050 is ambitious but achievable.

To ensure a measured, sensitive and high impact approach, Lumos' work is guided by the following principles:

- **Impact:** Lumos ensures that all its activities have a direct and measurable positive impact on children;
- **Quality:** Lumos works with senior professionals to ensure high quality in all its programmes, particularly in the development of services for vulnerable children and their families;
- **Scale:** Strategic partnerships help to ensure resources are directed towards deinstitutionalisation and building professional capacity through training and information sharing. Examples of good practice are scaled up, engendering lasting change for tens of thousands of children at local, national and international levels;
- **Sustainability:** Lumos builds exit strategies into all its work. It does not replace State authorities or local NGOs, but supports and guides local actors to make change happen and to own that change;
- **Value for money:** Lumos aims, always, to target finances strategically, to gain the greatest 'leverage' — testing and proving models of good practice on the ground and influencing major donors and governments to find innovative ways to direct their huge resources towards improved services for vulnerable children.

The values underpinning Lumos' approach are:

- **Child focus:** the rights and needs of children are at the centre of all we do;
- **Accountability:** we take responsibility for our programmes and their impact;
- **Transformation:** we support change to create a positive and sustainable difference to the lives of children;
- **Inclusiveness:** we operate in open and honest ways in both our internal and external relationships, ensuring meaningful involvement for young people.



Achievements and Performance

2016 Overall Organisational Objectives

1 Lumos in Europe

To continue to bring children out of institutions in demonstration programmes in Bulgaria, the Czech Republic and Moldova, supporting governments to create long-term, sustainable services for families in the community. Remotely support the development of reform in Greece, Ukraine and Russia through training and technical advice, sharing the skills of Lumos' European teams internationally.

2 Lumos in Latin America and the Caribbean

To support the Haitian government, particularly in its strategy to close its worst institutions; to identify sources of international funding to drive reform; and to directly help very vulnerable children in orphanages. To identify a second demonstration country and establish a regional presence.

3 Lumos in the USA

To influence funders in the US – government, agencies, private trusts and foundations and individuals – to divert aid away from orphanages and towards communities. To build key partnerships to strengthen the case that children need families, not orphanages.

4 Expanding Lumos' global reach

To provide guidance, training and technical support to partners in Japan, Malaysia and Jordan to develop of national strategies, plans and demonstration programmes.

5 Lumos' advocacy

To monitor the use of EU Member State funding to support deinstitutionalisation, and advocate that EU funds, around the world, do not support institutions but instead prioritise the development of community support services for children and families. To convince and support the US government, multilateral donors, private trusts and foundations and faith-based communities to shift their money away from orphanages to support care services in the community. To ensure children outside families are not left behind by the UN's Sustainable Development Goals (SDGs), and strengthen the influence of young self-advocates in policy-making at all levels.

6 Lumos' global training and technical support

To continue to strengthen Lumos' capacity to deliver high-quality, large-scale training and to respond to requests from countries around the world for technical support in their reform processes.

7 Lumos' research

To provide high quality research to demonstrate the impact of institutionalisation and the outcomes of Lumos' work.

8 The Lumos supporter base

To provide Lumos with income and future stability, including acquiring new donors and ensuring all donors and supporters are well-informed about the organisation's work. To continue diversification of income streams, to seek multi-year funding and to continue to build strong, long-term relationships and partnerships.

1 Lumos in Europe

A decade ago, there were no consistent policies on deinstitutionalisation in Europe and a significant amount of funding from donors, including the EU, supported institutions. However, since 2013 a tipping point has been reached in Europe. Most nations with large numbers of children in institutions have reform plans in place.

Following years of advocacy in which Lumos played a key part, the EU now has regulations in place prohibiting European Structural and Investment Funds (ESIF) for Member States to be used to build or renovate institutions, and prioritising the transition to community services.

Although there has been notable progress, many challenges still remain. There is a risk that now a 'tipping point' has been reached, countries embark on reform without the skills and expertise needed for a high-quality approach to planning and implementing change. There are also new pressures on the region, such as the increasing numbers of unaccompanied refugee children – there is a risk that countries revert back to institutional systems instead of finding family care for this very vulnerable group of children.

As a consequence of the considerable progress made across Lumos' demonstration programmes, expertise from Lumos' country teams is now being shared across the region to provide large-scale training and technical advice internationally.

Lumos' objectives for 2016 in Europe:

- To continue to move children out of institutions in demonstration programme regions in Bulgaria, the Czech Republic and Moldova, supporting governments to create long-term, sustainable services for children and families in the community;
- To build on work in Greece and Ukraine to support the government to create comprehensive and affordable strategies for deinstitutionalisation;
- To provide targeted technical advice and assistance to national initiatives supporting reform in Russia;
- To share the experience and skills of Lumos' teams in Europe with other countries, providing training and technical advice on local, national, regional and global levels;
- To strengthen Lumos' child participation groups to contribute to the development of Lumos' programmes and advocacy work and to national and international initiatives to support global reform.

Bulgaria

There has been considerable progress towards reform in Bulgaria, however a number of challenges still remain. Since 2010 there has been an 81% decrease in the number of children in institutions, from 5,695 in 2010 to 1,064 in 2016. However, it is vital that new services to support children who have moved from institutions are adequately funded and supported, and that the remaining children in institutions are included in the next phase of reform.

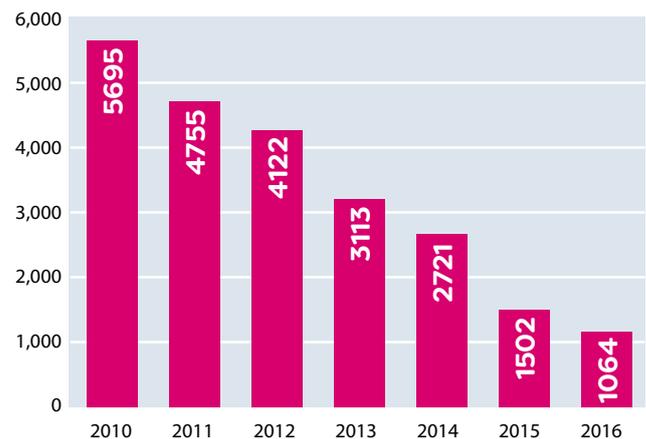
Lumos supported the government to develop its National Action Plan for 2016-2020 to reform children's services. This plan ensures a commitment to the continuation of reforms undertaken since 2010, with a particular focus on baby institutions and the services that must be developed so that the 647 children who remain in them can safely move back to the community.

Lumos has continued to generate evidence to illustrate what high quality reform looks like on the ground by supporting demonstration programmes in Dobrich and Varna, which prevent children from entering institutions by strengthening new community services. Lumos supported a foster family for a child with severe disabilities who had previously been in an institution in Krushari. Foster care for children with disabilities is not well-developed in Bulgaria, and for children with severe disabilities, provision is limited or non-existent.

To increase understanding of the impact of reforms and influence the government to continue to develop high quality new services, Lumos, in partnership with the government, undertook a reassessment of 1,200 children and young people with disabilities who were originally assessed before moving from institutions into family-like care, including small group homes. The research demonstrated many positive changes in children's lives, though it also identified areas for improvement, such as the need for better support with eating and drinking for children and young people in small group homes. Lumos shared these findings at a high-level seminar for Bulgarian professionals and policy makers.

Lumos' self-advocates designed a research programme focusing on the impact of reforms and presented their recommendations at the high-level seminar, to high acclaim.

Number of children in institutions



“She chooses her clothes and shoes matching them by colour. When going to the hairdresser she chooses her hairstyle herself...After school she puts her clothes into the laundry basket. She washes her hands, face, teeth independently and takes a shower with the guidance of a carer. She makes her bed without help, puts her toys in order, she takes part in preparing breakfast and peeling potatoes. She is friends with a girl from her school class and they go together to the tuck shop in the school.”

Progress for a young girl in a small group home in Chirpan, Bulgaria

“The data demonstrates a considerable increase in the number of children and young people who enjoy more independence now compared with when they were in the specialised institutions; this should continue to improve with the right support in place.”

Professional view from the 2016 Lumos assessment of the impact on children and young people of moving from institutions to community based services.

Young researchers also noticed, in some small group homes, practices that needed to be improved:

“We think that it is not good to always use pills and injections. In most of the cases this [challenging behaviour] is to show a wish which remains unnoticed and unexpressed because of sedatives. That is why, first, there should be a way to find the reason for the child’s behaviour, and if it is discovered that the problem is big then they should take more serious measures.

“The staff were feeding them so quickly that I had the feeling food was not chewed but directly swallowed. I think this is harmful for the stomach because this is not proper eating, just filling up the stomach and this is stressful to the body. In my opinion, the reason for this is the insufficient number of staff.

“Yes, each one of them has a doctor, but almost no one wants to take care of their teeth. In order for this to be an easier process, specialists should be taught how to approach them. Dentists’ offices must be improved because not every child can be treated in the environment of a typical dentist’s office.”

Observations in the Bulgarian assessment by Lumos Young Researchers from the Bulgarian self-advocates group

These observations by the young researchers have been taken into account in planning improvements to the care of children in small group homes.



Czech Republic

Lumos has worked in the Czech Republic since 2008, where spending on better physical conditions and higher staff-child ratios in institutions created political and professional resistance to change, despite evidence that outcomes of institutionalisation were still poor.

Although admissions to institutions, and the numbers of children in them, have fallen gradually since 2008, at the end of 2015, 8,135 children were still living in institutions. There has been a 96% increase in the number of children in foster care from 2007 to 2016, reflecting improvements in support services for children. However, there remains resistance to comprehensive reform across the country.

By the end of 2016, the total number of children in Lumos' regional demonstration county, Pardubice, had fallen from 435 in 2009 to 294. In Lumos' two regional demonstration counties, Pardubice and Karlovy Vary, there are now no children with disabilities in social care institutions.

All of the 'Mainstream Residential Children's Institutions' in Pardubice have deinstitutionalisation plans, and one of the three baby homes in the county has closed, providing evidence of a successful reform process in local conditions. In addition, Lumos trained 875 social workers and managers in a range of skills to increase the quality of social work across the country.

Through high-level advocacy in parliament, Lumos successfully prevented a proposed legislative change that would result in 'Diagnostic Residential Institutions' becoming responsible for deciding on child placements, instead of an independent court with involvement from social workers. This advocacy work, and Lumos' involvement in the Expert Ministerial Group, has led to the prioritisation of support and housing for at-risk families and young care leavers in the proposed new Social Housing Law. Lumos are also active members of the government Committee for Child Rights, providing the opportunity to advocate for change at a national level.

Throughout 2016, Lumos undertook a detailed financial analysis of the current system of care for children to explore the financial argument in support of reform. Findings will be disseminated in 2017 and will provide important new evidence to influence the government's plans for reform.

Through Lumos' influence, the voices of marginalized children with disabilities and those living in institutions are now regularly involved in the Czech Republic's National Youth Parliament. Veronia, a self-advocate, said: **"Thanks to Lumos I can spread the message to adults, young people and children that it is better for children to live with families rather than in institutions."**

294

By the end of 2016, the total number of children in Lumos' regional demonstration county, Pardubice, had fallen from 435 in 2009 to 294

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In Lumos' two regional demonstration counties, Pardubice and Karlovy Vary, there are now no children with disabilities in social care institutions

Moldova

Over the last decade, Moldova has achieved significant progress in reforming its child care system. Since embarking on an ambitious reform programme, the number of children living in institutions in the country has reduced by 86%, from 11,554 in 2007 to 1,636. Lumos has been a key partner with the government, donors and other civil society organisations throughout the process, supporting the Ministries of Labour, Social Protection and Family; Education; and Health, to finalise governmental approval of an Action Plan for 2016-2020 for implementing the Child Protection Strategy for 2014-2020.

To help support the government's reform programme, Lumos runs demonstration programmes in four regions where local practitioners are trained and supported to help develop and strengthen community services and undertake early identification of children's needs to prevent them from entering institutions. In 2016, Lumos staff trained 2,393 practitioners in the country and supported 1,226 children to be reintegrated in their families or placed in family substitute services in the community.

Many children with disabilities lived in segregated 'residential special schools,' sometimes long distances from their families. Therefore, when reforming the system, it was vital to ensure that children had access to inclusive schools in their communities to prevent them from entering institutions and to realise their right to an education with their peers. Lumos has played a key role working with the government and others to develop the inclusive education system. In 2016 Lumos carried out a variety of activities supporting this process, from piloting inclusive education practice in kindergartens, to evaluating a mandatory inclusive education course unit for pre-service teacher training, which was introduced in universities in 2012.





In September 2016, a new Lumos-funded 'Inclusive Education Unit' opened as part of a mainstream school in Ialoveni, one of the demonstration counties supported by Lumos. This first-of-its-kind unit in Moldova provides educational support for children with severe disabilities and demonstrates to other counties in Moldova and other countries, how all children can be meaningfully included in mainstream education. In total, 22 children started the term in the new Inclusive Education Unit, and for 15 it was the first time they had ever been to school.

Diana, the mother of a child attending the Inclusive Education Unit, said at the opening ceremony, **"It has been an extraordinary idea to open such a school for children with severe disabilities who have been staying at home for years. Every child needs love, understanding, and to be accepted. We have found all these in this Unit and in this school, where the teaching staff offer individual support. My daughter likes to come to school and I am very pleased to see other children willing to talk to her and support her. I am looking forward to seeing even more positive results of our children, and I would like to thank very much everyone who contributed to creating this new Inclusive Education Unit."**

As part of the Integration of Children with Disabilities into Mainstream Schools Project, financed by the World Bank, Lumos supported the Moldova-wide development of inclusive education, building the capacity of 680 teaching staff from 20 schools in 14 counties. This is an important step in ensuring that teachers have the necessary skills and resources to implement inclusive education practices in their counties.



