

**SEMI AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

December 31, 2022 and 2021



# 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, 2022 and 2021, 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, 2022 and 2021, 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 ("U.S. GAAP").

### ***Basis for Opinion***

We conducted our audit 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, and the SEMI Taiwan branch 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 U.S. GAAP, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2023 on our consideration of SEMI and SEMI Foundation'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 and SEMI Foundation'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 and SEMI Foundation's internal control over financial reporting and compliance.

BPM LLP

San Francisco, California  
July 26, 2023

**SEMI AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
As of December 31, 2022 and 2021

<b>ASSETS</b>	2022	2021
Current assets:		
Cash and cash equivalents	\$ 62,247,477	\$ 77,018,336
Restricted cash	13,393,688	23,525,946
Short-term investments	23,285,361	12,591,671
Accounts and contributions receivable, net	4,597,050	5,001,663
Prepays and other current assets	4,766,029	4,526,685
Total current assets	108,289,605	122,664,301
Long-term investments	1,390,746	1,944,335
Property and equipment, net	1,877,840	1,886,433
Right-of-use assets	5,374,697	-
Long-term contributions receivable	-	40,000
Total assets	\$ 116,932,888	\$ 126,535,069
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 16,076,710	\$ 18,053,462
Refundable liabilities	12,701,598	1,050,035
Income and other taxes payable	689,641	1,478,880
Deferred events, standards and information revenues	14,189,415	26,036,126
Deferred membership dues	4,489,196	3,172,814
Government grant refundable advance	7,707,659	19,619,419
Operating lease liabilities, current	1,808,552	-
Total current liabilities	57,662,771	69,410,736
Pension and postretirement benefit obligations	1,588,000	2,016,001
Operating lease liabilities, non-current	4,082,707	-
Other long-term liabilities	4,897,156	4,695,117
Total liabilities	68,230,634	76,121,854
Net assets:		
Without donor restrictions (including foreign currency translation adjustment of \$2,654,886 and \$3,607,856, respectively)	48,662,254	50,233,215
With donor restrictions	40,000	180,000
Total net assets	48,702,254	50,413,215
Total liabilities and net assets	\$ 116,932,888	\$ 126,535,069

**SEMI AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Program revenue and support:						
Events:						
Expositions	\$ 34,503,286	\$ -	\$ 34,503,286	\$ 38,751,838	\$ -	\$ 38,751,838
Conferences	6,143,239	-	6,143,239	5,519,862	-	5,519,862
Memberships	11,090,598	-	11,090,598	10,788,277	-	10,788,277
Standards/Technology	2,917,051	-	2,917,051	2,595,807	-	2,595,807
Information	2,732,826	-	2,732,826	2,287,102	-	2,287,102
Contributions	80,731	-	80,731	241,236	50,000	291,236
Net assets released from restrictions	140,000	(140,000)	-	319,597	(319,597)	-
Government grant revenue:						
In-kind contributions	12,077,288	-	12,077,288	14,397,840	-	14,397,840
Research	11,423,393	-	11,423,393	11,574,994	-	11,574,994
Contract management fees	2,813,180	-	2,813,180	2,274,655	-	2,274,655
Employee retention credit	-	-	-	1,801,075	-	1,801,075
Total program revenue and support	83,921,592	(140,000)	83,781,592	90,552,283	(269,597)	90,282,686
Investment income	657,687	-	657,687	399,435	-	399,435
Paycheck Protection Program income	-	-	-	1,708,333	-	1,708,333
Other income	815,005	-	815,005	866,488	-	866,488
Total revenue and support	85,394,284	(140,000)	85,254,284	93,526,539	(269,597)	93,256,942

## SEMI AND SUBSIDIARIES

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

For the years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:						
Program expenses:						
Events:						
Expositions	25,184,170	-	25,184,170	27,698,459	-	27,698,459
Conferences	11,813,766	-	11,813,766	10,615,739	-	10,615,739
Research and development	26,073,615	-	26,073,615	28,247,489	-	28,247,489
Memberships	5,188,029	-	5,188,029	4,752,785	-	4,752,785
Standards/Technology	4,457,977	-	4,457,977	5,026,858	-	5,026,858
Information	2,087,279	-	2,087,279	1,854,320	-	1,854,320
Foundation	1,999,870	-	1,999,870	862,806	-	862,806
Total program expenses	76,804,706	-	76,804,706	79,058,456	-	79,058,456
Management and general	7,610,854	-	7,610,854	9,622,259	-	9,622,259
Total operating expenses	84,415,560	-	84,415,560	88,680,715	-	88,680,715
Net income from operations	978,724	(140,000)	838,724	4,845,824	(269,597)	4,576,227
Income and other taxes	(777,488)	-	(777,488)	(1,905,476)	-	(1,905,476)
Pension and postretirement benefit change						
other than net periodic benefit cost	60,324	-	60,324	(68,824)	-	(68,824)
Net periodic change in benefit obligation	281,000	-	281,000	257,000	-	257,000
Foreign exchange (loss) gain	(1,160,551)	-	(1,160,551)	947,396	-	947,396
Change in currency translation adjustment	(952,970)	-	(952,970)	414,499	-	414,499
Change in net assets	(1,570,961)	(140,000)	(1,710,961)	4,490,419	(269,597)	4,220,822
Net assets, beginning of year	50,233,215	180,000	50,413,215	45,742,796	449,597	46,192,393
Net assets, end of year	<u>\$ 48,662,254</u>	<u>\$ 40,000</u>	<u>\$ 48,702,254</u>	<u>\$ 50,233,215</u>	<u>\$ 180,000</u>	<u>\$ 50,413,215</u>

