



**THE CHILDREN'S MERCY HOSPITAL**

Uniform Guidance Single Audit Report

June 30, 2019

(With Independent Auditors' Reports Thereon)

# THE CHILDREN'S MERCY HOSPITAL

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The Children's Mercy Hospital and Affiliates' audited consolidated financial statements, as of and for the years ended June 30, 2019 and 2018, are separately attached hereto.	



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Suite 1100  
1000 Walnut Street  
Kansas City, MO 64106-2162

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

The Board of Directors  
The Children's Mercy Hospital  
Kansas City, Missouri

Ladies and Gentlemen:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of The Children's Mercy Hospital and Affiliates (the Hospital), which comprise the consolidated balance sheet as of June 30, 2019, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 21, 2019.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the consolidated financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Hospital's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of



our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Kansas City, Missouri  
October 21, 2019



KPMG LLP  
Suite 1100  
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**Independent Auditors' Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance**

The Board of Directors  
The Children's Mercy Hospital:

**Report on Compliance for Each Major Federal Program**

We have audited The Children's Mercy Hospital's (the Hospital) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended June 30, 2019. The Hospital's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the Hospital's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Hospital's compliance.

*Opinion on the Research & Development Cluster*

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Research & Development Cluster for the year ended June 30, 2019.

*Other Matters*

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002. Our opinion on each major federal program is not modified with respect to these matters.



The Hospital's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Hospital is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The Hospital's response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

### **Report on Internal Control Over Compliance**

Management of the Hospital is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hospital's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

The Hospital's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Hospital is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The Hospital's response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the consolidated financial statements of the Hospital as of and for the year ended June 30, 2019, and have issued our report thereon dated October 21, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*KPMG LLP*

Kansas City, Missouri  
March 31, 2020

**THE CHILDREN'S MERCY HOSPITAL**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2019

**(1) Summary of Auditors' Results**

- (a) Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: Unmodified
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
  - Material weaknesses: No
  - Significant deficiencies: None reported
- (c) Noncompliance material to the financial statements: No
- (d) Internal control deficiencies over major programs disclosed by the audit:
  - Material weaknesses: Yes
  - Significant deficiencies: Yes
- (e) Type of report issued on compliance for major programs: Unmodified
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): Yes
- (g) Major programs:
  - Research and Development Cluster – various CFDA numbers
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
- (i) Auditee qualified as a low-risk auditee: Yes

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None

**(3) Findings and Questioned Costs Relating to Federal Awards**

FINDING #2019-001	Procurement
Finding Criteria	
<i>Federal program information</i>	<i>Federal Program:</i> Research and Development Cluster  <i>Federal Agency:</i> U.S. Department of Health and Human Services



**THE CHILDREN'S MERCY HOSPITAL**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2019

FINDING #2019-001	Procurement
<b>Finding Criteria</b>	
	<p><i>Pass-through Entity:</i>  Various – see Schedule of Expenditures of Federal Awards</p> <p><i>CFDA Numbers and Program Expenditures:</i>  Various – see Schedule of Expenditures of Federal Awards</p> <p><i>Federal Award Numbers:</i>  Various – see Schedule of Expenditures of Federal Awards</p> <p><i>Federal Award Year:</i>  Various – see Schedule of Expenditures of Federal Awards</p>
<i>Condition Found</i>	<p>During our testing over the Research and Development Cluster program, we noted the Hospital had drafted a revised procurement policy to incorporate the requirements of 2 CFR sections 200.318 through 200.326; the draft policy was not formally adopted by the Hospital and was not communicated to Hospital personnel responsible for procurements. As a result, Hospital personnel continued following the existing procurement policy which did not conform to the revised procurement requirements under the Uniform Guidance.</p> <p>The Hospital paid contractual expenditures under the Research and Development Cluster program of approximately \$1 million of which approximately \$250,000 were purchases in excess of the micro-purchase threshold. Each of the procurements in excess of the micro-purchase threshold were sole sourced and justification of the sole source procurement was not documented at the time of the purchase. During our audit, the Hospital re-evaluated each of the procurements and documented the rationale for sole sourcing.</p> <p>The Hospital has not established adequate controls to ensure required procurement policy updates are appropriately adopted and implemented in accordance with the procurement standards required by 2 CFR sections 200.318 through 200.326.</p>
<i>Criteria</i>	<p>The Hospital must follow the procurement standards set out at 2 CFR section 200.318 through 200.326. The Hospital must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable Federal statutes and the procurement requirements identified in 2 CFR part 200. These standards include oversight of contractors' performance, maintaining written standards of conduct for employees involved in contracting, awarding contracts only to responsible contractors, and maintaining records to document history of procurements. According</p>

