

**SEMI AND SUBSIDIARIES**

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**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

December 31, 2021 and 2020



# SEMI AND SUBSIDIARIES

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
SEMI and Subsidiaries

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of SEMI and subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of SEMI Japan Y.K., SEMI Management Consulting (Shanghai) Co., Ltd., SEMI Southeast Asia Pte Ltd., SEMI Tech Services India Private Limited, SEMI Advanced Technology Association of Korea, SEMI Europe GmbH, the SEMI Taiwan branch, and SEMI Foundation were not audited in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Group and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Supplementary Information**

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, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis 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 U.S. GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

To the Board of Directors of  
SEMI and Subsidiaries

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2022 on our consideration of SEMI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SEMI's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SEMI's internal control over financial reporting and compliance.

BPM LLP

San Francisco, California  
July 6, 2022

**SEMI AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
As of December 31, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 77,018,336	\$ 54,396,002
Restricted cash	23,525,946	20,089,724
Short-term investments	12,591,671	28,051,776
Accounts and contributions receivable, net	5,001,663	2,377,924
Prepays and other current assets	4,526,685	5,306,654
Total current assets	122,664,301	110,222,080
Long-term investments	1,944,335	3,097,363
Property and equipment, net	1,886,433	2,493,253
Long-term contributions receivable	40,000	130,000
Total assets	\$ 126,535,069	\$ 115,942,696
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 19,103,497	\$ 13,409,546
Income and other taxes payable	1,478,880	853,197
Deferred events, standards and information revenues	26,036,126	29,367,948
Deferred membership dues	3,172,814	3,150,879
Government grant refundable advance	19,619,419	17,121,134
Total current liabilities	69,410,736	63,902,704
Pension and postretirement benefit obligations	2,016,001	2,280,000
Other long-term liabilities	4,695,117	3,567,599
Total liabilities	76,121,854	69,750,303
Net assets:		
Without donor restrictions (including foreign currency translation adjustment of \$3,607,856 and \$3,193,357 as of December 31, 2021 and 2020, respectively)	50,233,215	45,742,796
With donor restrictions	180,000	449,597
Total net assets	50,413,215	46,192,393
Total liabilities and net assets	\$ 126,535,069	\$ 115,942,696

## SEMI AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Program revenue and support:						
Events:						
Expositions	\$ 38,751,838	\$ -	\$ 38,751,838	\$ 25,088,307	\$ -	\$ 25,088,307
Conferences	5,519,862	-	5,519,862	3,379,990	-	3,379,990
Membership dues	10,788,277	-	10,788,277	10,153,907	-	10,153,907
Standards/technology	2,595,807	-	2,595,807	2,280,832	-	2,280,832
Information	2,287,102	-	2,287,102	1,653,145	-	1,653,145
Contributions	241,236	50,000	291,236	228,221	92,100	320,321
Net assets released from restrictions	319,597	(319,597)	-	413,357	(413,357)	-
Government grant revenue:						
In-kind contributions	14,397,840	-	14,397,840	5,979,063	-	5,979,063
Research	11,574,994	-	11,574,994	7,021,151	-	7,021,151
Contract management fees	2,274,655	-	2,274,655	2,803,988	-	2,803,988
Employee retention credit	1,801,075	-	1,801,075	463,746	-	463,746
Total program revenue and support	90,552,283	(269,597)	90,282,686	59,465,707	(321,257)	59,144,450
Investment and other income:						
Investment income	399,435	-	399,435	807,618	-	807,618
Paycheck Protection Program income	1,708,333	-	1,708,333	-	-	-
Other	866,488	-	866,488	877,148	-	877,148
Total revenue and support	93,526,539	(269,597)	93,256,942	61,150,473	(321,257)	60,829,216

## SEMI AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS, Continued

For the years ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:						
Program expenses:						
Events:						
Expositions	27,698,459	-	27,698,459	21,735,947	-	21,735,947
Conferences	10,615,739	-	10,615,739	9,562,665	-	9,562,665
Research and development	28,247,489	-	28,247,489	15,804,202	-	15,804,202
Standards/technology	5,026,858	-	5,026,858	5,051,952	-	5,051,952
Membership dues	4,752,785	-	4,752,785	3,534,775	-	3,534,775
Information	1,854,320	-	1,854,320	1,968,495	-	1,968,495
Foundation	862,806	-	862,806	787,597	-	787,597
Total program expenses	79,058,456	-	79,058,456	58,445,633	-	58,445,633
Management and general	9,622,259	-	9,622,259	7,387,744	-	7,387,744
Total operating expenses	88,680,715	-	88,680,715	65,833,377	-	65,833,377
Net income (loss) from operations	4,845,824	(269,597)	4,576,227	(4,682,904)	(321,257)	(5,004,161)
Income and other taxes	(1,905,476)	-	(1,905,476)	(2,202,619)	-	(2,202,619)
Pension and postretirement benefit change other than net periodic benefit cost	(68,824)	-	(68,824)	(503,245)	-	(503,245)
Net periodic change in benefit obligation	257,000	-	257,000	260,000	-	260,000
Foreign currency exchange gain	947,396	-	947,396	1,303,857	-	1,303,857
Change in currency translation adjustment	414,499	-	414,499	872,023	-	872,023
Change in net assets	4,490,419	(269,597)	4,220,822	(4,952,888)	(321,257)	(5,274,145)
Net assets, beginning of year	45,742,796	449,597	46,192,393	50,695,684	770,854	51,466,538
Net assets, end of year	\$ 50,233,215	\$ 180,000	\$ 50,413,215	45,742,796	\$ 449,597	\$ 46,192,393

The accompanying notes are an integral part of these consolidated financial statements.

**SEMI AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 4,220,822	\$ (5,274,145)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	658,167	688,180
Pension and postretirement benefit change, other than net periodic benefit cost	68,824	503,245
Bad debt expense (reversal)	8,887	(5,044)
Loss on disposal of property and equipment	-	10,230
Net realized and unrealized loss (gain) on investments	46,485	(152,122)
Deferred tax assets, net	64,225	(165,861)
Changes in operating assets and liabilities:		
Accounts and contributions receivable, net	(2,542,626)	1,815,400
Prepays and other current assets	715,744	(204,726)
Accounts payable and accrued expenses	5,693,951	1,239,175
Income and other taxes payable	625,683	(6,868,702)
Deferred events, standards and information revenues	(3,331,822)	2,552,819
Deferred membership dues	21,935	118,803
Government grant refundable advance	2,498,285	7,795,209
Pension and postretirement benefit obligations	(332,823)	(359,245)
Other long-term liabilities	1,127,518	1,221,314
Net cash provided by operating activities	9,543,255	2,914,530
Cash flows from investing activities:		
Purchases of property and equipment	(49,718)	(399,936)
Maturities of investments	32,795,666	53,860,761
Purchases of investments	(16,386,226)	(38,926,372)
Net cash provided by investing activities	16,359,722	14,534,453
Net increase in cash, cash equivalents, and restricted cash	25,902,977	17,448,983
Effect of exchange rate changes on cash	155,579	(194,485)
Cash, cash equivalents, and restricted cash, beginning of year	74,485,726	57,231,228
Cash, cash equivalents, and restricted cash, end of year	\$ 100,544,282	\$ 74,485,726
Supplemental disclosure of cash flow information:		
Cash and cash equivalents	\$ 77,018,336	\$ 54,396,002
Restricted cash	23,525,946	20,089,724
Total cash, cash equivalents, and restricted cash	\$ 100,544,282	\$ 74,485,726
Cash paid for foreign income taxes	\$ 1,292,498	\$ 2,143,651

# SEMI AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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### 1. Organization and Significant Accounting Policies

SEMI is a not-for-profit organization in the United States of America (“U.S.”) formed to promote the global electronics manufacturing supply chain, and to provide support and information to industry participants through trade shows, seminars, and publications. In addition, SEMI Foundation is a separate not-for-profit organization formed to operate, promote, or support educational programs and awareness for the field of high technology. SEMI and SEMI Foundation have been recognized by the Internal Revenue Service (“IRS”) as qualified not-for-profit organizations as described in Sections 501(c)(6) and 501(c)(3) of the U.S. Internal Revenue Code (the “Code”), respectively, and are, therefore, exempt from federal income taxes on operations related to their exempt purposes and exempt from tax on their investment income within the U.S. In addition, SEMI and SEMI Foundation have been recognized by the Franchise Tax Board (“FTB”) as qualified not-for-profit organizations under Sections 23701e and 23701d, respectively, of the California Revenue and Tax Code, and are, therefore, exempt from California income and franchise taxes on income from operations related to their exempt purposes and investment income. SEMI and SEMI Foundation are subject to federal and California income and franchise taxes on income from unrelated business activities.

