

GENERAL REAL ESTATE PORTFOLIO (GREP)
Financial Statements
For the year ended March 31, 2024

GENERAL REAL ESTATE PORTFOLIO
FINANCIAL STATEMENTS
For the year ended March 31, 2024

Table of Contents

	Page
Statement of Financial Position	1
Statement of Operations	2
Statement of Accumulated Surplus	3
Statement of Changes in Net Financial Liabilities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-22



Independent Auditor's Report

To the Minister of Government and Consumer Services

Opinion

We have audited the financial statements of General Real Estate Portfolio (the "Organization") which comprise the statement of financial position as at March 31, 2024, and the statements of operations and accumulated surplus, changes in net financial liabilities and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2024 and its results of operations, its change in net financial liabilities, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards

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 are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained prior to the date of the auditor's report comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Other Matter

The financial statements of the Organization for the year ended March 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 23, 2023

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these 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.



Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
August 16, 2024

**GENERAL REAL ESTATE PORTFOLIO
STATEMENT OF FINANCIAL POSITION**

As at March 31

(in thousands of dollars)

	2024 Actual		2023 Actual
Financial assets			
Cash (Note 3)	\$ 93,177	\$	188,686
Accounts receivable (Note 4)	120,353		165,375
P3 receivable (Note 5)	2,055,358		1,908,705
Receivable under capital lease (Note 6)	66,661		-
Due from related party (Note 7)	81,296		-
Project receivable (Note 8)	26,550		28,512
Assets held for sale (Note 9)	3,445		4,501
	<u>2,446,840</u>		<u>2,295,779</u>
Liabilities			
Accounts payable and other liabilities (Note 10)	143,868		209,597
Asset retirement obligations (Note 11)	267,376		261,462
Liability for contaminated sites (Note 12)	147,659		119,052
P3 liabilities (Note 5)	2,055,358		1,908,705
Capital lease obligation (note 6)	66,661		-
Customers' deposits	5,372		242
Due to related party (Note 7)	8,178		11,123
	<u>2,694,472</u>		<u>2,510,181</u>
Net financial liabilities	<u>(247,632)</u>		<u>(214,402)</u>
Non-financial assets			
Tangible capital assets (Note 13)	6,001,631		5,995,612
Prepays, deposits and other assets	3,539		33,103
	<u>6,005,170</u>		<u>6,028,715</u>
Accumulated surplus	<u>\$ 5,757,538</u>	\$	<u>5,814,313</u>
Contractual rights (Note 18)			
Commitments (Note 19)			
Contingent liabilities (Note 20)			

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)

	2024 Budget	2024 Actual	2023 Actual
Revenue			
Rent and recoveries (Notes 7, 14)	\$ 729,837	\$ 765,517	\$ 766,887
Rent from P3 properties (Note 7)	194,150	198,600	174,514
Ministry project cost recoveries (Notes 7, 15)	199,153	175,695	156,028
Portfolio optimization cost recoveries (Note 7)	22,891	17,493	14,723
Interest income	3,000	6,401	4,706
	<u>1,149,031</u>	<u>1,163,706</u>	<u>1,116,858</u>
Operating expenses			
Facility operating expenses (Notes 7, 16)	652,703	681,966	684,952
P3 operating expenses (Note 7)	100,980	106,298	88,760
P3 interest expense	93,170	92,302	85,754
Capital repair program expenses	77,373	118,310	109,276
Ministry project recoverable costs (Note 7, 15)	199,153	175,695	155,993
Portfolio optimization costs (Note 7)	22,891	17,493	14,723
	<u>1,146,270</u>	<u>1,192,064</u>	<u>1,139,458</u>
Reduction in asset retirement obligations (Note 11)	-	1,751	5,929
Reduction/(increase) in liability for contaminated sites (Note 12)	10,367	(29,150)	(629)
Gain on sale of tangible capital assets (Note 13)	134,985	4,827	86,122
Gain on sale of assets held for sale (Note 9)	70	137	5,532
Easements and license revenue (Note 13)	2,255	929	2,328
	<u>137,310</u>	<u>5,893</u>	<u>93,982</u>
Operating surplus/(deficit) before amortization, retirement and write-down of tangible capital assets and government transfers	<u>150,438</u>	<u>(49,864)</u>	<u>76,682</u>
Amortization of tangible capital assets (Note 13)	(329,237)	(340,746)	(300,474)
Retirements and write-down of tangible capital assets (Note 13)	(1,476)	(45)	(2,594)
Deficit before Government transfers	<u>(180,275)</u>	<u>(390,655)</u>	<u>(226,386)</u>
Government transfers			
Capital funding from the Ministry of Infrastructure (Note 7)	90,397	115,558	153,053
Asset additions transferred in from ministries (Note 7, 13, 15)	1,187,147	250,999	849,125
Funding for remediation of contaminated sites (Note 7, 12)	12,002	543	762
Asset transfers to ministries (Note 13)	(307)	(429)	(14)
Private sector revenue distribution to the Province (Note 7)	(213,854)	(32,791)	(139,671)
	<u>1,075,385</u>	<u>333,880</u>	<u>863,255</u>
Surplus/(Deficit)	<u>\$ 895,110</u>	<u>\$ (56,775)</u>	<u>\$ 636,869</u>