**THE CHILDREN'S MERCY HOSPITAL**  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2019

FINDING #2019-001	Procurement
Finding Criteria	
	<p>to 2 CFR section 200.319, the Hospital must conduct all procurement transactions in a manner providing full and open competition. In addition, for acquisitions exceeding the simplified acquisition threshold, the Hospital must use one of the following procurement methods: the sealed bid method if the acquisition meets the criteria in 2 CFR section 200.320(c); the competitive proposals method under the conditions specified in 2 CFR section 200.320(d); or the noncompetitive proposals method (i.e. solicit a proposal from only one source) but only when one or more of four circumstances are met, in accordance with 2 CFR section 200.320(f). Finally, the Hospital must perform a cost or price analysis in connection with every procurement action in excess of the simplified acquisition threshold as required by 2 CFR section 200.323.</p> <p>The micro-purchases threshold is \$10,000 and the simplified acquisition threshold for the Hospital is \$250,000 as stated in the "Notice of Increases to the Simplified Acquisition and Micro-purchase Thresholds by the Office of Management and Budget", notice number NOT-OD-18-219 issued by the National Institutes of Health.</p> <p>Title 45 US Code of Federal Regulations Part 75 (45 CFR part 75), <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards</i>, section 75.303 also states that nonfederal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations and the terms and conditions of the federal award.</p>
<i>Cause</i>	In discussing these conditions with Hospital personnel, they stated staff turnover resulted in the revised policy not being adopted, implemented, and communicated to individuals involved in the procurement process.
<i>Possible Asserted Effect</i>	Failure to implement procurement policy changes required by the Uniform Guidance may result in noncompliance with procurement regulations and unallowable costs being charged to federal programs.
<i>Questioned Costs</i>	None
<i>Repeat Finding</i>	This is not a repeat audit finding.
<i>Statistical Sampling</i>	The sample was not intended to be, and was not, a statistically valid sample.
<i>Recommendation</i>	We recommend that management implement the necessary updates to its procurement policy to conform to the requirements as outlined in the

**THE CHILDREN'S MERCY HOSPITAL**  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2019

FINDING #2019-001	Procurement
Finding Criteria	
	Uniform Guidance and communicate those changes to individuals involved in the procurement process. Management should also evaluate its internal controls over the compliance and implement any additional changes to ensure procurements are made in accordance with federal regulations and are appropriately documented.
<i>Views of Responsible Officials</i>	<p>The Hospital agrees that it must implement the updates to the procurement policy as outlined in the Uniform Guidance.</p> <p>On 9/2/2019, the procurement policy was finalized and published in the Hospital's Policy Manager. Communication of the procurement policy was sent out via hospital-wide Scope article and was disseminated in departmental meetings and through the research listserv.</p> <p>The Hospital is implementing an automated process to identify procurement transactions by the project's Catalog For Domestic Assistance (CFDA) number. Once the transaction is identified as a federal purchase, it will be placed on hold and an email will be sent to Supply Chain for review. Supply Chain will work with purchaser to ensure compliance with the policy.</p>

FINDING #2019-002	Period of Performance
Finding Criteria	
<i>Federal program information</i>	<p><i>Federal Program:</i>            National Center for Advancing Translational Sciences, CFDA No. 93.350, Award No. ZPBK0010</p> <p><i>Federal Agency:</i>            National Institutes of Health</p> <p><i>Pass-through Entity:</i>            University of Kansas Medical Center Research Institute</p> <p><i>CFDA # and Program Expenditures:</i>            93.350 (\$157,619)</p> <p><i>Federal Award Number:</i>            ZPBK00000</p> <p><i>Federal Award Year:</i>            July 1, 2018 to June 30, 2019</p>

