

**Workers' Compensation Board of Nova Scotia
Summary of Financial Results
First Quarter 2012**

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SUMMARY OF FINANCIAL RESULTS FIRST QUARTER 2012

Statement of Financial Position

The Board's asset base at March 31, 2012 was \$1,134.8 million in comparison to \$1,091.2 million at March 31, 2011. This \$43.6 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 March 31, 2012 includes equity at 60%, fixed income at 30% and real estate at 10%.

Benefits liabilities have increased \$77.2 million from March 31, 2011 to March 31, 2012. These liabilities have been estimated based on an extrapolation of year to date claims payments for current and prior years. 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 \$34.7 million for the quarter ended March 31, 2012, decreasing the unfunded liability. The excess revenue is primarily driven by first quarter investment returns. The unfunded liability represents the excess of liabilities over assets. The current funding strategy, approved in June 2011, anticipates comprehensive income for 2012 of \$7.6 million.

Investment income could vary significantly based on what may happen in the investment markets over the remainder of the year. The impact on the funding strategy will be measured as the variance of the 2012 comprehensive income to the funding strategy estimate. The funding strategy will be updated in June 2012.

Revenue

Assessment revenue year to date is \$69.3 million, an increase of \$1.9 million (2.8%) versus the same period in 2011. This \$1.9 million increase relates to insured firms' assessment premium revenue (\$1.7 million) and self insured revenue (\$0.2 million) increasing over the same period in 2011.

Investment income year to date is \$56.1 million, an increase of \$27.0 million over the same period in 2011. Investment income is derived from income on long term investments managed by external investment managers and is the result of interest and dividends of \$10.7 million, realized gains of \$3.1 million, unrealized gains of \$39.0 million, currency overlay gains of \$5.7 million and unrealized currency overlay losses of \$1.7 million less \$0.7 million in management fees. The three month return was 5.4%.

Claims Costs Incurred and Growth in Present Value of Benefits Liability

Claims costs incurred of \$48.7 million are an increase of \$1.9 million (3.7%) over year to date 2011 and are estimated based on an extrapolation of year to date claims payments for current and prior years' injuries.

The year to date net growth in the present value of the benefits liability and actuarial adjustments was \$28.1million. The growth component was \$29.9 million and the estimated favourable actuarial experience adjustments total \$1.8 million. Favourable experience adjustments are currently projected mainly for health care with all other benefits categories currently projecting lesser adjustments.

Administrative Expenditures (Operating, Projects, and Capital)

Year to date administrative expenditures were \$11.2 million with a \$2.7 million favourable variance from the \$13.9 million year to date budget estimate. Favourable variances relate mainly the timing of project and capital expenditures. Smaller variances exist in salaries, communications and depreciation. These variances are expected to be utilized by the end of the year.

Legislative Obligations

Legislated Obligations expenditures were \$3.2 million with a \$0.3 million favourable variance from the year to date budget estimate mainly attributable to Occupational Health and Safety and the Workers' Compensation Appeals Tribunal.

Statement of Cash Flow

The Statement of Cash Flows demonstrates the use of cash for the year to date on a comparative basis. Total bank indebtedness was \$1.4 million at March 31, 2012, a decrease of \$2.2 million from the March 31, 2011 cash position.

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

	MARCH 31 2012 (Unaudited) (\$000s)	MARCH 31 2011 (Unaudited) (\$000s)	DECEMBER 31 2011 (Audited) (\$000s)
Assets			
Cash & cash equivalents	\$ -	\$ 782	\$ -
Receivables	23,012	20,535	19,876
Investments	1,106,678	1,063,938	1,050,610
Property and equipment	4,356	4,757	4,594
Intangible assets	<u>778</u>	<u>1,163</u>	<u>881</u>
	<u>\$ 1,134,824</u>	<u>\$ 1,091,175</u>	<u>\$ 1,075,961</u>
Liabilities and Unfunded Liability			
Bank indebtedness	\$ 1,381	\$ -	\$ 1,366
Payables and accruals	15,587	15,651	13,010
Lease liabilities	146	232	168
Post employment benefits	22,590	16,703	22,065
Benefits liabilities	<u>1,721,954</u>	<u>1,644,708</u>	<u>1,705,957</u>
	1,761,658	1,677,294	1,742,566
Deferred revenue	5,041	4,858	-
Unfunded liability	<u>(631,875)</u>	<u>(590,977)</u>	<u>(666,605)</u>
	<u>\$ 1,134,824</u>	<u>\$ 1,091,175</u>	<u>\$ 1,075,961</u>

**WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF OPERATIONS AND UNFUNDED LIABILITY
FOR THE THREE MONTHS ENDED MARCH 31
(UNAUDITED)**

	FIRST QUARTER 2012 (\$000s)	FIRST QUARTER 2011 (\$000s)
Revenue		
Assessments	\$ 69,290	\$ 67,396
Investment income	<u>56,105</u>	<u>29,076</u>
	<u>125,395</u>	<u>96,472</u>
Expenses		
Claims costs incurred		
Short-term disability	10,380	9,876
Long-term disability	23,552	21,115
Survivor benefits	1,173	1,028
Health care	13,348	14,597
Rehabilitation	<u>207</u>	<u>223</u>
	48,660	46,839
Growth in present value of benefits liabilities and actuarial adjustments	28,070	26,557
Administration costs	10,506	9,560
System support	211	179
Legislated obligations	<u>3,218</u>	<u>3,224</u>
	<u>90,665</u>	<u>86,359</u>
Comprehensive income	34,730	10,113
Unfunded liability, beginning of period	<u>(666,605)</u>	<u>(601,090)</u>
Unfunded liability, end of period	<u>\$ (631,875)</u>	<u>\$ (590,977)</u>

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31
AND THE FORECAST & FUNDING STRATEGY FORECAST FOR THE YEAR ENDING DECEMBER 31, 2012
(UNAUDITED)

	YTD 2012 (\$000s)	YTD 2011 (\$000s)	FORECAST* 2012 (\$000s)	BUDGET 2012 (\$000s)
REVENUE				
ASSESSMENTS	\$ 69,290	\$ 67,396	\$ 292,988	\$ 292,988
INVESTMENT INCOME	56,105	29,076	81,908	81,908
	<u>125,395</u>	<u>96,472</u>	<u>374,896</u>	<u>374,896</u>
EXPENSES				
CLAIMS COSTS INCURRED				
SHORT-TERM DISABILITY	10,380	9,876	40,095	40,095
LONG-TERM DISABILITY	23,552	21,115	83,619	83,619
SURVIVOR BENEFITS	1,173	1,028	4,388	4,388
HEALTH CARE	13,348	14,597	55,140	55,140
REHABILITATION	207	223	1,205	1,205
	<u>48,660</u>	<u>46,839</u>	<u>184,447</u>	<u>184,447</u>
GROWTH IN PRESENT VALUE OF BENEFITS LIABILITY AND ACTUARIAL ADJUSTMENTS	28,070	26,557	122,196	122,196
ADMINISTRATION COSTS	10,506	9,560	45,670	45,670
SYSTEM SUPPORT	211	179	927	927
LEGISLATED OBLIGATIONS	3,218	3,224	13,500	14,076
	<u>90,665</u>	<u>86,359</u>	<u>366,740</u>	<u>367,316</u>
COMPREHENSIVE INCOME	<u>34,730</u>	<u>10,113</u>	<u>8,156</u>	<u>7,580</u>

*Based on the Forecast approved June 2011 by the BOD. This forecast is anticipated to be updated in June 2012 in conjunction with the review of the 2013 plan, administrative budget and funding strategy.

