

**“ EVERY  
CHILD NEEDS  
A FAMILY  
ENVIRONMENT.  
IT IS SO SIMPLE...  
INSTITUTIONS  
ARE HARMFUL  
FOR CHILDREN.”**

**MIHAELA**, CARE LEAVER AND SELF-ADVOCATE

**2018**

**LUMOS ANNUAL REPORT**

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**MIHAELA**

The story behind the cover quote: Mihaela is a care leaver and self-advocate with an intellectual disability. Having spent time in an institution herself, Mihaela is now in her mid-20s and advocates for children's rights to family-based care, inclusive education and youth participation. A passionate speaker and activist, she has influenced policy-makers, professionals and NGOs.

# MISSION

to end institutionalisation of children worldwide by 2050.

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# VISION

a world where 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.





# FOREWORD

Imagine a world where millions of children are separated from their families, because of poverty and disability, and placed in institutions where they are abused, neglected or trafficked. Where unaccompanied refugee children are locked up with hundreds of adults. And where huge sums of money are spent keeping the system going. This is the care system in the 21st Century and it is the world Lumos was established to change.

For over a decade, our programmes have demonstrated that another way is possible. That, with the right support, most children can live in families, where they recover dramatically from the violence and trauma they experienced. We have used this evidence to persuade donors and decision-makers to redirect their resources away from orphanages, investing instead in families and communities.

And in 2018, the shift was clear. With Lumos' support, service providers like Catholic Relief Services are changing the way they care. Governments like Ukraine's are learning from care transformation elsewhere in Europe. Evidence from Haiti and Colombia is accelerating change across Latin America and the Caribbean. With our guidance, Jordan, Kenya and Malaysia are enacting national action plans. The European Commission is prioritising transforming care in international aid. And Australia became the first country to legislate against 'orphanage trafficking'.

Together with our many partners, we are building an unstoppable movement for irrevocable change.

As the movement grows, we must ensure no child is left behind, developing the right support for the hardest-to-reach children: those with complex disabilities or living with HIV, refugee children, trafficked children and those in conflict with the law. In the coming years, we will demonstrate that even in the most complex circumstances, institutions are unnecessary.

None of this would be possible without the extraordinary generosity of our supporters.

Thank you for helping us change the way the world cares.



**Neil Blair**

Chair of Trustees, Lumos Foundation

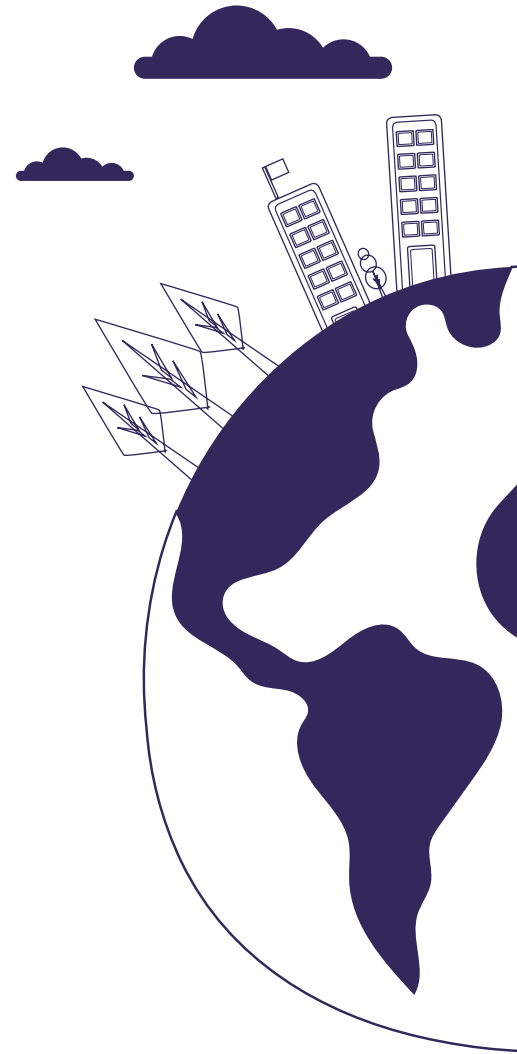
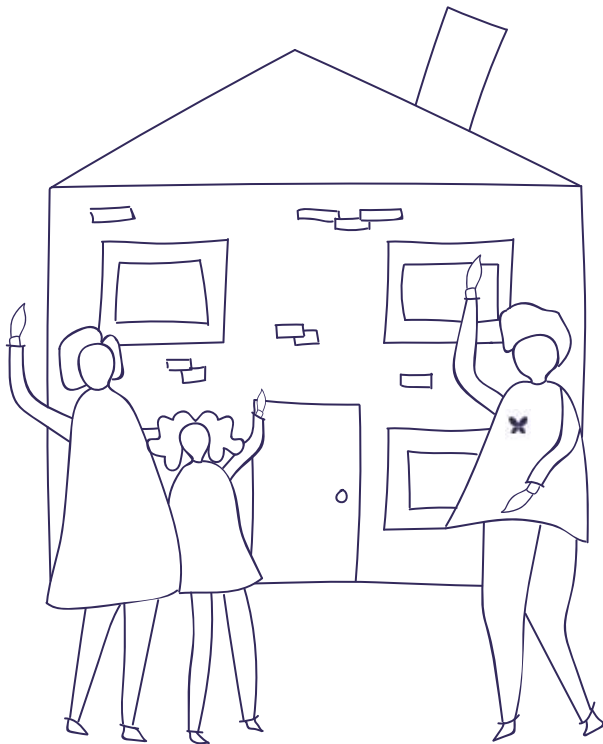


## THE STORY IN NUMBERS

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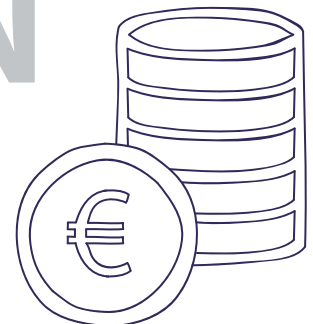
# 40,000

children helped, either prevented from being separated from their families or reunited with their families, due to system strengthening work with partners (since 2007) (more than 6,000 in 2018).



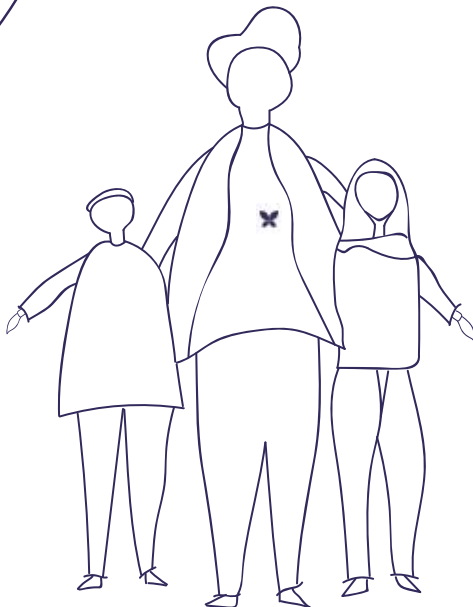
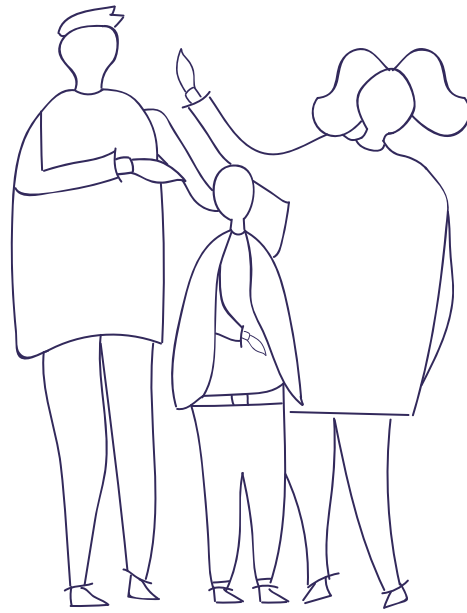
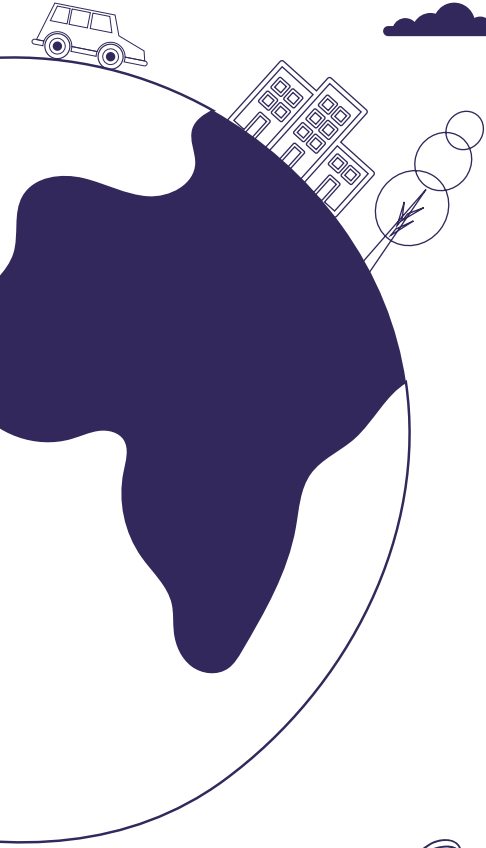
# €2.7 BILLION

of European structural and investment funds allocated to transforming care, strengthening communities and keeping families together (since 2009).



# 4,776

children's lives were saved by supporting governments and partners through medical and social interventions (since 2009) (478 in 2018).



# 40,815

professionals trained in the skills needed to transform care (5,815 in 2018).

## SELF-ADVOCATES

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### **WE ARE BUILDING A MOVEMENT OF SELF-ADVOCATES, INFLUENCING DECISION MAKERS AT EVENTS AROUND THE WORLD**

It is vital for children and young people to be involved in decisions that affect them, and in 2018 we supported 3,152 to take the lead on decisions that affect their lives. The powerful testimonies of those who have experienced institutions first hand are also central to our advocacy work, shedding light on the impact of separation and the importance of growing up in a loving family.

In 2018, self-advocates presented at high-level events all over the world, including the One Young World Summit in The Hague, the European Commission in Brussels and the United Nations in New York. The third Lumos Annual Youth Forum was held with the support of the Erasmus+ programme of the European Union and youth advisory boards were set up in Bulgaria, the Czech Republic and Moldova. The boards are a first step in enabling young people to influence Lumos' planning, strategy and governance.