#### *Principles of Consolidation*

The accompanying consolidated financial statements include the financial statements of SEMI and its wholly owned subsidiaries, SEMI Japan Y.K. (“SEMI Japan”), SEMI Management Consulting (Shanghai) Co., Ltd. (“SEMI China”), SEMI Southeast Asia Pte Ltd. (“SEMI Southeast Asia”), SEMI Tech Services India Private Limited (“SEMI India”), SEMI Advanced Technology Association of Korea (“SEMI Korea”), and SEMI Europe GmbH (“SEMI Europe”). Additionally, SEMI conducts business activities, determined to be branches, in certain other countries, such as in Taiwan (“SEMI Taiwan”). SEMI is also the sole member of SEMI Foundation, and therefore, includes it in its consolidated financial statements. All of the entities are collectively referred to as “the Group.” All significant intercompany transactions and balances have been eliminated in consolidation.

#### *Basis of Presentation*

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). For financial statement purposes, all financial transactions are reported by class of net assets as prescribed for not-for-profit organizations by the Financial Accounting Standards Board (“FASB”). The following is a description of the classes of net assets included in the consolidated financial statements.

**Net Assets without Donor Restrictions:** Net assets available for use in general operations and not subject to donor or grantor imposed restrictions.

**Net Assets with Donor Restrictions:** Net assets subject to donor or grantor imposed restrictions. SEMI Foundation receives contributions, at times, that fall within this net asset category. These net assets have either time or purpose restrictions that are stipulated by the donor. When a restriction expires (that is, when a purpose restriction is accomplished or a time restriction is met), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Conditional contributions with conditions met and restrictions released in the same period are recorded as contributions without donor restrictions. Unconditional contributions with restrictions released in the same period are recorded as contributions without donor restrictions.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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#### 1. Organization and Significant Accounting Policies, continued

##### *Basis of Presentation*, continued

Net assets with donor restrictions consisted of the following as of December 31 (*in thousands*):

	<u>2021</u>	<u>2020</u>
Donor restrictions:		
High Tech U	\$ -	\$ 2
Workforce development	<u>180</u>	<u>448</u>
Total	<u>\$ 180</u>	<u>\$ 450</u>

Net assets with donor restrictions that were released from restriction by incurring expenses satisfying the purposes specified by donors or expiration of time are as follows for the years ended December 31 (*in thousands*):

	<u>2021</u>	<u>2020</u>
Expiration of time restrictions	<u>\$ -</u>	<u>\$ -</u>
Satisfaction of purpose restrictions:		
High Tech U	2	32
Workforce development	<u>318</u>	<u>381</u>
	<u>320</u>	<u>413</u>
Total	<u>\$ 320</u>	<u>\$ 413</u>

##### *Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are based upon historical factors, current circumstances and the experience and judgment of management. Management evaluates its assumptions and estimates on an ongoing basis. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include employee defined benefit plans, the asset retirement obligation, allowance for doubtful receivables, the valuation of certain investments, allocation of expenses, income tax valuation allowances and uncertain tax positions.

##### *Cash and Cash Equivalents*

Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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#### 1. Organization and Significant Accounting Policies, continued

##### *Cash and Cash Equivalents*, continued

Included in restricted cash as of December 31, 2021 is \$9,654,986 and \$13,821,799, restricted for the U.S. Army Research Laboratory (“ARL”) and U.S. Air Force Research Laboratory (“AFRL”) grant programs, respectively, as well as \$49,161 related to European government grant programs. As of December 31, 2020, restricted cash included \$10,106,269 and \$9,588,290 for the ARL and AFRL grant programs, respectively, as well as \$395,165 related to European government grant programs.

##### *Investments*

Investments are reflected at fair value in the consolidated financial statements. Short-term investments represent investments that mature within one year or less and certain short-term money market mutual funds. Realized gains or losses resulting from sales or maturities are calculated on the specific identification method. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur.

Dividend and interest income are accrued when earned.

##### *Accounts Receivable*

The Group evaluates collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. Delinquency status is determined on a case-by-case basis and includes consideration of payment history and historical bad debt patterns adjusted for current matters. As of December 31, 2021 and 2020, the allowance for doubtful accounts was \$68,851 and \$31,204, respectively.

##### *Property and Equipment, Net*

Property and equipment, net, are stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets, generally three to seven years. Additions of property and equipment are capitalized if the cost is \$2,500 or greater. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease terms or the useful lives of the related assets.

##### *Revenue Recognition*

The Group recognizes revenue in accordance with Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers* (“ASC Topic 606”). Under the five-step revenue recognition model, revenue is recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services.

The Group determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligation(s) in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligation(s) in the contract; and
- Recognition of revenue when, or as, the performance obligation(s) is (are) satisfied.

**SEMI AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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**1. Organization and Significant Accounting Policies, continued**

***Revenue Recognition***, continued

**Summary of Revenue Recognition Accounting Policy**

The Group generates its revenue primarily from expositions and conferences, membership dues, standard licenses, and information product subscriptions. Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied and the promised services are transferred. In identifying the performance obligations, judgment is required for contracts with bundled services and multiple parties. In applying judgment, the Group considers customer expectations of performance, materiality and the core principles of ASC Topic 606. Revenue is recognized net of sales tax, goods and services tax, and value-added tax. In jurisdictions where sales or other taxes are not assessed to customers but are subsequently charged, an expense is recorded (see Notes 8 and 9).

***Nature of Performance Obligations***

**Events Revenues**

***Expositions Revenue***

The Group provides various forms of marketing opportunities to customers at its events to promote, increase visibility of their brands and showcase their products via assigned exhibit space or customized sponsorship packages. The fees, payment terms and conditions are determined by the Group and accepted by customers.

***Conference Fees***

The Group collects a fee for entrance to the conferences and events it organizes. Fees are paid by attendees at the time of registration. Revenue is recognized when the performance obligation under the terms of a contract with each customer is satisfied and promised services are transferred. Each exposition revenue and conference fee represent a single performance obligation. The Group recognizes these revenues once the event is hosted.

**Membership Dues, Standard Licenses, Information Product Subscriptions and Sales**

***Membership Dues***

Membership dues are considered revenue from contracts with customers. The Group receives membership dues for providing access to the Group's resources, such as access to member only initiatives, program events, staff support to connect customers and industry leaders, and worldwide marketing opportunities. Membership dues are charged based on the membership category and pricing tier, which depend on the member's primary business activities and the company size.

***Standard Licenses, Information Product Subscriptions and Sales***

The Group receives annual subscription fees for access to market data, research reports, industry standards, and an online database. Subscription fees are charged based on the number of users and the type of subscription. Additionally, the Group sells single downloadable reports and standards for a fee.

**SEMI AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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**1. Organization and Significant Accounting Policies, continued**

*Revenue Recognition*, continued

**Summary of Revenue Recognition Accounting Policy, continued**

*Nature of Performance Obligations*, continued

**Membership Dues, Standard Licenses, Information Product Subscriptions and Sales, continued**

*Standard Licenses, Information Product Subscriptions and Sales*, continued

The Group's membership, standard licenses, information product subscriptions and sales each represent a single performance obligation. Membership dues and subscription fees are paid upfront on an annual basis at the time the customer is approved and receives access to the Group's resources or database. Membership dues and subscription fees are recognized over time in the period in which access to the Group's resources are provided. The Group considers the obligation to be satisfied over time because the customer simultaneously receives and consumes the benefits provided as the Group performs the services. Single downloadable publication reports and standards sales are recognized at a point in time when the Group fulfills the order and has no further obligations.

