GENERAL REAL ESTATE PORTFOLIO (GREP)
Financial Statements
For the year ended March 31, 2020

GENERAL REAL ESTATE PORTFOLIO
FINANCIAL STATEMENTS
For the year ended March 31, 2020

Table of Contents

Independent auditor's report

To the Minister of the General Real Estate Portfolio

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the General Real Estate Portfolio (the Organization) as at March 31, 2020 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited
The Organization's financial statements comprise:

- the statement of financial position as at March 31, 2020;
- the statement of operations for the year then ended;
- the statement of accumulated surplus for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 29, 2020

GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF FINANCIAL POSITION
As at March 31
(in thousands of dollars)

	2020 Actual	2019 Actual (as restated - Note 2)
Financial assets		
Cash (Note 3)	**$ 191,066**	$ 197,721
Accounts receivable (Note 4)	**121,140**	118,235
P3 receivable (Note 5)	**1,402,961**	1,080,069
P3 receivable under capital lease (Note 6)	**337,663**	347,240
Due from related party (Note 7)	**8,845**	22,358
Project receivable (Note 8)	**31,634**	43,695
Assets held for sale (Note 9)	**5,043**	12,833
	2,098,352	1,822,151
Liabilities		
Accounts payable and other liabilities (Note 10)	**186,804**	194,011
Liability for contaminated sites (Note 11)	**131,917**	97,122
P3 liabilities (Note 5)	**1,402,961**	1,080,069
P3 capital lease obligations (Note 6)	**337,663**	347,240
Customers' deposits	**926**	336
Due to related party (Note 7)	**3,739**	-
	2,064,010	1,718,778
Net financial assets	**34,342**	103,373
Non-financial assets		
Tangible capital assets (Note 2, 12)	**5,528,269**	5,452,520
Prepaids, deposits and other assets	**3,969**	3,432
	5,532,238	5,455,952
Accumulated surplus	**$ 5,566,580**	$ 5,559,325

Contractual rights (Note 16)
Commitments (Note 17)
Contingent liabilities (Note 18)

The accompanying notes are an integral part of these financial statements.

GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF OPERATIONS
For the year ended March 31
(in thousands of dollars)

	2020 Budget	**2020 Actual**	2019 Actual (as restated - Note 2
Revenue			
Rent (Notes 7, 13)	$ 715,004	**$ 719,714**	$ 710,481
Rent from P3 properties	167,075	**163,494**	163,731
Ministry project cost recoveries (Notes 7, 14)	249,754	**169,552**	282,664
Portfolio optimization cost recoveries (Note 7)	22,891	**16,559**	21,278
Interest income	1,800	**3,102**	3,369
	1,156,524	**1,072,421**	1,181,523
Operating expenses			
Facility operating expenses (Notes 7, 15)	629,202	**627,745**	614,137
P3 operating expenses (note 7)	77,800	**74,219**	72,933
P3 interest expense	89,275	**89,275**	90,798
Capital repair program expenses	63,364	**74,535**	76,193
Ministry project recoverable costs (Note 14)	249,754	**168,861**	281,926
Portfolio optimization costs (Note 7)	22,891	**16,559**	21,278
	1,132,286	**1,051,194**	1,157,265
Reduction in liability for contaminated sites (Note 11)	13,821	**11,632**	27,411
Gain on sale of tangible capital assets (Note 12)	93,084	**44,717**	63,850
Gain on sale of assets held for sale (Note 9)	12,000	**523**	14,568
Easements and license revenue (Note 12)	15,000	**3,092**	5,941
	120,084	**48,332**	84,359
Operating surplus before amortization, retirement and write-down of tangible capital assets and government transfers	158,143	**81,191**	136,028
Amortization of tangible capital assets (Note 2, 12)	(247,446)	**(245,358)**	(231,435)
Retirements and write-down of tangible capital assets	(168)	**(6,911)**	(3,776)
Deficit before Government transfers	(89,471)	**(171,078)**	(99,183)
Government transfers			
Capital funding from the Ministry of Government and Consumer Services (Note 7)	64,048	**69,865**	67,374
Asset additions transferred in from ministries (Note 12, 14)	127,186	**249,953**	226,925
Funding for remediation of contaminated sites (Note 7,11)	8,755	**3,573**	6,241
	199,989	**323,391**	300,540
Asset transfers to ministries (Note 12)	(605)	**(11,034)**	(22,572)
Private sector revenue distribution to the Province (Note 7)	(164,205)	**(84,024)**	(124,187)
Liability for contaminated sites transferred in from ministry (Note11)	-	**(50,000)**	-
	(164,810)	**(145,058)**	(146,759)
Surplus/(Deficit)	$ (54,292)	**$ 7,255**	$ 54,598

The accompanying notes are an integral part of these financial statements.

GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF ACCUMULATED SURPLUS
For the year ended March 31
(in thousands of dollars)

		2020 Actual		2019 Actual (as restated - Note 2)
Accumulated surplus, beginning of the year	**$**	**5,559,325**	$	5,504,727
Surplus		**7,255**		54,598
Accumulated surplus, end of the year	**$**	**5,566,580**	$	5,559,325

The accompanying notes are an integral part of these financial statements.

GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the year ended March 31
(in thousands of dollars)

		2020 Actual		2019 Actual (as restated - Note 2)
Surplus for the year	**$**	**7,255**	$	54,598
Acquisition of tangible capital assets		**(342,528)**		(292,403)
Transfer of tangible capital assets (from)/to held for sale		**(7,785)**		11,402
Amortization of tangible capital assets		**245,358**		231,435
Gain on sale of tangible capital assets		**(44,717)**		(63,850)
Proceeds on sale of tangible capital assets		**55,978**		71,665
Transfer of tangible capital assets to ministries		**11,034**		22,572
Write-down of tangible capital assets		**6,911**		3,776
		(68,494)		39,195
Increase in prepaids, deposits and other assets		**(537)**		(20)
(Decrease)/increase in net financial assets		**(69,031)**		39,175
Net financial assets, beginning of the year		**103,373**		64,198
Net financial assets, end of the year	**$**	**34,342**	$	103,373

The accompanying notes are an integral part of these financial statements.

GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF CASH FLOWS
For the year ended March 31
(in thousands of dollars)

	2020 Actual	2019 Actual (as restated - Note 2)
Operating activities		
Surplus for the year	**$ 7,255**	$ 54,598
Changes in non-cash items		
Amortization of tangible capital assets	**245,358**	231,435
Gain on sale of tangible capital assets	**(44,717)**	(63,850)
Gain on sale of assets held for sale	**(523)**	(14,568)
Write-down of tangible capital assets	**6,911**	3,776
Decrease in contaminated sites liability	**(11,632)**	(27,411)
Liability for contaminated sites transferred in from ministry	**50,000**	-
Transfer of capital assets from ministries	**(249,953)**	(226,925)
Transfer of capital assets to ministries	**11,034**	22,572
Changes in non-cash working capital balances		
(Increase) in accounts receivable	**(2,905)**	(12,542)
(Increase) in P3 receivable	**(322,892)**	(124,720)
Decrease in P3 receivable under capital lease	**9,577**	9,097
Decrease/(increase) in due from related party	**13,513**	(18,441)
Decrease in project receivable	**12,061**	5,924
(Decrease)/increase in accounts payable and other liabilities	**(7,207)**	9,957
Remediation of contaminated sites	**(3,573)**	(6,241)
Increase in P3 liabilities	**322,892**	124,720
(Decrease) in P3 capital lease obligations	**(9,577)**	(9,097)
Increase/(decrease) in customers' deposits	**590**	(22,956)
Increase/(decrease) in due to related party	**3,739**	(167,584)
(Increase) in prepaids, deposits and other assets	**(537)**	(20)
	29,414	**(232,276)**
Capital activities		
Proceeds from sale of tangible capital assets	**55,978**	71,665
Acquisition of tangible capital assets	**(92,575)**	(65,478)
	(36,597)	6,187
Investing activities		
Proceeds from disposition of assets held for sale	**528**	15,038
Net change in cash and cash equivalents	**(6,655)**	(211,051)
Cash and cash equivalents, beginning of the year	**197,721**	408,772
Cash and cash equivalents, end of the year	**$ 191,066**	$ 197,721

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization

The General Real Estate Portfolio (GREP) consists of certain realty assets owned and/or leased by Her Majesty the Queen, in Right of Ontario, as represented by the Minister of Government and Consumer Services (MGCS). The portfolio is managed by Ontario Infrastructure and Lands Corporation (Infrastructure Ontario). Other real estate assets and liabilities within MGCS's portfolio are not reflected in these statements. GREP is a component of MGCS, carved out for the purpose of managing its real estate portfolio and is not a standalone legal entity.

GREP provides real estate accommodation and project management services to ministries, crown agencies and other government organizations for their program needs through provincially owned and third party leased real estate assets.

Basis of accounting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada (Canadian public sector accounting standards).

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes the expenditures directly attributable to the acquisition, design, construction, development, improvement or betterment of an asset or leased premises, such as material, labour and capitalized interest.

Land includes land acquired for transportation infrastructure, parks, buildings and other program use, as well as land improvements that have an indefinite life and are not being amortized.

Buildings are administrative and service structures. Buildings procured under the Public-Private Partnership (P3) model are included in tangible capital assets on the substantial completion of construction. Buildings also include P3 assets under capital lease.

The costs incurred to develop or construct a tangible capital asset are classified as construction work in progress (CIP). The asset is transferred out of CIP when the asset is ready for its intended use. CIP includes new buildings under construction and alterations to existing buildings.

Costs of P3 assets under construction are not included in GREP's Tangible Capital Assets, but are recorded in the accounts of the sponsoring ministries. P3 assets and P3 assets under capital lease, are transferred to GREP's tangible capital assets when the assets have reached substantial completion and are ready for use.

Premises leased from third party landlords through commercial operating lease agreements are excluded from tangible capital assets.

