



HARBOR COMMUNITY
BENEFIT FOUNDATION

February 15, 2013

THE CHILDREN'S CLINIC
455 E. Columbia Street, Suite 201
Long Beach, CA 90806
Attn: Cristina Faiver
Email: cfaiver@thechildrensclinic.org

RE: GRANT AGREEMENT
HEALTH CARE PROGRAM – ROUND 2
Grant No. 2013.0004.

Dear Ms. Faiver:

We are pleased to inform you that on the date above, the Board of Directors of the Harbor Community Benefit Foundation ("Foundation") authorized a grant of \$101,000 ("Grant Funds") to THE CHILDREN'S CLINIC ("Grantee"), to support your efforts to improve the health and well being of the underserved residents of Wilmington and San Pedro, CA, including, but not limited to, funding for education, outreach, diagnosis and treatment; in support of the provision of medical services, and a chronic care management program to benefit the children in Wilmington and San Pedro ("Grant Purpose") to be conducted substantially in accordance with the attached (1) Grant Summary and (2) Grant Budget.

The award of this grant addresses a strategic priority adopted by HCBF, in particular, addressing health impacts, stemming from port operations, through one or more of the following areas:

Diagnosis/Treatment,
Medical Supplies, and
Education, Outreach and Access

This letter and its attachments set forth the terms and conditions of this grant ("Agreement"). This Agreement between the Foundation and Grantee shall be effective as of the date the agreement is fully executed and approved by 1) an authorized representative of the Grantee and 2) the Foundation ("Effective Date").

I. PAYMENT.

Funding from the Port Community Mitigation Trust Fund to the Health Care Grant Program administered by the Foundation is subject to public review and consideration by the Port of Los Angeles Board of Harbor Commissioners (BOHC). Awards from the Health Care Grant Program to Grantees are also contingent upon the Grantee's compliance with this Agreement, including timely receipt of required reports.

Grant Funds shall be payable in one or more installments, according to the following schedule:

- Installment 1: \$34,000, within 30 calendar days after full execution of the Agreement.
- Installment 2: \$34,000, within 30 calendar days after Foundation's receipt of Six Month Progress Report.
- Installment 3: \$33,000, within 30 calendar days after Foundation's receipt of Final Report and Final Budget.

The Foundation's disbursement of payment is contingent upon the Foundation's review of your work in connection with this grant and its determination (a) that you are in compliance with all terms and conditions of this grant agreement and (b) that satisfactory progress and performance has occurred and is likely to continue to occur. Funding may be modified, curtailed, or discontinued, and any unexpended grant funds must be repaid, if at any time the Foundation determines that the purposes of the grant are not being met.

II. USE OF FUNDS & PERIOD OF GRANT.

Grantee shall use the Grant Funds, including all accrued interest or other gains, solely for the Grant Purpose and substantially in accordance with Exhibit A - Grant Summary, and Exhibit B - Budget. Any significant changes to the Grant Purpose must be reported within 30 days of the change, and approved in writing by the Foundation. Grant Funds are to be applied to expenses incurred for the period from the Effective Date to the one-year (12 months) anniversary of the Effective Date ("Grant Term"), unless otherwise agreed upon in writing by the Foundation. This grant is made with the understanding that the Foundation has no obligation to provide other or additional support or grants to the Grantee.

✕ Expenditures of grant funds must be made substantially in accordance with the grant budget. Any material changes (greater than 10%) from the budget (relative to HCBF funds only) must be approved in advance by the Foundation. All changes must be reflected in the Final Report.

III. REPORTING.

To enable the Foundation to evaluate the effectiveness of this grant, Grantee shall submit a periodic Progress Report to the Foundation describing (a) expenditures of Grant Funds, compared to the original budget (b) compliance, and (c) progress made toward achieving the purposes for which the grant was made including, but not limited to community impact and evidence based results. Sample report attached (Exhibits C.1 and C.2 - Progress Reports)

Reports will be due according to the following schedule:

REPORTING REQUIREMENTS	Reporting Period End Date
First Six Month Progress Report	DATE:
Second Six Month Progress Report	DATE:

The first six-month progress report shall cover activities commencing from the effective date. The Reporting Period End Date will be the 30th of the month, a full six-months later. All reports must be received within 30 days of the Reporting Period End Date. Please use the grant number above in all reports and correspondence.

