



ARKANSAS CHILDREN'S

Single Audit Reports

June 30, 2020

ARKANSAS CHILDREN'S

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KPMG LLP
Triad Centre III
Suite 450
6070 Poplar Avenue
Memphis, TN 38119-3901

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
Arkansas Children's
Little Rock, Arkansas:

We have audited, in accordance with 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 Arkansas Children's, which comprise the consolidated balance sheet as of and for the year ended June 30, 2020, 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 23, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Arkansas Children's internal control over financial reporting (internal control) as a basis for designing 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 Arkansas Children's internal control. Accordingly, we do not express an opinion on the effectiveness of Arkansas Children'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 a 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 Arkansas Children'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 consolidated financial statements. 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 Arkansas Children's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Arkansas Children's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Memphis, Tennessee
October 23, 2020



KPMG LLP
Triad Centre III
Suite 450
6070 Poplar Avenue
Memphis, TN 38119-3901

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, Schedule of Expenditures of State of Arkansas Financial Assistance and Schedule of Units of Service

The Board of Directors
Arkansas Children's
Little Rock, Arkansas:

Report on Compliance for Each Major Federal Program

We have audited Arkansas Children's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Arkansas Children's major federal programs for the year ended June 30, 2020. Arkansas Children's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Arkansas Children'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 Arkansas Children'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 each major federal program. However, our audit does not provide a legal determination of Arkansas Children's compliance.

Opinion on Each Major Federal Program

In our opinion, Arkansas Children's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.



Report on Internal Control over Compliance

Management of Arkansas Children's 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 Arkansas Children'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 Arkansas Children's internal control over compliance.

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 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. 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.

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

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, Schedule of Expenditures of State of Arkansas Financial Assistance and Schedule of Units of Service

We have audited the consolidated financial statements of Arkansas Children's as of and for the year ended June 30, 2020, and have issued our report thereon dated October 23, 2020, 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. In addition, the accompanying schedule of expenditures of State of Arkansas financial assistance is presented for the purposes of additional analysis as required by the State of Arkansas 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 schedules of expenditures of federal awards and expenditures of State of Arkansas financial assistance are fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Units of Service is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

Memphis, Tennessee
June 28, 2021

ARKANSAS CHILDREN'S
Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA No.	Pass-through entity	Pass-through entity identifying number	Expenditures recognized	Amounts passed through to subrecipients
Research and Development Cluster:					
U.S. Department of Agriculture Programs:					
Agricultural Research Basic and Applied Research	10.001			\$ 6,884,672	141,072
Agricultural Research Basic and Applied Research	10.001	Baylor College of Medicine	7000000105	132,728	7,303
Total for Program				7,017,400	148,375
Agricultural and Food Research Initiative	10.310			13,105	—
Total U.S. Department of Agriculture				7,030,505	148,375
U.S. Department of Defense Programs:					
Military Medical Research and Development	12.420	Columbia University	W81XWH-19-1-0266	24,091	—
Military Medical Research and Development	12.420	Feinstein Institute for Medical Research	500512-ACHRI	1,208	—
Total for Program				25,299	—
Prime Contract #W81XWH-14-2-0148	12.RD	Geneva Foundation	V-1357-01	1,917	—
Total U.S. Department of Defense				27,216	—
National Science Foundation Programs:					
Mathematical and Physical Sciences	47.049			1,861	—
U.S. Department of Veterans Affairs					
	64.RD			31,405	—
U.S. Department of Health and Human Services:					
Agency for Healthcare Research and Quality Programs:					
Research on Healthcare Costs, Quality and Outcomes	93.226	Johns Hopkins University	90060349	(3,905)	—
Centers for Disease Control and Prevention Programs:					
Birth Defects and Developmental Disabilities-Prevention and Surveillance	93.073			5,206	—
Birth Defects and Developmental Disabilities-Prevention and Surveillance	93.073			51,189	—
Birth Defects and Developmental Disabilities-Prevention and Surveillance	93.073	UAMS	N/A	34,875	—
Total for Program				91,270	—
Health Resources and Services Administration Programs:					
Maternal and Child Health Federal Consolidated Programs	93.110	University of Texas Health Science Center of Houston	0012728G	26,115	—
National Institutes of Health Programs:					
Environmental Health	93.113			29,384	—
Environmental Health	93.113			42,822	—
Total for Program				72,206	—
Research and Training in Complementary and Integrative Health	93.213	University of Utah	10049254-ACRI	27,736	—
National Center on Sleep Disorders Research	93.233	Johns Hopkins University	2003727945 / 20038727945	68,994	—
Alcohol Research Programs	93.273	LSU Health Sciences Center-New Orleans	19-21-294 / 20-21-324	66,131	—
Alcohol Research Programs	93.273	Rhode Island Hospital	7017137290-1	15,053	—
Total for Program				81,184	—
Drug Abuse and Addiction Research Programs	93.279			194,527	—
Trans-NIH Research Support	93.310	Albert Einstein College of Medicine	311117	4,291	—
National Center for Advancing Translational Sciences	93.350	UAMS	52966	292,353	—
National Center for Advancing Translational Sciences	93.350	Duke University	2037876	11,425	—
Total for Program				303,778	—
Nursing Research					
Sickle Cell Treatment Demonstration Program	93.365	Washington University	WU-19-154 / WU-20-194	69,388	24,744
Cancer Detection and Diagnosis Research	93.394	Children's Hospital of Philadelphia	9700051021	617	—
Cancer Treatment Research	93.395	Children's Hospital of Philadelphia	9500080215-13C	13,231	—
Cancer Treatment Research	93.395	Children's Hospital of Philadelphia	9500080215-12C	4,946	—
Cancer Treatment Research	93.395	Children's Hospital of Philadelphia	9500802000-01C	6,443	—
Cancer Treatment Research	93.395	Children's Hospital of Philadelphia	95002080220-xx	16,161	—
Cancer Treatment Research	93.395	Children's Hospital of Philadelphia	9400270813	(268)	—
Total for Program				40,513	—
Cardiovascular Diseases Research	93.837	University of Rochester	416872/GR10484	13,649	—
Cardiovascular Diseases Research	93.837	University of Rochester	417380/URFAO: GR510819	6,992	—
Total for Program				20,641	—

