

ANNUAL ACCOUNTS 2020
03/0621

THE NAZARETH TRUST
HEALING IN THE NAME OF JESUS SINCE 1861

EMMS Nazareth

(A Company Limited by Guarantee)

Registered office: 151 St. Vincent Street, Glasgow G2 5NJ

Israel office: The Nazareth Hospital EMMS, P.O. Box 11,
Nazareth 16100, Israel

Company No. SC225661

Charity No. SC032510

Registered in Israel as a foreign owned company:
560019945

Financial Statements **as at 31 December, 2020**



COMPANIES HOUSE

29 JUL 2021

EDINBURGH MAILBOX

Financial Statements as at 31 December, 2020

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Independent auditor's report to the Trustees and members of EMMS Nazareth Charitable Company

Opinion

We have audited the financial statements of EMMS Nazareth Charitable Company (Limited) ("the charitable company") for the years ended 31 December 2020 and 2019 which comprise the balance sheets, statements of financial activities, statements of cash flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2020 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the charitable company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the charitable company or to cease its operations, and as they have concluded that the charitable company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the charitable company will continue in operation.

Without qualifying our opinion, we draw the attention to note 2C in the financial statements regarding the hospital's financial position, and the dependence on government funding for public hospitals facing financial difficulties. As the Hospital is within the public health framework in Israel, the continuation of the

hospital's operations as a "going concern" is dependent upon receiving ongoing support from the Ministry of Health to cover its deficit in cash flows.

Other information

The trustees are responsible for the other information, which comprises the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Trustees' Annual Report, which constitutes the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended), we are required to report to you if in our opinion:

- the charitable company has not kept adequate and proper accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement, 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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, and to the charity's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the full extent permitted by law, we do not accept or assume responsibility to anyone other than the charity, its members as a body and its trustees as a body, for our audit work, for this report or for the opinions we have formed.

Miri Yoskowitz (Statutory Auditor)
for and on behalf of KPMG Somekh Chaikin
KPMG LLP is eligible to act as an auditor in terms of Section 1212 of the Companies' Act 2006

2021

Balance Sheets as at 31 December,

		2020	2019
	Note	£ thousand	£ thousand
Fixed assets	3		
Heritage land		37,341	35,967
Tangible assets		28,150	21,667
		65,491	57,634
Current assets			
Stock		1,064	792
Receivables in respect of medical services	4	6,091	7,005
Short-term bank deposits		10,018	4,808
Cash at bank and in hand	5	713	1,637
		17,886	14,242
Current Liabilities (amounts falling due within one year)			
Short-term bank credit		1,031	384
Current maturities of long-term bank loans	6	640	327
Suppliers and service providers		6,435	3,935
Other current liabilities	7	7,819	8,905
		15,925	13,551
Net current assets		1,961	691
Total assets less current liabilities		67,452	58,325
Liabilities (amounts falling due after more than one year)			
Long-term bank loans	6	4,714	2,215
Provision for claims due to medical malpractice	8	12,409	12,073
Defined benefit severance and pension liabilities	9	2,529	2,442
		19,652	16,730
Net assets		47,800	41,595

The accompanying notes form an integral part of these financial statements

Balance Sheets as at 31 December, (Cont'd)

	<u>2020</u>	<u>2019</u>
	<u>£ thousand</u>	<u>£ thousand</u>
The funds of the Charity:		
Restricted funds	<u>5,018</u>	<u>2,459</u>
Unrestricted income funds:		
Unrestricted income funds - accumulated deficit	(20,695)	(16,343)
Revaluation reserve	45,138	43,476
Designated by management funds	<u>20,868</u>	<u>14,445</u>
Unrestricted income funds (excluding pension reserve)	45,311	41,578
Pension and severance reserve	<u>(2,529)</u>	<u>(2,442)</u>
Total unrestricted funds (including pension reserve)	<u>42,782</u>	<u>39,136</u>
Total charity funds	<u>47,800</u>	<u>41,595</u>



Dr. Morgan Jamieson
Chairperson of the
Board



Mr. Norman Bennett
Chairperson of Finance
and Audit Committee



Mr. Richard Mayhew
Chief of Executive Officer

Approval date: 25th June 2021

The accompanying notes are an integral part of these financial statements

Statements of Financial Activities as at 31 December,

			Total funds year ended 31 December, 2020	Total funds year ended 31 December, 2019
	Note	Unrestricted funds £ thousand	Restricted funds £ thousand	£ thousand
Income and endowments from:				
Donations		224	2,108	2,332
Charitable activities	11	40,611	-	40,611
Other trading activities		875	-	875
Investments		2,229	-	2,229
Government allocations	14	8,708	3,741	12,449
Total		52,647	5,849	58,496
Expenditure on:				
Raising funds		-	(19)	(19)
Charitable activities	13	(49,316)	-	(49,316)
Other		(1,950)	-	(1,950)
Investment management Costs	12	(1,026)	106	(920)
Total		(52,292)	87	(52,205)
Net income (loss)		355	5,936	6,291
Transfers between funds		3,376	(3,376)	-
Other recognized Gains				
Actuarial (losses) gains on defined benefit Pension Scheme		(86)	-	(86)
Net movement in funds		3,645	2,560	6,205
Reconciliation of funds				
Total funds brought forward		40,401	1,194	41,595
Total funds carried forward		44,046	3,754	47,800

The accompanying notes form an integral part of these financial statements

Statements of Cash Flows

	For the year ended 31 December,	
	2020	2019
	£ thousand	£ thousand
Net cash provided by operating activities (Appendix A)	8,534	3,675
Cash flows from investing activities:		
Purchase of plant and equipment	(7,789)	(2,666)
Investment in short-term bank deposits	(5,002)	(2,129)
Net cash used in investing activities	(12,791)	(4,795)
Cash flows from financing activities:		
Receipt (repayment) of short-term bank credit	630	(1,892)
Receipt of long-term bank loan	2,703	1,707
Net cash provided by (used in) financing activities	3,333	(185)
Decrease in cash at bank and in hand	(924)	(1,305)
Cash at bank and in hand at beginning of year	1,637	2,942
Cash at bank and in hand at end of year	713	1,637

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows (Cont'd)

For the year ended 31 December,

	2020	2019
	£ thousand	£ thousand
Appendix A		
Reconciliation of changes in resources to net inflow from operating activities		
Net incoming resources	6,292	3,587
Depreciation	2,160	1,838
Financing expense, net	(1,649)	(1,914)
Decrease (increase) in accounts receivable for medical services	1,177	(1,975)
Increase in stock	(241)	(139)
Decrease (increase) in suppliers and service providers	2,339	(286)
Increase (decrease) in other current liabilities	(1,420)	3,139
Decrease in provision for claims due to medical malpractice	(124)	(575)
Net cash in flow from operating activities	8,534	3,675

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements as at 31 December, 2020

Note 1 - General

- A. (1) EMMS Nazareth (hereinafter "The Company" or "The Hospital") was incorporated in Scotland in November 2001 as a private company limited by guarantee and not having a share capital. The Company is registered in Scotland as a charity.

The Company was also registered in Israel on 23 December, 2001 as a foreign company. The activities of the Company in Israel started on 1 September, 2002.

- (2) The main objectives and activities for which the Company is established are wholly charitable, mainly health and education. The Company is engaged primarily in providing public medical services in Nazareth, Israel, operates a nursing school and the activities of the Nazareth Village.
- (3) The Company is recognized under the Israeli Income Tax Ordinance (New Version) as a "public organization" and as a "not-for-profit organization" under the Value Added Tax Law-1975. Contributions to the Hospital are eligible for a tax credit to the donor under Israeli tax law. The recognition is valid until December 31, 2023.

