

**Workers' Compensation Board of Nova Scotia
Summary of Financial Results
Second Quarter 2013**

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SUMMARY OF FINANCIAL RESULTS SECOND QUARTER 2013

Statement of Financial Position

The Board's asset base at June 30, 2013 was \$1,249.0 million in comparison to \$1,131.0 million at June 30, 2012. This \$118 million increase was mainly due to an increase in the market value of investments.

Benefits for injuries occurring during the year are paid in the year of injury and, for some workers, for many years in the future. The WCB maintains an investment portfolio to secure the payment of benefits in the future. The WCB's benchmark investment portfolio asset mix as at June 30, 2013 includes equity at 60%, fixed income at 30% and real estate at 10%.

Benefits liabilities have increased \$32.9 million from June 30, 2012 to June 30, 2013. These liabilities have been estimated based on an extrapolation of year to date claims payments for current and prior years and based on the estimates of a mid year valuation that was performed by an independent actuarial consultant at June 30. Benefits liabilities estimates could vary significantly when the annual valuation is prepared by an independent actuarial consultant at year end.

Statement of Operations and Unfunded Liability

Revenues exceeded expenses by \$29.9 million for the two quarters ended June 30, 2013, decreasing the unfunded liability. The year to date comprehensive income is primarily driven by year to date investment returns and favourable experience adjustments. The current funding strategy, approved in June 2013, anticipates a comprehensive income for 2013 of \$16.1 million. The impact on the funding strategy will be measured as the variance of the 2013 comprehensive income to the funding strategy estimate.

Revenue

Assessment revenue year to date is \$144.9 million, a decrease of \$0.6 million (0.4%) versus the same period in 2012. This \$0.6 million decrease reflects decreased insured firms' assessment premium revenue of \$1.4 million, partially offset by a \$0.8 million increase in self insured revenue over the same period in 2012. The insured firms' assessment premium revenue decrease is derived from the deferral of funds allocated for rebate incentive programs commencing in 2014. Net of this allocation year to date insured firms' assessment premium revenue increased \$0.2 million.

Investment income year to date is \$61.2 million, an increase of \$15.4 million over the same period in 2012. Investment income is derived from income on long term investments managed by external investment managers and is the result of interest and dividends of \$15.2 million, realized gains of \$27.2 million, unrealized gains of \$ 27.8 million, currency

overlay gains of \$1.1 million and unrealized currency overlay losses of \$8.2 million, less \$1.9 million in management fees. The six month return was 5.3%.

Claims Costs Incurred and Growth in Present Value of Benefits Liability

Claims costs incurred of \$102.9 million are an increase of \$3.8 million (3.9%) over year to date 2012 and are estimated based on the mid year valuation of year to date claims payments for current and prior years' injuries. At the mid year valuation point, claims cost incurred are performing slightly ahead of the funding plan.

The year to date net growth in the present value of the benefits liability and actuarial adjustments was \$45.6 million. The growth component was \$56.2 million and the estimated favourable actuarial experience adjustments total \$10.6 million. Favourable experience adjustments are currently projected in all benefits categories with the exception of survivors benefits. These estimated adjustments could vary significantly when the annual valuation is prepared by an independent actuarial consultant. The current funding strategy anticipates favourable experience adjustments of \$20.0 million.

Administrative Expenditures (Operating, Projects, and Capital)

Year to date administrative expenditures were \$22.9 million with a \$3.7 million favourable variance from the \$26.6 million year to date budget. Favourable variances relate mainly to the timing of project and operations capital expenditures of \$2.3 million and the remaining \$1.4 million variance relates mainly to salaries, depreciation and projects. These variances are expected to be utilized by the end of the year.

Legislative Obligations

Legislated Obligations expenditures were \$6.5 million with a \$0.6 million favourable variance from the year to date budget estimate. This is mainly attributable to Occupational Health and Safety and the Workers Compensation Appeals Tribunal having expenditures less than budgeted.

Statement of Cash Flow

The Statement of Cash Flows demonstrates the use of cash for the year to date on a comparative basis. Total Cash and cash equivalents were \$3.9 million at June 30, 2013, an increase of \$0.4 million from the June 30, 2012 cash position.

**WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF FINANCIAL POSITION
AS AT**

	JUNE 30 2013 (Unaudited) (\$000s)	JUNE 30 2012 (Unaudited) (\$000s)	DECEMBER 31 2012 (Audited) (\$000s)
Assets			
Cash & cash equivalents	\$ 3,854	\$ 3,450	\$ -
Receivables	27,228	26,439	24,129
Investments	1,212,985	1,096,238	1,166,891
Property and equipment	4,452	4,194	4,421
Intangible assets	475	672	570
	<u>\$ 1,248,994</u>	<u>\$ 1,130,993</u>	<u>\$ 1,196,011</u>
Liabilities and Unfunded Liability			
Bank indebtedness	\$ -	\$ -	\$ 1,168
Payables and accruals	18,678	17,509	23,602
Lease liabilities	286	124	92
Post employment benefits	24,183	23,068	23,228
Benefits liabilities	<u>1,767,768</u>	<u>1,734,814</u>	<u>1,752,308</u>
	1,810,915	1,775,515	1,800,398
Deferred Revenue	12,567	10,896	-
Unfunded liability	<u>(574,488)</u>	<u>(655,418)</u>	<u>(604,387)</u>
	<u>\$ 1,248,994</u>	<u>\$ 1,130,993</u>	<u>\$ 1,196,011</u>

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF OPERATIONS AND UNFUNDED LIABILITY
FOR THE SIX MONTHS ENDED JUNE 30
(UNAUDITED)

	SECOND QUARTER 2013 (\$000s)	SECOND QUARTER 2012 (\$000s)	YTD June 30 2013 (\$000s)	YTD June 30 2012 (\$000s)
Revenue				
Assessments	\$ 73,901	\$ 76,149	\$ 144,861	\$ 145,439
Investment income	5,628	(10,368)	61,178	45,738
	<u>79,529</u>	<u>65,781</u>	<u>206,039</u>	<u>191,177</u>
Expenses				
Claims costs incurred				
Short-term disability	9,915	9,814	18,985	20,194
Long-term disability	25,713	23,632	49,808	47,184
Survivor benefits	3,442	1,229	4,821	2,402
Health care	14,479	15,517	28,773	28,865
Rehabilitation	309	208	491	415
	<u>53,858</u>	<u>50,400</u>	<u>102,878</u>	<u>99,060</u>
Growth in present value of benefits liabilities and actuarial adjustments	28,855	24,927	45,643	52,997
Administration costs	10,885	10,576	20,780	21,081
System support	185	214	358	426
Legislated obligations	3,195	3,207	6,481	6,426
	<u>96,978</u>	<u>89,324</u>	<u>176,140</u>	<u>179,990</u>
Comprehensive (loss) income	(17,449)	(23,543)	29,899	11,187
Unfunded liability, beginning of period	<u>(557,039)</u>	<u>(631,875)</u>	<u>(604,387)</u>	<u>(666,605)</u>
Unfunded liability, end of period	\$ <u>(574,488)</u>	\$ <u>(655,418)</u>	\$ <u>(574,488)</u>	\$ <u>(655,418)</u>

**WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30
AND THE FORECAST & FUNDING STRATEGY FORECAST FOR THE YEAR ENDING DECEMBER 31, 2013
(UNAUDITED)**

	YTD 2013 (\$000s)	YTD 2012 (\$000s)	FORECAST 2013 (\$000s)	BUDGET* 2013 (\$000s)
REVENUE				
ASSESSMENTS	\$ 144,861	\$ 145,439	\$ 294,724	\$ 299,026
INVESTMENT INCOME	61,178	45,738	78,805	78,805
	<u>206,039</u>	<u>191,177</u>	<u>373,529</u>	<u>377,831</u>
EXPENSES				
CLAIMS COSTS INCURRED				
SHORT-TERM DISABILITY	18,985	20,194	37,969	38,664
LONG-TERM DISABILITY	49,808	47,184	99,616	98,887
SURVIVOR BENEFITS	4,821	2,402	9,642	5,652
HEALTH CARE	28,773	28,865	57,545	58,382
REHABILITATION	491	415	982	957
	<u>102,878</u>	<u>99,060</u>	<u>205,755</u>	<u>202,542</u>
GROWTH IN PRESENT VALUE OF BENEFITS LIABILITIES AND ACTUARIAL ADJUSTMENTS	45,643	52,997	91,287	97,026
ADMINISTRATION COSTS	20,780	21,081	47,564	47,707
SYSTEM SUPPORT	358	426	782	809
LEGISLATED OBLIGATIONS	6,481	6,426	13,433	13,695
	<u>176,140</u>	<u>179,990</u>	<u>358,821</u>	<u>361,779</u>
COMPREHENSIVE INCOME	<u>\$ 29,899</u>	<u>\$ 11,187</u>	<u>\$ 14,708</u>	<u>\$ 16,052</u>

*Based on the Forecast approved June 2013 by the Board of Directors.