ARKANSAS CHILDREN'S
Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA No.	Pass-through entity	Pass-through entity identifying number	Expenditures recognized	Amounts passed through to subrecipients
Lung Diseases Research	93.838	Rutgers University	8299/1160	\$ 35,714	—
Lung Diseases Research	93.838	Washington University	WU-19-123/WU-20-141	89,233	—
Lung Diseases Research	93.838	Seattle Children's Hospital	10952SUB	847	—
Total for Program				125,794	—
Blood Diseases and Resources Research	93.839	University of Alabama at Birmingham	000524452-008	29,038	—
Blood Diseases and Resources Research	93.839	All Children's Research Institute	ACRI-62-001	455	—
Blood Diseases and Resources Research	93.839			103,022	—
Total for Program				132,515	—
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Cincinnati Children's Hospital Medical Center	108898	(221)	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Acetaminophen Toxicity Diagnostics, LLC	N/A	117,999	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847			316,535	1,131
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of South Florida	N/A	244	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	La Jolla Institute for Allergy and Immunology	20108-02-111-342	32,717	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Univ. of Kansas Med Center Research Inst.	ZAH00030	7,438	—
Total for Program				474,933	1,131
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Washington	UWSC7774	23,666	—
Allergy and Infectious Diseases Research	93.855			138,952	—
Allergy and Infectious Diseases Research	93.855			285,993	—
Allergy and Infectious Diseases Research	93.855	Benaroya Research Institute	FY18ITN007/FY19ITN007	168,200	—
Allergy and Infectious Diseases Research	93.855	University of California San Diego	82054019	62,192	—
Allergy and Infectious Diseases Research	93.855	University of California San Diego	77382527	42,545	—
Allergy and Infectious Diseases Research	93.855	University of California San Diego	78456631	123,413	—
Allergy and Infectious Diseases Research	93.855	Duke University	Pro 00045657	(11,825)	—
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	2004200724	233,247	—
Allergy and Infectious Diseases Research	93.855	University of Alabama at Birmingham	000509726-003	729	—
Allergy and Infectious Diseases Research	93.855	University of Alabama at Birmingham	000522211-001	1,640	—
Allergy and Infectious Diseases Research	93.855	Benaroya Research Institute	FY19ITN320	2,902	—
Allergy and Infectious Diseases Research	93.855			136,941	2,139
Allergy and Infectious Diseases Research	93.855	Duke University	234740	3,130	—
Allergy and Infectious Diseases Research	93.855	Childrens Hospital Boston	5R01A1084011-04	10,529	—
Allergy and Infectious Diseases Research	93.855	Cincinnati Children's Hospital Medical Ctr	309363	3,972	—
Total for Program				1,202,560	2,139
Biomedical Research and Research Training	93.859			2,118,393	316,985
Biomedical Research and Research Training	93.859			1,950,311	352,257
Total for Program				4,068,704	669,242
Child Health and Human Development Extramural Research	93.865			196,612	2,244
Child Health and Human Development Extramural Research	93.865			720,113	—
Child Health and Human Development Extramural Research	93.865			28,540	—
Child Health and Human Development Extramural Research	93.865	Duke University	200405	2,829	—
Child Health and Human Development Extramural Research	93.865	Vanderbilt University	VUMC 54975	9,895	—
Child Health and Human Development Extramural Research	93.865	UAMS	50164	16,394	—
Child Health and Human Development Extramural Research	93.865	Nationwide Children's Hospital	700196-0420-00	9	—
Child Health and Human Development Extramural Research	93.865	Drexel University	800169	17,858	—
Child Health and Human Development Extramural Research	93.865			356,401	—
Total for Program				1,348,651	2,244
Vision Research	93.867	Jaeb Center for Health Research, Inc.	N/A	4,098	—
Vision Research	93.867	Jaeb Center for Health Research, Inc.	N/A	390	—
Vision Research	93.867	Jaeb Center for Health Research, Inc.	N/A	902	—
Vision Research	93.867	Jaeb Center for Health Research, Inc.	N/A	788	—
Vision Research	93.867	Jaeb Center for Health Research, Inc.	N/A	10,813	—
Vision Research	93.867	Jaeb Center for Health Research, Inc.	N/A	16	—
Vision Research	93.867	Salus University	SU-ACRI 888	2,519	—
Vision Research	93.867	Jaeb Center for Health Research, Inc.	N/A	2,165	—
Total for Program				21,691	—
Prime Contract #HHSN272201100037C	93.RD	University of Alabama at Birmingham	000406190-011	311	—
Prime Contract #HHSN272201100038C	93.RD	University of Alabama at Birmingham	000406257-028	8,040	—
Prime Contract #HHSN275201800003I	93.RD	Duke University	00000193	2,252	—
Prime Contract #HHSN2752010000031	93.RD	Duke University	218940	941	—
Prime Contract #HHSN2752010000031	93.RD	Duke University	201316	42,710	—
Prime Contract #HHSN2752010000031	93.RD	Duke University	218090/210424	14,451	—
Prime Contract #HHSN2752010000031	93.RD	Duke University	201316	8,620	—
Prime Contract #HHSN2722013000171	93.RD	Duke University	216696	3,306	—
Prime Contract #HHSN2752010000031	93.RD	Duke University	226749	21,102	—

