



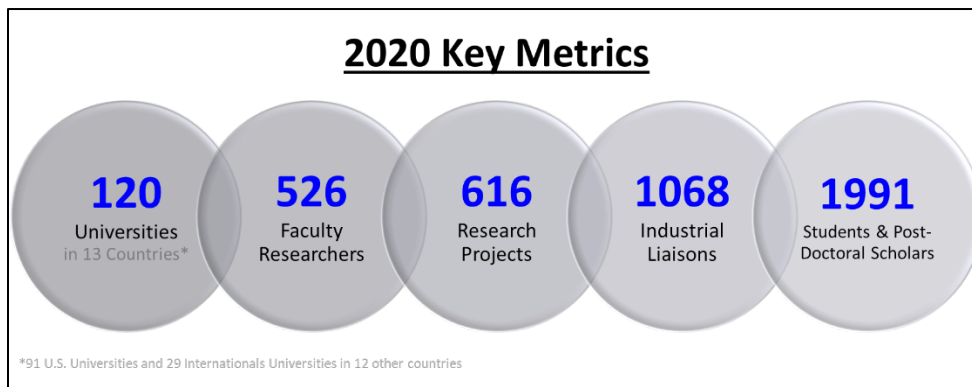
20

20

Annual Report

2020 Was a Trying Year but SRC's Research Community Persevered, Emerging Stronger than Ever!

Like many organizations, SRC entered 2020 with an ambitious set of plans and certainty of what the future held. With 120 universities in 13 countries and over 600 research projects advancing next generation semiconductor technologies, we were confident it was going to be an amazing year.



That all changed overnight, as SRC joined others, on March 17th 2020, in recognizing that a pandemic was gripping the globe. In the subsequent days and weeks, SRC and our global community of almost 3,600 research faculty, students, and industrial liaisons, all went into lockdown and began a period of remote work from home. And while some returned to a hybrid working mode after only a handful of months, others have continued to work remotely until well into 2021. Needless to say, 2020 was a trying year.

So, how did SRC and our research community respond to this pandemic and historic lockdown? Well, most importantly, I'm thrilled to report that our employees and community responded with humility and grace. Within our company and community, there was visible support for each other, with everyone doing whatever they could to navigate the unforeseen obstacles and support each other, especially our student research scholars.

SRC employees and researchers also responded with agility, resilience, and creativity in the face of this disruptive and challenging landscape. While plans changed overnight, meaningful new plans and actions arose in their place. SRC saw a flurry of new manuscripts and invention disclosures based on results that researchers had already obtained. We saw virtual internships provide industrial R&D exposure for undergraduate and graduate students. We saw virtual graduations lead to newly minted B.S., M.S., Ph.D., faculty, and industry hires. Our researchers automated experiments and testbeds within their labs, allowing them to remotely experiment and collect data. As researchers were challenged to perform experiments, they prioritized simulations and theory. Several reported that this resulted in the better use of every precious minute in the lab and each experiment that followed. In the aggregate, the results were incredible and well beyond our expectations. In 2019, we had 1030 paper publications. In 2020, we had 1086.

And in the face of 2020's economic uncertainty, SRC and its members remained deeply committed to our mission. SRC saw no member attrition, illustrating the importance of our ecosystem to our members' future. In fact, our government partnerships increased through a new round of DARPA-sponsored special projects that started in July 2020. Where SRC was able to save money on travel and face-to-face events, we poured that savings into new, unanticipated research that invested in our community so we might emerge stronger. One industrial champion noted "*SRC's continuity through the COVID-19 disruption has been impressive.*" All said, SRC grew its university research funding by 3% year over year (+\$1.7M) across all of our research programs.

Other noteworthy 2020 accomplishments that are positioning us well for the future include:

- SRC launched the nCORE IMPACT Center, led by Stanford University, making a \$8.9M, 3-year investment in materials, device, interconnect, and chipmaking innovation.

