



LUMOS

**FIGHTING
FOR
EVERY
CHILD'S
RIGHT TO
A FAMILY**

ANNUAL REPORT 2019

SATURDAY



A9WRR3CJ

A20

23/01/2021

#87

COMPANIES HOUSE

CONTENTS

STRATEGIC REPORT 2019

VISION AND MISSION	4
FOREWORD	5
TRANSFORMING CHILDREN'S LIVES	7
2019 IN NUMBERS	8-9
DIEGO'S STORY: HAITI	10-11
2019 IN ACTION	12-13
DIANA'S STORY: COLOMBIA	14-15
OUR FUTURE FOCUS: 2020 AND BEYOND	17
OUR SUPPORTERS	18
OUR FINANCES	19

DIRECTORS' REPORT: GOVERNANCE AND FINANCIAL STATEMENTS 2019

PRINCIPAL RISKS	22
FINANCIAL REVIEW	24
STRUCTURE, GOVERNANCE AND MANAGEMENT	27
STATEMENT OF TRUSTEES' RESPONSIBILITIES	30
INDEPENDENT AUDITOR'S REPORT	31
STATEMENT OF FINANCIAL ACTIVITIES	34
BALANCE SHEETS	35
STATEMENT OF CASH FLOWS	36
PRINCIPAL ACCOUNTING POLICIES	37
NOTES TO THE FINANCIAL STATEMENTS	40
REFERENCES AND ADMINISTRATIVE DETAILS	50

Diego's story was featured in HBO's documentary film *Finding the Way Home* in 2019. The film was inspired by our work, telling the stories of children who returned to loving homes after experiencing the traumas of child trafficking and institutionalisation. Find out more on page 10.





VISION

**ALL CHILDREN
GROW UP IN SAFE AND
LOVING FAMILIES**

MISSION

**TO FIGHT FOR
EVERY CHILD'S
RIGHT TO A FAMILY
BY TRANSFORMING
CARE SYSTEMS
AROUND THE WORLD**

© Home Box Office, Inc./Brendan Bannan



Supported by Lumos, Dima is now Isus's foster parent. After years in Bulgaria's notorious Krushari institution, he now has a mother and a loving home.

FOREWORD

With over 80 years of research that demonstrates the harm to children's physical and mental health, and their cognitive and social development, we know that they can suffer deeply when trapped in institutional care. It is clearer than ever that this remains a global problem – with an estimated 5.4 million children living in institutions worldwide.

The drive to help vulnerable children and return or place them in loving families sits right at the heart of the Lumos mission, and in 2019 the efforts of our dedicated supporters and staff fulfilling this mission gave us much to celebrate.

Transforming care is no simple task, so seeing our coordinated and global work to promote family strengthening, family-based care and the progressive closure of institutions this year has been truly inspiring. Around the world, positive examples of care reform show that change is possible.

There should be a clear path to transformation, yet there remains vested interests and resistance to change. In 2019, our advocacy work continued to persuade those policy makers who believe institutional care is the most appropriate and cost-effective way to meet children's needs that there is a better way.

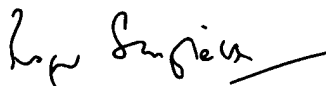
We helped the Jordanian government launch a pioneering 10-year national deinstitutionalisation strategy for people with disabilities – the first of its kind in the Middle East. And our first online training course marked an exciting new phase in our efforts to build the capacity of others to safely undertake care reform. We also secured a major partnership in Haiti, which will work to tackle child trafficking and exploitation, and began work with Comic Relief USA to strengthen foster care and services to prevent family separation in Colombia.

2020 sees us embarking on a global change programme which will transform Lumos into the strongest and most effective organisation we can be to meet the needs of vulnerable children trapped in orphanages and other institutions. We want to guide the way for children to be united with loving families rather than kept in institutions.

With you by our side, we'll continue to develop innovative and evidence-based interventions to transform care for children in different contexts; build on our work to tackle the drivers of family separation and trafficking; support partners to develop family and community-based services; and continue to ensure that reform efforts around the world leave no child behind.

A handwritten signature of Neil Blair in black ink.

Neil Blair
Chair of Trustees

A handwritten signature of Roger Singleton in black ink.

Roger Singleton
CEO



WE'RE PROTECTING CHILDREN

The current COVID-19 pandemic, and the accompanying measures put in place to control it, are having a dramatic impact on some of the world's most vulnerable children, families and communities, compounding structural weaknesses in child protection and welfare systems.

In the long-term, the economic impact of the crisis, coupled with strained services, will test the capacity of vulnerable families to care for their children. Ultimately the number of children at risk of separation, in need of additional support, or in alternative care is likely to increase.

The situation of children living in institutions or at risk of institutionalisation is precarious. Institutional environments, with residents in close quarters, often in very poor conditions, expose children and workers to a high risk of virus transmission. This is compounded by the fact that many institutions house children with disabilities.

Children in at-risk families are also being strongly impacted. Increased poverty, stress, access to food and medical care and the impact on health places strain on vulnerable families, putting them at greater risk of breakdown.

In some cases, children have been immediately removed from institutions without the necessary steps of assessment, preparation, support and monitoring. While overall a shift from institutional to family-based care is a priority, these transitions need to be carefully planned or may put children at risk of greater harm.

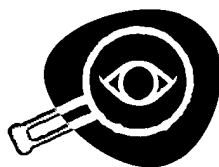
We're working hard to ensure that governments invest in child protection systems and measures to support families as part of the immediate COVID-19 response. Because it's time to invest in family and community-based services, and not in the establishment of new institutions.

Donate today at wearelumos.org/covidappeal

WE'RE TRANSFORMING CHILDREN'S LIVES

By tackling some of the causes of family separation that cast a shadow over children's lives – poverty, abuse, violence, and discrimination – we work to unite children with loving families, so they can thrive and reach their full potential.

We work to prevent the unnecessary separation of children from their parents, to redirect resources to family and community-based services, and to mobilise resources and influence to support families, promote family-based care and the progressive elimination of institutional care.



PIONEERING EVIDENCE

We're building the evidence for care transformation; generating new insights about key drivers of institutionalisation and opportunities for prevention; and highlighting the scale, costs and harms of institutionalisation.



INNOVATIVE PROGRAMMES

We're delivering cutting-edge, time-limited demonstration programmes designed to ensure we learn from best practice, generate original evidence and demonstrate that transformation is possible.



POWERFUL PARTNERSHIPS

We're delivering reform at scale through targeted strategic partnerships, offering to share our experience with organisations which have similar goals and exploring different routes to build capacity of the sector.



TARGETED ADVOCACY

Together with partners, we're ensuring care transformation is prioritised and enabled through policy and guidance; and that resources are redirected away from institutions to family and community services.

Find out more at wearelumos.org

During the COVID-19 pandemic, we've been working with families in Haiti's Cite Soleil and Canaan communes, in and around the capital Port-au-Prince. We've distributed hygiene kits to families such as Franciade's (pictured), to help protect them from coronavirus infection.

2019 IN A

510 CHILDREN

Bulgaria has made significant progress in care transformation for vulnerable children over the past 10 years. Thanks to interventions from Lumos, government and partners, children living in institutions in Bulgaria reduced from 6,730 in 2009 to 510 in 2019.

80 ORGANISATIONS

More than 80 child protection and anti-trafficking organisations from 44 countries responded to our call for evidence on the links between children's institutions and human trafficking. Our **global thematic review** into trafficking and institutions will be an essential tool for future advocacy work on this topic.