The following table summarizes the revenue from contracts with customers recognized by the Group, disaggregated by timing of revenue recognition, for the years ended December 31 (*in thousands*):

	<u>2021</u>	<u>2020</u>
Products and services transferred over time	\$ 14,231	\$ 12,757
Products and services transferred at a point in time	<u>45,712</u>	<u>29,799</u>
Total revenues from contracts with customers	<u>\$ 59,943</u>	<u>\$ 42,556</u>

Revenue recognized for the years ended December 31, 2021 and 2020 that was included in deferred revenue as of the beginning of the year was \$30,392,524 and \$27,069,234, respectively. The Group's performance obligations for products transferred over time and at a point in time generally relate to contracts with durations of one year or less. As a result, the Group is not required to separately disclose aggregate amounts of unsatisfied (or partially satisfied) performance obligations as of the end of the year. Under ASC Topic 606, the Group records a contract asset for any rights to consideration in exchange for goods or services that the Group has transferred to a customer, excluding any amounts billed and presented as receivable. Contract assets on the consolidated statements of financial position totaled \$213,850 and \$166,294 as of December 31, 2021 and 2020, respectively. Billed accounts receivable from revenue from contracts with customers totaled \$4,019,151 and \$1,825,017 as of December 31, 2021 and 2020, respectively, and are included in accounts and contributions receivable, net, on the consolidated statements of financial position.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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#### 1. Organization and Significant Accounting Policies, continued

##### *Revenue Recognition*, continued

##### Summary of Revenue Recognition Accounting Policy, continued

##### Government Grant Revenue

The Group evaluates the accounting treatment for government awards by considering whether the award represents an exchange transaction under ASC Topic 606 or a contribution under ASC Topic 958, *Not-for-Profit Entities* (“ASC Topic 958”). In an exchange transaction, each party receives commensurate value in the transaction. An award is considered to be a contribution if the resource provider receives no value in exchange for the assets transferred, or if the value received by the resource provider is incidental to the potential public benefit from using the assets transferred. The Group receives government awards for research and development and has determined that the assets transferred are contributions, as the resource provider does not receive commensurate value in exchange for the assets transferred but rather general knowledge from the results of the research. As such, government awards fall out of the scope of ASC Topic 606 and are treated as contribution income. Under ASC Topic 958, a contribution is considered to be conditional when one or more barriers exist and the right to receive or retain payment or delivery of the promised assets is conditioned on meeting those barriers. The awards are considered conditional contributions due to the limited discretion as result of the specific requirements on how the assets may be spent.

The following table summarizes the revenue from contracts with customers compared to other sources of revenues recognized by the Group for the years ended December 31 (*in thousands*):

	2021	2020
Revenue from contracts with customers	\$ 59,943	\$ 42,556
Contributions and government grants	30,340	16,588
Investment and other income	2,974	1,685
Total revenue and support	<u>\$ 93,257</u>	<u>\$ 60,829</u>

##### *Advertising Expenses*

Advertising expenses are expensed as incurred. Advertising expenses included in general and administrative expenses in the accompanying consolidated statements of activities and changes in net assets amounted to \$77,493 and \$65,630 for the years ended December 31, 2021 and 2020, respectively.

##### *Accounting for Advertising Barter*

Revenues and expenses are recognized at fair value for advertising barter transactions. The fair value is determined using prices received from unrelated customers for similar advertising that has occurred during a period that does not exceed six months prior to the date of the barter transaction. The Group recorded such revenues and expenses of \$180,179 and \$143,664 for the years ended December 31, 2021 and 2020, respectively.

# SEMI AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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### 1. Organization and Significant Accounting Policies, continued

#### *Foreign Currency Translation*

The reporting and functional currency of SEMI is the U.S. dollar. The functional and reporting currency of SEMI Japan, SEMI Korea, SEMI Taiwan, SEMI China, SEMI Europe, SEMI Southeast Asia, and SEMI India is the Japanese yen, Korean won, Taiwan dollar, Chinese yuan, euro, Singapore dollar, and Indian rupee, respectively. The assets and liabilities of these subsidiaries and divisions that report in foreign currencies are generally translated into U.S. dollars as of year-end exchange rates or historical exchange rates for nonmonetary assets, and revenues and expenses are translated at monthly average exchange rates during the year. Resulting translation adjustments for assets and liabilities are included as a component of net assets, and the effects of foreign currency revenue and expense transactions are reflected as foreign exchange transaction gains and losses in the consolidated statements of activities.

#### *Income Taxes*

Although SEMI and SEMI Foundation have been recognized by the IRS and FTB as exempt from U.S. federal and California income and franchise taxes on activities related to its exempt purpose, it is not necessarily exempt from income taxes in its foreign jurisdictions or on its Unrelated Business Income. The Group does not have tax-exempt status in certain foreign jurisdictions and evaluates foreign taxes based on the regulations in every jurisdiction in which the Group operates. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed or settled. The effect on the deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more-likely-than-not that those assets will be realized.

In evaluating uncertain tax positions, the Group recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more-likely-than-not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The Group evaluated all tax positions for which the statute of limitations remained open and determined the impact on the consolidated financial statements for any years still subject to a potential tax audit. Any interest and penalties are classified as income and other taxes in the consolidated statements of activities and changes in net assets.

#### *Functional Expense Allocations*

The Group's main programs are to support the global electronics supply chain through trade shows, conferences, seminars, development of industry standards, and administration of government research grants, publication of market and industry research reports, and conducting and supporting programs to promote and create awareness of the field of high technology.

**SEMI AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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**1. Organization and Significant Accounting Policies, continued**

***Functional Expense Allocations, continued***

Directly identifiable expenses are charged to programs and supporting services. Certain categories of expenses, such as facilities and information technology, are attributable to one or more programs or supporting functions of the Group. These are allocated based on a variety of cost allocation techniques such as time and effort and square footage, if applicable. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Group.

***Recently Adopted Accounting Pronouncements***

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans* (“ASU 2018-14”). ASU 2018-14 modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement benefits. ASU 2018-14 is effective for fiscal years ending after December 15, 2021 and is to be applied on a retrospective basis to all periods presented. The adoption of ASU 2018-14 did not have a material impact on the consolidated financial statements, other than adding certain disclosures around the reasons for significant gains and losses related to changes in the postretirement benefit obligations for the period.

***Recent Accounting Pronouncements***

In February 2016, the FASB issued ASU 2016-02, *Leases* (“ASU 2016-02”). Under ASU 2016-02, lessees will be required to recognize a lease liability and a right-of-use asset for all leases (with the exception of short-term leases) at the commencement date. Under ASU 2016-02, lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements. Lessees and lessors may not apply a full retrospective transition approach. ASU 2016-02 will be effective for the Group’s annual reporting for the fiscal year beginning after December 15, 2021, with early adoption permitted. The Group is currently evaluating the impact of ASU 2016-02 on its consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (“ASU 2020-07”). ASU 2020-07 requires contributed nonfinancial assets to be presented as a separate line item in the consolidated statement of activities, apart from contributions of cash and other financial assets, and additional qualitative disclosures. ASU 2020-07 should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. The Group is currently evaluating the impact of ASU 2020-07 on its consolidated financial statements.

***Reclassifications***

Certain reclassifications have been made to the 2020 consolidated financial statements in order to conform to the current fiscal year presentation. The effects of these reclassifications are not material to the consolidated financial statements and have no impact on previously reported total assets, total liabilities, total net assets or change in net assets.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### 2. Liquidity and Availability

As part of its liquidity management plan, the Group started selling exhibit space at their trade show a year in advance of the event. Contract terms indicate that payment is to be collected in advance of the event date. The same collection policy applies for the majority of the products and services offered, except contributions. This policy helps to keep bad debt write-offs low, enhance liquidity and enable the Group to be self-financing for recurring operating expenditures, projects and investments. The Group invests cash in excess of daily requirements in both short-term and long-term investments including certificates of deposit and money market funds. Long-term certificates of deposit can be liquidated with minimal penalties. The Group's Board of Directors does not further re-designate or restrict any funds for specific purposes. The Board of Directors approves the annual budget during its Board meeting. Some of the donations received are restricted by donors for specific purposes and are therefore not available for general use.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following (*in thousands*):

	2021	2020
Cash and cash equivalents	\$ 77,018	\$ 54,396
Restricted cash	23,526	20,090
Short-term investments	12,592	28,052
Current accounts and contributions receivable, net	5,002	2,378
Long-term investments	1,944	3,097
Long-term contributions receivable	40	130
Total financial assets	120,122	108,143
Less: restricted cash	(23,526)	(20,090)
Less: net assets with donor restrictions	(180)	(450)
Total financial assets available within one year	<u>\$ 96,416</u>	<u>\$ 87,603</u>

In addition to the total financial assets available within one year of approximately \$96,416,000 and \$87,603,000 as of December 31, 2021 and 2020, respectively, the Group has approximately \$23,526,000 and \$20,090,000, respectively, in restricted cash available for use for qualifying expenses of government grant programs.