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30

	JUNE 30 2013 (\$000's)	JUNE 30 2012 (\$000's)
Operating Activities		
Cash received from:		
Employers, for assessments	\$ 152,528	\$ 148,273
Investment income	56,555	31,045
	<u>209,083</u>	<u>179,318</u>
Cash paid to:		
Claimants or third parties on their behalf	(129,848)	(119,961)
Suppliers, for administrative and other goods and services	(32,420)	(23,422)
	<u>(162,268)</u>	<u>(143,383)</u>
Net cash provided by operating activities	<u>46,815</u>	<u>35,935</u>
Investing Activities		
Increase in investments	(41,475)	(30,941)
Cash paid for:		
Purchase of equipment	(318)	(178)
	<u>(318)</u>	<u>(178)</u>
Net cash used in investing activities	<u>(41,793)</u>	<u>(31,119)</u>
Net Increase in cash and cash equivalents	5,022	4,816
(Bank indebtedness), beginning of year	<u>(1,168)</u>	<u>(1,366)</u>
Cash and cash equivalents, year-to-date	<u>\$ 3,854</u>	<u>\$ 3,450</u>

Workers' Compensation Board of Nova Scotia

Administration and Other Expenses Summary

For the 6 Periods Ending June 30, 2013

Program Area	2013 Actual YTD	2013 Budget YTD	2013 YTD Variance	2013 % Variance	2012 Actual YTD	2013 Original Budget	2013 Revised Budget	2013 Forecast
Salary & Staff Expense	\$16,997,839	\$17,367,030	(\$369,192)	(2.13%)	\$16,471,537	\$35,396,014	\$35,396,014	\$34,682,014
Training & Development	244,459	430,226	(185,767)	(43.18%)	287,357	1,205,093	1,079,593	1,079,593
Services Contracted	712,176	837,010	(124,833)	(14.91%)	782,253	1,774,750	1,774,750	1,774,750
Supplies	382,680	456,242	(73,562)	(16.12%)	422,122	904,690	901,790	901,790
Communications	536,325	598,232	(61,907)	(10.35%)	581,948	1,542,191	1,542,191	1,542,191
Travel & Accommodation	379,653	427,363	(47,710)	(11.16%)	422,893	932,688	930,688	930,688
Building Operations	1,086,017	1,121,598	(35,581)	(3.17%)	1,153,394	2,233,516	2,243,516	2,243,516
Professional Fees	1,158,051	1,158,359	(308)	(0.03%)	1,092,525	2,215,784	2,335,784	3,343,784
Depreciation	573,225	857,722	(284,497)	(33.17%)	370,656	1,715,444	1,715,444	1,415,444
Projects	480,618	719,684	(239,067)	(33.22%)	507,248	1,000,000	1,000,000	1,650,000
	\$22,551,043	\$23,973,467	(\$1,422,424)	(5.93%)	\$22,091,933	\$48,920,170	\$49,056,787	\$49,563,770
Capital - WCB	\$283,124	\$1,015,000	(\$731,876)	(72.11%)	\$52,200	\$1,015,000	\$1,015,000	\$1,015,000
Capital - WCB Projects	34,595	1,600,000	(1,565,405)	(97.84%)	0	1,650,000	1,650,000	1,000,000
	\$22,868,762	\$26,588,467	(\$3,719,705)	(13.99%)	\$22,144,133	\$51,585,170	\$51,721,787	\$51,578,770
Office of the Employer Advisor	\$172,380	\$169,000	\$3,380	2.00%	\$169,773	\$338,000	\$338,000	\$345,000
Office of the Worker Counsellor	172,380	169,000	3,380	2.00%	184,521	338,000	338,000	345,000
Workplace Safety and Insurance System	13,035	66,542	(53,507)	(80.41%)	70,931	269,540	132,923	92,000
	\$357,795	\$404,542	(\$46,747)	(11.56%)	\$425,225	\$945,540	\$808,923	\$782,000
Occupational Health & Safety	\$4,191,000	\$4,581,000	(\$390,000)	(8.51%)	\$4,057,000	\$9,161,226	\$9,161,226	\$8,380,000
Workers Advisers Program	1,378,000	1,396,000	(18,000)	(1.29%)	1,347,000	2,791,250	2,791,250	2,760,000
Workers' Compensation Appeals Tribunal	785,000	1,020,000	(235,000)	(23.04%)	922,000	2,039,000	2,039,000	2,039,000
Injured Workers' Associations	127,000	102,000	25,000	24.51%	100,000	204,000	204,000	254,000
	\$6,481,000	\$7,099,000	(\$618,000)	(8.71%)	\$6,426,000	\$14,195,476	\$14,195,476	\$13,433,000
	\$29,707,557	\$34,092,009	(\$4,384,452)	(12.86%)	\$28,995,358	\$66,726,186	\$66,726,186	\$65,793,770