MARTINA



VICTORIA



RUTH



“

Every child needs to get love from parents, it's like a suit of armour that helps to protect them through life's struggles. I think it is very important to invest in families. To help children stay in their families or find them a new family and help them to stay together. It's like investing in the blacksmith who forges the suit of armour the child needs, which is love.

- Martina, a self-advocate from the Czech Republic, lived in an orphanage until she was three years old, before being placed with a foster family that she has lived with ever since.

“

My most favourite thing is that I represent myself and other children who have had the same experience.

- Victoria, a self-advocate from Moldova, was sent to live in an institution because of her disability. Her parents were given no other option for Victoria to receive an education because there were no inclusive schools in her community. After six years and with the help of Lumos, she was able to return home and attend an inclusive school.

“

I had the worst experience growing up in one. From living on a carrot a day, to no meals at all. We suffered from hunger, yet donations were being received. That's exploitation! No-one ever asked me what I wanted when in care. My dreams and hopes never really mattered.

The one-size-fits-all approach translated to lost identity and we lacked a sense of belonging. The longer we stayed in the institution, the more we lost ourselves. We left care physically strong but internally broken. Yes, I acquired an education, but what use is it when I have to spend my adulthood trying to find myself?

- Ruth, a self-advocate from Kenya, grew up in an orphanage and is now the Co-Chair of the Kenyan Care Leavers Association.



## COUNTRIES REPRESENTED AT LUMOS TRAINING

Argentina, Armenia, Australia, Bangladesh, Brazil, Croatia, India, Indonesia, Ireland, Latvia, Lebanon, Malta, Mexico, Nepal, Panama, Paraguay, Singapore, Sudan, Thailand and Uruguay.



## COUNTRIES WHERE LUMOS HAS WORKED DIRECTLY OR ACTIVELY\*

Belgium, Bulgaria, Colombia, Czech Republic, Ethiopia, Greece, Haiti, Japan, Jordan, Kenya, Malaysia, Moldova, Russia, Serbia, UK, Ukraine and US.

\* includes a country office supporting transformation of care, or long-term technical assistance to governments/partners



## COUNTRIES WHERE LUMOS HAS PROVIDED TECHNICAL ADVICE\*

Cambodia, Estonia, Georgia, Ghana, Guatemala, Hungary, Israel, Jamaica, Liberia, Montenegro, Sri Lanka, Turkey, Uganda and Zambia.

\* includes short-term, remote technical advice



# WHERE WE WORK

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# GLOBAL HIGHLIGHTS

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US  
HAITI  
COLOMBIA

## **U S**

When more than 2,600 children were separated from their parents at the US/Mexico border, Lumos quickly mobilised to share its experience in family reunification with partner organisations in the US. Together, we provided support and expertise to reunite hundreds of children with their families.

## **H A I T I**

Lumos helped the government to complete a major assessment of 571 orphanages in Haiti, most of which were operating illegally. The government used this to ban the establishment of new orphanages, recommending that donors support family-based care instead.

## **C O L O M B I A**

Just under 50,000 children live in Colombia's institutions and boarding schools due to war, poverty, disability and HIV<sup>1</sup>. In 2018, Lumos continued its work with Fundamor to close an institution for HIV-positive children, returning them to families.



# GLOBAL HIGHLIGHTS

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JORDAN

ETHIOPIA

KENYA

## **JORDAN**

Lumos supported the Jordanian government to draft a 10-year National Action Plan on transforming care for children and adults with disabilities, enabling them to live with families or in family-like settings.

## **ETHIOPIA**

Unaccompanied refugee children across the world are frequently incarcerated in high-risk institutions. Alongside government and UNHCR, Lumos is recruiting foster families for unaccompanied children, proving family care is possible even in refugee camps.

## **KENYA**

An estimated 45,000 children live in registered institutions in Kenya. Many more live in unregistered and uncounted facilities. Lumos hosted a high-level training event with the Kenyan government and developed guidance to support care transformation and redirect resources to help families stay together.

## GLOBAL HIGHLIGHTS

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**UK**

**CZECH REPUBLIC**

**BULGARIA**

**GREECE**

## **UK**

In July 2018, following advocacy by Lumos and partners, the UK government publicly recognised the harm institutions cause to children. The Secretary of State for International Development committed to a long-term process of global care transformation.

## **CZECH REPUBLIC**

Lumos' research on the cost of care in the Czech Republic is being used to support the closure of baby institutions and the move to family-based care, which is better for children and much cheaper.

## **BULGARIA**

The number of children in institutions has reduced by 90% since 2009. Together with partners we are working to find family and community-based care for the remaining 633 children, ensuring no child is left behind.

## **GREECE**

Lumos provided emergency support in an institution where many residents had spent their lives in restraints, including caged beds and tied limbs. The Government has promised – and has allocated funding – to replace the institution with community services.

## **EUROPEAN UNION**

Since Lumos and partners influenced EU regulations in 2014, €2.7 billion of European structural and investment funds have been allocated to transforming care in Europe. In 2018, the European Commission reaffirmed that it would not fund institutions and that EU aid would prioritise transforming care across the world.

## GLOBAL HIGHLIGHTS

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### RUSSIA

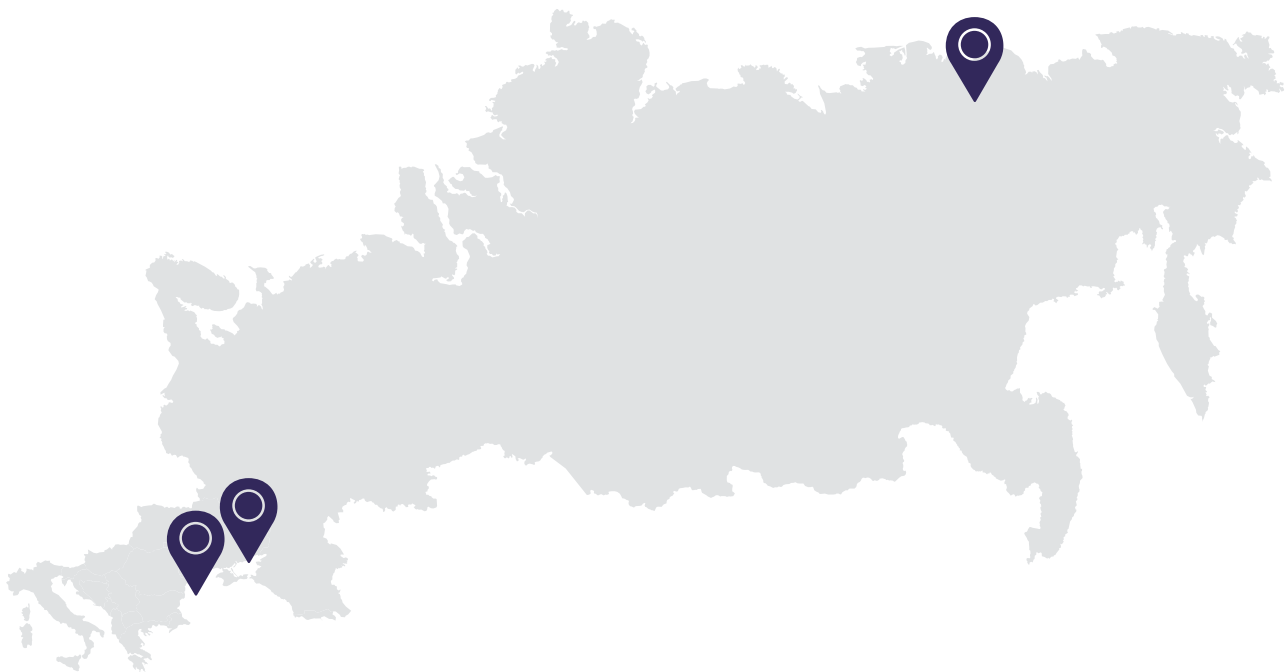
Lumos is supporting the regional authority in Karelia to implement an action plan which will transform the care system for vulnerable children. Lessons learned from this will support reform at a national level.

### UKRAINE

There are 104,000 children in Ukraine's institutions. In 2018, Lumos trained 220 professionals in the skills needed to transform care and helped to implement a national strategy. As a result of Inclusive Education training, 640 children with special educational needs are now included in community schools.

### MOLDOVA

Since Lumos began working in Moldova in 2006, the number of children in institutions has fallen by 10,115 (88%) and thousands have been reunited with their families. Our focus is now on ensuring the remaining 1,429 children are not left behind.



RUSSIA

UKRAINE

MOLDOVA



## MALAYSIA

Lumos supported the Malaysian government to develop a care transformation plan in one state. This landmark moment will generate evidence, experience and expertise to support the implementation of reform at a national level.

## AUSTRALIA

Australia became the first country in the world to prohibit 'orphanage trafficking' in its modern slavery legislation. Lumos is encouraging other countries to follow this global precedent.



MALAYSIA

AUSTRALIA







## WHY IT MATTERS

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**80%** OF CHILDREN IN ORPHANAGES HAVE A LIVING PARENT.<sup>2</sup>



**8 MILLION** CHILDREN AND YOUNG PEOPLE LIVE IN ORPHANAGES AND OTHER INSTITUTIONS WORLDWIDE.<sup>3</sup>

**80**

**80 YEARS** OF RESEARCH PROVES INSTITUTIONS SEVERELY HARM CHILDREN AND ARE AN EXPENSIVE FORM OF CARE.<sup>4</sup>

## WHAT IS AN INSTITUTION?

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# **AN 'INSTITUTION'** **MAY LOOK AND FEEL DIFFERENT** **IN DIFFERENT COUNTRIES AND CONTEXTS.**

In some countries, institutions house hundreds of children, while in other countries institutions may be smaller units with strict or neglectful regimes.

An institution is any residential setting with an 'institutional culture'.<sup>5</sup> In institutions, children are isolated from the wider community, forced to live with strangers and do not have control over their lives because the needs of the organisation take precedence over their individual needs. Such institutional environments deny children the opportunity to form the healthy emotional attachments with primary caregivers that are essential to cognitive development.

Institutions are sometimes called orphanages, reception centres for unaccompanied children, residential special schools or juvenile justice facilities.