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, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (1,710,961)	\$ 4,220,822
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	440,543	658,167
Postretirement benefit change, other than net periodic benefit cost	(60,324)	68,824
Bad debt expense	3,479	8,887
Net realized and unrealized (gain) loss on investments	(75,540)	46,485
Deferred tax assets, net	(16,710)	64,225
Non-cash operating lease expense	(130,468)	-
Loss from sale of property and equipment	1,248	-
Changes in operating assets and liabilities:		
Accounts and contributions receivable, net	441,134	(2,542,626)
Prepays and other current assets	(222,634)	715,744
Accounts payable and accrued expenses	(1,353,143)	5,866,660
Refundable liabilities	11,651,563	(172,709)
Income and other taxes payable	(789,239)	625,683
Deferred events, standards and information revenues	(11,846,711)	(3,331,822)
Deferred membership dues	1,316,382	21,935
Government grant refundable advance	(11,911,760)	2,498,285
Pension and postretirement benefit obligations	(367,677)	(332,823)
Other long-term liabilities	202,039	1,127,518
Net cash (used in) provided by operating activities	(14,428,779)	9,543,255
Cash flows from investing activities:		
Purchases of property and equipment	(449,163)	(49,718)
Maturities of investments	13,216,536	32,795,666
Purchases of investments	(23,604,931)	(16,386,226)
Net cash (used in) provided by investing activities	(10,837,558)	16,359,722
Net (decrease) increase in cash, cash equivalents, and restricted cash	(25,266,337)	25,902,977
Effect of exchange rate changes on cash	363,220	155,579
Cash, cash equivalents, and restricted cash, beginning of year	100,544,282	74,485,726
Cash, cash equivalents, and restricted cash, end of year	\$ 75,641,165	\$ 100,544,282
Supplemental disclosure of cash flow information:		
Cash and cash equivalents	\$ 62,247,477	\$ 77,018,336
Restricted cash	13,393,688	23,525,946
Total cash, cash equivalents and restricted cash	\$ 75,641,165	\$ 100,544,282
Cash paid for foreign income taxes	\$ 732,434	\$ 1,292,498
Right-of-use assets arising from operating lease liabilities	\$ 7,106,562	\$ -

# SEMI AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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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, 2022 and 2021

### 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*):

	2022	2021
Donor restrictions:		
Workforce development	\$ 40	\$ 180
Total	\$ 40	\$ 180

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*):

	2022	2021
Satisfaction of purpose restrictions:		
High Tech U	\$ -	\$ 2
Workforce development	140	318
	140	320
Total	\$ 140	\$ 320

#### **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.

Included in restricted cash as of December 31, 2022 is \$3,881,649 and \$9,270,883, restricted for the U.S. Army Research Laboratory ("ARL") and U.S. Air Force Research Laboratory ("AFRL") grant programs, respectively, as well as \$241,156 related to European government grant programs. As of December 31, 2021, restricted cash included \$9,654,986 and \$13,821,799 for the ARL and AFRL grant programs, respectively, as well as \$49,161 related to European government grant programs.

# SEMI AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

#### ***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, 2022 and 2021, the allowance for doubtful accounts was \$98,235 and \$68,851, 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.

#### **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).

**SEMI AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

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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**

**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.

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 fulfils the order and has no further obligations.

# SEMI AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

#### Revenue Recognition, continued

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

#### Nature of Performance Obligations, 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 government awards are generally 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*):

	2022	2021
Revenue from contracts with customers	\$ 57,386	\$ 59,943
Contributions and government grants	26,395	30,340
Investment and other income	1,473	2,974
Total revenue and support	<u>\$ 85,254</u>	<u>\$ 93,257</u>

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*):

	2022	2021
Products and services transferred over time	\$ 12,999	\$ 14,231
Products and services transferred at a point in time	44,387	45,712
Total revenues from contracts with customers	<u>\$ 57,386</u>	<u>\$ 59,943</u>

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

##### *Revenue Recognition*, continued

##### **Contract Balances**

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) for membership dues, events, standards and information products on the consolidated balance sheets.

The following table summarizes contract balances recorded by the Group on the consolidated balance sheets as of December 31 (in thousands):

	2022	2021	2020
Accounts receivable and contract assets:			
Accounts receivable	\$ 4,060	\$ 4,019	\$ 1,825
Unbilled receivables	94	214	166
Allowance for uncollectibles	(98)	(69)	(31)
Total accounts receivable and contract assets, net	4,056	4,164	1,960
Other receivables:			
Contributions receivable	40	140	182
Government contractor overpayments	259	240	-
Value-added tax, goods and services tax, and other	242	458	236
Accounts and contributions receivable, net	\$ 4,597	\$ 5,002	\$ 2,378
Contract liabilities:			
Deferred events, standards and information revenues	\$ 14,189	\$ 26,036	\$ 29,368
Deferred membership dues	4,489	3,173	3,151
Total contract liabilities	\$ 18,678	\$ 29,209	\$ 32,519

Revenue recognized for the years ended December 31, 2022 and 2021 that was included in deferred revenue as of the beginning of the year was \$27,601,706 and \$30,392,524, 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.

##### **Refundable Liabilities**

The Group records refundable liabilities in relation to cancelled contracts with customers for which the Group had received a prepayment or deposit from the customer. The Group will record a refundable liability based on terms of the contract with the customer unless the customer elects to apply their deposit to another revenue product offered by the Group. As of December 31, 2022 and 2021, the Group recorded refundable liabilities of \$12,701,598 and \$1,050,035, respectively, on the accompanying statements of financial position, which primarily related to full or partial refunds on SEMICON exhibitor shows which were either cancelled or changed to a virtual or hybrid format during the year.