B. Business risks and environmental business area

- (1) Over 70% of the revenues of The Hospital are derived from patient services, the source of which is sick funds. All of the sick funds in Israel have deficits. The manner of accounting between the Hospitals and the sick funds is determined by the Ministry of Health. See note 4D regarding the cooperation agreements with the sick funds.
- (2) The maximum rates for most of the health services - fee for day of Hospitalization, fees for differential activities, emergency charges and various services are determined by the Ministry of Health.
- (3) In December 2016, the "Law for changes in national priorities (Legislative amendments to achieve budget goals for the years 2017-2018) (the "Arrangements Law 2017") was approved. The Arrangements Law stipulates, inter alia, the manner of accounting between public hospitals and sick funds in respect of purchases of health services in public hospitals for the years 2017-2019. According to the new Arrangements Law, the consumption ceiling (CAP) for the years 2017-2019 will be based on the average of actual gross turnover of half 2013 and 2014-2015 of the Hospital from public health services, indexed to 2017 hospitalization health tariff and to demography in a rate of ~1.4% per year. In addition, according to the 2017 Arrangements Law, all services purchased in public hospitals by sick funds are reduced by 18.5% up to the amount of the consumption ceiling. Beyond the ceiling, the price is an average of 65% discount of the full price.
- (4) In September 2020, the "2017 Arrangements Law", was extended until the end of 2020. According to the Law, payments from sick funds to the hospitals during 2020 will not be less than the payments during 2019, and will not exceed a CAP defined in the Law. The sick funds will be exempt from payments for hospitalization services above the CAP, mainly in respect of COVID-19 services.

A new Arrangements Law relating to the years 2021 and onwards, was not approved until approval date of these financial statements.

Notes to the Financial Statements as at 31 December, 2020

Note 1 - General (Cont'd)

C. Definitions

The Hospital -	EMMS Nazareth.
Differential activity -	Medical activity for which a fixed fee is set by the Ministry of Health and published from time to time.
Services -	Medical services which include hospitalization. Rates for days of hospitalization are determined by the Ministry of Health and adjusted from time to time.
Ambulatory care -	Ambulatory health care facilities of the Hospital. (The patient receives treatment and is released from the Hospital). The fee for the ambulatory health care is determined by the Ministry of Health and adjusted from time to time.
Capping -	The ceiling for revenues from the sale of services to the sick funds.
Sick funds -	Non-profit organizations which provide health care services as defined in the National Health Insurance Law (January 1995).
Global agreement -	The Arrangements Law permits the Hospital to agree on discounts for revenues from medical services with the sick funds within the capping framework.
CPI -	The Consumer Price Index as published by the Central Bureau of Statistics.

Notes to the Financial Statements as at 31 December, 2020

Note 2 - Significant Reporting and Accounting Policies**A. General**

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (Charities SORP (FRS 102)) and the Financial Reporting Standard 102 applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015 (updated in March 2018).

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following the Charities SORP (FRS 102) issued on 16 July 2014 rather than the preceding Charities SORP (SORP 2005) which was effective from 1 April 2005 and has since been withdrawn.

B. Basis of presentation

These financial statements have been prepared on the basis of historical cost convention except for the revaluation of lands and buildings as detailed in Note 3

C. Preparation of accounts on a going concern basis

The public health system in Israel is budgeted and supervised by the Israeli government (hereinafter: "The Government") and operates in accordance with the State Health Insurance Act of 1994 (hereinafter: "The Law"). The law defines the health care provided by the government and the sources of budgeting for services included in the health basket.

Over the years, the growth in the health care system's budget has been eroded compared to population growth and the change in operating costs due to inflation and other costs. As a result, the majority of public hospitals and sick funds face recurring budget deficits. The government provides additional funding to government hospitals on an ongoing basis. In addition from 2017, privately owned public hospitals are eligible for government support according to support criteria published by the Ministry of Health.

As at December 31, 2020, the Company has a cumulative deficit of NIS 101,995 thousands (December 31, 2019 - NIS 85,653 thousands). The Company's management held and continues to, alone and jointly with other public hospitals in Israel, discussions with the Israeli Government regarding securing continuous governmental support for the hospital's operations. As mentioned above, the hospital is entitled to government support in accordance with support criteria published by the Ministry of Health for public hospitals, including a support criteria for institutions facing financial difficulties. Through the aforementioned support criteria, the Company has received support for its current activities totaling NIS 12 Million and NIS 14 Million in each of 2020 and 2019 years as it with the objectives included in the support criteria.

As a result of the outbreak of the Corona virus (COVID-19) in the first quarter of 2020, economic activity in Israel, as in many other parts of the world, was reduced. The COVID 19 outbreak caused, among other things, disruption to the supply chain, a decrease in the volume of global and local transportation and employment restrictions announced by the Israeli government and other governments around the world.

Notes to the Financial Statements as at 31 December, 2020

Note 2 - Significant Reporting and Accounting Policies (Cont'd)

C. Preparation of accounts on a going concern basis (Cont'd)

Beginning in March 2020, the Ministry of Health instructed hospitals to cease elective activities and to open designated wards for treating COVID-19 patients. During this period, patients in many cases did not come to the Hospital and emergency care was reduced as well.

As a result of the above, there was a significant decrease in the hospital's revenue for 2020 and a negative impact on the Hospital's cash resources.

As a part of the national efforts to deal with the COVID 19 outbreak and in accordance with a contract signed with MOH, the hospital has prepared 93 beds out of its existing admission beds to treat COVID 19 patients and to establish additional 12 ICU beds. The projected cost of the abovementioned capital development is approximately NIS 22 million which will be financed mainly by the Ministry of Health as well as with fundraising donations.

Based on financial information submitted by the hospital's management to the Ministry of Health regarding the projected cash deficit in 2020, and which was confirmed by the reporting accountant, who was appointed by Ministry of Health in accordance with the support criteria published for hospitals facing financial difficulties due to the COVID 19 outbreak in 2020, the hospital received government support to cover the additional costs and reduction in income caused by COVID 19 in the amount of NIS 49 million. Subsequent to balance sheet date, on March 2021, the Ministry of Health reached an understanding with the public hospitals according to which, as long as the COVID-19 pandemic is continuing to spread, all Hospitals will be granted in 2021, the entire support amount budgeted or received in 2020, including one-time grants for services relating to COVID-19 patients and compensation for reduction of income. If the pandemic ceases, the Ministry of Finance is committed to cover salary and supplier expenses during 2021. In addition, it was agreed that a joint committee of the Ministry of Health, Ministry of Finance and the public hospital representatives will be established in order to review the public hospital budgeting method and suggest recommendations. As the Hospital is within the public health framework in Israel, the continuation of the hospital's operations as a "going concern" is dependent upon receiving ongoing support from the Ministry of Health to cover its deficit in cash flows.

D. Basis of reporting

(1) Balance Sheet:

- a. Non-monetary items are stated in nominal historical values.
- b. Monetary items are stated in the balance sheet at their nominal historical values as at balance sheet date.

(2) Statement of Financial Activities:

Income and expenses are recorded on the accrual basis.

Notes to the Financial Statements as at 31 December, 2020

Note 2 - Significant Reporting and Accounting Policies (Cont'd)

D. Basis of reporting (Cont'd)

(3) Fund accounting:

Unrestricted funds are available to spend on activities that further any of the purposes of charity. Designated funds are unrestricted funds of the charity which the trustees have decided at their discretion to set aside to use for a specific purpose the designated fund includes a fund for tangible assets and heritable land totaling £ 57,634 thousand - which represents the value of general funds invested in fixed assets.

Restricted funds are donations which the donor has specified are to be solely used for particular areas of the Trust's work or for specific projects being undertaken by the Trust.

E. Functional and presentation currency

Functional currency:

The entity's functional currency is the currency that best reflects the economic environment in which the entity operates and conducts its transactions. It has been determined that the functional currency in which the Company operates and conducts its transactions is the Shekel (NIS).

Presentation currency:

The Company can present its financial statements in any currency (or currencies). These financial statements are presented in £ and the translation of the Company's results and financial position from the functional currency (NIS) to the presentation currency (£) has been carried out as follows:

- (1) Assets and liabilities in the balance sheet presented (including comparative data) are translated at the closing rate as of each balance sheet date presented.
- (2) Income and expenses for the period presented in the statement of financial activities (including comparative data) are translated at the exchange rate prevailing on the dates of the actual transactions.
- (3) Net assets are translated based on the following basis:
 - a. Opening balance at the exchanges rate as of that date.
 - b. Other relevant transactions during the period - translated at the prevailing rate as of the date of the transaction.
- (4) Translation differences are recorded as a separate item in net assets under the heading "Foreign currency translation reserve".