IV. GRANTEE'S STATUS.

This grant is specifically conditioned upon Grantee's status as an eligible grantee of the Harbor Community Benefit Foundation in accordance with this section. Grantee warrants and represents that it is one or more of the following: (a) tax exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not a private foundation as defined in Section 509(a) of the Code, (b) Community Based Organization, (c) institution for higher learning, or (d) Health Care Service Provider. If the grantee is a Section 501(c)(3) organization described in (a), Grantee must provide the Harbor Community Benefit Foundation with a copy of IRS determination letter(s) evidencing its status as an eligible grantee and Grantee warrants and represents that such determination letter(s) are currently in full force and effect. Regardless of Grantee's current status, Grantee will notify the Harbor Community Benefit Foundation immediately of any actual or proposed change in status.

V. MANAGEMENT AND ORGANIZATIONAL CHANGES.

Grantee shall also provide written notice to the Foundation if significant changes or events occur during the term of this grant which could potentially impact the progress, delivery, timing or outcome of the grant, including but not limited to changes in Grantee's management, key personnel, partners, and/or increases or losses of matching funding.

VI. RECORDS, AUDITS, SITE VISITS.

Grantee is responsible for maintaining adequate financial records of this grant. Grant Funds shall be accounted for separately in the Grantee's books and records. All expenditures made in furtherance of the Grant Purpose shall be charged off against the grant and shall appear on those books. Grantee shall keep adequate records to substantiate such expenditures. The Foundation, or a designated representative, reserves the right, upon written notice, to audit Grantee's books and records relating to the expenditure of any funds provided by the Foundation. Grantee shall make such books and records available to Foundation at reasonable times for review and audit. Grantee shall keep copies of all relevant books and records and all reports to the Foundation for at least 4 years after completion of the use of the Grant Funds.

VII. MARKETING, GRANT ANNOUNCEMENTS, PROMOTIONAL MATERIALS.

Grantee shall ensure that the Foundation is clearly identified as a funding source for any written, electronic, or other communications materials produced with support from this grant, as well as in all publications and press releases regarding the subject matter of the grant. Grantee may not, however, use the Foundation's logo without the Foundation's prior written consent.

As a courtesy, Grantee will provide a copy of promotional materials to the Foundation, including any external communications regarding this grant or referencing the Foundation.

The Foundation may include information about this grant and the Grantee in its public communications and reports and may also refer to the grant and Grantee in press releases, speeches and public comments. The Foundation may also provide information about the grant and the Grantee on its website, including project descriptions, logos, and links to Grantee's website.

Any tangible or intangible property, including copyrights, obtained or created by Grantee as part of the activity funded by this grant shall remain the property of Grantee; however, Grantee shall grant a

royalty-free license to the Foundation to use, reprint, or distribute any such copyrighted materials for informational or promotional purposes. Also, any information and images submitted as part of Grantee's reports may be used by the Foundation for informational or promotional purposes.

VIII. RETURN OF UNEXPENDED FUNDS.

Grantee shall repay to the Foundation Grant Funds not expended or committed for the Grant Purpose within the Grant Term, unless an extension is approved in writing at Grantee's request and in the Foundation's sole discretion.

IX. REMEDIES ON DEFAULT.

In the event the Foundation determines, in its sole discretion, that Grantee has breached or failed to carry out any material provision of this Agreement, the Foundation may, in addition to any other legal remedies it may have, including the termination of this Agreement, refuse to make any further grant payments to Grantee, and the Foundation may demand in writing the return of all or part of the unexpended Grant Funds, which the Grantee shall immediately repay to the Foundation. The amount of such unexpended Grant Funds to be repaid to the Foundation shall not include funds needed to meet obligations incurred by Grantee to third parties, in good faith, for the Grant Purpose, prior to Grantee's receipt of the Foundation's written demand for repayment. In addition to the rights reserved to the Foundation in the first sentence of this paragraph, the Foundation may also terminate this Agreement and take the actions described above with respect to unexpended Grant Funds if it determines, in the exercise of its reasonable discretion, that circumstances relevant to the Grantee, including, by way of illustration, those respecting its tax-exempt status, or organization or financial condition, are such that the Foundation has reason to conclude that satisfactory completion of the objectives contemplated by this grant are in jeopardy.