45 BOARDING SCHOOLS

In **Guaviare, Colombia**, our action research collected information about the 2,255 children residing in 45 boarding schools – including those living far from their home communities in challenging conditions. Our research will feed into future policies to promote education and family care for the 35,345 children currently living in boarding schools in Colombia.

67 FAMILIES

In **Haiti**, we helped provide 139 children and young people with medical and psychosocial assistance, and tracing and preparation support for family reunification. As a result, 14 children were safely reunited with families, and 67 families received support as part of family strengthening/prevention work.

30 STAKEHOLDERS

Building on our partnership in the global **Changing the Way We Care** initiative, we helped increase commitment to, and understanding of, care reform by delivering national training and an international study visit involving over 30 Kenyan national stakeholders, including influential senior government representatives.

1,281 REFUGEES

Our work with partners in **Ethiopia's** refugee camps helped to train 903 stakeholders, including refugee social workers and foster families within the camps; and reached 1,281 adult refugees through community campaigns to raise their awareness on the importance of family-based care. We also supported participation of 404 members of Child Parliament – a youth organisation within the camps.



NUMBERS

44 CHILDREN & YOUNG PEOPLE

In regions such as Pardubice county in the **Czech Republic**, we continued our support to regional authorities to transition children into community or family-based care. As a result, 44 children and young people were supported including 30 children who were successfully transitioned into community-based care.

250 INDIVIDUALS

In February 2019, we launched **A Short Introduction to Transforming Care**, a pilot online training programme highlighting the considerations needed to transform care systems away from institutional care, towards family and community-based services. Aimed at a global audience of policymakers and practitioners, the pilot benefitted over 250 individuals.

500 STAKEHOLDERS

We supported the transformation of a residential institution in **Karelia, Russia**, alongside our local partner NGO Vozrojdenie. We also provided deinstitutionalisation training to 103 stakeholders and helped to engage around 500 stakeholders on the topics of care reform and child rights through a number of conferences and high-level initiatives.

1st SERVICES

We supported the government of **Moldova** with creation of the first services for care leavers in the country. The services in Chisinau now provide young care leavers with legal and professional training, and essential life-skills and housing support necessary to leave care and move onto independent living.

25 REGIONS

In 2019, we supported 56 young members of **Ukraine's** National Children and Youth Council from 25 regions in the country, including care leavers from residential institutions. Through provision of training and participation opportunities, we helped them raise their voice to the national government stakeholders, most notably the President of Ukraine.

10 YEARS

We supported the Jordanian government to develop a pioneering **10-year national Deinstitutionalisation Strategy** for Persons with Disabilities – the first of its kind in the Middle East. The strategy will transform the lives of the 1,471 people with disabilities who are currently in institutions and many others who might have otherwise entered institutional care.

DIEGO'S STORY:

A MOTHER AND SON REUNITED

Diego's family were the kind Haiti's orphanage industry preys on. His mother, Gertrude, had four children to feed, with no income or support. "After my mother died, I had no one to help me," says Gertrude. "I couldn't even keep up with school fees."

When a man offered help, Gertrude listened. He said he was from a school seeking students in the capital, Port-au-Prince. The school could take one of her children and provide him with an education.

"They said it was a nice place, the kids will have everything they need," Gertrude explains. Education was Diego's path out of poverty. Diego would receive food and schooling to help his future prospects. Wouldn't any parent want this?

When Diego accompanied the man back to Port-au-Prince he was just six years old. Unknown to Diego, or his family, the man was a "child-finder", with a mission to boost the orphanage's numbers. The promises of care and education were lies.

The orphanage was a bleak and scary place. There were too few beds, so some children slept on a concrete floor. The roof leaked. Food was scarce and Diego spent his nights shivering from cold.

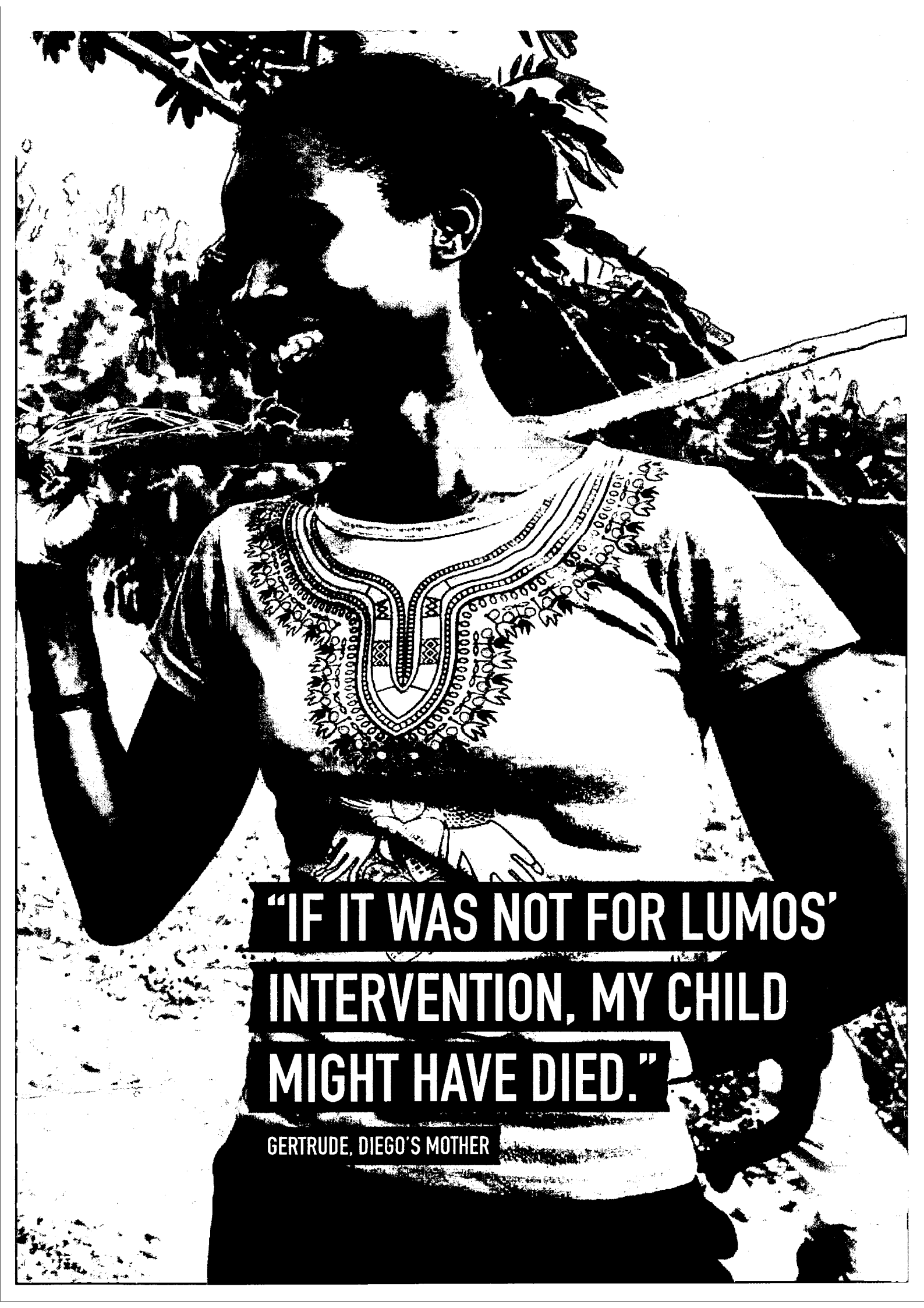
When Lumos found Diego, he was underweight and anaemic. He had grown closed and shy in his year at the orphanage, falling behind both academically and developmentally. Reuniting him with his family became a top priority.