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)

	2024 Actual	2023 Actual
Accumulated surplus, beginning of the year	\$ 5,814,313	\$ 5,177,444
(Deficit)/Surplus	(56,775)	636,869
Accumulated surplus, end of the year	\$ 5,757,538	\$ 5,814,313

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

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

	2024		2023
	Actual		Actual
(Deficit)/Surplus for the year	\$ (56,775)	\$	636,869
Acquisition of tangible capital assets	(348,332)		(965,217)
Transfer of tangible capital assets from held for sale	(736)		2,845
Amortization of tangible capital assets	340,746		300,474
Gain on sale of tangible capital assets	(4,827)		(86,122)
Adjustments to asset retirement obligations	2,125		930
Proceeds on sale of tangible capital assets	4,838		109,654
Transfer of tangible capital assets to ministries	122		14
Write-down of tangible capital assets	45		2,594
	<u>(62,794)</u>		<u>2,041</u>
Decrease/(Increase) in prepaids, deposits and other assets	<u>29,564</u>		<u>(29,684)</u>
Increase in net financial liabilities	(33,230)		(27,643)
Net financial liabilities, beginning of the year	(214,402)		(186,759)
Net financial liabilities, end of the year	\$ (247,632)	\$	(214,402)

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)

	2024 Actual	2023 Actual
Operating activities		
(Deficit)/Surplus for the year	\$ (56,775)	\$ 636,869
Changes in non-cash items		
Amortization of tangible capital assets	340,746	300,474
Gain on sale of tangible capital assets	(4,827)	(86,122)
Gain on sale of assets held for sale	(137)	(5,532)
Write-down of tangible capital assets	45	2,594
Increase in contaminated sites liability	29,150	629
Adjustment to asset retirement obligations	1,660	260
Transfer of capital assets from ministries	(250,999)	(849,125)
Transfer of capital assets to ministries	122	14
Transfer of assets held for sale to ministries	307	-
Changes in non-cash working capital balances		
Decrease/(Increase) in accounts receivable	45,022	(60,107)
Increase in P3 receivable	(146,653)	(3,181)
Increase in capital lease receivable	(66,661)	-
(Increase)/Decrease in due from related party	(81,296)	10,848
Decrease/(Increase) in project receivable	1,962	(4,995)
(Decrease)/Increase in accounts payable and other liabilities	(65,729)	57,261
Decrease in asset retirement obligations	(3,411)	(6,188)
Remediation of contaminated sites	(543)	(762)
Increase in P3 liabilities	146,653	3,181
Increase in capital lease obligation	66,661	-
Increase/(Decrease) in customers' deposits	5,130	(3,826)
(Decrease)/Increase in due to related party	(2,945)	9,681
Decrease/(Increase) in prepaids, deposits and other assets	29,564	(29,684)
	<u>(12,954)</u>	<u>(27,711)</u>
Capital activities		
Proceeds from sale of tangible capital assets	4,838	109,654
Additions to tangible capital assets	(87,543)	(90,152)
	<u>(82,705)</u>	<u>19,502</u>
Investing activities		
Proceeds from disposition of assets held for sale	150	5,550
	<u>150</u>	<u>5,550</u>
Net change in cash and cash equivalents	(95,509)	(2,659)
Cash and cash equivalents, beginning of the year	188,686	191,345
Cash and cash equivalents, end of the year	\$ 93,177	\$ 188,686

Supplementary cash flow information

Tangible capital assets include \$9,790 of asset retirement obligations capitalized during the year ended March 31, 2024 (March 31, 2023 - \$25,940).

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

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

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 His Majesty the King, in Right of Ontario, as represented by the Minister of Infrastructure (MOI). The portfolio is managed by Ontario Infrastructure and Lands Corporation (Infrastructure Ontario). Other real estate assets and liabilities within MOI's portfolio are not reflected in these statements. GREP is a component of MOI, 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 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 and yardworks.

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

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 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.

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

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 2023-24, the WACC is 4.2% (2022-23 – 3.8%).

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.