**SEMI AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

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

***Government Grant Refundable Advance***

The Group records a government grant refundable advance for cash received on conditional contributions in which the condition has not yet been met. The cash received on the government awards can only be spent on qualifying expenses pursuant to the terms of the award agreement (see Note 13). As of December 31, 2022 and 2021, the Group recorded a government grant refundable advance of \$7,707,659 and \$19,619,419 on the accompanying consolidated statements of financial position.

***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 \$188,850 and \$77,493 for the years ended December 31, 2022 and 2021, 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 \$238,086 and \$180,179 for the years ended December 31, 2022 and 2021, respectively.

***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 and changes in net assets.

***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.

# SEMI AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

#### *Income Taxes*, continued

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.

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 February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases*, and subsequent amendments to the initial guidance: ASU 2017-13, ASU 2018-10, ASU 2018-11, ASU 2018-20 and ASU 2019-01 (collectively, "*Topic 842*"). Under Topic 842, lessees are required to recognize each lease on their balance sheets as a right-of-use ("ROU") asset and a lease liability. In addition, lessees are required to classify leases as either operating or finance leases, with classification affecting the pattern and classification of expense recognition in the consolidated statements of activities and changes in net assets.

The Group adopted Topic 842 using the modified retrospective method effective on January 1, 2022. Under this approach, the Group is not required to restate or disclose the effects of applying Topic 842 for comparative periods. Upon the adoption of Topic 842, the Group elected to apply the package of practical expedients, which included the option to not reassess: (i) whether any expired or existing contracts are, or contain, leases, (ii) the lease classification for any expired or existing leases, and (iii) initial direct costs for any existing leases. In addition, the Group elected to apply the following policies: (i) lease arrangements with a term of 12 months or less will not be recognized as ROU assets and lease liabilities and (ii) non-lease components shall not be separated from the lease components, but instead accounted for as a single lease component.

# SEMI AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

#### **Recently Adopted Accounting Pronouncements**, continued

The Group has multiple operating leases, which include the Group's office spaces and equipment leases on the date of adoption of Topic 842. On January 1, 2022, the Group continued to classify its leases as operating leases and recognized the following in conjunction with the adoption of Topic 842:

- Operating lease liabilities of \$6,931,933, which represented the present value of the lease payments over the remaining noncancellable lease term and the expected renewal period, discounted using the risk-free rate of each lease; and
- Operating lease ROU assets of \$6,308,324, which represented the operating lease liabilities of \$6,931,933 adjusted for deferred rent of \$623,609.

The adoption of the new lease accounting standard did not impact the Company's balance of opening net assets. For the year ended December 31, 2022, the Group recognized operating lease liabilities and ROU assets of \$798,238 in relation to modifications on existing operating leases. The adoption of Topic 842 did not have any other impact on the Company's balance sheet, results of operations and cash flows as of and during the year ended December 31, 2022.

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. The Group adopted ASU 2020-07 effective January 1, 2022 on a comparative basis. The adoption of the standard did not have a material impact on the Group's consolidated financial statements other than requiring additional disclosure on the Group's in-kind government revenues and expenses.

#### **Reclassifications**

Certain reclassifications have been made to the 2021 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.

### 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.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

#### 2. Liquidity and Availability, continued

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*):

	2022	2021
Cash and cash equivalents	\$ 62,247	\$ 77,018
Restricted cash	13,394	23,526
Short-term investments	23,285	12,592
Current accounts and contributions receivable, net	4,597	5,002
Long-term investments	1,391	1,944
Long-term contributions receivable	-	40
Total financial assets	104,914	120,122
Less: restricted cash	(13,394)	(23,526)
Less: net assets with donor restrictions	(40)	(180)
Total financial assets available within one year	<u>\$ 91,480</u>	<u>\$ 96,416</u>

In addition to the total financial assets available within one year of approximately \$91,480,000 and \$96,416,000 as of December 31, 2022 and 2021, respectively, the Group has approximately \$13,394,000 and \$23,526,000, respectively, in restricted cash available for use for qualifying expenses of government grant programs.

#### 3. Contributions Receivable

SEMI Foundation had contributions receivable outstanding of \$40,000 and \$180,000 as of December 31, 2022 and 2021, respectively. As of December 31, 2022, \$40,000 of the contributions receivable balance was restricted in purpose, with \$40,000 due in 2023. Management has determined that contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary as of December 31, 2022 and 2021. The assets are included in accounts and contributions receivable, net, for amounts due within one year, and within long-term contributions receivable for amounts due after one year on 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.

#### 4. Investments and Fair Value Measurements

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

	2022	2021
Short-term investments:		
Certificates of deposit	\$ 17,304	\$ 4,905
Money market funds	5,981	7,687
	23,285	12,592
Long-term investments:		
Certificates of deposit	1,391	1,944
Total	<u>\$ 24,676</u>	<u>\$ 14,536</u>

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

For the years ended December 31, 2022 and 2021, net realized and unrealized gains and losses were a net gain of \$75,540 and a net loss of \$46,485, respectively. For the years ended December 31, 2022 and 2021, interest and dividend income was \$582,147 and \$445,920, respectively, which is included in total net investment income of \$657,687 and \$399,435, 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.

The following tables present 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, 2022		
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Total
Certificates of deposit	\$ -	\$ 18,695	\$ 18,695
Money market mutual funds	5,981	-	5,981
Total	<u>\$ 5,981</u>	<u>\$ 18,695</u>	<u>\$ 24,676</u>

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

	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

The Group had no Level 3 assets or transfers between levels as of and for the year ended December 31, 2022 or 2021.

#### 5. Property and Equipment, Net

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

	2022	2021
Furniture and equipment	\$ 2,906	\$ 2,819
Software	2,137	2,102
Lease restoration commitment	23	27
Leasehold improvements	3,828	3,761
	8,894	8,709
Less: accumulated depreciation and amortization	(7,016)	(6,823)
Property and equipment, net	\$ 1,878	\$ 1,886

Depreciation and amortization expense for property and equipment for the years ended December 31, 2022 and 2021 was \$440,543 and \$658,167, respectively.