The translation should not be construed as a representation that the NIS amounts upon which the translation is based actually represent, or could be converted into, GBP.

See Note 2T below regarding exchange rates.

Notes to the Financial Statements as at 31 December, 2020

Note 2 - Significant Reporting and Accounting Policies (Cont'd)

F. Cash at bank and in hand

Cash at bank and in hand include short-term bank deposits with an original maturity not exceeding three months.

G. Provision for doubtful debts

The financial statements include specific provisions for doubtful debts which, in management's opinion, adequately reflect the loss inherent in those debts, the collection of which is doubtful.

H. Stock

Stock is included at cost. The cost is determined using the moving average method. Stock is recognized as an expense when released from Hospital warehouses and transferred to the various departments.

I. Fixed assets

- (1) Fixed assets, except for land and buildings are stated at cost less accumulated depreciation. Land and buildings are stated at valuation less accumulated depreciation. Additions are stated at cost. Cost includes expenditures that can be directly attributed to the acquisition of the assets.
- (2) Improvements and enhancements are added to the cost of the assets whereas maintenance and repairs are charged to expense as incurred.
- (3) Fixed assets received for no consideration are presented at their fair value as of the date of receipt.
- (4) The Hospital depreciates separately each component of the fixed assets with a cost that is significant in relation to the total cost of the item, including the costs of significant periodic examinations.

Depreciation is calculated by the straight-line method on the basis of the estimated useful lives of the assets.

The annual depreciation rates are as follows:

	%
Buildings	4
Medical equipment	10-15
Furniture and equipment	7-15
Office equipment	20-33

Notes to the Financial Statements as at 31 December, 2020

Note 2 - Significant Reporting and Accounting Policies (Cont'd)**J. Impairment in value of assets**

According to accounting principles, entities must follow certain procedures in order to ensure that their assets, as reported in their financial statements, are not stated in an amount exceeding their fair value, which is the higher of the net selling price and the present value of the estimated future cash flows expected to be derived from the use and disposal of the asset. The Standard also lays down the rules of presentation and disclosure for assets whose value has been impaired. No impairment was required in these financial statements.

K. Debtors

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

L. Creditors and Provisions

Creditors and provisions are recognized where the Company 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 recognized at their settlement amount after allowing for any trade discounts due.

M. Pensions

For information regarding Accrued Severance and Pension Pay, see note 9 to these financial statements.

N. Provision for claims due to medical malpractice

The liability for medical malpractice is calculated on the basis of an actuarial estimate of amounts to be paid in connection with medical malpractice claims relating to medical services rendered by the Hospital. The actuarial obligation is based on claims submitted (including those being handled by lawyers) and on adverse reports received. Additionally, the obligation includes amounts with respect to claims not yet received by the Hospital, possible claims as yet unknown and expenses to settle claims, based on past experience

O. Income

- (1) Income including income from patient services, is recognized when the charity has entitlement to the funds, any performance conditions attached to the items of income have been met, it is probable that the income will be received and the amount can be measured reliably.
- (2) Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognized when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Notes to the Financial Statements as at 31 December, 2020

Note 2 - Significant Reporting and Accounting Policies (Cont'd)**P. Donated services and facilities**

Donated professional services and donated facilities are recognized as income when the Charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the charity of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), the general volunteer time of the friends is not recognized. Refer to the trustees' annual report for more information about their contribution.

On receipt, donated professional services and donated facilities are recognized on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognized in expenditure in the period of receipt.

Q. Interest Receivable

Interest on funds held on deposit 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.

R. Expenditure and irrecoverable VAT

Expenditure is recognized once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

S. Allocation of support costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel, payroll and governance costs which support the Trusts artistic programs and activities.

Notes to the Financial Statements as at 31 December, 2020

Note 2 - Significant Reporting and Accounting Policies (Cont'd)

T. Exchange rates and linkage basis

Assets and liabilities denominated in, or linked to, foreign currency are stated on the basis of the representative exchange rates published by the Bank of Israel as at balance sheet date.

Balances linked to the CPI are stated on the basis of the contractual linkage terms of each balance.

Below are details of the exchange rates and the CPI:

			Exchange rate	Index for
	Dollar	Euro	Pound	month of
	NIS	NIS	Sterling	December
			NIS	(in points)
As of 31 December				
2020	3.215	3.944	4.392	100.10
2019	3.456	3.878	4.560	102.70
2018	3.748	4.291	4.793	102.09
Rate of change	In %	In %	In %	In %
2020	(7)	1.7	(3.7)	(0.7)
2019	(7.79)	(9.62)	(4.86)	0.6
2018	8.10	3.32	2.37	0.8

U. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding transactions or matters the final effect of which on the financial statements cannot be accurately determined at the time of their preparation. Even though the estimates and assumptions are based on management's best judgment, the final effect of such transactions or matters may be different from the estimates and assumptions made in their respect.

Notes to the Financial Statements as at 31 December, 2020

Note 3 - Fixed assets

	Heritage Land (A)	Buildings	Furniture and equipment	Machinery	Medical equipment	Fixed assets in Scotland	Total
	£ thousand	£ thousand	£ thousand	£ thousand	£ thousand	£ thousand	£ thousand
Cost							
Balance as of 1 January, 2020	35,967	27,138	3,283	1,503	11,156	12	79,059
Foreign currency translation reserve	1,374	1,060	129	57	437	-	3,057
Additions	-	4,733	658	228	2,170	-	7,789
Balance at year end	37,341	32,931	4,070	1,788	13,763	12	89,905
Accumulated depreciation:							
Balance as of 1 January, 2020	-	9,798	2,756	1,137	7,722	12	21,425
Foreign currency translation reserve	-	380	106	44	299	-	829
Depreciation for the year	-	1,107	226	70	757	-	2,160
Balance at year end	-	11,285	3,088	1,251	8,778	12	24,414
Net book value as of							
31 December, 2020	37,341	21,646	982	537	4,985	-	65,491
Net book value as of							
31 December, 2019	35,967	17,340	527	366	3,434	-	57,634

- (A) The land was transferred to the ownership of the Company by EMMS International during the year 2002 without consideration. In December 2012, a new appraisal of land and building of the charity in Nazareth was conducted by Mr. Samir Kavar according to which the market value was estimated at £20 Million, of which £10 Million refer to the land and the remainder of £10 Million refers to buildings. Land and building are presented at the revaluation method.
- (B) In 2018, the District committee for planning & building has approved the re designation of the Company's land from a private open area to an area designated for the purposes of the Company for health, education and biblical tourism. Subsequently, a new appraisal was conducted in 2018 by Mr. Samir Kavar according to which the market value is estimated at £ 50 Million, of which £ 34 million relates to the land and the remainder of £ 16 million relates to buildings.

Notes to the Financial Statements as at 31 December, 2020

Note 4 - Receivables in Respect of Medical Services

A. Composition

	31 December,	
	2020	2019
	£ thousand	£ thousand
Sick funds:		
Clalit Health Services	2,736	3,154
Maccabi Health Services	706	760
Leumit Health Services	230	405
Meuhedet Health Services	1,181	1,124
	4,853	5,443
Other receivables:		
Institutions	420	712
Checks receivable	144	251
Prepaid expenses	319	148
Others	355	715
	6,091	7,269
Less: provision for doubtful debts	-	(264)
	6,091	7,005

B. Revenues limited by a consumption ceiling (capping):

The Arrangements Law for the State Economy (Legislative Amendments to Achieve Budget Goals for the 2002 Fiscal Year), 2002, (hereafter-"the Arrangements Law") set consumption ceilings (capping) for revenues from sick funds for every public hospital.

The consumption ceiling (capping) for each public hospital is based, among other things, on the average performance at a fixed fee for each sick fund on a separate basis.

See Note 11 regarding amounts of capping discounts and the revenues not participating in capping discounts.

C. Finance Lease

During 2019 the hospital signed an agreement for purchase of two CT machines in a finance lease arrangement at a total cost of EURO 1 Million (plus VAT) for a period of five years. At the end of the term both the machines as well as related equipment will be transferred to the ownership of the hospital at no additional cost. As of balance sheet date, prepaid expenses represent the down payment paid as part of the agreement.