Warwick Davis, actor and Lumos ambassador, visited Moldova to see the harm caused by institutionalisation:

“There are boys the same age as my son, 13, who are lying in beds, with no stimulation, nothing to look at, nothing to play with, no one to talk to, no one to communicate with, and they’re not getting that human interaction which is so important for emotional development. The staff are doing their best. You might have a room with six children and one staff member to care for them – it’s very difficult to do, because they do have individual needs, and some of the needs are quite specific. The demands on the staff are very high. And this all could be solved, very simply, by giving these children a family of their own.”

Young people in Ialoveni and Floresti who had left institutions were asked to write to an imaginary child who would also be leaving a residential institution. The letters were inspiring:

“You are not to worry about leaving the institution... Here in the big world I had the possibility to make all my dreams come true, even if I had thought this is not possible - more than I ever wished for.... That is why I advise you not to worry when you will be ready to leave the institution, because there are persons who will not let you down.... Dare to do something and you will succeed!”

“Your disability cannot stop you from being human in the whole sense of this word. Nobody can stop you seeing the world the way you want to see it. No one can make you feel inferior or intimidate you without your consent. Life is beautiful, live it to the fullest with its pleasures and difficulties. Fight for your own affirmation, for the right to live a free life unlimited by experiences and discoveries.”

Greece

It is estimated that at least 2,800 children and young people live in 85 institutions in Greece.⁸ Since 2015, Lumos has supported the Greek government and other partners to develop plans to reform the country's system of care for vulnerable children.

Lumos does not have a country team directly working in Greece, but works in partnership with local agencies to provide guidance, training and technical support. In 2016, experts from Lumos' teams in Bulgaria, the Czech Republic and the UK supported work in Greece, alongside Lumos' principal Greek partner the Institute of Child Health (ICH), a research organisation under the Ministry of Health.

Lumos hosted successful advocacy events in Athens (January) and Brussels (February), sharing recommendations for reforming child care and protection services with Greek professionals, politicians and policy makers, as well as EU officials. The Greek government committed to reforming its child care system and the EU made commitments to funding a credible plan.

Lumos undertook a 'Strategic Review' of the current system of care for vulnerable children; a research model that has been used successfully in a number of other countries. The Strategic Review assessed 15 institutions across the Western Greece and Attica regions, which included a total of 1,017 children and adults. The results of this review – the most comprehensive and up-to-date analysis of the Greek system to-date – were used as a basis for designing and planning new services at a meeting in Athens with senior representatives from the Greek government, child care professionals and representatives of civil society. Mr Dimitris Karellas, General Secretary of Welfare, Ministry of Social Solidarity, said at the meeting, "We want to be the first government to begin and conclude the DI process for children."

Lumos also started an emergency intervention programme in an institution in Western Greece. This programme aims to improve immediate conditions for children and adults with disabilities, including: improving interaction and communication with residents, support with eating and drinking, increasing independence skills and safely removing restraints – such as caged beds. It is anticipated that this institution will be included in national reforms and that the children and adults present can be moved to family-like care in the community.

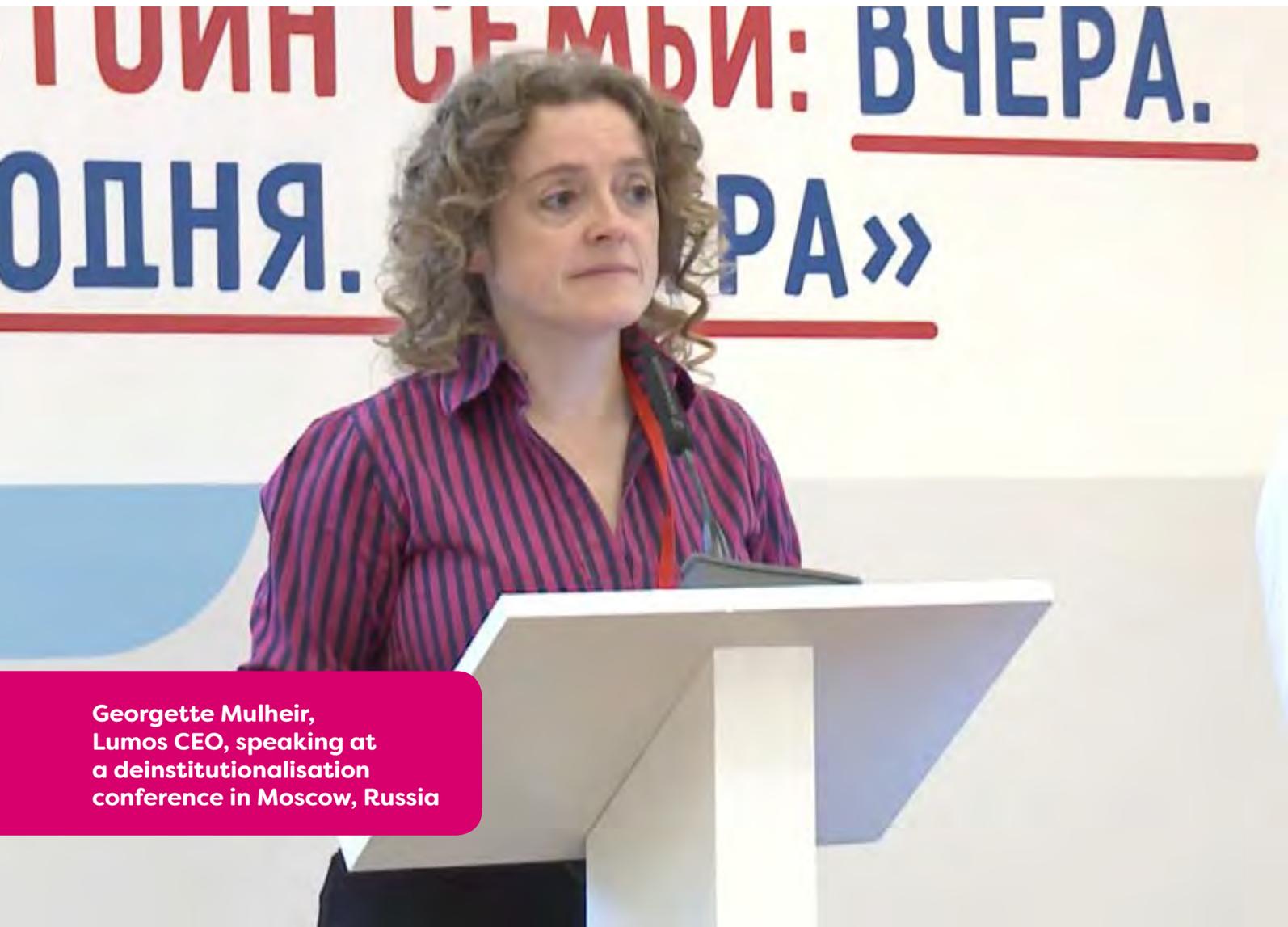
Lumos is supporting a team of social workers in the country, delivering training in areas such as child protection and assessment to 17 practitioners. In addition, in order to counter the absence of formal, consistent tools to assess the needs of children, Lumos has piloted an assessment framework with social workers, with the view to this being adopted on a wider, national scale in 2017.

⁸ Roots Research Centre & Opening Doors Campaign. (2015). Mapping institutional and residential care for children in Greece.

Russia

There are an estimated 400,000 children in institutions in Russia, the highest number in Europe. The government has shown a desire to reform their current system and building on this political will, in collaboration with Charities Aid Foundation Russia, Russian NGOs and experts, Lumos started a programme to support the involvement of civil society organisations in the implementation of national child care reforms.

Lumos ran two well-received deinstitutionalisation training programmes in Moscow for more than 70 representatives from local authorities, civil society and institutions across ten regions. Training was led by experts from Lumos' teams in the Czech Republic and Moldova who were able to share practical examples of system change and how barriers could be overcome.



Georgette Mulheir, Lumos CEO, speaking at a deinstitutionalisation conference in Moscow, Russia

Ukraine

It is estimated that 104,000 children live in institutions in Ukraine, in addition to a significant number of children and families who have been displaced since the conflict began in the east. However, despite the challenges faced, there is political and professional will to reform the system.

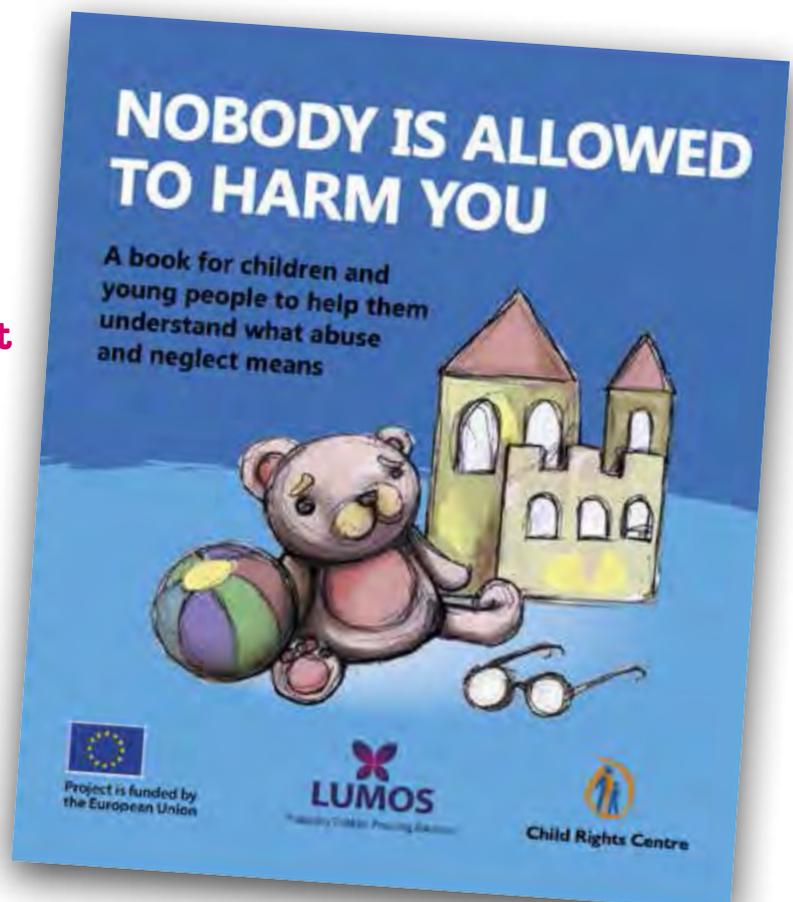
In January 2016, the President of Ukraine, Mr. Petro Poroshenko, signed a Decree "On a working group for reforming the system of institutional care and education of children." The Ombudsman for Children under the President of Ukraine was designated to lead the working groups, comprising representatives from Ministry of Health, Ministry of Education, and Ministry of Social Policy – to develop a national deinstitutionalisation strategy. Lumos developed a close relationship with the Presidential Ombudsman for Children and was invited to provide technical support in developing the National Strategy and the Concept of Inclusive Education. Experts from Lumos' teams in Moldova and the UK contributed to the development of the country's Child Care Deinstitutionalisation Strategy 2017-2030, and supported the establishment of a new 'Deinstitutionalisation Unit' in the country.

Serbia

An innovative booklet created by children and young people with intellectual disabilities to help their peers understand and recognise neglect and abuse was launched as part of a project in Serbia, funded by the EU and run by young people, working with Lumos, and the Serbian Child Rights Centre (CRC).

The project empowered children and young people, aged between 13 and 27, to assess the effectiveness of systems in Serbia in protecting them against abuse. The children and young people were also supported to train Serbian child protection professionals in skills to identify abuse. The young people participating in this project had already been involved with Lumos, working on Lumos' Turning Words into Action child participation project.

The booklet, Nobody is Allowed to Harm You, is available in Braille and other languages and has been shared with other countries and disseminated throughout the Czech Republic.



2 Lumos in Latin America and the Caribbean

In 2015, Lumos expanded its presence outside Europe to the Latin America and the Caribbean (LAC) region, selecting Haiti as the first demonstration country. The success of Lumos' work in Haiti has demonstrated proof of concept – that Lumos is able to develop and demonstrate effective reform outside Europe and has also increased the organisation's profile and credibility as a global organisation.

Due to the scarcity of data relating to the numbers of children in institutions in the Latin American and the Caribbean (LAC) region, the scale of institutionalisation is largely unknown. Some policies exist, particularly for children under three, however they are scarce and implementation is inconsistent.

Significant funding from donors supporting the construction or renovation of orphanages is another challenge in the region, particularly private funding from well-intended individuals. Some of the drivers for institutionalisation in the LAC region are similar to those Lumos has encountered in Europe, including poverty, disability and a lack of access to basic health, education and social services, however the region also presents new drivers and triggers for institutionalisation. Case evidence suggests that in some countries an 'orphanage business' has developed where institutions are established that traffic and exploit children.

Given the region's economic, political, cultural, and social diversity, it is necessary for Lumos to demonstrate that deinstitutionalisation is possible in a range of different contexts in order to achieve major shifts in regional policy, practice, and funding.