#### 3. Contributions Receivable

SEMI Foundation had contributions receivable outstanding of \$180,000 and \$312,100 as of December 31, 2021 and 2020, respectively. As of December 31, 2021, \$180,000 of the contributions receivable balance was restricted in purpose, with \$140,000 due in 2022 and \$40,000 due in the following year. As of December 31, 2020, \$312,100 of the contributions receivable balance was restricted in purpose, with \$182,100 due in 2021 and \$130,000 due over the following two years. Management has determined that contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary as of December 31, 2021 and 2020, respectively. The assets are included in accounts and contributions receivable, net, in the consolidated statements of financial position. Contributions receivable due in greater than one year are discounted to present value based on U.S. Treasury rates.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### 4. Investments and Fair Value Measurements

The fair value of investments is summarized below as of December 31 (*in thousands*):

	<u>2021</u>	<u>2020</u>
Short-term investments:		
Certificates of deposit	\$ 4,905	\$ 10,217
Money market funds	<u>7,687</u>	<u>17,835</u>
	12,592	28,052
Long-term investments:		
Certificates of deposit	<u>1,944</u>	<u>3,097</u>
Total	<u>\$ 14,536</u>	<u>\$ 31,149</u>

For the years ended December 31, 2021 and 2020, net realized and unrealized gains and losses were a net loss of \$46,485 and net gain of \$152,122, respectively. For the years ended December 31, 2021 and 2020, interest and dividend income was \$445,920 and \$655,496, respectively, which is included in total net investment income of \$399,435 and \$807,618, respectively, in the accompanying consolidated statements of activities and changes in net assets.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Group uses various valuation approaches. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Group. Unobservable inputs are inputs that reflect the Group's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

*Level 1* – Quoted prices are available in active markets for identical investments as of the reporting date.

*Level 2* – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date.

*Level 3* – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Money market mutual funds are valued at quoted market prices in an exchange and active markets, which represent the net asset values of shares held by the Group at year-end. When documented trade histories are not available or do not meet the requirements for Level 1, such as the certificates of deposit, a discounted cash flow model is used to determine the fair value. The key inputs to the discounted cash flow model are the coupon, yield and expected maturity date.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### 4. Investments and Fair Value Measurements, continued

The following tables represent the Group's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of December 31 (*in thousands*):

	December 31, 2021		
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Total
Certificates of deposit	\$ -	\$ 6,849	\$ 6,849
Money market mutual funds	7,687	-	7,687
Total	\$ 7,687	\$ 6,849	\$ 14,536

	December 31, 2020		
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Total
Certificates of deposit	\$ -	\$ 13,314	\$ 13,314
Money market mutual funds	17,835	-	17,835
Total	\$ 17,835	\$ 13,314	\$ 31,149

The Group had no Level 3 assets as of December 31, 2021 or 2020.

#### 5. Property and Equipment, Net

Property and equipment are comprised of the following as of December 31 (*in thousands*):

	2021	2020
Furniture and equipment	\$ 2,819	\$ 2,908
Software	2,102	2,099
Lease restoration commitment	27	30
Leasehold improvements	3,761	3,767
	8,709	8,804
Less accumulated depreciation and amortization	(6,823)	(6,311)
	\$ 1,886	\$ 2,493

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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#### 5. Property and Equipment, Net, continued

Depreciation and amortization expense for property and equipment for the years ended December 31, 2021 and 2020 was \$658,167 and \$688,180, respectively.

#### 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are comprised of the following as of December 31 (*in thousands*):

	2021	2020
Accounts payable	\$ 11,671	\$ 6,989
Accrued employee compensation and benefits	6,370	5,183
Other accruals	1,062	1,238
	<u>\$ 19,103</u>	<u>\$ 13,410</u>

#### 7. Employee Pension and Postretirement Benefit Plans

##### *U.S. 401(k) Plan*

In the United States of America, SEMI has a 401(k) retirement plan that covers substantially all U.S. employees. SEMI provides a matching contribution and may, at their discretion, elect to make an additional year-end contribution to the 401(k) plan on behalf of the participants. SEMI's contributions to the 401(k) plan were \$690,646 and \$759,545 for the years ended December 31, 2021 and 2020, respectively.

##### *Korea Plan*

SEMI Korea has a defined contribution retirement plan. Contributions are based on years of service for employees covered under the plan. As of December 31, 2021 and 2020, SEMI Korea reserved \$1,175,469 and \$1,290,658, respectively, for this retirement allowance. As of December 31, 2021 and 2020, the Group additionally accrued a retirement allowance of \$1,198,113 and \$0, respectively, related to an employee at SEMI Korea, which was included in other long-term liabilities on the consolidated statements of financial position.

##### *Japan Plan*

SEMI Japan has a defined contribution pension plan that covers substantially all Japan employees ("Japan Plan"). Under the Japan Plan, the amount of benefit payable upon termination or retirement is based upon the employee's length of service and salary at the time of termination or retirement.

A portion of the Japan Plan is managed by the Japanese Smaller Enterprise Retirement Allowance Mutual Aid ("SERAMA"). The assets of the Japan Plan and the corresponding obligations that are managed by SERAMA have been transferred to SERAMA.

SEMI Japan manages the benefits payable under the Japan Plan in excess of the limits in place with SERAMA. Accordingly, SEMI Japan reserved \$160,324 and \$168,989 as of December 31, 2021 and 2020, respectively, for this pension liability. SEMI Japan's contributions to SERAMA were \$36,689 and \$40,319 for the years ended December 31, 2021 and 2020, respectively.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### 7. Employee Pension and Postretirement Benefit Plans, continued

##### *U.S. Postretirement Plan*

SEMI sponsors a noncontributory defined benefit medical care plan (the “U.S. Plan”) that provides postretirement medical benefits to certain full-time U.S. employees who meet minimum age and service requirements. The policy of SEMI is to fund the cost of medical benefits in amounts determined at the discretion of management.

The reconciliation of beginning and ending balances of the benefit obligation was as follows for the years ended December 31 (*in thousands*):

	2021	2020
Benefit obligation, beginning of year	\$ 2,402	\$ 2,280
Change in benefit obligation:		
Service cost	32	20
Interest cost	53	67
Actuarial gain	(241)	176
Benefits paid	(112)	(141)
Benefit obligation, end of year	\$ 2,134	\$ 2,402

The benefit obligation was comprised of current accounts payable and accrued liabilities of approximately \$118,000 and \$122,000 as of December 31, 2021 and 2020, and noncurrent pension and postretirement benefit obligations of \$2,016,001 and \$2,280,000 as of December 31, 2021 and 2020, respectively, on the consolidated statements of financial position. The decrease in the benefit obligation for the year ended December 31, 2021 was attributed to an increase in the discount rate from 2.28% to 2.65%, changes in the expected benefit payments, and new mortality assumptions. The increase in the benefit obligation for the year ended December 31, 2020 was attributed to a decrease in the discount rate from 3.03% to 2.28%, and new mortality assumptions.

Net periodic cost of the U.S. Plan included the following components for the years ended December 31 (*in thousands*):

	2021	2020
Operating portion of net periodic change in benefit obligation:		
Service cost benefits earned during the year	\$ 32	\$ 20
Subtotal	32	20
Non-operating portion of net periodic change in benefit obligation:		
Interest cost in projected benefit obligation	53	67
Amortization of prior service benefit	(341)	(341)
Amortization of actuarial loss	31	14
Subtotal	(257)	(260)
Net periodic benefit	\$ (225)	\$ (240)

**SEMI AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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**7. Employee Pension and Postretirement Benefit Plans, continued**

***U.S. Postretirement Plan***, continued

The service cost component of net periodic pension cost is recorded in operating expenses as part of employee compensation cost. The other components of net periodic cost are reported as net periodic change in benefit obligation in the consolidated statements of activities and changes in net assets.