Note 4 - Receivables in Respect of Medical Services (Cont'd)

D. Cooperation agreements with the sick funds:

It is stipulated in the Arrangements Law that the Hospital and the sick funds are permitted to establish another understanding between themselves for accounting for the purchase of services in the Hospital, as long as the understanding conforms with the conditions specified in the law, this after the agreement has been reviewed by the Minister of Health and the Minister of Finance.

The Hospital has signed agreements for cooperation with all four sick funds up to and including year 2020. The Hospital signed an agreement for a period of three years with one of the sick funds, a two year agreement with another sick fund and established understandings with the other two sick funds for the years 2021-2023 which have yet to be signed. The consumption ceiling (CAP) for year 2021 has not been published and approved by the Government as of date of approval of these financial statements.

Note 5 - Cash at Bank and in Hand

	31 December,	
	2020	2019
	£ thousand	£ thousand
Current bank accounts in NIS	596	1,285
In foreign currency	110	336
Petty cash	7	16
	<u>713</u>	<u>1,637</u>

Note 6 - Bank Loans

A. Long-term bank-loans

	Annual interest rate %	31 December,	
		2020	2019
		£ thousand	£ thousand
Long-term bank loans (B below)	1.6-5	5,354	2,542
Less current maturities		<u>(640)</u>	<u>(327)</u>
		<u>4,714</u>	<u>2,215</u>

Note 6 - Bank Loans (Cont'd)

B. Additional information

The Hospital signed loan agreements with several banks to finance investments in constructing new wards and services as well as to upgrade existing wards in the Hospital. The loans were received for periods ranging between 5 and 12 years, bearing annual interest rates ranging between 1.6% -5%. For part of the loans, a grace period was granted in which no principal repayments are made.

Classified by maturity date

	31 December, 2020 £ thousand
2022	690
2023	698
2024	706
2025 - onward	2,620
	<u>4,714</u>

Note 7 - Other Current Liabilities

	31 December,	
	2020	2019
	£ thousand	£ thousand
Wages and related expenses	4,267	5,676
Accrued vacation pay	2,593	2,371
Current maturities of actuarial obligation for medical malpractice	797	768
Other	162	90
	<u>7,819</u>	<u>8,905</u>

Note 8 - Provision for Claims Due to Medical Malpractice

Composition:

	31 December,	
	2020	2019
	£ thousand	£ thousand
Opening balance	12,841	12,693
Amounts paid	(990)	(504)
Accident year	1,355	652
Balance at year end (1)	13,206	12,841
Less - Current maturities presented in other current liabilities	(797)	(768)
	<u>12,409</u>	<u>12,073</u>

- (1) This amount is net of reinsurance. As detailed below, the Hospital has full coverage in respect of accident years 1994-2002 and certain coverage for the years 2003-2020. The total provision for claims due to medical malpractice amounts to £16.8 million, and the reinsurance as of December 31, 2020 totals £3.6 million.

Note 8 - Provision for Claims Due to Medical Malpractice (Cont'd)

The Company signed agreements with Insurance Company's for coverage of medical malpractice as follows:

<u>Accident Year</u>	<u>Report Year</u>	<u>Coverage</u>	<u>Insurer</u>
Through 1993	Through 2002	Full coverage	Medanes
	2003 onwards	No coverage	Medanes
1994-2002	Extended reporting period	Full coverage	Medanes
2003- 2008	2003-2008	Annual deductible \$300,000	Medanes
2003-2010	2009-2010	\$25,000 deductible per claim and a deductible of \$100,000 per claim for obstetrics	Medanes
2003-2011	2011	\$50,000 deductible per claim and a deductible of \$150,000 per claim for obstetrics	Medanes
2003-2012	2012-2013	\$50,000 deductible per claim and an aggregate of \$750,000	Howden
2003-2018	2014-7/2018	\$250,000 deductible per claim	AON
2018-2020	8/2018-12/2020	\$500,000 deductible per claim	AON

According to an actuary's opinion, the present value (based on annual discount rate of 2%) of the total accumulated amount of claims and events of medical malpractice incurred but not reported relating to services rendered as of 31 December, 2020 is estimated at £16.3 million and an appropriate provision was made in respect of amounts net of reinsurance.

Note 9 - Defined Benefit Severance and Pension Liabilities

A. Composition

	For the year ended 31	
	December,	
	2020	2019
	£ thousand	£ thousand
Liability for severance pay (B)	1,431	1,319
Liability for pension pay (E)	1,105	1,130
Less general severance fund	(7)	(7)
	<u>2,529</u>	<u>2,442</u>

- B. The Hospital's liability for severance pay to its employees whose employment commenced prior to January 1984, is presented based on an independent actuarial calculation.
- C. The Hospital's liability for severance pay to its employees whose employment commenced during the period January 1984 - June 1996, is fully covered by deposits to pension funds and insurance companies. Based on the opinion of the Company's legal advisor, the Company has no additional liability in respect of these employees.
- D. The Hospital's liability for employees whose employment commenced on 1 July, 1996 or thereafter is covered by regular payments to recognized insurance retirement plans in the name of the employees in accordance with section 14 of the Severance Law.
- E. **Liability for pension pay**

In 1996 the Hospital reached an understanding with certain employees according to which employees, aged 50 and above with at least 20 years of employment as of July 1996, are entitled to monthly pension payments upon retirement.

The liability is recorded in the financial statements based on an independent actuarial calculation.

Note 10 - Commitments and Contingent Liabilities

- A. As part of the agreements with the Banks, the Hospital agreed to receive a pre-approval from the Bank prior to granting a floating charge to third parties.
- B. As detailed in note 2C, the MOH published milestones for current support to public hospitals in financial stress. In order for the Company to be entitled to operational support from the Government, the Company is committed to increase its net profit by increasing income, or reducing expenses in an amount not less than the lower of 3% of the Company's net income for the year 2017 or 60% of the Government support received. Furthermore, the Company should improve its ratio of total expenses to total income excluding Government support and its ratio of salary expenses to net income by at least 1%. In addition, development projects should not be entered into without pre-approval from the Government.
- C. A claim of NIS 2 Million was submitted against the Hospital by a former employee. According to the hospital's Legal advisors the chances of the claims being accepted is low, and accordingly the financial statements do not include a provision for these claims.

Note 11 - Incoming Resources from Charitable Activities

Composition:

	For the year ended 31 December,	
	2020	2019
	£ thousand	£ thousand
Hospitalization	18,577	17,205
Differential activities	17,769	16,287
Emergency room	7,062	6,856
Ambulatory services	6,823	6,417
Total revenues from medical services at full rates	50,231	46,765
Discounts as per agreements	(18,438)	(15,351)
Total revenues from medical services (*)	31,793	31,414
Maternity grants	6,745	6,552
Medical services to others	1,545	1,364
Community services	80	85
	8,370	8,001
Nursing school tuition income	448	719
	40,611	40,134

(*) Total revenues from sick funds include income not subject to the capping system of approximately £6,245 thousand, mainly for dialysis sessions, orthopedic clinics and tuberculosis center activity.