ARKANSAS CHILDREN'S
Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA No.	Pass-through entity	Pass-through entity identifying number	Expenditures recognized	Amounts passed through to subrecipients
Prime Contract #HHSN2752010000031	93.RD	Duke University	218637	\$ 10,155	—
Prime Contract #HHSN172101600017C	93.RD	University of Alabama at Birmingham	000509729-003	32,792	—
5R18HS024511-04	93.RD	Children's Hospital of Philadelphia	3200240120	1,386	—
UG1CA189955	93.RD	Children's Hospital of Philadelphia	9500100715	185	—
8U24OD024957	93.RD	UAMS	50164	8,140	—
1UG3HL141736-01	93.RD	Boston Children's Hospital	N/A	1,559	—
Prime Contract #75D30119C05584	93.RD	Boston Children's Hospital	0001756163	1,039	—
Autism and Developmental Disabilities Monitoring	93.RD	UAMS	N/A	5,470	—
IDEA States Pediatric Clinical Trials Network	93.RD	UAMS	N/A	51,540	—
KCNQ2 Channels Control Chemoreceptor	93.RD	University of Connecticut	N/A	3,654	—
Total U.S. Department of Health and Human Services				<u>9,118,315</u>	<u>699,500</u>
Total Research and Development Cluster*				<u>16,209,302</u>	<u>847,875</u>
477 Cluster:					
U.S. Department of Health and Human Services Programs: Child Care and Development Block Grant	93.575	Arkansas Department of Human Services	N/A	22,495	—
Other Programs:					
U.S. Department of Agriculture Programs:					
Specialty Crop Block Grant	10.170	Arkansas Agriculture Department	N/A	29,650	—
Child and Adult Care Food Program	10.558	Arkansas Department of Human Services	A233	24,170	—
Child and Adult Care Food Program	10.558	Arkansas Department of Human Services	P240	42,803	—
Total for Program				<u>66,973</u>	<u>—</u>
Summer Food Service Program for Children	10.559	Arkansas Department of Human Services	TA672	21,408	—
Total U.S. Department of Agriculture				<u>118,031</u>	<u>—</u>
U.S. Department of Education Programs:					
Special Education Grants to States (EARS Program)	84.027	Arkansas Department of Education	N/A	225,000	—
U.S. Department of Health and Human Services Programs:					
Blood Disorder Program: Prevention, Surveillance, and Research	93.080	University of Texas Health Science Center of Houston	0011472A	15,862	—
State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes	93.366	Arkansas Department of Health	N/A	33,055	—
Foster Care, Title IV-E	93.658	Arkansas Department of Human Services	N/A	5,894	—
Hospital Preparedness Program Ebola Preparedness and Response Activities	93.817	Arkansas Department of Health	#4600036757	12,507	—
National Bioterrorism Hospital Preparedness Program	93.889	Arkansas Department of Health	#4600020375	21,536	—
Preventive Health and Health Services Block Grant	93.991	Arkansas Department of Health	N/A	5,875	—
Total U.S. Department of Health and Human Services				<u>94,729</u>	<u>—</u>
Corporation for National and Community Service Programs:					
AmeriCorps	94.006	Arkansas Department of Human Services	#4600040628	75	—
AmeriCorps VISTA	94.013			26,149	—
Total Corporation for National and Community Service				<u>26,224</u>	<u>—</u>
U.S. Department of Treasury					
COVID-19 Coronavirus Relief Fund*	21.019	Arkansas Department of Human Services		3,023,726	—
Total Expenditures of Federal Awards				<u>\$ 19,719,507</u>	<u>847,875</u>