All tangible capital assets, except CIP, land and land improvements, are amortized on a straight line basis over their estimated useful lives. Useful lives of GREP's tangible capital assets have been estimated as:

Buildings, P3 buildings and P3 assets under capital lease	20 to 40 years
Improvements made to third party leased premises	Lower of useful life of the asset or term of lease
Yard works, including airport runways, parking lots and a dam	12 to 40 years

The carrying value of tangible capital assets are written down to the asset's residual value if it can no longer contribute to the Province's ability to provide service and the impairment is permanent in nature, or when the value of the future economic benefit is less than the carrying value of the tangible capital asset for assets not in program use. Write-downs are recognized in the statement of operations and are not reversed.

Interest capitalization
The cost of tangible capital assets constructed or developed by the Province includes interest costs incurred by the Province during the development or construction period.

All interest incurred by the Province to fund capital assets during the construction period is capitalized to tangible capital assets. There is no capitalization threshold.

The interest rate used in calculating the interest cost incurred during construction in any given year is the Weighted Average Cost of Capital (WACC) of the Province. The Ontario Financing Authority (OFA) provides the appropriate WACC. For the fiscal year 2019-20, the WACC was 3.85% (2018-19 - 3.63%).

Capitalization of interest ceases once the asset is ready for use, even though the asset may be put to use at a later date. If construction of the tangible capital asset is terminated or deferred indefinitely before completion, the costs capitalized to date are expensed, unless there is an alternative use for the asset.

P3 receivable and P3 liabilities
P3 receivable represents the amount owed from the sponsoring ministries for the capital costs of all P3 assets that are owned by GREP, or those under construction which will be owned by GREP when operational. The receivable will be collected over the operational term of the agreement with the P3 construction consortium for each asset. The sponsoring ministry is the ministry who is responsible for the program for which the P3 project was approved. GREP pays the P3 construction consortium for the capital costs of the P3 properties as per the terms of the agreement. GREP invoices the sponsoring ministries to recover these payments and draws down the receivable accordingly. Amounts receivable from the sponsoring ministries for regular operating and maintenance costs of the P3 properties are excluded from P3 receivable and are recorded under accounts receivable.

P3 liabilities represent the amounts owed to the construction consortium for the value of all P3 assets that are owned by GREP, or those under construction which will be owned by GREP when operational. These amounts are paid to the construction consortium as per the terms of the project agreement, which consists of interim payments, partial or full payments at substantial completion and the remaining amounts, if any, through monthly service payments over the operational term of the agreement. Amounts payable for regular operating and maintenance costs of the P3 properties are excluded from P3 liabilities and are recorded under accounts payable.

P3 receivable under capital lease and P3 capital lease obligations
The Province has entered into contractual agreements with private sector entities on behalf of sponsoring ministries to finance, design, build and manage certain assets, which meet the criteria of, and are classified as, capital leases. A lease liability is recorded as a P3 capital lease obligation at the present value of the minimum lease payments at substantial completion of the P3 building. P3 receivable under capital lease reflects the amounts owed from the sponsoring ministries for the value of the capital lease obligation to the P3 construction consortiums. GREP pays the capital lease obligation as per the terms of the agreement, invoices the sponsoring ministries to recover these payments and draws down the P3 receivable under capital lease accordingly over the operational term of the agreement with P3 construction consortium for each asset.

Assets held for sale
Assets that meet the following criteria are categorized as held for sale: (i) the asset has been authorized or committed to be sold; (ii) is in a saleable condition; (iii) is publicly seen to be available for sale; (iv) has an active market with a plan in place for sale; and (v) is reasonably anticipated to be sold to a purchaser external to the Province within one year of the financial statement date.

Assets held for sale are recorded at the lower of carrying value and net realizable value. Cost includes all costs of acquisition and capitalized improvements on the property, net of amortization.

Liability for contaminated sites
Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized when all the following criteria are met: (i) an environmental standard exists; (ii) contamination exceeds the environmental standard; (iii) the Province is directly responsible or accepts responsibility; (iv) it is expected that future economic benefits will be given up; and (v) a reasonable estimate of the amount can be made.

The estimated liability includes costs directly attributable to the remediation, containment or mitigation activities and cost of post remediation maintenance and monitoring in order to bring the site up to, and maintain it at, the current minimum standard for its use prior to contamination. The cost of remediation is calculated based on the best available information and is reviewed and revised on an ongoing basis.

Revenue recognition
Revenue is recognized in the period in which the event that generates the revenue occurs.

Rent is earned from leasing GREP owned and third party landlord leased properties to government ministries and private sector tenants. Rental revenue includes base rent and recoveries from ministries for operating expenses. Free rent, lease increments and fixturing allowances related to third party leased buildings are recognized on a straight line basis over the term of the lease. Rent also includes some incidental revenues from private sector tenants and operating funding from MGCS to supplement the recovery of operating expenses received from tenants.

Rent from P3 properties includes the recovery of operating expenses and interest costs related to P3 buildings and P3 assets under capital lease from sponsoring ministries.

Ministry project cost recoveries are recoveries from ministry tenants for costs related to projects they initiate and fund for improvements to GREP owned or leased assets for their program requirements. Ministry project cost recoveries include the recovery of both expensed and capitalized projects. Revenues are recognized as the associated expenses are incurred.