Public Private Partnerships (P3)

Effective April 1, 2023, GREP adopted the new public sector accounting standard PS 3160, Public Private Partnerships. The Province has contractual arrangements with different construction consortiums for the design, construction, financing, operating and maintenance activities under the Province's P3 project delivery model for buildings, consisting of courthouses, correctional centers, Ontario Provincial Police detachments, a forensic science center, a data center and an office building. Eleven of these buildings are currently in operation and two are under construction.

The sponsoring ministry is the ministry who is responsible for the program for which the P3 project was approved. During the construction period, construction costs are recorded by the sponsoring ministry. On substantial completion, the sponsoring ministry transfers the completed asset to GREP and is recorded as a P3 building under tangible capital assets in GREP.

GREP recognizes a liability for the construction cost owed to the construction consortium, and a corresponding receivable from the sponsor ministry. The liability to the construction consortium consists of construction costs less interim payments during construction. Liability remaining at substantial completion reflects the remaining amounts payable to the private sector partner through monthly service payments over the operational term of the agreement. The rate implicit to the contract is the discount rate used for the initial recognition and subsequent measurement of the liability and as the effective interest rate used for allocation of the principal payments and interest expense over the course of the arrangement.

There are no changes to the methodology for initial recognition and subsequent measurement of the infrastructure asset or the liability to acquire the asset as a result of the adoption of the standard.

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 part of GREP, or those under construction which will be part of 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 part of GREP, or those under construction which will be part of 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. The rate implicit to the contract is the discount rate used for the initial recognition and subsequent measurement of interest expense over the course of the arrangement. Amounts payable for regular operating and maintenance costs of the P3 properties are excluded from P3 liabilities and are recorded under accounts payable.

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

Receivable under capital lease and capital lease obligation

The Province entered into a contractual agreement with a private sector entity to lease property on behalf of a sponsoring ministry. The lease meets the criteria to be classified as a capital lease. A lease liability is recorded as a capital lease obligation at the present value of the minimum lease payments over the lease term at the inception of the lease. Receivable under capital lease reflects the amounts owed from the sponsoring ministry for the value of the capital lease obligation to the private sector entity. GREP pays the capital lease obligation as per the terms of the lease agreement, invoices the sponsoring ministry to recover these payments and draws down the receivable under capital lease accordingly over the lease term.

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.

Asset Retirement Obligations

Asset retirement obligations (ARO) arise from legal commitments associated with the retirement of tangible capital assets.

A liability for asset retirement is recognized at the financial reporting date when all the following criteria are met: (i) there is a legal obligation to incur retirement costs in relation to a tangible capital asset; (ii) the past transaction or event giving rise to the liability has occurred; (iii) it is expected that future economic benefits will be given up; and (iv) a reasonable estimate of the amount can be made.

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The estimated liability is measured based on the best available information and the resulting amounts are capitalized into the carrying amount of the related tangible capital asset. The capitalized asset retirement cost is amortized on the same basis as the related asset. Discounting the future cashflows have not been applied as the timing or retirement is not determinable.

The obligations are reviewed annually, and the liability estimates are updated with corresponding changes to capital assets amortized on a go-forward basis.

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 government owned and third-party landlord leased properties to government ministries and

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

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. Recoveries include operating funding from MOI 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 from sponsoring ministries.

Ministry project cost recoveries are recoveries from ministry tenants for costs related to projects they initiate and fund for improvements to government 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 MOI 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.

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

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.

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 MOI 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.

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

Management 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, asset retirement obligations, liabilities for contaminated sites and accrued expenses. Actual results could differ from these estimates.

2. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2023, GREP adopted the new public sector accounting standard PS 3160, Public Private Partnerships. Management determined that there was no impact to the recognition and measurement of GREP's P3 assets and liabilities as a result of adopting the new standard. However, certain P3 arrangements were reclassified in the statement of financial position resulting in two buildings previously recognized as P3 assets under capital lease to be recognized as P3 buildings. The related P3 receivables under capital lease and P3 capital lease obligations were also reclassified to P3 receivable and P3 liabilities, respectively. In addition, P3 receivable and P3 liabilities related to one building under a design, build, finance model which was under construction last year has been reclassified as accounts receivable and accounts payable as it is not classified as a P3 arrangement under the new policy. The following are the changes on the statement of financial position and statement of cashflows as a result of the reclassification:

	March 31, 2023 Previously reported	Prior Period Reclassification	March 31, 2023 Restated
Statement of financial position			
Accounts receivable	\$ 117,270	\$ 48,105	\$ 165,375
P3 receivable	1,651,014	257,691	1,908,705
P3 receivable under capital lease	305,796	(305,796)	-
Accounts Payable	161,492	48,105	209,597
P3 liabilities	1,651,014	257,691	1,908,705
P3 capital lease obligations	305,796	(305,796)	-
Statement of cash flows			
(Increase) in accounts receivable	\$ (12,002)	\$ (48,105)	\$ (60,107)
Decrease/(Increase) in P3 receivable	(62,459)	59,278	(3,181)
Decrease/(Increase) in P3 receivable under capital lease	11,173	(11,173)	-
Increase in accounts payable and other liabilities	9,156	48,105	57,261
Increase/(Decrease) in P3 liabilities	62,459	(59,278)	3,181
(Decrease)/Increase in P3 capital lease obligations	(11,173)	11,173	-

3. CASH

Cash of \$93,177 (March 31, 2023 - \$188,686) is held in interest bearing accounts. Interest earned on cash balances is recorded as interest income on the statement of operations.