X. NO AGENCY.

Grantee is solely responsible for the activity supported by the Grant Funds, including the preparation of all plans and specifications, supervision and administrative control, and the operation thereof. All activity shall be operated under Grantee's name. This Agreement shall not be deemed to create any relationship of agency, partnership, or joint venture between the parties hereto, and Grantee shall make no such representation to anyone.

XI. SUBGRANTEES.

Grantee must ensure that all subgrantees and/or consultants must be disclosed, and pre-approved. Subgrantees may not be changed, without prior written approval and must use the Grant Funds in a manner consistent with this Agreement. Neither Grantee nor its subgrantees may make any oral or written statement or otherwise imply to anyone that the Foundation supports the activities of any subgrantee. Furthermore, Grantee acknowledges that there is no agreement, oral or written, whereby the Foundation has earmarked or otherwise designated any part of the Grant Funds for any specific subgrantee.

XII. ASSIGNMENT.

This agreement is not assignable by Grantee without express written consent of the Foundation. Any attempt by Grantee to assign any performance of the terms of this agreement shall be null and void and shall constitute a material breach of this contract.

XIII. PROHIBITED USE OF FUNDS.

The Grant Funds are not designated or earmarked for the carrying on of propaganda or attempting to influence legislation. If the Grant Purpose involves public policy issues, the Foundation is relying upon Grantee's representations, made in Grantee's application that the Grant Funds do not exceed the amount budgeted by Grantee for activities that are not attempts to influence legislation.

No part of these grant funds shall be disbursed to any Foundation director, officer, employee, their affiliates, family, household members or other related parties; for any purpose.

Use of any of the Grant Funds (a) to participate in or influence the outcome of any specific public election of any candidate for public office or to carry on, directly or indirectly, any other activity that is prohibited to a public charity, (b) to provide material support to any person or entity that engages in violent or terrorist activities, or (c) for religious purposes, is prohibited.

Grantee shall not use any of the funds from this grant in a manner inconsistent with Section 501(c)(3) of the Code.

XIV. NO LIABILITY; INDEMNIFICATION.

Except for the sole negligence or willful misconduct of the City of Los Angeles ("City"), or any of its Boards, Officers, Agents, Employees, Assigns and Successors in Interest, and of HCBF, Grantee undertakes and agrees to defend, indemnify and hold harmless the City and any of its Boards, Officers, Agents, Employees, Assigns, and Successors in Interest and HCBF from and against all suits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by the City and HCBF, including but not limited to, costs of experts and consultants), damages or liability of any nature whatsoever, for death or injury to any person, including Grantee's employees and agents, or damage or destruction of any property of either party hereto or of third parties, arising in any manner by reason of the negligent acts, errors, omissions or willful misconduct incident to the performance of this Agreement by Grantee or its subcontractors of any tier. Rights and remedies available to the City and HCBF under this provision are cumulative of those provided for elsewhere in this Agreement and those allowed under the laws of the United States, the State of California, and the City.

XV. INSURANCE.

Grantee shall provide, pay for, and maintain in full force and effect during the Grant Term evidence of 1) a Certificate of Self Funding of Insurance Obligation or, 2) the following insurance to cover Grantee's own operations and to enable Grantee to fully indemnify and defend the Foundation there under:

1. **Commercial General Liability Insurance.** Grantee shall maintain commercial general liability insurance (CGL) with a limit of not less than \$1,000,000 each occurrence/\$2,000,000 in the annual aggregate.

2. **Business Auto Liability Policy.** Grantee shall maintain business auto liability insurance and, with a limit of not less than \$1,000,000 each accident.
3. **Professional Liability (Errors and Omissions) Insurance.** Grantee shall maintain professional liability insurance appropriate to the grantee's profession with a limit not less than \$1,000,000 each occurrence/\$2,000,000 in the annual aggregate.
4. **Workers' Compensation and Employer's Liability Insurance.** Grantee shall maintain workers' compensation insurance as required by the State of California and Employer's Liability Insurance in the amount of \$1,000,000 per accident for bodily injury or disease.
5. **Minimum Scope of Insurance. CGL insurance** shall cover liability arising from premises, operations, independent contractors, products-completed operations, personal injury and advertising injury liability assumed under an insured contract (including the tort liability of another assumed in a business contract). **Business Auto Insurance** shall cover liability arising out of any auto (including owned, hired, and non-owned autos).
6. **Subrogation.** The insurer shall agree to waive all rights of subrogation against HCBF, its officers, officials, employees and volunteers for losses arising from activities and operations of the Grantee in the performance of Grant Purpose under this agreement.
7. **Verification of Coverage.** Grantee shall furnish HCBF evidence of current coverage required by this section. HCBF reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications.