* Denotes major program

See accompanying Independent Auditors' Report.

See accompanying notes to Schedules of Expenditures of Federal Awards and Expenditures of State of Arkansas Financial Assistance.

ARKANSAS CHILDREN'S

Schedule of Expenditures of State of Arkansas Financial Assistance

Year ended June 30, 2020

<u>State grantor/pass-through grantor/program title</u>	<u>State award number</u>	<u>Pass-through entity identifying number</u>	<u>Revenue</u>	<u>Expenditures recognized</u>
Direct Appropriations:				
Indigent Care Appropriation (1)	ACT #986	N/A	\$ 1,901,803	1,901,803
Intensive Care Nursery (1)	ACT #1006	N/A	220,594	220,594
Children's Hospital Payments (1)	ACT #1006	N/A	693,000	693,000
Helicopter Funding (1)	ACT #1006	N/A	1,000,000	1,000,000
Burn Unit (1)	ACT #1006	N/A	990,000	990,000
Arkansas Reproductive Health Monitoring System (1)	ACT #1006	N/A	594,000	584,704
Child Health and Family Life Institute (1)	ACT #719	N/A	2,100,000	2,100,000
Division of Developmental Disabilities Services (CMS)	N/A	N/A	1,300	1,300
Division of Children and Family Services	N/A	N/A	294,255	294,255
Arkansas Attorney General	N/A	N/A	9,223	9,223
Passed through the Department of Education:				
HIPPY Arkansas Better Chance	ACT #877	N/A	488,849	488,849
Passed through the Department of Finance and Administration:				
Baby Sharon	ACT #1006	N/A	9,898	9,898
Passed through the Department of Health:				
Trauma Center	ACT #393	#4600042753	987,450	987,450
Burn Center	ACT #393	N/A	25,864	25,864
Infant Child Death Review	ACT #1818	#4600029163	100,894	100,894
Tobacco Prevention	ACT #50	#4600042612	264,763	264,763
Tobacco Prevention and Cessation	ACT #50	#4600042568	110,566	110,566
Passed through the Department of Human Services:				
Foster Care – Title IV-E State	N/A	N/A	1,662	1,662
Passed through UAMS:				
Arkansas Biosciences Institute – CHART Programmatic Area Expenditures	ACT #157	N/A	1,545,951	1,133,522
Total State Awards			\$ 11,340,072	10,918,347

(1) Remitted to Arkansas Medicaid, on behalf of Arkansas Children's Hospital, to be used as match for supplemental Medicaid payments.