So our team visited Diego's hometown. Through the efforts of dedicated social workers and strong community networks, they found Gertrude that same day. Within days, she was reunited with her son. "Where he was living was completely awful. If it was not for Lumos's intervention, my child might have died."

The process of family reunification takes time, patience and lots of support. Lumos has helped provide school fees, uniforms and supplies, as well as parenting and business skills training, giving Gertrude the foundation to keep her family together.

"I love my mum," Diego says. "It feels good to be home."





**"IF IT WAS NOT FOR LUMOS'
INTERVENTION, MY CHILD
MIGHT HAVE DIED."**

GERTRUDE, DIEGO'S MOTHER

2019 IN



ENDING ORPHANAGE TOURISM

We launched our #HelpingNotHelping campaign against orphanage tourism and volunteering at the One Young World Summit with help from J.K. Rowling, self-advocates Ruth Wacuka and Eluxon Tassy, and ambassador Ade Adepitan. In addition to influencing young people to make smarter volunteering choices, our advocacy team also secured a change in advice from the UK Foreign and Commonwealth Office, warning travellers of the “serious and unintended consequences” of orphanage tourism.

SUPPORTING SEPARATED FAMILIES

Our work with families separated at the Southwest US border continued to provide vital support to families in the US and Guatemala. We worked with the American Bar Association, Immigrant Families Together and International Social Service USA to help trace, reunify and build the resilience of affected families to prevent children entering institutional care. Through these partnerships, we assisted more than 200 children and their families with medical care, psychosocial support, nutrition, and legal services. This included supporting the reunification of over 130 children with their families after many months apart.



TACKLING CHILD TRAFFICKING

We secured a partnership with USAID (United States Agency for International Development) on the Building Enduring Systems to End Trafficking in Persons (BEST) programme in Haiti. This project helped the government launch its National Action Plan Against Trafficking with 121 high-level stakeholders present. It trained 64 anti-trafficking leaders and stakeholders including immigration officers, officials and journalists. We also helped set up an anti-trafficking task force in Port-au-Prince to undertake the investigation and prosecution of traffickers.



ACTION



HELPING CHILD REFUGEES

With the United Nations High Commissioner for Refugees (UNHCR), the Ethiopian government and partners, we have been providing safe family care for unaccompanied children entering four refugee camps near the Ethiopian/Eritrean border. We introduced temporary foster care in the camps and trained partners to help move unaccompanied children to family-based care. As a result, 274 Eritrean unaccompanied or separated refugee children were placed with foster families.

TRANSFORMING CARE

In Greece, an estimated 3,000 children and vulnerable adults live in institutions. Following three years of intervention at an institution in Western Greece, we worked with partners to safely remove long-term restraints – including caged beds – for 30 residents. It helped demonstrate that change is possible for children and adults with severe and complex needs. During 2018-2019, we also helped to train over 300 social workers in Greece who undertake the assessment of vulnerable children and families.



ADVOCATING FOR CHANGE

Youth advocate Veliko from Bulgaria brought the global problem of the institutionalisation of children – and the potential solutions – to the attention of world leaders at the UN summit in New York in September 2019. He was chosen from over 800 applicants to speak about care reform at a side event to the high-level SDG Summit and participated in our Twitter takeover. We're so grateful for all the youth advocates' invaluable contributions throughout 2019.



Since we started work in Colombia in 2017, we've seen real progress. The government has fully committed to transforming the child protection system, and we're working closely with the Colombian Family Welfare Institute (ICBF) and other partners to promote family-based care and help more children like Diana.

**"I WANT THEM TO STUDY,
TO GET AHEAD, TO GIVE
THEM WHAT I CAN"**

DIANA'S GRANDMOTHER



DIANA'S STORY: RETURNING TO A LOVING HOME

Diana dreams of helping other children like her who have experienced life without a family or a home. In 2018, Diana (pictured) and her younger sister Alicia were sent to an institution because their mother was unable to care for them. They stayed there for a year.

Diana and Alicia aren't alone. In Bogotá, many children are sent to institutions in similar circumstances. Child maltreatment and vulnerability are some of the most common causes of children being placed under protective care. And although institutions in Colombia provide housing and meals, the children don't receive the nurturing attention, love and affection a family provides.

But we know that with the right support, many families can overcome these difficulties and stay together. Thanks to our work with our partner organisation Club Michín in Colombia, sisters Diana and Alicia are now living happily with their grandparents.

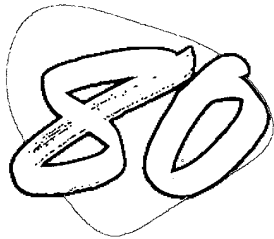
From her grandparents' house on the top of a mountain in Bogotá, Diana can see houses and tall buildings, but also some wetlands and green spaces. For her, the main difference between living in the institution and being with her grandparents is the joy she feels in the house and the love and care she experiences. She loves playing with her younger sister and talking with her grandmother.

"What I like the most about living with my grandparents is that I share a lot with them. We treat each other well and we spend time together," says Diana with a broad smile. Thanks to the support and loving care Diana now receives from her grandparents, she can dream about her future.

Find out more at wearelumos.org/colombia

FIGHTING FOR EVERY CHILD

As the harms of institutionalisation on children become more widely understood, it's time to build on the good work we've done to achieve our vision, so that all children can enjoy the right to grow up in safe and loving families.



80%

On average, 80% of children in orphanages have a living parent.



300

300 global research studies show the long-term harm of institutions to children.



5.4 MILLION

An estimated 5.4 million children are living in institutions worldwide.

While efforts to close individual institutions and remove children are vital, the change created is often not sustainable, cost effective or at the scale needed. It is essential to understand the broader system that places children at risk and tackle the multidimensional issues that drive children into institutions in the first place. If not, we end up treating the symptoms but never the cause.

To achieve long-term sustainable change at scale we must focus on enabling governments and other stakeholders to implement locally-led, high-quality and system-wide care reform at a national level. This requires us to work strategically, developing partnerships with governments and other allies. By supporting them to strengthen their care systems, all children can enjoy the right to grow up in safe and loving families.

Thanks to our efforts, alongside other champions of care reform, the harms of institutionalisation are now more widely understood. Backed by better data and increasing evidence from the fields of neuroscience and early childhood development, there is growing consensus that no child belongs in an institution.

A global movement has developed and policy commitments have been made at the highest levels. The United Nations, the European Union and major donors have joined individual countries in pledging to change how they care for some of the world's most vulnerable children.

However, despite these positive developments, reform has been piecemeal. An estimated 5.4 million children continue to live in institutions. Many countries have been slow and hesitant to fulfil their commitments. A lack of expertise and accountability has hindered progress and significant funds still flow into institutional care globally.

These problems have been compounded further by the global COVID-19 pandemic, exposing dangerous weaknesses in systems of child protection, welfare and education, and leaving thousands more children at risk of entering institutions. Our work has never been more needed.

Our future strategy will focus on working with and through partners to ensure that global policy intentions and commitments are translated into positive action at a national level – leading to safe, quality, locally-led and sustainable change for vulnerable children.

Mama Maria and her adopted daughter Maria at home in Moldova. When Maria was born with cerebral palsy, her parents took her to an orphanage – the default way of looking after vulnerable children in the country at the time. When she was eight, Mama Maria became her foster mother. "She's the best mother in the world. And, thanks to her, I have the best family."