XVI. NO WAIVER.

The failure of the Foundation to exercise any of its rights under this Agreement shall not be deemed to be a waiver of such rights.

XVII. ORDER OF PRECEDENCE.

The order of precedence for interpreting any inconsistencies shall be as follows: (a) this Agreement, (b) Exhibit A - Grant Summary, and (c) Exhibit B - Budget.

XVIII. ENTIRE AGREEMENT; AMENDMENTS.

This Agreement constitutes the entire agreement of the parties with respect to its subject matter and supersedes any and all prior written or oral agreements or understandings with respect to the subject matter hereof. This Agreement may not be amended or modified, except in a writing signed by both parties.

XIX. GOVERNING LAW.

This Agreement shall be governed by the laws of the State of California.

XX. COMPLIANCE WITH LAW.

Grantee shall at all times comply with all Federal, State, and local laws. Grantee specifically acknowledges that this Agreement is entered into in furtherance of and as a benefit to the State Tidelands Grant and the trust created thereby. Therefore, this Agreement is at all times subject to the limitations, conditions, restrictions and reservations contained in and prescribed by the Act of the Legislature of the State of California entitled "An Act Granting to the City of Los Angeles the Tidelands and Submerged Lands of the State Within the Boundaries of Said City," approved June 3,

1929 (Stats. 1929, Ch. 651), as amended, and provisions of Article VI of the Charter of the City of Los Angeles relating to such lands. Grantee agrees that any interpretation of this Agreement and the terms contained herein must be consistent with such limitations, conditions, restrictions and reservations.

XXI. EQUAL EMPLOYMENT OPPORTUNITY.

Grantee represents and agrees that it does not and will not discriminate against any employee or applicant for employment because of race, religion, color, medical condition, sex, sexual orientation, national origin, political affiliation or opinion, or pregnancy or pregnancy related condition.

XXII. NOTICES.

All notices and disbursements to the Grantee shall be directed to the following person(s):

Primary Contact

Name: Cristina Faiver

Title: Director of Education and Outreach

Email: cfaiver@thechildrensclinic.org

Phone: (562) 933-4770

Secondary Contact

Name:

Title:

Email:

Phone:

If the Grant Payee differs from the Organization Name, provide the entity to be shown on the award checks: n/a

If this Agreement correctly sets forth your understanding of the terms and conditions of this grant, please have the appropriate officer authorized to sign on behalf of the Grantee **sign and return** two (2) original copies of the executed grant agreement, with all attachments, to the above address

All questions, notices and reports related to this grant should be directed to:

Harbor Community Benefit Foundation
150 W 6th Street, Suite 203
San Pedro, CA 90731
Attn: Mary Silverstein, Executive Director
Email: mary@hcbf.org; Office: (310) 997-7116

On behalf of the Harbor Community Benefit Foundation, let me express how delighted we are to offer this support to your organization. We extend every good wish for the success of your program.

Sincerely,


Mary Silverstein
Executive Director

Accepted on behalf of THE CHILDREN'S CLINIC by:



Authorized Signature

Elisa Nicholas, M.D., MSPH

Printed Name

March 15, 2013

Date

Chief Executive Officer

Title

Federal EIN: 95-1643332

Approved on behalf of Harbor Community Benefit Foundation by:

Authorized Signature

Effective Date

Printed Name

Title

Federal EIN: 45-2487333



GRANTEE ORGANIZATION: THE CHILDREN'S CLINIC

Program Title: Chronic Care Management Program
 Contact Person: **Cristina Faiver**
 455 E. Columbia St., Ste. 201, Long Beach, CA 90806
 Email: cfaiver@thechildrensclinic.org
 Phone: (562) 933-4770

FUNDING SUMMARY:

Recommended
\$101,000

PROGRAM SUMMARY:

Funding for education, outreach, diagnosis and treatment; to support the provision of medical services and a chronic care management program to benefit children in Wilmington and San Pedro.