- SRC renewed its commitment to the TxACE Analog Center of Excellence, led by UT/Dallas, to ensure a critical mass of research in analog and mixed signal integrated circuit engineering.
- From a competitive field of candidates, we hired SRC's new President and CEO, Dr. Todd Younkin, following the planned retirement of Ken Hansen. We thank Ken for his service and leadership.
- We released the 2030 Decadal Plan for Semiconductors. This partnership with the Department of Energy, SIA, industry, academia, and other government partners, provides a set of recommendations, targets, and measurable goals that the industry should strive to meet by 2030.

As we look to 2021 and beyond, SRC's role in semiconductors and technology leadership has never been more exciting or more crucial. We continue to partner with our affiliate, the Semiconductor Industry Association (SIA), as they pursue the creation of additional government funding in support of microelectronic and advanced packaging technologies to achieve the targets set forth in our Decadal Plan.

We remain focused on delivering value to our members through the support and encouragement of our research community, technology transfer from maturing research investments, and the development of new scientific and program concepts, which will include the pursuit of government funding opportunities. Finally, we will always put the health and safety of our employees and researchers at the forefront of our operations.

Semiconductors are the engine of innovation and a critical sector for our economy and national security. The need to amplify and accelerate that R&D pipeline has never been greater, so SRC and its community will continue to lead the way!

A handwritten signature in black ink, appearing to read 'Todd Younkin', with a stylized, flowing script.

Dr. Todd R. Younkin
President and CEO

Electors of SRC are on the SIA board and financials will be sent to the SIA CEO to be delivered to the SIA board members.

The combined financial statements are presented for convenience and information purposes only, and while reasonable efforts have been made to ensure the integrity of such information, they should not be relied on. A copy of the printed combined financial statements will be provided on request.



Semiconductor Research Corporation and Affiliates

Combined Financial Statements and Reports and Schedules Required by *Government Auditing Standards* and by the Uniform Guidance

Years Ended December 31, 2020 and 2019

Semiconductor Research Corporation and Affiliates

Combined Financial Statements and Reports and Schedules Required by
Government Auditing Standards and by the Uniform Guidance
Years Ended December 31, 2020 and 2019

Semiconductor Research Corporation and Affiliates

Contents

Independent Auditor's Report	3-5
Combined Financial Statements	
Combined Statements of Financial Position	7
Combined Statements of Activities	8-9
Combined Statements of Cash Flows	10
Notes to Combined Financial Statements	11-26
Reports and Schedules Required by <i>Government Auditing Standards</i> and by the Uniform Guidance	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-29
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	30-31
Schedule of Expenditures of Federal Awards	32
Notes to Schedule of Expenditures of Federal Awards	33
Schedule of Findings and Questioned Costs	34-36



Tel: 919-754-9370
Fax: 919-754-9369
www.bdo.com

421 Fayetteville Street
Suite 300
Raleigh, NC 27601

Independent Auditor's Report

The Board of Directors
Semiconductor Research Corporation
Durham, North Carolina

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the combined financial statements of Semiconductor Research Corporation and its affiliates (collectively referred to as "SRC" or the "Corporation"), which comprise the combined statements of financial position as of December 31, 2020 and 2019, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Corporation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 combined financial statements.

In performing an audit in accordance with 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 combined 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 combined 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 Corporation'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined 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 combined 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 combined financial statements.



The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined 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 22, 2021 on our consideration of the Corporation'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 the Corporation'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 the Corporation's internal control over financial reporting and compliance.

BDO USA, LLP

July 22, 2021

Combined Financial Statements

Semiconductor Research Corporation and Affiliates

Combined Statements of Financial Position

(in thousands of dollars)

December 31,	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 43,024	\$ 48,777
Investments	20,320	19,551
Membership fees receivables	7,463	5,015
Other current assets	929	244
Total current assets	71,736	73,587
Fixed assets		
Computer and office equipment	838	828
Furniture and fixtures	230	230
Total fixed assets	1,068	1,058
Less - accumulated depreciation	(985)	(1,020)
Net fixed assets	83	38
Other noncurrent assets	-	850
Total Assets	\$ 71,819	\$ 74,475
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Research contracts payable	\$ 24,082	\$ 23,013
Accounts payable and accrued expenses	1,704	2,010
Deferred revenue	11,430	13,146
Deferred tax liability	398	395
Total current liabilities	37,614	38,564
Other noncurrent liabilities	37	922
Total Liabilities	\$ 37,651	\$ 39,486
Net Assets Without Donor Restrictions	\$ 34,168	\$ 34,989
Total Liabilities and Net Assets	\$ 71,819	\$ 74,475

See accompanying notes to combined financial statements.