**THE CHILDREN'S MERCY HOSPITAL**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2019

FINDING #2019-002	Period of Performance
Finding Criteria	
<i>Condition Found</i>	<p>During our testing of the period of performance requirement related to the Research and Development Cluster program, we noted spending on one subaward (ZPBK00000) sampled exceeded the amount awarded (\$146,475) for the period of performance (fiscal year 2019) by \$56,089. Upon further review of the award agreement, we noted the award provided funding for two specific budget periods - \$210,411 for fiscal 2018 and \$146,475 for fiscal 2019. The award did not permit funds to be carried between budget periods.</p> <p>While supervisory review procedures require Hospital personnel to verify each expenditure is allowable and was incurred during the applicable period of performance, internal controls have not been established to ensure project expenditures do not exceed budgeted amounts. In addition, the Hospital did not establish separate and distinct projects for each budgetary period.</p> <p>The original Schedule of Expenditures of Federal Awards provided for auditing purposes included the \$56,089 of expenditures that were incurred outside the period of performance. As a result, the final Schedule of Expenditures of Federal Awards appropriately excludes the \$56,089 for this award.</p>
<i>Criteria</i>	<p>The Hospital must follow the period of performance requirements contained in 2 CFR section 200.309 which require nonFederal entities to charge to Federal awards only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity.</p> <p>Additionally, the Hospital must follow the requirements outlined in 2 CFR section 200.343(b) which require nonFederal entities to liquidate all obligations incurred under Federal awards no later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award unless the Federal awarding agency or pass-through entity authorizes an extension.</p> <p>In accordance with 2 CFR section 200.71, when used in connection with a nonFederal entity's utilization of funds under a Federal award, "obligations" means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the nonFederal entity during the same or a future period.</p>

**THE CHILDREN'S MERCY HOSPITAL**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2019

FINDING #2019-002	Period of Performance
Finding Criteria	
<i>Cause</i>	In discussing these conditions with Hospital management, they stated the majority of their pass through awards permit carryover between budget periods and the specific budget period requirements of this award were not identified when the award was extended by the pass through entity.
<i>Possible Asserted Effect</i>	Failure to properly identify period of performance requirements and establish appropriate internal controls may result in unallowable costs being charged to federal awards.
<i>Questioned costs</i>	None
<i>Repeat Finding</i>	This is not a repeat audit finding.
<i>Statistical Sampling</i>	The sample was not intended to be, and was not a statistically valid sample.
<i>Recommendation</i>	We recommend that Management implement processes and controls as part of their system of internal control to ensure new activities are set up for awards with extensions where carryover is not permitted. In addition, we recommend that management ensure grant personnel involved in setting up new awards or extensions are properly trained on the period of performance requirements and the Hospital's policies and internal controls.
<i>Views of Responsible Officials</i>	<p>The Hospital agrees that it should strengthen its internal control ensuring that awards are setup in new projects when carryover is not permitted.</p> <p>The Hospital believes that this was an isolated incident. An award was setup using a draft subaward document. When the fully executed award was received, the carryover clause was stricken. When finalizing the award as fully executed, the change was not noted, and the award was not setup in a separate project.</p> <p>The Senior Manager of Research Accounting will provide training on the period of performance requirements to ensure compliance with the Hospital's policies and internal controls standards.</p>