Portfolio optimization cost recoveries are recoveries from MGCS for costs incurred to bring specific assets identified for sale to a marketable condition. Costs include property planning, marketing, environmental assessment, zoning, permits, and settlements. The recovery of strategic asset management fees paid to Infrastructure Ontario is also included in portfolio optimization cost recoveries.

Interest income represents interest earned on cash and cash equivalents. Interest income does not include the recovery of interest costs on P3 properties from sponsoring ministries, which is included in rent from P3 properties.

Gain on sale of tangible capital assets and gain on sale of assets held for sale reflect the proceeds received net of the cost of the associated assets sold in the period.

Easements and license revenue represents income earned from granting third parties the right to use GREP properties for a specific purpose and for either a specified long term period or in perpetuity, where such rights do not meet the definition of a lease.

Operating expenses
Operating expenses are recorded as incurred.

Facility operating expenses include rental expenses paid to third party landlords, and expenses incurred for the operation and maintenance of owned properties, including utilities, property taxes, and management fees.

P3 operating expenses consists of facility operating expenses related to P3 buildings and P3 assets under capital lease.

P3 interest expense consists of interest on debt due to the construction consortiums for the P3 properties.

Capital repair program expenses represent costs for major repairs and maintenance of owned properties.

Ministry project recoverable costs include costs incurred for real estate projects requested and funded by ministries. All costs are recoverable from the respective ministry and are recognized based on the value of work completed. The recovery of ministry project recoverable costs is recognized in ministry project cost recoveries within revenue.

(in thousands of dollars)

Portfolio optimization costs are costs incurred to bring specific assets identified for sale to a marketable condition. The costs are expensed as incurred. Costs include property planning, marketing, environmental assessment, zoning, permits, and settlements. Portfolio optimization costs also include a strategic asset management fee. The recovery of portfolio optimization costs is recognized as portfolio optimization cost recovery within revenue.

Government transfers
Government transfers represent capital assets and funding for capital improvements received from MGCS as well as assets transferred from, or to, other ministries or government organizations. Government transfers also include the payment of funds collected from the private sector and distributed to the Consolidated Revenue Fund (CRF) in accordance with the requirements of the Financial Administration Act (FAA). Government transfers are recorded in the statement of operations.

Use of estimates
The above policies require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the statement of financial position and the reported amounts of revenues and expenses during the reporting period. Major areas where management made estimates include those relating to useful lives of tangible capital assets, accruals for value of work completed on projects in progress, allowance for doubtful receivables, liabilities for contaminated sites and accrued expenses. Actual results could differ from these estimates.

2. RESTATEMENT OF PRIOR YEAR BALANCES

During the year, the Province provided direction that bid fees paid during the transaction phase of a P3 project, to reimburse unsuccessful bidders, should be expensed as incurred. Previously, these fees were capitalized by sponsoring ministries prior to construction, before the asset was transferred to GREP at substantial completion. As a result, GREP recorded an adjustment to its previously issued financial statements to remove capitalized unsuccessful bid fees from tangible capital assets.

The adjustment has been accounted for on a retroactive basis with prior period restatements as follows:

	March 31, 2019 Previously reported	Prior Period Adjustment	March 31, 2019 Restated
Statement of financial position			
Tangible capital assets	$ 5,462,786	$ (10,266)	$ 5,452,520
Accumulated surplus	5,569,591	(10,266)	5,559,325
Statement of operations			
Amortization of tangible capital assets	$ 231,742	$ (307)	$ 231,435
Surplus	54,291	307	54,598
Statement of accumulated surplus			
Accumulated surplus, beginning of the year	$ 5,515,300	$ (10,573)	$ 5,504,727
Surplus	54,291	307	54,598
Accumulated surplus, end of the year	5,569,591	(10,266)	5,559,325

(in thousands of dollars)

3. CASH

Cash of $191,066 (March 31, 2019 - $197,721) is held in interest bearing accounts. Interest earned on cash balances is recorded as interest income on the statement of operations.

4. ACCOUNTS RECEIVABLE

Accounts receivable includes amounts receivable from ministries for rent, rent from P3 properties and the recovery of project costs. Accounts receivable also include HST receivables, other receivables including those from private sector tenants, and tenant inducements receivable arising from amortization of free rents. Allowances for doubtful accounts are recorded for specific private sector balances, which are determined uncollectible to reduce their values to the amount expected to be recovered. The balance consists of the following:

	March 31, 2020	March 31, 2019
Rent receivable	**$ 26,630**	$ 22,012
P3 rent receivable	**13,429**	11,393
Project receivable	**28,783**	33,127
HST receivable	**11,585**	12,026
Privates sector and other receivables	**4,994**	6,905
Allowance for doubtful accounts	**(99)**	(105)
Tenant inducements receivable	**35,818**	32,877
	$ 121,140	$ 118,235

5. P3 RECEIVABLE AND P3 LIABILITIES

P3 receivable represents the amount owed from sponsoring ministries for the capital costs of all P3 assets owned by GREP, or those under construction which will be owned by GREP when operational.

P3 liabilities represent the amounts owed to the construction consortiums for the capital costs of all P3 assets owned by GREP, or those under construction which will be owned by GREP when operational.