The following represents the U.S. Plan's status as of December 31 (*in thousands*):

	<u>2021</u>	<u>2020</u>
Plan unfunded status:		
Projected benefit obligation	\$ 2,134	\$ 2,402
Unfunded status at end of year	<u>2,134</u>	<u>2,402</u>
Amounts recognized in the consolidated statements of financial position	<u>\$ 2,134</u>	<u>\$ 2,402</u>

Amounts recognized in net assets without donor restrictions consisted of the following as of December 31 (*in thousands*):

	<u>2021</u>	<u>2020</u>
Actuarial loss	\$ 253	\$ 525
Prior service benefit	<u>(1,725)</u>	<u>(2,066)</u>
	<u>\$ (1,472)</u>	<u>\$ (1,541)</u>

Amounts in net assets without donor restrictions for actuarial gains and prior service cost expected to be amortized in net periodic benefit cost are as follows as of December 31 (*in thousands*):

	<u>2021</u>	<u>2020</u>
Amortized actuarial gain	\$ 5	\$ 31
Amortized prior service benefit	<u>(341)</u>	<u>(341)</u>
	<u>\$ (336)</u>	<u>\$ (310)</u>

The measurement date used to determine the postretirement obligation for the U.S. Plan was December 31, 2021.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### 7. Employee Pension and Postretirement Benefit Plans, continued

##### *U.S. Postretirement Plan*, continued

Key actuarial assumptions used to determine the net periodic benefit cost and the rates used to determine the net benefit obligation were as follows for the years ended December 31:

	2021	2020
Discount rate	2.65%	2.28%
Health care cost trend rate assumed for next year:		
Pre-Medicare	4.5%	5.1%
Post-Medicare	4.5%	5.1%
Rate at which the cost trend is assumed to decline	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2022	2023

The health care cost trend rate assumptions could impact the amounts reported. A 1% increase or decrease in the health care cost trend rate for the year ended December 31, 2021 would increase or decrease the year-end projected benefit obligation by approximately \$204,000 and \$159,000, respectively. As such, cost trend rates would not have a material effect on the net periodic benefit cost for the year ended December 31, 2021.

#### Estimated Future Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid from the post-retirement plan (*in thousands*):

	Benefit Payments
Year ending December 31:	
2022	\$ 118
2023	118
2024	115
2025	115
2026	113
2027–2031	548
	\$ 1,127

#### 8. Income and Other Taxes

SEMI and SEMI Foundation are not-for-profit organizations recognized by the IRS and FTB as exempt from federal and state income taxes in the U.S. However, certain activities of subsidiaries or branches in other countries, such as trade shows, are subject to foreign income taxes or other taxes on income generated in their respective jurisdictions.

**SEMI AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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**8. Income and Other Taxes, continued**

Tax expense was as follows for the years ended December 31 (*in thousands*):

	2021	2020
Income taxes:		
Current:		
Federal	\$ -	\$ -
State	-	-
Foreign	1,099	1,896
Total current	1,099	1,896
Deferred:		
Federal	-	-
State	-	-
Foreign	69	(158)
Total deferred	69	(158)
Total income taxes	1,168	1,738
Other taxes:		
Other	737	465
Total other taxes	737	465
Total taxes	\$ 1,905	\$ 2,203

Net deferred tax assets are included in prepaids and other current assets on the consolidated statements of financial position and approximated \$283,000 and \$347,000 as of December 31, 2021 and 2020, respectively. The sources resulting in net deferred tax assets consist principally of deferred revenues and deferred expenses related to exhibitions, accruals, and depreciation.

Additionally, the Group generates unrelated business income, primarily from its advertising activities. These activities have historically generated losses and SEMI has accumulated net operating loss carryforwards (“NOLs”). As of December 31, 2021 and 2020, SEMI had NOLs of approximately \$5,513,000 and \$5,506,000, respectively. The NOLs will begin to expire after the year ending December 31, 2021. The ability to utilize the NOLs or realize any benefits is uncertain, and therefore a full valuation allowance has been applied against them.

No valuation allowance other than NOLs described in the preceding paragraph was recorded as of December 31, 2021 and 2020, as the Group concluded that all of the deferred tax assets will be realized in future years. Net deferred assets are recorded as prepaids and other current assets on the consolidated statements of financial position and any change is recorded in non-operating expenses on the consolidated statements of activities and changes in net assets.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### 8. Income and Other Taxes, continued

On December 22, 2017, the Tax Cuts and Jobs Act (the “2017 Tax Act”) was enacted. The 2017 Tax Act includes a number of changes to existing U.S. tax laws that impact the Group, most notably a reduction of the U.S. corporate income tax rate from 35 percent to 21 percent for tax years beginning after December 31, 2017. The Group measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid. Accordingly, the Group’s deferred tax assets and liabilities were re-measured to reflect the reduction in the U.S. corporate income tax rate from 35 percent to 21 percent.

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Provisions under the CARES Act include changes to permit net operating losses arising in tax years beginning after December 31, 2017 and before January 1, 2021 to be carried forward indefinitely and carried back five years. The CARES Act also provides for increases to the 30% adjusted taxable income limitation to 50% for tax years beginning in 2019 and 2020, as well as a technical correction of qualified improvement property, and deferral of income tax filings and payments. The new law also includes certain payroll tax benefits. The enactment of the CARES Act does not have a material impact on the Group’s income taxes.

The Group’s total gross unrecognized tax benefits are classified as other long-term liabilities on the consolidated statements of financial position. As of December 31, 2021 and 2020, the total amount of gross unrecognized tax benefits was approximately \$1,182,000 and \$1,309,000, respectively, which results entirely from foreign taxes.

The aggregate changes in the balance of gross unrecognized tax benefits, which includes interest and penalties, were as follows (*in thousands*):

Balance as of January 1, 2020	\$	1,724
Decreases related to tax payments		(1,242)
Decreases related to expiry of statute of limitation		(167)
Increases related to tax positions taken during a prior period		21
Increases related to tax positions taken during current period		973
		<hr/>
Balance as of December 31, 2020		1,309
Decreases related to expiry of statute of limitation		(152)
Increases related to tax positions taken during a prior period		25
		<hr/>
Balance as of December 31, 2021	\$	1,182

As of December 31, 2021, the Group has analyzed the inventory of tax positions taken with respect to all applicable income tax issues for all open tax years (in each respective jurisdiction) including tax years ended December 31, 2017 through December 31, 2021 for U.S. federal tax purposes and tax years ended December 31, 2016 through December 31, 2021 for California tax purposes (except with respect to the extent of net operating losses for which the statute is open for federal and California tax purposes from tax year December 31, 2001) and tax years ended December 31, 2011 through December 31, 2021 for foreign tax purposes.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### 8. Income and Other Taxes, continued

As of December 31, 2021 and 2020, the composition of unrecognized tax benefits was as follows (*in thousands*):

	2021	2020
Gross unrecognized tax benefits - taxes	\$ 666	\$ 774
Gross unrecognized tax benefits - interest and penalties	516	535
Balance as of December 31	<u>\$ 1,182</u>	<u>\$ 1,309</u>

The Group does not anticipate a material change to its accrued unrecognized tax benefits in the twelve months following December 31, 2021.

#### 9. South Korea Taxes

Certain activities engaged by the Group in other countries, such as conferences and expositions, are subject to foreign income taxes and other taxes on income generated in the respective jurisdictions. Exposure to income and local taxes is directly dependent on whether an entity has a taxable presence, or permanent establishment, within the foreign jurisdiction. The Group has determined that conferences and expositions held in South Korea by SEMI did not constitute a permanent establishment in accordance with the provisions of the U.S. and Korea Tax Treaty of 1976. While the interpretation of the U.S. and Korea Tax Treaty of 1976 is left to local Korean tax authorities, the Group held the position that such a conclusion would more-likely-than-not be sustained after an audit.

In 2009, SEMI Korea was established as a separate legal entity from SEMI, and a transfer pricing agreement was enacted between SEMI and SEMI Korea. SEMI Korea receives compensation for services provided, including for events in South Korea, to ensure transactions engaged in between the entities were conducted at an arms-length and did not create a permanent establishment in South Korea for SEMI. Accordingly, the Group maintained their assessment that no taxes should be assessed on conferences and expositions held in South Korea, due to a lack of a taxable presence.

In August 2019, the Group received an inquiry from the South Korean National Tax Service (“NTS”). The NTS subsequently challenged the Group’s position, ruling that SEMI has a permanent establishment in South Korea. The Group responded to the NTS inquiries and subsequently received notification in March 2020 of an income tax assessment for the 2012 tax year. As required by the NTS, the Group paid the assessment to allow the Group to begin an appeal process. The Group was further notified in July 2020 that additional taxes and penalties would be assessed for 2013 through 2019 tax years.

As a consequence of this ruling, the Group accrued income taxes, value added taxes (“VAT”) and penalties for the years from 2012 through 2019 for approximately \$6,946,000 as of December 31, 2019, which were paid in 2020. The Group did not accrue any additional taxes and penalties related to this matter as of December 31, 2021 or 2020 due to the 2021 and 2020 Korea event cancellations.