#### 6. Accounts Payable and Accrued Expenses

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

	2022	2021
Accounts payable	\$ 9,934	\$ 11,671
Accrued employee compensation and benefits	6,130	6,370
Other accruals	13	12
	\$ 16,077	\$ 18,053

# SEMI AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

### 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 \$724,782 and \$690,646 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, SEMI Korea reserved \$1,390,746 and \$1,175,469, respectively, for this retirement allowance. As of December 31, 2022 and 2021, the Group additionally accrued an allowance for severance of \$1,203,896 and \$1,198,113, respectively, related to a retiring 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 \$137,354 and \$160,324 as of December 31, 2022 and 2021, respectively, for this pension liability. SEMI Japan's contributions to SERAMA were \$30,066 and \$36,689 for the years ended December 31, 2022 and 2021, respectively.

#### ***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*):

	2022	2021
Benefit obligation, beginning of year	\$ 2,134	\$ 2,402
Change in benefit obligation:		
Service cost	31	32
Interest cost	55	53
Actuarial gain	(396)	(241)
Benefits paid	(108)	(112)
Benefit obligation, end of year	<u>\$ 1,716</u>	<u>\$ 2,134</u>

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

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

The benefit obligation was comprised of current accounts payable and accrued liabilities of approximately \$128,000 and \$118,000 as of December 31, 2022 and 2021, and noncurrent pension and postretirement benefit obligations of \$1,588,000 and \$2,016,001 as of December 31, 2022 and 2021, respectively, on the consolidated statements of financial position. The decrease in the benefit obligation for the year ended December 31, 2022 was primarily attributed to an increase in the discount rate from 2.65%, to 4.94%. 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.

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

	2022	2021
Operating portion of net periodic change in benefit obligation:		
Service cost benefits earned during the year	\$ 31	\$ 32
Subtotal	31	32
Non-operating portion of net periodic change in benefit obligation:		
Interest cost in projected benefit obligation	55	53
Amortization of prior service benefit	(341)	(341)
Amortization of actuarial loss	5	31
Subtotal	(281)	(257)
Net periodic benefit	\$ (250)	\$ (225)

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*):

	2022	2021
Plan funded status:		
Projected benefit obligation	\$ 1,716	\$ 2,134
Unfunded status at end of year	1,716	2,134
Amounts recognized in the consolidated statements of financial position	\$ 1,716	\$ 2,134

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

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

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

	2022	2021
Actuarial loss	\$ (148)	\$ 253
Prior service benefit	(1,384)	(1,725)
	\$ (1,532)	\$ (1,472)

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*):

	2022	2021
Amortized actuarial gain	\$ -	\$ 5
Amortized prior service benefit	(341)	(341)
	\$ (341)	\$ (336)

The measurement date used to determine the postretirement obligation for the U.S. Plan was December 31, 2022.

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:

	2022	2021
Discount rate	4.94%	2.65%
Health care cost trend rate assumed for next year:		
Pre-Medicare	4.5%	4.5%
Post-Medicare	4.5%	4.5%
Rate at which the cost trend is assumed to increase	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2023	2022

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, 2022 would increase or decrease the year-end projected benefit obligation by approximately \$121,000 and \$204,000, respectively. As such, cost trend rates would not have a material effect on the net periodic benefit cost for the year ended December 31, 2022.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

##### *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*):

Year ending December 31:	Benefit Payments
2023	\$ 125
2024	124
2025	125
2026	129
2027	130
2028–2032	523
	\$ 1,156

#### 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.

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

	2022	2021
Income taxes:		
Current:		
Federal	\$ -	\$ -
State	-	-
Foreign	305	1,099
Total current	305	1,099
Deferred:		
Federal	-	-
State	-	-
Foreign	(43)	69
Total deferred	(43)	69
Total income taxes	262	1,168
Other taxes:		
Other	515	737
Total other taxes	515	737
Total taxes	\$ 777	\$ 1,905

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

Net deferred tax assets are included in prepaids and other current assets on the consolidated statements of financial position and approximated \$299,000 and \$283,000 as of December 31, 2022 and 2021, 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, 2022 and 2021, SEMI had NOLs of approximately \$5,362,000 and \$5,513,000, respectively. The NOLs will continue to expire after the year ending December 31, 2022. 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, 2022 and 2021, 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.

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.

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, 2022 and 2021, the total amount of gross unrecognized tax benefits was approximately \$1,146,000 and \$1,182,000, 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, 2021	\$	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
Decreases related to expiry of statute of limitation		(205)
Increases related to tax positions taken during current period		169
		<hr/>
Balance as of December 31, 2022	\$	<u>1,146</u>

As of December 31, 2022, 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, 2018 through December 31, 2022 for U.S. federal tax purposes and tax years ended December 31, 2017 through December 31, 2022 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, 2012 through December 31, 2022 for foreign tax purposes.

**SEMI AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

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

As of December 31, 2022 and 2021, the composition of unrecognized tax benefits was as follows (*in thousands*):

	2022	2021
Gross unrecognized tax benefits - taxes	\$ 707	\$ 666
Gross unrecognized tax benefits - interest and penalties	439	516
Balance as of December 31	\$ 1,146	\$ 1,182

The Group does not anticipate a material change to its accrued unrecognized tax benefits in the twelve months following December 31, 2022.

**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, 2022 or 2021. The Group believes that its activities in South Korea do not create a permanent establishment and appealed the assessment (see Note 18).