OUR FUTURE FOCUS: 2020 AND BEYOND

Building on our expertise and heritage, our approach will be driven by three areas of strategic focus:

1

BUILDING GLOBAL EXPERTISE

We'll use our knowledge and experience to support those responsible for reforming care systems in their own countries. This will include learning exchanges where they can share experiences and challenges, and providing technical support, evidence and guidance to help design and run better care systems. Importantly, we'll make sure that people with lived experience of institutionalisation are included throughout the process.

2

CATALYSING CHANGE AROUND THE WORLD

We know that ending institutionalisation benefits children and society – and we'll use this evidence to motivate and press governments to reform the way they care for children. This will involve leading targeted research and advocacy campaigns to identify and tackle the drivers of institutionalisation, promoting accountability by tracking and highlighting progress, and influencing international funding, programmes and policy.

3

DEMONSTRATING AND INNOVATING

Building on our heritage of successful programmes demonstrating how care systems can be reformed, we'll use what we've learnt to support partners with their own reform efforts. Over the next two years, as we hand over the running of these demonstration programmes, we'll develop new ones – building expertise and evidence of what good care reform looks like in challenging contexts, particularly for those children that typically get left behind.

OUR SUPPORTERS

We want to shine a light on the incredible donors and community fundraisers who make our vital work possible.

The financial and non-financial support we receive from our many supporters enables us to deliver groundbreaking solutions to help the hidden children trapped in orphanages and other institutions around the world.

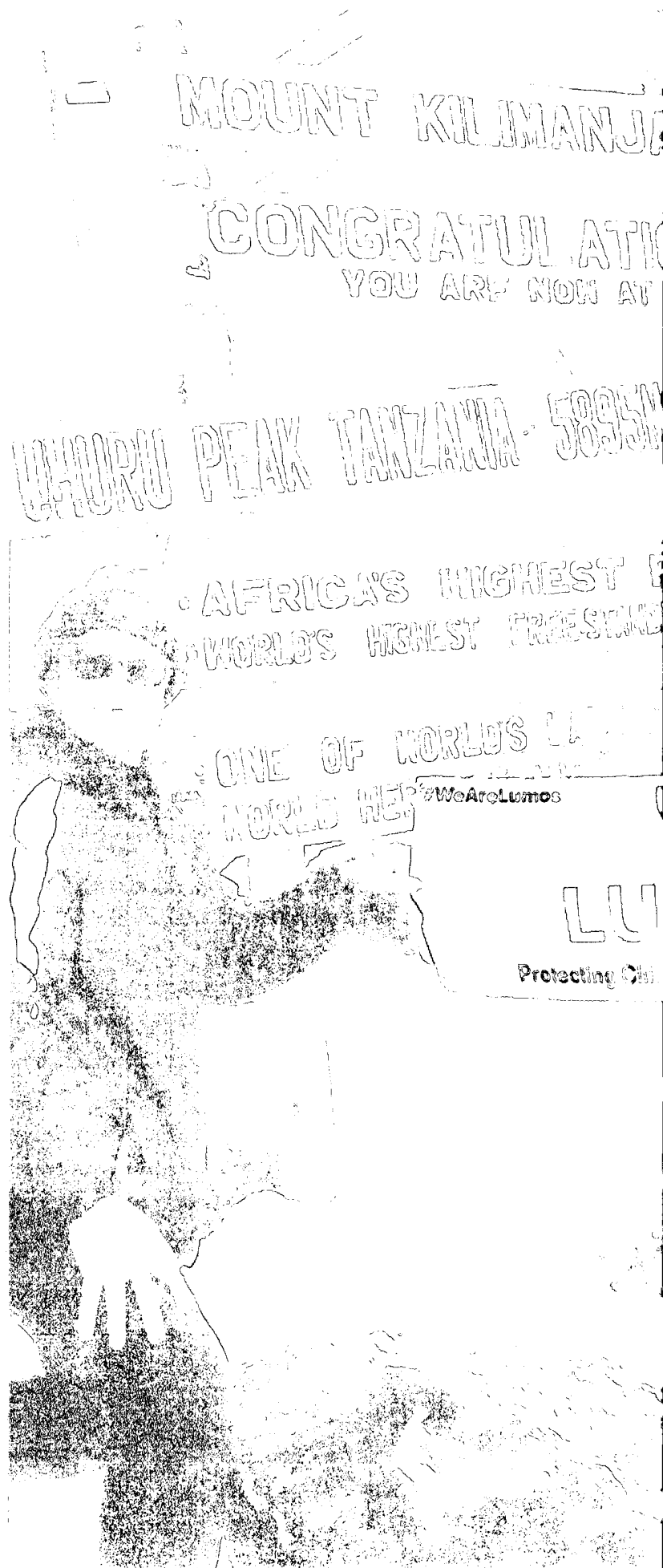
None of our achievements would happen without the generosity of our donors, fundraisers, our many partners and the dedicated efforts from Lumos' ambassadors and influencers.

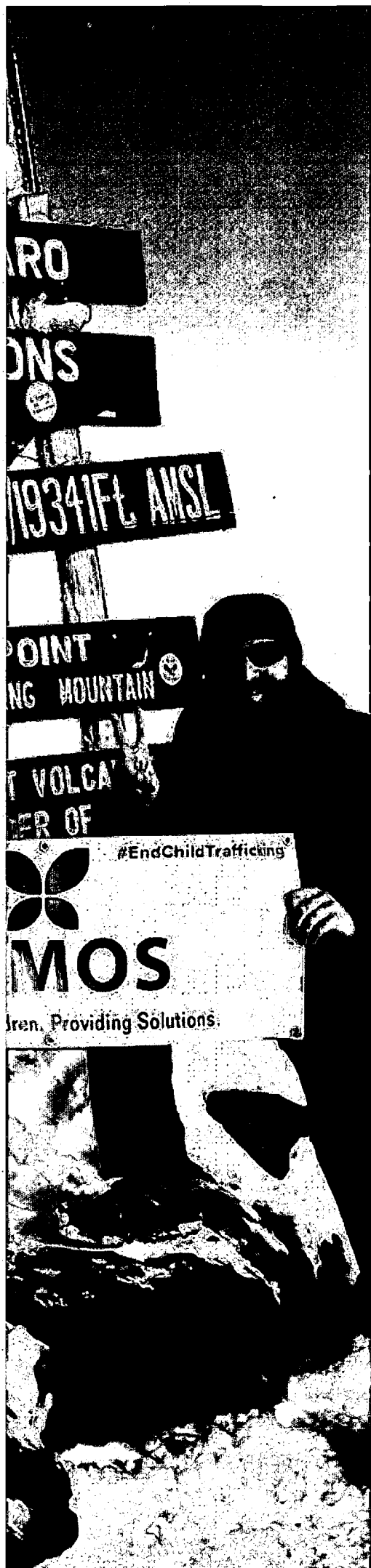
We're inspired by the efforts of all our supporters, which mean we can help even more children around the world. Fundraisers such as Bryan from Mississippi, who achieved a Herculean feat for our work. Bryan reached Uhuru Peak on Mount Kilimanjaro in October 2019, unfurling his Lumos banner at 5,895m – the highest point in Africa.

As we look back on this year, we extend a heartfelt thank you to all of you, as well as to our dedicated staff and voluntary trustees.

We couldn't do it without you.

Discover more fundraising ideas at:
wearelumos.org/fundraise



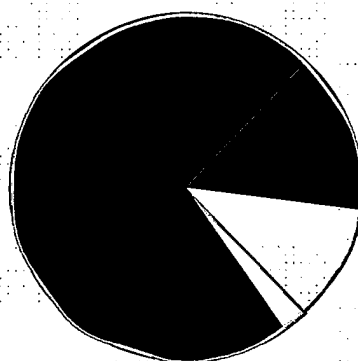


OUR FINANCES

A summary of our income and expenditure for the year ending 31 December 2019.

