

Radio Amateur Satellite Corporation Fiscal Policies & Procedures

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RADIO AMATEUR SATELLITE CORPORATION FISCAL POLICIES AND PROCEDURES

Approved by the Board of Directors, June 1, 2021

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General Purpose

The purpose of this policy is to establish guidelines for the Radio Amateur Satellite Corporation (hereinafter referred to as “AMSAT”) Board of Directors, management, volunteer staff, and outside accounting service providers about standards and procedures to be applied when developing financial goals and objectives, making financial decisions and reporting the financial status of the organization. In addition, these policies will provide guidelines to allow for an effective management of the organization’s funds in the fulfillment of its mission.

AMSAT is a 501(c) 3 nonprofit corporation, with a mission to design, build, and operate experimental satellites and promotes space education. AMSAT works in partnership with government, industry, educational institutions, and fellow Amateur Radio societies. AMSAT encourages technical and scientific innovation and promote the training and development of skilled satellite and ground system designers and operators.

The policy and procedural guidelines contained herein are designed to:

- Protect the assets of the organization;
- Ensure the maintenance of accurate records of the organization’s financial activities;
- Provide a framework for the organization’s financial decision making;
- Establish operating standards and behavioral expectations;
- Serve as a training resource for staff; and
- Ensure compliance with federal, state, and local legal and reporting requirements.

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Internal Controls

AMSAT employs several safeguards to ensure that financial transactions are properly authorized, appropriated, executed and recorded.

Definition: Internal controls are a set of policies and procedures to prevent deliberate or misguided use of funds for unauthorized purposes.

Lines of Authority

AMSAT's Board of Directors is responsible for financial oversight, to include formulating financial policies, delegating the administration of such policies to the Treasurer and President, authorizing expenditures, and reviewing financial operations and activities on a periodic basis.

The Treasurer, together with the assistance of an independent outside accounting service provider, is responsible for preparing financial reports for the Board of Directors, Officers, and outside agencies.

The Treasurer oversees the following:

- Budget Administration
- Risk Management
- Accounting Operations
- Accounts Payable
- Cash Disbursements
- Accounts Receivable
- Bank Reconciliations
- Reconciliation of Sub-Ledgers
- Fixed Assets
- Contracts and Accounting
- Taxation and Reporting
- Financial Statement Processing
- External Reporting of Financial Information
- Compliance with Government Reporting Requirements
- Annual Financial Audit, Review or Compilation
- Management of investments

The President shall be responsible for the oversight and coordination of the following:

- Annual budget presentation for Board approval
- Presentation of periodic financial statements
- Selection of the outside financial auditors, reviewers, or compilers
- Annual financial report
- Internal controls
- Financial policies

The general and daily financial management and reporting of AMSAT are implemented by the President and the Treasurer. AMSAT's President acts as the primary fiscal agent, implementing all financial policies and procedures. The Treasurer recommends expenditures and revenue objectives for AMSAT in accordance with the Board-approved long-term plans, and develops and maintains the annual budget in cooperation with the management team.

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Conflicts of Interest

All Directors, Officers and volunteers are expected to use good judgment, to adhere to high ethical standards, and to act in such a manner as to avoid any actual or potential conflict of interest. A conflict of interest occurs when the personal, professional, or business interests of an Director, Officer, or volunteer conflict with the interests of the organization. Both the fact and the appearance of a conflict of interest should be avoided.

- Upon or before hire, election, or appointment each Director, Officer, and volunteer must provide a full written disclosure of all direct or indirect financial interests that could potentially result in a conflict of interest. Examples include employer, business, and other nonprofit affiliations, and those of family members or a significant other. This written disclosure will be kept on file and will be updated annually and as needed.
- Volunteers, Officers, and Board members must disclose any interests in a proposed transaction or decision that may create a conflict of interest. After disclosure, the volunteer, Officer, or Board member will not be permitted to participate in the transaction or decision.
- Should there be any dispute as to whether a conflict of interest exists:
 - The President shall determine whether a conflict of interest exists for volunteer, and shall determine the appropriate response.
 - The Board of Directors shall determine whether a conflict of interest exists for the President, other Officer, or a member of the Board, and shall determine the appropriate response.

Segregation of Duties

AMSAT's financial duties are distributed among multiple people to help ensure protection from fraud and error. The distribution of duties aims for maximum protection of the organization's assets while also considering efficiency of operations.

- Check signers should not be involved in expense approval or basic accounting procedures
- Someone outside of the accounting function should open and log all checks received

Physical Security

AMSAT maintains physical security of its assets to ensure that only people who are authorized have physical or indirect access to money, securities, and other valuable property.