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

#### 10. Lease Commitments

The Company has operating leases for office space and equipment. These leases have remaining lease terms of 0.4 to 4.3 years. Some lease agreements contain lease and non-lease components such as common area maintenance costs, which are accounted for as a single lease component.

Operating leases with terms greater than 12 months are included in operating lease ROU assets and operating lease liabilities in the Company's balance sheets as of December 31, 2022. Operating lease expense of \$1,800,018 was recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheets, and the Company recognizes lease expense for these leases on a straight-line basis over the lease terms. Variable lease expense on operating leases for the year ended December 31, 2022 was \$284,911. Short-term lease cost for the year ended December 31, 2022 was \$369,040. Total rent expense for the year ended December 31, 2022 was \$2,453,969. Under the previous standard ASC 840, *Leases*, the Group incurred rent expense of \$2,439,507 for the year ended December 31, 2021.

Maturities of lease liabilities were as follows as of December 31, 2022 (*in thousands*):

	Future Lease Payments
Year ending December 31:	
2023	\$ 1,819
2024	1,480
2025	1,203
2026	1,188
2027	418
Thereafter	-
Total future lease payments	6,108
Less: imputed interest	(216)
Present value of lease liabilities	5,892
Less: current portion	(1,809)
Lease liabilities, net of current portion	\$ 4,083

Supplemental balance sheet information related to operating leases was as follows as of December 31 (*dollar amounts in thousands*):

	2022
ROU assets	\$ 5,375
(1) Operating lease liabilities	\$ 5,892
Weighted-average remaining lease term (in years)	3.80
Weighted-average discount rate	1.23%

(1) Includes \$1,809 in operating lease liabilities, current, and \$4,083 in operating lease liabilities, non-current, on the accompanying consolidated statements of financial position as of December 31, 2022.

Cash paid for amounts included in the measurement of operating lease liabilities was \$1,840,743 for the year ended December 31, 2022.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

#### 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, 2022 and 2021, 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*):

	2022			2021		
	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	\$ 8,426	\$ 132	\$ 8,217	\$ 6,914	\$ 198	\$ 7,462
Taiwan	12,143	47	11,554	11,664	816	11,403
China	8,785	2,448	7,695	17,236	2,140	18,622
Korea	6,545	33	7,266	2,423	10	1,648
Singapore	1,301	10	2,459	418	28	1,022
Europe	4,735	1,544	5,615	3,199	1,238	4,032
India	4	-	-	3	-	-
Total	<u>\$ 41,939</u>	<u>\$ 4,214</u>	<u>\$ 42,806</u>	<u>\$ 41,857</u>	<u>\$ 4,430</u>	<u>\$ 44,189</u>

#### 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, 2022 or 2021, however, the Group could be subject to expenses if shows are canceled. During the years ended December 31, 2022 and 2021, the Group incurred non-transferable expenses of approximately \$636,000 and \$655,000, 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 grants include the amounts awarded to subrecipients for which the condition has not yet been met.

**SEMI AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

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

Information on the awards as of and for the years ended December 31, 2022 and 2021 are as follows:

Grantor / Program Title	Term of Agreement	Total Award	2022 Conditions Not Yet Met	2021 Conditions Not Yet Met	2022 Refundable Advance	2021 Refundable Advance	2022 Conditional Grants	2021 Conditional Grants
U.S. Army Research Laboratory (W911NF-19-2-0345) (a)	September 30, 2019 - April 1, 2023	\$ 20,665,000	\$ 2,015,478	\$ 8,633,933	\$ 881,939	\$ 7,500,394	\$ 1,960,661	\$ 6,242,342
U.S. Army Research Laboratory (W911NF-22-2-0050) (a)	July 15, 2022 - July 15, 2023	5,000,000	4,698,146	-	-	-	-	-
U.S. Air Force Research Laboratory (FA8650-18-2-5402) (b)	September 18, 2018 - September 30, 2024	24,899,993	10,879,097	16,742,135	5,732,404	11,595,442	4,337,708	8,316,572
Metrology Advances for Digitized Electronic Components and Systems Industry 4.0 (c)	April 1, 2019 - September 30, 2022	272,298	-	53,283	-	2,583	-	-
MicroElectronics Training, Industry and Skills (d)	November 1, 2019 - October 31, 2023	4,276,241	1,856,499	2,689,796	1,039,156	406,504	1,373,212	2,616,407
European Centre of Vocational Excellence in Microelectronics (e)	November 1, 2020 - October 31, 2024	246,569	143,296	210,631	-	2,253	-	-
Intelligent Motion Control under Industry 4.E (f)	September 1, 2021 - August 31, 2024	247,239	181,899	246,848	54,160	112,243	-	-
Department of Housing & Urban Development (MSC 221029-CV) (g)	June 1, 2022 - July 31, 2023	1,500,000	1,259,755	-	-	-	-	-
Total		<u>\$ 57,107,340</u>	<u>\$ 21,034,170</u>	<u>\$ 28,576,626</u>	<u>\$ 7,707,659</u>	<u>\$ 19,619,419</u>	<u>\$ 7,671,581</u>	<u>\$ 17,175,321</u>

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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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-19-2-0345 and ARL agreement No. W911NF-22-2-0050. 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. In early 2022, the MEMS & Sensors Industry Group ("MSIG") entered into a five year direct ARL program. The primary goals of the ARL agreement No. W911NF-22-2-0050 are: (1) to establish and operate a consortium to support advanced army assured positioning; (2) to deliver technologies enabling higher precision and higher reliability in GPS-contested and denied environments; and (3) to play a transformative role in positioning, navigation, and timing ("PNT") innovations. The first year of the PNT consortium will be involved with actively tracking ten projects, providing feedback, coordinating potential follow-up efforts and/or testing the technologies developed by the U.S. supplier.
- b) The Group has an agreement under one direct AFRL programs: AFRL agreement No. 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.