Lumos' objectives for 2016 in LAC:

- To make significant progress in Lumos' first demonstration programme outside Europe – Haiti. This involves bringing children out of institutions and into families, working with the Haitian government and other partners, including USAID and the EU to create long-term sustainable commitments to ending institutionalisation;
- To work closely with the Haitian Anti-Trafficking Committee, ensuring that the orphanage trafficking business is recognised, not only in Haiti but in all regional anti-trafficking work;
- To undertake in-depth scoping work in order to identify a second demonstration country in the LAC region;
- To identify and develop partnerships with local and international actors in LAC to create synergies and align efforts and programme design;
- To provide training and technical advice to organisations in the LAC region implementing DI;
- To influence policy and practice of regional stakeholders and funders, in order to redirect funds from institutions to community-based services;
- To begin building a regional team to work on policy, advocacy and programmatic work.

Haiti

In January 2015, Lumos began working in Haiti - the poorest country in the Western Hemisphere - where an estimated 30,000 children live in more than 750 orphanages. More than 80 percent of the children have at least one living parent⁹ and less than 15% of these orphanages are officially registered with the Haitian authorities. The orphanages in Haiti are predominantly privately run and funding is, for the most part, provided by foreign donors.

Since Lumos began working in Haiti, the team has worked closely with IBESR - the government department responsible for children – and closed three institutions in 2016. More than 75% of the children have been able to go home to their families with support. Lumos has been working with the government and local partners to trace families and prepare children and families for reunification. Over 2015 and 2016, Lumos helped reunite 111 children with their families; trained 161 parents in parenting skills; trained a further 131 parents and relatives in the skills they need to set up small businesses; and gave small grants, where needed, so that families can generate an income and support their children at home. In 2016, in cooperation with IBESR, Lumos also began the process of assessing all institutions in the country.

On October 4, 2016 Hurricane Matthew hit Haiti, and devastated the south of the country. Three cities were flattened, an estimated 1,000 people lost their lives, 175,000 were displaced and 500,000 lost their livelihoods. Lumos Haiti responded to Hurricane Matthew by strategically partnering with the local social services department and a local grassroots organisation in the South Department, one of the affected regions. In order to respond quickly, part of Lumos' Haiti team was deployed to the area, and worked as a joint team with local state and NGO social workers to provide medical care, food, water, school supplies, to over 2,000 children, including those in orphanages who may have been missed in the international response. To minimise the risk of trafficking, the team also prioritised documenting all children in the 50 orphanages in the South and issued warnings to directors of orphanages that any admissions or discharges made without the involvement of social services would result in prosecution.

In Haiti, the practices in many institutions fit the international definition of trafficking in children. In 2016, Lumos worked closely with the National Committee against Trafficking in Persons - a newly established government body - to advocate for the recognition of the 'orphanage business' as a form of trafficking and as a national priority. In September 2016, Lumos co-hosted a high-level roundtable at the European Parliament in Brussels, together with MEPs. The event provided an opportunity for the Haitian National Committee against Trafficking in Persons to present its progress and plans, and served as a platform for the European Commission and the Haitian government to discuss mutual priorities. At the event, members of the European Parliament publicly agreed that the orphanage business is a form of trafficking that needs to be addressed with urgency. Lumos also organised a study visit for the Committee in the UK to learn about all aspects of the anti-trafficking system.

In 2016, Lumos also continued to work with international funders and donors in order to trace, redirect and leverage funding away from institutions and towards community-based services. By working closely with the EU, USAID and other donors, Lumos has helped leverage funding to the National Committee against Trafficking in Persons as well as for deinstitutionalisation.

⁹ L'Institut du Bien Etre Social et de Recherches (2013). Annuaire des Maisons d'Enfants en Haïti. <http://www.ibesr.com/fichier/Annuaire%20Corrige%202012-2014%20version%20juillet.pdf> [accessed 16 September 2016].

One mother said: **“I gave my children away so they could have a better life and get an education. If I had known what this place was like, I would never have given them up”**

The mother of a child in a Haitian orphanage Lumos helped to close in 2016.

“In the institution they made me work hard and walk a long way carrying heavy loads. We had to cook the food they gave us, and it was rotten. I could not eat it, but there was nothing else and so I would go to bed hungry. When we complained about the food, they would beat us. Now I am back at home, I only have to play and eat and then go to sleep afterwards. If I don’t like the food everyone else is eating, my mum will just make me something else”

A six-year-old girl from the same orphanage



Bonnie Wright, Lumos Ambassador and Harry Potter actress, visited Haiti:

“We then went to our first orphanage that was stage red (high risk). There were about 40–42 children within this orphanage and the conditions were incredibly bleak, and the children were very unresponsive when we arrived. They were very much bound to their beds and were not interested in the commotion that we brought in. We began to speak to a few children who shared with us their age and their names, but a lot of them we really couldn’t communicate with that easily. I was incredibly shocked and upset to find the conditions of the first orphanage we visited.”

Evanna Lynch, Lumos Ambassador and Harry Potter actress, visited Haiti with Bonnie Wright:

“And as soon as we came in the door (of the orphanage), it was just open arms everywhere, all these tiny little children wanting to hug you. And that was beautiful and it was lovely to hold a little child. But then the sad part of it is that’s how starving for affection they are, that a stranger would walk in and they want to give you all their heart. I can’t imagine denying a child that every single day, and yet that’s what so many children do have, to the point where they just stop asking for it.”



LAC regional expansion

During 2016, Lumos undertook research and scoping to identify a second demonstration country in the LAC region. Lumos began developing relationships with key regional bodies, organisations and networks in the region, and began mapping the scale and nature of the problem of institutionalisation the region.

After extensive research to determine a second demonstration country, Colombia emerged as the most likely choice for a number of reasons. As a country just emerging from war, there is a risk that, without intervention, orphanages will proliferate as part of post-war reconstruction. There are currently 13,000 children living in institutions in Colombia, and approximately 40,000 more in informal residential schools. In recent years, the Colombian Government has prioritised reforming its child protection systems and recently asked Lumos to provide support with the reform.

In 2016, Lumos continued to provide technical advice to Fundamor - an institution in Cali for children living with HIV. With Lumos' support, Fundamor is undertaking the first ever deinstitutionalisation process in Colombia. In 2016, Lumos provided Fundamor technical advice on how to prepare children to move, how to prepare families, how to assess children and ensure that each child moves into the best placement possible. A total of 60% of all children in Fundamor were reunited with families in 2016. In 2017, Lumos formalised this support via a grant that will make it possible for Fundamor to transition all remaining children to foster families or to move on to independent living.

As part of the Knowledge Transfer Project, in 2016 Lumos prepared training modules to be delivered across the LAC region in 2017. The training modules will focus on youth participation, leaving care and fostering. LAC trainers from all over the region will attend the trainings in early 2017 in Panama City, Panama and Buenos Aires, Argentina.

“Thank you for helping Fundamor, because it has been my home for more than 10 years, and for them and for us the separation is not easy, because we have been one big family, but we know that this is for the best. To move into family care is ideal.”

A young person living in Fundamor

“The most important thing is to understand that it is possible to do this [deinstitutionalisation]. Lumos has advised many organisations and has achieved successful processes. So the most important thing is to lose your fear and understand that this is possible.”

An institution director from the LAC region who attended Lumos' DI training programme in 2016



3 Lumos in the USA

Lumos has played a key role in influencing funders in the US – government, agencies, private trusts and foundations and individuals – to divert aid away from orphanages and towards communities. Our objective was to build key partnerships to strengthen the case that children need families, not orphanages.



Influence in the United States

The US – its government, Congress and agencies, its private trusts and foundations, and its people – plays a key role in the mission to divert aid away from orphanages and other institutions, and into communities. Significant funds flow each year from the US to orphanages in Haiti and other parts of the world.

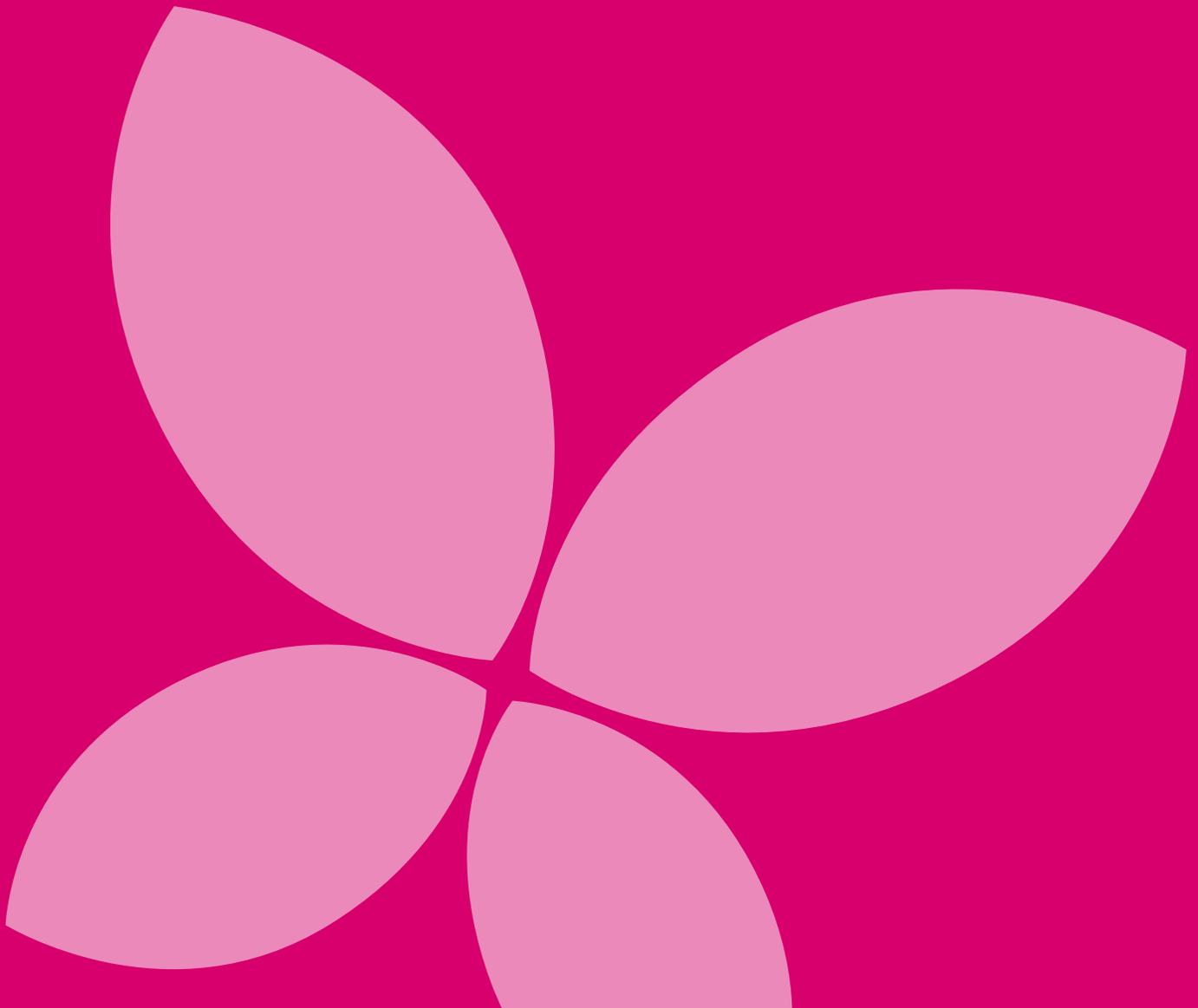
In 2016, Lumos' CEO was asked to join a Congressional Delegation to Haiti to look at orphanage care and its alternatives. As a result, Lumos was asked to work further with the Congressmen and Congresswomen involved, and with the House Judiciary Committee, on appropriate strategies to address trafficking in Haiti. Lumos' CEO presented evidence on trafficking in orphanages in Haiti at the influential Conference of the Congressional Black Caucus.

Lumos also continued to play a key role in the Global Alliance for Children (GAC) – a partnership of public and private organisations dedicated to helping children in adversity – which in 2016 strengthened its programme in Cambodia, drafted an advocacy strategy and began work in Moldova as a priority country.



4 Expanding Lumos' global reach

Lumos has supported a number of countries outside the regional hubs in Europe and Latin America and the Caribbean that are likely to be strategically important over the coming years. In 2016, Lumos provided in-depth guidance and training to Japan, Malaysia and Jordan to help develop DI national action plans and begin planning for regional demonstration programmes.



Japan

In Japan, 34,000 children are still living in institutions, including 3,000 babies.

In February 2016, Lumos hosted a high-level delegation from Japan, including members of the Japanese Diet (Parliament) and its prefectural (regional) assemblies, as well as the President of the Nippon Foundation, an influential non-profit organisation, and leaders from local authorities.

During this study visit, delegates were involved in an intensive course on the deinstitutionalisation process, visited a range of community-based services, and were involved in a planning session focused on developing Japan's first demonstration region for reform. In May 2016, Japan's parliament amended its 70-year-old Child Welfare Law, which will now guarantee the principle of family-based care by law and recognises a child's right to grow up in a family setting. Japanese MPs who were influential in the debate leading to the change of law attended the high-level visit to Lumos in February.

In November 2016, for the second year running, Lumos gave the keynote speech in Japan at an event organised by the Nippon Foundation as part of the Japanese Society for Prevention of Child Abuse and Neglect (JASPCAN) annual conference in Osaka, Japan. The event brought together physicians, nurses, legal experts, social workers, institution directors and other professions in Japan to discuss these issues and pave a way forward.

In 2017, Lumos will continue to provide strategic guidance and expertise to Japan, as the country embarks on a deinstitutionalisation process.

Jordan

In 2016, Lumos worked with the Higher Council for Affairs of Persons with Disabilities in Jordan to develop a national deinstitutionalisation plan for institutions for children with disabilities.