INCOME IN 2019

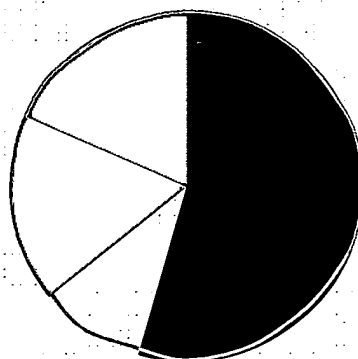
Lumos' income totalled **£9,732,000**



- £6,935,000**
Funds from individual giving
- £1,475,000**
Grant income
- £1,101,000**
Income from royalties
- £221,000**
Investment and other income

EXPENDITURE IN 2019

Lumos' expenditure totalled **£12,756,000**



- £5,270,000**
Deinstitutionalisation activities
- £1,703,000**
Global Training
- £1,238,000**
Research
- £2,234,000**
Advocacy and Campaigns
- £2,311,000**
Cost of raising funds

Lumos' overhead and administrative costs are met by the generous support of J.K. Rowling and other donors. 100% of other donated funds directly support our projects and programmes.

THANK YOU FOR YOUR SUPPORT

LUMOS DONORS

Lumos could not achieve its mission without the dedicated support of all our donors.

We are grateful to the following organisations and individuals who, amongst many other generous benefactors including all our royalty donors, have given us financial support during the last year:

The AD Charitable Trust

Bloomberg Philanthropies

Comic Relief

European Commission

GHR Foundation

MacArthur Foundation

The Noble Collection

Potted Productions Ltd

UBS Optimus Foundation

United Nations Children's Fund (UNICEF)

United States Agency for International Development (USAID)

Scholastic

Stella T. East

Warner Bros. Entertainment

WarnerMedia

Private family Trust

who wish to remain anonymous

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

American Airlines

The Blair Partnership

DCTV

HBO

Herbert Smith Freehills LLP

Kirkland & Ellis LLP

Pentagram

Pottermore Publishing

Sonia Friedman Productions, Colin Callender, Harry Potter Theatrical Productions

Stonehill Salt PR

THANK YOU

Lumos' work would not be possible without the generosity of others, and we are grateful to all of our supporters for their contributions in 2019.

DIRECTORS' REPORT:

GOVERNANCE AND FINANCIAL STATEMENTS 2019

Principal risks

Statement of risks and uncertainties

Lumos updated its risk management processes in June 2020 following an external review. This resulted in the implementation of more comprehensive risk management processes which are better aligned with the charity's work and which build on strong risk management practices in the areas of security and safeguarding.

Lumos maintains a corporate risk register, prepared in accordance with Charity Commission guidelines and based on quarterly organisational and project-based risk assessment processes. This register assesses the likelihood and impact of key corporate risks across the following areas: governance; operations; finance; programmes; external and safeguarding. The register is reviewed quarterly by the Finance and Risk Committee on behalf of the Board and presented to the Board on an annual basis.

Lumos has identified the following five risks as priority areas in its risk register and continues to review them regularly as part of its approach to risk management:

1) Operational risks: internal culture and staff wellbeing – the risk to maintaining a healthy culture and staff wellbeing through a period of organisational change and the impacts of the COVID-19 pandemic. As well as staff wellbeing, other potential impacts include staff morale and turnover, reduced programme delivery, damage to reputation and related financial losses.

Mitigating actions: (i) ongoing monitoring of staff wellbeing; (ii) review and strengthening of staff support initiatives (iii) ongoing consultation with regard to organisational change and return to work post COVID-19.

Recent actions: (i) strong focus on staff wellbeing as part of COVID-19 response; (ii) successful completion of an independent culture review with an internal cross-functional group tasked with implementing and overseeing key recommendations; and (iii) highly consultative approach to ongoing process of organisational change and a markedly positive response by staff to the agreed new direction.

2) Financial risks: balancing income and expenditure in uncertain times – the risk that income will not cover expenditure with the result that the charity's reserves are depleted and its programme work could be affected; this risk has been exacerbated by the potential financial impacts of the COVID-19 pandemic.

Mitigating actions: (i) strong collaboration between the finance and fundraising functions in income forecasting; (ii) diversification of income away from Lumos traditional sources of fundraising; and (iii) regular monitoring of income and expenditure.

Recent actions: (i) completion of an organisational review with a proposed new organisational model which reduces expenditure and strengthens fundraising capability; (ii) implementation of new Board Fundraising Committee to strengthen oversight; and (iii) establishing a trading subsidiary to optimize the use of intellectual property assets and corporate partnerships and thereby drive increased and sustainable revenue streams in support of fundraising growth.

3) Operational risks: country instability impacts programme work and staff – the risk to programme work and staff security from political unrest and general instability in countries where Lumos operates.

Mitigating actions: close monitoring of country situations through communication with staff and with external sources; implementation of global security policy and country protocols and related staff training and awareness raising; detailed review of local context for future programme work; crisis management protocols in place for prompt escalation to senior management and board.

Recent actions: (i) implementation of comprehensive programme of staff training, including hostile environment training (ii) regular security focal points meetings to promote information sharing and learnings (iii) review of operating environment in Haiti.

4) Safeguarding risk – the risk of harm to children through the charity's programme work with related risks to the charity's reputation and finances.

Mitigating actions: implementation of a robust Safeguarding Policy and related reporting protocols with associated programme of staff training and capacity building; and integrate safeguarding into programme design and reporting.

Recent actions: appointment of a dedicated post (Senior Safeguarding Manager) to oversee global safeguarding arrangements including a comprehensive programme of training for staff and other representatives; appointment of designated team safeguarding leads; updates to safeguarding policy and reporting protocols; implementation of internal guidance on processing child data; detailed safeguarding risk assessments undertaken as a result of the COVID-19 pandemic.

5) External risk – negative media interest in the charity as a result of its association with a partner organisation or other key stakeholder, related to an incident which is not connected with Lumos or its work, with reputational and potentially financial implications to the charity.

Mitigating actions: conducting due diligence on charity partners with associated compliance, monitoring and reporting processes; media monitoring and specialist communications support as required.

Recent actions: established an effective crisis communications team; recent review and updating of due diligence processes to implement consistent processes to address risk across Lumos' wide range of interactions with partners.

Financial review

A summary of the year's results can be found on page 34 of the attached accounts.

Lumos financial results summary	2019 £'000	2018 £'000
Total income	9,732	7,254
- Funds from individual giving	6,935	3,032
- Grant income	1,475	1,768
- Income from royalties	1,101	2,137
- Investment and other income	221	317
Total expenditure	12,756	11,934
- Charitable activities	10,445	9,477
- Cost of raising funds	2,311	2,457
Other gains/(losses)	541	(382)
Net Funds movement	(2,483)	(5,062)
Reserves carried forward	11,501	13,984
- Unrestricted	11,251	12,670
- Restricted	250	1,314

During the financial year 2019 the charity continued to support its international work, with expenditure increasing to £12,756k (2018: £11,934k). The charity continued to work on diversifying income, focusing on stable long-term streams

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 £4,276k. Investment returns of 17% have been achieved over the last three years, despite the challenging market conditions in 2018.

Fundraising policy

Lumos ensures compliance with regulations on the protection of donor information and use of personal data, and has undertaken a global initiative to achieve full GDPR compliance by 2021. The protection of children at the heart of our mission extends to our supporters and the public, to ensure all individual preferences of donors are upheld, and no one is unduly pressured to donate to Lumos.