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

4. ACCOUNTS RECEIVABLE

Accounts receivable includes amounts receivable from ministries for rent and recoveries, rent from P3 properties and the recovery of project costs. Accounts receivable also includes HST receivables, other receivables, private sector tenant receivables 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, 2024	March 31, 2023
Rent and recoveries receivable	\$ 15,331	\$ 4,429
P3 rent receivable	13,897	32,120
Project receivable	35,679	79,265
HST receivable	16,316	17,152
Other receivables	12,202	1,694
Private sector receivable	6,091	3,246
Allowance for doubtful accounts	(104)	(122)
Tenant inducements receivable	20,941	27,591
	\$ 120,353	\$ 165,375

5. P3 RECEIVABLE AND P3 LIABILITIES

The table below shows the details of P3 amounts owed to the construction consortium for each property with maturity dates, effective interest rates, monthly installments and liability outstanding.

Under the terms of these arrangements, the construction consortium is responsible for constructing, financing, operating and maintaining these buildings for a period of 30 years in exchange of cash payments over the term of the arrangements. If an event of default as defined in the arrangement occurs, the Province has the right to terminate the arrangement and repossess the building as well as replace the construction consortium. Upon expiry or other termination of the arrangement, the construction consortium must surrender the building to GREP in good condition. GREP is obligated to provide access to the construction consortium to operate and maintain the buildings as part of the arrangement.

Projects	Maturity date	Effective interest rate	Monthly installments	31 March 2024	31 March 2023
Projects in operation					
1. Durham Regional Consolidated Courthouse	Nov 2039	5.11%	1,244	\$ 160,676	\$ 167,205
2. Guelph Data Centre	Mar 2040	5.19%	1,026	133,359	138,591
3. Toronto South Detention Centre	Oct 2042	8.28%	1,452	164,806	168,430
4. OPP Modernization - Phase 1	Nov 2042	7.00%	849	106,020	108,694
5. Waterloo Regional Consolidated Courthouse	Jan 2043	8.61%	1,143	127,588	130,200
6. Forensic Services & Coroner's Complex	Feb 2043	7.60%	1,595	191,564	195,957
7. Quinte Consolidated Courthouse	May 2043	6.45%	361	47,647	48,865
8. South West Detention Centre	Aug 2043	7.31%	542	67,411	68,932
9. Thunder Bay Consolidated Courthouse	Oct 2043	7.69%	765	93,296	95,219
10. St. Thomas Consolidated Courthouse	Nov 2043	6.61%	453	60,013	61,430
11. New Toronto Courthouse	Apr 2052	4.54%	1,180	224,587	228,710
				\$ 1,376,967	\$ 1,412,233
Projects under Construction					
12. MacDonald Block Reconstruction				427,400	376,915
13. Thunder Bay Correctional Complex				250,991	119,557
				\$ 2,055,358	\$ 1,908,705

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

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

	Amount
2024-25	\$ 515,580
2025-26	102,965
2026-27	46,277
2027-28	48,969
2028-29	52,174
Thereafter	1,289,393
	<u>\$ 2,055,358</u>

6. RECEIVABLE UNDER CAPITAL LEASE AND CAPITAL LEASE OBLIGATION

Receivable under capital lease represents the amount owed from a sponsoring ministry for the capital cost of an asset which meets the criteria for, and classified as a capital lease. The capital lease asset along with the corresponding capital lease obligation was transferred to GREP by the sponsoring ministry during the year.

Capital lease obligation represent the amounts owed to the private sector entity for the capital cost of an asset which meet the criteria for, and are classified as a capital lease.

	March 31, 2024	March 31, 2023
Due February 2044, repayable in blended monthly installments of \$4,382, interest at 4.17% for the building.	\$ 59,073	\$ -
Due February 2034, repayable in blended monthly installments of \$956, interest at 4.49% for leasehold improvements.	7,588	-
	<u>\$ 66,661</u>	<u>\$ -</u>

Future minimum lease payments under capital lease are as follows:

	Amount
2024-25	\$ 5,337
2025-26	5,337
2026-27	5,337
2027-28	5,337
2028-29	5,337
Thereafter	69,617
Total minimum lease payments	96,302
Less: Imputed interest	(29,641)
	<u>\$ 66,661</u>

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 MOI and Infrastructure Ontario.

