

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

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SUMMARY OF FINANCIAL RESULTS FIRST QUARTER 2013

Statement of Financial Position

The Board's asset base at March 31, 2013 was \$1,250.8 million in comparison to \$1,134.8 million at March 31, 2012. This \$116.0 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, 2013 includes equity at 60%, fixed income at 30% and real estate at 10%.

Benefits liabilities have increased \$34.3 million from March 31, 2012 to March 31, 2013. 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 \$47.3 million for the quarter ended March 31, 2013, 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 2012, anticipates a comprehensive loss for 2013 of \$2.4 million.

Revenue

Assessment revenue year to date is \$71.0 million, an increase of \$1.7 million (2.4%) versus the same period in 2012. This \$1.7 million increase reflects increased insured firms' assessment premium revenue. There was no change in self insured revenue over the same period in 2012.

Investment income year to date is \$55.5 million, a decrease of \$0.6 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 \$9.9 million, realized gains of \$8.9 million, unrealized gains of \$ 36.0 million, currency overlay gains of \$2.6 million and unrealized currency overlay losses of \$1.0 million less \$0.9 million in management fees. The three month return was 4.8%.

Claims Costs Incurred and Growth in Present Value of Benefits Liability

Claims costs incurred of \$49.0 million are an increase of \$0.4 million (0.7%) over year to date 2012 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 \$15.6 million. The growth component was \$28.4 million and the estimated favourable actuarial experience adjustments total \$12.8 million. Favourable experience adjustments are currently projected in all of the benefits categories. These estimated adjustments could vary significantly when the annual valuation is prepared by an independent actuarial consultant.

Administrative Expenditures (Operating, Projects, and Capital)

Year to date administrative expenditures were \$10.9 million with a \$3.3 million favourable variance from the \$14.2 million year to date budget estimate. Favourable variances relate mainly to the timing of project and capital expenditures of \$ 2.4 million and the remaining \$0.9 million variance relating to salaries, depreciation, and smaller amounts in other areas. These variances are expected to be utilized by the end of the year, with the exception of about \$0.3 million relating to depreciation expense.

Legislative Obligations

Legislated Obligations expenditures were \$ 3.3 million with a \$ 0.3 million favourable variance from the year to date budget estimate. This is mainly attributable to the 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 Bank indebtedness was \$6.0 million at March 31, 2013, an increase of \$4.6 million from the March 31, 2012 cash position.

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

	MARCH 31 2013 (Unaudited) (\$000s)	MARCH 31 2012 (Unaudited) (\$000s)	DECEMBER 31 2012 (Audited) (\$000s)
Assets			
Receivables	\$ 23,655	\$ 23,012	\$ 24,129
Investments	1,222,397	1,106,678	1,166,891
Property and equipment	4,241	4,356	4,421
Intangible assets	504	778	570
	<u>\$ 1,250,797</u>	<u>\$ 1,134,824</u>	<u>\$ 1,196,011</u>
Liabilities and Unfunded Liability			
Bank indebtedness	\$ 6,014	\$ 1,381	\$ 1,168
Payables and accruals	15,723	15,587	23,602
Lease liabilities	83	146	92
Post employment benefits	23,676	22,590	23,228
Benefits liabilities	1,756,216	1,721,954	1,752,308
	1,801,712	1,761,658	1,800,398
Deferred Revenue	6,124	5,041	-
Unfunded liability	(557,039)	(631,875)	(604,387)
	<u>\$ 1,250,797</u>	<u>\$ 1,134,824</u>	<u>\$ 1,196,011</u>

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

	FIRST QUARTER 2013 (\$000s)	FIRST QUARTER 2012 (\$000s)
Revenue		
Assessments	\$ 70,961	\$ 69,290
Investment income	55,549	56,105
	<u>126,510</u>	<u>125,395</u>
Expenses		
Claims costs incurred		
Short-term disability	9,070	10,380
Long-term disability	24,095	23,552
Survivor benefits	1,379	1,173
Health care	14,293	13,348
Rehabilitation	182	207
	<u>49,019</u>	<u>48,660</u>
Growth in present value of benefits liabilities and actuarial adjustments	16,789	28,070
Administration costs	9,895	10,506
System support	173	211
Legislated obligations	3,286	3,218
	<u>79,162</u>	<u>90,665</u>
Comprehensive income	47,348	34,730
Unfunded liability, beginning of period	<u>(604,387)</u>	<u>(666,605)</u>
Unfunded liability, end of period	<u>\$ (557,039)</u>	<u>\$ (631,875)</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, 2013
(UNAUDITED)**