Lumos also provided technical advice on the draft legislation on the Rights of Persons with Disabilities and, through amendments to the draft law, ensured that deinstitutionalisation was part of the revised legislation. The legislation was approved in early 2017. Lumos further supported the Higher Council by developing key evidence-based messages supporting the need for reform, tailored to different audiences and the Jordanian context.

In 2017, Lumos will continue to provide technical guidance to Jordan. Lumos experts will conduct a visit to Jordan and provide training on the deinstitutionalisation process.

Malaysia

Lumos continued to provide guidance and support to a local NGO and the government in Malaysia in the development of a deinstitutionalisation process.

Senior members of Lumos participated in a high profile conference and session on planning in Kuala Lumpur. The government and the NGO have secured funding to undertake a Strategic Review, which Lumos will guide and support in 2017.

5 Lumos' advocacy

Lumos aims to influence the approach of major international funders so that international development funding is shifted away from orphanages and other institutions and into community services. Lumos works with a range of funders, including the US Congress, the UN, the European Commission and the European Parliament, faith-based communities and private trusts and foundations, to ensure their policies commit to deinstitutionalisation and their practices reflect this.

The European Union's introduction of regulations that require funding to support the transition from institution-based to community-based child care and protection systems in Member States has been vital in influencing practice in the region. It is now vital to ensure that similar conditions are attached to all EU development funding and that other funders, including multilaterals, regional development agencies, international financial institutions and governments, apply them.

The United Nations Sustainable Development Goals (SDGs) will play an influential role in dictating the flow of international funding over the next decade. However, at present there is no guarantee that children living outside families, including those in orphanages and other institutions, will be included in systems to monitor the goals' progress. As such, there is a risk that many children will be left behind.



Lumos' advocacy objectives for 2016:

- To play an active role in monitoring the use of EU Member State funding to support deinstitutionalisation, and to advocate that EU funds, around the world, must never support institutions but should instead be used for the development of community support services for children and families;
- To help the US Government ensure it supports deinstitutionalisation and persuade private trusts and foundations and faith-based communities in Europe, the US and elsewhere to shift their money away from orphanages to support care services in the community;
- To continue, with others, to ensure children outside families are not left behind by the UN's Sustainable Development Goals (SDGs);
- To strengthen the influence of young self-advocates in policy-making at all levels.

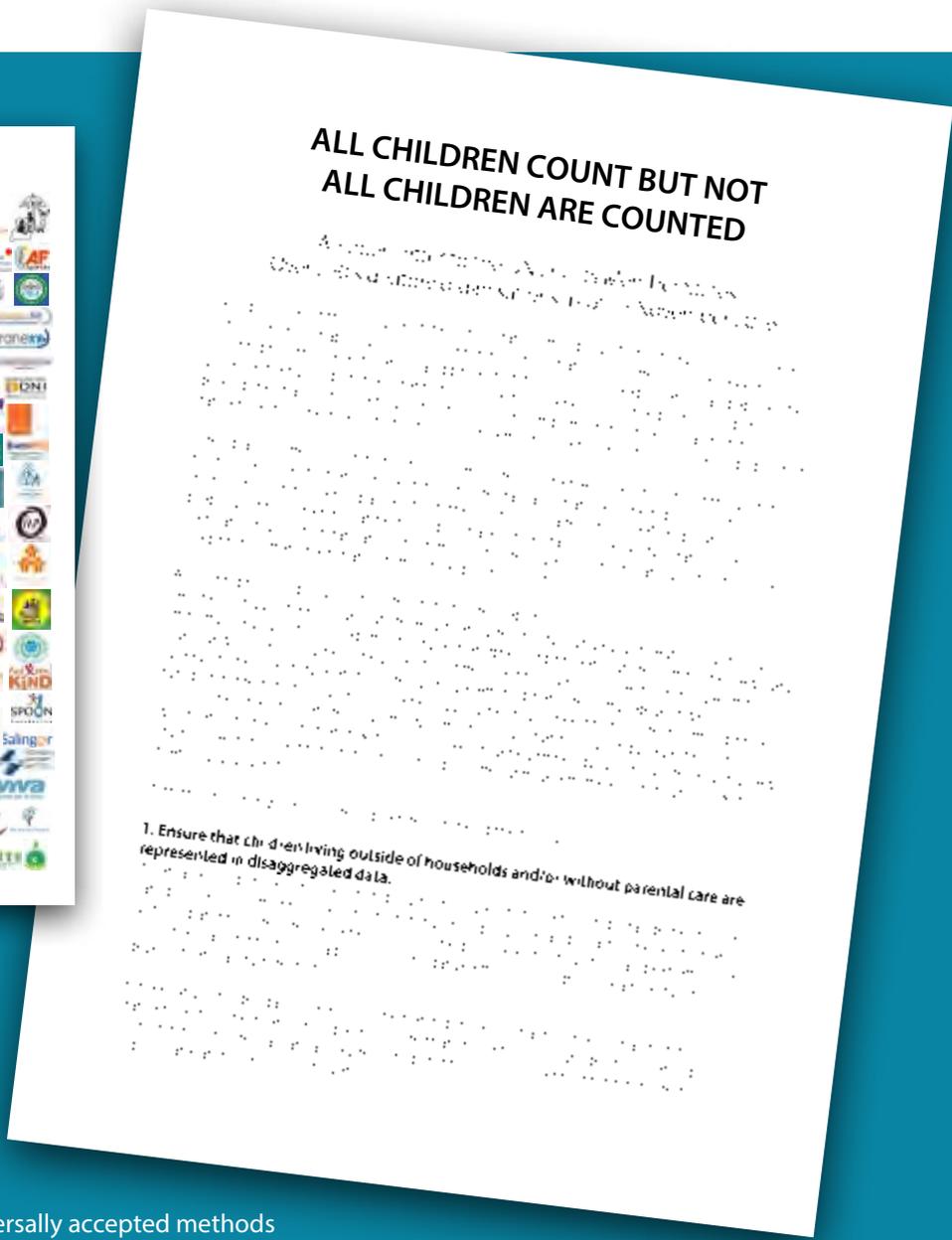
Helping the European Union play a leading role in transforming the lives of children

In 2016, Lumos and the NUI Galway Centre for Disability Law and Policy launched a new Initiative - *Community Living for Europe: Structural Funds Watch* - to monitor the use of European Structural and Investment Funds (ESIF) targeted at social cohesion in EU Member States.

Since the start of 2014, EU regulations required that ESIF cannot be used to build or renovate institutions but should instead fund the transition to community-based care. However, the evidence suggests implementation of this principle can be inconsistent. The Structural Funds Watch initiative monitors the application of the principles and therefore will play a key role in ensuring that vulnerable children get the full benefit of the ESIF regulations.

Lumos was invited by the European Commission's International Development Department (DEVCO) to co-host a conference on deinstitutionalisation in Brussels, where the European Union publicly stated its commitment to deinstitutionalisation globally for the first time. Lumos hosted three high-profile seminars in Brussels with government officials from Haiti, Greece and Bulgaria, designed to identify ways in which the EU can support deinstitutionalisation. After meeting Haitian delegates, European Commission officials acknowledged Lumos' evidence that the way children are 'recruited' to Haitian institutions constitutes a form of trafficking.





Ensuring no child is left behind

Lumos played a leading role in a global movement pushing for children outside families to be included and counted in the Sustainable Development Goals (SDGs) monitoring mechanisms. There are no universally accepted methods of counting children who live outside families, therefore it is only possible to estimate the numbers of children in institutions. By the end of 2016, over 250 organisations - including leading international children’s and disability rights NGOs, and academics - had signed an All Children Count open letter to UN statistical authorities, to keep pressure on UN policy-makers. The letter was shared at events in Zambia, New York, Geneva and Brussels during 2016. By the end to the year, Lumos had been invited to address a session of the UN’s influential global statistical conference in Cape Town in January 2017.

Changing minds around the world

Lumos started to influence the practice of powerful and influential private funders, convening a group of international foundations who have agreed to work together to change the funding practices of private trusts and foundations. Following an intervention on social media by J.K. Rowling, and further comments by the author in a Facebook Live interview, Lumos was also able to significantly raise awareness of the risks of voluntourism – seeking to deter well-meaning young people from volunteering in, and supporting, orphanages.

Upholding children's rights

Lumos made formal submissions to the UN's "Universal Periodic Review" – a process under the UN Human Rights Council that monitors how well a government is upholding its citizens' human rights. These reports focused on the situation in Haiti, Moldova and Greece, recognising the importance of institutionalisation and resulting child protection concerns as human rights issues.

Lumos representatives organised and spoke on panels at the UN Conference of States Parties (COSP) of the Convention on the Rights of Persons with Disabilities (CRPD) – on ending violence against children and the need to count children living outside families and include them in decision making.

Lumos Self-Advocates

In 2016, 301 children and young people were involved in Lumos' child participation groups. Lumos held its first ever International Youth Forum in 2016. This three-day event in the Czech Republic was attended by representatives from child participation groups in Bulgaria, the Czech Republic and Moldova, who helped Lumos shape a new child participation strategy. Representatives from Lumos' self-advocacy groups also spoke at high profile national and international events, including the prestigious Alternative Care conference in Geneva. (Picture shows Lumos-supported self-advocates with Mihaela, a Professional Self-Advocate working for Lumos, Bulgaria at the Geneva event.)



Influencing faith-based communities internationally

In 2016, Lumos supported the creation and production of the Transitioning to Family Care for Children: A Guidance Manual for the Faith to Action Initiative – an advocacy initiative which promotes better care practices within faith-based communities. The guide, designed to help faith-based funders of orphanages to transition to supporting community services, was launched in November 2016.

Lumos also supported workshops on 'transitioning care' as part of the Christian Alliance for Orphans annual summit in May 2016 and was invited to take part in the 2017 event. Lumos attended the World Without Orphans (WVO) conference in Thailand in 2016 and relationships formed there led to the creation and delivery of a bespoke training course for 40 WVO staff delivered in December 2016. Lumos has advocated with both Protestant and Catholic organisations to prioritise reform in Haiti, and responded to inquiries from many faith-based organisations and individuals about work in the country.



⑥ Lumos' global training and technical support

It is vital that, as countries begin the transition from institutional care to supporting families and communities, professionals are equipped with the skills they need to ensure a high quality, affordable and well-planned process that meets children's needs.

Since 2009, Lumos has trained 31,693 professionals responsible for supporting vulnerable children. In 2016, Lumos trained 4,173 professionals – ranging from high-level training on the deinstitutionalisation process for politicians and policy makers, to in-depth training for professionals, such as social workers, who directly support children.

Lumos' focus in 2016 was to continue to deliver training, while putting in place the necessary structure to significantly increase the scale of training and support in 2017 onwards. A key component of expansion is to ensure that the expertise developed in Lumos' programmes in Europe is shared with other countries. A new head of the training unit was recruited to lead the development of this process and prepare a strategy to meet global training and support needs.

The Lumos annual Introduction to Deinstitutionalisation training programme



The main objective for 2016 was:

- To continue to strengthen Lumos' capacity to deliver high-quality, large-scale training and to respond to requests from countries around the world for technical support in their reform processes.

Global training

Since inception, Lumos has trained or provided technical assistance to professionals, politicians and policy-makers from 34 countries. This ranges from large-scale direct training, provision of remote technical advice, 'study visits' for professionals to the UK, and attendance at the Lumos annual Introduction to Deinstitutionalisation training programme.

The 2016 Introduction to Deinstitutionalisation training attracted delegates from 17 countries, with a further 14 training events and 12 study visits for approximately 488 delegates. The Global Training and Support team also supported a number of government departments, NGOs and organisations across the world, from countries including Turkey, Israel, Georgia, Serbia, and Russia.

Lumos provided in-depth guidance and training to representatives from Japan, Malaysia and Jordan, helping develop national action plans for deinstitutionalisation or regional demonstration programmes.



Knowledge Transfer Project

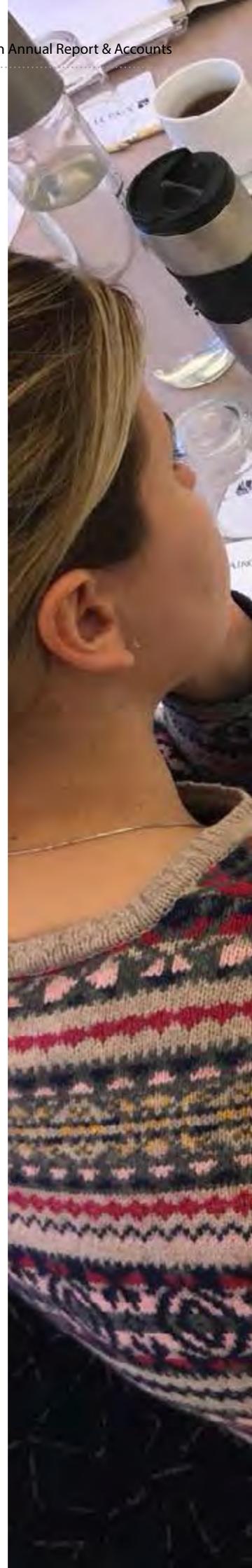
The Knowledge Transfer Project (KTP), funded by The Atlantic Philanthropies, a limited life foundation, is an integral part of Lumos' global strategy to help disseminate the high-quality research and professional skills needed to support child care reform. It has a particular focus on sharing learning and experience from Northern Ireland and the Republic of Ireland. The National University of Ireland (Galway) is Lumos' key academic partner in the project.

The KTP has four elements:

- Professional exchange of learning and training;
- International conferences and meetings of experts;
- Development of an online knowledge transfer portal;
- A documentary to highlight the process of reform.