- Each person with access to the accounting software and online accounts will have individual login credentials and will not share those credentials with another individual.
- A physical inventory of physical assets should be conducted annually; however, in the event of operational conflicts, no more than twenty-four month shall pass between physical inventories.

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Accounting Procedures

This section covers basic accounting procedures for the organization. The accounting procedures used by the organization shall conform to Generally Accepted Accounting Principles (GAAP) to ensure accuracy of information and compliance with external standards.

Basis of Accounting

The organization uses the accrual basis of accounting. The accrual basis is the method of accounting whereby revenue and expenses are identified with specific periods of time, such as a month or year, and are recorded as incurred. This method of recording revenue and expenses is without regard to date of receipt or payment of cash.

Definition: The accrual method allows for recording revenue and expenses when incurred. It eliminates the budget distortion of large advance payments, such as annual insurance premiums, etc. This method gives a more accurate picture when actual expenses are compared with budgeted amounts. It also eliminates the possibility of overlooking incurred but unpaid expenses when making budget projections

- Throughout the fiscal year, expenses are accrued into the month in which they are incurred. The books are closed no later than the 15th day after the close of the month. Invoices received after closing the books will be counted as a current-month expense.
- At the close of the fiscal year, this rule is not enforced. All expenses that should be accrued into the prior fiscal year, are so accrued, in order to ensure that year-end financial statements reflect all expenses incurred during the fiscal year. Year-end books are closed no later than 90 days after the end of the fiscal year.
- Revenue is always recorded in the month in which it was earned or pledged.

Fiscal Year

AMSAT's fiscal year begins January 1st and ends December 31st. Any changes to the fiscal year of the organization must be ratified by majority votes of AMSAT's Board of Directors.

Accounting System

AMSAT uses QuickBooks Online to record accounting transactions. QuickBooks provides for separate, self-balancing sets of accounts in accordance with generally accepted accounting principles and procedures for Nonprofits. This accounting system is a cloud service developed and hosted by Intuit and is updated in real time.

The Treasurer, with the oversight of the President, shall have the direct responsibility for the accuracy of AMSAT accounting records.

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General Ledger and Chart of Accounts

AMSAT's policy is to establish a chart of accounts which accumulates all financial transactions of the organization. The chart of accounts includes account codes for general ledger activity and class reporting for functional classification.

The chart of accounts is the framework for the general ledger system, and therefore the basis for AMSAT's accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense and other income and expenses.

Definition: The general ledger is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is used to accumulate all financial transactions of the Radio Amateur Satellite Corporation (AMSAT) and is supported by subsidiary ledgers that provide details for certain accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.

AMSAT's chart of accounts is comprised of seven types of accounts:

- 1XXX Assets
- 2XXX Liabilities
- 3XXX Net Assets
- 4XXX Revenues
- 5XXX Expenses
- 6XXX Other Income
- 7XXX Other Expenses

AMSAT's functional classification is comprised of nine classes:

- 01 General
- 02 Membership
- 03 Fundraising
- 04 Events
- 05 Publications and Software
- 06 Engineering
- 07 Operations
- 08 Education
- 09 Amateur Radio on the International Space Station (ARISS)

A complete list of account codes is available by generating the QuickBooks Chart of Accounts Report. The report also shows how codes are grouped and totaled for various reporting purposes.

AMSAT's chart of accounts is monitored and controlled by the Treasurer. Responsibilities include the handling of all account maintenance, such as additions and deletions. Any additions or deletions of accounts should be approved by the President, who ensures that the chart of accounts is consistent with the organizational structure of AMSAT and meets the needs of each department.

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Journal Entries

- Journal entries should be made for any transaction not automatically produced by the accounting software. These entries often include reclassification of amounts already posted, reconciling items from the bank statement, and allocations.
- All journal entries must be fully documented and must balance. Each consists of a debit and a credit, and the total of the debits must equal the total of the credits.
- Entries should be made to reclassify previous posting and to correct errors. NEVER CHANGE AN EXISTING TRANSACTION! This is true even if the general ledger package allows you to do so.
- The use of journal entries to correct prior transactions is necessary to create an audit trail. In this manner, all of the transaction made can be followed and traced to original documentation. All changes and entries should be reviewed by the treasurer and approved.

Definition: Journal entries are double entries in the accounting system (debit & credit) recording the business transactions of the organization.

Bank Reconciliations

All bank statements will be retrieved from the bank online portal and reviewed in a timely manner. Bank reconciliation and approval will occur within 30 days of the close of the month.