**Pictured: Aneta\* in a Ukrainian institution, where she lives with her sister. Both their parents are alive.**



## THE HARM OF INSTITUTIONAL CARE

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# INSTITUTIONALISATION HAS A DEVASTATING EFFECT ON CHILDREN WHICH CAN BE LIFELONG.

In institutions, the child's individual needs are subordinate to those of the regime. There may be too many children for staff to remember their names, never mind their birthdays, likes and dislikes, fears and wishes – so the institution invents systems to cope. Mealtimes, changing times and bedtimes are strictly ordered and children must fall into line. Running an institution 24/7 is expensive, with never enough staff to provide individualised care. Instead, carers have no option but to operate like security guards – controlling behaviours and making sure children do not escape.

Studies show that children who grow up in an institution may fail to sit, stand, walk and talk by the age of four,<sup>6</sup> with poor health and damaged emotional development.<sup>7</sup> Children in institutions are more likely to be victims of neglect, abuse and trafficking.<sup>8</sup> As young adults, it is harder to find employment, and behavioural, physical and mental health problems are more common,<sup>9</sup> affecting long-term prospects and resulting in high social and economic costs to society. Institutional care, however well run or well intentioned, can never replace the loving care and support of a family. Put simply, children do not thrive without the unconditional love only a family can provide.

### THE COST OF INSTITUTIONAL CARE

And yet, institutions are expensive. Lumos' research demonstrates that in low-, middle- and high-income settings, family-based care results in better outcomes and is considerably less expensive than institutions.<sup>10</sup>

## WHY ARE CHILDREN PUT IN INSTITUTIONS AND ORPHANAGES?



### POVERTY

Poverty is the most common reason that children are placed in institutions.<sup>11</sup> The UN Convention on the Rights of the Child says poverty should never be a reason to separate children from their families.



### DISABILITY

Children with disabilities face stigma around the world and are often placed in institutions because their parents cannot afford, or access, support services such as inclusive education.<sup>12</sup>



### DISCRIMINATION

Historically, children from minority ethnic communities are more likely to be institutionalised<sup>13</sup> and today they are still over-represented in institutions around the world.



### CHILD TRAFFICKING AND EXPLOITATION

Children in many countries are actively recruited into institutions, often using false promises of education and food.<sup>14</sup> These 'orphanages' are illicit profit-making ventures that exist solely to attract a lucrative flow of international volunteers, donations and other funding. Children in institutions are at a much higher risk of trafficking than their peers. Trafficked children, when rescued, are likely to be placed in institutions, where they are at risk of being re-trafficked.<sup>15</sup>



### WAR OR NATURAL DISASTER

War or natural disaster often results in family separation, driving children towards institutions. Refugee children or those from migrant families often find themselves alone in detention centres, police stations and 'protective custody'.<sup>16</sup>



### CHILD ABUSE OR NEGLECT

Some children cannot live with their parents due to child abuse or neglect, although these numbers are relatively small compared with other reasons.<sup>17</sup> But neglectful or abusive institutions are not an appropriate response. These children need alternative family-based care.



# WHAT IS THE ALTERNATIVE?

## PREVENTING FAMILY SEPARATION

by enabling children to stay with their parents or other relatives, ensuring access to healthcare, inclusive education or other targeted services for families needing extra support during a difficult time.<sup>18</sup>

## ESTABLISHING FAMILY-BASED ALTERNATIVE CARE

such as loving, supportive foster families, when children cannot remain with their birth family.<sup>19</sup>

## DISMANTLING THE INSTITUTIONAL SYSTEM

and ensuring each child has a placement that meets their needs, so that no child is left behind.

## REDIRECTING RESOURCES FROM INSTITUTIONS

to community-based health, education and social services, which are less expensive and keep families together.

## OUR APPROACH

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### **WE TRANSFORM CARE SYSTEMS TO KEEP FAMILIES TOGETHER**

Lumos changes policies, practice, funding and public awareness to move towards a world where all children live in nurturing, protective families. Our programmes demonstrate it is possible and affordable to transform care systems, close institutions and safely reunite families. They show that children do better in families, even in challenging contexts. Our approach includes:

#### **DEMONSTRATION**

Our effective, high-quality programmes around the world demonstrate it is possible to transform care systems. We assist governments and communities to address the drivers of institutionalisation and support groups of children that are commonly left behind.

#### **FIELD-BUILDING**

Our training and guidance equip professionals and policy-makers around the world with the skills, knowledge and evidence-based approaches needed to transform care. We form effective partnerships and support others to undertake reform.

#### **EVIDENCE**

We show that institutions are extremely harmful to children and expensive. We make the case for prevention and prove that better alternatives always exist. High-quality research builds on decades of evidence of the harm caused by institutionalisation, supporting the global case for change.

#### **INFLUENCING**

We encourage shifts away from a reliance on institutional care towards a family-based approach. We influence international policy, redirecting money, commitment and practice, so change is scalable, sustainable and irreversible.









OUR WORK IN 2018

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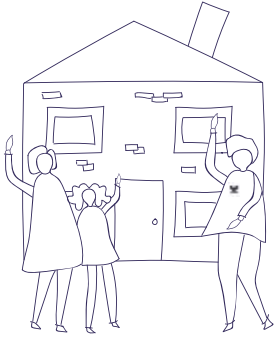




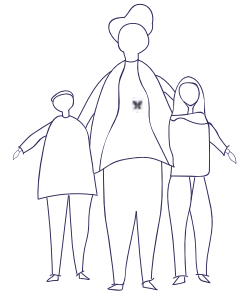
## DEMONSTRATION

Our effective, high-quality programmes around the world demonstrate it is possible to transform care systems. We assist governments and communities to address the drivers of institutionalisation and support groups of children that are commonly left behind.

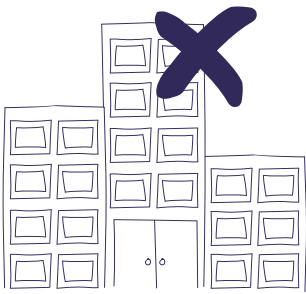
### IN 2018 WE:



Helped reunite 3,271 children with their birth or extended family (13,830 since we started in 2007).



Supported 16 institutions globally, providing help to the most vulnerable children and adults.



Supported the Haitian government to close four institutions.



Supported the development of family-based care for unaccompanied refugee children.

“

*As long as I was living in the institution, I felt like time stopped. Life without my parents was full of sadness and that made me suffer. I lived like this for five years. After years, many things started to change... Moldova launched the reform of residential institutions and progress was being made in the education system as well. The reform included the school in my home village, which became an inclusive one. So, with the support of Lumos, of my family and of the specialists, I was able to come back in my community and to go to school, together with my peers.*

- Self-advocate Dumitrița, speaking at the Conference of States Parties to the Convention on the Rights of Persons with Disabilities, June 2018



DUMITRIȚA

## A FAMILY LIFE FOR EVERY CHILD

Poverty, discrimination, war and natural disaster are key drivers that separate children from their families – but our work around the world demonstrates that it is possible for every child to grow up in a family setting, whatever their circumstances.

- We helped Fundamor, an institution in Colombia for young people living with HIV and AIDS, to improve the lives of the children living there. The majority of children have now been successfully reunited with their families, moved into a different family setting or are being supported to live independently. This will inspire further care transformation across the region by demonstrating that it is possible to provide cost-effective, family-based care for children who suffer the greatest discrimination and require specialist support.
- Our inclusive education programmes ensure every child can receive schooling and live with their families as part of a community, instead of being placed in a harmful institution. In Moldova, we developed models of inclusive education and supported teachers and staff with continuous professional development and resource centres. The number of children with special educational needs accessing community schooling has increased by 663% from 1,253 in 2010 to 9,560 in 2018.

In 2018, Lumos also supported governments in several countries:

- With our support, Malaysia developed a demonstration programme, making it one of the first countries in South East Asia to develop a care transformation plan.
- In Jordan, we laid the groundwork for programmes to support children with disabilities and provided emergency support at an institution for 92 women and girls with disabilities.
- Across Europe, knowledge and evidence from our programmes in Moldova, Bulgaria and the Czech Republic are enabling other countries to develop and implement care transformation, including Greece, Russia and Ukraine.







## SUPPORTING CHILDREN IN CRISIS

Each year, millions of children undertake treacherous journeys alone, fleeing their homes due to violence, disaster, climate change and extreme poverty. Under the UN Global Compact for Safe, Orderly and Regular Migration, migrant children should be protected and have access to essential services, and measures should be taken to prevent separation from their families. In 2018, we expanded our programmes to support them.

- In Ethiopia, our team laid the foundations for an innovative programme that enables refugee children to be cared for in emergency foster families rather than in harmful institutions. Developed alongside our partners, this alternative model of care will inspire others to change the way they care for children who are travelling alone.
- As news broke of the 2018 family separation crisis at the US Southwest border, Lumos quickly assessed how the organisation could complement the significant response of the pro bono legal community and bridge gaps in support for affected children and families. Partnership projects were subsequently established with the American Bar Association, Immigrant Families Together and International Social Service USA to provide holistic social work and case management services. This helped reunite hundreds of children with their families.
- In Bulgaria, we provided social workers and translators for migrant reception centres to ensure that unaccompanied children have access to health, education and legal services and to improve family-based care options. We supported one of the first cases of an unaccompanied refugee child being placed in a family-like home rather than an institution.

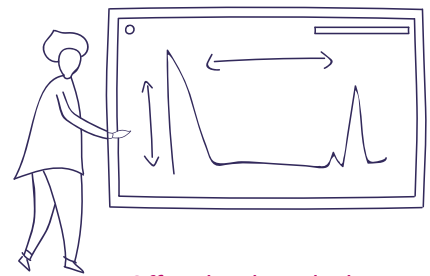
## FIELD-BUILDING

Our training and support equip professionals and policy-makers around the world with the skills, knowledge and evidence needed to transform care models.

### IN 2018 WE:



Trained 5,815 professionals in the skills needed to transform care in their country or region.



Offered technical advice to 51 organisations and governments from 22 countries.



“

The knowledge I gained from the training organised by Lumos has actually helped me to help my orphanage in changing the way we care. I have been able to reintegrate 22 children and they are now growing up in loving, nurturing and protective families. The children my orphanage reintegrated are happy to be reunited with their biological family. Changing the way we care is healthy for all children in orphanages and it should be the way to go. I am very happy that it worked and if it worked for my orphanage, it can work for all orphanages globally.