In 2016, three 'study visits' were organised involving: Haitian professionals focussing on international anti-trafficking approaches; sharing knowledge with Moldovan professionals about early intervention to prevent family separation; and professionals from Haiti and Moldova on leaving care services. Additionally, a training course took place in Bulgaria focusing on financial planning for deinstitutionalisation.

Plans were also made in 2016 for a series of high-profile training events to take place in 2017 in the Europe and Latin America and the Caribbean regions, which will significantly increase the scale and scope of Lumos' training with professionals.



ОТЛУЧНЫЙ опыт и переживания ребенка под опекой ?

- ✓ одиночество
- ✓ неприятие, отверженность
- ✓ нарушение привязанности
- ✓ насилие и пренебрежение потребностями
- ✓ УТРАТА, РАЗЛУКА
- ✓ ОТСУТСТВИЕ САМОСОЗНАНИЯ
- ✓ НИЗКАЯ САМООЦЕНКА
- ✓ НИЗКИЙ УРОВЕНЬ СОЦИАЛЬНЫХ НАВЫКОВ
- ✓ СТРАХ

верие к миру

«Ангелы и ПРАВИЛА ИГРЫ»
ИЗУЧА

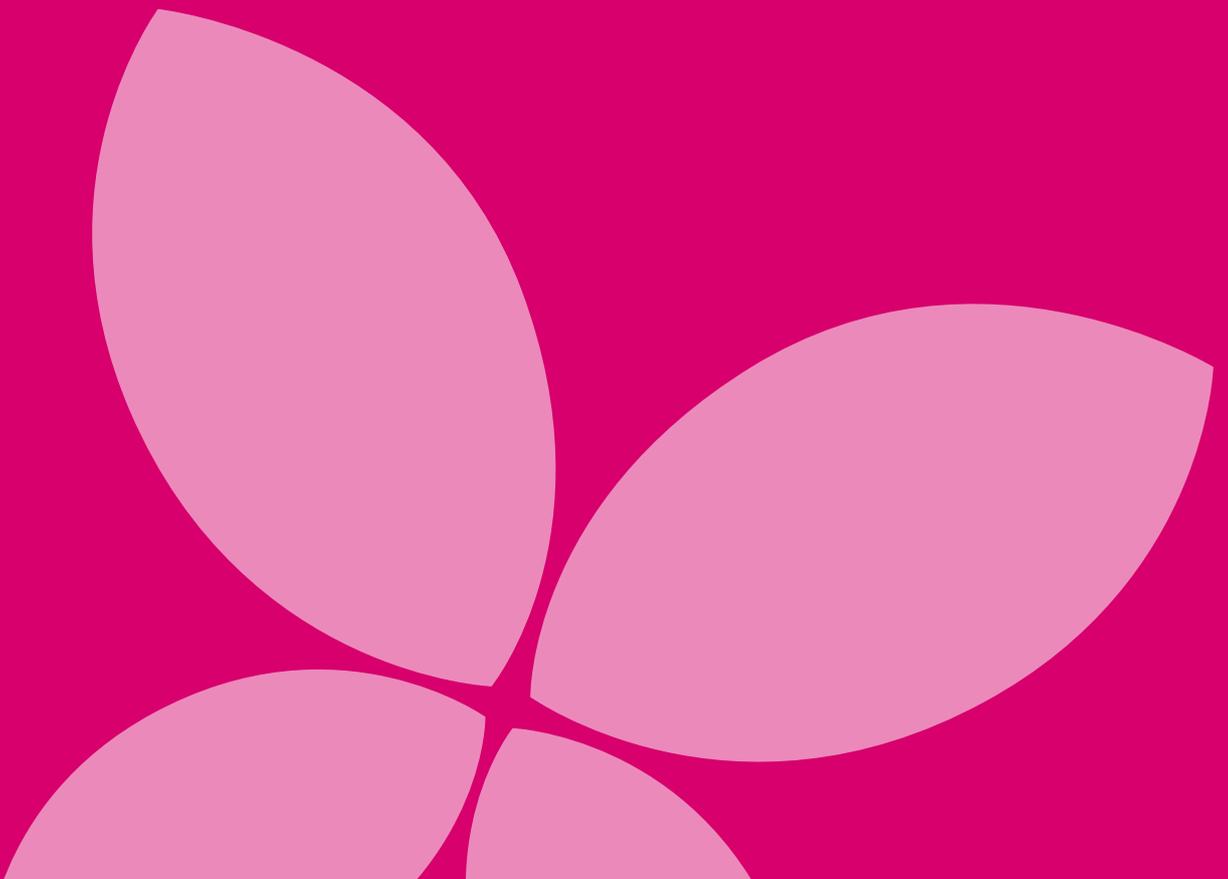
Group work during Lumos' Atlantic-supported Knowledge Transfer Project in Athens, Greece

7 Lumos' Research

The case for deinstitutionalisation rests on being able to demonstrate that institutions are harmful for children and that a better alternative exists. Lumos' Research, Information, Monitoring and Evaluation team leads on the development of a diverse range of projects to provide evidence of what works, document the process and drivers of reform, and identify learning that can be applied in other contexts. The outputs of Lumos' research and evaluation initiatives are key foundations of Lumos' advocacy approach.

The main objective for 2016 was:

- To provide high quality research outputs to demonstrate the impact of institutionalisation and the outcomes of Lumos' work.



Planning for reform

Lumos has developed a 'Strategic Review' methodology that enables countries to assess the current system of care that supports vulnerable children. The Strategic Review looks at the current national policies and systems in place, in addition to an in-depth assessment of the institutions and supporting services currently in place. The purpose of the Strategic Review is to act as a basis for planning, so that governments understand the assets in the system that can be built upon, and what steps are needed to reform and transition to family and community-based care. Together with partners in Greece, the research team undertook a Strategic Review in two regions: Western Greece and Attica. This assessed 15 institutions in depth, including a total of 1,017 cases of children and adults. The results – the most comprehensive and up-to-date analysis of the Greek system to date – were shared with professionals and used as a basis for the design and plan of new services.

Demonstrating the case for reform

Lumos published a comprehensive analysis of the outcomes for 1,200 children in Bulgaria who moved from institutions to community-based services. Developed jointly by the research team and Lumos' office in Bulgaria, this research demonstrated the direct impact that the work undertaken by the government and Lumos is having on children, in addition to highlighting areas in need of future development.

A common obstacle for countries embarking on reform is the misplaced belief that they 'cannot afford' a new system. To demonstrate the affordability of transitioning to community based care, Lumos undertook a study assessing the current cost of the child care system in the Czech Republic and undertook financial modelling to predict future costs. Lumos continued to promote other research into the assertion that institutionalisation is poor economics, generally more costly, and less cost-effective, with worse outcomes for children, than supporting families to stay together in the community – an important and under-developed area of research.

8 The Lumos Supporter Base

Lumos' mission to end institutionalisation by 2050 can only be achieved with engagement of informed, active supporters worldwide. Acquiring new donors and increasing the number of supporters globally was a key aim for Lumos in 2016. Thanks to J.K. Rowling, Lumos' core operational costs are covered, enabling us to maintain our "100% pledge" that public donations go entirely to support Lumos' programmatic work and not to support fundraising or administration costs.

The fundraising and supporter acquisition objectives for 2016 were:

- To acquire new supporters;
- To provide supporters with engaging, accurate information about our work;
- To continue to diversify income streams and seek multi-year funding;
- To build strong, long-term relationships and partnerships.

In 2016, the cost of fundraising reflects the implementation of a successful donor and supporter acquisition programme which saw Lumos' income increase by over 60% percent with donors from 114 countries (up from 47 in 2015). 24,000 new donors were engaged; over 100,000 new social media followers added and, thanks to J.K. Rowling and others, more than 2.6 million people reached with in-depth information about the harm caused by orphanages.

In the year, overall, Lumos also raised over £6.3 million, an increase of over 60%. This will enable Lumos to plan and implement long-term programmes to bring children out of orphanages and build community services to prevent family separation and institutionalisation – programmes supported by international training and advocacy. Such long-term stability is vital in ensuring that reform is complete and sustainable in countries where we work.

In 2016, Lumos and Lumos Foundation USA ran a major international campaign, We Are Lumos Worldwide. The campaign had two key goals. The first was to reach new a wide range of new supporters in all corners of the globe with the message that 'Children Need Families Not Orphanages'. The second goal was to raise funds for the work of Lumos. As part of the campaign, our generous supporters and donors came to live events in London and New York; took part in online activities including buying a T-shirt bearing the words of J.K. Rowling, 'We do not need magic to transform our world, we have all the power we need inside ourselves already'; and supported specific Lumos projects in Europe and Latin America and The Caribbean, such as providing emergency support to children in desperate need in Haiti.

Our We Are Lumos Worldwide campaign garnered support from a diverse group of partners and supporters, most of them new to Lumos and many of them engaging with the issue of deinstitutionalisation for the first time.

Lumos' income in 2016 was over £6.3 million, with our supporter base expanding to encompass donations from an incredible 114 countries around the world. 24,000 new donors joined us; over 100,000 people and organisations engaged with Lumos' work through its social media channels and more than 2.6 million people watched videos of J.K. Rowling talking in-depth information about the harm caused by orphanages and the impact of our work.

This significantly increased engagement enables Lumos to plan and implement long-term programmes and, importantly, to bring together a growing movement of people who are committed to helping achieve long term change by supporting Lumos and its partners to transform services for children, prevent family separation and end institutionalisation.



The international fundraising and awareness-raising campaign We Are Lumos Worldwide

2017 Strategic Plans



Advocacy

- To play an active role in monitoring the use of EU Member State funding to support deinstitutionalisation, and to advocate that EU funds, around the world, must never support institutions but should instead be used for the development of community support services for children and families;
- To influence multilaterals, governments, private foundations and faith-based communities to change their policies and practice, and shift funding away from orphanages and other institutions to support services in the community;
- To ensure that children outside families are captured in monitoring mechanisms to assess progress of the UN's Sustainable Development Goals (SDGs), and are included in subsequent programming;
- To ensure that the relationship between trafficking and exploitation of children in orphanages is recognised as a form of modern slavery in relevant international commitments;
- To strengthen the influence of young self-advocates in policy-making at all levels.



Europe

- To continue to bring children out of institutions in demonstration programmes in Bulgaria, the Czech Republic and Moldova, supporting governments to create long-term, sustainable services for families in the community;
- To build on work in Greece, Ukraine and Russia, to support local authorities and the government to create comprehensive and affordable strategies for deinstitutionalisation;
- To develop and share the knowledge and expertise of Lumos' European teams in other countries.



Latin America and the Caribbean

- To continue to support the Haitian government, particularly in its strategy to close the worst institutions in the country; to identify sources of international funding; and to directly help very vulnerable children in a small number of orphanages. Plan and start to implement reform in two demonstration regions in the country. Work with faith-based funders to help them shift their money from institutions towards community-based support for children and families. In addition, support the government's Anti-trafficking Committee to develop a national strategy and disseminate it across the country;
- To establish a second demonstration programme in Colombia and establish a small regional 'hub' to drive forward reform in the region.



Global

- To undertake exploratory research and planning for the establishment of future 'hubs' in new regions – comprising country demonstration programmes and regional-level advocacy, research and training;
- To develop and start implementing a demonstration programme to prevent unaccompanied refugee children being placed in institutions, and instead in family-based care in Europe and Africa.



Training and technical assistance

- To continue to strengthen Lumos' capacity to deliver high-quality, large-scale training and to respond to requests from countries around the world for technical support in their reform processes;
- To develop online training resources to provide high-quality, consistent and free support to practitioners globally.



Research

- To provide high quality research to demonstrate the impact of institutionalisation, the economic case for reform, document the effectiveness of approaches for reforming systems with different triggers of institutionalisation, and evaluate the outcomes of Lumos' work.



Fundraising

- Develop a new 5-year fundraising strategy;
- Invest in the fundraising team - adding new fundraising staff and widening our team's skills base;
- Focus on strengthening behind the scenes support, addressing barriers to effective fundraising.

Principal risks

Statement of risks and uncertainties

Lumos maintains a corporate risk register, prepared in accordance with Charity Commission guidelines. This register assesses the likelihood and impact of key corporate risks across the following risk areas:

- **Governance risks**
- **Operational risks**
- **Financial risks**
- **Environmental and External factors**
- **Compliance risk (Law and Regulations)**

The register is reviewed annually by the Finance Committee on behalf of the Board. The Board discuss risks whenever there are significant changes to the operating environment. The risk register also informs the work of the Internal Audit function of the charity.

The three key areas that the charity has identified as high risk (where both the likelihood and impact are significantly high), as detailed in the risk register, are:

- **Health and safety risk** – the risk to the charity's staff in carrying out their duties, or the risk to children or to the public as the charity carries out its duties (this risk covers child protection).
Mitigating actions: Lumos has a child protection policy in place supported by training and monitoring. Health and safety are covered in staff inductions.
Recent actions: Lumos has recently updated the Child Protection Policy and all staff receive regular training.
- **The risk of fraud and error** – the risk of financial loss, reputational risk or regulatory action due to fraud or error.
Mitigating actions: Implementation of financial controls and procedures, external and internal audit.
Recent actions: Lumos has carried out a full controls audit. The Fraud Policy and Anti-Money Laundering Policy for the charity have been recently updated.
- **The risk of country instability to Lumos work** – the risk to operations and staff from war and general instability in countries where Lumos works.
Mitigating actions: Keeping a close watch on the situation on the ground, through communication with staff and with external sources, such as our insurance providers and security experts. Duty of Care policy and comprehensive insurance are in place.
Recent actions: Lumos has introduced risk assessments for all staff traveling to high-risk countries. Lumos has updated its Duty of Care policy.