- All bank statements and cancelled checks will be reviewed by the Treasurer upon retrieval.
- Once reviewed, bank statements are submitted to the outside accounting service provider for reconciliation.
- The Treasurer will review and approve reconciliation reports.

Monthly Close

The Treasure is responsible to provide the outside accounting service provider with all necessary supporting documents to close the books, record transaction, and prepare financial statements, no later than the 15th day after the end of the month.

Recordkeeping

AMSAT's Record Retention and Destruction Policy ensures that necessary records and documents of the Radio Amateur Satellite Corporation are adequately protected and maintained and to ensure that records that are no longer needed by AMSAT or are of no value are discarded at the proper time. In addition, this Policy aides the Board of Directors, Officers, volunteers, and outside service providers in understanding their obligations in retaining electronic documents.

- Accounting records will be stored electronically upon production or receipt. Records created prior to establishment of this policy will be maintained in their current form and in leased storage facilities until such time digital facsimiles can be made.
- Financial records not required to be retained on a permanent basis will be destroyed/deleted three years after the fiscal year in which they were created.

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Financial Planning and Reporting

The organization's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The presentation of the Financial Statements shall follow the recommendation of the Financial Accounting Standards Board (FASB) No. 117, "Financial Statements of Not-For-Profit Organizations." Under GAAP, revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization are classified as unrestricted, temporarily restricted and permanently restricted.

Budgeting Process

AMSAT's annual budget is prepared and approved annually for all departments. The budget is prepared by the President in conjunction with the Treasurer. The budget is to be approved by the Board of Directors prior to the start of each fiscal year. The budget is revised during the year only if approved by the Board of Directors.

- The President will work together with the Treasurer and all program managers to ensure that the annual budget is an accurate reflection of programmatic and infrastructure goals for the coming year.
- The Treasurer will ensure that the budget is developed using the organization's standard revenue recognition and cost allocation procedures.
- The President and Treasurer will present a draft budget to the full Board of Directors, no later than 30 days prior to the end of the fiscal year..
- The Board of Directors will review and approve the budget at its last meeting prior to the start of the fiscal year.

Internal Financial Reports

AMSAT prepares regular financial reports on a monthly basis. All reports are finalized no later than 30 days after the close of the prior month.

- The Treasurer is responsible for producing the following reports within 30 days of the end of each month:
 - Statement of Financial Position
 - Statement of Activity, for the month then ended and year-to-date
 - Statement of Activity by Class, for the month then ended
 - Statement of Activity by Class, year-to-date
 - General Leger, for the month then ended
- The President reviews financial reports each month and presents reports to the full Board of Directors no later than the next scheduled meeting.

Financial Audit, Review, or Compilation

AMSAT will have an audit, review, or compilation of its fiscal year-end financial statements completed annually by a firm of Independent Certified Public Accountants.

- The Board of Directors will determine whether to select a financial audit, review, or compilation, based on budgetary and/or other considerations.

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- The President and the Treasurer shall have direct responsibility in overseeing the implementation of the Annual financial audit, review, or compilation.
- The President shall select and engage a firm to perform the annual audit, review, or compilation and report the final results to the Board of Directors. A representative of the independent accounting firm shall be invited to attend the annual presentation to the Board of Directors, and shall be required to make a presentation to the Board if the report is other than unqualified, or if the firm identifies fraud, material weaknesses in internal controls, or other reportable conditions.

Tax Compliance

- An outside tax service provider will be engaged to complete AMSAT's annual Federal Form 990, Return of Organization Exempt From Income Tax.
- The President and the Treasurer shall have direct responsibility in overseeing the preparation of the Federal Form 990, and the President has ultimate approval authority of the completed Federal Form 990 and is responsible for filing the Federal Form 990 with the Internal Revenue Service in a timely manner.
- An outside tax service provider will be engaged to prepare and file all required Form 1099 information return to report various types of income other than wages, salaries, and tips.
- The Treasurer shall have direct responsibility in overseeing the preparation of the Form 1099s and ensure they are filed with the IRS in a timely manner.

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Revenue and Accounts Receivable

Invoice Preparation

All invoices for membership dues are invoiced automatically through AMSAT's online member management system.

Revenue Recognition

All contributions will be recorded in accordance with GAAP, with specific attention to standards FASB 116 and 117. Contributions are recorded as pledged or received in accordance with FASB 116, and must be credited to the appropriate revenue lines as presented in the annual budget and coded as designated in the organization's Chart of Accounts.