- Rachel Olika, Manager, Orphan Children's Centre, Kenya



## SHARING EXPERTISE

Our training and support equip professionals and policy-makers across the world with the skills, knowledge and evidence-based approaches needed to transform care models.

- In 2018, we provided guidance to 22 countries and trained more than 5,800 professionals. We took our training to other parts of the world, including Sub-Saharan Africa where we co-hosted our first training session with more than 50 high-level delegates in Kenya.
- In response to a growing global desire to transform care and to expand the reach of our training, we began developing an online training course. The course was piloted in early 2019 and builds on our track record of successful face-to-face training.
- We continued to run high-quality study visits to the UK, Bulgaria and Moldova for professionals from around the world, including a delegation from Jordan. These visits educate, inspire and motivate others to transform their own care systems by demonstrating how family and community-based services can work well, giving other countries the confidence to pursue change.

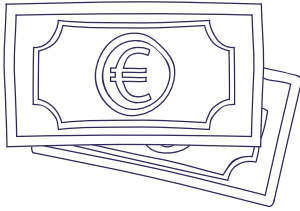
### CHANGING THE WAY WE CARE

Led by Catholic Relief Services, Lumos and Maestral International, Changing the Way We Care is a global initiative aimed at influencing the global response to the needs of vulnerable children. Beginning in Guatemala, Kenya and Moldova, the programme will work with children, care leavers, families, communities and governments to build a global movement to prevent children from entering institutions and to help them remain in safe, nurturing families.

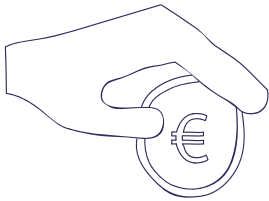
## EVIDENCE

We show that institutions are harmful to children, make the case for prevention and prove that alternatives always exist.

### IN 2018 WE:



Analysed the costs of children's services in the Czech Republic.



Launched an awareness and fundraising campaign for the Early Institutionalisation Intervention Impact Project (EI-3).



Worked with governments and partners to develop:

- a care transformation programme in one Malaysian state
- an action plan for reforming children's services in Karelia, Russia.

“

*We can say that the institution or orphanage is like a prison, but there is something worse: it is a darkness in which you cannot see your future.*

- Self-advocate Vasile spent nine years in Moldovan institutions before finding a foster family.



VASILE



## SHARING EVIDENCE

In many countries, very little information exists about the number of orphanages or the children who live in them. Even basic information – such as who the children are, why they are there and what conditions are like for them – may not be known. Without a solid understanding of the institutions in a particular country, it can be difficult to implement services to support vulnerable children.

- To overcome this problem in Haiti, Lumos worked closely with government and partners to evaluate care in 571 institutions which housed over 18,000 children. Most of the orphanages were operating illegally and many were abusing or trafficking children. This led the government to issue a moratorium banning the establishment of new orphanages, a landmark step towards ending institutional care and tackling orphanage trafficking in the country.

High-quality research produced by our Evidence Unit builds on decades of analysis of the main drivers of institutionalisation and the harm it causes, reinforcing the global case for change. In 2018 we increased our efforts to provide a more accurate picture of how many children are institutionalised, and why. Our country-specific reports and studies continue to provide a starting point for action across the world.

Evidence is vital in reducing resistance to change and overcoming vested interests among policy-makers.

- Alongside Harvard, Tulane University and the University of Maryland we launched an awareness and fundraising campaign for the new Early Institutionalisation Intervention Impact Project (EI-3). Beginning in Brazil and expanding to Kenya, this ground-breaking research project will measure children's development through neuroimaging and video feedback to promote positive parenting and child attachment. For the first time, this study will also analyse the cost effectiveness of different forms of care. EI-3 is likely to provide compelling evidence that institutional care is both harmful to children and economically unsound.
- In the US, we worked with the Cities for Action coalition (a group of over 175 mayors and county executives) to produce a report that highlighted the risks of institutional care for children and underlined the need to prevent family separation unless in extraordinary circumstances. Drawing upon Lumos' international experience and using case studies from New York City, the City and County of Los Angeles and San Antonio, the report shared best practices for supporting separated children and reunifying families.



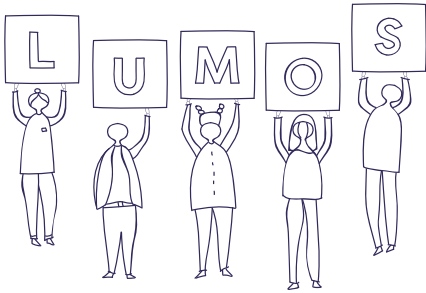
## REDIRECTING MONEY IN 2018

CZECH REPUBLIC: After extensive advocacy work over many years, children under the age of three will no longer be placed in institutions in Pardubice county, a flagship demonstration region. Lumos' Investing in Children report has enabled our team, together with the Ministry of Social Affairs, to advocate for the closure of baby institutions across the country. The report found that family care in the community is not only better for children's outcomes, it is also less expensive. Our financial analysis of children's care in the Czech Republic showed that:

- for the amount spent annually per child in a baby institution, 38 children could be supported in the community
- for the amount spent annually per child in an older children's institution, 19 children could be supported in the community.

## INFLUENCING

IN 2018 WE:



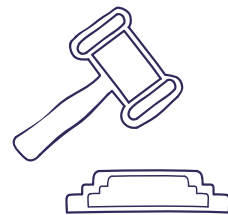
Continued to build a movement of self-advocates, reaching a total 76 young spokespeople in 7 countries.



Published a report documenting €2.7 billion of European structural and investment funds allocated to care transformation.



Enabled self-advocates to meet with and challenge key decision-makers on 31 occasions.



Worked with governments and partners to strengthen 11 policies, laws, social services and government or regional plans.

“

*We are not objects, we are human beings – and, like everyone else,  
we want a future.*

- Maicol, a self-advocate speaking at the No Child Left Behind conference, jointly organised by  
the European Commission and Lumos, June 2018



MAICOL

## ADVOCATING CHANGE

Our programmes to transform care systems, close institutions and safely reunite families not only change the lives of the children concerned – they also provide an evidence base that shows other countries that change is possible.

In 2018 and as a result of advocacy by Lumos and others, we had some major successes:

- The US government's Trafficking in Persons Report 2018 included a section on child institutionalisation and trafficking for the first time, reflecting increased awareness of the problem.
- Australia became the first country to recognise 'orphanage trafficking' as a form of modern slavery. Some leading volunteering companies have already removed orphanages from their programmes.
- The European Commission has publicly committed to preventing EU funds being used for institutions and to prioritising care reform across the world from 2020 onwards. This follows a successful change in 2014 to EU regulations for member states. The Structural Funds Watch Report, written with Community Living Europe, found that nearly €2.7 billion have already been allocated to de-institutionalisation across the EU because of those regulations.
- The UK government publicly recognised the harm institutions cause to children, making a concrete commitment towards deinstitutionalisation in its international outreach.
- In Moldova, we influenced a new law supporting residential care reform and creating a system that prevents children being separated from their birth families in all but the most extreme circumstances.

We will continue to work in partnership with governments to ensure these commitments translate into action to change the lives of children.

## REDIRECTING FUNDS

Having proved that most children can live with families for a fraction of the cost of institutional care, Lumos advocates globally for the redirection of funds from orphanages to community-based care.

Despite the best of intentions, many governments, individuals, NGOs and private donors worldwide continue to support the institutional system, giving billions of euros, dollars and pounds to orphanages every year. This has harmful consequences for the children they are trying to help. If this money was redirected to family and community-based care, it could enable all children to live in nurturing, protective families.

Lumos and its partners successfully influenced EU funding regulations in 2014. Since then, an estimated €2.7 billion of European Structural and Investment funds has been allocated to family and community living in Europe.

## BUILDING A GLOBAL MOVEMENT

Public engagement is key in changing the hearts and minds of policy-makers, politicians and potential volunteers. We turn our evidence into compelling content, which reached tens of thousands more people during 2018.

Through our growing communication channels, we strive to increase awareness about the harmful effects of institutional care on children, the better alternatives that exist and the negative consequences of volunteering in orphanages.

During 2018, thousands of supporters shared our advocacy campaigns on social media and donated to our programmes.



END OF 2017

**79,153**



END OF 2017

**157,582**



END OF 2017

**51,923**

END OF 2018

**84,325**

END OF 2018

**176,182**

END OF 2018

**74,350**



## OUR FINANCES

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# £7 MILLION RAISED IN 2018

In 2018 fundraising focused on diversifying and growing our income in order to support our ambitious plans, raising over £7 million.

We are very grateful to J.K. Rowling and other supporters from the Wizarding World family who cover Lumos' administrative costs. This means that 100% of all other donations to Lumos goes directly to our work.

Ways in which Lumos sought to develop secure income streams in 2018 included:

- Establishing partnerships to fund care transformation – we agreed a long-term, multi-million dollar partnership with USAID.
- Expanding the range of ways Wizarding World fans can support Lumos – we completed two hugely successful CrowdRise campaigns and raised over £100,000 through a limited-edition 'Fantastic Beasts' pin-badge.
- Engaging philanthropists with our important cause – at our New York Gala, Lumos raised over \$2.6m from individuals and companies who are keen to support our work.



## OUR PARTNERSHIP APPROACH

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### **Working with governments and local authorities is central to Lumos' approach.**



Lumos began working in Haiti in 2015 at the invitation of the national government. In 2018, the agency responsible for child welfare (IBESR) and Lumos jointly undertook a national assessment of Haitian orphanages. The findings led the government to declare a moratorium on the establishment of new orphanages and bolstered support for transforming care.

### **Lumos aims to ensure that children and families are decision-makers in their own lives and leaders in their communities, and have a prominent voice in policy-making.**



The compelling contributions of young self-advocates at the 2018 No Child Left Behind Conference were instrumental in securing the European Commission's commitment to stop funding orphanages and prioritise the transformation of care systems internationally.

### **Strengthening and collaborating with local civil society is key to achieving Lumos' mission of ending the institutionalisation of children globally.**



Over the past two years, Lumos has supported OrphanCare, a small Malaysian NGO, to assess the national care system and develop an action plan to make family-based care a reality for all Malaysian children. At the time of writing, the plan is with the Government of Malaysia for approval.