PROGRAM DELIVERABLES:

- Continue to provide medical care, health education and outreach services.
- Supplies: Provide chronic care management supplies.
- Case Management: Provide chronic care management education and support to TCC patients and community members who reside in Wilmington and San Pedro. Program will also help troubleshoot complex psycho-social issues encountered with families.
- Access: Improve health care access to the uninsured and underinsured in the Wilmington and San Pedro communities.

KEY STAFF:

- Elisa Nicholas M.D., MSPH, Chief Executive Officer
- Maria Chandler, MD, MBA, Medical Director
- Cristina Faiver, Director of Health Education and Outreach

SCHEDULE FOR PROGRAM IMPLEMENTATION:

90 days	6 months	9 months	1 year
<ul style="list-style-type: none"> • Introduce Asthma Community Health Worker • Enroll patients in the Stanford-developed evidence based series on chronic care management • Enhance access - Educate and connect San Pedro and Wilmington residents to affordable health care 	<ul style="list-style-type: none"> • Promote Asthma Community Health Worker Intervention • Conduct Workshops • Continue chronic care management • 6 month Progress Report 	<ul style="list-style-type: none"> • Promote Asthma Community Health Worker Intervention • Conduct Workshops • Continue chronic care management • Enhance access - connect more San Pedro and Wilmington residents to affordable health care 	<ul style="list-style-type: none"> • Promote Asthma Community Health Worker Intervention • Conduct Workshops • Continue chronic care management ▪ Year End Progress Report

DISBURSEMENT SCHEDULE:

1	2	3	Total
\$34,000	\$34,000	\$33,000	\$101,000

GRANT AGREEMENT-EXHIBIT B: BUDGET FORM

Attach a budget narrative that explains each line item, including a detailed explanation of items covered in "Other Expenses."

ORGANIZATION NAME:

The Children's Clinic

	HCBF Funds	Program Area Non-HCBF Funds	Total Non-HCBF Funds	TOTAL
Direct Costs:				
Personnel:				
Salary	\$64,387	\$0	\$0	\$64,387
Fringe Benefits	\$18,029	\$0	\$0	\$18,029
Total Personnel (A)	\$82,416	\$0	\$0	\$82,416
Operating Expenses:				
Rent	\$500	\$100	\$100	\$600
Utilities	\$0	\$0	\$0	\$0
Supplies	\$2,600	\$1,600	\$1,600	\$4,200
Printing	\$1,900	\$1,100	\$1,100	\$3,000
Travel	\$1,200	\$1,200	\$1,200	\$2,400
Postage	\$0	\$0	\$0	\$0
Insurance	\$1,500	\$1,500	\$1,500	\$3,000
Equipment	\$840	\$360	\$360	\$1,200
Fuel	\$0	\$0	\$0	\$0
Subcontracts/Consultants	\$0	\$0	\$0	\$0
Other Expenses	\$2,493	\$1,107	\$1,107	\$3,600
Total Operating (B)	\$11,033	\$6,967	\$6,967	\$18,000
Total Direct Costs (C)	\$93,449	\$6,967	\$6,967	\$100,416
(A + B = C)				
INDIRECT COSTS:				
(up to 15% of Total Direct Costs) (D)	\$7,551	\$697	\$697	\$8,248
Total EXPENSES (C+D)	\$101,000	\$7,664	\$7,664	\$108,664

NOTE: It is the policy of The Harbor Community Benefit Foundation that administrative overhead or indirect costs up to a maximum of 15 percent of direct costs will be allowed. The indirect costs must be listed separately in the budget as a line item.



MANDATORY SIX-MONTH PROGRESS REPORT

DUE: [_____, 2013]

As part of the evaluation requirements for all grantees funded by the Harbor Community Benefit Foundation, please complete this mandatory progress report and email it **(along with any attachments)** to arturo@hcbf.org. Please be as descriptive as possible in all of your answers. If you need any assistance in answering any questions, please do not hesitate to ask us.

Thank you for collaborating with us to build a safe, healthy, and beautiful San Pedro and Wilmington!