2013 Revised Budget 66,726,000

***Notes:**

1. Total Administration cost (as above)	\$22,551,043
Decrease in liability for future Admin costs	(1,770,999)
Total Admin, Per Financial Statement	\$20,780,044

Variance Analysis – By Program Q2 - 2013

Salaries & Staff Expense

Actual	Budget	Var.\$	Var.%
\$16,997,839	\$17,367,030	(\$369,192)	(2.13%)

Variance Breakdown:

Salary and Benefits	(\$404,500)
Staff Expense	64,000
Overtime	<u>(28,700)</u>
Total Variance	<u>(\$369,200)</u>

Salary and Benefits were net under budget \$404,500 for the total WCB. The net favourable variance of \$404,500 resulted from staffing vacancies of \$287,500 combined with \$117,000 post-employment benefits being under budget based on a lower discount rate from 4.6% to 4.0%. The following departments were under spent due to the following 18 staffing vacancies for some portion of time during the first two quarters: Health & Extended Benefits: Team Support and Case Manager; Large Workplace: Case Manager, Workplace Consultant, Return to Work Assistant and an Adjudicator; Workplace Services: Case Manager and Adjudicator; Central Services: 3 Integrated Service Associates and Assessment Officer; Human Resource: Summer student budget not fully realized to date; Communication: Communication Advisor; Corporate Development: Policy Analyst; Information Technology Services: Programmer/Developer and Business Systems Analyst; Business Intelligence: Statistical Research Officer and Legal Services: Third Party Case Officer.

Staff Expense was over spent \$64,000 mainly due to timing of requirements for HR Recognition Initiatives and Staffing Arrangements.

Overtime was under spent \$28,700 primarily due to the following departments: Central Services was under spent \$15,000 due to use of summer students. Human Resources under spent \$13,000 as there were no overtime requests to date. Administration, Health & Extended Benefits and Large Workplace were under spent due to timing of work \$7,000, \$5,000 and \$5,000 respectively. This was offset by Issues Resolution and Internal Appeals being over budget \$16,000 due to requirements to support the Internal Appeals project.

Training & Development

Actual	Budget	Var.\$	Var.%
\$244,459	\$430,226	(\$185,767)	(43.18%)

Health and Extended Benefits under spent \$93,500 related to the timing of external outreach and doctors training activities expected to be spent later in the year. Corporate Development under spent \$28,000 in program research and funds will be fully spent by year end. Human Resources under spent \$20,000 for leadership capacity development work which is in progress and anticipate the budget being fully spent. Issues Resolution and Internal Appeals under spent \$15,000 due to timing and expect to be fully spent. The remaining \$28,000 under spent variance was spread mainly amongst: Workplace Services, Partnership, Business Intelligence, Finance and Leadership cost centres.

Services Contracted

Actual	Budget	Var.\$	Var.%
\$712,176	\$837,010	(\$124,834)	(14.91%)

The under spent variance was mainly due to the following departments: ITS \$101,000 relating to the timing of maintenance agreements and other external services work and is expected to be fully spent by year end. Workplace Services under spent \$24,000 due to Nova Scotia Business Registry and Canada Revenue Agency expenses less than anticipated. Corporate Development under spent \$10,000 due to timing of program initiative work and is expected to be fully spent by year end. The remaining \$10,000 under spent variance was spread amongst various departments. Offsetting this was Communications which was over spent \$20,000 due to timing of initiatives.