Interest expense incurred after the asset is substantially complete is not included in the P3 receivable or P3 liabilities, but is recorded within accounts receivable from the sponsoring ministry and accounts payable to the construction consortium.

The following table shows the future annual payments to the construction consortium for the P3 liability and the corresponding receivables from the ministry.

	Amount
2020-21	$ 319,442
2021-22	187,827
2022-23	17,964
2023-24	19,382
2024-25	20,912
Thereafter	837,434
	$ 1,402,961

(in thousands of dollars)

6. P3 RECEIVABLE UNDER CAPITAL LEASE AND P3 CAPITAL LEASE OBLIGATIONS

P3 receivable under capital lease represents the amount owed from sponsoring ministries for the capital costs of all P3 assets which meet the criteria for, and are classified as a capital lease.

P3 capital lease obligations represent the amounts owed to the construction consortiums for the capital costs of all P3 assets which meet the criteria for, and are classified as a capital lease.

Interest expense incurred after substantial completion of the asset is not included in the P3 receivable under capital lease, or P3 capital lease obligations, but is recorded within accounts receivable from the sponsoring ministry and accounts payable to the construction consortium.

		March 31, 2020		March 31, 2019
Due March 2040, repayable in blended monthly installments of $1,026, interest at 5.19%, secured by the tangible capital assets under the P3 project.	**$**	**152,753**	$	157,006
Due November 2039, repayable in blended monthly installments of $1,244, interest at 5.11%, secured by the tangible capital assets under the P3 project.		**184,910**		190,234
	$	**337,663**	$	347,240

Future minimum lease payments under capital lease are as follows:

		Amount
2020-21	$	27,233
2021-22		27,233
2022-23		27,233
2023-24		27,233
2024-25		27,233
Thereafter		403,104
Total minimum lease payments		539,269
Less: Imputed interest		(201,606)
	$	337,663

7. RELATED PARTY TRANSACTIONS

Substantially all of GREP's revenues, expenses, assets and liabilities result from the provision of accommodation, facility management and project management services to ministries, agencies and government entities, all under common provincial control. Significant related parties of GREP are MGCS and Infrastructure Ontario.

Revenues from related parties include rent earned from accommodation services, the recovery of portfolio optimization costs, and the recovery of MGCS and Infrastructure Ontario initiated project costs.

MGCS provides funding to GREP for part of the shortfall between its operating and capital needs and the income generated by operations. Included in rent is funding from MGCS for operating costs of vacant, non-leasable properties, operating cost of properties leased to private sector tenants, and management fees paid to Infrastructure Ontario. MGCS also provides funding for projects with long term benefits such as the capital repair program, which is recorded as part of government transfers on the statement of operations.

Infrastructure Ontario manages the real estate portfolio including providing project and contract management services. Infrastructure Ontario recovers its costs through a facility management fee, and a project management fee, both of which were recorded as facility operating expenses. In addition, Infrastructure Ontario charges GREP a P3 contract management fee for P3 assets in service, which is included in P3 operating expenses and a strategic asset management fee recorded in portfolio optimization costs.

(in thousands of dollars)

The related party transactions recorded as revenue, operating expenses and government transfers for the year ended March 31, 2020 are summarized below.

	MGCS	Infrastructure Ontario	Total March 31, 2020	March 31, 2019
Revenue				
Rent	$ 111,968	$ 5,249	$ 117,217	$ 101,766
Ministry project cost recoveries	15,737	444	16,181	94,046
Portfolio optimization cost recoveries	16,559	-	16,559	21,278
	$ 144,264	$ 5,693	$ 149,957	$ 217,090
Operating expenses				
Facility operating expenses	$ -	43,913	43,913	37,105
P3 operating expenses	-	753	753	739
Portfolio optimization costs	-	10,231	10,231	10,531
	$ -	$ 54,897	$ 54,897	$ 48,375
Government transfers				
Capital funding from MGCS	$ 69,865	-	69,865	67,374
Funding for remediation of contaminated sites	3,573	-	3,573	6,241
Private sector revenue distribution to the Province	(84,024)	-	(84,024)	(124,187)
	$ (10,586)	$ -	$ (10,586)	$ (50,572)

Due from related party

Due from related party balances consists of amounts receivable from MGCS on account of rent, project services and capital funding, net of the amounts due to MGCS for remittance to the CRF. Due from Infrastructure Ontario in the prior year was primarily related to the adjustment of the facility management fee.

	March 31, 2020	March 31, 2019
MGCS	**$ 8,845**	$ 18,557
Infrastructure Ontario	**-**	3,801
	$ 8,845	$ 22,358

Due to related party

Due to related party consists of amounts payable to Infrastructure Ontario, primarily related to facility management fee.

	March 31, 2020	March 31, 2019
Infrastructure Ontario	**3,739**	-
	$ 3,739	$ -

8. PROJECT RECEIVABLE

Project receivable of $31,634 consists of accrued project costs incurred up to March 31, 2020 (March 31, 2019 - $43,695), but not yet invoiced.

(in thousands of dollars)

9. ASSETS HELD FOR SALE

Assets held for sale are real estate assets that have been declared surplus to the needs of the Province, have been approved for sale by an Order in Council, are publicly seen to be for sale and have an active market. It is reasonably anticipated that assets held for sale will be sold outside the reporting entity within one year of the statement of financial position date. Assets held for sale are summarized below.