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

MOI provides funding to GREP for part of the shortfall between its operating and capital needs and the income generated

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

by operations. Included in rent and recoveries is funding from MOI for operating costs of vacant, non-leasable properties, operating cost of properties leased to private sector tenants, and management fees paid to Infrastructure Ontario. MOI 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.

The related party transactions recorded as revenue, operating expenses and government transfers for the year ended March 31, 2024, are summarized below.

	MOI	Infrastructure Ontario	Total March 31, 2024	March 31, 2023
Revenue				
Rent and recoveries	\$ 289,103	3,754	292,857	\$ 302,900
Ministry project cost recoveries	23,503	176	23,679	32,148
Portfolio optimization cost recoveries	17,425	-	17,425	14,496
	330,031	3,930	333,961	349,544
Operating expenses				
Facility operating expenses	-	47,193	47,193	46,979
P3 operating expenses	-	1,017	1,017	838
Ministry project recoverable costs	-	1,480	1,480	842
Portfolio optimization costs	-	11,459	11,459	10,231
	-	61,149	61,149	58,890
Government transfers				
Capital funding from MOI	115,558	-	115,558	153,053
Asset additions transferred in from MOI	-	-	-	21,904
Funding for remediation of contaminated sites	543	-	543	762
Asset transfers to MOI	(425)	-	(425)	-
Private sector revenue distribution to the Province	(32,385)	-	(32,385)	(139,339)
	\$ 83,291	-	83,291	\$ 36,380

Due from related party

Due from related party balance consists of amounts receivable from MOI for rent and recoveries, project services and capital funding, net of amounts due to MOI for CRF remittances.

	March 31, 2024	March 31, 2023
MOI	81,296	-
	\$ 81,296	\$ -

Due to related party

Due to related party consists of amounts payable to Infrastructure Ontario for IT system costs, external consultant costs for outsourced service provider procurement initiatives, and project management fees, net of recovery of project costs incurred for Infrastructure Ontario's realty clients that are not part of GREP.

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

	March 31, 2024	March 31, 2023
MOI	-	6,610
Infrastructure Ontario	8,178	4,513
	\$ 8,178	\$ 11,123

8. PROJECT RECEIVABLE

Project receivable of \$26,550 consists of accrued project costs incurred up to March 31, 2024 (March 31, 2023 - \$28,512), but not yet invoiced.

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, 2024	March 31, 2023
Land	\$ 870	\$ 1,928
Buildings	8,622	6,452
	9,492	8,380
Accumulated amortization	(6,047)	(3,879)
Net book value	\$ 3,445	\$ 4,501

During the year ended March 31, 2024, two properties (March 31, 2023 – two properties) with a carrying value of \$13 (March 31, 2023 - \$18) were sold for net proceeds of \$150 (March 31, 2023 - \$5,550) which generated a net gain on sale of \$137 (March 31, 2023 - \$5,532). Two properties with carrying value of \$307 (March 31, 2023 – \$0) were transferred to a related party during the year. Properties with a carrying value of \$736 was transferred to tangible capital assets.

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, 2024	March 31, 2023
Trade payable	\$ 63,920	\$ 65,951
Project payable	69,939	126,434
HST payable	414	585
Tenant inducements payable	9,595	16,627
	\$ 143,868	\$ 209,597

11. ASSET RETIREMENT OBLIGATIONS

A liability for asset retirement is recognized at the financial reporting date when all the following criteria are met: (i) there is a legal obligation to incur retirement costs in relation to a tangible capital asset; (ii) the past transaction or event giving rise to the liability has occurred; (iii) it is expected that future economic benefits will be given up; and (iv) a reasonable estimate of the amount can be made.

The retirement obligations specific to individual assets include remediation of asbestos and other designated substances, removal of storage tanks, decommissioning of wells and obligations associated with restoration of leased premises to its original condition including removal of improvements, signage trade fixtures, buildings or structures erected.

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

Significant judgment and estimation were involved in determining the type of retirement activities that would be required and the associated costs. This included reviewing government legislation, regulations, and legal requirements under various agreements. Unit costs for abatement and other associated activities including removal and disposal of asbestos, other designated substances and regulated hazardous materials were estimated by professional engineering/environmental consultants and applied to the individual assets based on asset specific information available as at the balance sheet date. Where information related to specific assets were not available, rates developed based on construction year, usage and building area were applied using portfolio wide assumptions.

On initial recognition, the estimated liability for asset retirement obligation is capitalized into the carrying amount of the related tangible capital asset. The capitalized asset retirement cost is amortized on the same basis as the related asset. The amortization is based on date of buildings placed in service, overall life of asset, remaining life of asset and date in which the regulation came into effect. Discounting the future cashflows have not been applied as the timing or retirement is not determinable.