**THE CHILDREN'S MERCY HOSPITAL**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Federal award number, contract or pass-through identifying number	Pass-through awards	Direct awards	Total federal expenditures	Amounts provided to subrecipients
Research and Development Cluster:						
Uniformed Services University of the Health Sciences:						
The Henry M. Jackson Foundation	12.750	4736	\$ 57,648	—	57,648	—
Total Uniformed Services University of the Health Sciences			57,648	—	57,648	—
Agency for Healthcare Research & Quality:						
Agency for Healthcare Research & Quality	93.226	R21HS023980	—	18,008	18,008	2,602
Total Agency for Healthcare Research & Quality			—	18,008	18,008	2,602
Centers for Disease Control:						
The American Academy of Pediatrics	93.185	772104-CMH	30,617	—	30,617	—
The American Academy of Pediatrics	93.185	772105-CMH	34,949	—	34,949	—
Subtotal 93.185			65,566	—	65,566	—
The University of Alabama – Birmingham	93.RD	000517420-005	9,216	—	9,216	—
The University of Alabama – Birmingham	93.RD	521090.003	884	—	884	—
Subtotal 93.RD			10,100	—	10,100	—
Total Centers for Disease Control			75,666	—	75,666	—
Department of Health and Human Services:						
Greater Kansas City LINC, Inc.	93.558	N/A	69,000	—	69,000	—
Childrens Hospital of Philadelphia	93.838	N/A	2,000	—	2,000	—
Total Department of Health and Human Services			71,000	—	71,000	—
Health Resources and Service:						
University of Texas Health Science Center at Houston	93.110	0010176L	7,048	—	7,048	—
University of Texas Health Science Center at Houston	93.110	0012728L	25,418	—	25,418	—
Total Health Resources and Service			32,466	—	32,466	—
National Cancer Institute:						
University of Nebraska Medical Center	93.077	34-5410-2004-001	8,484	—	8,484	—
Hackensack University Medical Center	93.393	2018-CA212189-CMH	32,207	—	32,207	—
National Cancer Institute	93.393	R21CA194492	—	59,765	59,765	31,459
Subtotal 93.393			32,207	59,765	91,972	31,459
University of Kansas Medical Center Research Institute, Inc.	93.394	FY2017-099-M1	12,081	—	12,081	—
University of Kansas Medical Center Research Institute, Inc.	93.394	FY2017-099-M2	2,293	—	2,293	—
Subtotal 93.394			14,374	—	14,374	—
Children's Hospital of Philadelphia	93.395	ALTE1621STUDY	15,250	—	15,250	—
Children's Hospital of Philadelphia	93.395	UG1CA189955	12,298	—	12,298	—
Children's Hospital of Philadelphia	93.395	962093-RSUB	11,667	—	11,667	—
Children's Hospital of Philadelphia	93.395	9500080215-12C	78,907	—	78,907	—

**THE CHILDREN'S MERCY HOSPITAL**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Federal award number, contract or pass-through identifying number	Pass-through awards	Direct awards	Total federal expenditures	Amounts provided to subrecipients
Children's Hospital of Philadelphia	93.395	9500080215-13C	\$ 8,599	—	8,599	—
Children's Hospital of Philadelphia	93.395	9500080217-06C	3,564	—	3,564	—
Children's Hospital of Philadelphia	93.395	9500080218-XX	21,252	—	21,252	—
Children's Hospital of Philadelphia	93.395	9500100715-XX	22,183	—	22,183	—
Children's Hospital of Philadelphia	93.395	N/A	35,666	—	35,666	—
Subtotal 93.395			209,386	—	209,386	—
Total National Cancer Institute			264,451	59,765	324,216	31,459
National Center for Advancing Translational Sciences:						
Duke University	93.350	5U01TR001803-02	627	—	627	—
New York University School of Medicine	93.350	00003979	(152)	—	(152)	—
University of Kansas Medical Center Research Institute	93.350	ZPBU00006-MILLE	7,858	—	7,858	—
University of Kansas Medical Center Research Institute	93.350	ZPBU00003-JONES	(2,500)	—	(2,500)	—
University of Kansas Medical Center Research Institute	93.350	ZPBU00006	18,000	—	18,000	18,000
University of Kansas Medical Center Research Institute	93.350	ZPBU00013	26,874	—	26,874	—
University of Kansas Medical Center Research Institute	93.350	ZPBU00013-MILLER	2,138	—	2,138	—
University of Kansas Medical Center Research Institute	93.350	ZPBK00000	157,619	—	157,619	—
University of Kansas Medical Center Research Institute	93.350	ZPBU00007	17,223	—	17,223	—
University of Kansas Medical Center Research Institute	93.350	ZPBU00000	107,258	—	107,258	—
University of Kansas Medical Center Research Institute	93.350	ZPBU00006-LEWIS	10,422	—	10,422	10,783
University of Kansas Medical Center Research Institute	93.350	ZPBU-0017-YAN	16,571	—	16,571	—
Total National Center for Advancing Translational Sciences			361,938	—	361,938	28,783
National Center for Immunization and Respiratory Diseases:						
National Center for Immunization and Respiratory Diseases	93.185	U011P001057	—	1,321,741	1,321,741	—
National Center for Immunization and Respiratory Diseases	93.533	U011P001057	—	18,742	18,742	—
Academic Pediatric Association	93.733	H231P000950	40,010	—	40,010	—
Total National Center for Immunization and Respiratory Diseases			40,010	1,340,483	1,380,493	—
National Center on Birth Defects:						
Washington University	93.283	WU-17-81	164,293	—	164,293	—
Washington University	93.283	WU-18-85	43,431	—	43,431	—
Total National Center on Birth Defects			207,724	—	207,724	—
National Eye Institute:						
Jaeb Center for Health Research	93.867	IXT1	19,174	—	19,174	—
Jaeb Center for Health Research	93.867	CO2	5,616	—	5,616	—
Jaeb Center for Health Research	93.867	IXT5	(2,964)	—	(2,964)	—
Jaeb Center for Health Research	93.867	15080354	198	—	198	—
Jaeb Center for Health Research	93.867	PON1	(1,571)	—	(1,571)	—
Total National Eye Institute			20,453	—	20,453	—