Supplies

Actual	Budget	Var.\$	Var.%
\$382,680	\$456,242	(\$73,562)	(16.12%)

The under spent variance was mainly due to the following departments: Administration under spent \$16,000 mainly due to less usage of paper products. ITS under spent \$12,000 due to less usage of toner. Workplace Services under spent \$12,000 due to Nova Scotia Business Registry and Canada Revenue Agency postage expenses less than anticipated. Communications under spent \$12,000 due to increased electronic mailing and therefore requiring less postage. Health & Extended Benefits under spent \$8,000 due to timing. The remaining \$14,000 favourable variance was spread mainly amongst Large Workplace, Cape Breton IST & WST and Leadership.

Communications

Actual	Budget	Var.\$	Var.%
\$536,325	\$598,232	(\$61,907)	(10.35%)

Communications Department was under spent \$12,000 due to the timing of advertising campaigns which can vary from quarter to quarter. ITS under spent \$20,000 awaiting new contracts with vendors. Workplace Services is under spent \$10,000 due to timing of work. The remaining under spent variance of \$20,000 relates to timing and was spread amongst Central Services, Administration, Health & Extended Benefits and Large Workplace.

Travel & Accommodation

Actual	Budget	Var.\$	Var.%
\$379,653	\$427,363	(\$47,710)	(11.16%)

Large Workplace was under spent \$43,000 due to timing, two Workplace Consultant vacancies and efforts to travel more efficiently. Health and Extended Benefits under spent \$13,500 related to the timing of travel. This was offset by Cape Breton IST & WST being over budget \$17,500 related to management travel to Halifax and increased staff travel to the Pictou area. The remaining under spent variance of \$9,000 was spread amongst various cost centres.

Building Operations

Actual	Budget	Var.\$	Var.%
\$1,086,017	\$1,121,598	(\$35,581)	(3.17%)

Administration was under spent \$21,000 due to timing of repair work and Central Services were under spent \$15,000 mainly due to timing of postage costs.

Projects

Actual	Budget	Var.\$	Var.%
\$480,618	\$719,684	(\$239,067)	(33.22%)

These were the actual expenditures for the second quarter. See Appendix A for spending and budget details by project.

Depreciation

Actual	Budget	Var.\$	Var.%
\$573,225	\$857,722	(\$284,497)	(33.17%)

Depreciation was based on existing assets and actual purchases for the year to date. Variance is due to less capitalization than planned on 2012 projects. Depreciation is

forecasted to be \$300,000 under budget at year end. This will be allocated to cover other initiatives.

System Support

Actual	Budget	Var.\$	Var.%
\$357,719	\$404,542	(\$46,823)	(11.57%)

These expenditures relate to internal resources provided to support WSIS and expenditures and accruals related to external resources of the Office of the Employer Advisor (OEA) and the Office of the Worker Counsellor (OWC).

Occupational Health & Safety (OH&S)

Actual	Budget	Var.\$	Var.%
\$4,191,000	\$4,581,000	(\$390,000)	(8.51%)

The expense represents two quarters of the total estimated expense to WCB for the 2013 fiscal year of \$8,423,000. The estimated expense was based on 25% of the 2012/13 final forecast provided by the Province of Nova Scotia as at March 31, 2013 plus 75% of the 2013/2014 budget, as updated by the Province of Nova Scotia as at July 30, 2013.

Workers' Compensation Appeals Tribunal (WCAT)

Actual	Budget	Var.\$	Var.%
\$785,000	\$1,020,000	(\$235,000)	(23.04%)

This amount relates the second quarter invoice for WCAT as provided by the Department of Justice.

Injured Workers' Associations (IWA) – Funding

Actual	Budget	Var.\$	Var.%
\$127,000	\$102,000	\$25,000	24.51%

The expense represents two quarters of the total estimated expense to WCB for the 2013 fiscal year of \$150,000. The estimated expense was based on 25% of the 2012/13 final forecast provided by the Province of Nova Scotia as at March 31, 2013 plus 75% of the 2013/2014 budget, as updated by the Province of Nova Scotia as at July 30, 2013.

Workers' Advisers Program (WAP)

Actual	Budget	Var.\$	Var.%
\$1,378,000	\$1,396,000	(\$18,000)	(1.29%)

The expense represents two quarters of the total estimated expense to WCB for the 2013 fiscal year of \$2,756,000. The estimated expense was based on 25% of the 2012/13 final forecast provided by the Province of Nova Scotia as at March 31, 2013 plus 75% of the 2013/2014 budget, as updated by the Province of Nova Scotia as at July 30, 2013.