Note 12 - Investment Management Costs**Composition:**

	For the year ended 31 December,	
	2020	2019
	£ thousand	£ thousand
Financing expenses on credit and loans	(199)	(135)
Non-bank financial expenses, net	(197)	(173)
Exchange rate differences	-	(1)
Banking fees and others	-	(1)
Foreign currency translation reserve	(524)	(698)
	(920)	(1,008)

Note 13 - Charitable Activities

Composition:

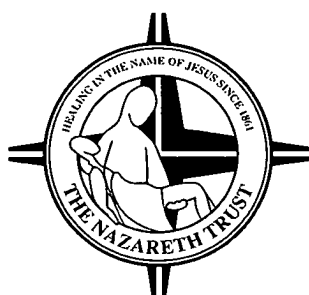
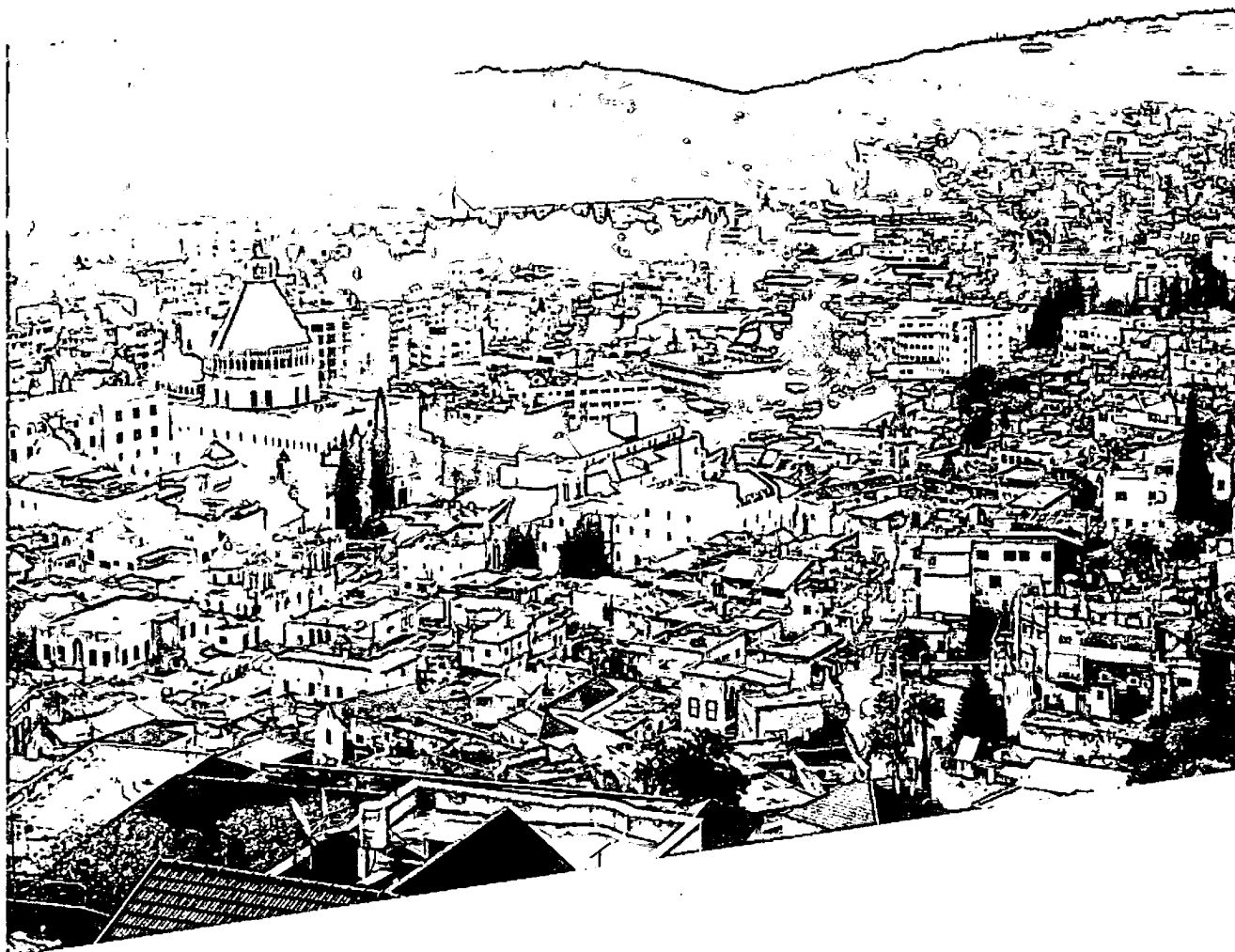
	For the year ended 31 December,	
	2020	2019
	£ thousand	£ thousand
Salaries and related expenses - physicians	13,428	12,038
Salaries and related expenses - nurses	13,703	12,112
Salaries and related expenses - paramedical	2,512	2,391
Salaries and related expenses - administration and housekeeping	2,529	3,003
Provision for employees benefits	-	(6)
Salaries and related expenses - other	1,151	1,270
Professional liability insurance and losses	1,536	661
Purchase of services	402	329
Medications	915	934
Disposable medical equipment	4,949	4,056
Food and others costs	1,882	1,529
Depreciation	2,161	1,838
	45,168	40,155
Support from Ministry of Health to cover COVID-19 related expenses	(2,337)	-
	42,831	40,155
<u>Household and maintenance expenses:</u>		
Salaries and related expenses	3,047	2,573
Materials consumption	733	452
Electric, water, fuel and gas	655	539
Cleaning and security	1,622	1,378
Real estate rental and maintenance	428	369
	6,485	5,311
	49,316	45,466

Note 14 - Government Grants

Income from government grants comprises Support for current operations and construction and equipment.

Composition:

	For year ended 31 December	
	2020	2019
	£ thousand	£ thousand
Support for current operations:		
Operation	4,799	4,413
Support to cover income reduction due to COVID-19	3,336	-
National incentive for NICU excellence, Line shortening, emergency room and infections prevention	573	641
Construction and Equipment	3,741	991
	<u>12,449</u>	<u>6,045</u>



EMMS NAZARETH
(OPERATING AS THE NAZARETH TRUST)

ANNUAL REPORT

JUNE 2021



THE NAZARETH TRUST

HEALING IN THE NAME OF JESUS SINCE 1861

TRUSTEES

Morgan Jamieson, Chair
Fiona Akers, Vice-Chair (departed October 2020)
Judith Hill (appointed Vice-Chair October 2020)
Norman Bennett, Trustee Financial Officer
Azar Ajaj
Ashleigh Dunn (departed October 2020)
Mones Farah
Jason Leitch
Stephen Nash
David Pye
Geoffrey Spence
Mary Macleod (appointed October 2020)
Naomi Beer (appointed October 2020)

SENIOR EXECUTIVES

Richard Mayhew, CEO
Waseem Dibbini, CFO & Dep. CEO
Fahed Hakim, Medical Director

BANK

Bank of Scotland
Ardmillan Terrace
Dalry Road
Edinburgh, EH11 2JN

AUDITOR

KPMG Somekh Chaikin
17 Ha'arba'a Street, PO Box 609
KPMG Millennium Tower
Tel Aviv 6100601, Israel

PRINCIPAL UK & REGISTERED OFFICE

The Nazareth Trust
6 Hill Street,
Edinburgh, EH2 3JZ

PRINCIPAL ISRAEL OFFICE

The Nazareth Trust
Nazareth Hospital EMMS,
PO Box 11, Nazareth, 16100

LEGAL ADVISOR (ISRAEL)

Kiyon Bilal
M. Firon & Co. Solicitors
Adgar 360 Tower, 2 Haslosa Street
6706054, Tel Aviv
PO Box 9445, 6109302

The Nazareth Trust is the operating name of EMMS Nazareth Trust and

- Is a company limited by guarantee, registered in Scotland (SC225661)
- Is a charity registered in Scotland (SC032510)
- Is registered as a foreign-owned company and not-for-profit institution in Israel (#560019945)



THE NAZARETH TRUST

HEALING IN THE NAME OF JESUS SINCE 1861

1. Objectives and Aims.

Our purpose is set out in our Memorandum and Articles of Association, is as follows:

- The relief of sickness, poverty or suffering by the establishment, maintenance etc. of Medical Mission in accordance with Christian principles and in conformity with Christ's own example and command: "Heal the sick, and say unto them, 'The Kingdom of God is come nigh unto you' in Israel and/or elsewhere.
- The advancement of the Christian religion throughout the world.
- The advancement of education and in particular the education of the general public throughout the World as to the teachings, life and times of Jesus of Nazareth.
- The advancement of education by the teaching of all aspects of medicine and medical sciences and the promotion of medical science and medical research.

To fulfil these objectives, the Nazareth Trust (TNT) manages the following:

- Nazareth Hospital EMMS.
- Nazareth Academic School of Nursing.
- SERVE Nazareth.
- Nazareth Village.

The above broadly encompass four key categories which aim to satisfy TNT's purposes of healthcare, healthcare education, biblical education and Christian witness.