**THE CHILDREN'S MERCY HOSPITAL**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Federal award number, contract or pass-through identifying number	Pass-through awards	Direct awards	Total federal expenditures	Amounts provided to subrecipients
National Heart, Lung, and Blood Institute:						
National Heart, Lung, and Blood Institute	93.837	R01HL126099	\$ —	632,601	632,601	292,589
National Heart, Lung, and Blood Institute	93.837	R01HL128374	—	399,511	399,511	25,482
New England Research Institutes, Inc.	93.837	PHN FUEL	34,167	—	34,167	—
New England Research Institutes, Inc.	93.837	PHN FUEL OLE	(32,228)	—	(32,228)	—
New England Research Institutes, Inc.	93.837	U24HL135691	9,186	—	9,186	—
New England Research Institutes, Inc.	93.837	U10HL068270	7,314	—	7,314	—
Seattle Children's Hospital	93.837	11384SUB	3,910	—	3,910	—
University of Kansas Medical Center Research Institute	93.837	ZAR00010	22,769	—	22,769	—
Subtotal 93.837			<u>45,118</u>	<u>1,032,112</u>	<u>1,077,230</u>	<u>318,071</u>
The Brigham and Woman's Hospital						
The Brigham and Woman's Hospital	93.838	10929SUB	(1,843)	—	(1,843)	—
All Children's Research Institute	93.839	ACRI 22-001	58,071	—	58,071	—
RTI International	93.839	0212456	10,262	—	10,262	—
University of Iowa	93.839	S00637-01	—	8,829	8,829	—
Subtotal 93.839			<u>66,490</u>	<u>8,829</u>	<u>75,319</u>	<u>—</u>
Total National Heart, Lung, and Blood Institute			<u>111,608</u>	<u>1,040,941</u>	<u>1,152,549</u>	<u>318,071</u>
National Human Genome Research:						
National Human Genome Research	93.172	R25HG009651	—	44,608	44,608	—
Total National Human Genome Research			<u>—</u>	<u>44,608</u>	<u>44,608</u>	<u>—</u>
National Institute of Environmental Health Sciences:						
University of Kansas Medical Center Research Institute	93.113	ZAS000C0	72,526	—	72,526	—
Total National Institute of Environmental Health Sciences			<u>72,526</u>	<u>—</u>	<u>72,526</u>	<u>—</u>
National Institute of Allergy and Infectious Diseases:						
Benaroya Research Institute at Virginia Mason	93.855	ITN066AI	14,150	—	14,150	—
Benaroya Research Institute at Virginia Mason	93.855	FY17ITN188	44,811	—	44,811	—
Cellerant Therapeutics, Inc	93.855	R42AI108016	247,867	—	247,867	—
John Hopkins University	93.855	2003954018	49,172	—	49,172	—
Massachusetts General Hospital	93.855	225488	3,692	—	3,692	—
Massachusetts General Hospital	93.855	229712	21,923	—	21,923	—
Vanderbilt University Medical Center	93.855	VUMC 59098	81,019	—	81,019	—
Total National Institute of Allergy and Infectious Diseases			<u>462,634</u>	<u>—</u>	<u>462,634</u>	<u>—</u>
National Institute of Arthritis and Metabolic Diseases:						
Children's Hospital of Philadelphia	93.846	3210940919-XX	17,491	—	17,491	—
Children's Hospital of Philadelphia	93.846	3210940919-04	4,054	—	4,054	—
Cincinnati Children's Hospital	93.846	138708	128,438	—	128,438	—
Total National Institute of Arthritis and Metabolic Diseases			<u>149,983</u>	<u>—</u>	<u>149,983</u>	<u>—</u>