Liability estimates are reviewed and revised to account for changes from reassessments, abatements, disposal of assets, and inflation. The building construction price index was utilized to capture the inflation increase up to March 31, 2024.

Movement in asset retirement obligation during the year are as follows:

	March 31, 2024	March 31, 2023
Balance as at April 1, 2023	\$ 261,462	242,380
Liability increases during the year	839	545
Liability settled during the year	(8,239)	(9,249)
Revisions in estimated cash flows	13,314	27,786
Balance as at March 31, 2024	<u>\$ 267,376</u>	<u>261,462</u>

A 1% increase (or decrease) in underlying cost assumptions would increase (or decrease) the ARO liability by \$2,674.

12. 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, 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 56 sites (March 31, 2023 - 56 sites) identified with known existing or potential contamination, of which 25 sites (March 31, 2023 - 25 sites) have met the liability recognition criteria. For the 31 sites (March 31, 2023 – 31 sites) which have not met the liability recognition criteria, no liability has been recorded.

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

Of the 25 contaminated sites that met the liability recognition criteria, five are not owned by the Province. MOI became responsible for remediation of these sites by operational law due to forfeiture to the Crown. MOI 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, 2024, GREP incurred \$543 (March 31, 2023 - \$762) of remediation costs and accordingly, reduced the associated liability for the specific contaminated sites. An estimated increase in liability of \$28,041 was recorded to account for inflationary increases in remediation costs since the last revaluation date of each site. An additional liability of \$1,109 was recorded due to the reassessment of contamination at one site (March 31, 2023 – two sites) based on additional information gained during remediation activities (March 31, 2023 -\$1,780). No reduction in liability based on new information or sale of contaminated sites (March 31, 2023 - \$1,151) was recorded.

Management's best estimate of the amount required to settle or otherwise extinguish the liability as at March 31, 2024 for the 25 sites (March 31, 2023 - 25 sites) on an undiscounted basis is \$147,659 (March 31, 2023 - \$119,052).

13. TANGIBLE CAPITAL ASSETS

	Land	Yard-works	Buildings	Construction in Progress	P3 Buildings	Total
Cost						
Balance as at April 1, 2023	\$ 944,761	86,187	5,512,850	183,112	3,169,279	\$ 9,896,189
Additions	-	-	9,790	87,543	-	97,333
Transfer out from CIP	-	9,580	103,756	(113,336)	-	-
Disposals	(11)	-	-	-	-	(11)
Transfers from ministries	-	-	206,088	87,341	-	293,429
Transfers to ministries	(122)	-	-	-	-	(122)
Retirements and write-downs	(26)	-	(10,019)	-	-	(10,045)
Adjustment to asset retirement obligations	-	-	(5,864)	-	-	(5,864)
Net transfers to assets held for sale	738	-	(2,165)	-	-	(1,427)
Balance as at March 31, 2024	945,340	95,767	5,814,436	244,660	3,169,279	10,269,482
Accumulated Amortization						
Balance as at April 1, 2023	-	41,385	3,166,868	-	692,324	3,900,577
Additions	-	5,332	255,654	-	79,760	340,746
Disposals	-	-	-	-	-	-
Transfers from ministries	-	-	42,430	-	-	42,430
Transfers to ministries	-	-	-	-	-	-
Retirements and write-downs	-	-	(10,000)	-	-	(10,000)
Adjustment to asset retirement obligations	-	-	(3,739)	-	-	(3,739)
Net transfers to assets held for sale	-	-	(2,163)	-	-	(2,163)
Balance as at March 31, 2024	-	46,717	3,449,050	-	772,084	4,267,851
Net book value as at March 31, 2024	\$ 945,340	49,050	2,365,386	244,660	2,397,195	\$ 6,001,631