### **Lumos encourages and enables international donors and decision-makers to leverage funds away from institutions and towards services that support children to flourish in family and community-based care.**



Following continued evidence-based advocacy from Lumos and others, in July 2018, the UK Secretary of State for International Development publicly recognised the harm of institutional care and announced the Government's commitment to supporting family-based care.

# ON THE BRINK OF A GLOBAL TIPPING POINT: 2019 AIMS

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Growing recognition about the harm of institutionalisation, due to the work of Lumos and our partners, has moved us closer to a global tipping point, where significant change becomes scalable, sustainable and irreversible. As a result of advocacy by Lumos and others, most countries in Europe now have strategies or plans in place to transform systems of care.

On a global level, political will for change is growing. A greater number of donors and global politicians are listening, and many governments are developing care transformation plans. Change is coming rapidly, but transforming care is complex. If it happens too quickly or without proper preparation, children may be harmed. Developing the professional and managerial capacity to transform care is a top priority for Lumos going forward. And we must ensure that care transformation does not exclude the hardest to reach. No child must be left behind.

Progress is uneven across the world. In some regions, the number of children in institutions appears to be increasing.<sup>20</sup> It is vital that plans are monitored, and commitments enforced, and that children are listened to and included.

While the underlying causes of family separation may be similar in some parts of the world, there are also key differences and new challenges. Lumos has therefore expanded its work significantly in the last few years.

Our aims for 2019 include:

## **DEMONSTRATION**

Demonstrate and deliver effective, high-quality care transformation in challenging contexts where children are likely to be left behind.

## **FIELD-BUILDING**

Influence and support governments and other organisations to undertake care transformation.

## **EVIDENCE**

Prove and articulate that institutions are harmful and expensive, and that better alternatives can be developed even in the most challenging contexts.

## **INFLUENCING**

Change policy and practice, and redirect money so global care transformation is scalable, sustainable and irreversible.





# THANK YOU

## FOR YOUR SUPPORT

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Lumos would like to thank the following partners for their generous donations in 2018:

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The AD Charitable Trust  
Adriano Salani Editore  
AMC Theatres  
Cinemark  
Comcast NBCUniversal  
Comic Relief  
Command Webb Offset  
Deluxe Entertainment Services Group  
Endeavor Law Firm  
The Erasmus+ programme of the European Union  
The European Commission  
Frankfurt Kurnit Klein & Selz  
Hachette Book Group USA  
Hachette UK  
HBO  
Huge LLC  
IMAX  
Kirkland & Ellis LLP  
Lindenmeyr Book Publishing Papers  
The Noble Collection  
Penguin Random House Audio Publishing  
Potted Productions Ltd  
Regal Cinemas - part of Cineworld Group  
Scholastic Inc.  
UBS Optimus Foundation  
Warner Bros. Entertainment  
WarnerMedia

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**We are also grateful for the support and expertise generously provided by:**

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American Airlines  
The Blair Partnership  
Herbert Smith Freehills LLP  
Kirkland & Ellis LLP  
Pottermore Publishing  
Sonia Friedman Productions, Colin Callender, Harry Potter Theatrical Productions  
StonehillSalt PR

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LUMOS' WORK WOULD NOT BE POSSIBLE WITHOUT THE GENEROSITY OF OTHERS, AND WE ARE GRATEFUL TO ALL OF OUR SUPPORTERS FOR THEIR CONTRIBUTIONS IN 2018.



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Lumos collects data and statistics on programmatic activities in demonstration countries through the central collation by the Lumos Evidence Unit, drawing on country data including official government statistics and locally determined performance metrics. Data are brought together on an annual basis and centrally quality assured.



**DIRECTORS' REPORT:**

**GOVERNANCE**

**AND FINANCIAL**

**STATEMENTS**

**2018**



## 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 Risk Management 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 charity has identified the following five risks as high impact in its risk register and continues to review them regularly as part of its approach to risk management:

• **Organisational risks; potential management and culture challenges** – the risk to maintaining a healthy culture through a period of growth and change. The risks to the retention of key team members and the ability to successfully integrate new team members during this period.

*Mitigating actions:* Investment in core support functions, with the required resources and services in place. Robust internal communications and learning and development programmes, including comprehensive inductions and tailored training to support team members at all levels.

*Recent actions:* To take account of recent developments in the field of de-institutionalisation, Lumos has conducted a strategy refresh in 2018 and reviewed the organisational structure early in 2019. Lumos has recently commissioned two independent reviews that will look at governance arrangements and the culture of the organisation, with a commitment to consult colleagues across the organisation and take any steps that may be identified.

• **Financial risks; dependency on income sources and cashflow sensitivities** – the risk of over reliance on Lumos' traditional income sources of royalties and events. Such sources are not only difficult to scale to meet the future funding needs of a growing organisation, but can also be volatile from one year to the next. Income from these sources is also subject to timing delays that impact cashflow negatively and put additional pressure on reserves.

If Lumos is unable to successfully diversify its income and establish new regular streams, then annual expenditure would need to be reduced accordingly. This would likely be achieved through a reduction in country demonstration programmes, the scaling back of other areas of programmatic activity and a corresponding reduction in overheads. Lumos' current reserve position would be used to ensure that this is achieved safely and over a realistic timeframe.

*Mitigating actions:* Diversifying income away from Lumos' traditional sources, with an increased focus on digital campaigns, individual giving, corporate and statutory funding – all of which have a more regular profile for cash receipts. Linking future expenditure growth to income generation, as part of a robust budgeting and planning process.

*Recent actions:* Lumos is investing significantly in its income generating capabilities in 2019, with the establishment of a new 'Public Engagement Unit' that is headed by a Global Director of Development and Communications. This structure includes new positions that are focused solely on the additional areas of income that Lumos is diversifying into.

• **The risk of country instability to Lumos work** – the risk to operations from political issues, 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.

*Recent actions:* Ongoing awareness raising at a national level in all countries where Lumos operates programmes. Identification and involvement of national and international partners. Working at all levels of government and across the political landscape.

• **Safeguarding risk** – 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 comprehensive Safeguarding Policy in place, supported by annual training for all staff globally. A team of Lumos safeguarding experts provides guidance and support to all colleagues globally.

*Recent actions:* Lumos has recently established a 'Safeguarding Working Group', a sub group of the Risk Management Committee comprised of safeguarding experts (including Trustees) that meets quarterly, or on an ad hoc basis as required to discuss important safeguarding matters.

• **Safety and security risks to Lumos staff** – the risk to the charity's staff in carrying out their duties.

*Mitigating actions:* Lumos has a global Safety and Security Policy in place, with supporting procedures and training for all staff. Lumos works closely with external security experts to review and strengthen its approach, taking account of the most recent developments.

*Recent actions:* Lumos continues to provide safety and security inductions to all staff and has recently introduced on-line travel security training, and made 'HEAT' training compulsory for staff travelling to high risk locations.

The current corporate plan, and associated Country/Department Plans, reflect the identification and mitigation of risk across all areas of activity. The Risk Management 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 69 of the attached accounts.

<b>Lumos financial results summary</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Total income</b>	<b>7,254</b>	<b>8,503</b>
- Funds from individual giving	3,032	959
- Grant income	1,768	4,343
- Income from royalties	2,137	2,659
- Investment and other income	317	542
<b>Total expenditure</b>	<b>11,934</b>	<b>7,704</b>
- Charitable activities	9,477	6,528
- Cost of raising funds	2,457	1,176
<b>Other (losses)/gains</b>	<b>(382)</b>	<b>328</b>
<b>Net Funds movement</b>	<b>(5,062)</b>	<b>1,127</b>
Reserves carried forward	<b>13,984</b>	<b>19,046</b>
- Unrestricted	12,670	17,874
- Restricted	1,314	1,172

During the financial year 2018 the charity made a significant investment to support its international expansion, with expenditure increasing to £11,934k (2017: £7,704k). The charity continued to work on diversifying income, focusing on stable long term streams, rather than short term opportunities.

## 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 & Investment Committee quarterly. The funds held by CBAM are managed in accordance with the charity's Investment Mandate, which is set by the trustees.

At year end, funds managed by CBAM on behalf of Lumos amounted to £7,499k. Investment returns of 16% have been achieved over the last three years, despite the challenging market conditions in 2018.

## Fundraising policy

Lumos Foundation has voluntarily subscribed to the Fundraising Regulator and adheres to the Fundraising Regulator's code of practice. Lumos is also a member of the Institute of Fundraising. In 2018, Lumos ran global digital campaigns, including a Christmas/end-of-year appeal. Lumos delivered a number of special events for high-net-worth supporters and developed funding partnerships with key trusts and foundations. Lumos continued to develop deeper relationships with corporate organisations, in particular those associated with the Wizarding World.

Lumos is aware of the need to protect the public and vulnerable people from undue pressure to donate. The individual preferences of donors are respected and Lumos follows the UK Fundraising Code of Practice for all fundraising events, activities and interactions with donors. Lumos does not currently use third-party agencies to fundraise. In 2018, there were no complaints.

Investments have been made in bolstering fundraising staff, philanthropy, events, corporate partners and products in both the US and UK. These investments may take a number of years to realise their value, and will hopefully follow the trajectory of the investments we have made in Trusts and Foundations, which have secured multi-million pound grants.

## Reserves policy and going concern

The trustees balance a prudent reserves policy, which ensures that Lumos has sufficient funds to complete ongoing activities in the event of a significant fall in income, while also supporting Lumos' strategic international expansion.

Over the past five years, Lumos has been growing at an average rate of 25%. This growth, driven by the success of Lumos programmes, has significantly increased the demands on income generation. In recent years Lumos has started to diversify its fundraising activities by investing in new streams that are expected to deliver sustainable income in future years.

At 31 December 2018, Lumos had total funds of £14.0m (2017: £19.0m).

### **Restricted funds (£1.3m)**

Restricted funds are funds with specific restrictions imposed by donors. These restrictions often relate to a particular geographic region or area of technical expertise, and sometimes include a deadline by which time the funds must be spent.

### **Unrestricted funds (£12.7m)**

Unrestricted funds are held for the following purposes:

#### To mitigate the principal financial risks facing Lumos

In terms of income, this includes the risk of fundraising not growing at the required rate to match organisational expenditure growth. In addition to fundraising risk, there are also risks of stock market variations, which may negatively impact the value of the investment portfolio and future levels of return.