	YTD 2013 (\$000s)	YTD 2012 (\$000s)	FORECAST* 2013 (\$000s)	BUDGET 2013 (\$000s)
REVENUE				
ASSESSMENTS	\$ 70,961	\$ 69,290	\$ 305,886	\$ 305,886
INVESTMENT INCOME	<u>55,549</u>	<u>56,105</u>	<u>84,890</u>	<u>84,890</u>
	<u>126,510</u>	<u>125,395</u>	<u>390,776</u>	<u>390,776</u>
EXPENSES				
CLAIMS COSTS INCURRED				
SHORT-TERM DISABILITY	9,070	10,380	39,875	39,875
LONG-TERM DISABILITY	24,095	23,552	98,231	98,231
SURVIVOR BENEFITS	1,379	1,173	5,423	5,423
HEALTH CARE	14,293	13,348	56,120	56,120
REHABILITATION	<u>182</u>	<u>207</u>	<u>949</u>	<u>949</u>
	49,019	48,660	200,598	200,598
GROWTH IN PRESENT VALUE OF BENEFITS LIABILITIES AND ACTUARIAL ADJUSTMENTS	16,789	28,070	130,518	130,518
ADMINISTRATION COSTS	9,895	10,506	47,220	46,920
SYSTEM SUPPORT	173	211	960	946
LEGISLATED OBLIGATIONS	<u>3,286</u>	<u>3,218</u>	<u>13,789</u>	<u>14,195</u>
	<u>79,162</u>	<u>90,665</u>	<u>393,085</u>	<u>393,177</u>
COMPREHENSIVE INCOME (LOSS)	<u>\$ 47,348</u>	<u>\$ 34,730</u>	<u>\$ (2,309)</u>	<u>\$ (2,401)</u>

*Based on the Forecast approved June 2012 by the BOD. This forecast is anticipated to be updated in June 2013 in conjunction with the review of the 2014 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 2013 (\$000's)	MARCH 31 2012 (\$000's)
Operating Activities		
Cash received from:		
Employers, for assessments	\$ 76,725	\$ 70,189
Investment income	20,539	18,845
	<u>97,264</u>	<u>89,034</u>
Cash paid to:		
Claimants or third parties on their behalf	(60,277)	(59,070)
Suppliers, for administrative and other goods and services	(21,294)	(11,118)
	<u>(81,571)</u>	<u>(70,188)</u>
Net cash provided by operating activities	<u>15,693</u>	<u>18,846</u>
Investing Activities		
Increase in investments	(20,492)	(18,809)
Cash paid for:		
Purchase of equipment	(47)	(52)
	<u>(20,539)</u>	<u>(18,861)</u>
Net cash used in investing activities	<u>(20,539)</u>	<u>(18,861)</u>
Net increase in bank indebtedness	(4,846)	(15)
(Bank indebtedness), beginning of year	<u>(1,168)</u>	<u>(1,366)</u>
(Bank indebtedness), year-to-date	<u>\$ (6,014)</u>	<u>\$ (1,381)</u>

Administration and Other Expenses Summary
For the 3 Periods Ending March 31, 2013