Semiconductor Research Corporation and Affiliates

Combined Statements of Activities

(in thousands of dollars)

Years ended December 31,	2020	2019
Change in Net Assets Without Donor Restrictions		
Revenues and gains		
Member fees and participant revenue	\$ 18,959	\$ 18,028
Infrastructure member fees	1,119	1,012
Thrust member fees	4,820	5,095
Net realized and change in net unrealized gains and losses on investments	299	1,660
Investment income	518	638
Fellowship revenue	118	109
Management fee revenue	28	109
Other	9	10
Total revenues and gains	25,870	26,661
Expenses		
Contract research and grant expense	19,391	19,135
Graduate fellowship program	317	147
Management and general	3,309	3,780
Income tax expense	194	842
Total expenses	23,211	23,904
New Science Team program		
Participant fees	28,115	28,115
Grant revenue	19,809	25,400
Other income	-	1
Investment income	127	225
Contract research and grant expense	(49,182)	(46,648)
Management and general	(2,340)	(2,233)
Total New Science Team Program	(3,471)	4,860

Semiconductor Research Corporation and Affiliates

Combined Statements of Activities (continued)

(in thousands of dollars)

Years ended December 31,	2020	2019
Change in Net Assets Without Donor Restrictions (continued)		
SRC Education Alliance Program		
Participant fees	\$ 35	\$ 206
Investment income	5	20
Contract research and grant expense	(36)	(259)
Management and general	(13)	(25)
Total SRC Education Alliance Program	(9)	(58)
Nanoelectronics Research Program		
Investment income	-	13
Contract research and grant expense	-	(967)
Management and general	-	(166)
Total Nanoelectronics Research Corporation Program	-	(1,120)
Change in Net Assets Without Donor Restrictions	(821)	6,439
Net Assets Without Donor Restrictions, at beginning of year	34,989	28,550
Net Assets Without Donor Restrictions, end of year	\$ 34,168	\$ 34,989

See accompanying notes to combined financial statements.

Semiconductor Research Corporation and Affiliates

Combined Statements of Cash Flows

(in thousands of dollars)

Years ended December 31,	2020	2019
Operating Activities		
Change in net assets	\$ (821)	\$ 6,439
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	30	55
Gain on disposal of fixed assets	(3)	-
Deferred taxes	3	363
Net realized gains and change in net unrealized losses (gains) on investments	(303)	(1,660)
Changes in operating assets and liabilities:		
Membership fees receivable	(2,448)	(2,754)
Other assets	165	332
Research contracts payable	1,069	(3,232)
Accounts payable and accrued expenses	(306)	(12)
Deferred revenue	(1,716)	(1,613)
Other noncurrent liabilities	(885)	(311)
Net Cash Used in Operating Activities	(5,215)	(2,393)
Investing Activities		
Purchases of investments	(28,713)	(13,303)
Proceeds from sale of investments	28,247	10,996
Purchases of fixed assets	(75)	(29)
Proceeds from sale of fixed assets	3	-
Net Cash Used in Investing Activities	(538)	(2,336)
Decrease in Cash and Cash Equivalents	(5,753)	(4,729)
Cash and Cash Equivalents, beginning of year	48,777	53,506
Cash and Cash Equivalents, end of year	\$ 43,024	\$ 48,777
Supplemental Disclosures of Cash Flow Information		
Federal and state income taxes paid	\$ 194	\$ 613

See accompanying notes to combined financial statements.