The Treasurer reviews all revenue in excess of \$5,000 and indicates on the letter or copy of the check how the revenue shall be recognized (as earned/contributed, conditional/unconditional and restricted/unrestricted). If there is a question or uncertainty about how to recognize a particular contribution, the Treasurer will ensure that the donor is contacted to clarify the intent of the contribution.

The outside accounting service provider is responsible for posting revenue to the general ledger in accordance with the determination made by the Treasurer.

Cash Receipts

- Cash payments from customers or members shall only be accepted at authorized events and by an designated volunteer.
 - Cash received will be logged in on a cash receipts log, indicating the amount received, purpose, and name of customer or member, and secured in a lock box or similar container.
 - At the conclusion of the event, the designated volunteer will email a copy of the cash receipts log to the Treasurer and coordinate the deposit of those cash receipts into AMSAT's bank account.
 - The Treasurer will verify the amounts deposited agree to the amounts recorded on the cash receipts log, classify the receipts by source and class, and forward the cash receipts log to the outside accounting service provider for proper recording in the general ledger.
- Cash payments by check from customers or members may be received by mail or in person.
 - The President will open all mail addressed to AMSAT and received at the virtual mailbox.
 - The Executive Vice-President will open all mail addressed to AMSAT and received at the U.S. Post Office box.
 - Mail containing payments to AMSAT by check will be immediately and restrictively endorsed with "FOR MOBILE DEPOSIT ONLY," photocopied, and logged in the Check Log, maintained as an ongoing Excel file. The check(s) will be individually deposited in the bank, using the Eagle Bank smartphone application.
 - Checks received in person will be immediately and restrictively endorsed with "FOR MOBILE DEPOSIT ONLY," logged in the Check Log, and delivered to the President for mobile deposit.

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- The Treasurer will verify the amounts deposited agree to the amounts recorded on the cash receipts log, classify the receipts by source and class, and forward the cash receipts log to the outside accounting service provider for proper recording in the general ledger.
- The Treasurer will review all cash payments received by electronic fund transfer, agree them to the source document and/or originating collection service account, classify the receipts by source and class, and forward those classifications to the outside accounting service provider for proper recording in the general ledger.
- The outside accounting service provider will record all receipts in the general ledger per classifications detailed in the provided cash receipts, check, and electronic deposits logs.

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Expense and Accounts Payable

Invoice Approval and Processing

All invoices must be approved by the manager of the department for which the expense was incurred. Approved invoices will be paid within 30 days of receipt.

- Invoices and bills will be electronically submitted to the Treasurer. The President will be notified immediately of any unexpected or unauthorized expenses.
- Invoices are then submitted through Dext, a third-party accounts payable application module for QuickBooks, to classify and record the invoices.
- The outsourced accounting services provider will then import the classified invoices and prepare a schedule of accounts payable for review by the Treasurer and payment approval by the President.
- Copies of all invoices paid will be saved to the AMSAT cloud server and retained in accordance with the AMSAT Record Retention and Destruction Policy

Cash Disbursements

- On receipt of payment approval by the President, the outsourced accounting service provider will schedule electronic payment through AMSAT's Eagle Bank Bill Payment system.
- Cash disbursement not available through the Bill Payment System (e.g., payment to foreign address) will be issued a paper check, drafted and mailed by the President. The President will provide an electronic copy of the issued paper check to the outsourced accounting service provider for proper recording in AMSAT's general ledger.
- No cash disbursements will be made without a preapproved invoice, expense, or automatic electronic withdrawal.

Petty Cash

It is the policy of AMSAT not to use petty cash and instead to reimburse Directors, Officers, and volunteers only for pre-approved expenses.

Expense Reimbursements

In situations where a purchase is required in short order, staff may make the purchase with their own funds and apply for reimbursement. Reimbursable expenses will require pre-approval by the President via the Expense Reimbursement Pre-Approval form whenever practical. Expenses that have not been pre-approved may not be reimbursed. It is a Director's, Officer's, and volunteer's responsibility to seek approval prior to incurring costs.

Receipts are required for all expenditures requiring reimbursement. Once expenses have been incurred, requests for reimbursement should be electronically submitted within 30 days of expense via an Expense Reimbursement form. Photocopies of all receipts should be included with the Expense Reimbursement form. Upon approval, they will be processed. Reimbursements will be paid by check, through AMSAT's accounts payable process.

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Volunteers, Officers, and Directors should note that AMSAT is a tax exempt organization. As such, volunteers, Officers, and Directors should make every attempt to apply for an exemption from sales tax when making purchases. A copy of the Tax Exempt Certificate may be obtained from the President.