Program Area	2013 Actual YTD	2013 Budget YTD	2013 YTD Variance	2013 % Variance	2012 Actual YTD	2013 Original Budget	2013 Forecast
Salary & Staff Expense	\$8,308,142	\$8,575,712	(\$267,570)	(3.12%)	\$8,121,575	\$35,396,014	\$35,396,014
Communications	99,104	167,266	(68,162)	(40.75%)	312,844	1,543,091	1,543,091
Services Contracted	334,489	401,768	(67,280)	(16.75%)	371,595	1,774,250	1,774,250
Training & Development	123,184	181,719	(58,535)	(32.21%)	194,901	1,079,593	1,079,593
Supplies	197,292	220,621	(23,329)	(10.57%)	225,272	901,790	901,790
Travel & Accommodation	167,614	184,431	(16,817)	(9.12%)	195,176	930,688	930,688
Building Operations	557,605	560,798	(3,194)	(0.57%)	631,197	2,243,516	2,243,516
Professional Fees	576,778	558,630	18,149	3.25%	573,882	2,335,784	2,635,784
Depreciation	283,261	428,861	(145,600)	(33.95%)	370,656	1,715,444	1,415,444
Projects	225,515	285,572	(60,057)	(21.03%)	191,982	1,000,000	1,300,000
	\$10,872,983	\$11,565,379	(\$692,396)	(5.99%)	\$11,189,081	\$48,920,170	\$49,220,170
Capital - WCB	\$46,755	\$1,015,000	(\$968,245)	(95.39%)	\$52,200	\$1,015,000	\$1,015,000
Capital - WCB Projects	0	1,600,000	(1,600,000)	(100.00%)	0	1,650,000	1,000,000
	\$10,919,738	\$14,180,379	(\$3,260,641)	(22.99%)	\$11,241,281	\$51,585,170	\$51,235,170
Office of the Employer Advisor	\$84,900	\$84,500	\$400	0.47%	\$82,000	\$338,000	\$344,760
Office of the Worker Counsellor	84,900	84,500	400	0.47%	95,000	338,000	344,760
Workplace Safety and Insurance System	3,457	33,081	(29,624)	(89.55%)	34,128	269,540	270,000
	\$173,257	\$202,081	(\$28,824)	(14.26%)	\$211,128	\$945,540	\$959,520
Occupational Health & Safety	\$2,106,000	\$2,290,000	(\$184,000)	(8.03%)	\$2,128,000	\$9,161,226	\$8,679,000
Workers Advisers Program	689,000	698,000	(9,000)	(1.29%)	673,000	2,791,250	2,780,000
Workers' Compensation Appeals Tribunal	419,000	510,000	(91,000)	(17.84%)	367,000	2,039,000	2,038,000
Injured Workers' Associations	73,000	51,000	22,000	43.14%	50,000	204,000	292,000
	\$3,287,000	\$3,549,000	(\$262,000)	(7.38%)	\$3,218,000	\$14,195,476	\$13,789,000
	\$14,379,995	\$17,931,460	(\$3,551,465)	(19.81%)	\$14,670,409	\$66,726,186	\$65,983,690

*Notes:

1. Total Administration cost (as above)	\$10,872,983
Decrease in liability for future Admin costs	(977,767)
Total Admin, Per Financial Statement	\$9,895,216

Variance Analysis – By Program Area

Q1 - 2013

Salaries & Staff Expense

Actual	Budget	Var.\$	Var.%
\$8,308,142	\$8,575,712	(\$267,570)	(3.12%)

Variance Breakdown:

Salary and Benefits	(\$365,500)
Staff Expense	117,000
Overtime	(19,000)
Total Variance	<u>(\$267,500)</u>

Salary and Benefits were net under budget \$365,500 for the total WCB, which includes an accrual of approximately \$165,000 for the Collective Bargaining. The net favourable variance of \$365,500 resulted from staffing vacancies of \$308,000 combined with \$57,500 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 20 staffing variances for some portion of time during the first quarter: Health & Extended Benefits: Team Support, Case Manager; Large Workplace: Workplace Consultant, Return to Work Assistant, 2 Case Managers, Adjudicator; Central Services: an Integrated Service Associates, Team Support; Human Resources: timing of budgeted amounts; Communications: 2 Communications Advisors; Corporate Development: Policy Analyst and Director; Information Technology Services: Programmer/Developer; Business Intelligence: Statistical Research Officer; Legal Services: Senior Third Party Adjustor; Internal Appeals: Team Support.

Staff Expense was over spent \$117,000 mainly due to timing of requirements for Staffing Arrangements.

Sitting fees budget was over spent \$9,500 due to allocation of budgeted funds and timing of meetings.

Communications

Actual	Budget	Var.\$	Var.%
\$99,104	\$167,266	(\$68,162)	(40.75%)

Communications is underspent \$43,000 mainly due to the timing of advertising campaigns which can vary from quarter to quarter. Administration is under spent \$7,000 due to fewer requirements for printing of WCB forms. The remaining \$18,000 relates to timing and the favourable variances were spread amongst Workplace Services, Central Services and ITS.

Services Contracted

Actual	Budget	Var.\$	Var.%
\$334,489	\$401,768	(\$67,280)	(16.75%)

The under spent variance was mainly due to the following departments: ITS \$51,000 relating to the timing of maintenance agreements and Workplace Services under spent \$17,000 due to Nova Scotia Business Registry and Canada Revenue Agency expenses less than anticipated.

Training & Development

Actual	Budget	Var.\$	Var.%
\$123,184	\$181,719	(\$58,535)	(32.21%)

Health and Extended Benefits was under spent \$55,000 related to the timing of outreach and doctors training activities expected to be spent later in the year. Leadership & Governance under spent \$9,000 and Internal Appeals \$8,000 related to training expected to be utilized later in year. Human Resources were over spent \$13,000 due to the timing of Leadership Capacity Development training which occurred earlier in the year.

Depreciation

Actual	Budget	Var.\$	Var.%
\$283,261	\$428,861	(\$145,600)	(33.95%)

Depreciation was based on existing assets and actual purchases for the quarter. Variance was due to less capitalization than planned on 2012 projects. Depreciation is forecasted to be \$300,000 under budget at year end.

