Modified Total Direct Cost (MTDC) Method

- Under MTDC, only some categories of expenses are assessed F&A costs
- Indirect costs are calculated on:
  - Salaries and wages
  - Fringe benefits
  - Materials and supplies
  - Services
  - Travel
  - Sub-contracts (first $25,000 of each sub-contract)

Indirect costs are NOT calculated on:
- Equipment
- Capital expenditures
- Patient care
- Tuition and fee remission
- Rental costs
- Scholarships and fellowships
- Sub-contracts (amounts over $25,000 of each sub-contract)

Other methods of calculating F&A

- Total Direct Costs (TDC)
  - All expenses directly charged to the award are subject to indirect costs
  - All direct dollars * indirect rate
- Total Costs (TC)
  - All expenses, including indirect costs, are subject to indirect costs
  - See slide 55

How the F&A rate works (MTDC)

Indirect costs are assessed based on the direct charged dollars in expense categories subject to the F&A rate

Budget with 50% F&A rate, MTDC

- PI Salary & benefits: 10,000 (subject to F&A)
- Equipment: 5,000 (not subject to F&A)
- F&A cost: 5,000 (10,000 * 50%)
- Total cost: 20,000

How the F&A rate works (TDC)

Indirect costs are assessed based on the direct charged dollars in expense categories subject to the F&A rate

Budget with 10% F&A rate, TDC

- PI Salary & benefits: 10,000
- Equipment: 5,000
- Total direct costs: 15,000 (subject to F&A)
- F&A cost: 1,500 (15,000 * 10%)
- Total cost: 16,500

How the F&A rate works (TC)

Indirect costs are assessed based on the direct charged dollars in expense categories subject to the F&A rate

Budget with 20% F&A rate, TC

- PI Salary & benefits: 10,000
- Equipment: 5,000
- Total direct costs: 15,000
- Total project costs = 15,000 / (80%) = 18,750
- F&A cost = 18,750 − 15,000 = 3,750
- Effective F&A rate (ledger) = 3,750 / 15,000 = 25%