Healthcare – Nazareth Hospital EMMS

Nazareth Hospital EMMS is the main trauma centre offering acute care for the people of Nazareth and its surrounding area. Each year, over 180,000 patients visit the hospital, including nearly 65,000 people to its 24-hour Accident & Emergency department – the only one providing around-the-clock care in the city.

The hospital operates a wide range of services including Accident and Emergency, General Surgery, Maternity and nationally accredited Neonatal Intensive care, Paediatric Surgery, Psychiatry and Intensive care. There is also a busy Renal Dialysis service and a modern Cardiac Catheterisation suite.

The hospital, which is affiliated with the Bar Ilan Medical School, maintains education, training and research programmes and serves a catchment area exceeding 250,000. It aims to provide the highest standards of excellence in healthcare – aspiring to be a hospital of choice not only for patients, but also for doctors, nurses, and other healthcare professionals.



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Healthcare Education – Nazareth School of Nursing

Established in 1924 to address a national shortage of nurses, the Nazareth Academic School of Nursing offers opportunities for vocational work to the local, underserved and predominantly Israeli Arab population.

Each academic year, up to 400 students are enrolled at the school. The programmes available range from Nursing diplomas to BA Nursing degrees taught in partnership with Emek Israel College. Since its establishment, the Nazareth Academic School of Nursing continues as the only Arab nursing school in the state of Israel.

Christian Witness – SERVE Nazareth

SERVE Nazareth provides volunteer ministry opportunities in the Galilee – in recent years growing to be the largest programme of its kind in Northern Israel.

Out of the many opportunities available, volunteers can serve in the hospital chaplaincy or Pastoral Care team, volunteer in the hospital wards, guide at Nazareth Village, or provide other vital support within the Nazareth Trust or local Christian ministries.

Biblical Education – Nazareth Village

Nazareth Village gives the opportunity to experience Nazareth as it was in the first century during the time of Jesus. Tour guides share Biblical stories, bringing them to life using a working farm, traditional buildings – including a synagogue – and authentic 1st century meals.

The Nazareth Village is well established as a major Christian ministry and tourist operation in Northern Israel. The first quarter of 2020 saw over 23,000 visitors with an increase of 11% in January and February compared to the same period in 2019.



THE NAZARETH TRUST

HEALING IN THE NAME OF JESUS SINCE 1861

2. Achievements & Performance

Due the COVID 19 pandemic, 2020 brought many challenges across all TNT's services, but there were also significant achievements. Our key successes are as follows:

2.1 Healthcare – Nazareth Hospital EMMS

- In the midst of the pandemic, three COVID-19 wards were established and named 'Victory Wards'. All the Victory wards were refurbished and modernized in order to provide COVID patients with the medical assistance required. A 'drive in' Biological ER department for COVID-19 testing, the first in the country, was also established to meet the demand for testing, and provided up to 600 tests daily at its peak.
- Around 30,000 COVID-19 tests were carried out at the hospital. There were 317 COVID admissions, and the number of hospitalization days due to COVID-19 exceeded 2,300.
- This year has been one of the most successful years in securing external finance for capital investment: \$9.5m to fund infrastructure improvements and the renovation of several wards to including the new Victory Wards.
- Other significant capital developments include the renovation of the Maternity Department, building a new IVF unit, expansion of the Dialysis department, and improvements to laboratory facilities. In addition, the Israeli Ministry of Health (MOH) authorised a new 12-bed ICU department, funded by MOH and donations, which will open in Spring 2021.
- An extended license was granted for an additional 10 psychiatric admission beds.
- Marta Bahous was appointed as Director of Nursing and joins the Executive Management Team.
- The hospital was marked at 92% in MOH Patient Quality and Satisfaction survey.
- MOH also acknowledged that the hospital has provided substantial leadership in the community during the COVID-19 pandemic, informing, educating and reassuring the Arab community through regular TV, radio and social media communications. Apart from translating public information from the Government, the hospital organised online webinars, set up hotlines and visited care homes and hospices to educate on COVID-19 safety procedures.
- A Renewal Residency Specialisation Committee visited the hospital and gave approval for granting a full interns specialisation program within the ER department. This is a remarkable acknowledgment as only a few hospitals in Israel are approved for a full specialization in ER medicine.
- Prof Hezi Levy (General Director MOH) and Mr Yuli Edelstein (Minister of Health) visited the hospital in October accompanied by the Ministry's senior executives and staff. They expressed their satisfaction regarding the hard work performed and the staff's willingness to assist all patients, as well as the



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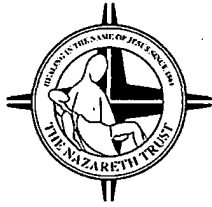
hospital's community engagement and passion to serve. Moreover, they commented on the hospital's history in serving the community over so many years, especially in the Arab sector, and on pioneering the Biological ER.

Hospital Departments:

Anaesthesia	General Surgery	Outpatient Clinic
Biomedical Engineering	Hydrotherapy	Paediatric Surgery
Bone Density	Intensive Care	Pain Clinic
Cardiology	Internal Medicine	Pharmacy
Catheterisation (incl. cardiovascular)	In Vitro Fertilisation	Physiotherapy
Chest Clinic	Laboratory	Prenatal
Delivery Room	Neonatal Intensive Care	Psychiatry
Dialysis	Neurology	Psychology Centre
Dieticians	Obstetrics & Gynaecology	Radiology (inc. X-Ray, CT, US & Bone density)
Emergency Medicine	Operating Theatres	Social Services
Gastroenterology	Orthopaedic Surgery	TB Clinic
Urology	Stroke Unit	Pulmonology Unit

Teaching Departments:

Anaesthesia	Neurology
Dialysis	Obstetrics & Gynaecology
Gastroenterology (incl. motility)	Orthopaedic Surgery
General Surgery	Psychiatry
Internal Medicine	



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Hospital Admissions	2017	2018	2019	2020
Admitted patients	10,456	12,177	12,886	11,479
Admission days	44,261	45,478	45,923	43,776
ER (incl. Night Centre)	64,145	65,574	68,933	65,675
Outpatients	106,621	113,254	121,408	114,303

Admissions by dept.	2017	2018	2019	2020
Orthopaedics	1844	1709	1664	1512
ICU	818	1042	1012	961
Paediatrics	517	547	927	465
General Surgery	1923	2897	2954	3027
Obstetrics and Gynaecology	661	655	646	696
NICU	120	112	123	114
Internal Medicine	3629	4041	4369	3447
Dialysis	152	161	166	166
Psychiatric	126	97	85	152
Total	10,456	12,177	12,886	11,479



THE NAZARETH TRUST

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2.2 Healthcare Education – Academic School of Nursing

- The School continued to maintain its good academic record and excellent reputation. Since the SON opened in 1924, 2,660 students have graduated.
- The COVID-19 pandemic caused considerable disruption to the School, restricting teaching to online, and limiting recruitment efforts for new intake of students.
- There have been challenges in recruiting sufficient numbers of students for the BA programme, and notice has been served to end our partnership with Emek College. Discussions are in progress regarding an alternative partner college.
- Development of tools for online teaching, using Zoom. Training the staff to teach through Zoom was essential for continuing teaching during the COVID-19 period. The creation of a new website and learning application substantially improved communication between staff and students.
- Dr Amal Khazin retired as the Director of the School of Nursing in November 2020 after serving for 25 years. Dr Amal had a tremendous impact on the development of the School. Under her leadership student numbers have grown alongside the quality of the programme and reputation of the institution.
- Dr Salam Hadid was appointed as the new Director of the School of Nursing in October 2020. Doctor Hadid is a PhD graduate from Haifa University and has a Masters in Nursing Administration from Tel-Aviv University.
- In recognition of the SON's growing reputation in nursing education within the Arab sector, the Ministry of Health has expressed its commitment to fund 50% of the cost of building an additional floor to house a simulation centre, along with additional classrooms.