APPENDIX A: Worker's Compensation Board of Nova Scotia

Project Expenditure Summary
For the 6 Periods Ending June 30, 2013

Project Number / Name	2013 Actual YTD	2013 Budget YTD	2013 YTD Variance	2013 % YTD Variance	2013 Annual Budget
082203 SDM: Program Office/Team	\$31,662	\$30,000	\$1,662	5.54%	\$30,000
Description: • Salary dollars for internal resources dedicated to SDM Project & Program work, including subject matter expert, training, and support.	Status Report: Variance due to small difference in actual salary and benefits versus what was budgeted. Project officially closed in Q2.				
112201 SDM: ITS Application Architecture	\$0	\$0	\$0	0.00%	\$0
Description: • Documentation of existing ITS systems to better understand impacts of phased modernization approach. Also includes development of future target application architecture state and roadmap to achieve.	Status Report: Work has wrapped up on this phase of the project. This phase of the project is considered closed pending paperwork.				
112203 Assessment Rate Setting Review	\$823	\$0	\$823	100.00%	\$0
Description: • Multi-year project to investigate and implement changes to Assessment Rate Setting Model to ensure appropriate responsiveness and incentive improvements in safety culture.	Status Report: The project remained open in 2013 pending paperwork for outstanding printing costs. Variance is due to these printing costs. Project officially closed in Q1 2013.				
112209 Appeal Review Project	\$0	\$0	\$0	0.00%	\$0
Description: • Project to review the current approach to resolving internal appeals to determine if changes to process, roles, and/or structure are necessary/appropriate to support early resolution or informal resolution of issues.	Status Report: Project launched Q4 2011 and this phase closed in Q4 2012. Project remained open into 2013 pending transfer of salary costs to phase 2 of this project for the term Hearing Officer position. Project officially closed in Q2.				
122201 NS Occupational Health & Safety Strategy	\$63,880	\$70,000	(\$6,120)	(8.74%)	\$70,000
Description: • Project to develop a 2013-2018 Occupational Health and Safety Strategy for Nova Scotia.	Status Report: Budget variance is due to cost savings in travel and less external consultant fees than originally anticipated to write the draft strategy. Project officially closed in Q2 2013.				
122202 Centralized Expedited Surgery	\$51	\$0	\$51	100.00%	\$0
Description: • Project to further define the Centralized Expedited Surgery model.	Status Report: Project launched in Q1 2012 and this phase is considered closed pending paperwork for outstanding travel costs. Budget variance due to these travel costs.				

APPENDIX A: Worker's Compensation Board of Nova Scotia

Project Expenditure Summary
For the 6 Periods Ending June 30, 2013

122203 Privacy Report Response Project	\$1,227	\$10,000	(\$8,773)	(87.73%)	\$10,000
Description: • Project to implement the 21 recommendations put forth in the Privacy Review Officer's report within the timelines specified in WCB's response to the PRO.	Status Report: Variance is due to cost savings in travel and no requirement for external consultants, as initially planned. Project officially closed in Q2 2013.				
122204 Small / Medium Activity Roadmap to Transformation	\$289	\$3,000	(\$2,711)	(90.37%)	\$3,000
Description: • Project to develop an implementation roadmap which will identify a detailed list of initiatives that will need to be completed in order to meet the service needs of small and medium workplaces.	Status Report: Project launched in late Q1 2012 and officially closed in Q1 2013. Budget variance due to less travel required than anticipated.				
122205 Application Architecture - Phase II	\$0	\$0	\$0	100.00%	\$0
Description: • Project to conduct technical exploration and confirm key assumptions regarding the nature and role of technology approaches identified during Phase 1.	Status Report: Project launched in early Q2 2012 and officially closed in Q2 2013.				
122206 Application Architecture - Phase III	\$8,027	\$50,000	(\$41,973)	(83.95%)	\$50,000
Description: • Project to engage external partner for MS SharePoint expertise and advance the evolution architecture through use of new technologies for creating web service for the Rate Setting Enhancements project.	Status Report: Project launched in Q3 2012 and will continue into 2013 with work on determining best framework for SharePoint. Variance is due to a later than anticipated start date for the external SharePoint partner. Anticipate project will be approximately \$8,000 underspent.				
122207 Enhanced Medical Advisory Services - Pilot	\$11,400	\$20,000	(\$8,600)	(43.00%)	\$20,000
Description: • Project to pilot additional medical advisory services in Health & Social Services Unit to provide more timely and effective support to the RTW process.	Status Report: Project launched in Q4 2012 and is expected to officially close in Q3 2013. Variance is due to difference in salary for medical advisor than was anticipated.				
122208 Internal Appeal Review Project - Phase II	\$309,274	\$377,424	(\$68,150)	(18.06%)	\$923,807
Description: • Project to implement recommendations from the first phase of the Internal Appeal Review project. Key areas include new Coaching Model, Plain Language Decision Framework, and Refocus of Internal Appeals.	Status Report: Project launched in Q4 2012 and will continue into 2013 & 2014. The variance is due to a later than anticipated start date for an additional HR resource and a Communications advisor to support both this project and Service Culture Evolution.				