We are registered with the Fundraising Regulator and adhere to their Code of Fundraising Practice for all fundraising events, activities and interactions with donors. In 2019, there were no fundraising complaints.

Our fundraising strategy is designed to increase and diversify sustainable revenue streams to mitigate against the risk from vulnerabilities within different funding sectors. As with many charities, our income is at risk due to

fluctuations in the economy, regulatory changes, and shifting donor priorities, and public trust in charities, all of which we monitor closely and respond to through our in-year plans.

We continue to focus on the delivery of our 2018 investment in generating increased revenue through strategic fundraising initiatives, including events, corporate partnerships, consumer products, foundation grants, and individual philanthropy. Our fundraising strategy is seeing measurable success, but it will take several years to realise the full return on these investments, following the trajectory of earlier investments in trusts and foundations, which continue to secure significant grants for Lumos globally.

In 2019, Lumos designed and implemented a very successful US & UK market digital fundraising campaign, delivered a number of special events for high-net-worth supporters and prospects, and developed funding partnerships with key trusts and foundations. Lumos advanced deeper and broader collaboration with Wizarding World franchise division companies and related corporate partners, developing new revenue streams that will see significant new revenue returns in the last quarter of 2020 and in early 2021, including digital fundraising campaigns and consumer products.

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 and strengthening and increasing the impact of the organisation.

The charity holds sufficient unrestricted funds for the following purposes:

To mitigate the principal financial risks facing Lumos

In terms of income, this includes the risk that income does not 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 cash flow 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.

To support working capital funding requirements

In a number of Lumos programmes expenditure is made prior to claiming the expense from the donor, usually on a quarterly basis. Lumos also receives a sizable amount of income in the second half of the year which has an impact on the cash flows of the charity.

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 in order to minimise any related impacts to children. This includes the established country demonstration programmes in Europe, 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.

COVID-19 Implications

The COVID-19 pandemic has had a significant, immediate impact on the organisation's operations and, at the present time, it is not clear how long the current circumstances are likely to last and what the long-term impact will be. In some programmes, expenditure has been reduced through limitations in operations as a consequence of COVID-19 restrictions. This reduction in expenditure has restricted income.

Some staff have been furloughed and salary costs have been supported by government assisted programmes both in the United Kingdom, the United States of America and Belgium.

Lumos has taken steps to reduce non-essential expenditure.

Significant events-based fundraising activities in 2020 have been cancelled. A targeted COVID-19 appeal and virtual fundraising activities have been planned to replace the shortfall in income.

Projected donations and fundraising campaigns for 2020 have been negatively impacted by COVID-19. The value of investments in the Lumos portfolio has also been negatively impacted by the pandemic.

Funds

At 31 December 2019, Lumos had total funds of £11.5m (2018: £14.0m). The level of free reserves (in this case being unrestricted excluding intangible and tangible fixed assets) at 31 December 2019 is £9.9m (2018: £11.1m).

Restricted funds (£0.3m)

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 (£11.2m)

Conclusion

Given the level of reserves and the prudent steps taken in 2020 to reduce expenditure by pausing non-essential work and furloughing some staff, coupled with the organisational review that better aligns income and expenditure resulting in reduced expenditure for 2021 & 2022, means the Trustees are satisfied that the charity will remain a going concern in the foreseeable future.

Structure, governance and management

Governing document and objects

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 reviewed and amended from time to time most recently in 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.

Governance Review

In July 2019 the Trustees commissioned an external review of Lumos' governance arrangements which was carried out by Lumos' auditors, Crowe LLP. The review was based on, among other sources, the UK Charity Governance Code and included a survey of trustees and senior managers. The Review, completed in March 2020, resulted in a number of recommendations covering three principal areas: (i) the relationship between the Board and the executive leadership team, including delegation and reporting arrangements; (ii) the composition and skills of the Board of Trustees and the Board Committee structure; and (iii) the global structure. The recommendations were presented to the meeting of the Board of Trustees in April 2020. A detailed action plan to implement the recommendations was approved by the Board at the same meeting.

Related organisations

Lumos Foundation Operations Limited was incorporated as a private company limited by shares on 18 December 2019 (England and Wales). Its sole member and thus its parent company is Lumos Foundation. Lumos Foundation Operations Limited operates as a trading entity for Lumos Foundation and donates its distributable profits to Lumos Foundation.

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 U.S. 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 are listed at page 50.

All Trustees must be members of the charitable company. The maximum number of Trustees is ten. Following the Governance Review the Trustee recruitment process was updated to strengthen process including ensuring external advertising for future appointments. Lumos currently has ten 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 2019, in addition to Board meetings, Lumos Trustees undertook considerable work through the following Committees and other groups:

- Finance & Investment Committee
- Nominations & Remuneration Committee
- Risk Management Committee
- Safeguarding Working Group
- Fundraising Sub Committee

In the light of the recommendations of the Governance Review, an updated committee structure was approved on 14 July 2020 which had the effect of combining the existing Finance and Risk Committees and creating a new Programmes and Safeguarding Committee. The terms of reference of the committees were updated in line with the new structure and to ensure clarity of scope of work and decision-making powers as between the Board and the Committees. The new committees take effect from September 2020.

A system of Trustee appraisal had been created via the Nominations & Remuneration Committee and a skills matrix 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. These arrangements were reviewed and updated as a result of the governance review, including the ability to appoint external experts to assist with the work of the Committees.

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. As part of actions implemented as a result of the Governance Review, a scheme of Board reserved and delegated matters was approved by the Board in July 2020 to improve clarity on matters which are reserved for decision by the Board and its Committees. Management reporting protocols were also updated to improve clarity on the nature and frequency of information provision 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

Whilst 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/or the 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 Risk Committee.

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 11 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 main activities undertaken by the charity to further its objects for the public benefit are described further in this Report. 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

Date: 09/12/20

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 2019 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 2019 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 twelve 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 30, 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. 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

Date: 17/12/20

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

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	2019 Total Funds £'000	2018 Total Funds £'000
Income and expenditure					
Income from:					
Royalties from published books	1	949	-	949	2,082
Other royalties		152	-	152	55
Donations and Gift Aid		6,925	10	6,935	3,032
Investment income	2	215	-	215	312
Other income		6	-	6	5
Charitable activities					
Grant income	17	767	708	1,475	1,768
Total income		9,014	718	9,732	7,254
Expenditure on:					
Raising funds	4				
Raising donations and donor communication costs		2,262	-	2,262	2,375
Investment management costs		49	-	49	82
Charitable activities	5	8,663	1,782	10,445	9,477
Total expenditure		10,974	1,782	12,756	11,934
Net gain/(loss) on investments	14	621	-	621	(526)
Other recognised (losses)/gains		(80)	-	(80)	144
Net deficit		(1,419)	(1,064)	(2,483)	(5,062)
Reconciliation of funds:					
Total funds brought forward		12,670	1,314	13,984	19,046
Total funds carried forward	18	11,251	250	11,501	13,984

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 2019

	Notes	Group 2019 £'000	Charity 2019 £'000	Group 2018 £'000	Charity 2018 £'000
Fixed assets:					
Tangible assets	13	1,212	1,212	1,388	1,388
Intangible assets	13	150	150	196	196
Investments	14	4,276	4,276	7,499	7,499
		5,638	5,638	9,083	9,083
Current assets and liabilities:					
Debtors	15	1,934	1,896	3,557	3,394
Short-term deposit		770	-	476	-
Cash at bank and in hand		4,302	4,258	2,059	1,889
		7,006	6,154	6,092	5,283
Creditors:					
Amounts falling due within one year	16	(1,143)	(1,853)	(1,191)	(1,867)
Net current assets		5,863	4,301	4,901	3,416
Total assets less current liabilities		11,501	9,939	13,984	12,499
Funds:					
Restricted funds	17	250	242	1,314	1,235
Unrestricted funds	18	11,251	9,697	12,670	11,264
Total funds		11,501	9,939	13,984	12,499

The Lumos Foundation charity statement of financial activities results for 2019: £2,560k deficit (2018: £4,879k deficit).