The current corporate plan, and associated Project Implementation Plans (PIPs), reflect the identification and mitigation of risk across all areas of activity. The Finance Committee will continue to monitor organisational risk, and input into the Internal Audit work plan to ensure appropriate controls are in place.

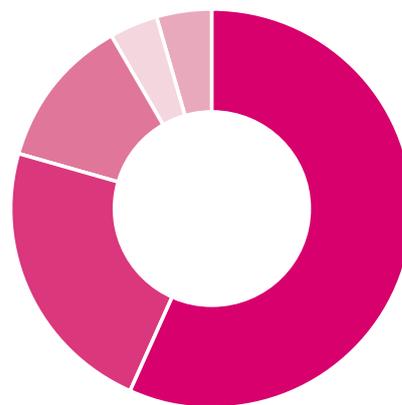
Financial review

A summary of the year's results can be found on page 62 of the attached accounts.

Lumos' income in 2016 totalled:

£9,149,009
(2015 £5,000,008)

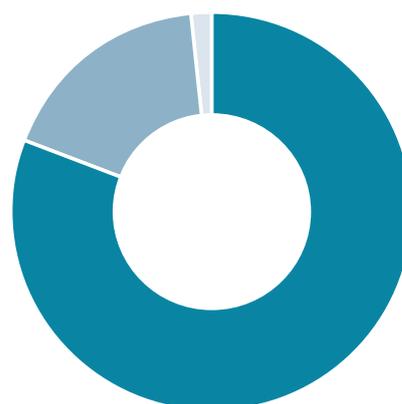
Funds from individual giving, including Gift Aid	£5,205,381 (2015 £3,419,360)
Royalties income amounted to	£2,073,173 (2015 - £671,893)
In addition, Lumos received grants totalling	£1,118,335 (2015 £476,398)
Generated investment income of	£351,341 (2015 £417,912)
and other income of	£400,779 (2015 - £14,445)



Lumos' expenditure in 2016 totalled:

£6,459,489
(2015 £4,335,376)

Expenditure on charitable activities	£5,224,369 (2015 £3,722,506)
Costs of raising donations and donor communication costs amounted to	£1,142,558 (2015 £509,330)
Investment fees amounted to	£92,562 (2015 £103,540)



Net funds movement for the year was £3,554,958 (2015 £693,723) following investment gains of £865,438.

Unrestricted reserves carried forward amount to £15,856,327 (2015 £13,388,307) and restricted reserves carried forward amount to £2,066,347 (2015 £979,409).

In 2016, the cost of fundraising reflects the implementation of a successful donor and supporter acquisition programme which saw Lumos' fundraising income increase by over 60% percent with donors from 114 countries (up from 47 in 2015). 24,000 new donors were engaged; over 100,000 new social media followers added and, thanks to J.K. Rowling and others, more than 2.6 million people reached with in-depth information about the harm caused by orphanages.

Investment policy and performance

Lumos' funds available for investment are managed by Close Brothers Asset Management (CBAM), who have been carefully selected by the Board and mandated to manage such funds to achieve long-term total return (combination of income and/or capital growth) primarily to preserve the real capital value of the portfolio over time through investment in a diversified portfolio of equities, bonds and alternative assets. CBAM's positioning and performance are formally reviewed by the Board's Finance Committee quarterly. The funds held by CBAM are managed in accordance with the charity's Investment Mandate, which is set by the Trustees. The Investment Mandate sets out the charity's attitude to investment risk, the type of investment instruments available to the asset manager and ethical considerations.

At year end funds managed by CBAM on behalf of Lumos amounted to £11,513,403 and a return 11.7% was achieved for 2016, in line with expectations.

Reserves policy and going concern

The Trustees maintain a prudent policy in relation to reserves, ensuring that the group has sufficient funds in order to complete ongoing activities in the event of a significant fall in income.

Reserves held by the group as at 31 December 2016 were:

	Group 2016 £	Group 2015 £
Unrestricted funds	15,856,327	13,388,307
Restricted funds	2,066,347	979,409
Total funds	17,922,674	14,367,716

Of the total funds held at year end, £11,513,403 were held in liquid investments and £4,629,712 in cash, giving a balance of £16,143,115 liquid assets. Accounting for restricted funds, the group therefore held £14,076,768 of funds (2015: £12,078,719) as free reserves.

Lumos holds reserves for a variety of reasons including short term working capital, to ensure its long-term financial viability, including retaining funds to maintain its 100% pledge to the public that no portion of their donation will be used to fund overhead costs and to ensure Lumos has sufficient monies to embark on new projects and to expand its reach.

The Trustees are satisfied that this level of free reserve is appropriate for the charity, given ongoing operational commitments, future expenditure plans and possible variances in forecast income.

Given the level of reserves, the Trustees are satisfied that the charity will remain a going concern into the foreseeable future. In 2017, the Reserves Policy will be reviewed to ensure its resilience in relation to the organisation's robust future expansion plans.

Structure, governance and management

Governing document

Lumos was incorporated as a charitable company limited by guarantee with no share capital on 3 November 2005 and is based in London. It is registered in England under company number 05611912 and is registered with the Charity Commission under charity number 1112575.

Lumos is governed by its Articles of Association dated 3 November 2005 as amended by Written Resolution dated 16 December 2005, a special resolution to change the charitable company's name dated 14 February 2010 and a special resolution to add the role of President and fixed terms for trustees dated 27 January 2016. Lumos' objects as stated in its Memorandum and Articles of Association are as follows:

- The relief of poverty and sickness, the promotion of education, the promotion of child health and development, and the prevention of cruelty to or maltreatment of children in any part of the world; and
- Such other exclusively charitable objects as the Trustees in their absolute discretion determine. Within the stated charitable objects of Lumos, the Trustees have defined the mission of the charity to be the end the institutionalisation of children worldwide by 2050.

Related organisations

Lumos Foundation USA Inc. was incorporated in New York, USA, on 6 November 2015, and obtained 501(c)3 non-profit status on 27 March 2015. Lumos Foundation USA Inc. is included in the consolidated accounts on the basis that Lumos Foundation exercises influence and control over Lumos Foundation USA Inc. in accordance with Financial Reporting Standard 102.

Friends of Lumos USA LTD was incorporated as a charitable company limited by shares on 20 March 2015 and was dormant until 31 March 2016. The sole member of the company, and thus its parent entity, is Lumos Foundation USA Inc. Friends of Lumos USA Ltd is a dual qualified charity that permits individuals to obtain tax relief in the United States and the United Kingdom, thus enabling U.S. citizens and green card holders resident in the United Kingdom to support Lumos's objectives in a tax-efficient manner.

Trustees

The Board of Trustees of Lumos Foundation administers the charitable company. The Board meets at least four times a year and provides strategic direction to the work of Lumos. The Trustees make decisions by a majority vote.

Trustees give their time freely, receiving no remuneration or other financial benefit.

A Trustee is a member of the Board of Trustees of Lumos and a director for the purposes of the Companies Act 2006. The Trustees who held office during the year were as follows:

Trustee	Appointed/ Resigned
N Blair (Chair of Trustees)	
D Cohen	
N Crichton	
R Dattani	
H Loder	Resigned 3 December 2016
D Moore	Appointed 4 March 2016
T Motie	Appointed 8 June 2016
L F Smith (Vice Chair of Trustees)	
M Smith (Treasurer)	
R Suss	
R Wilson	Resigned 6 September 2016

Trustee appointment and training

All Trustees must be members of the charitable company. The maximum number of Trustees is ten, who are recruited according to best practice. Lumos currently has nine Trustees, selected to provide a mix of skills necessary to Lumos. All Trustees are given an induction programme and are offered opportunities for appropriate training.

During 2016, in addition to Board meetings, Lumos Trustees undertook considerable work through the following Committees and other groups:

- Finance & Investment Committee
- Nominations and Remuneration Committee

The Finance Committee and Investment Committee were merged from May 2016 onwards.

Trustees also visited a number of Lumos projects and programmes.

Trustees have regard to Charity Commission publications and during the year paid particular attention to the learnings from the 'Kids Company' situation. They created a system of Trustee appraisal and via the Nominations and Remuneration Committee determined the range of skills and experience which would be required to fill existing gaps and those created by retiring Trustees in the coming year. The Board is also committed to a system of internal audit, which was conducted by an external firm of auditors separate from those conducting the statutory audit.

Organisation

The Chief Executive Officer provides the Board with advice on the strategic direction of the charity and manages operations on behalf of the Board and with the Board's guidance. The Chief Executive Officer is responsible for monitoring all aspects of Lumos' work and regularly reporting progress to the Board.

Related parties and co-operation with other organisations

None of the Trustees receive remuneration or other benefit from their work with the charity. Any connection between a Trustee or senior manager of the charity with any related party is disclosed to the full Board of Trustees. Related party disclosures take place annually as part of the external audit process and any conflicts of interest are declared at each Board meeting.

Grant-making policy

Whilst Lumos is not primarily a grant-making organisation, the charity does issue grants from time to time to further its charitable objectives. These grants tend to be in countries where Lumos does not have a permanent base, or a sub-grant of a grant received by Lumos.

Grants are issued only where an opportunity has been identified, where funding exists and a clear grant agreement has been drawn up, and when due diligence has been carried out on the ability of the grantee to deliver against the grant. All grants are authorised by the Chief Executive Officer and noted by the Board of Trustees.

Investment powers and restrictions

Under its Articles of Association, Lumos has the power to invest in ways that the trustees see fit. The trustees have appointed investment managers, Close Brothers, to manage Lumos' investment funds. Investment performance is managed by the Finance & Investment Committee, a sub-committee of the Board of Trustees.

Pay policy for senior staff

The Trustees consider that the Board of Directors (who are the charity's Trustees), together with the senior management team, comprise the key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day-to-day basis. All Trustees give their time freely and no Trustee received remuneration in the year. Details of Trustees' expenses and related party transactions are disclosed in note 12 to the accounts.

The pay of the senior staff is reviewed annually, taking into consideration market conditions and sector averages for charities of a similar size. If recruitment has proven difficult a market addition is also paid with the pay maximum no greater than the highest benchmarked salary for a comparable role.

Public benefit

The Trustees confirm that they have complied with the duty in the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission.

Statement of Trustees' responsibilities

The Trustees (who are also directors of the Lumos Foundation for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the Trustees to prepare financial statements for each financial year. 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 affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. 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;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK accounting standards 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, 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 and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditors

Insofar as each of the Trustees of the charity at the date of approval of this report is aware there is no relevant audit information (information needed by the charity's auditor in connection with preparing the audit report) of which the charity's auditor is unaware. Each Trustee has taken all of the steps that he/she should have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

The Trustees' Report, including the Strategic Report, was approved by order of the Board of Trustees.

Neil Blair
Chair of Trustees
Lumos Foundation

Independent auditor's report to the members of Lumos Foundation

We have audited the financial statements of the Lumos Foundation for the year ended 31 December 2016 set out in pages 61 to 82.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2016 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- The information given in the Strategic Report and the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Trustees' Annual Report and Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Trustees' Annual Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Tim Redwood
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London

Financial Report 2016

Consolidated statement of financial activities

(including income and expenditure account)

	Notes	Unrestricted Funds £	Restricted Funds £	2016 Total Funds £	2015 Total Funds £
Income and expenditure					
Income from:					
Royalties from published books	1	1,899,849	—	1,899,849	665,258
Other royalties		173,324	—	173,324	6,635
Donations and gift aid	2	3,338,039	1,867,342	5,205,381	3,419,360
Investment income	3	351,341	—	351,341	417,912
Other income		355,604	45,175	400,779	14,445
Charitable activities					
Grant income	18	293,637	824,698	1,118,335	476,398
Total income		6,411,794	2,737,215	9,149,009	5,000,008
Expenditure on:					
Raising funds	5				
Raising donations and donor communication costs		1,142,558	—	1,142,558	509,330
Investment management costs		92,562	—	92,562	103,540
Charitable activities	6	3,574,092	1,650,277	5,224,369	3,722,506
Total expenditure		4,809,212	1,650,277	6,459,489	4,335,376
Net gain on investments	15	865,438	—	865,438	29,091
Net income		2,468,020	1,086,938	3,554,958	693,723
Reconciliation of funds:					
Total funds brought forward		13,388,307	979,409	14,367,716	13,673,993
Total funds carried forward	19	15,856,327	2,066,347	17,922,674	14,367,716

All of the charity's activities derived from continuing operations during the two financial periods. The charity has no recognised gains or losses other than those shown above.