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31

	MARCH 31 2012 (\$000's)	MARCH 31 2011 (\$000's)
Operating Activities		
Cash received from:		
Employers, for assessments	\$ 70,189	\$ 72,552
Investment income	18,845	18,514
	<u>89,034</u>	<u>91,066</u>
Cash paid to:		
Claimants or third parties on their behalf	(59,070)	(58,608)
Suppliers, for administrative and other goods and services	(11,118)	(11,058)
	<u>(70,188)</u>	<u>(69,666)</u>
Net cash provided by operating activities	<u>18,846</u>	<u>21,400</u>
Investing Activities		
Increase in investments	(18,809)	(18,480)
Cash paid for:		
Purchase of equipment	(52)	(315)
	<u>(18,861)</u>	<u>(18,795)</u>
Net cash used in investing activities	<u>(18,861)</u>	<u>(18,795)</u>
Net (decrease) increase in cash and cash equivalents	(15)	2,605
(Bank indebtedness), beginning of year	<u>(1,366)</u>	<u>(1,823)</u>
(Bank indebtedness), Cash and cash equivalents, year-to-date	<u>\$ (1,381)</u>	<u>\$ 782</u>

Workers' Compensation Board of Nova Scotia

Administration and Other Expenses Summary

For the 3 Periods Ending March 31, 2012

Program Area	2012 Actual YTD	2012 Budget YTD	2012 YTD Variance	2012 % Variance	2011 Actual YTD	2012 Original Budget	2012 Forecast
Salary & Staff Expense	\$8,121,575	\$8,276,039	(\$154,465)	(1.87%)	\$7,810,092	\$33,916,012	\$33,916,012
Services Contracted	371,595	404,143	(32,548)	(8.05%)	322,801	1,803,750	1,803,750
Supplies	225,272	213,338	11,935	5.59%	228,796	879,600	879,600
Travel & Accommodation	195,176	182,229	12,948	7.11%	174,822	924,678	924,678
Professional Fees	573,882	521,065	52,817	10.14%	392,877	2,265,784	2,265,784
Training & Development	194,901	141,794	53,107	37.45%	144,886	1,143,993	1,143,993
Building Operations	631,197	547,038	84,159	15.38%	482,668	2,188,516	2,188,516
Communications	312,844	169,585	143,260	84.48%	120,801	1,602,391	1,602,391
Projects	191,982	318,141	(126,159)	(39.66%)	215,573	1,050,000	1,050,000
Depreciation	370,656	473,751	(103,095)	(21.76%)	419,391	1,895,444	1,895,444
	\$11,189,080	\$11,247,123	(\$58,043)	(0.52%)	\$10,312,707	\$47,670,168	\$47,670,168
Capital - WCB Projects	\$0	\$1,600,000	(1,600,000)	(100.00%)	\$1,700,000	\$1,600,000	\$1,600,000
Capital - WCB	52,200	1,015,000	(962,800)	(94.86%)	1,015,000	1,015,000	1,015,000
	\$11,241,280	\$13,862,123	(\$2,620,843)	(18.91%)	\$13,027,707	\$50,285,168	\$50,285,168
Workplace Safety and Insurance System	\$34,287	\$56,311	(\$22,024)	(39.11%)	\$53,357	\$227,000	\$227,000
Office of the Employer Advisor	82,000	87,500	(5,500)	(5.97%)	69,934	350,000	350,000
Office of the Worker Counsellor	95,000	87,500	7,500	8.08%	55,563	350,000	350,000
	\$211,287	\$231,311	(\$20,024)	(8.66%)	\$178,854	\$927,000	\$927,000
Occupational Health & Safety	\$2,128,000	\$2,291,000	(\$163,000)	(7.11%)	\$2,084,774	\$9,164,000	\$8,640,000
Workers' Compensation Appeals Tribunal	367,000	506,500	(139,500)	(27.54%)	436,254	2,026,000	1,962,000
Injured Workers' Associations	50,000	50,000	0	0.00%	50,000	200,000	200,000
Workers Advisers Program	673,000	671,500	1,500	0.22%	653,388	2,686,000	2,638,000
	\$3,218,000	\$3,519,000	(\$301,000)	(8.55%)	\$3,224,416	\$14,076,000	\$13,440,000
	\$14,670,567	\$17,612,434	(\$2,941,867)	(16.70%)	\$16,430,978	\$65,288,167	\$64,652,167

***Notes:**

1. Total Administration cost (as above)	\$11,189,080
Decrease in liability for future Admin costs	(\$683,322)
Total Admin, Per Financial Statement	<u>\$10,505,759</u>