Unrestricted funds are used to manage the negative cashflow during the year, as Lumos typically receives the majority of its income in the final quarter.



### To enable Lumos to provide emergency response services

There are situations that can arise throughout the year where an immediate response is required before income is received from fundraising activities. Recent examples include Lumos' emergency response work in Haiti and the response to the US border crisis.

### To help to protect Lumos' work beyond the current year

In the event of a sustained downturn in income, Lumos would require a period of time to make adjustments to programmes. This includes the established country demonstration programmes in Europe, the newly established Latin America and the Caribbean programmes in Haiti and Colombia, and technical support that is provided to a number of countries around the world, where Lumos does not have a physical presence.

Finally, Lumos retains funds to maintain its 100% pledge to the public, so that no portion of their donation is used to fund overhead costs.

### Conclusion

Given the level of reserves, the trustees are satisfied that the charity will remain a going concern into the foreseeable future.

## 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.
- 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 to 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 also in the United Kingdom, thus enabling US citizens and green card holders resident in the United Kingdom to support Lumos' 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:

### Trustees

N. Blair (Chair of Trustees)  
D. Cohen  
C. Copland  
R. Dattani  
J. Harding  
D. Moore  
M. Lee-Izu  
T. Motie  
M. Smith (Treasurer)  
R. Suss

### Trustee appointment and training

All trustees must be members of the charitable company. The maximum number of trustees is 12, who are recruited according to best practice. Lumos currently has 10 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 2018, in addition to Board meetings, Lumos trustees undertook considerable work through the following committees and other groups:

- Finance and Investment Committee.
- Nominations and Remuneration Committee.
- Risk Management Committee.

A system of trustee appraisal has been created via the Nominations and Remuneration Committee and a skills matrix has been established to determine the range of skills and experience which would be required to fill existing gaps and those created by retiring trustees in the coming year.

### Organisation

The Chief Executive Officer and executive leadership team provide 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 cooperation with other organisations

None of the trustees receive remuneration or other benefits 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

While Lumos is not primarily a grant-making organisation, the charity does issue grants occasionally to further its charitable objects. 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 when due diligence has been carried out on the ability of the grantee to deliver against the grant. All grants follow Lumos' standard internal procedures, opportunities are assessed by the Executive Team and approved by the Chief Executive Officer and the Board of Trustees in line with Lumos' procedures.

### 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 and 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 executive 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
- 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

## Opinion

We have audited the financial statements of Lumos Foundation for the year ended 31 December 2018, which comprise the Consolidated Statement of Financial Activities (incorporating an Income and Expenditure Account), the Consolidated and Charity Balance Sheets, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. 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).

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 2018 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.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

## Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters 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 trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report included within the trustees' report has 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 the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

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

- the parent 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 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.

### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement set out on page 65, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



### Auditor's responsibilities for the audit of the financial statements

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

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

### Use of our report

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 charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Tim Redwood**

Senior Statutory Auditor  
For and on behalf of

#### **Crowe U.K. LLP**

Statutory Auditor  
London

## Consolidated statement of financial activities (including income and expenditure account)

	Notes	Unrestricted Funds	Restricted Funds	2018 Total Funds	2017 Total Funds
		£'000	£'000	£'000	£'000
<b>Income and expenditure</b>					
<i>Income from:</i>					
Royalties from published books	1	2,082	—	2,082	2,515
Other royalties		55	—	55	144
Donations and Gift Aid	2	3,032	—	3,032	959
Investment income	3	312	—	312	314
Other income		5	—	5	228
Charitable activities					
Grant income	18	1,145	623	1,768	4,343
<b>Total income</b>		<b>6,631</b>	<b>623</b>	<b>7,254</b>	<b>8,503</b>
<i>Expenditure on:</i>					
Raising funds	5				
Raising donations and donor communication costs		2,375	—	2,375	1,075
Investment management costs		82	—	82	101
Charitable activities	6	8,996	481	9,477	6,528
<b>Total expenditure</b>		<b>11,453</b>	<b>481</b>	<b>11,934</b>	<b>7,704</b>
Net (loss)/gain on investments	15	(526)	—	(526)	593
Other recognised gains/(losses)		144	—	144	(265)
<b>Net (deficit)/income</b>		<b>(5,204)</b>	<b>142</b>	<b>(5,062)</b>	<b>1,127</b>
<i>Reconciliation of funds:</i>					
Total funds brought forward		17,874	1,172	19,046	17,919
<b>Total funds carried forward</b>	19	<b>12,670</b>	<b>1,314</b>	<b>13,984</b>	<b>19,046</b>

All the charity's activities are 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 2018

	Notes	Group 2018 £'000	Charity 2018 £'000	Group 2017 £'000	Charity 2017 £'000
<b>Fixed assets:</b>					
Tangible assets	14	1,388	1,388	1,125	1,125
Intangible assets	14	196	196	134	134
Investments	15	7,499	7,499	9,862	9,862
		9,083	9,083	11,121	11,121
<b>Current assets and liabilities:</b>					
Debtors	16	3,557	3,394	3,634	3,452
Short-term deposit		476	—	1,188	—
Cash at bank and in hand		2,059	1,889	3,893	3,702
		6,092	5,283	8,715	7,154
<b>Creditors:</b>					
Amounts falling due within one year	17	(1,191)	(1,867)	(790)	(897)
Net current assets		4,901	3,416	7,925	6,257
<b>Total assets less current liabilities</b>		<b>13,984</b>	<b>12,499</b>	<b>19,046</b>	<b>17,378</b>
<b>Funds:</b>					
Restricted funds	18	1,314	1,235	1,172	1,084
Unrestricted funds	19	12,670	11,264	17,874	16,294
<b>Total funds</b>		<b>13,984</b>	<b>12,499</b>	<b>19,046</b>	<b>17,378</b>

The Lumos Foundation charity statement of financial activities results for 2018: £4,879k deficit (2017: £2,598k surplus).

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

**Neil Blair**

Trustee

Date: 26 September 2019

**Mark Smith**

Trustee

Lumos Foundation

Registered Company Number: 05611912 (England and Wales)

## Consolidated statement of cash flows

	Notes	2018 £'000	2017 £'000
<b>Cash flows from operating activities:</b>			
Net cash used in operating activities	A	(4,258)	(1,643)
<b>Cash flows from investing activities:</b>			
Dividends and interest from investments		312	314
Purchase of tangible fixed assets		(516)	(392)
Proceeds from the disposal of investments and fixed assets		2,220	2,635
Purchase of investments		(876)	(1,912)
<b>Net cash provided by investing activities</b>		<b>1,140</b>	<b>645</b>
<b>Change in cash and cash equivalents in the year</b>		<b>(3,118)</b>	<b>(998)</b>
Cash and cash equivalents at 1 January 2018	B	5,615	6,690
Change in cash and cash equivalents due to exchange rate movements		79	(77)
<b>Cash and cash equivalents at 31 December 2018</b>	B	<b>2,576</b>	<b>5,615</b>

## Notes to the statement of cash flows for the year to 31 December 2018

## A) Reconciliation of net movement in funds to net cash used in operating activities

	2018 £'000	2017 £'000
<b>Net movement in funds (as per the statement of financial activities)</b>	<b>(5,062)</b>	<b>1,127</b>
<i>Adjustments for:</i>		
Depreciation charge	191	61
Exchange rate (gain)/loss	(79)	77
Loss/(gains) on investments	526	(593)
Dividends and interest from investments	(312)	(314)
Decrease/(increase) in debtors	77	(1,959)
Increase/(decrease) in creditors	401	(42)
<b>Net cash used in operating activities</b>	<b>(4,258)</b>	<b>(1,643)</b>

## B) Analysis of cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	2,059	3,893
Cash held as current asset short-term deposits	476	1,188
Cash held by investment managers	41	534
<b>Total cash and cash equivalents</b>	<b>2,576</b>	<b>5,615</b>

## Principal accounting policies

## Basis of accounting

The financial statements of Lumos Foundation, which is a public benefit entity under Financial Reporting Standard 102, have been prepared on a going concern basis under the historical cost convention, in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland, Financial Reporting Standard 102 (FRS102), the Charities Statement of Recommended Practice (FRS 102), the Charities Act 2011 and the Companies Act 2006. The Consolidated Statement of Financial Activities (SOFA) and Balance Sheet consolidate the financial statements of the Charity and its subsidiary undertakings. The principal accounting policies, which have been applied consistently in the year, are set out below.

## Consolidation

The results of the subsidiaries are consolidated on a line-by-line basis. No separate SOFA has been presented for the Charity alone, as permitted by Section 408 of the Companies Act 2006. The Charity has also taken the exemption under FRS102 1.12(b) not to include a parent only cash flow statement in these accounts.

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.

The sole member of Friends of Lumos USA Ltd, and thus its parent entity, is Lumos Foundation USA Inc.

### 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

There are no material uncertainties in respect of the charitable company's ability to continue as a going concern for the foreseeable future, based on the latest strategic plans and financial budgets.

The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. As a result, they 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.

### Fund accounting

Unrestricted funds are funds which are available 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. 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.

### Income recognition

Income is included in the SOFA 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. The following specific policies apply to the categories of 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** 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 SOFA 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** is recognised as income in the SOFA 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.

**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.

## 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. Irrecoverable VAT is added to the appropriate underlying expenditure.

**Fundraising and publicity costs:** expenditure on fundraising includes the costs of seeking all categories of income except those directly associated with charitable activities. Publicity expenditures include the costs of disseminating and publicising the work of the charitable company. Fundraising and communications costs have been allocated to the expenditure categories based on estimates of time spent in the year.

**Investment management costs** are recognised as they are payable to the investment manager.

**Charitable activities** are analysed into the major themes of the organisation, and comprise expenditure related to the furtherance of the charitable company's objects. Costs include the direct costs relating to the overseas operations, branches and related projects, and allocated support 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** are those costs incurred in connection with the management and administration of the charitable company. They have been allocated on the following bases: administration, legal and compliance, human resources, information systems and office services costs are allocated based on head count; finance costs are allocated based on expenditure.

**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 and intangible 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 and intangible 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	10 years
Fixtures and fittings	5 years
Computer equipment	3 years
Leasehold improvements	Over the lease term until the break clause
Motor vehicles	7 years
Software	5 years

**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. The benefit of a rent-free period is spread evenly across the lease term.