The Group believes that its activities in South Korea do not create a permanent establishment and will appeal the assessment. The likelihood of a favorable outcome is not yet ascertainable.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### 10. Lease Commitments

The Group leases office space and equipment under operating leases that expire on various dates through 2027. Future minimum lease payments under non-cancelable operating leases are as follows (*in thousands*):

Year ending December 31:	<u>Lease Payments</u>
2022	\$ 2,233
2023	1,499
2024	1,165
2025	1,178
2026	1,122
Thereafter	<u>592</u>
Total	<u>\$ 7,789</u>

Rent expense for the years ended December 31, 2021 and 2020 was \$2,439,507 and \$2,298,849, respectively.

#### 11. Concentrations

In the U.S., the Group maintains cash balances at financial institutions that are in excess of the Federal Deposit Insurance Corporation insurance limit of \$250,000. The Group has not experienced any losses in such accounts and believes it is not exposed to significant risk of loss. In addition, certain accounts and contributions receivable, and revenue and support are concentrated among foreign divisions of the Group.

As of and for the years ended December 31, 2021 and 2020, concentrations of cash balances, accounts and contributions receivable, and total revenue and support of the Group's foreign divisions are listed as follows (*in thousands*):

	2021			2020		
	Cash, Cash Equivalents, and Restricted Cash	Accounts and Contributions Receivable, Net	Total Revenue and Support	Cash, Cash Equivalents, and Restricted Cash	Accounts and Contributions Receivable, Net	Total Revenue and Support
Japan	\$ 6,914	\$ 198	\$ 7,462	\$ 7,082	\$ 171	\$ 3,817
Taiwan	11,664	816	11,403	11,248	305	9,373
China	17,236	2,140	18,622	12,341	1,308	15,342
Korea	2,423	10	1,648	1,897	17	274
Singapore	418	28	1,022	815	43	236
Europe	3,199	1,238	4,032	3,261	102	976
India	3	-	-	1	-	-
Total	<u>\$ 41,857</u>	<u>\$ 4,430</u>	<u>\$ 44,189</u>	<u>\$ 36,645</u>	<u>\$ 1,946</u>	<u>\$ 30,018</u>

**SEMI AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**12. Commitments and Contingencies**

*Trade Show Commitments*

In the normal course of business, the Group enters into contracts with vendors for services in connection with pending trade shows. There were no signed non-cancelable commitments relating to pending trade shows as of December 31, 2021 or 2020, however, the Group could be subject to expenses if shows are canceled. During the years ended December 31, 2021 and 2020, the Group incurred non-transferable expenses of approximately \$655,000 and \$1,538,000, respectively, in relation to the cancellation of face-to-face exhibitor events.

*COVID-19 Pandemic*

In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Group to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on its operations and financial results at this time.

**13. Research and Development Funding Agreements**

The Group’s research and development operations are funded by grant awards for research and development. The Group records a refundable advance for cash received on conditional contributions in which the condition has not yet been met. Aggregate amounts of conditions not yet met include the refundable advance as well as future funding on the total award. Conditional grant payable includes the amounts awarded to subrecipients for which the condition has not yet been met.

**SEMI AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**13. Research and Development Funding Agreements, continued**

Information on the awards as of and for the years ended December 31, 2021 and 2020 are as follows:

Grantor / Program Title	Term of Agreement	Total Award	2021 Conditions Not Yet Met	2020 Conditions Not Yet Met	2021 Refundable Advance	2020 Refundable Advance	2021 Conditional Grant Payable	2020 Conditional Grant Payable
U.S. Army Research Laboratory (W911NF-10-3-0001) (a)	September 30, 2010 - March 31, 2021	\$ 14,699,627	\$ -	\$ 96,681	\$ -	\$ 96,681	\$ -	\$ 78,933
U.S. Army Research Laboratory (W911NF-19-2-0345) (a)	September 30, 2019 - April 1, 2023	20,665,000	8,633,933	13,318,102	7,500,394	7,574,206	6,242,342	7,526,098
U.S. Air Force Research Laboratory (FA8650-13-2-7311) (b)	January 14, 2013 - December 31, 2020	6,900,000	-	5,463	-	5,463	-	-
U.S. Air Force Research Laboratory (FA8650-18-2-5402) (b)	September 18, 2018 - September 30, 2024	24,899,993	16,742,135	20,996,957	11,595,442	8,196,964	8,316,572	2,059,439
The Research Foundation for The State University of New York (c)	October 1, 2019 - July 18, 2021	2,938,266	-	2,237,764	-	-	-	-
Metrology Advances for Digitized Electronic Components and Systems Industry 4.0 (d)	April 1, 2019 - September 30, 2022	287,652	53,283	200,170	2,583	95,680	-	-
MicroElectronics Training, Industry and Skills (e)	November 1, 2019 - October 31, 2023	4,517,364	2,689,796	4,260,961	406,504	1,152,140	2,616,407	3,538,136
European Centre of Vocational Excellence in Microelectronics (f)	November 1, 2020 - October 31, 2024	260,473	210,631	-	2,253	-	-	-
Intelligent Motion Control under Industry 4.E (g)	September 1, 2021 - August 31, 2024	261,181	246,848	-	112,243	-	-	-
Total		<u>\$ 75,429,556</u>	<u>\$ 28,576,626</u>	<u>\$ 41,116,098</u>	<u>\$ 19,619,419</u>	<u>\$ 17,121,134</u>	<u>\$ 17,175,321</u>	<u>\$ 13,202,606</u>

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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#### 13. Research and Development Funding Agreements, continued

Research and development awards are considered to be conditional contributions as the right to retain payment is conditioned on meeting certain barriers. These barriers include the limited discretion in how the awards may be spent. The ARL and AFRL agreements require that SEMI achieve an industry match of funding provided by ARL or AFRL toward accomplishment of SEMI's research and development activities with cash and in-kind contributions by or on behalf of SEMI. Conditional contributions are recognized in the period in which the Group spends the award funds on qualifying expenses.

- a) The Group has agreements under two direct ARL programs: ARL agreement No. W911NF-10-3-0001 and ARL agreement No. W911NF-19-2-0345. The primary goals of the ARL agreement No. W911NF-10-3-0001 are: (1) to conduct research and development projects in flexible electronics technologies to improve the quality of equipment and materials available from U.S. supplier; (2) to identify and insert improvements into manufacturing, pre-production and pilot facilities; (3) to establish standards and manufacturing benchmarks for the industry; and (4) to disseminate information and results. The primary goals of ARL agreement No. W911NF-19-2-0345 are: (1) to significantly advance the technical state-of-the-art and accessibility within the United States of America of supply chain elements critical to the development and deployment of flexible hybrid electronic and advanced solution for position, navigation and timing; and (2) to lead customized electronics with complex geometries at fast turnaround times making the design realization and prototype development efficient with reduced waste streams.
- b) The Group has agreements under two direct AFRL programs: AFRL agreement No. FA8650-13-2-7311 and FA8650-18-2-5402. The primary goals of the AFRL Agreements are to form a Nano-Bio Materials Consortium ("NBMC") to bring together scientists, engineers and business development professionals from industry, government and universities to collaboratively initiate research and development of electronic technologies to improve human performance monitoring and performance augmentation and to proactively build an ecosystem that can drive healthcare and medical electronics innovation towards products that serve society faster.
- c) The Group entered into an agreement #1157101-4-86177 with The Research Foundation for The State University of New York in October 2019. Under this agreement, the Group will support a project entitled "Development and Implementation of a Semiconductor Workforce Certificate Program based on a Unified Advanced Manufacturing Competency Model". The Group will: (1) oversee and carry out all development of Unified Competency Model (UCM) and Technician Level 1-4 Competency Profiles (CPs) through SEMI member working groups and surveys, (2) support all SEMI Certification Portal development for automated CP analysis, updating, and certification notification and certificate-awardee database, (3) support the launch of 2 parallel pilots in the Mid-Atlantic and Pacific Northwest regions. This agreement was novated to the National Institute of Innovation and Technology effective July 16, 2021.

The Group entered into agreements with various development partners in connection with its research and development funding agreements in the United States. The Group disbursed \$10,480,999 to development partners in the U.S. for the year ended December 31, 2021, upon achievement of certain milestones as defined in the development partner agreements. The Group disbursed \$6,167,070 to development partners in the U.S. for the year ended December 31, 2020.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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#### 13. Research and Development Funding Agreements, continued

SEMI Europe has entered into four research and development funding agreements in Europe. The foreign government awards are considered conditional contributions as the right to retain payment is conditioned on meeting certain barriers. These barriers include the limited discretion in how the awards may be spent.