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 \$10,375,315 to development partners in the U.S. for the year ended December 31, 2022, upon achievement of certain milestones as defined in the development partner agreements. The Group disbursed \$10,480,999 to development partners in the U.S. for the year ended December 31, 2021.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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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.

- c) 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 \$272,000). SEMI Europe received 179,557 euro (approximately \$192,000) through December 31, 2020. No additional funding was received for the year ended December 31, 2022 or 2021. SEMI Europe recognized 44,139 euro (approximately \$47,000) and 81,696 euro (approximately \$98,000) in management fees for the years ended December 31, 2022 and 2021, respectively.
- d) 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 \$4,276,000). SEMI Europe received 1,595,551 euro (approximately \$1,710,000) for the year ended December 31, 2019, among which SEMI Europe’s portion was 255,534 euro (approximately \$274,000). No additional funding was received during the year ended December 31, 2021. For the year ended December 31, 2022, SEMI Europe received an additional funding of 1,630,973 euro (approximately \$1,748,000), among which SEMI Europe’s portion was 255,534 euro (approximately \$274,000). The Group recognized 145,462 euro (approximately \$153,000) and 113,836 euro (approximately \$137,000) in management fees for the years ended December 31, 2022 and 2021, respectively.

The Group disbursed 1,314,968 euro (approximately \$1,385,000) to development partners for the METIS project for the year ended December 31, 2022, upon achievement of certain milestones as defined in the development partner agreements. The Group disbursed 571,092 euro (approximately \$652,000) to development partners for the METIS project for the year ended December 31, 2021.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

- e) 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 \$247,000). SEMI Europe received 46,000 euro (approximately \$49,000) during the year ended December 31, 2021. SEMI Europe recognized 48,243 euro (approximately \$51,000) and 41,129 euro (approximately \$50,000) in management fees for the years ended December 31, 2022 and 2021, respectively.
- f) 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 \$247,000). SEMI Europe received nil and 111,469 euro (approximately \$119,000) during the year ended December 31, 2021. No additional fundings were received during the year ended December 31, 2022. SEMI Europe recognized 28,921 euro (approximately \$30,000) and 11,067 euro (approximately \$13,000) in management fees for the years ended December 31, 2022 and 2021, respectively.

SEMI Foundation entered into one government agreement during the year ended December 31, 2022, which is considered a conditional contribution as the right to retain payment is conditioned on meeting certain barriers. These barriers include the limited discretion in how the award may be spent.

- g) In July 2022, SEMI Foundation was awarded a government grant under agreement No. MSC 221029-CV by the Michigan Strategic Fund passed through from the Department of Housing and Urban Development’s Community Development Block Program. The purpose of the award is to design and develop the SEMI Career and Apprenticeship Network (“SCAN”), a new registered apprenticeship program created specifically for the microelectronics industry. SCAN is a program for entry-level technicians, operators and professionals that teaches both the foundational and specialized skills needed for high-demand jobs in microelectronics. The primary goals of SCAN are: (1) to facilitate the creation and/or retention of full-time, permanent jobs in the microelectronics industry whereby at least 51 percent of the jobs are held by low and moderate income people; (2) to engage key microelectronics employer partners, end-user customers in the automotive and manufacturing space, educational partners for curriculum development and key workforce development partners; and (3) to conduct extensive discovery and focus groups with employers to confirm job roles, skills and competencies needed. Total contributions to SEMI Foundation will be \$1,500,000. For the year ended December 31, 2022, SEMI Foundation recognized \$176,928 in management fees and \$63,317 in in-kind contributions on this award.

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

#### 14. Related Party Transactions

As of and for the year ended December 31, 2022, 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 \$204,000 and \$3,413,000, respectively. As of and for the year ended December 31, 2021, 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 \$236,000 and \$3,036,000, respectively.

#### 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, 2022 and 2021, in-kind services of \$12,077,288 and \$14,397,840, 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. The primary purpose of in-kind contributions is to meet matching requirements related to ARL and AFRL grants and related programs.

The following table summarizes information on in-kind contributions by category for the years ended December 31 (*in thousands*):

Non-financial Contributions Category	Type of Contributions for Beneficiaries	Valuation Protocol	2022	2021
In-kind services	Professional services such as contractor and member company labor spent in support of government projects	Standard industry pricing for similar services	\$ 9,097	\$ 7,431
Materials and equipment	Materials and equipment related to the development of electronics and technology under government projects	Market prices of identical or similar materials and/or equipment	1,492	3,248
Facilities and overhead	Facilities and overhead costs incurred by subrecipients in support of government projects	Market prices of facilities space and overhead costs	1,488	3,719
		Total in-kind contributions	<u>\$ 12,077</u>	<u>\$ 14,398</u>

**SEMI AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

**16. Functional Expenses**

The natural and functional expenses for the years ended December 31, 2022 and 2021 were as follows (*in thousands*):

	2022								Supporting Services	Total	
	Program Services							Total Program Services			Management and General
	Expositions	Conferences	Research and Development	Memberships	Standards/ Technology	Information	Foundation				
Personnel costs	\$ 8,877	\$ 5,276	\$ 2,636	\$ 3,504	\$ 2,707	\$ 1,269	\$ 952	\$ 25,221	\$ 4,622	\$ 29,843	
Service and professional fees	3,134	2,269	79	952	711	433	954	8,532	1,831	10,363	
Subrecipient and in-kind	-	-	23,305	-	-	-	-	23,305	-	23,305	
Event expenses	10,738	3,085	35	53	432	134	-	14,477	109	14,586	
Occupancy	1,737	865	-	534	479	211	48	3,874	818	4,692	
Travel	362	202	7	81	84	20	44	800	209	1,009	
Other	336	117	12	64	45	20	2	596	22	618	
<b>Total operating expenses</b>	<b>\$ 25,184</b>	<b>\$ 11,814</b>	<b>\$ 26,074</b>	<b>\$ 5,188</b>	<b>\$ 4,458</b>	<b>\$ 2,087</b>	<b>\$ 2,000</b>	<b>\$ 76,805</b>	<b>\$ 7,611</b>	<b>\$ 84,416</b>	