Variance Analysis – By Program Q1 - 2012

Salaries & Staff Expense

Actual	Budget	Var.\$	Var.%
\$8,121,575	\$8,276,039	(\$154,465)	(1.87%)

Variance Breakdown:

Salary and Benefits	(\$107,000)
Staff Expense	(29,000)
Overtime	(19,000)
Sitting fees	<u>1,000</u>
Total Variance	<u>(\$154,000)</u>

Salary and Benefits were net under spent \$107,000 for the total WCB, which includes an estimate of approximately \$68,000 for Collective Bargaining. The net under spent of \$107,000 resulted from staffing vacancies of \$157,000 offset by post employment benefits being \$50,000 over budget. The following departments were under spent due to staffing variances: Health & Extended Benefits: Long-Term benefits Assistant and Hearing Loss Adjudicator; Workplace Services: Return to Work Assistant; Communications: Manager, Communications; Corporate Development: Manager, Strategy, Support & Planning; Large Workplace: Prevention Education Consultant; and ITS: Application Developer Analyst.

Staff Expense was under spent \$29,000 due to timing of expenditures for Staff Recognition \$8,000 and Staffing Arrangements \$46,000. This was offset by the timing of costs incurred related to Staff Recruitment being over spent by \$25,000.

Overtime was under spent due to fewer overtime requests: Administration \$3,000, ITS \$7,000, Large Workplace \$2,000 and Workplace Services \$2,000. The remaining \$5,000 under spent variance related to various cost centres.

Sitting fees budget was fully utilized.

Services Contracted

Actual	Budget	Var.\$	Var.%
\$371,595	\$404,143	(\$32,548)	(8.05%)

The under spent variance was mainly due to the following departments: Health & Extended Benefits \$9,000 and IST & WST Cape Breton \$5,000 related to the timing of services required, Corporate Development \$15,000 for timing of program initiatives and ITS \$23,000 for maintenance agreements. This was offset by an over spent variance of \$19,000 due to earlier timing of work completed in Communications for the new advertising campaign.

Professional Fees

Actual	Budget	Var.\$	Var.%
\$573,882	\$521,065	\$52,817	10.14%

The over spent variance was mainly due to overages in the following departments: Legal Services \$69,000 related to the timing of work which does not always align with budget, Business Intelligence \$31,000 related to additional work completed for IFRS financial statements and Internal Audit \$15,000 due to the timing of work. The remaining \$11,000 over spent variance was spread primarily over Administration, Finance and Leadership related to timing of required services. These were offset by a \$50,000 under spent variance related to Health & Extended Benefits, with the CMO role being vacant, and an additional \$23,000 under spent variance spread amongst Human Resources, Corporate Development and ITS, mainly due to timing.

Training & Development

Actual	Budget	Var.\$	Var.%
\$194,901	\$141,794	\$53,107	37.45%

Corporate Development was over spent \$74,000 in the first quarter due to the timing of a payment for research projects with WorkSafe BC and the budget spread throughout the year. This was offset by a \$21,000 under spent variance spread among Service Delivery departments and Corporate Services.

Building Operations

Actual	Budget	Var.\$	Var.%
\$631,197	\$547,038	\$84,159	15.38%

IST & WST – Cape Breton was over budget \$69,000 due to Sydney's office rent which was the result of higher common area costs than expected; it is anticipated at this time to be \$90,000 over budget for 2012. Favourable variances from other areas will cover this shortfall. The remaining \$15,000 unfavourable variance was due to timing of work completed in Administration.

Communications

Actual	Budget	Var.\$	Var.%
\$312,844	\$169,585	\$143,260	84.48%

Communications was mainly over spent due to the timing of advertising completed in Q1 and the timing of budget funds in the Communication department resulting in an unfavourable variance of \$179,000. This was offset by a favourable variance in ITS due to a credit of \$38,000 for 2011 data charges. The remaining \$2,000 over spent variance was spread among various departments.