- d) The first agreement, Metrology Advances for Digitized Electronic Components and Systems Industry 4.0 (“MADEin4”), is a research and development project financed by the Electronic Components and Systems for European Leadership Joint Undertaking (“ECSELJU”) in the field of electronics components and systems to address metrology deficiencies in semiconductor manufacturing processes. Key goals of the project are: (1) to develop next generation metrology and inspection tools for the nanoelectronics industry; (2) to demonstrate new technology in an industry 4.0 pilot line at Interuniversitair Micro-Electronica Centrum VZW; and (3) to develop a cyber-physical system which combines Machine Learning of design and metrology data for predictive diagnostics for process and tools performances. The project is run by the main coordinator Applied Materials Israel Ltd. and 46 partners from Europe, including SEMI Europe. SEMI Europe’s role in the project includes providing reports on the MADEin4 project by bringing knowledge and insights from SEMI Smart Manufacturing Standards and organizing Europe-focused global dissemination activities. Total contributions to SEMI Europe will be 254,000 euro (approximately \$288,000). SEMI Europe received 179,557 euro (approximately \$208,000) through December 31, 2020. No additional funding was received for the year ended December 31, 2021. SEMI Europe recognized 81,696 euro (approximately \$96,000) and 57,211 euro (approximately \$66,000) in management fees for the years ended December 31, 2021 and 2020, respectively.
- e) The second agreement, MicroElectronics Training, Industry and Skills (“METIS”), is a workforce development project financed by the Erasmus+ Programme (“Erasmus+”). Its key goals are: (1) to establish an EU Microelectronics Observatory & monitor key trends and their impact on businesses’ skill needs; (2) to provide education institutions with industry feedback on the needs of next generation microelectronics training; (3) to develop innovative curriculum & mechanisms of delivery; (4) to embed sustainability & social responsibility policy principles at work; (5) to support cross-border labor and student mobility in Europe. The project is run by the main coordinator, SEMI Europe, along with 19 partners from Europe including Infineon Technologies AG, Robert Bosch GmbH and Interuniversitair Micro-Electronica Centrum VZW. Contributions for this agreement total 3,988,878 euro (approximately \$4,517,000). SEMI Europe received 1,595,551 euro (approximately \$1,789,000) for the year ended December 31, 2019, among which SEMI Europe’s portion is 255,534 euro (approximately \$287,000). No additional funding was received during the years ended December 31, 2020 and 2021. The Group recognized 113,836 euro (approximately \$135,000) and 115,059 euro (approximately \$133,000) in management fees for the years ended December 31, 2021 and 2020, respectively.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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#### 13. Research and Development Funding Agreements, continued

- f) The third agreement, European Centre of Vocational Excellence in Microelectronics (“ECoVEM”), is a workforce development project financed by the Erasmus+ Programme (“Erasmus+”). The project is run by the main coordinator Technical University of Sofia and 20 partners from Europe, including SEMI Europe. The project objectives are: (1) networking of CoVEs, industrial and social partners to share ideas, and experiences towards vocational excellence in microelectronics; (2) to develop innovative VET curricula for EQF 3 to 8 in Microelectronics in collaboration with companies and social partners; (3) to disseminate the microelectronics achievements in digitalization, green energy, robotics, space technologies and medicine to raise the attractiveness of VET and microelectronics through open days, international schools and competitions; (4) to ensure sustainable governance at national and EU levels; (5) to tackle non-discrimination and social inclusion in VET focusing on the gender dimension of employability in the sector and VET for immigrants. Total contributions to SEMI Europe will be 230,000 euro (approximately \$260,000). SEMI Europe received 46,000 euro (approximately \$52,000) and recognized 41,129 euro (approximately \$49,000) in management fees during the year ended December 31, 2021.
- g) The fourth agreement, Intelligent Motion Control under Industry 4.E (“IMOCO4.E”) is a research and development project financed by the Electronic Components and Systems for European Leadership Joint Undertaking (“ECSELJU”). The project is run by the main coordinator Sioux Technologies BV and 45 partners including SEMI Europe. The project objectives include: (1) combining and exploiting novel sensory information, model-based approaches and Industrial Internet-of-Things philosophies to make mechatronic systems smarter, more configurable, more reliable and faster while simultaneously pushing their performance toward physical limits; (2) assessing the demands placed on future smart manufacturing in Europe from a mechatronics and service-oriented point of view; (3) establishing joint action of Industry 4.E and other relevant Lighthouse projects towards the identification and development of best practices and methods enhancing the European R&D ecosystem. Total contributions to SEMI Europe will be 230,326 euro (approximately \$261,000). SEMI Europe received 111,469 euro (approximately \$126,000) and recognized 11,067 euro (approximately \$13,000) in management fees during the year ended December 31, 2021.

#### 14. Related Party Transactions

As of and for the year ended December 31, 2021, significant account receivable and recorded contribution/exhibitors/membership/sponsorship revenue from members of the boards of directors within the Group or companies or individuals with which the boards of directors are affiliated were approximately \$236,000 and \$3,036,000, respectively. As of and for the year ended December 31, 2020, significant accounts receivable and recognized contribution/exhibitor/membership/sponsorship revenue from members of the boards of directors within the Group or companies or individuals with which the boards of directors are affiliated were approximately \$203,000 and \$1,953,000, respectively.

**SEMI AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

**15. In-kind Contributions**

SEMI records various types of in-kind contributions for the ARL and AFRL grants. Contributed services are recognized at fair value if the service received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. SEMI includes the fair value of certain donated services, equipment, and facility space as both support and expense in the periods that the benefits of such services, equipment, and facility space is realized. For the years ended December 31, 2021 and 2020, in-kind services of \$14,397,840 and \$5,979,063, respectively, were primarily composed of professional services of contractors and member companies in support of the ARL and AFRL agreements. The in-kind contributions are valued at estimated salary, equipment and materials costs. Equipment is valued based on current market prices of comparable or same equipment of the same condition.

**16. Functional Expenses**

The natural and functional expenses for the years ended December 31, 2021 and 2020 were as follows (*in thousands*):

	2021									
	Program Services							Supporting Services		
	Expositions	Conferences	Research and Development	Standards/Technology	Memberships	Information	Foundation	Total Program Services	Management and General	Total
Personnel costs	\$ 9,338	\$ 5,035	\$ 2,275	\$ 3,332	\$ 3,066	\$ 1,202	\$ 718	\$ 24,966	\$ 6,058	\$ 31,024
Service and professional fees	2,991	1,947	364	827	1,058	334	130	7,651	2,757	10,408
Subrecipient and in kind	-	-	25,531	-	-	-	-	25,531	-	25,531
Event expenses	13,215	2,571	58	224	56	81	-	16,205	64	16,269
Occupancy	1,643	890	16	524	482	210	7	3,772	705	4,477
Travel	226	88	3	58	28	7	5	415	22	437
Other	285	85	-	62	63	20	3	518	16	534
Total expenses	<u>\$ 27,698</u>	<u>\$ 10,616</u>	<u>\$ 28,247</u>	<u>\$ 5,027</u>	<u>\$ 4,753</u>	<u>\$ 1,854</u>	<u>\$ 863</u>	<u>\$ 79,058</u>	<u>\$ 9,622</u>	<u>\$ 88,680</u>

**SEMI AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**16. Functional Expenses, continued**

	2020								Supporting Services	
	Program Services							Total Program Services	Management and General	Total
	Expositions	Conferences	Research and Development	Standards/Technology	Memberships	Information	Foundation			
Personnel costs	\$ 8,189	\$ 4,786	\$ 2,804	\$ 3,228	\$ 2,232	\$ 1,128	\$ 414	\$ 22,781	\$ 5,056	\$ 27,837
Service and professional fees	2,974	1,691	390	933	785	427	333	7,533	1,562	9,095
Subrecipient and in kind	-	-	12,582	-	-	-	-	12,582	-	12,582
Event expenses	8,717	1,875	-	244	53	156	17	11,062	5	11,067
Occupancy	1,416	1,004	17	544	385	222	15	3,603	691	4,294
Travel	202	121	2	58	35	20	7	445	39	484
Other	238	86	9	45	45	15	2	440	35	475
Total expenses	<u>\$ 21,736</u>	<u>\$ 9,563</u>	<u>\$ 15,804</u>	<u>\$ 5,052</u>	<u>\$ 3,535</u>	<u>\$ 1,968</u>	<u>\$ 788</u>	<u>\$ 58,446</u>	<u>\$ 7,388</u>	<u>\$ 65,834</u>

**17. Government COVID-19 Assistance**

***Paycheck Protection Program Loan***

On March 12, 2021, SEMI successfully secured a Small Business Association (“SBA”) loan under the Paycheck Protection Program (“PPP”) in the amount of \$1,708,333 with an interest rate of 1% to secure payroll expenses for otherwise furloughed employees impacted by government-imposed shelter in place orders. The loan was scheduled to mature in March 2026. Per the terms of the loan, the full amount will be forgiven as long as during the 8- to 24-week covered period following loan disbursement, employee and compensation levels are maintained, loan proceeds are spent on payroll costs and other eligible expenses, and at least 60% proceeds are spent on payroll costs. SEMI filed an application for full forgiveness and was granted full forgiveness in November 2021.