**THE CHILDREN'S MERCY HOSPITAL**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Federal award number, contract or pass-through identifying number	Pass-through awards	Direct awards	Total federal expenditures	Amounts provided to subrecipients
National Institute of Child Health and Human Development:						
Duke University	93.350	A03-9100	\$ 36,342	—	36,342	—
University of Kansas Medical Center Research Institute	93.350	ZPBU0004	12,321	—	12,321	—
Subtotal 93.350			48,663	—	48,663	—
Cincinnati Children's Hospital	93.865	139307	91,291	—	91,291	—
Cornell University	93.865	16091646-04	9,669	—	9,669	—
Duke University	93.865	200405	8,870	—	8,870	—
National Institute of Child Health and Human Development	93.865	U10HD068284	—	(569)	(569)	—
National Institute of Child Health and Human Development	93.865	K23HD083405	—	133,000	133,000	—
National Institute of Child Health and Human Development	93.865	5T32HD069038-08	—	171,859	171,859	—
National Institute of Child Health and Human Development	93.865	2UG1HD068284-06	—	8,126	8,126	—
National Institute of Child Health and Human Development	93.865	U54HD090258	—	1,058,536	1,058,536	120,835
National Institute of Child Health and Human Development	93.865	R03HD088776	—	59,265	59,265	—
National Institute of Child Health and Human Development	93.865	R21HD094106-01	—	73,151	73,151	—
National Institute of Child Health and Human Development	93.865	1K23HD091362	—	107,022	107,022	—
National Institute of Child Health and Human Development	93.865	R03HD096097	—	26,998	26,998	—
National Institute of Child Health and Human Development	93.865	1R03HD098604-01	—	17,556	17,556	—
Pennsylvania State University	93.865	CMHHD089922	15,000	—	15,000	—
Rady Children's Hospital	93.865	3282-S1-A2	9,240	—	9,240	—
Rand Corporation	93.865	9920170041	96,880	—	96,880	26,648
Rti International	93.865	0212456	46,644	—	46,644	—
University of Colorado Denver	93.865	FY19.965.001	23,429	—	23,429	—
University of Kansas Medical Center Research Institute	93.865	QP867590	44	—	44	—
University of Kansas Medical Center Research Institute	93.865	PO#1000944163	8,647	—	8,647	—
University of Kansas Medical Center Research Institute	93.865	QF862090	16,281	—	16,281	—
University of Kansas Medical Center Research Institute	93.865	ZAM00030	129,782	—	129,782	—
University of Kansas Medical Center Research Institute	93.865	QF862093	1,239	—	1,239	—
University of Kansas Medical Center Research Institute	93.865	Z9D0080	23,933	—	23,933	—
Washington University	93.865	UWSC8373	62,766	—	62,766	—
Woman & Infants Hospital of Rhode Island	93.865	9373	11,760	—	11,760	—
Subtotal 93.865			555,475	1,654,944	2,210,419	147,483
Duke Clinical Research Institute	93.RD	203-8476	84,168	—	84,168	—
Duke Clinical Research Institute	93.RD	210424	14,955	—	14,955	—
Duke University	93.RD	203-7901	16,105	—	16,105	—
Duke University	93.RD	235432	15,564	—	15,564	—
Subtotal 93.RD			130,792	—	130,792	—
Total National Institute of Child Health and Human Development			734,930	1,654,944	2,389,874	147,483