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

	Land	Yard-works	Buildings	Construction in Progress	P3 Buildings	Total
Cost						
Balance as at April 1, 2022	\$ 946,264	88,001	5,265,167	136,230	2,540,322	\$ 8,975,984
Additions	-	-	25,940	90,152	-	116,092
Transfer out from CIP	58	267	118,186	(118,511)	-	-
Disposals	(23,177)	-	(1,828)	-	-	(25,005)
Transfers from ministries	21,904	-	123,023	75,241	628,957	849,125
Transfers to ministries	(14)	-	-	-	-	(14)
Retirements and write-downs	(1)	(2,081)	(4,960)	-	-	(7,042)
Adjustment to asset retirement obligations	-	-	(7,190)	-	-	(7,190)
Net transfers to assets held for sale	(273)	-	(5,488)	-	-	(5,761)
Balance as at March 31, 2023	944,761	86,187	5,512,850	183,112	3,169,279	9,896,189
Accumulated Amortization						
Balance as at April 1, 2022	-	37,322	2,952,208	-	625,670	3,615,200
Additions	-	5,161	228,659	-	66,654	300,474
Disposals	-	-	(1,473)	-	-	(1,473)
Transfers from ministries	-	-	-	-	-	-
Transfers to ministries	-	-	-	-	-	-
Retirements and write-downs	-	(1,098)	(3,350)	-	-	(4,448)
Adjustment to asset retirement obligations	-	-	(6,260)	-	-	(6,260)
Net transfers to assets held for sale	-	-	(2,916)	-	-	(2,916)
Balance as at March 31, 2023	-	41,385	3,166,868	-	692,324	3,900,577
Net book value as at March 31, 2023	\$ 944,761	44,802	2,345,982	183,112	2,476,955	\$ 5,995,612

Capital additions of \$348,332 for the year ended March 31, 2024 (March 31, 2023 - \$965,217) include \$250,999 (March 31, 2023 - \$849,125) of government transfers, \$87,543 (March 31, 2023 - \$90,152) of GREP capital repair program projects and 9,790 (March 31, 2023 - \$25,940) of retirement obligations. Government transfers include capitalized ministry recoverable projects of \$80,146 (March 31, 2023 - \$69,622), other assets transferred in from ministries of \$163,659 (March 31, 2023 - \$773,884) and capitalized interest of \$7,194 (March 31, 2023 - \$5,619). Budget for capital additions for the period included \$69,078 for capital repair program and \$1,187,147 for government transfers.

During the year ended March 31, 2024, two properties (March 31, 2023 - thirteen properties) with a carrying value of \$11 (March 31, 2023 - \$23,532) were disposed of for net proceeds of \$4,838 (March 31, 2023 - \$109,654) generating a net gain on sale of \$4,827 (March 31, 2023 - \$86,122). Easements and license transactions for the period generated \$929 (March 31, 2023 - \$2,328).

14. RENT AND RECOVERIES

Rent and recoveries consists of income earned from leasing of government 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. MOI 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. MOI also funds project management fees.

Rent for the year ended March 31, 2024 and March 31, 2023 are as follows:

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

	March 31, 2024	March 31, 2023
Base rent and recoverable operating expenses - leased properties	\$ 331,954	\$ 341,240
Base rent and recoverable operating expenses - owned properties	377,962	370,960
Private sector revenues	20,975	21,187
MOI funding for vacant properties and other expenses	26,113	24,987
MOI funding for project management fees	8,513	8,513
	\$ 765,517	\$ 766,887

15. 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 MOI 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.

16. FACILITY OPERATING EXPENSES

Facility operating expenses include rental expenses paid to third party landlords, and 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, 2024 and March 31, 2023 are as follows:

	March 31, 2024	March 31, 2023
Third party leased property expenses	\$ 336,685	\$ 338,446
Operating and maintenance expenses	166,229	167,039
Utilities	70,692	70,324
Realty taxes and payment in lieu of taxes	55,695	55,815
Facility management fees	33,479	32,356
IT systems and other non-recoverable costs	10,673	12,459
Project management fees	8,513	8,513
	\$ 681,966	\$ 684,952

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

17. SEGMENTED INFORMATION

GREP's reporting structure reflects how the business is managed. GREP's operating segments are based on the type of services provided and specific ministry programs. GREP manages its operations to enable delivery and accountability on priorities set by the Province. The following table reflects the results of operations by business lines.

	Year ended March 31, 2024 – Actual					
	Facility Operations	P3 Facility Operations	Ministry Recoverable Projects	Portfolio Optimi- zation	Other	Total
Revenue						
Rent and recoveries	765,517	-	-	-	-	\$ 765,517
Rent from P3 properties	-	198,600	-	-	-	198,600
Ministry project cost recoveries	-	-	175,695	-	-	175,695
Portfolio optimization cost recoveries	-	-	-	17,493	-	17,493
Interest income	-	-	-	-	6,401	6,401
	765,517	198,600	175,695	17,493	6,401	1,163,706
Operating Expenses						
Facility operating expenses	681,966	-	-	-	-	681,966
P3 operating expenses	-	106,298	-	-	-	106,298
P3 interest expense	-	92,302	-	-	-	92,302
Capital repair program expenses	118,310	-	-	-	-	118,310
Ministry project recoverable costs	-	-	175,695	-	-	175,695
Portfolio optimization costs	-	-	-	17,493	-	17,493
	800,276	198,600	175,695	17,493	-	1,192,064
Increase in liability for contaminated sites	(29,150)	-	-	-	-	(29,150)
Reduction in asset retirement obligations	1,751	-	-	-	-	1,751
Gain on sale of tangible capital assets, assets held for sale and easements and license revenue	-	-	-	5,893	-	5,893
Operating surplus/(deficit) before amortization, retirement and write-down of tangible capital assets and government transfers	(62,158)	-	-	5,893	6,401	(49,864)
Amortization, retirement, and write-down of tangible capital assets						(340,791)
Government transfers						333,880
Deficit						\$ (56,775)