See accompanying Independent Auditors' Report.

See accompanying notes to Schedules of Expenditures of Federal Awards and Expenditures of State of Arkansas Financial Assistance.

ARKANSAS CHILDREN'S

Notes to Schedules of Expenditures of Federal Awards and Expenditures of State of Arkansas Financial Assistance

June 30, 2020

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of Arkansas Children's under programs of the federal government for the year ended June 30, 2020. The accompanying Schedule of Expenditures of State of Arkansas Financial Assistance (collectively with the Schedule of Expenditures of Federal Awards, the Schedules) summarizes the expenditures of Arkansas Children's under programs of the state government for the year ended June 30, 2020. The information in the Schedule of Expenditures of Federal Awards 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). Because the Schedules present only a selected portion of the operations of Arkansas Children's, they are not intended to, and do not, present the financial position, changes in net assets or cash flows of Arkansas Children's.

For purposes of the Schedules, federal awards include all grants, contracts, and similar agreements entered into directly between Arkansas Children's and agencies and departments of the federal government and all subawards to Arkansas Children's by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

(2) Summary of Significant Accounting Policies

For the purpose of the Schedules, expenditures of federal and state award programs are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The 10% de minimis cost rate (as covered in 2 CFR Part 200.414) was not used. Instead a federally negotiated indirect cost rate was used during the year.

(3) Governmental Assistance

In addition to amounts listed on the Schedules, Arkansas Children's reported \$426,081,860 of other governmental assistance, in the form of Medicaid reimbursements and Children's Hospital Graduate Medical Education payments during the fiscal year ended June 30, 2020, which are not subject to the audit requirements as defined in the Uniform Guidance.

(4) CARES Act

During the year ended June 30, 2020, Arkansas Children's received general and targeted CARES Act Provider Relief Fund distributions. Based on the guidance included in the 2020 OMB Compliance Supplement Addendum, no expenditures related to these CARES Act Provider Relief Fund distributions are included on the Schedule of Expenditures of Federal Awards for the year ended June 30, 2020.

ARKANSAS CHILDREN'S HOSPITAL

Schedule of Units of Service

Year ended June 30, 2020

(Unaudited)

	Summer lunch/at risk food programs	Child and adult care food program		
		Breakfast	Lunch	Supplements
Number of meals served:				
July	2,784	1,185	3,035	3,034
August	2,318	1,168	2,988	2,991
September	2,049	1,119	2,808	2,805
October	2,504	1,270	3,211	3,204
November	1,802	1,131	2,715	2,688
December	1,582	1,182	2,831	2,806
January	1,753	1,249	3,065	3,058
February	1,706	2,479	2,515	2,513
March	798	2,075	2,128	2,107
April	—	598	613	591
May	—	883	906	898
June	—	1,279	1,288	1,285
Total number of meals served	<u>17,296</u>	<u>15,618</u>	<u>28,103</u>	<u>27,980</u>

See accompanying Independent Auditors' Report.

ARKANSAS CHILDREN'S
Schedule of Findings and Questioned Costs
June 30, 2020

(1) Summary of the Auditors' Results

Audit of the Financial Statements

- (a) Type of auditors' report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting principles – unmodified opinion
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses identified? – No
 - Significant deficiencies identified? – None reported
- (c) Noncompliance material to financial statements noted? – No

Audit of Federal Awards

- (d) Internal control deficiencies over major federal program compliance disclosed by the audit of federal awards:
 - Material weaknesses identified? – No
 - Significant deficiencies identified? – None reported
- (e) Type of auditors' report issued on compliance for major programs – unmodified opinion

Name of major federal program or cluster	CFDA number(s)
Research and Development Cluster	Various
COVID-19 Coronavirus Relief Fund	21.019

- (f) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) – No
- (g) Dollar threshold used to distinguish between type A and type B programs – \$750,000
- (h) Audit qualified as low-risk auditee? – Yes

(2) Financial Statement Findings

None

(3) Federal Award Findings and Questioned Costs

None