Travel Reimbursement

No compensation will be paid to any member of the Board of Directors for services as a member of the Board. Directors will be reimbursed for expenses incurred for travel to AMSAT Board meetings for up to one thousand dollars (\$1,000) per fiscal year. Reimbursement will not be issued to any member who did not attend the given meeting.

Travel arrangements for non-Directors will be purchased using the organization credit card, whenever possible and practical. In situations where expenses are incurred during the course of business travel, staff may apply for expense reimbursement.

Mileage Reimbursement

Board members requesting mileage reimbursement are required to furnish a Travel Report providing the starting point and destination of each trip, its purpose and the miles driven, and any supporting documents such as a Google Map route. The Travel Report must be submitted to the President for approval within 30 days of the travel date in order to receive reimbursement. Mileage reimbursement will be allowable only if it is equal to or less than the cost of travel by air or train for the same departure and destination points. Mileage reimbursement will be made at the standard rate as determined by the Internal Revenue Service for the given period.

Meals

AMSAT will reimburse for the actual, reasonable cost of meals at no higher than the federal (GSA) per diem rate authorized for meals at that location, which should be used as a benchmark for what constitutes reasonable costs. The traveler must submit a receipt for any meal, including a reasonable tip, for which they wish reimbursement. Please note that AMSAT does not reimburse for room-service meals except in extraordinary circumstances or as preapproved by the President. In addition, AMSAT does not reimburse for alcoholic beverages.

Non-Reimbursable Expenses

AMSAT will not reimburse for expenses that are attributable to a traveler's spouse, partner, child or any other traveling companion, unless the companion is also conducting business on behalf of AMSAT and the companion's travel is approved in advance by the President. Attending business events in the company of the traveler is not considered to be conducting business, even if an event invitation specifically includes spouses or partners.

Credit Cards

AMSAT maintains a Visa credit card account through Eagle bank, with one card issued to the President. AMSAT maintains American Express credit card account, with two cards issued in the name of the President and the Vice-President of Engineering.

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- Expense charged on these cards requires preapproval by the President or included in the Board-approved budget.
- Receipts for all credit card charges must be provided to the Treasurer.
- The Treasurer obtains the credit card statements, verifies each charge is properly supported and authorized, classify the charges by type and class, and submits the credit card statement to Dext.
- The outsourced accounting service provider imports the classified credit card statement from Dext to QuickBooks, ensuring proper recording in AMSAT's general ledger and accounts payable ledger.

Expense Allocation

- Direct costs are identified and charged to the appropriate department through QuickBooks class reporting system.
- Indirect costs are identified and charged to the 01 General department through QuickBooks class reporting system.
- The outsourced accounting service provider allocates certain indirect costs to each department during their month-end closeout procedures, based on a level of effort pre-determined by the President, using an Indirect Cost Allocation worksheet. The allocated overhead is posted to each department in AMSAT's general ledger account 5080 Overhead.
- The President reviews the departmental level of effort formula on an annual basis or when a significant change of operation occurs, whichever occurs first.

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Asset Management

Cash Management and Investments

AMSAT banks with Eagle Bank and has one bank account. The organization account has two authorized Signers: the President and the Executive Vice-President. The Treasurer downloads and reviews an electronic bank statement each month, before emailing a copy to the outsourced accounting service provider.

AMSAT holds the majority of its investments in a Merrill Lynch broker-advised account. In addition, AMSAT holds common shares in Comcast and AT&T, held by the issuer. The Treasurer is responsible for administering the investment accounts and individual stock holdings. All investment sales in which cash is transferred to AMSAT must be preapproved by the President.

Capital Equipment

- AMSAT's furniture and equipment are recorded at cost or at fair market value at the time of purchase or donation, respectively. These assets are depreciated using the straight-line method over their estimated useful life of 5 to 7 years.
- Software is recorded at cost and is amortized using the straight-line method over 3 years.
- Depreciation and amortization is recorded by the outsourced accounting service provider each month.

Operating Reserve

The target minimum operating reserve fund for the organization is three (3) months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services.

- The amount of the operating reserve will be calculated each year after approval of the annual budget, reported to the Board of Directors, and included in regular financial reports.
- The operating reserve will be funded with surplus unrestricted operating funds.
- The Board of Directors may from time to time direct that a specific source of revenue be set aside for operating reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.
- To use the operating reserves, the President will submit a request to the Board of Directors. The request will include the analysis and determination of the use of funds and plans for replenishment. The organization's goal is to replenish the funds used within twelve (12) months to restore the operating reserve fund to the target minimum amount.