**THE CHILDREN'S MERCY HOSPITAL**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Federal award number, contract or pass-through identifying number	Pass-through awards	Direct awards	Total federal expenditures	Amounts provided to subrecipients
National Institute of Diabetes and Digestive and Kidney Diseases:						
Children's Hospital of Philadelphia	93.847	27007-320037052	\$ 41,765	—	41,765	—
National Institute of Diabetes and Digestive and Kidney Diseases	93.847	U01DK066143	—	970,651	970,651	348,757
National Institute of Diabetes and Digestive and Kidney Diseases	93.847	U01DK106984	—	264,910	264,910	—
National Institute of Diabetes and Digestive and Kidney Diseases	93.847	R01DK107490	—	568,768	568,768	271,335
National Institute of Diabetes and Digestive and Kidney Diseases	93.847	R01DK117296	—	323,176	323,176	40,145
Nationwide Children's Hospital	93.847	700043-0519-00	26,863	—	26,863	—
The Regents of the University of California, San Diego	93.847	64698034	33,480	—	33,480	—
The Regents of the University of California, San Diego	93.847	110813118	28,795	—	28,795	—
The University of Michigan	93.847	3003656166	36,578	—	36,578	—
University of Kansas Medical Center Research Institute	93.847	ZAP00000	53,017	—	53,017	26,000
University of Missouri Kansas City	93.847	0064383/00048951	51,391	—	51,391	—
University of Kansas Medical Center Research Institute	93.847	QP865570	85,221	—	85,221	—
University of Kansas Medical Center Research Institute	93.847	ZPC0003	11,851	—	11,851	—
Subtotal 93.847			<u>368,961</u>	<u>2,127,505</u>	<u>2,496,466</u>	<u>686,237</u>
University of South Florida	93.RD	TN-01	153,825	—	153,825	—
University of South Florida	93.RD	TN-18	79,174	—	79,174	—
University of South Florida	93.RD	TN-22	270	—	270	—
University of South Florida	93.RD	TN01 PATHWAY	1,776	—	1,776	—
Total National Institute of Diabetes and Digestive and Kidney Diseases			<u>604,006</u>	<u>2,127,505</u>	<u>2,731,511</u>	<u>686,237</u>
National Institute of General Medical Sciences:						
Cincinnati Children's Hospital	93.859	133106	5	—	5	—
Indiana University, Purdue	93.859	5622	18,366	—	18,366	—
National Institute of General Medical Sciences	93.859	R24GM123930	—	684,931	684,931	305,507
National Institute of General Medical Sciences	93.859	R01GM129783	—	221,539	221,539	16,077
Total National Institute of General Medical Sciences			<u>18,371</u>	<u>906,470</u>	<u>924,841</u>	<u>321,584</u>
National Institute of Mental Health:						
The Brigham and Woman's Hospital	93.242	113010	8,545	—	8,545	—
University of Kansas Medical Center Research Institute	93.242	ZAK00000	1,694	—	1,694	—
University of Missouri Kansas City	93.242	0064585/00051653	14,022	—	14,022	—
Washington University	93.242	WU-18-10	539	—	539	—
Total National Institute of Mental Health			<u>24,800</u>	<u>—</u>	<u>24,800</u>	<u>—</u>
National Institute of Nursing Research:						
Indiana University	93.361	N/A	(3,546)	—	(3,546)	—
Indiana University	93.361	6481	51,458	—	51,458	—
Rand Corporation	93.361	9920170072	13,956	—	13,956	—
University of Kansas Medical Center Research Institute	93.361	ZAD00070	32,848	—	32,848	—
Total National Institute of Nursing Research			<u>94,716</u>	<u>—</u>	<u>94,716</u>	<u>—</u>