	March 31, 2020	March 31, 2019
Land	**$ 4,931**	$ 12,833
Buildings	**14,184**	12,761
	19,115	25,594
Accumulated amortization	**(14,072)**	(12,761)
Net book value	**$ 5,043**	$ 12,833

During the year ended March 31, 2020, four properties (March 31, 2019 - ten properties) with a carrying value of $5 (March 31, 2019 - $470) were sold for net proceeds of $528 (March 31, 2019 - $15,038) which generated a net gain on sale of $523 (March 31, 2019 - $14,568). One property with a carrying value of $10,297 was transferred back to tangible capital assets for transfer to a ministry which was not budgeted.

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities include trade payable related to facility expenses incurred, project payable related to expenses incurred for projects, HST payable and tenant inducements from amortization of free rents from third party landlords over the life of the lease. The balance consists of the following:

	March 31, 2020	March 31, 2019
Trade payable	**$ 72,637**	$ 62,043
Project payable	**82,025**	100,896
HST payable	**882**	375
Tenant inducements payable	**31,260**	30,697
	$ 186,804	$ 194,011

11. LIABILITY FOR CONTAMINATED SITES

A liability for remediation of contaminated sites is recognized when all the following criteria are met: (i) an environmental standard exists; (ii) contamination exceeds the environmental standard; (iii) the Province is directly responsible or accepts responsibility; (iv) it is expected that future economic benefits will be given up; and (v) a reasonable estimate of the amount can be made.

The sources of contamination specific to individual sites may include petroleum hydrocarbons, volatile organic compounds, metals, inorganics, herbicides, pesticides, industrial waste and construction debris. Contamination was assessed primarily based on Phase I and Phase II Environmental Site Assessments (ESA) under Ontario regulations. In addition, a range of key risk factors for each site was considered including potential or historic human habitation or operations, potential offsite contamination, impacted media, potentially contaminating activities, areas of potential environmental concern and the contaminants of concern.

Remediation means the improvement of a contaminated site to prevent, minimize or mitigate damage to human health or the environment. Remediation involves the development and application of a planned approach that removes, destroys, contains, or otherwise reduces availability of contaminants to receptors of concern.

GREP manages a database of sites with known existing or potential contamination, developed using historical information collected on properties within GREP through past development and investigation. GREP continues to update the database on an ongoing basis with new information and developments. Based on the current available information, there are 65 sites (March 31, 2019 - 72 sites) identified with known existing or potential contamination, of which 29 sites (March 31, 2019 - 34 sites) have met the liability recognition criteria. For the 36 sites which have not met the liability recognition criteria, no liability has been recorded as a reasonable estimate of any amounts to be incurred cannot be determined.

Of the 29 contaminated sites that met the liability recognition criteria, five are not owned by the Province. MGCS became responsible for remediation of these sites by operational law due to forfeiture to the Crown. MGCS has directed GREP to undertake the responsibility for remediation of these sites.

Assumptions used in estimating the liability for remediation include land use scenarios, ecological impact and human health risk. The liability is based on the minimum estimated costs for remediation of contamination to bring the site to the minimum acceptable environmental standards for its use just prior to contamination, in addition to ongoing monitoring and management of the site.

Significant judgment and estimation were involved in determining whether the properties met the criteria for recognition including management's views with respect to the expectation of whether future economic benefits would be given up, the type of remediation activities that would be required and the associated costs.

During the year ended March 31, 2020, GREP incurred $3,573 (March 31, 2019 - $6,241) of remediation costs and accordingly, reduced the associated liability for the specific contaminated sites. A liability of $50,000 was recognized during the year, due to the transfer of the existing liability associated with the assets of the Ontario Place Corporation to GREP at the direction of the Province. Additionally, a net reduction in liability of $11,632 was recorded due to: (i) the reassessment of the extent of contamination for seven sites based on additional information gained during remediation and due diligence activities completed during the year; and the (ii) disposition of one site.

Management's best estimate of the amount required to settle or otherwise extinguish the liability as at March 31, 2020 for the 29 sites (March 31, 2019 - 34 sites) on an undiscounted basis is $131,917 (March 31, 2019 - $97,122).

(in thousands of dollars)