Projects

Actual	Budget	Var.\$	Var.%
\$191,982	\$318,141	(\$126,159)	(39.66%)

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

Depreciation

Actual	Budget	Var.\$	Var.%
\$370,656	\$473,751	(\$103,095)	(21.76%)

Depreciation was based on existing assets and actual purchases for the quarter. Variance was due to less capitalization than planned of 2011 projects, this variance is expected to decrease as 2012 capital purchases are made and projects are completed.

System Support

Actual	Budget	Var.\$	Var.%
\$211,127	\$231,311	(\$20,024)	(8.66%)

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.%
\$2,128,000	\$2,291,000	(\$163,000)	(7.11%)

The expense represents one quarter of the total estimated expense to WCB for the 2012 fiscal year of \$8,512,845. The estimated expense was based on 25% of the 2011/12 final forecast provided by the Province of Nova Scotia as at March 31, 2012 plus 75% of the 2012/2013 budget.

Workers' Compensation Appeals Tribunal (WCAT)

Actual	Budget	Var.\$	Var.%
\$367,000	\$506,500	(\$139,500)	(27.54%)

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

Injured Workers' Associations (IWA) – Funding

Actual	Budget	Var.\$	Var.%
\$50,000	\$50,000	\$0	0%

The expense represents one quarter of the total estimated expense to WCB for 2012 of \$200,000. The estimated expense was based on 25% of the 2011/12 final forecast provided by the Province of Nova Scotia as at March 31, 2012 plus 75% of the 2012/2013 budget.

Workers' Advisers Program (WAP)

Actual	Budget	Var.\$	Var.%
\$673,000	\$671,500	\$1,500	(0.22%)

The expense represents one quarter of the total estimated expense to WCB for 2012 of \$2,693,425. The estimated expense was based on 25% of the 2011/12 final forecast provided by the Province of Nova Scotia as at March 31, 2012 plus 75% of the 2012/2013 budget.

APPENDIX A: Worker's Compensation Board of Nova Scotia

Project Expenditure Summary
For the 3 Periods Ending March 31, 2012

Project Number / Name	2012 Actual YTD	2012 Budget YTD	2012 YTD Variance	2012 % YTD Variance	2012 Annual Budget
082203 SDM: Program Office/Team	\$28,577	\$53,247	(\$24,670)	(46.33%)	\$213,000
Description: <ul style="list-style-type: none"> Salary dollars for internal resources dedicated to SDM Project & Program work, including subject matter expert, training, and support. 	Status Report: 1 SDM program resource is required (Service Delivery subject matter expert) plus 1 term Business Intelligence resource approved for conversion to new performance reporting software. Variance due to delay in start date of successful BI candidate.				
092205 SDM: Project Salaries	\$634	\$0	\$634	0.00%	\$0
Description: <ul style="list-style-type: none"> Administrative spending due to SDM is captured centrally to ensure balancing of the administrative budget is tracked appropriately. 	Status Report: Adjustment in benefit costs related to a 2011 transaction; no further impact in 2012.				
112201 SDM: ITS Application Architecture	\$25,013	\$47,880	(\$22,867)	(47.76%)	\$84,000
Description: <ul style="list-style-type: none"> 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 in Q1 continued on governance framework and approach for next phase of project. Professional services were retained to support next steps in evolution toward target architecture. Variance due to less professional services required than originally planned for the period and to money allocated for purchasing MICR cheque stock not being used in the period. This phase is expected to be completed by Q4, 2012. Anticipate project being \$39K under.				
112203 Assessment Rate Setting Review	\$15,408	\$20,891	(\$5,483)	(26.25%)	\$330,000
Description: <ul style="list-style-type: none"> 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: Project continues in 2012 with design and implementation of new programs and communication to employers. The variance is due to timing of spending, Q1 variance will be utilized in future periods.				
112205 SDM: Post IST Implementation Analysis	\$465	\$0	\$465	0.00%	\$1,000
Description: <ul style="list-style-type: none"> Project to evaluate targeted aspects of the Integrated Services Teams (ISTs); including advancement of strategic planning skill building, validation of resource mix in newly defined roles, analysis of workload drivers at medium risk. 	Status Report: Project launched in Q2 2011 and will be completed in Q2 2012. Budget variance due to projects costs incurred for food and venue for workshop earlier than anticipated in monthly budget breakdown.				
112207 CRA Linkage: Income Verification	\$225	\$250	(\$25)	(10.15%)	\$15,500
Description: <ul style="list-style-type: none"> Project to establish ITS system link with Canada Revenue Agency (CRA) to request & receive workers' earnings information electronically rather than manually. 	Status Report: Project launched in Q2 2011. It was anticipated that solution build would commence early in 2012 but additional time has been needed to continue negotiations with CRA on requirements. A decision on whether to continue with the project will be made by Steering committee in Q2 2012. Utilization of the budget will be determined in Q2.				