  

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

## SEMI AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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#### 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 would be forgiven as long as during the 8- to 24-week covered period following loan disbursement, employee and compensation levels were maintained, loan proceeds are spent on payroll costs and other eligible expenses, and at least 60% proceeds were 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 was a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer paid to employees after March 12, 2020. If the employer’s employment tax deposits were not sufficient to cover the credit, the employer may have received an advance payment from the IRS. For the year ended December 31, 2021, SEMI received \$1,801,075 in ERCs, which reduced employment taxes SEMI was otherwise required to make, and was recorded as government grant revenue on the consolidated statements of activities and changes in net assets.

#### 18. Subsequent Events

The Group has evaluated its December 31, 2022 consolidated financial statements for subsequent events through July 26, 2023, 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 items noted below.

In February 2023, NTS ruled in favor of the Group’s appeal of the South Korea tax assessment, ruling that the Group does not have a permanent establishment in South Korea. On March 3, 2023, NTS refunded cumulative taxes, interest and penalties assessed in relation to this matter, which approximated \$6,359,000 as of the date of refund. The refund was recorded as a tax benefit for the year ending December 31, 2023 in the consolidated statement of activities and changes in net assets.

Effective March 10, 2023, total government obligated funds for AFRL agreement No. FA8650-18-2-5402 were increased by \$4,396,693.

On March 16, 2023, SEMI received an additional funding of \$4,769,726 on ARL agreement No. W911 NF-22-2-0050.

On June 8, 2023, the grant period end date for SEMI Foundation’s Agreement No. MSC 221029 CV was extended to December 31, 2023.

## **SUPPLEMENTARY INFORMATION**

# SEMI AND SUBSIDIARIES

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2022

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
<b>Research and Development Cluster:</b>				
<b><u>Direct Awards</u></b>				
<b>U.S. Department of Defense</b>				
U.S. Army Research Laboratory - Basic Scientific Research	12.431		\$ 301,854	\$ -
U.S. Army Research Laboratory - Basic Scientific Research	12.431		<u>6,618,455</u>	<u>5,258,440</u>
Total Basic Scientific Research			6,920,309	5,258,440
U.S. Air Force Research Laboratory - Air Force Defense Research Sciences Program	12.800		<u>5,863,038</u>	<u>5,116,875</u>
<b>Total U.S. Department of Defense</b>			<b><u>12,783,347</u></b>	<b><u>10,375,315</u></b>
<b>Total Research and Development Cluster</b>			<b><u>12,783,347</u></b>	<b><u>10,375,315</u></b>
<b>U.S. Department of Housing and Urban Development</b>				
Passed-through Michigan Strategic Fund:				
COVID-19 Community Development Block Grants/State's Program & Non-Entitlement Grants in Hawaii	14.228	MSC221029-CV	<u>240,245</u>	<u>-</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>240,245</u></b>	<b><u>-</u></b>
<b>Total Federal Expenditures</b>			<b><u>\$ 13,023,592</u></b>	<b><u>\$ 10,375,315</u></b>

# SEMI AND SUBSIDIARIES

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2022

### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the activity of SEMI and SEMI Foundation under their programs with federal government agencies for the year ended December 31, 2022. 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 and SEMI Foundation, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of SEMI and SEMI Foundation.

### 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 and SEMI Foundation 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>Research and Development Cluster:</b>					
<b><u>Direct Awards</u></b>					
<b>U.S. Department of Defense</b>					
U.S. Army Research Laboratory - Basic Scientific Research	12.431		\$ 301,854	\$ -	\$ 301,854
U.S. Army Research Laboratory - Basic Scientific Research	12.431		1,326,192	33,824	1,360,016
Total Basic Scientific Research			1,628,046	33,824	1,661,870
U.S. Air Force Research Laboratory - Air Force Defense Research Sciences Program	12.800		726,903	19,620	746,523
<b>Total U.S. Department of Defense</b>			<b>2,354,949</b>	<b>53,444</b>	<b>2,408,393</b>
<b>Total Research and Development Cluster</b>			<b>2,354,949</b>	<b>53,444</b>	<b>2,408,393</b>
<b>U.S. Department of Housing and Urban Development</b>					
Passed-through Michigan Strategic Fund:					
COVID-19 Community Development Block Grants/ State's Program & Non-Entitlement Grants in Hawaii	14.228	MSC221029-CV	176,928	63,495	240,423
<b>Total U.S. Department of Housing and Urban Development</b>			<b>176,928</b>	<b>63,495</b>	<b>240,423</b>
<b>Total contract management fees and other related costs</b>			<b>\$ 2,531,877</b>	<b>\$ 116,939</b>	<b>\$ 2,648,816</b>

# SEMI AND SUBSIDIARIES

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2022

### 4. Matching Requirements

The federal awards of SEMI and SEMI Foundation 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 and Department of Housing and Urban Development Grant and Agreement Regulations to be allowable.