Projects

Actual	Budget	Var.\$	Var.%
\$225,515	\$285,572	(\$60,057)	(21.03%)

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

System Support

Actual	Budget	Var.\$	Var.%
\$173,257	\$202,081	(\$28,824)	(14.26%)

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.%
\$2,106,000	\$2,290,000	(\$184,000)	(8.03%)

The expense represents one quarter of the total estimated expense to WCB for the 2013 fiscal year of \$8,679,000. 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 published by the Province of Nova Scotia as at April 5, 2013.

Workers' Compensation Appeals Tribunal (WCAT)

Actual	Budget	Var.\$	Var.%
\$419,000	\$510,000	(\$91,000)	(17.84%)

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.%
\$73,000	\$51,000	\$22,000	43.14%

The expense represents one quarter of the total estimated expense to WCB for the 2013 fiscal year of \$292,000. 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 published by the Province of Nova Scotia as at April 5, 2013.

Workers' Advisers Program (WAP)

Actual	Budget	Var.\$	Var.%
\$689,000	\$698,000	(\$9,000)	(1.29%)

The expense represents one quarter of the total estimated expense to WCB for the 2013 fiscal year of \$2,780,000. 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 published by the Province of Nova Scotia as at April 5, 2013.

APPENDIX A: Worker's Compensation Board of Nova Scotia

Project Expenditure Summary
For the 3 Periods Ending March 31, 2013

Project Number / Name	2013 Actual YTD	2013 Budget YTD	2013 YTD Variance	2013 % YTD Variance	2013 Annual Budget
082203 SDM: Program Office/Team	\$23,956	\$20,660	\$3,296	15.95%	\$30,000
Description: • Salary dollars for internal resources dedicated to SDM Project & Program work, including subject matter expert, training, and support.	Status Report: 1 term Business Intelligence resource approved for conversion to new performance reporting software. This project will wrap up April 30, 2013. Variance due to small difference in actual salary and benefits versus what was budgeted.				
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 considered closed pending paperwork.				
122201 NS Occupational Health & Safety Strategy	\$63,649	\$70,000	(\$6,351)	(9.07%)	\$70,000
Description: • Project to develop a 2013-2018 Occupational Health and Safety Strategy for Nova Scotia.	Status Report: Project launched in Q1 2012 and will continue into 2013. Budget variance is due to cost savings in travel and less external consultant fees than originally anticipated to write the draft strategy. Project expected to close 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.				
122203 Privacy Report Response Project	\$888	\$8,200	(\$7,312)	(89.17%)	\$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: Project launched in late Q1 2012 and will be continue into 2013. Variance is due to cost savings in travel and no requirement for external consultants, as initially planned. Project expected to close 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	\$1,685	\$0	\$1,685	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 is considered closed pending paperwork for outstanding external training costs. Variance is due to these external training costs.				
122206	Application Architecture - Phase III	\$0	\$17,000	(\$17,000)	(100.00%)	\$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.				
122207	Enhanced Medical Advisory Services - Pilot	\$10,800	\$15,000	(\$4,200)	(28.00%)	\$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 close in Q2 2013. Variance is due to small difference in salary for medical advisor than was anticipated.				
122208	Internal Appeal Review Project - Phase II	\$120,413	\$127,072	(\$6,659)	(5.24%)	\$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 slight variance is due to less travel and office supplies required than anticipated for Q1 2013.				
132201	Rate Enhancements Project - Phase II	\$2,961	\$16,640	(\$13,679)	(82.20%)	\$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. As it has taken longer than anticipated to complete work on the development of the new web service (approx 4 mths longer), we have been unable to move on to other parts of the project that we had budgeted money for Q1.				
132202	Centralized Surgery Services - Phase II	\$0	\$8,000	(\$8,000)	(100.00%)	\$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. Project expected to close in Q2 2013.				
132203	Application Architecture - Phase IV	\$0	\$0	\$0	0.00%	\$700,000
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.				

132204 Service Culture / Excellence Project	\$0	\$0	\$0	0.00%	\$250,000
Description: <ul style="list-style-type: none"> 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 Q1.				

Total Assigned Projects	\$225,515	\$285,572	(\$60,057)	(21.03%)	\$2,263,307
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Anticipated Requests:

New Knowledge Management					\$85,000
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***Unassigned Project Budget					301,693
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Total Projects	\$225,515	\$285,572	(\$60,057)	(21.03%)	\$2,650,000
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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 three months ended March 31, 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 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, 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:

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