	2017	2018	2019	2020
Students taking government nursing exams	60	81	109	72
Pass rate	100%	97.5%	90%	100%

Student Statistics	Total
BA Students	75
Registered Nurse Students (MOH closed this program)	0
Career Retraining	230



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2.3 Biblical Education – Nazareth Village

- The outbreak of the COVID-19 pandemic in March 2020 resulted in a ban of foreign tourists to Israel. The Village was forced to close, and staff were placed on government-funded furlough. Up until this closure, Over 23K people visited Nazareth Village in first quarter of 2020, a growth of 11% compared to the same period in 2019.
- In February 2020, the Village reached the milestone of over 1m visitors since its founding in 2001.
- The temporary closure provided the opportunity to develop the site further, including the completion of the 'Potter's House' - pottery played a vital and important role in the everyday lives of the people of Bible times, the Potter's House will enhance the visitor's experience.
- Plans for a new visitor's centre have been completed, and submitted to the Nazareth Municipality. It is hoped that a permit will be granted in 2021 to enable building to commence towards the end of the year.

Visitor Numbers

2017	2018	2019	2020
95,525	117,491	123,125	23,000



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2.4 Christian Witness – SERVE Nazareth

- SERVE Nazareth was closed for nine months from March 2020, due to COVID-19. However, up until the closure, SERVE had formed several new partnerships with Christian organisations, e.g. OM and Wheaton College USA, with the aim of providing regular programmes for their volunteers and students. All such partnerships were put on hold until such time as flights to Israel resume.
- Renovation of on-campus accommodation in the Doctor's House was completed in March 2020 and SERVE can now accommodate up to 40 volunteers in comfortable ensuite accommodation. It is hoped that the much-improved accommodation will encourage a substantial increase in the numbers of Serve volunteers in future years.
- The Doctor's House was instead used to accommodate the hospital psychiatry department, in order to enable development of the new COVID-19 Victory Wards.
- The table below demonstrates the number of volunteers in the SERVE programme in 2020, reflecting normal activities in the first three months and the continued presence of one volunteer couple through the rest of the year.

	2017	2018	2019	2020
Volunteers	191	210	138	17
F/T staff equivalent	4.9	7.5	7.6	2.5

KPI comparison to 2019

	2019	2020
Total number of Volunteers	138	17
No. months service from individuals	92.9	39
No. of days service from groups	736	0
Total days of service	2,523	838.5
Total hours of service	15,138	5,031



THE NAZARETH TRUST

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3. Governance, Structure & Management

3.1 Board of Trustees

The Board of Trustees normally meets four times annually – twice in Nazareth, once in Edinburgh and once in London. As an internationally based Board, additional video conferences are then scheduled as needed.

However, the COVID-19 pandemic caused the March Board meeting in Nazareth to be cancelled, and since then, all meetings have been online. In addition to the regular Board meetings, an Emergency Sub-Committee was formed to oversee the organisation during the COVID-19 crisis and which met with Executives as often as fortnightly during the year.

The Board, as detailed in the Memorandum and Articles of Association and supplemented by the Board's own Standing Orders, appoints all new Trustees. New Trustees go through a period of induction which includes an orientation visit to Nazareth where possible, training on Trustee responsibilities and TNT's governance process.

Trustee responsibilities focus on stewardship, governance, public accountability and strategic development. To support the Board in specific matters, there are three Committees which also meet regularly. These are:

- Clinical Services Committee.
- Finance & Audit Committee.
- Remuneration Committee

All Committees meet at least three times annually with the exception of the Remuneration Committee which meets at least once annually.

In addition, the Board resolved to form two additional committees which will meet regularly. These are:

- IVF Ethics Committee - To provide an overarching guidance for the conduct of the new IVF unit at Nazareth Hospital in both clinical practice and research in conjunction with Israeli legislation.
- Christian Ministry Advisory Group – To provide guidance and oversight of the development of the Christian ministry within the Nazareth Trust.

Though day-to-day management is delegated to the Chief Executive Officer, Trustees are required to direct TNT by the following principles:

- Direction: providing strategic visions, utilising life-long perspective on good governance and development.
- Expertise: evaluating organisational effectiveness, efficiency and resources, ensuring that the needs of those we serve are met.
- Impartiality: ensuring legal, operational and HR frameworks are enforced



THE NAZARETH TRUST

HEALING IN THE NAME OF JESUS SINCE 1861

without bias.

- Discipleship: protecting and promoting the Christian heritage, mission, vision and identity of the Nazareth Trust.

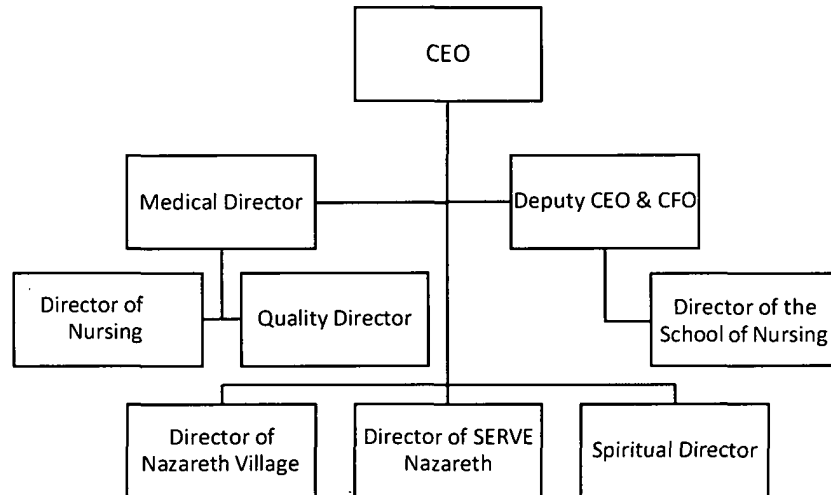


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3.2 Senior Management

- The senior management team of TNT is structured as shown:



The names of the senior executives are:

- Mr Richard Mayhew, Chief Executive Officer
- Mr Waseem Dibbini, Chief Financial Officer & Deputy CEO
- Dr Fahed Hakim, Medical Director
- Dr Amal Khazin, School of Nursing Director (retired November 2020)
- Dr Salam Hadid, School of Nursing Director (appointed October 2020)
- Mr Frank Kantor, Spiritual Director
- Mrs Christine Farah, SERVE Director
- Mrs Maha Sayegh, Nazareth Village Director
- Mrs Randa Elias, Quality Director
- Marta Bahous, Hospital Director of Nursing



THE NAZARETH TRUST

HEALING IN THE NAME OF JESUS SINCE 1861

3.3 Risk Management

3.3.1 Operational Risk

Formal risk assessments are carried out regularly and conducted with the assistance of internal auditors. These assessments cover all TNT's operations and involve the identification of the types of operational risk being faced and the potential impact on TNT should the risk actually occur.

As a health-care provider, all significant medical incidents and sentinel events are reported to the Clinical Services Committee and then to the full Board on a timely basis.

Beginning in 2016, as directed by the Finance and Audit Committee, a focus was given to conduct audits on issues with higher risk factors. In 2017, the Finance & Audit committee and Board of Trustees agreed upon a three-year internal audit plan inclusive of areas not reviewed previously.

The Quality & Safety directorate is separated into the distinct categories of 'Quality' and 'Patient Safety': a split intended to facilitate a focused approach to both issues, and to implement higher standards of clinical care. These directorates are responsible for preparing & reviewing clinical protocols, holding inspections to assure protocol compliance, staff education, data collection & analysis, setting KPIs, reporting to management and investigating cases when applicable.

TNT acknowledges the duty of care to safeguard its staff, volunteers and users and is committed to ensuring safeguarding practice reflects statutory responsibilities, government guidance and complies with best practice. Policies are in place in both the UK and Israel – the latter set out by and governed by Israeli employment law. The former is reviewed on a three-year basis in line with TNT's policy review practice.

The Hospital must comply with Information Security Management Systems standards. As national legislation requires, significant efforts and resources are invested in comprised systems and back-ups in order to enable a full recovery of data in the unlikely event of harm. ISO accreditation is in place.

In keeping with GDPR legislation introduced in 2018, TNT updated its governance measures organisation-wide regarding data usage and storage and will review these as required.

The Hospital also works in co-operation with the Israeli government to be prepared for local or national emergencies such as war, terror attacks or natural disasters.

TNT also employs a Safety Officer who manages the facilities' safety and works according to an annual plan approved and supervised by management.