*The completed document should not exceed **THREE PAGES** in length.*

A) General Information:

- 1) Name of organization:
- 2) Program/Project title:
- 3) Contact information for follow-up if necessary (name, email and phone):

B) Brief Program/Grant Update:

- 1) Which HCBF Program Priority Area(s) is/are addressed by the grant (*Diagnosis and/or Treatment, Medical Supplies and/or Pharmaceuticals, Education and/or Outreach*)? Are you on schedule to meet this/these priority area(s)?
- 2) What are the primary objectives of this grant? Please indicate if there have been any changes.
- 3) Describe the progress you have made in completing the planned activities outlined in the timeline and work plan of your grant agreement.
- 4) Please quantify (report your results numerically) your progress in meeting the key objectives outlined in the timeline and work plan (we encourage attaching data tables, spreadsheets, charts, or other data sheets):
 - a) Targeted population (age, gender, income, etc.):
 - b) Number of residents served to date (by zip code or neighborhood):
 - c) Number of hours (or % time) spent serving the Wilmington community:
 - d) Number of events, classes, or program-related activities held AND attendance at each activity:
 - e) Amount distributed (flyers, medication, pamphlets, kits, educational materials, webpage views, etc.):
 - f) Number of new staff and/or volunteers brought on specifically for this program:
- 5) Also, if applicable, describe access to and affordability of program and/or services offered.

6) **What program/project activities do you have planned for the next 6-month reporting period? Please list by month and note any changes to the original timeline:**

Month 7:

Month 8:

Month 9:

Month 10:

Month 11:

Month 12:

7) **Difficulties in implementing the program, adjustments that were made, other comments, etc:**

- a. Describe any problems or barriers encountered (e.g. changes in programmatic capability, key personnel, funding shortages) and how you plan to address them:
- b. Have you experience any unanticipated changes that have affected your ability to deliver services?
- c. What adjustments, if any, have you made to meet your original objectives?
- d. Are your collaborations, if any, working as envisioned? If not, please explain why.
- e. Are your funding partnerships, if any, continuing?
- f. Other Comments:

8) **Describe any unexpected enhancements to your program, such as a new partner or funding source:**

9) **Describe any success stories or inspiring moments that you or staff may have experienced during this program (we encourage attaching photos, videos, and personal narratives). What challenges did you overcome and what did you learn?**

C) **Brief Budget Update (Narrative AND a revised line-item budget required):**

1) **Proposed to actual project or program expenses:** Please note and explain any changes between the budgeted items and the actual or projected actual expenditures. If the expenditures exceed the budget, demonstrate how you will cover the additional expense.

2) **Proposed to actual funding sources:** What sources of funding were projected in the original proposal? Have these funds materialized? If not, explain how the program has changed.

❖ *Please attach documentation supporting your accomplishments this quarter. This documentation may include photos, videos, receipts, invoices, sign-in sheets, fliers, media coverage, educational materials, presentations, etc.*

ATTACHMENT C2: PROGRESS REPORT - BUDGET VARIANCE
 for SIX-MONTH AND FINAL GRANTEE PROGRESS REPORT

INSTRUCTIONS:

You may modify the line items in the Budget to match your original Budget. The report should reflect any changes (+/-) in budget expenses or allocations that may have occurred in the first six months of HCBF funding. Please also attach a budget narrative that explains each change, including other funding sources. Thank you!

ORGANIZATION NAME:

Prepared by:

	Original Budget Total (A)	HCBF Funds (B)	Program Area Non-HCBF Funds (C)	Revised Total B + C = (D)	Variance From Original A minus D
DIRECT COSTS:					
Personnel:					
Salary					
Fringe Benefits					
Total Personnel (A)					
Operating Expenses:					
Rent					
Utilities					
Supplies					
Printing					
Travel					
Postage					
Insurance					
Equipment					
Fuel					
Subcontracts/Consultants					
Other Expenses					
Total Operating (B)					
Total Direct Costs (C)					
(A + B = C)					
INDIRECT COSTS:					
(up to 15% of Total Direct Costs) (D)					
Total EXPENSES (C+D)					

NOTE: Administrative overhead/indirects costs up to a maximum of 15 percent of direct costs will be allowed.