Semiconductor Research Corporation and Affiliates

Notes to Combined Financial Statements

(in thousands of dollars)

1. Description of Organization and Summary of Significant Accounting Policies

Background and Basis of Combination

Semiconductor Research Corporation (“SRC” or the “Corporation”) is a nonprofit taxable mutual benefit corporation formed in 1982 to conduct research in the fields of engineering and physical science related to semiconductor development and manufacturing. Activity has centered on initiation and administration of contract research with various institutions and universities. SRC has expended approximately \$1.62 billion since inception through December 31, 2020 relating to fellowships, contract research and grant expenses and industry support activities. SRC’s charter requires that member corporations, which are corporations that manufacture or supply products and/or services that align with the Corporation’s research programs and activities, be assessed membership fees in some cases based on a percentage of their semiconductor sales, use or manufacture. These fees are subject to certain limitations. Other membership fees are based on negotiations between the member corporation and the Corporation and may be a set fee.

The combined financial statements include the accounts of Semiconductor Research Corporation Education Alliance (“SRCEA”), SRCco Inc. (“SRCco”), formerly known as Microelectronics Advanced Research Corporation, and Nanoelectronics Research Corporation (“NERC”). SRCEA is a nonprofit 501(c)(3) education organization. The organization manages Scholarship and Fellowship Programs and Undergraduate Engineering Programs. SRCco is a nonprofit 501(c)(6) organization formed in 1997 and manages a U.S. university-based pre-competitive New Science Team (“NST”) Initiative in semiconductor technology. NERC is a nonprofit 501(c)(6) research management organization formed to manage the Nanoelectronic Research Initiative (“NRI”) program. The NRI program ended during 2019 and NERC has been closed. SRCco, SRCEA, and NERC have been combined with SRC in the accompanying combined financial statements because SRC maintains control of a majority voting interest in all entities. All significant transactions and balances between affiliates have been eliminated in combination.

Basis of Accounting and Presentation

The combined financial statements of SRC have been prepared on the accrual basis of accounting.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of SRC and changes therein are classified and reported as follows:

- Net assets without donor restrictions - net assets that are not subject to member-imposed stipulations.
- Net assets with donor restrictions - net assets subject to donor-imposed stipulations that are expected to be met either by actions of SRC and/or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. At both December 31, 2020 and 2019, SRC did not have any net assets with donor restrictions.

Semiconductor Research Corporation and Affiliates

Notes to Combined Financial Statements

(in thousands of dollars)

Use of Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of various short-term investments which have original maturities of three months or less.

Contract Assets, Contract Receivable and Contract Liabilities

Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers* (“ASC 606”) defines a contract asset as an entity’s right to consideration in exchange for goods or services that the entity has transferred to a customer. It arises when an entity has performed part or all of a performance obligation but does not yet have the right to bill the customer. As the Corporation has a contractual right to bill for the services before the start of each contract, no material contract assets overlap from one fiscal year to another.

Contract receivables consist of membership fees receivable which are recognized when the Corporation has the right to bill its members. Membership fees receivable include both billed and unbilled amounts. Based on the Corporation’s historical collections from members, no allowance for doubtful accounts has been recognized at December 31, 2020 and 2019.

ASC 606 defines a contract liability as an entity’s obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer. The Corporation’s contract liabilities are presented as deferred revenue on the accompanying combined statements of financial position and consist of Membership fees or Participant fees received in advance of the term of the membership agreement or participant agreement. Participant fees received or receivable are deferred until specified research projects commence.

For a specific participant agreement, amounts totaling \$1,431 and \$2,283 were included in deferred revenue as of December 31, 2020 and 2019, respectively, of which no amounts are in accounts receivable. All amounts received and receivables not committed to research projects and the related management expense are fully refundable.

Fixed Assets

Computer and office equipment and furniture and fixtures are recorded at cost, and depreciation is calculated using the straight-line method over the estimated useful life as follows:

Computer and office equipment	3 years
Furniture and fixtures	3-5 years

Semiconductor Research Corporation and Affiliates

Notes to Combined Financial Statements

(in thousands of dollars)

Revenue from Contracts with Customers

Revenue from contracts with customers primarily consist of member fees, infrastructure member fees, thrust member fees, Research Customization Program member fees, member specific research fees, participant revenue, and participant fees. Each of these revenue streams are further discussed and summarized in Note 2.