***Employee Retention Credit***

The Employee Retention Credit (“ERC”) under the CARES Act is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020. If the employer’s employment tax deposits are not sufficient to cover the credit, the employer may get an advance payment from the IRS. For the years ended December 31, 2021 and 2020, SEMI received approximately \$1,801,000 and \$464,000, respectively, in ERC’s, which reduced employment taxes it was otherwise required to make, and are recorded as government grant revenue on the consolidated statement of activities and changes in net assets.

**SEMI AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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**18. Subsequent Events**

The Group has evaluated its December 31, 2021 consolidated financial statements for subsequent events through July 6, 2022, the date the consolidated financial statements were available to be issued. The Group is not aware of additional subsequent events which would require recognition or disclosure in the consolidated financial statements except for the item noted below.

On April 14, 2022, SEMI Europe received a second pre-financing of 1,595,551 euro for the METIS project. In May 2022, SEMI Europe distributed 954,089 euro out of the second pre-financing to project partners.

## **SUPPLEMENTARY INFORMATION**

## SEMI AND SUBSIDIARIES

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2021

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
Research and Development Cluster:				
<b>U.S. Department of Defense</b>				
<b>Basic, Applied, and Advanced Research in Science and Engineering Direct Program:</b>				
U.S. Army Research Laboratory	12.630		\$ 96,681	\$ 78,933
U.S. Air Force Research Laboratory	12.630		5,463	-
<b>Basic Scientific Research Direct Program:</b>				
U.S. Army Research Laboratory	12.431		7,034,168	6,103,828
<b>Air Force Defense Research Sciences Program Direct Program:</b>				
U.S. Air Force Research Laboratory	12.800		5,004,822	4,298,238
<b>National Science Foundation</b>				
<b>Advanced Tech Education Program Passed through from Research Foundation for the State University of New York</b>				
National Science Foundation/Research Foundation for the State University of New York	47.076	1157101-4-86177	634,840	-
Total Research and Development Cluster			<u>12,775,974</u>	<u>10,480,999</u>
Total Federal Expenditures			<u>\$ 12,775,974</u>	<u>\$ 10,480,999</u>

## SEMI AND SUBSIDIARIES

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2021

#### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the activity of SEMI under its program with a federal government agency for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 United States (“U.S.”) Code of Federal Regulations (“CFR”) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of SEMI, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of SEMI.

#### 2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule, including subrecipient expenditures, are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”), wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Group did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### 3. Contract Management Fees and Other Related Costs

Of the federal expenditures presented in this schedule, SEMI recognized contract management fees and other related costs as follows:

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Contract Management Fees	Other Related Costs	Total
<b>U.S. Department of Defense</b>					
<b>Basic, Applied, and Advanced Research in Science and Engineering Direct Program:</b>					
U.S. Army Research Laboratory	12.630		\$ 16,831	\$ 917	\$ 17,748
U.S. Air Force Research Laboratory	12.630		5,463	-	5,463
<b>Basic Scientific Research Direct Program:</b>					
U.S. Army Research Laboratory	12.431		905,154	25,187	930,341
<b>Air Force Defense Research Sciences Program Direct Program:</b>					
U.S. Air Force Research Laboratory	12.800		686,965	19,620	706,585
<b>National Science Foundation</b>					
<b>Advanced Tech Education Program Passed through from Research Foundation for the State University of New York</b>					
National Science Foundation/Research Foundation for the State University of New York	47.076	1157101-4-86177	361,950	272,890	634,840
Total contract management fees and other related costs			<u>\$ 1,976,363</u>	<u>\$ 318,614</u>	<u>\$ 2,294,977</u>

## SEMI AND SUBSIDIARIES

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2021

#### 4. Matching Requirements

The federal awards of SEMI include certain matching requirements, which is typically at least 50 percent of total expenditures. Cost sharing must meet the requirements of the Department of Defense Grant and Agreement Regulations to be allowable.

Information on the matching requirements is provided below:

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Matching Requirement	2021 Matching	Cumulative Matching Met
Research and Development Cluster:				
<b>U.S. Department of Defense</b>				
<b>Basic, Applied, and Advanced Research in Science and Engineering Direct Program:</b>				
U.S. Army Research Laboratory	12.630	\$ 18,324,627	\$ -	\$ 21,286,593
U.S. Air Force Research Laboratory	12.630	8,100,000	-	9,505,966
<b>Basic Scientific Research Direct Program:</b>				
U.S. Army Research Laboratory	12.431	16,183,454	10,192,178	12,169,901
<b>Air Force Defense Research Sciences Program Direct Program:</b>				
U.S. Air Force Research Laboratory	12.800	<u>24,735,871</u>	<u>6,087,053</u>	<u>7,019,291</u>
Total		<u>\$ 67,343,952</u>	<u>\$ 16,279,231</u>	<u>\$ 49,981,751</u>

**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***

To the Board of Directors of  
SEMI and Subsidiaries

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 SEMI and Subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2021, and the related statement of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated July 6, 2022. The financial statements of SEMI Japan Y.K., SEMI Management Consulting (Shanghai) Co., Ltd., SEMI Southeast Asia Pte Ltd., SEMI Tech Services India Private Limited, SEMI Advanced Technology Association of Korea, SEMI Europe GmbH, the SEMI Taiwan branch, and SEMI Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities or components.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Group's internal control over financial reporting ("internal control") as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the Group'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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Group'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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BPM LLP

San Francisco, California  
July 6, 2022

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of  
SEMI

### Report on Compliance for Each Major Federal Program

#### Opinion on Each Major Federal Program

We have audited SEMI's compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget ("OMB") Compliance Supplement that could have a direct and material effect on each of SEMI's major federal programs for the year ended December 31, 2021. SEMI's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, SEMI complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

#### Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"); 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 United States ("U.S.") Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SEMI and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of SEMI's compliance with the compliance requirements referred to above.

#### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to SEMI's federal programs.

#### Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SEMI's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SEMI's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SEMI's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SEMI's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 SEMI's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

BPM LLP

San Francisco, California  
July 6, 2022

## SEMI AND SUBSIDIARIES

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2021

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#### Section I: Summary of Auditors' Results

##### *Financial Statements*

- |  |               |
|--|---------------|
| 1. Type of independent auditors' report issued               | Unmodified    |
| 2. Internal control over financial reporting:                |               |
| • Material weaknesses identified?                            | No            |
| • Significant deficiencies identified?                       | None Reported |
| 3. Noncompliance material to the financial statements noted? | No            |

##### *Federal Awards*

- |  |               |
|--|---------------|
| 4. Internal control over major programs:   |               |
| • Material weaknesses identified?  | No            |
| • Significant deficiencies identified?   | None Reported |
| 5. Type of auditors' report issued on compliance for major programs:                                     | Unmodified    |
| 6. Audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | No            |
| 7. Identification of major programs:   |               |

<u>Research and Development Cluster</u>	<u>CFDA #</u>
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- |   |           |
|---|-----------|
| Basic, Applied, and Advanced Research in Science and Engineering            | 12.630    |
| Air Force Defense Research Sciences Program                                 | 12.800    |
| Basic Scientific Research   | 12.431    |
| National Science Foundation Advanced Tech Education Program                 |           |
| Passed through from Research Foundation for the State                       |           |
| University of New York  | 47.076    |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as a low risk auditee?                                 | Yes       |

## SEMI AND SUBSIDIARIES

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

For the year ended December 31, 2021

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#### **Section II: Financial Statement Findings**

No matters were reported.

#### **Section III: Federal Awards Findings and Questioned Costs**

No matters were reported.

#### **Section IV: Status of Prior Year Findings**

Not applicable. No prior year findings.