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

Neil Blair
Trustee



Nick Pasricha
Trustee



Date: 09/12/20

Lumos Foundation

Registered Company Number: 05611912 (England and Wales)

Consolidated statement of cash flows

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities:			
Net cash used in operating activities	A	(1,324)	(4,258)
Cash flows from investing activities:			
Dividends and interest from investments		215	312
Purchase of tangible fixed assets		(2)	(516)
Proceeds from the disposal of investments and fixed assets		4,086	2,220
Purchase of investments		(228)	(876)
Net cash provided by investing activities		4,071	1,140
Change in cash and cash equivalents in the year		2,747	(3,118)
Cash and cash equivalents at 1 January 2019	B	2,576	5,615
Change in cash and cash equivalents due to exchange rate movements		(196)	79
Cash and cash equivalents at 31 December 2019	B	5,127	2,576

Notes to the statement of cash flows for the year to 31 December 2019

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

	2019 £'000	2018 £'000
Net movement in funds (as per the statement of financial activities)	(2,483)	(5,062)
Adjustments for:		
Depreciation charge	224	191
Exchange rate loss/(gain)	196	(79)
(Gains)/losses on investments	(621)	526
Dividends and interest from investments	(215)	(312)
Decrease in debtors	1,623	77
(Decrease)/increase in creditors	(48)	401
Net cash used in operating activities	(1,324)	(4,258)

B) Analysis of cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank and in hand	4,302	2,059
Cash held as current asset short-term deposits	770	476
Cash held by investment managers	55	41
Total cash and cash equivalents	5,127	2,576

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 principle 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.

COVID-19 has had a significant impact on the operations of the Charity. This reduction in activity has resulted in a reduction of costs versus the budget. There also has been a negative impact on income generation because of the pandemic. Management have sought alternative strategies to maintain income and plans are in place to reengage in activities when it is possible to do so.

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 to 10 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

	2019 Total Funds £'000	2018 Total Funds £'000
Royalty income		
Total	949	2,082

2) Investment income

	2019 Total Funds £'000	2018 Total Funds £'000
Income from listed investments	212	297
Interest receivable	3	15
Total	215	312

3) 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:

	2019 £'000	2018 £'000
Income	2,191	3,778
Expenditure	(2,055)	(3,562)
Surplus/(deficit) for the year	136	216
Opening reserves	2,029	1,671
Gains/(loss) on foreign exchange	(109)	142
Opening reserves after gains/(loss) on foreign exchange	1,920	1,813
Closing reserves	2,056	2,029
Reconciliation of funds		
Current assets	2,238	2,159
Current liabilities	(182)	(130)
Net current assets	2,056	2,029

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 £8k to Lumos Foundation Ltd for 2019 (2018: £22k).

During the period, Lumos Foundation provided a grant to Lumos Foundation USA Inc. of £891k (2018: £836k) to cover administration and overhead costs in 2019.

3) Subsidiaries (continued)

Lumos Foundation USA Inc. made a grant of £74k (2018: £1,588k) to Lumos Foundation to support: Moldova; and Emergency Intervention.

Lumos Foundation provided donated services of £84k (2018: £65k) to Lumos Foundation USA Inc.

At the year-end an amount of £806k (2018: £806k) was due to Lumos Foundation USA Inc. and Friends of Lumos USA Ltd owed to Lumos Foundation £9k (2018: £120k).

4) Raising funds

	2019 Total Funds £'000	2018 Total Funds £'000
Raising funds and donor communication		
Fundraising costs	1,740	1,816
Donor communication costs	73	257
Support costs (note 7)	449	302
	2,262	2,375
Investment management fees	49	82
Total	2,311	2,457

5) Charitable activities

	Activities Undertaken Directly £'000	Support Costs (note 7) £'000	2019 Total Funds £'000	2018 Total Funds £'000
Advocacy and Campaigns	1,692	542	2,234	1,394
Deinstitutionalisation in Europe	2,014	949	2,963	2,945
Deinstitutionalisation In LAC	1,818	410	2,228	1,229
Global Deinstitutionalisation	58	21	79	1,273
Global Training	1,408	295	1,703	969
Research	968	270	1,238	846
Total	7,958	2,487	10,445	8,656

6) Grants payable

	Grants to institutions 2019 Total £'000	Grants to institutions 2018 Total £'000
Save the Children Haiti	311	531
Boston Children's Hospital	139	144
Innovative Humanitarian Solutions	79	-
Stahili	63	-
Institute of Child Health	28	180
American Bar Association	-	94
International Institute of New England	-	69
Other	343	190
Total	963	1,208

Lumos made grants to Save the Children to fund deinstitutionalisation activities in Haiti. This enabled Lumos to support reform in the country, whilst establishing and strengthening the Haitian Lumos office.

7) Support costs

	Fundraising & Donor Communication (note 4) £'000	Charitable Activities (note 5) £'000	2019 Total Funds £'000	2018 Total Funds £'000
Admin, Legal and Compliance	145	419	564	50
Finance	97	521	618	400
Human Resources	78	618	696	671
Information Technology	22	186	208	239
Office Services	107	743	850	886
Total	449	2,487	2,936	2,246

The above costs have been apportioned between activities based on an estimate of time spent by staff on them. Gift in Kind legal fees and exchange losses during the year drove the increase in support costs.

8) Governance costs

	2019 £'000	2018 £'000
Legal and Professional fees	93	63
Other costs	1	3
Total	94	66

9) Net income for the year

Net income for the year is stated after charging:

	2019 £'000	2018 £'000
Group Auditor's remuneration		
Audit services - Group	20	17
Audit services – Friends of Lumos USA	2	2
Other services	27	28
Lumos USA Auditor's remuneration		
Audit services – Lumos USA	16	17
Other services	3	4
Depreciation of owned fixed assets	223	191
Operating lease rentals		
Land and building	263	243

10) Staff costs and remuneration of key management personnel

The staff headcount numbers for the period are as follows:

	2019 No.	2018 No.
Management and administrative staff	40	32
Fundraising and donor communication staff	18	17
Programmes staff	91	78
Total	149	127

Staff costs relating to the above persons are as follows:

	2019 £'000	2018 £'000
Wages and salaries	5,484	4,301
Social security costs	718	626
Pension costs	244	203
	6,446	5,130
Agency staff	184	201
Total	6,630	5,331

10) Staff costs and remuneration of key management personnel (continued)

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

	2019 No.	2018 No.
£60,001–£70,000	3	2
£70,001–£80,000	3	2
£80,001–£90,000	1	-
£90,001–£100,000	2	2
£100,001–£110,000	3	2
£120,001–£130,000	1	-
£130,001–£140,000	1	-
£150,001–£160,000	-	1
£160,001–£170,000	1	1
£170,001–£180,000	1	-
Total	16	10

Pension costs totalling £82k (2018: £41k) 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 £1,096k (2018: £599k). The key management personnel cost has increased significantly in 2019 owing to the inclusion of management team members from non-UK countries this year.

During 2019, ex-gratia payments were paid of £120k (2018: £58k).