**THE CHILDREN'S MERCY HOSPITAL**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Federal award number, contract or pass-through identifying number	Pass-through awards	Direct awards	Total federal expenditures	Amounts provided to subrecipients
National Institute on Aging: The University of Florida	93.866	UFDSP00011773	\$ 10,671	—	10,671	—
Total National Institute on Aging			<u>10,671</u>	<u>—</u>	<u>10,671</u>	<u>—</u>
National Institute on Deafness: The University of Utah	93.173	10041913-026	(1,704)	—	(1,704)	—
Total National Institute on Deafness			<u>(1,704)</u>	<u>—</u>	<u>(1,704)</u>	<u>—</u>
National Library of Medicine: The University of Utah	93.879	N/A	2,261	—	2,261	—
Total National Library of Medicine			<u>2,261</u>	<u>—</u>	<u>2,261</u>	<u>—</u>
Office of the Director, National Institutes of Health: Massachusetts General Hospital	93.310	233284	8,492	—	8,492	—
Women & Infants Hospital of Rhode Island	93.310	9525	18,285	—	18,285	—
Women & Infants Hospital of Rhode Island	93.310	5001441	75,671	—	75,671	—
Subtotal 93.310			<u>102,448</u>	<u>—</u>	<u>102,448</u>	<u>—</u>
University of Arkansas System	93.865	51460	25,343	—	25,343	—
Total Office of the Director, National Institutes of Health			<u>127,791</u>	<u>—</u>	<u>127,791</u>	<u>—</u>
US Department of Education: Boise State University	84.305A	6485-PO130288	6,328	—	6,328	—
Total US Department of Education			<u>6,328</u>	<u>—</u>	<u>6,328</u>	<u>—</u>
Total Research and Development Cluster			<u>3,550,277</u>	<u>7,192,724</u>	<u>10,743,001</u>	<u>1,536,219</u>
Other Federal Programs:						
Office of Naval Research: National Marrow Donor Program	12.300	326 – RITN	(6,726)	—	(6,726)	—
Total Office of Naval Research			<u>(6,726)</u>	<u>—</u>	<u>(6,726)</u>	<u>—</u>
Department of Housing and Urban Development: Housing and Urban Development – Office of Healthy Homes	14.906	MOHHU0016	—	(591)	(591)	(2,823)
Total Housing and Urban Development – Office of Healthy Homes			<u>—</u>	<u>(591)</u>	<u>(591)</u>	<u>(2,823)</u>
Department of the National Endowment for the Arts: National Endowment for the Arts	45.024	16-3800-7001	—	(10)	(10)	—
Total National Endowment for the Arts			<u>—</u>	<u>(10)</u>	<u>(10)</u>	<u>—</u>
Center for Disease Control: Centers for Disease Control	93.064	NU47OE000105	—	140,765	140,765	112,451
University of Texas Health Science Center at Houston	93.080	0011472L	17,928	—	17,928	—
American College of Medical Toxicology	93.161	U61TS000238	126,801	—	126,801	—
Total Center for Disease Control			<u>144,729</u>	<u>140,765</u>	<u>285,494</u>	<u>112,451</u>

**THE CHILDREN'S MERCY HOSPITAL**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2019

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>Federal CFDA number</u>	<u>Federal award number, contract or pass-through identifying number</u>	<u>Pass-through awards</u>	<u>Direct awards</u>	<u>Total federal expenditures</u>	<u>Amounts provided to subrecipients</u>
Office of Population Affairs:						
Missouri Family Health Council	93.217	FPHPA076145	\$ 170,505	—	170,505	—
Missouri Family Health Council	93.217	FPHPA006455	4,264	—	4,264	—
Total Office of Population Affairs			<u>174,769</u>	<u>—</u>	<u>174,769</u>	<u>—</u>
Health Resources and Services Administration:						
Kansas Department of Health	93.870	TIES	548,425	—	548,425	84,567
Total Health Resources and Services Administration			<u>548,425</u>	<u>—</u>	<u>548,425</u>	<u>84,567</u>
Total Other Federal Programs			<u>861,197</u>	140,164	1,001,361	194,195
Grand total			<u>\$ 4,411,474</u>	<u>7,332,888</u>	<u>11,744,362</u>	<u>1,730,414</u>

See accompanying notes to schedule of expenditures of federal awards.

## **THE CHILDREN'S MERCY HOSPITAL**

### Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

#### **(1) General**

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal programs of The Children's Mercy Hospital (the Hospital). The Hospital's reporting entity is defined in note 1 to the Hospital's consolidated financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included in the Schedule. The Hospital did not elect to use the 10% de minimus indirect cost rate as discussed in Uniform Guidance section 200.414 as the Hospital has a negotiated indirect cost rate with the Department of Health and Human Services.

#### **(2) Basis of Accounting**

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

The Schedule is prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and is an acceptable basis of accounting under the Uniform Guidance. The Hospital's financial statements are prepared using the accrual basis of accounting. The Hospital is able to reconcile amounts presented in its financial statements to the related amounts in the Schedule, as required by the Uniform Guidance.

Negative amounts represent adjustments or credits to amounts reported as expenditures in prior years. The pass-through ID numbers were noted in the Schedule when available.

#### **(3) Relationship to the Consolidated Financial Statements**

Federal awards are reported in the consolidated financial statements as other revenue and public assistance.