132201 Rate Enhancements Project - Phase II	\$32,577	\$40,760	(\$8,183)	(20.07%)	\$100,000
Description: • Implementation of two key programs approved in the first phase of this project - Practice Incentives Rebate pilot and Conditional Surcharge Refund Program.	Status Report: Project launched early in Q1 2013 and will continue throughout 2013 & part of 2014. Variance is due to less than anticipated printing and advertising costs in Q2.				
132202 Centralized Surgery Services - Phase II	\$42,533	\$106,500	(\$63,968)	(60.06%)	\$106,500
Description: • Project to implement the Centralized Surgery Services Program (CSSP).	Status Report: Project launched early in Q1 2013. Variance due to lower than anticipated need for external consulting expertise and travel plus a delay in the start date for the program due to lengthy negotiations with surgeons. Project expected to officially close in Q4 2013.				
132203 Application Architecture - Phase IV	\$13,469	\$15,000	(\$1,531)	(10.21%)	\$575,000
Description: • Project to bring WCB to full team readiness to progress the Evolution architecture project to completion, including all aspects of technical, process and change-related.	Status Report: Project launched late in Q1 2013. No money was budgeted to be spent in Q1. Variance in Q2 is due to slightly later start date than anticipated for new IT staff.				
132204 Service Culture / Excellence Project	\$0	\$0	\$0	0.00%	\$250,000
Description: • Develop a well-defined, clearly articulated, shared understanding of what great service means at the WCB by engaging leaders and employees in the development of evolving our service principles to help achieve our vision.	Status Report: Project launched late in Q1 2013. No money was budgeted to be spent in Q2.				
132205 Knowledge Management 2013 - Phase I	\$0	\$23,500	(\$23,500)	0.00%	\$85,000
Description: • To achieve a common vision of a Knowledge Management framework and related practices needed to positively impact business activities across the organization.	Status Report: Project launched late in Q2 2013. No money was spent in Q2.				
132206 Microfilm Digitization Initiative	\$0	\$0	\$0	0.00%	\$125,000
Description: • To engage a commercial supplier for digitization of documents currently archived on 5,300 60 foot rolls of 16mm microfilm into individual claim files.	Status Report: Project launched late in Q2 2013. No money was budgeted to be spent in Q2.				
Total Assigned Projects	\$515,213	\$746,184	(\$230,972)	(30.95%)	\$2,348,307
***Unassigned Project Budget					301,693
Total Projects	\$515,213	\$746,184	(\$230,972)	(30.95%)	\$2,650,000

Notes to Quarterly Financial Statements

1. Basis of Presentation of Interim Financial Statements

Interim financial statements should be read in conjunction with the most recent annual audited Financial Statements (December 31, 2012) and present the WCB's financial position and results of operations on a basis consistent with selected IFRS accounting policies as at and for the six months ended June 30, 2013, including 2012 comparative periods.

The interim financial statements are prepared on a basis consistent with annual financial statements with the exception of claims costs incurred and the growth in the present value of the benefits liabilities and actuarial experience adjustments. These figures were determined by an actuarial valuation for purposes of the annual financial statements and through estimation and extrapolation of current results for purposes of interim financial statements. In addition, these interim financial statements do not include all the information required for annual financial statements.

2. Statement of Financial Position

Receivables include insured firms' premiums received up to the remittance due date of the 15th of the month following quarter end and an estimate for amounts due but not yet reported by employers, and self-insured employers receipts, and are net of the allowance for doubtful accounts, and self-insured deposits.