Information on the matching requirements, which is presented on a cash basis, is provided below:

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Matching Requirement	2022 Matching	Cumulative Matching Met
<b>Research and Development Cluster:</b>				
<b><u>Direct Awards</u></b>				
<b>U.S. Department of Defense</b>				
U.S. Army Research Laboratory - Basic Scientific Research	12.431	\$ 5,511,561	\$ 82,443	\$ 82,443
U.S. Army Research Laboratory - Basic Scientific Research	12.431	16,183,454	4,592,274	16,762,175
Total Basic Scientific Research		21,695,015	4,674,717	16,844,618
U.S. Air Force Research Laboratory - Air Force Defense Research Sciences Program	12.800	24,735,871	3,860,319	10,879,610
<b>Total U.S. Department of Defense</b>		<b>46,430,886</b>	<b>8,535,036</b>	<b>27,724,228</b>
<b>Total Research and Development Cluster</b>		<b>\$ 46,430,886</b>	<b>\$ 8,535,036</b>	<b>\$ 27,724,228</b>

**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**

**INDEPENDENT AUDITORS' REPORT**

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 ("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 consolidated financial statements of SEMI and Subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related statement of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated July 26, 2023. 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, and the SEMI Taiwan branch 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*.

To the Board of Directors of  
SEMI and Subsidiaries

### **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 26, 2023

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
SEMI and SEMI Foundation

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited SEMI and SEMI Foundation'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 and SEMI Foundation's major federal programs for the year ended December 31, 2022. SEMI and SEMI Foundation'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 and SEMI Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of their major federal programs for the year ended December 31, 2022.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on SEMI and SEMI Foundation's response to the noncompliance finding identified in the accompany schedule of findings and questioned cost. SEMI and SEMI Foundation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***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 SEMI Foundation 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 and SEMI Foundation'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 and SEMI Foundation'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 and SEMI Foundation'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 and SEMI Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. 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 and SEMI Foundation'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 and SEMI Foundation'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 and SEMI Foundation'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.

To the Board of Directors of  
SEMI and Subsidiaries

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 26, 2023

# SEMI AND SUBSIDIARIES

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2022

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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)? | 2022-001      |
| 7. Identification of major programs:   |               |

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**Assistance Listing #**

- |  |           |
|--|-----------|
| Research and Development Cluster:  |           |
| Air Force Defense Research Sciences Program  | 12.800    |
| Basic Scientific Research  | 12.431    |
| COVID-19 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228    |
| 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, 2022

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

No matters were reported.

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

##### **Item 2022-001 –Schedule of Expenditures of Federal Awards (SEFA) Reporting**

**Awarding Agency:** U.S. Department of Housing and Urban Development

**Federal Program:** 14.228 – COVID-19 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

**Federal Award Identification Number:** MSC221029-CV

**Grant Period:** June 2022 to July 2023

**Criteria:** 2 CFR 200.510(b) requires the auditee to prepare a SEFA that must contain all federal awards expended during the period. Additionally, 2 CFR 200.514(a) states audits must cover the entire operations of the auditee based on the audits prepared and filed with the government, and that the financial statements and schedule of expenditures of Federal awards must be for the same audit period.

**Condition:** We determined a federal award under SEMI Foundation with current period expenditures of \$240,245 was improperly excluded from the auditee prepared SEFA.

**Cause:** The financial statements of the Group are consolidated and include SEMI Foundation. As a result, the SEFA should also include SEMI Foundation's federal expenditures. The Group maintains a system of controls designed to flag federal awards, but the award was mistakenly excluded from the SEFA because management did not initially believe the federal award was subject to audit in the current period on a stand-alone basis for SEMI Foundation. Current period federal expenditures for SEMI Foundation were below the audit threshold, but the SEFA should have included federal expenditures of both SEMI and SEMI Foundation.

**Effect:** The SEFA was incomplete and impacted federal audit applicability determinations as well as the auditors' major program determination.

**Questioned Cost:** None

**Context:** The improperly excluded expenditures were only applicable to 1 out of 4 federal awards reported on the SEFA, and represented approximately 2 percent of total reported federal expenditures for the year ended December 31, 2022.

**Repeat Finding:** No

**Recommendation:** We recommend for management to implement processes to ensure the SEFA includes all federal expenditures for entities covered in its consolidated financial statements, which is currently SEMI and SEMI Foundation.

**Views of Responsible Official:** SEMI concurs with this finding and will evaluate current period expenditures of federal awards on a consolidated basis going forward.

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

Not applicable. No prior year findings.

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July 24, 2023

BPM LLP  
One California Street, Suite 2500  
San Francisco, CA 94111

### Corrective Action Plan

**Finding Reference Number:** 2022-001

**Description of Finding:** The auditee omitted a federal award under SEMI Foundation with current period expenditures of \$240,245 in its preparation of the 2022 SEFA. The SEFA was, therefore, incomplete and impacted the federal audit applicability determination as well as the auditors' major program determination.

**Corrective Action:** The Organization concurs with this finding and provided the current period expenditures of federal awards on a consolidated basis. The organization provided specific information to support its position.

We misinterpreted the reporting obligation for the award on the SEFA. We initially planned to first report the award when cumulative expenditures recognized under the award reached the reporting threshold on a stand-alone basis.

We stand corrected on its understanding of its obligation to report on the SEFA report and evaluated the consolidated federal expenditures of all awards and their lifetime value against reporting threshold. Each award included in the evaluation that meets or exceeds the reporting threshold is to be first reported in the year of grant.

In compliance with 2 CFR 200.514, we recognize that the SEFA report must be looked at the group level and cover the entire operations of SEMI and be presented in relation to the financial statements as a whole. We have coordinated with the appropriate staff to update their understanding and have reinforced our report review process accordingly. In addition, we will include this information in our periodic staff trainings to ensure future compliance.

**Name of Responsible Person:** Kevin Bauer

**Anticipated Completion Date:** The Organization anticipates completing the corrective action by July 31, 2023.

Sincerely,

Kevin Bauer  
Chief Financial and Business Operations Officer