12. TANGIBLE CAPITAL ASSETS

		Land	Yard-works	Buildings	CIP	P3 Buildings	P3 Assets under Capital Lease		Total (as restated - Note 2)
Cost									
Balance as at April 1, 2019	**$**	**888,758**	**52,792**	**4,304,317**	**343,985**	**2,035,904**	**502,926**	**$**	**8,128,682**
Additions		**-**	**-**	**-**	**179,456**	**-**	**-**		**179,456**
Transfer out from CIP		**514**	**-**	**192,436**	**(192,950)**	**-**	**-**		**-**
Disposals		**(11,261)**	**-**	**(1,097)**	**-**	**-**	**-**		**(12,358)**
Transfers from ministries		**101,660**	**32,916**	**34,605**	**-**	**-**	**-**		**169,181**
Transfers to ministries		**(11,021)**	**-**	**(13)**	**-**	**-**	**-**		**(11,034)**
Retirements and write-downs		**(6,652)**	**-**	**(5,425)**	**-**	**-**	**-**		**(12,077)**
Net transfers from assets held for sale		**7,897**	**-**	**(1,696)**	**-**	**-**	**-**		**6,201**
Balance as at March 31, 2020		**969,895**	**85,708**	**4,523,127**	**330,491**	**2,035,904**	**502,926**		**8,448,051**
Accumulated Amortization									
Balance as at April 1, 2019		**-**	**21,235**	**2,223,668**	**-**	**309,987**	**121,272**		**2,676,162**
Additions		**-**	**4,165**	**177,137**	**-**	**51,433**	**12,623**		**245,358**
Disposals		**-**	**-**	**(1,097)**	**-**	**-**	**-**		**(1,097)**
Transfers from ministries		**-**	**2,168**	**3,941**	**-**	**-**	**-**		**6,109**
Retirements and write-downs		**-**	**-**	**(5,166)**	**-**	**-**	**-**		**(5,166)**
Net transfers from assets held for sale		**-**	**-**	**(1,584)**	**-**	**-**	**-**		**(1,584)**
Balance as at March 31, 2020		**-**	**27,568**	**2,396,899**	**-**	**361,420**	**133,895**		**2,919,782**
Net book value at March 31, 2020	**$**	**969,895**	**58,140**	**2,126,228**	**330,491**	**1,674,484**	**369,031**	**$**	**5,528,269**

		Land	Yard-works	Buildings	CIP	P3 Buildings	P3 Assets under Capital Lease		Total (as restated - note 2)
Cost									
Balance as at April 1, 2018	$	893,144	52,824	4,229,539	232,573	2,034,263	502,812	$	7,945,155
Additions		30,934	-	11,373	248,341	1,641	114		292,403
Transfer out from CIP		588	-	136,341	(136,929)	-	-		-
Disposals		(7,267)	(32)	(3,620)	-	-	-		(10,919)
Transfers to ministries		(17,239)	-	(38,082)	-	-	-		(55,321)
Retirements and write-downs		-	-	(18,473)	-	-	-		(18,473)
Net transfers to assets held for sale		(11,402)	-	(12,761)	-	-	-		(24,163)
Balance as at March 31, 2019		888,758	52,792	4,304,317	343,985	2,035,904	502,926		8,128,682
Accumulated Amortization									
Balance as at April 1, 2018		-	17,957	2,122,855	-	258,577	108,649		2,508,038
Additions		-	3,288	164,114	-	51,410	12,623		231,435
Disposals		-	(10)	(3,094)	-	-	-		(3,104)
Transfers to ministries		-	-	(32,749)	-	-	-		(32,749)
Retirements and write-downs		-	-	(14,697)	-	-	-		(14,697)
Net transfers to assets held for sale		-	-	(12,761)	-	-	-		(12,761)
Balance as at March 31, 2019		-	21,235	2,223,668	-	309,987	121,272		2,676,162
Net book value at March 31, 2019	$	888,758	31,557	2,080,649	343,985	1,725,917	381,654	$	5,452,520

Capital additions of $342,528 for the year ended March 31, 2020 (March 31, 2019 - $292,403) include $249,953 (March 31, 2019 - $226,925) of government transfers and $92,575 (March 31, 2019 - $65,478) of GREP capital repair program projects. Government transfers include capitalized ministry recoverable projects of $75,667 (March 31, 2019 - $173,982), other assets transferred in from ministries of $163,071 (March 31, 2019 - $44,062) and capitalized interest of $11,215 (March 31, 2019 - $8,881). Budget for capital additions was $190,550.

(in thousands of dollars)

During the year ended March 31, 2020, 20 properties (March 31, 2019 – 19 properties) with a carrying value of $11,261 (March 31, 2019 - $7,815) were disposed of for net proceeds of $55,978 (March 31, 2019 - $71,665) generating a net gain on sale of $44,717 (March 31, 2019 - $63,850). Easements and license transactions for the year generated $3,092 (March 31, 2019 - $5,941).

13. RENT

Rent consists of income earned from leasing of GREP owned and third party landlord leased properties to government ministries and private sector tenants. Rental revenue includes base rent and recoveries from ministries to fund operating expenses. MGCS funds a portion of operating expenses of vacant and non-leasable properties and properties leased to the private sector as the revenues from the private sector entities must be remitted to the CRF in accordance with the FAA requirements. MGCS also funds project management fees.

Rent for the year ended March 31, 2020 and March 31, 2019 are as follows:

	March 31, 2020	March 31, 2019
Base rent and recoverable operating expenses - leased properties	**$ 331,775**	$ 323,865
Base rent and recoverable operating expenses - owned properties	**329,781**	331,537
Private sector revenues	**22,949**	24,591
MGCS funding for vacant properties and other expenses	**26,696**	21,975
MGCS funding for project management fees	**8,513**	8,513
	$ 719,714	$ 710,481

14. MINISTRY PROJECT COST RECOVERIES & MINISTRY PROJECT RECOVERABLE COSTS

Ministry recoverable projects include capital and non-capital projects, related to GREP assets, initiated by ministries for their program requirements, the costs of which are fully recovered from the ministry requesting the work. Ministry project cost recoveries also include recoveries from MGCS for specific GREP program costs.