Investments include the investment portfolio held to secure the payment of benefits in the future.

Property and equipment and intangible assets are stated at cost less accumulated depreciation.

Benefits liabilities represent an estimate based on assumptions used in the funding strategy for claims costs incurred and projected inflation. These figures are determined by estimation and extrapolation of current results for purposes of interim financial statements.

3. Statement of Operations

Assessments

The WCB receives two types of assessment revenue. Most employers pay an insurance premium with rates established based on prior years' experience. Assessment revenue for insured firms is recognized based on the requirement for employers to report and pay premiums periodically throughout the year based on actual assessable payroll and includes

classified employers' premiums received up to the remittance due date of the 15th of the month following quarter end and a provision for amounts due but not yet reported by employers.

The federal and provincial government agencies and departments are self-insured. Rather than paying an insurance premium, they reimburse the WCB for claims costs incurred on their behalf plus an administrative fee. Self insured revenue relates to amounts billed for the year to date of the calendar year.

Investment Income

Investment income consists of income from the long term investment portfolio (interest, dividends, gains and losses arising from foreign currency, realized and unrealized gains and losses). Unrealized gains and losses result from the change in fair value of an investment. Investment income is presented net of investment expenses.

Claims Costs Incurred

The estimates for short term disability, health care, rehabilitation, long term disability, and survivor benefits were derived as follows:

- Estimates for regular classified firms were determined by an actuarial valuation for purposes of the mid year and annual financial results, and through estimation and extrapolation of current results for purposes of interim financial statements.
- Actual invoiced payments for self-insured firms were added to these estimates.

Growth in Present Value of Benefits Liability and Actuarial Experience Adjustments

Quarterly statements provide an estimate for the growth in present value based on the net interest rates of the prior year valuation and expected inflation for the quarter. There is an estimated provision for actuarial experience adjustments based on a mid year actuarial valuation for the purpose of the interim financial results and the extrapolation of year to date claims costs for current and prior years.

4. Cash Flow Statement

This statement summarizes cash receipts and disbursements from all sources.

5. Administration Expenses

Operating expenses are shown by Program Area (type of expenditure).

Glossary of Benefit Categories

Short Term Disability Benefits

All income benefits during the initial period after the injury, before the injury has stabilized, reached a plateau, or consolidated. The time at which an injury stabilizes depends on the type of injury and the workers' condition. Short-term disability benefits include income benefits during a rehabilitation period.

Long Term Disability Benefits

All income benefits after the short-term disability benefits have ceased and after the injury is deemed by the Board to be sufficiently stabilized, to have reached a plateau, or to have consolidated. Long-term disability benefits include lifetime pension awards, lump sum functional impairment awards, interim earnings replacement awards, and extended earnings replacement benefits.

Survivor Benefits

All benefits after the death of the worker provided to the surviving spouse, children, other dependents or the workers' estate, including income benefits, lump sum benefits, education benefits, and funeral costs.

Health Care Benefits

All benefits related to providing medical aid or health care to the injured worker, including items such as hospital charges, physician fees, drugs, and physical therapy.

Rehabilitation Benefits

All amounts related to the rehabilitation of an injured worker, including vocational and psychological rehabilitation costs. Rehabilitation benefits exclude income benefits to the injured worker during the rehabilitation period.

Glossary of Administration Expenses by Program Area

Salaries & Staff Expense:

Salaries, vacation pay, overtime, group insurance, hospital/medical benefits, CPP, employment insurance, superannuation, sitting fees, long term disability, post-employment benefits, standby pay, voluntary retirement, recruitment, recognition, arrangements and relocation costs

Professional Fees:

Audit fees, consultants, and legal fees

Depreciation:

Depreciation of the fixed assets and intangible assets over their useful life

Projects:

General projects

Supplies:

Photocopying, postage and courier, computer supplies, office supplies, records and periodicals

Building Operations:

Repairs and maintenance, rent, supplies, cleaning, utilities, taxes, insurance, rental of equipment, equipment leases and miscellaneous

Communications:

Advertising, art services, printing, telephone services, smart phones and data line communications

Services Contracted:

Maintenance and services of equipment, services contracted for temporary backfill of vacant staff positions

Travel and Accommodations:

Accommodations, meals, travel, room rentals, workers and witnesses travel expenses

Training and Development:

Supply costs for training aids, course fees, books, training related accommodations, training related travel, training related meals and corporate and staff membership dues