Consolidated balance sheets

as at 31 December 2016

	Notes	Group 2016 £	Charity 2016 £	Group 2015 £	Charity 2015 £
Fixed assets:					
Tangible assets	14	932,163	932,163	882,787	882,787
Investments	15	11,513,403	11,513,403	10,729,742	10,729,742
		12,445,566	12,445,566	11,612,529	11,612,529
Current assets and liabilities:					
Debtors	16	1,676,088	1,639,767	704,078	704,078
Short term deposit		2,489,767	-	1,063,454	-
Cash at bank and in hand		2,139,945	1,964,077	1,264,932	989,856
		6,305,800	3,603,844	3,032,464	1,693,934
amounts falling due within one year	17	(828,692)	(1,269,268)	(277,277)	(277,277)
Net current assets		5,477,108	2,334,576	2,755,187	1,416,657
Total assets less current liabilities		17,922,674	14,780,142	14,367,716	13,029,186
Funds:					
Restricted funds	18	2,066,347	1,892,452	979,409	759,009
Unrestricted funds	19	15,856,327	12,887,690	13,388,307	12,270,177
Total funds		17,922,674	14,780,142	14,367,716	13,029,186

Approved and authorised for issue by the Board of Trustees and signed on their behalf by:

Neil Blair
Trustee

Mark Smith
Trustee

Date:

Lumos Foundation
Registered Company Number: 05611912 (England and Wales)

Consolidated statement of cash flows

	Notes	2016 £	2015 £
Cash flows from operating activities:			
Net cash provided by operating activities	A	1,583,135	332,881
Cash flows from investing activities:			
Dividends and interest from investments		351,341	418,659
Purchase of tangible fixed assets		(90,169)	(265,112)
Proceeds from the disposal of investments		2,265,165	2,546,480
Purchase of investments		(1,180,092)	(1,416,858)
Net cash provided by investing activities		1,346,245	1,283,169
Change in cash and cash equivalents in the year			
Cash and cash equivalents at 1 January 2016	B	3,385,489	1,754,994
Change in cash and cash equivalents due to exchange rate movements		375,242	14,445
Cash and cash equivalents at 31 December 2016	B	6,690,111	3,385,489

Notes to the statement of cash flows

for the year to 31 December 2016

A) Reconciliation of net movement in funds to net cash provided by (used in) operating activities

Notes	2016 £	2015 £
Net movement in funds (as per the statement of financial activities)	3,554,958	693,723
Adjustments for:		
Depreciation charge	40,793	48,903
Exchange rate (gain)	(375,242)	(14,445)
(Gains) on investments	(865,438)	(29,091)
Dividends and interest from investments	(351,341)	(417,912)
(Increase) / decrease in debtors	(972,010)	67,703
Increase / (decrease) in creditors	551,415	(16,000)
Net cash provided by operating activities	1,583,135	332,881

B) Analysis of cash and cash equivalents

Notes	2016 £	2015 £
Cash at bank and in hand	2,139,945	1,264,932
Cash held as current asset short term deposits	2,489,767	1,063,454
Cash held by investment managers	2,060,399	1,057,103
Total cash and cash equivalents	6,690,111	3,385,489

Principal accounting policies

Basis of accounting

These financial statements have been prepared for the year to 31 December 2016. Lumos Foundation is a registered charity and company in England, registration numbers company: 05611912, charity 1112575. The Foundation's registered office address is Gredley House, 1-11 Broadway, Stratford, London, E15 4BQ.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011, and the Companies Act 2006.

Lumos Foundation meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to the financial statements.

The accounts are presented in Sterling and rounded to the nearest pound.

Critical accounting estimates and areas of judgement

The Trustees do not consider there to be any critical accounting estimates or areas of judgement in the preparation of the accounts which result in a material effect to the financial outcome of the year.

Going concern

The Trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements.

The Trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The Trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due.

Group financial statements

The financial statements consolidate the results of the charity and Lumos Foundation USA Inc. on a line-by-line basis in 2016. A separate Statement of Financial Activities and Income and Expenditure Account for the charity has not been presented because the Foundation has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

Lumos Foundation USA Inc. was incorporated in New York, USA, on 5 November 2014, and was recognised by the Internal Revenue Service as a 501 (c) (3) tax exempt organisation on 27 March 2015. The Board of Lumos Foundation USA Inc. exercises discretion and control over all funds received by Lumos Foundation USA Inc. There is a concurrence of purpose between Lumos Foundation USA Inc. and Lumos. There is also an agreement between Lumos and Lumos Foundation USA Inc. which governs the use of Lumos name and trademark that allows Lumos strategic influence in, and agreement on certain operational matters of Lumos Foundation USA, Inc. worldwide. Group accounts are therefore prepared consolidating Lumos Foundation USA Inc.

Friends of Lumos USA LTD was incorporated as a charitable company limited by shares on 20 March 2015 and was dormant until 31 March 2016. The sole member of the company, and thus its parent entity, is Lumos Foundation USA Inc.

Company status

The charitable company is a company limited by guarantee and has no share capital. In the event of the charitable company being wound up, the liability in respect of the guarantees is limited to £1 per member of the charitable company. The members of the charitable company are the Trustees set out on page 83.

Fund accounting

Unrestricted funds are funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the charitable company and which have not been designated for other purposes.

Restricted funds are funds that are to be used in accordance with specific restrictions imposed by the donors. The aim and use of each restricted fund is set out in the notes to the financial statements.

Income recognition

Income is included in the Statement of Financial Activities when the charitable company is legally entitled to the income, when it is probable that the income will be received and when the monetary value of the income can be measured with sufficient reliability.

Royalty income

Royalty income is recognised on an accruals basis in the period to which the earnings relate, provided that the charity is able to estimate the amount receivable prior to the date of approval of the financial statements. Royalty income is stated net of Value Added Tax, overseas withholding taxes, returns provisions and bad debt provisions.

Donations

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period. Gift Aid in respect of donations is accounted for in the year in which the related donation is recognised.

Investment income

Dividends receivable from the investment portfolio are included in the Statement of Financial Activities in the period in which the charity is entitled to receipt.

Interest receivable from cash at bank is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Grant income

Grants are recognised as income in the Statement of Financial Activities when receivable. Income is deferred only if the grant was subject to donor-imposed conditions that specified a future time period when the expenditure of the resources should take place.

Where grants are received for specific purposes, they are credited to restricted funds. Costs up to the value of the grant relating to this restricted income are allocated against the income when the expenditure is incurred. Unspent balances are carried forward to subsequent years within the relevant fund.

Expenditure recognition

Liabilities are recognised as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

Expenditure is accounted for on an accruals basis. The majority of costs are directly attributable to the specific activities of the charitable company. The residual support costs have been allocated between costs of generating funds and charitable activities on the basis of time spent by individuals in the relevant departments.

Costs of raising funds

These include the direct costs associated with fundraising and publicising the work of the charitable company plus the salary and overhead costs of staff in the UK office who are engaged in fundraising promotional activities.

Costs of charitable activities

Costs of charitable activities comprise expenditure related to the furtherance of the charitable company's objects and include the direct costs relating to the overseas operations, branches and related projects. They also include an allocation of residual support costs that could not be directly attributed.

Grants payable

Grants payable are included in the Statement of Financial Activities when approved and when the intended recipient has either received the funds or been informed of the decision to make the grant and has satisfied all related conditions. Grants approved but not paid at the end of the financial year are accrued for. Grants where the beneficiary has not been informed or has to meet certain conditions before the grant is released are not accrued for.

Governance costs

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charitable company and include audit fees, costs linked to the strategic management of the charitable company and other compliance costs.

Support costs

Support costs are those incurred in connection with the administration and operation of the charitable company. They do not relate directly to one of the activities described above, but are apportioned between activities based on estimated time spent by staff.

Pension costs

Contributions by the charity in respect of the group personal pension scheme are included in the Statement of Financial Activities when they are payable.

Tangible fixed assets

The charitable company capitalises all assets with a cost in excess of £1,000 that are to be held for continuing use. Land is not depreciated. Depreciation is provided on all other tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Buildings	30 to 50 years
Office equipment	5 to 10 years
Fixtures and fittings	5 to 7 years
Computer equipment	3 to 5 years
Leasehold improvements	over the term of the lease
Motor Vehicles	7 years

Investments

Listed investments are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transaction. All differences are taken to the Statement of Financial Activities.

Lease commitments

Rentals payable under operating leases are charged to the Statement of Financial Activities on a straight-line basis over the lease term.

Irrecoverable VAT

Any irrecoverable VAT is charged to the Statement of Financial Activities, or capitalised as part of the cost of the related asset.

Small Group Homes

The Trustees have considered the treatment of Small Group Homes during the year and concluded that these assets should be classified as Tangible Fixed Assets in the current and prior period as these assets remain in use by the charity in furtherance of its objects. The Trustees intend to make arrangements to transfer ownership of these properties to the Moldovan local authorities in the next 12 months and as a result have not charged depreciation as any charge would not be material.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Current asset - short term deposit

Current asset investments include cash on deposit and cash equivalents with a maturity of less than one year held for investment purposes rather than to meet the short-term cash commitments of the charity as they fall due.

Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term cash commitments of the charity as they fall due rather than for investment purposes.

Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Volunteers

The charity benefits from the involvement and enthusiastic support of its volunteers. In accordance with FRS 102 and the Charities SORP (FRS 102), the economic contribution of general volunteers is not recognised in the accounts.

Notes to the financial statements

1) Royalty income from published books

	Unrestricted Funds £	Restricted Funds £	2016 Total Funds £	2015 Total Funds £
Royalty income				
Total 2016 funds	1,899,849	–	1,899,849	665,258
Total 2015 funds	665,258	–	665,258	
Royalty income by geographical market is as follows:				
United Kingdom	625,099	–	625,099	156,884
Europe	310,357	–	310,357	145,014
Rest of World	964,393	–	964,393	363,360
Total 2016 funds	1,899,849	–	1,899,849	665,258

2) Donations and Gift Aid

	Unrestricted Funds £	Restricted Funds £	2016 Total Funds £	2015 Total Funds £
Donations	3,154,337	1,617,342	4,771,679	3,169,360
Gift Aid	183,702	250,000	433,702	250,000
Total 2016 funds	3,338,039	1,867,342	5,205,381	3,419,360
Total 2015 funds	2,851,956	567,404	3,419,360	

3) Investment income

Funds £	£	Unrestricted Funds	Restricted Funds £	2016 Total Funds £	2015 Total
Income from listed investments					
UK fixed interest		84,023	—	84,023	105,324
UK equities		135,985	—	135,985	174,049
Overseas equities		71,058	—	71,058	80,322
Commodities		—	—	—	2,800
Property		21,200	—	21,200	19,421
Alternatives		39,050	—	39,050	34,824
Multi-asset		—	—	—	1,172
		351,316	—	351,316	417,912
Interest receivable					
Bank interest		25	—	25	—
Total 2016 funds		351,341	—	351,341	417,912
Total 2015 funds		417,912	—	417,912	

4) Subsidiaries

The activities of Lumos Foundation USA Inc. and its subsidiary Friends of Lumos USA Ltd are consolidated into the accounts of Lumos Foundation. The net income for Friends of Lumos USA Ltd of £133,397 is included within the consolidated summary financial performance of Lumos Foundation USA Inc. below:

	2016 £	2015 £
Income	2,860,947	1,506,089
Expenditure	(1,296,220)	(167,067)
Surplus for the year	1,564,727	1,339,022
Opening reserves	1,339,022	
Gains on foreign exchange	238,024	
Opening reserves after gains on foreign exchange	1,577,046	
Closing reserves	3,141,773	
Reconciliation of funds		
Current assets	3,205,294	1,339,022
Current liabilities	(63,521)	
Net current assets	3,141,773	

4) Subsidiaries (Cont.)

There is a licensing agreement between Lumos Foundation Ltd and Lumos Foundation USA Inc. for the use of intellectual property including the Lumos trademark. Pursuant to the terms of this agreement, Lumos USA Inc. paid royalties of £36,840 to Lumos Foundation Ltd for 2015 and 2016.

During the period, Lumos Foundation provided a grant to Lumos Foundation USA Inc. of £467,257 (2015: £48,296) to cover administration and overhead costs in 2016.

Lumos Foundation USA Inc. made a grant of £240,419 (2015: £103,491) to Lumos Foundation to support the Latin American and the Caribbean (LAC) programme.

Lumos Foundation provided donated services of £139,690 (2015: Nil) to Lumos Foundation USA Inc.

At the year-end an amount of £430,417 (2015: Nil) was due to Lumos Foundation USA Inc.

5) Raising funds

	Unrestricted Funds £	Restricted Funds £	2016 Total Funds £	2015 Total Funds £
Raising funds and donor communication				
Fundraising costs	1,001,171	—	1,001,171	441,907
Donor communication costs	22,704	—	22,704	13,501
Support costs (note 8)	118,683	—	118,683	53,922
	1,142,558	—	1,142,558	509,330
Investment management fees	92,562	—	92,562	103,540
Total 2016 funds	1,235,120	—	1,235,120	612,870
Total 2015 funds	612,870	—	612,870	

6) Charitable activities

	Activities Undertaken Directly £	Grant Funding of Activities £	Support Costs £	2016 Total Funds £	2015 Total Funds £
Moldova – Deinstitutionalisation, inclusive education, early childhood intervention, social investment fund and child participation	806,576	–	45,728	852,304	679,172
Czech Republic – National and regional level deinstitutionalisation assistance	261,822	–	45,728	307,550	290,674
Bulgaria – National and regional level deinstitutionalisation assistance	347,251	–	45,728	392,979	386,558
Ukraine Deinstitutionalisation – National Level Assistance	18,135	–	18,291	36,426	31,881
Serbia	–	11,393	18,291	29,684	77,063
Greece	145,185	86,197	45,728	277,110	181,062
USA/Global deinstitutionalisation	224,542	82,392	196,629	503,563	522,346
Haiti	77,051	516,765	150,901	744,717	385,672
Emergency Child Protection	43,488	–	–	43,488	95,287
Multi-country activities					
Advocacy and Campaigns	298,156	14,895	137,183	450,234	328,218
Education	95,125	–	–	95,125	208,208
Global Training Advisory Services	294,834	16,793	137,183	448,810	391,552
Research, Information, Monitoring & Evaluation	144,107	–	45,728	189,835	134,172
Knowledge Transfer project	106,996	51,258	13,718	171,972	10,641
Russia	6,748	–	4,573	11,321	–
Latin America and Caribbean	127,964	–	9,145	137,109	–
Total	2,997,980	779,693	914,554	4,692,227	3,722,506
Lumos Foundation USA Inc.	289,461	–	242,681	532,142	–
Total	3,287,441	779,693	1,157,235	5,224,369	3,722,506

The following table analyses charitable activities between unrestricted and restricted funds for 2016 & 2015.