112208	Physiotherapy Program Enhancement	\$43,997	\$57,073	(\$13,076)	(22.91%)	\$83,412
Description: • Project to implement various enhancements to the Physiotherapy Program guided by the Stakeholder Working group's report and recommendations.		Status Report: Project launched in Q2 2011 and will be completed in Q2 2012. Funds spent in Q1 on implementation activities and professional services. Budget variance is due to cost savings in postage and printing costs. Anticipate project being \$34K under budget.				
112209	Appeal Review Project	\$55,531	\$104,800	(\$49,269)	(47.01%)	\$265,000
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 will be completed at end of Q2 2012. Variance due to accrual for external consultant's March invoice of \$20K plus cost savings for printing and travel. Anticipate being on budget.				
122201	NS Occupational Health & Safety Strategy	\$20,507	\$25,000	(\$4,493)	(17.97%)	\$250,000
Description: • Project to develop a 2013-2018 Occupational Health and Safety Strategy for Nova Scotia.		Status Report: Project launched in Q1 2012. Variance is due to cost savings in travel for the quarter.				
122202	Centralized Expedited Surgery	\$1,625	\$8,750	(\$7,125)	(81.43%)	\$28,000
Description: • Project to further define the Centralized Expedited Surgery model.		Status Report: Project launched in Q1 2012 and will be completed at end of Q2 2012. Budget variance due to less time required of external subject matter expert than planned.				
122203	Privacy Report Response Project	\$0	\$0	\$0	0.00%	\$30,000
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: Project launched in late Q1 2012 and will be completed in Q4, 2012 in connection with PRO's timeline.				
122204	Small / Medium Activity Roadmap to Transformation	\$0	\$250	(\$250)	(100.00%)	\$105,000
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 will be completed in Q4, 2012.				
122205	Application Architecture - Phase II	\$0	\$0	\$0	0.00%	\$64,000
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. Variance due to the fact that the project was not approved in Q1, so there was no spending in the first quarter and project funds have not been allocated to quarters yet.				
Total Assigned Projects		\$191,982	\$318,141	(\$126,159)	(39.66%)	\$1,468,912
Anticipated Requests:						
122201 NS Occupational Health & Safety Strategy						(\$235,000)
122205 Application Architecture - Phase II						(\$587,000)
***Unassigned Project Budget						359,088
Total Projects		\$191,982	\$318,141	(\$126,159)	(39.66%)	\$2,650,000

*** Expect to fully utilize 2012 project funds for new projects relating to Knowledge Management, Service Excellence, and Integrated Service Centre.

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, 2011) to enhance understanding. These interim Financial Statements present the WCB's financial position and results of operations on a basis consistent with selected IFRS accounting policies as at and for the three months ended March 31, 2012, including 2011 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 classified employers' 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 estimated based on an extrapolation of year to date claim payments for current and prior years.
- 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 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, standby pay, voluntary retirement, recruitment, recognition, arrangements, relocation costs

Professional Fees:

Audit fees, consultants, and legal fees

Depreciation:

Depreciation of the fixed 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, rents, supplies, cleaning, utilities, taxes, insurance, rental of equipment, equipment leases and miscellaneous

Communications:

Advertising, photocopying, art services, printing, art services, 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 rental for hearings, workers and witnesses travel expenses

Training and Development:

Photocopying, postage and courier, training aids, course fees and books, accommodations, travel, membership dues