11) Trustees expenses and remuneration

None of the Trustees, nor any persons connected with them, received any remuneration from the charitable company during the year (2018: £nil). Expenses incurred by the Trustees and reimbursed by the charitable company amounted to £95 and related to one trustee (2018: £nil).

12) 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.

13) Tangible and intangible fixed assets of Charity and Group

	Intangible Fixed Assets Software £'000	Tangible Fixed Assets Land and Buildings £'000			Tangible and Intangible Fixed Assets Total £'000
Cost					
At 1 January 2019	231	862	788	47	1,928
Additions	-	-	2	-	2
Disposal	-	-	(15)	-	(15)
At 31 December 2019	231	862	775	47	1,915
Depreciation					
At 1 January 2019	35	39	241	29	344
Charge for the year	46	19	155	4	224
Disposal	-	-	(15)	-	(15)
At 31 December 2019	81	58	381	33	553
Net book value					
At 31 December 2019	150	804	394	14	1,362
At 31 December 2018	196	823	547	18	1,584

14) Investments of Charity and Group

	2019 £'000	2018 £'000
Listed investments		
Market value at 1 January	7,458	9,328
Additions at cost	228	821
Gifted shares	-	55
Disposals proceeds	(4,086)	(2,220)
Net investment (losses)/gains	621	(526)
Market value at 31 December	4,221	7,458
Cash held by investment managers for reinvestment	55	41
Total	4,276	7,499

14) Investments of Charity and Group (continued)

Listed investments held at 31 December 2019 were managed on behalf of Lumos by Close Brothers and comprised the following:

	2019 £'000	2018 £'000
UK fixed interest	998	2,426
UK equity	1,018	1,637
Overseas equity	1,738	2,629
Commodities	55	48
Property	68	144
Alternatives	344	574
Market value at 31 December	4,221	7,458
Cost of listed investments at 31 December	3,194	6,346

15) Debtors

	Group 2019 £'000	Charity 2019 £'000	Group 2018 £'000	Charity 2018 £'000
Other debtors	101	101	254	254
Prepayments	109	109	107	100
Accrued royalty income	478	478	1,593	1,593
Other accrued income	1,246	1,208	1,594	1,438
Taxation and Social Security	-	-	9	9
Total	1,934	1,896	3,557	3,394

16) Creditors: amounts falling due within one year

	Group 2019 £'000	Charity 2019 £'000	Group 2018 £'000	Charity 2018 £'000
Trade creditors	338	273	331	321
Taxation and social security	48	26	-	-
Accruals	401	401	757	757
Amounts due to subsidiary undertakings	-	797	-	686
Other creditors	356	356	103	103
Total	1,143	1,853	1,191	1,867

17) Restricted funds

	At 1 Jan 2019 £'000	Income £'000	Expenditure £'000	At 31 Dec 2019 £'000
Trusts and foundations	455	117	544	28
Deinstitutionalisation in LAC	775	-	588	187
United States Agency for International Development (USAID)	-	299	299	-
Changing the Way We Care	-	205	205	-
Lumos USA	1,579	72	1,651	-
European Commission (EC)	5	59	64	-
Other	72	151	75	148
Less Consolidation Adjustment	(1,572)	(185)	(1,644)	(113)
Total	1,314	718	1,782	250

	At 1 Jan 2018 £'000	Income £'000	Expenditure £'000	At 31 Dec 2018 £'000
Trusts and foundations	299	548	392	455
Deinstitutionalisation in LAC	1,739	-	964	775
Changing the Way We Care	-	20	20	-
Lumos USA	-	1,579	-	1,579
European Commission (EC)	-	48	43	5
Other	98	-	26	72
Less Consolidation Adjustment	(964)	(1,572)	(964)	(1,572)
Total	1,172	623	481	1,314

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.

18) 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	2019 Total Funds £'000	2018 Total Funds £'000
Tangible fixed assets	1,212	-	1,212	1,388
Intangible fixed assets	150	-	150	196
Investments	4,276	-	4,276	7,499
Current assets	6,756	250	7,006	6,092
Current liabilities	(1,143)	-	(1,143)	(1,191)
Total	11,251	250	11,501	13,984

Included within investments above are cumulative unrealised gains of £621k (2018: losses of £526k).

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

	Unrestricted Funds £'000	Restricted Funds £'000	2019 Total Funds £'000	2018 Total Funds £'000
Tangible fixed assets	1,212	-	1,212	1,388
Intangible fixed assets	150	-	150	196
Investments	4,276	-	4,276	7,499
Current assets	5,912	242	6,154	5,283
Current liabilities	(1,853)	-	(1,853)	(1,867)
Total	9,697	242	9,939	12,499

19) Financial commitments

At 31 December 2019 the charitable company has total minimum lease commitments under non-cancellable leases as follows:

	Land and Buildings	
	2019 £'000	2018 £'000
Within one year	222	219
Between one and five years	427	645
Longer than five years	1,062	1,062
Total	1,711	1,926

20) Comparative Consolidated Statement of Activities and Movement of Funds

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	2018 Total Funds £'000
Income and expenditure				
Income from:				
Royalties from published books		2,082	-	2,082
Other royalties		55	-	55
Donations and Gift Aid	1	3,032	-	3,032
Investment income	2	312	-	312
Other income		5	-	5
Charitable activities				
Grant income	17	1,145	623	1,768
Total income		6,631	623	7,254
Expenditure on:				
Raising funds	4			
Raising donations and donor communication costs		2,375	-	2,375
Investment management costs		82	-	82
Charitable activities	5	8,996	481	9,477
Total expenditure		11,453	481	11,934
Net loss on investments	14	(526)	-	(526)
Other recognised gains		144	-	144
Net deficit		(5,204)	142	(5,062)
Reconciliation of funds:				
Total funds brought forward		17,874	1,172	19,046
Total funds carried forward		12,670	1,314	13,984

Reference and administrative details

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

J.K. Rowling

Trustees, Lumos Foundation (UK)

A. Ahmed (appointed 5 December 2019)
N. Blair (Chair of Trustees)
D. Cohen
C. Copland
R. Dattani (resigned 5 December 2019)
W. DiMichele (appointed 14 July 2020)
N. Gill (appointed 20 April 2020)
J. Harding (resigned 10 October 2019)
M. Lee-Izu
D. Moore
T. Motie
N. Pasricha (Treasurer) (appointed 8 April 2020)
M. Smith (Treasurer) (resigned 10 October 2019)
R. Suss (resigned 16 February 2020)

Directors, Lumos Foundation USA Inc.

B. DiMichele (President)
G. Mulheir (Secretary) (resigned 20 September 2019)
A. Christopoulos (Secretary) (appointed 20 September 2019)
B. Berns (resigned April 2020)
L. Little (Treasurer)
L. Robbins (appointed 5 March 2020)

Chief Executive Officer, Lumos Foundation (UK)

G. Mulheir (on sabbatical from July 2019)
R. Singleton (from September 2019 to present)

Company Secretary, Lumos Foundation (UK)

S. Moir (resigned 5 December 2019)
N. Williams (appointed 5 December 2019)

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 Operations 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

Lumos Foundation Operations Ltd – UK Company registration number

12369753 (England & Wales)

Auditor (UK)

Crowe U.K. LLP, 55 Ludgate Hill, London EC4M 7JW, UK

Bankers (UK)

HSBC Bank plc, The Peak, 333 Vauxhall Bridge Road, Victoria, London SW1V 1EJ, UK

Solicitors (UK)

Farrer & Co LLP, 66 Lincoln's Inn Fields, London WC2A 3LH, UK

Investment Managers (UK)

Close Brothers, 10 Exchange Square, Primrose Street, London EC2A 2BY, UK