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

	Year ended March 31, 2024 – Budget					
	Facility Operations	P3 Facility Operations	Ministry Recoverable Projects	Portfolio Optimization	Other	Total
Revenue						
Rent and recoveries	729,837	-	-	-	-	\$ 729,837
Rent from P3 properties	-	194,150	-	-	-	194,150
Ministry project cost recoveries	-	-	199,153	-	-	199,153
Portfolio optimization cost recoveries	-	-	-	22,891	-	22,891
Interest income	-	-	-	-	3,000	3,000
	729,837	194,150	199,153	22,891	3,000	1,149,031
Operating Expenses						
Facility operating expenses	652,703	-	-	-	-	652,703
P3 operating expenses	-	100,980	-	-	-	100,980
P3 interest expense	-	93,170	-	-	-	93,170
Capital repair program expenses	77,373	-	-	-	-	77,373
Ministry project recoverable costs	-	-	199,153	-	-	199,153
Portfolio optimization costs	-	-	-	22,891	-	22,891
	730,076	194,150	199,153	22,891	-	1,146,270
Reduction in liability for contaminated sites	10,367	-	-	-	-	10,367
Reduction in asset retirement obligations	-	-	-	-	-	-
Gain on sale of tangible capital assets, assets held for sale and easements and license revenue	-	-	-	137,310	-	137,310
Operating surplus before amortization, retirement and write-down of tangible capital assets and government transfers	10,128	-	-	137,310	3,000	150,438
Amortization, retirement, and write-down of tangible capital assets						(330,713)
Government transfers						1,075,385
Surplus						\$ 895,110

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

	Year ended March 31, 2023 – Actual					Total
	Facility Operations	P3 Facility Operations	Ministry Recoverable Projects	Portfolio Optimization	Other	
Revenue						
Rent and recoveries	766,887	-	-	-	-	766,887
Rent from P3 properties	-	174,514	-	-	-	174,514
Ministry project cost recoveries	-	-	156,028	-	-	156,028
Portfolio optimization cost recoveries	-	-	-	14,723	-	14,723
Interest income	-	-	-	-	4,706	4,706
	766,887	174,514	156,028	14,723	4,706	1,116,858
Operating Expenses						
Facility operating expenses	684,952	-	-	-	-	684,952
P3 operating expenses	-	88,760	-	-	-	88,760
P3 interest expense	-	85,754	-	-	-	85,754
Capital repair program expenses	109,276	-	-	-	-	109,276
Ministry project recoverable costs	-	-	155,993	-	-	155,993
Portfolio optimization costs	-	-	-	14,723	-	14,723
	794,228	174,514	155,993	14,723	-	1,139,458
Increase in liability for contaminated sites	(629)	-	-	-	-	(629)
Adjustment to asset retirement obligations	5,929	-	-	-	-	5,929
Gain on sale of tangible capital assets, assets held for sale and easements and license revenue	-	-	-	93,982	-	93,982
Operating surplus before amortization, retirement and write-down of tangible capital assets and government transfers	(22,041)	-	35	93,982	4,706	76,682
Amortization, retirement, and write-down of tangible capital assets						(303,068)
Government transfers						863,255
Deficit						\$ 636,869

18. CONTRACTUAL RIGHTS

The Province 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 periods. Property leases are lease contracts entered into with private sector tenants in MOI 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 period. Contractual rights as at March 31, 2024 are as follows:

	Property leases	Sale of properties and easements
2024-25	\$ 23,554	\$ 129,355
2025-26	15,589	-
2026-27	12,446	-
2027-28	8,587	-
2028-29	6,406	-
Thereafter	188,657	-
	\$ 255,239	\$ 129,355

GENERAL REAL ESTATE PORTFOLIO
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2024
(in thousands of dollars)

19. COMMITMENTS

The Province 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 periods for three projects under construction. Contractual obligations as at March 31, 2024, are as follows:

	Building Leases	Construction Contracts	P3 Commitments
2024-25	\$ 291,399	\$ 560,020	\$ 167,021
2025-26	230,670	193,676	230,236
2026-27	177,117	12,368	406,318
2027-28	130,701	213	186,129
2028-29	74,578	213	194,379
Thereafter	187,609	-	3,111,152
	\$ 1,092,073	\$ 766,490	\$ 4,295,235

20. 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 with contamination that exceeds an environmental standard. 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.