	Unrestricted Funds £	Restricted Funds £	2016 Funds £	Unrestricted Funds £	Restricted Funds £	2015 Funds £
Moldova	593,828	258,476	852,304	499,403	179,769	679,172
Czech Republic	304,473	3,077	307,550	290,674	—	290,674
Bulgaria	364,908	28,070	392,978	376,624	9,934	386,558
Ukraine	36,426	—	36,426	31,881	—	31,881
Serbia	17,232	12,452	29,684	46,213	30,850	77,063
Greece	59,509	217,601	277,110	1,322	179,740	181,062
USA/Global deinstitutionalisation	748,912	28,536	777,448	522,346	—	522,346
Haiti	46,239	698,478	744,718	322,959	62,713	385,672
Emergency Child Protection	43,488	—	43,488	95,287	—	95,287
Multi-country activities						
Advocacy and Campaigns	392,917	57,318	450,235	328,218	—	328,218
Education	95,125	—	95,125	208,208	—	208,208
Global Training Advisory Services	448,810	—	448,810	391,552	—	391,552
Research, Information, Monitoring & Evaluation	189,835	—	189,835	134,172	—	134,172
Knowledge Transfer Project	3,130	168,843	171,973	—	10,641	10,641
Russia	11,321	—	11,321	—	—	—
Latin America and Caribbean	217,939	177,426	395,366	—	—	—
Total	3,574,092	1,650,277	5,224,369	3,248,859	473,647	3,722,506

7) Grants payable

	2016 £	2015 £
CHANGE Project	16,793	53,875
Advocacy Project in Serbia	11,393	47,745
New Venture Fund	82,392	236,105
Palladium	307,573	146,220
Institute of Child Health	86,197	30,311
NUI Galway Centre for Disability, Law and Policy	10,000	10,000
Faith to Action	—	26,984
Save the Children Haiti	209,192	—
Advocacy – Structural Funds Watch	14,895	—
Knowledge Transfer – NUI Grant	41,258	—
Total	779,693	551,240

Lumos made grants to Palladium Group and Save the Children to fund deinstitutionalisation activities in Haiti. This enabled Lumos to support reform in the country, while embarking on the registration process for Lumos Haiti with the Haitian government.

8) Support costs

	Fundraising & Donor Communication (note 5) £	Charitable Activities (note 6) £	2016 Total Funds £	2015 Total Funds £
Staff development	648	4,996	5,644	19,714
Recruitment	8,954	68,995	77,949	32,930
Staff costs	66,652	513,611	580,263	481,190
Rent and service charges	12,555	137,416	149,971	110,243
Telecommunications costs	1,021	7,870	8,891	6,762
Professional fees	2,455	110,492	112,947	5,994
Depreciation	4,689	36,131	40,820	48,903
HR Professional services	3,253	30,368	33,621	31,040
Bank charges	957	7,374	8,331	6,110
IT services	8,454	65,146	73,600	50,650
Other admin cost	4,860	41,417	46,277	50,368
Governance costs (note 9)	4,185	133,419	137,604	20,022
Total	118,683	1,157,235	1,275,918	863,926

The above costs have been apportioned between activities based on an estimate of time spent by staff on them.

9) Governance costs

	2016 £	2015 £
Legal fees	85,847	–
Audit fees (note 10)	46,609	15,600
Other costs	5,148	4,422
Total	137,604	20,022

Legal fees incurred during the period were primarily related to professional advice received in relation to the Foundation's subsidiaries.

10) Net income for the year

Net income for the year is stated after charging:

	2016 £	2015 £
Auditor's remuneration		
Audit services	16,000	15,600
Depreciation of owned fixed assets	40,793	48,903
Operating lease rentals		
Land and building	146,909	104,633

11) Staff costs and remuneration of key management personnel

The staff headcount numbers for the period are as follows:

	2016 No.	2015 No.
Management and administrative staff	18	20
Fundraising and donor communication staff	9	5
Programmes staff	51	49
Total	78	74

Staff costs relating to the above persons are as follows:

	2016 £	2015 £.
Wages and salaries	1,918,062	1,626,849
Social security costs	255,684	247,762
Pension costs	47,854	48,480
	2,221,600	1,923,091
Agency staff	124,149	11,852
Total	2,345,749	1,934,943

The number of employees whose emoluments during the year exceeded £60,000 were:

	2016 No.	2015 No.
£60,001 - £70,000	1	2
£70,001 - £80,000	1	1
£90,001 - £100,000	-	1
£150,001 - £160,000	1	-
Total	3	4

Pension costs totalling £17,940 (2015 – £17,688) were paid in respect of the above employees.

The key management personnel of the Lumos Foundation comprise the Trustees, the Chief Executive Officer, Director of Fundraising and Director of Corporate Services. The total employee remuneration (including benefits) of the key management personnel of the charity was £317,515 (2015 - £368,359).

12) Trustees expenses and remuneration

None of the Trustees, nor any persons connected with them, received any remuneration from the charitable company during the year (2015 – nil). Expenses incurred by the Trustees and reimbursed by the charitable company amounted to £2,167 (2015 - £65). The expenses related mainly to travel and subsistence costs incurred by Trustees and were paid to three Trustees (2015 – one Trustee).

13) Taxation

Lumos Foundation is a registered charity and, therefore, is not liable to income tax or corporation tax on income and gains derived from its charitable activities, as they fall within the various exemptions available to registered charities.

14) Tangible fixed assets of Charity and Group

	Land and buildings £	Assets under construction £	Furniture, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2016	798,312	—	242,101	34,740	1,075,153
Additions	63,357	—	1,799	25,013	90,169
Disposal	—	—	—	(12,952)	(12,952)
At 31 December 2016	861,669	—	243,900	46,801	1,152,37
Depreciation					
At 1 January 2016	—	—	162,589	29,777	192,366
Charge for the year	—	—	35,567	5,226	40,793
Disposal	—	—	—	(12,952)	(12,952)
At 31 December 2016	—	—	198,156	22,051	220,207
Net book value					
At 31 December 2016	861,669	—	45,744	24,750	932,163
At 31 December 2015	798,312	—	79,512	4,963	882,787

15) Investments of Charity and Group

	2016 £	2015 £
Listed investments		
Market value at 1 January	9,672,639	10,773,170
Additions at cost	1,180,092	1,416,858
Disposals proceeds	(2,265,165)	(2,546,480)
Net investment gains	865,438	29,091
Market value at 31 December	9,453,004	9,672,639
Cash held by investment managers for reinvestment	2,060,399	1,057,103
Total	11,513,403	10,729,742

Listed investments held at 31 December 2016 were managed in behalf of Lumos by Close Brothers and comprised the following:

	2016 £	2015 £
UK fixed interest	2,158,299	2,226,010
UK equity	3,224,424	3,612,707
Overseas equity	2,872,250	2,660,557
Commodities	45,333	–
Property	369,514	368,973
Alternatives	783,184	733,303
Multi asset	–	71,089
Market value at 31 December	9,453,004	9,672,639
Cost of listed investments at 31 December	7,527,926	8,456,075

16) Debtors

	Group 2016 £	Charity 2016 £	Group 2015 £	Charity 2015 £
Other debtors	9,854	9,854	5,526	5,526
Prepayments	29,312	29,312	30,710	30,710
Accrued royalty income	1,250,148	1,250,148	399,709	399,709
Other accrued income	386,774	313,613	268,133	268,133
Amounts due from subsidiary undertakings	–	36,840	–	–
Total	1,676,088	1,639,767	704,078	704,078

17) Creditors: amounts falling due within one year

	Group 2016 £	Charity 2016 £	Group 2015 £	Charity 2015 £
Trade creditors	136,433	136,433	111,807	111,807
Taxation and social security	–	–	27,920	27,920
Accruals	685,497	658,816	131,012	131,012
Amounts due to subsidiary undertakings	–	467,257	–	–
Other creditors	6,762	6,762	6,538	6,538
Total	828,692	1,269,268	277,277	277,277

18) Restricted funds

	At 1 Jan 2016 £	Income £	Expenditure £	At 31 Dec 2016 £
Charity				
European Commission	—	24,215	12,452	11,763
World Bank Social Investment Fund	52,914	66,047	118,961	—
Knowledge Transfer Project	141,573	433,460	168,843	406,190
Early Institutionalisation Impact Intervention Study (E13)	-	101,613	75,753	25,860
Deinstitutionalisation in LAC	216,290	1,712,577	698,478	1,230,389
Deinstitutionalisation in Europe	337,837	212,500	338,558	211,779
Advocacy & Training	10,395	59,147	63,071	6,471
Total Charity	759,009	2,609,559	1,476,116	1,892,452
Lumos Foundation USA Inc.				
Deinstitutionalisation in LAC	220,400	219,844	312,967	127,277
Deinstitutionalisation in Europe	-	46,619	-	46,419
Early Institutionalisation Impact Intervention Study (E13)	-	101,613	101,613	-
Less Consolidation Adjustment	-	(240,419)	(240,419)	-
Total Group	979,409	2,737,215	1,650,277	2,066,347

The funds are restricted as follows:

- **European Commission's Civil Society Organisations and Local Authorities (CSO-LA) Programme**

In partnership with CAF Russia, this funding is supporting Lumos to plan and start to implement demonstration work in at least one region of Russia, including helping to strengthen civil society's contributions to the reform of children's institutions in the country and ensuring inclusive and targeted community-based services exist.

- **World Bank Social Investment Fund**

Funding to support 24 regions in Moldova to develop inclusive education services, with the aim of providing access to mainstream education for all children.

- **Knowledge Transfer Project**

Generously supported by The Atlantic Philanthropies, this project applies the learning from Ireland's Prevention and Early Intervention programme to support transformation of services for vulnerable children in Central and Eastern Europe and Latin America/Caribbean.

- **Early Institutionalisation Impact Intervention Study (E13)**

Building on a study examining the negative impacts on the brain development of children in institutional care in Romania, this new research will extend the study to multiple countries, demonstrating the impact of institutionalisation on early childhood development in different geographical and socioeconomic contexts. GHR Foundation have generously contributed to scoping work for this study.

● Deinstitutionalisation in Latin America and the Caribbean

The development and growth of Lumos' work to end the institutionalisation of children in the Latin America and Caribbean region. This includes a grant from Comic Relief that generously supports our work in Haiti.

● Deinstitutionalisation in Europe

Building on more than a decade's track record, support for ongoing work to end the institutionalisation of children across Europe.

● Advocacy and Training

These funds enable Lumos to achieve global change for children through engaging governments, international decision-makers and donors, carrying out research to understand where funding needs to be redirected to community services and empowering children and young people who have been affected by institutionalisation to use their voices to influence change.

19) Analysis of net assets between funds of Group and Charity

The net assets of the Group analysed between funds are as follows:

	Unrestricted Funds £	Restricted Funds £	2016 Total Funds £	2015 Total Funds £
Tangible fixed assets	932,163		932,163	882,787
Investments	11,513,403		11,513,403	10,729,742
Current assets	3,827,503	2,478,297	6,305,800	3,032,464
Current liabilities	(416,742)	(411,950)	(828,692)	(277,277)
Total	15,856,327	2,066,347	17,922,674	14,367,716

Included within investments above are cumulative unrealised gains of £865,438.

The net assets of the Charity analysed between funds are as follows:

	Unrestricted Funds £	Restricted Funds £	2016 Total Funds £	2015 Total Funds £
Tangible fixed assets	932,163		932,163	882,787
Investments	11,513,403		11,513,403	10,729,742
Current assets	1,299,441	2,304,402	3,603,844	1,693,934
Current liabilities	(857,318)	(411,950)	(1,269,268)	(277,277)
Total	12,887,690	1,892,452	14,780,142	13,029,186

20) Financial commitments

At 31 December 2016 the charitable company has total minimum lease commitments under non- cancellable leases as follows:

Land & Buildings	2016 £	2015 £
Within one year	67,565	60,787
Between one and five years	243,149	243,148
Longer than five years	15,322	75,985
Total	326,036	379,920

Reference and administrative details

President of Lumos Foundation (UK) and Patron, Lumos Foundation USA Inc.

JK Rowling

Trustees, Lumos Foundation (UK)

N L M Blair (Chair of Trustees)

D Cohen

N Crichton

R Dattani

A H Loder (resigned 3 December 2016)

D Moore (appointed 4 March 2016)

T Motie (appointed 8 June 2016)

L F Smith (Vice Chair of Trustees)

M Smith (Treasurer)

R Suss

R L Wilson (resigned 6 September 2016)

Directors, Lumos Foundation USA Inc.

B DiMichele (President)

G Mulheir (Secretary)

B Berns (Treasurer)

L Little

Chief Executive, Lumos Foundation (UK)

G Mulheir

Company Secretary, Lumos Foundation (UK)

N Waring (resigned 3 March 2017)

S Moir (appointed 3 March 2017)

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Lumos Foundation USA Inc.

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Friends of Lumos USA Ltd

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Lumos Foundation - UK Company registration number

05611912 (England & Wales)

Lumos Foundation - UK Charity registration number

1112575

US IRS reference number

47-2301085

Friends of Lumos USA Ltd - UK Company registration number

09502092 (England & Wales)

Friends of Lumos USA Ltd - UK Charity registration number

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Investment Managers (UK)

Close Brothers

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Lumos Foundation, founded by J.K. Rowling, is a company limited by guarantee
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