3.3.2 Financial Risk

TNT reviews its financial position on an on-going basis. Monthly management accounts are produced internally and submitted by the Chief Financial Officer to both the Chief Executive Office and Trustee Finance Officer. The Finance and Audit Committee meets a minimum of



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three times annually to review performance against planned budget, with the aim of optimising both income and expenditure whilst ensuring continuing quality of services. An annual plan is produced on planned capital developments, and the funds identified to finance these.

Being primarily a health-care provider, TNT faces ongoing financial pressures which necessitate regular monitoring. These are:

- Most of TNT's income is negotiated through contracts with Israel's government-mandated healthcare insurers – 'Sick Funds'. The most prominent of these is the Clalit Sick Fund, which insures around 70% of Nazareth's population. Clalit also owns a hospital just outside of Nazareth, which puts them in a position of strength when negotiating contract terms. As such, the Nazareth Hospital must offer highly discounted rates to maintain operations.
- To achieve operationally balanced financial results, the hospital, inter alia, pays reduced salaries to its staff compared to other public healthcare providers in Israel. This, alongside the competitive environment the hospital operates in, generates a continuous challenge in the recruitment and retention of clinical staff.
- Ensuring a daily cash flow continues as a major challenge and requires regular monitoring and management. TNT prepares annual cash flow projections, based on an annual approved budget, and prepares advance plans to deal with any anticipated income shortages. Typically, provision is also made to reduce TNT's long-term liabilities through the repayment of long-term debts.

3.4 Annual Budget & Monitoring Accounts

An annual budget is prepared each year, taking into consideration

- TNT's future plans.
- The previous year's budgetary performance.
- Changes in TNT's sector of operation which have potential financial impact.

The budget is prepared by the Chief Financial Officer and presented to the Finance & Audit Committee for consideration. After approval or amendment, the budget is then brought to the Board and ratified.

TNT's aim is to at least maintain an operationally balanced budget. Cost-saving strategies during the year included identifying additional income streams, delaying recruitment if possible and enhancing additional efficiencies in operational expenditure.

3.5 Remuneration 2020

Total staff no.: 687

Key management personnel cost (not incl. Board): £743,088

Total Trustee cost: £14,839.



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Trustees are engaged on a voluntary basis only. The costs above reflect reimbursement of reasonable expenses incurred while conducting business on behalf of the Nazareth Trust and are primarily costs arising from travel and accommodation required for the meetings in Nazareth twice each year, and the same for meetings held in Edinburgh and London respectively.

Staff Salaries > £60k (Gross including benefits)

Between £60,000 & £70,000:	68
Between £70,000 & £80,000:	46
Between £80,000 & £90,000:	35
Between £90,000 & £100,000	8
Between £100,000 & £110,000	2
Between £110,000 & £120,000	9
Between £120,000 & £130,000	3
Between £130,000 & £140,000	6
Between £140,000 & £150,000	4
Between £150,000 & £160,000	2
Between £160,000 & £170,000	4
Between £170,000 & £180,000	1
Between £180,000 & £190,000	1
Between £190,000 & £200,000	2
Between £200,000 & £210,000	2
Between £210,000 & £220,000	2
Between £220,000 & £230,000	3

The Remuneration Committee meets at least annually to review and assess levels of pay. It is important to note that with regard to staff salaries for our employees who work in Israel, the Israeli government dictates annual wage agreements known as collective agreements. Nazareth Hospital EMMS, whilst complying with legislation, pays reduced salaries compared to other public health care providers in Israel in order to deliver a balanced budget.

It is also important to note, as a small general hospital, our on-call allowances are divided among a small population of key consultants and currently the on-call payments make up nearly 35% of the salaries alone. This is reflected in the remuneration table above



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4. Impact of COVID-19

Trustees are aware of the need to provide users of the accounts with information regarding the potential impact on the charity in 2021 due to the COVID-19 situation.

In March 2020, Israel commenced a lockdown, including banning all tourist entry into the country. This resulted in the closure of two of our operations – Nazareth Village and SERVE – closures which are continuing in 2021. The Ministry of Health requested that the hospital prepare for COVID-19 patients, and then the Ministry of Health announced subsequent restrictions on elective operations in all hospitals in Israel – the main source of the charity's planned income. In addition, limits on group numbers at academic establishments meant that all teaching at SON went online.

Despite the considerable financial uncertainty which faced the charity in the early days of the COVID-19 emergency, and the ongoing pressures and uncertainty on management and employees brought about by a fast-changing situation within Israel, the Trustees are pleased to report that the charity is continuing to meet its charitable and financial objectives.

The charity has continued to receive ongoing financial support from the Ministry of Health, along with a commitment to cover the financial deficit incurred in 2020 due to the hospital's response to the COVID-19 emergency. In addition, the hospital received substantial capital investment in 2020, from the Ministry of Health and from private donors, in order to renovate wards and associated hospital infrastructure to enable admission of COVID patients.

The Ministry of Health has also committed to continue to fund any shortfall in income due to COVID-19 until at least the end of June 2021 and will continue to do so whilst COVID-19 remains prevalent in the country. As of May 2021, the hospital had no COVID-19 patients.

The Nazareth Village will continue to remain closed until such time as foreign tourists are permitted to enter the country. It is not anticipated to open until at least September 2021. The majority of the staff have been furloughed under a government-funded scheme, and additional financial assistance has been received by our USA partners Miracle of the Nazareth Foundation and the Galilee Charitable Foundation to support the Village should deficits occur. The government furlough scheme is due to continue until at least July 2021.

Teaching at SON continues, according to what is permitted by the authorities. Numbers of students enrolled at the SON are not adversely affected by COVID-19. The Serve programme will continue to be closed for the foreseeable future, with staff being re-assigned to the Pastoral Care Team at the hospital.

Whilst COVID-19 has presented enormous challenges, the work of the charity has continued with the Nazareth Hospital in particular being at the forefront in the current crisis with provision of healthcare in Nazareth and the surrounding communities.



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5. Financial Review

5.1 Funding Sources

Typically, the majority of TNT's income derives from the activities of Nazareth Hospital EMMS which operates within the framework of the Israeli healthcare system. In this, income is primarily generated through contracts with governmental health insurance schemes (Sick Funds), in which all Israeli citizens are enrolled.

5.2 Reserves Policy

The cash reserves held by TNT relate to restricted and designated funds according to the law and regulations under which the charity must operate. These are principally for capital development projects for which targets are typically high: e.g. Nazareth Village Discovery Centre. TNT's policy is to hold cash reserves in a separate bank account in an amount that equals at least the amount of the restricted funds.

The laws under which TNT operate stipulate that reserves may be held in bank deposits or governmental bonds. Given the low returns on governmental bonds when considering related expenses, TNT invests its cash reserves in bank deposits only. Terms and length of deposits are examined periodically and resolved according to cash requirements, current investments and projected investments for the near future.

5.3 Reserves Status

At the close of 2020, TNT reserves balance totalled £47,800k, and the restricted fund balance totalled £5,018k. Restricted funds are primarily for imminent capital developments, mainly the new Discovery Centre at the Nazareth Village, the new IVF unit, and the maternity and labour room renovations.

5.4 Auditor

KPMG are the appointed auditors after a tender process conducted in 2013.

5.5 Trustees' Responsibility in Relation to Financial Statements

Company law requires Trustees to prepare financial statements that give a true and fair view of the state of affairs of EMMS Nazareth (The Nazareth Trust) for the financial year and of its surplus or deficit for that financial year. In doing so, Trustees are required to:

- Select suitable accounting policies and then apply them consistently.
- Make good judgments and estimates that are reasonable and prudent.
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that EMMS Nazareth (The Nazareth Trust) will continue to operate.

Trustees are responsible for maintaining proper accounting records which disclose, with reasonable accuracy, at any time, the financial position of EMMS Nazareth (The Nazareth Trust) and enable them to ensure that the financial statements comply with the Companies Act 1985. Trustees are also responsible for safeguarding the assets of EMMS Nazareth (The



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Nazareth Trust) and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared and issued by order of EMMS Nazareth (The Nazareth Trust) Board of Trustees.

Morgan Jamieson, Chair of the Board of Trustees

Date: 25th June 2021