**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** includes cash and short-term cash commitments of the charity as they fall due, rather than for investment purposes.

**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.

**Financial assets and financial liabilities** are recognised when the group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs). The group only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. With the exception of fixed asset investments, basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value. Trade and other debtors are recognised at the settlement amount due after any discount offered and net of the bad debt provision. Prepayments are valued at the amount prepaid, net of any trade discounts due. Creditors and provisions are recognised where the group 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.

## Notes to the financial statements

## 1) Royalty income from published books

	Unrestricted Funds £'000	Restricted Funds £'000	2018 Total Funds £'000	2017 Total Funds £'000
Royalty income				
<b>Total 2018 funds</b>	<b>2,082</b>	<b>—</b>	<b>2,082</b>	<b>2,515</b>
Total 2017 funds	2,515	—	2,515	
Royalty income by geographical market is as follows:				
United Kingdom	470	—	470	909
Europe	649	—	649	711
Rest of World	963	—	963	895
<b>Total 2018 funds</b>	<b>2,082</b>	<b>—</b>	<b>2,082</b>	<b>2,515</b>

## 2) Donations and Gift Aid

	Unrestricted Funds £'000	Restricted Funds £'000	2018 Total Funds £'000	2017 Total Funds £'000
Donations and Gift Aid	3,032	—	3,032	959
<b>Total 2018 funds</b>	<b>3,032</b>	<b>—</b>	<b>3,032</b>	<b>959</b>
Total 2017 funds	665	294	959	

## 3) Investment income

	Unrestricted Funds £'000	Restricted Funds £'000	2018 Total Funds £'000	2017 Total Funds £'000
Income from listed investments	297	—	297	314
Interest receivable	15	—	15	—
<b>Total 2018 funds</b>	<b>312</b>	<b>—</b>	<b>312</b>	<b>314</b>
Total 2017 funds	314	—	314	

#### 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 £nil is included within the consolidated summary financial performance of Lumos Foundation USA Inc. below:

	2018	2017
	£'000	£'000
Income	3,778	953
Expenditure	(3,562)	(2,168)
Surplus/(deficit) for the year	216	(1,215)
Opening reserves	1,671	3,142
Gains/(loss) on foreign exchange	142	(256)
Opening reserves after gains/(loss) on foreign exchange	1,813	2,886
Closing reserves	2,029	1,671
<b>Reconciliation of funds</b>		
Current assets	2,159	1,716
Current liabilities	(130)	(45)
<b>Net current assets</b>	<b>2,029</b>	<b>1,671</b>

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 £22k to Lumos Foundation Ltd for 2018 (2017: £5k).

During the period, Lumos Foundation provided a grant to Lumos Foundation USA Inc. of £836k (2017: £148k) to cover administration and overhead costs in 2018.

Lumos Foundation USA Inc. made a grant of £1,588k (2017: £964k) to Lumos Foundation to support: New frontiers, Ending institutionalisation in Europe, Research, Global Training and Advisory Services.

Lumos Foundation provided donated services of £65k (2017: £286k) to Lumos Foundation USA Inc.

At the year-end an amount of £806k (2017: £143k) was due to Lumos Foundation USA Inc. and Friends of Lumos USA Ltd owed to Lumos Foundation £120k (2017: £4k).

#### 5) Raising funds

	Unrestricted	Restricted	2018	2017
	Funds	Funds	Total Funds	Total Funds
	£'000	£'000	£'000	£'000
Raising funds and donor communication				
Fundraising costs	1,816	—	1,816	811
Donor communication costs	257	—	257	87
Support costs (note 8)	302	—	302	177
<b>Sub Total:</b>	<b>2,375</b>	<b>—</b>	<b>2,375</b>	<b>1,075</b>
Investment management fees	82	—	82	101
<b>Total 2018 funds</b>	<b>2,457</b>	<b>—</b>	<b>2,457</b>	<b>1,176</b>
Total 2017 funds	1,176	—	1,176	



## 6) Charitable activities

	Activities Undertaken Directly £'000	Support Costs (note 8) £'000	2018 Total Funds £'000	2017 Total Funds £'000
Advocacy and Campaigns	1,070	324	1,394	1,123
Deinstitutionalisation in Europe	2,138	807	2,945	2,007
Deinstitutionalisation In LAC	1,097	132	1,229	789
Global Deinstitutionalisation	1,055	218	1,273	172
Global Training	765	204	969	1,130
Research	739	107	846	299
<b>Total</b>	<b>6,864</b>	<b>1,792</b>	<b>8,656</b>	<b>5,520</b>
Lumos Foundation USA Inc.	669	152	821	1,008
<b>Total</b>	<b>7,533</b>	<b>1,944</b>	<b>9,477</b>	<b>6,528</b>

The following table analyses charitable activities between unrestricted and restricted funds for 2018 and 2017:

	Unrestricted Funds £'000	Restricted Funds £'000	2018 Total Funds £'000	Unrestricted Funds £'000	Restricted Funds £'000	2017 Total Funds £'000
Advocacy and Campaigns	1,510	265	1,775	1,181	172	1,353
Deinstitutionalisation in Europe	2,810	135	2,945	1,756	254	2,010
Deinstitutionalisation in LAC	1,224	5	1,229	335	745	1,080
Global Deinstitutionalisation	1,637	20	1,657	538	15	553
Global Training	925	45	970	724	406	1,130
Research	890	11	901	402	–	402
<b>Total</b>	<b>8,996</b>	<b>481</b>	<b>9,477</b>	<b>4,936</b>	<b>1,592</b>	<b>6,528</b>

## (7) Grants payable

	Grants to institutions	Grants to institutions
	2018 Total	2017 Total
	£'000	£'000
Save the Children Haiti	531	448
Institute of Child Health	180	135
Boston Children's Hospital	144	–
American Bar Association	94	–
International Institute of New England	69	–
Little Foot Big Steps	–	184
Fundamor	20	62
Other	170	208
<b>Total</b>	<b>1,208</b>	<b>1,037</b>

Lumos made grants to 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)	2018	2017
	£'000	£'000	Total Funds	Total Funds
			£'000	£'000
Admin, Legal and Compliance	9	41	50	58
Finance	63	337	400	489
Human Resources	81	590	671	262
Information Technology	28	211	239	169
Office Services	121	765	886	445
<b>Total</b>	<b>302</b>	<b>1,944</b>	<b>2,246</b>	<b>1,423</b>

The above costs have been apportioned between activities based on an estimate of time spent by staff on them. The organisation's expansion geographically and in staff numbers during the year drove the overall increase in support costs.

## (9) Governance costs

	2018	2017
	£'000	£'000
Legal and professional fees	63	92
Other costs	3	2
<b>Total</b>	<b>66</b>	<b>94</b>

## (10) Net income for the year

Net income for the year is stated after charging:

	2018	2017
	£'000	£'000
<b>Group Auditor's remuneration</b>		
Audit services – Group	17	17
Audit services – Friends of Lumos USA	2	2
Other services	28	7
<b>Lumos USA Auditor's remuneration</b>		
Audit services – Lumos USA	17	10
Other services	4	2
<b>Depreciation of owned fixed assets</b>	191	61
<b>Operating lease rentals</b>		
Land and building	243	194

## (11) Staff costs and remuneration of key management personnel

The staff headcount numbers for the period are as follows:

	2018	Restated 2017
	No.	No.
Management and administrative staff	32	17
Fundraising and donor communication staff	17	12
Programmes staff	78	66
<b>Total</b>	<b>127</b>	<b>95</b>

Staff costs relating to the above persons are as follows:

	2018	Restated 2017
	£'000	£'000
Wages and salaries	4,301	2,804
Social security costs	626	435
Pension costs	203	97
<b>Sub total:</b>	<b>5,130</b>	<b>3,336</b>
Agency staff	201	167
<b>Total</b>	<b>5,331</b>	<b>3,503</b>

**(11) Staff costs and remuneration of key management personnel (continued)**

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

	2018 No.	Restated 2017 No.
£60,001–£70,000	2	3
£70,001–£80,000	2	2
£80,001–£90,000	–	2
£90,001–£100,000	2	–
£100,001–£110,000	2	–
£150,001–£160,000	1	1
£160,001–£170,000	1	–
<b>Total</b>	<b>10</b>	<b>8</b>

Pension costs totalling £41k (2017: £31k) were paid in respect of the above employees.

The key management personnel of the Lumos Foundation comprise the trustees, the Chief Executive Officer and the executive team. The total employee remuneration (including benefits) of the key management personnel of the charity was £599k (2017: £384k).

During 2018, ex-gratia payments were paid of £58k (2017: £nil).

All 2017 numbers have been restated to include Lumos USA.

**(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 (2017: £nil). Expenses incurred by the trustees and reimbursed by the charitable company amounted to nil (2017: £nil).