The portion of ministry funded capital projects which result in additions or improvements to GREP's tangible capital assets are recorded as asset additions transferred in from the ministries on the statement of operations and as an addition to the tangible capital assets.

(in thousands of dollars)

15. FACILITY OPERATING EXPENSES

Facility operating expenses include rental expenses paid to third party landlords, as well as expenses incurred for the operation and maintenance of owned properties, including utilities, realty taxes and payment in lieu of taxes, as well as facility and project management fees.

Facility operating expenses for the year ended March 31, 2020 and March 31, 2019 are as follows:

	March 31, 2020	March 31, 2019
Third party leased property expenses	**$ 331,238**	$ 321,459
Operating and maintenance expenses	**127,984**	131,167
Utilities	**68,441**	71,027
Realty taxes and payment in lieu of taxes	**49,696**	47,692
Facility management fees	**35,399**	28,592
IT systems and other non-recoverable costs	**6,474**	5,687
Project management fees	**8,513**	8,513
	$ 627,745	$ 614,137

16. CONTRACTUAL RIGHTS

GREP has entered into contracts with various private sector parties for property leases and property sales which are expected to generate revenues and assets in future years. Property leases are lease contracts entered into with private sector tenants in MGCS owned or leased buildings. Occupancy agreements with provincial government tenants are determined to be not in the nature of contracts and hence future revenues and assets from such agreements are not considered contractual rights. Contractual rights also include contracts entered into with private sector parties for the sale of properties in a future year. Contractual rights as at March 31, 2020 are as follows:

	Property leases	**Sale of properties and easements**
2020-21	$ 18,983	$ 24,886
2021-22	10,132	-
2022-23	8,289	-
2023-24	6,801	-
2024-25	3,823	-
Thereafter	13,752	-
	$ 61,780	$ 24,886

17. COMMITMENTS

GREP has entered into contractual obligations and does so on a continuing basis for building leases, construction contracts and construction and operation management of P3 assets. The building leases are lease contracts with third party landlords to provide accommodation to the ministries and government organizations. Commitments for construction contracts are determined based on management's estimate of costs to be incurred over the construction period. P3 commitments include P3 operating costs and interest for P3 assets in operation as well as the substantial completion payments and annual service payments due in future years for three projects under construction. Contractual obligations as at March 31, 2020 are as follows:

(in thousands of dollars)

	Building Leases	Construction Contracts	P3 Commitments
2020-21	$ 306,269	$ 373,500	$ 161,010
2021-22	276,070	106,928	252,124
2022-23	243,160	30,752	465,175
2023-24	201,761	7,434	452,578
2024-25	147,748	2,080	181,853
Thereafter	393,092	2,694	3,579,949
	$ 1,568,100	$ 523,388	$ 5,092,689

18. CONTINGENT LIABILITIES

Prior to the amalgamation of Stadium Corporation of Ontario Limited (STADCO) with Infrastructure Ontario and Ontario Realty Corporation on June 6, 2011, all assets, liabilities and operations of STADCO were transferred to GREP, including ground leases dated June 3, 1989 with Canada Lands Company for the SkyDome Lands and the sublease to Rogers Stadium Limited Partnership (sub-tenant). Under the terms of the ground lease, GREP is responsible for base rent, realty taxes, utilities and certain operating costs, which are assumed by the sub-tenant under the terms of the sub-lease. In the event of a default by the sub-tenant, the potential financial impact to GREP is estimated to be the base rent in the range of $300 to $400 annually plus realty taxes, utilities and certain operating costs.

In estimating the Liability for Contaminated Sites, management made significant judgment with respect to the determination of sites which met the recognition criteria and the costs associated with remediation. There may be additional sites owned by GREP with contamination that exceeds an environmental standard, or certain sites identified by GREP as having contamination that exceeds an environmental standard which may have migrated beyond GREP's property boundaries (i.e. offsite contamination). No liability has been accounted for in these financial statements for these sites, as management does not have sufficient information to determine if the recognition criteria has been met, nor can an estimate of the amount of the liability, if any, be made at this point in time.

Management continues to closely monitor and improve its knowledge of these sites and will recognize a liability once additional information is known, resulting in the property meeting the recognition criteria.

19. COVID-19 PANDEMIC

In March 2020, the COVID-19 pandemic resulted in organizations and governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, remote working and social distancing, have caused material disruption to businesses globally and resulted in a sudden economic slowdown. Given the rapidly evolving situation, it is not possible to predict the duration of the outbreak's disruption and the extent of the financial impact.

Management continues to evaluate the potential impact of the COVID-19 pandemic on the operations of the portfolio. Additional expenditures for enhanced cleaning are expected to be incurred, however the impact to the portfolio will be limited as these additional costs will be fully reimbursed by MGCS. There could also be lower parking and other third party revenues, but these are not expected to impact the financial position of GREP.

20. COMPARATIVE INFORMATION

Certain prior year comparative figures have been reclassified to conform to the current year's presentation.