**(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 and intangible fixed assets of Charity and Group

	Intangible Fixed Assets		Tangible Fixed Assets		Tangible and Intangible Fixed Assets
	Software £'000	Land and Buildings £'000	Furniture, Fittings and Equipment £'000	Motor Vehicles £'000	Total £'000
<b>Cost:</b>					
At 1 January 2018	134	862	369	47	1,412
Additions	97	–	419	–	516
Disposal	–	–	–	–	–
<b>At 31 December 2018</b>	<b>231</b>	<b>862</b>	<b>788</b>	<b>47</b>	<b>1,928</b>
<b>Depreciation:</b>					
At 1 January 2018	–	20	107	26	152
Charge for the year	35	19	134	3	191
Disposal	–	–	–	–	–
<b>At 31 December 2018</b>	<b>35</b>	<b>39</b>	<b>241</b>	<b>29</b>	<b>344</b>
<b>Net book value:</b>					
<b>At 31 December 2018</b>	<b>196</b>	<b>823</b>	<b>547</b>	<b>18</b>	<b>1,584</b>
At 31 December 2017	134	842	262	21	1,259



## (15) Investments of Charity and Group

	2018	2017
	£'000	£'000
<b>Listed investments</b>		
Market value at 1 January	9,328	9,453
Additions at cost	821	1,913
Gifted shares	55	—
Disposals proceeds	(2,220)	(2,631)
Net investment (losses)/gains	(526)	593
Market value at 31 December	7,458	9,328
Cash held by investment managers for reinvestment	41	534
<b>Total</b>	<b>7,499</b>	<b>9,862</b>

Listed investments held at 31 December 2018 were managed on behalf of Lumos by Close Brothers and comprised the following:

	2018	2017
	£'000	£'000
UK fixed interest	2,426	2,810
UK equity	1,637	2,589
Overseas equity	2,629	2,908
Commodities	48	45
Property	144	147
Alternatives	574	829
<b>Market value at 31 December</b>	<b>7,458</b>	<b>9,328</b>
<b>Cost of listed investments at 31 December</b>	<b>6,346</b>	<b>7,331</b>

## (16) Debtors

	Group	Charity	Group	Charity
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Other debtors	254	254	80	80
Prepayments	107	100	148	148
Accrued royalty income	1,593	1,593	1,583	1,583
Other accrued income	1,594	1,438	1,823	1,636
Amounts due from subsidiary undertakings	—	—	—	5
Taxation and Social Security	9	9	—	—
<b>Total</b>	<b>3,557</b>	<b>3,394</b>	<b>3,634</b>	<b>3,452</b>

## (17) Creditors: amounts falling due within one year

	Group	Charity	Group	Charity
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Trade creditors	331	321	152	152
Taxation and social security	—	—	9	9
Accruals	757	757	615	570
Amounts due to subsidiary undertakings	—	686	—	152
Other creditors	103	103	14	14
<b>Total</b>	<b>1,191</b>	<b>1,867</b>	<b>790</b>	<b>897</b>

## (18) Restricted funds

	At 1 Jan 2018	Income	Expenditure	At 31 Dec 2018
	£'000	£'000	£'000	£'000
<b>Charity</b>				
Newman's Own Foundation	30	—	30	—
UBS Optimus – Advocacy project	156	413	214	355
Deinstitutionalisation in LAC	1,739	—	964	775
Deinstitutionalisation in Europe	113	100	113	100
Early Institutionalisation Impact Intervention Study (E13)	11	—	11	—
Changing the Way We Care	—	20	20	—
Lumos USA	—	1,579	—	1,579
European Commission – CAF – Russia project	—	22	22	—
Erasmus – Youth Conference	—	26	21	5
The AD Charitable Trust – East London Transforming Care	—	35	35	—
<b>Total Charity</b>	<b>2,049</b>	<b>2,195</b>	<b>1,430</b>	<b>2,814</b>

## (18) Restricted funds (continued)

<b>Lumos Foundation USA Inc.</b>				
Deinstitutionalisation in Europe	47	–	–	47
Emergency Intervention	25	–	–	25
<b>Total Lumos Foundation USA Inc.</b>	<b>72</b>	<b>–</b>	<b>–</b>	<b>72</b>
<b>Friends of Lumos USA Limited</b>				
Knowledge Transfer Project	10	–	10	–
Deinstitutionalisation in LAC	5	–	5	–
<b>Total Friends of Lumos USA Limited</b>	<b>15</b>	<b>–</b>	<b>15</b>	<b>–</b>
Less Consolidation Adjustment	(964)	(1,572)	(964)	(1,572)
<b>Total Group</b>	<b>1,172</b>	<b>623</b>	<b>481</b>	<b>1,314</b>

	At 1 Jan 2017	Income	Expenditure	At 31 Dec 2017
	£'000	£'000	£'000	£'000
<b>Charity</b>				
European Commission's Civil Society Organisation and Local Authorities (CSO-LA) Programmes	12	22	34	–
Erasmus+ programme of the European Union	–	23	23	–
Newman's Own Foundation	–	30	–	30
Knowledge Transfer Project	406	–	406	–
Advocacy, Research and Training	6	280	130	156
Deinstitutionalisation in LAC (including Comic Relief)	1,230	995	486	1,739
Deinstitutionalisation in Europe	212	117	216	113
Early Institutionalisation Impact Intervention Study (E13)	26	–	15	11
<b>Total Charity</b>	<b>1,892</b>	<b>1,467</b>	<b>1,310</b>	<b>2,049</b>

<b>Lumos Foundation USA Inc.</b>				
Deinstitutionalisation in LAC	127	132	259	–
Deinstitutionalisation in Europe	47	4	4	47
Emergency Intervention	–	25	–	25
Advocacy, Research and Training	–	19	19	–
<b>Total Lumos Foundation USA Inc.</b>	<b>174</b>	<b>180</b>	<b>282</b>	<b>72</b>

## (18) Restricted funds (continued)

<b>Friends of Lumos USA Limited</b>				
Deinstitutionalisation in LAC	5	–	–	5
Knowledge Transfer Project	–	10	–	10
<b>Total Friends of Lumos USA Limited</b>	<b>5</b>	<b>10</b>	<b>–</b>	<b>15</b>
Less Consolidation Adjustment	–	(964)	–	(964)
<b>Total Group</b>	<b>2,071</b>	<b>693</b>	<b>1,592</b>	<b>1,172</b>

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 strengthen civil society's contributions to the reform of children's institutions in the Karelia region, in Russia, and ensure inclusive and targeted community-based services exist.

- 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.

- 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.

- 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 Research 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.

- Newman's Own Foundation

This grant supports Lumos' global youth participation work to empower young people.

- Erasmus + programme of the European Union

This grant supported Lumos' 2018 Youth Forum in London.

- Changing the Way We Care

CTWWC is a consortium of Catholic Relief Services, Lumos and Maestral International delivering a programme designed to move the needle on care reform through demonstration projects in three countries alongside global campaigning and advocacy.

- Lumos USA (Global Deinstitutionalisation)

The development and growth of Lumos' global work to end the institutionalisation of children.

- East London Transforming Care Project

The East London Transforming Care project improves health and care services for children and young people with learning disabilities and autism. It helps them move out of care homes and other facilities that are far away from their families and back into their communities.

### (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 £'000	Restricted Funds £'000	2018 Total Funds £'000	2017 Total Funds £'000
Tangible fixed assets	1,388	–	1,388	1,125
Intangible fixed assets	196	–	196	134
Investments	7,499	–	7,499	9,862
Current assets	4,778	1,314	6,092	8,715
Current liabilities	(1,191)	–	(1,191)	(790)
<b>Total</b>	<b>12,670</b>	<b>1,314</b>	<b>13,984</b>	<b>19,046</b>

Included within investments above are cumulative unrealised losses of £526k (2017: gains of £593k).

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

	Unrestricted Funds £'000	Restricted Funds £'000	2018 Total Funds £'000	2017 Total Funds £'000
Tangible fixed assets	1,388	–	1,388	1,125
Intangible fixed assets	196	–	196	134
Investments	7,499	–	7,499	9,862
Current assets	4,048	1,235	5,283	7,154
Current liabilities	(1,867)	–	(1,867)	(897)
<b>Total</b>	<b>11,264</b>	<b>1,235</b>	<b>12,499</b>	<b>17,378</b>

**(20) Financial commitments**

At 31 December 2018 the charitable company has total minimum lease commitments under non-cancellable leases as follows:

		Land and buildings
	2018	2017
	£'000	£'000
Within one year	219	247
Between one and five years	645	862
Longer than five years	1,062	1,062
<b>Total</b>	<b>1,926</b>	<b>2,171</b>

**(21) Comparative Consolidated Statement of Activities and Movement of Funds**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	2017 Total Funds £'000
<b>Income and expenditure</b>				
<b>Income from:</b>				
Royalties from published books	1	2,515	–	2,515
Other royalties		144	–	144
Donations and Gift Aid	2	665	294	959
Investment income	3	314	–	314
Other income		228	–	228
Charitable activities				
Grant income	18	3,944	399	4,343
<b>Total income</b>		<b>7,810</b>	<b>693</b>	<b>8,503</b>
<b>Expenditure on:</b>				
Raising funds	5			
Raising donations and donor communication costs		1,075	–	1,075
Investment management costs		101	–	101
Charitable activities	6	4,936	1,592	6,528
<b>Total expenditure</b>		<b>6,112</b>	<b>1,592</b>	<b>7,704</b>
Net gain on investments	15	593	–	593
Other recognised losses		(265)	–	(265)
<b>Net income</b>		<b>2,026</b>	<b>(899)</b>	<b>1,127</b>
<b>Reconciliation of funds:</b>				
Total funds brought forward		15,848	2,071	17,919
<b>Total funds carried forward</b>	19	<b>17,874</b>	<b>1,172</b>	<b>19,046</b>



## Reference and administrative details

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

J.K. Rowling

### **Trustees, Lumos Foundation (UK)**

N. Blair (Chair of Trustees)

D. Cohen

C. Copland

R. Dattani

J. Harding

M. Lee-Izu

D. Moore

T. Motie

M. Smith (Treasurer)

R. Suss

### **Directors, Lumos Foundation USA Inc.**

B. DiMichele (President)

G. Mulheir (Secretary)

B. Berns

L. Little (Treasurer)

### **Chief Executive Officer, Lumos Foundation (UK)**

G. Mulheir (to July 2019)

### **Interim Chief Executive Officer, Lumos Foundation (UK)**

R. Singleton (from September 2019)

### **Company Secretary, Lumos Foundation (UK)**

S. Moir

### **Registered Office**

Lumos Foundation (UK)

Peninsular House, 30–36 Monument Street, London EC3R 8NB, UK

### **Lumos Foundation USA Inc.**

557 Broadway, New York NY 10012, USA

### **Friends of Lumos USA Ltd**

Peninsular House, 30–36 Monument Street, London EC3R 8NB, UK

### **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**

1170023

**Auditor (UK)**

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**Solicitors (UK)**

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**Investment Managers (UK)**

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## ABOUT LUMOS

At Lumos we are fighting for a world without orphanages and institutions. A world where families can stay together and children have the loving care and protection they need. Lumos is a force for change. We demonstrate the dramatic harm to healthy childhood development caused by institutionalisation and the overwhelming benefits of the alternative: community and family care.

We tackle the root causes of family separation – poverty, trafficking and discrimination – and reunite families. We speak up on behalf of the eight million children trapped in orphanages and other institutions worldwide to transform care, so every child can thrive in families and communities. 80% of these hidden children are not orphans and we prove that, with the right support, they can stay with their families.

Named after the light-giving spell in Harry Potter, Lumos was founded by J.K. Rowling in 2005.



For more information visit our website [wearelumos.org](https://wearelumos.org)



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