Grant Revenue

Revenue from government sponsored grants is considered a contribution in accordance with the guidance under Accounting Standards Update (“ASU”) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. As these revenues are conditionally based on the satisfaction of the Corporation either incurring an allowable expenditure or achieving a predetermined milestone as specified in the respective grant contract, revenue is not recognized until the incremental conditions of the grant contract have been met.

Contract Research and Grants Expense

For all programs, contract research expense is recognized based on a combination of actual invoiced amounts, estimated expenses incurred but not billed, and a variety of internal analysis which includes consideration of contract terms, contract amounts, invoices received to date, expenses recognized to date, and reports submitted by the research institutions as required by the contracts.

Included within contract research and grants expense in the accompanying combined statements of activities are industry support expenses totaling approximately \$889 and \$1,067 for the years ended December 31, 2020 and 2019, respectively. These expenses relate to special projects undertaken by SRC and are recognized as incurred.

Grants awarded to others are expensed at the time the grant is awarded.

Methods Used for Allocation of Expenses

General and administrative costs that benefit multiple functional areas have been allocated across programs on the proportion of a program’s research units as a total of all programs research units.

Income Taxes

SRC operates as a nonprofit taxable mutual benefit corporation, incorporated in the State of California. SRCco and NERC are exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code. The SRCEA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Corporation may recognize an income tax benefit from an uncertain position only if it is more likely than not that the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authority’s widely understood administrative practices and precedents. If this threshold is met, the Corporation measures the tax benefit as the largest amount of the benefit that has greater than a 50% likelihood of being realized upon ultimate settlement.

Semiconductor Research Corporation and Affiliates

Notes to Combined Financial Statements

(in thousands of dollars)

Liquidity and Availability of Financial Resources

The Corporation's financial assets available within one year of the combined statements of financial position date for general expenditures are as follows:

December 31,	2020	2019
Cash and cash equivalents	\$ 43,024	\$ 48,777
Investments	20,320	19,551
Membership fees receivable	7,463	5,015
Total financial assets available within one year	70,807	73,343
Amounts unavailable to management without Board's approval:		
Cash and cash equivalents	(421)	(573)
Investments	(20,320)	(19,551)
Total amounts unavailable to management without Board's approval	(20,741)	(20,124)
Total financial assets available to management for general expenditure within one year	\$ 50,066	\$ 53,219

Recent Accounting Pronouncements Pending Adoption

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, *Revenue from Contracts with Customers*. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. In October 2019, the FASB amended ASU 2016-02 for private companies by deferring the initial mandatory effective date to annual periods beginning after December 15, 2020. In May 2020 the FASB voted to approve the deferral of the effective date for Topic 842 for private companies by one additional year, resulting in a new mandatory effective date of fiscal years beginning after December 15, 2021. Early application is permitted. The Corporation is currently evaluating the impact of adopting this ASU on the Corporation's combined financial statements.

Semiconductor Research Corporation and Affiliates

Notes to Combined Financial Statements

(in thousands of dollars)

Investments

SRC invests primarily in mutual funds and U.S. equities in order to provide a balanced return of investment income and principal appreciation to SRC with a limited risk of loss exposure.

Investments are carried at estimated market values. Changes in the estimated market value of investments are reflected as a change in unrealized gains or losses, which are included in the net realized and net change in unrealized gains and losses on investments amount in the accompanying combined statements of activities.

The cost and estimated market values of investments at December 31 are as follows:

	2020		2019	
	Cost	Estimated Market Value	Cost	Estimated Market Value
U.S. equities	\$ 3	\$ 3	\$ 3	\$ 3
Mutual funds	11,954	13,172	12,914	13,824
Mortgage and asset backed securities	33	35	43	45
Exchange traded products	4,934	5,460	4,849	5,679
Annuities	1,650	1,650	-	-
Total	\$ 18,574	\$ 20,320	\$ 17,809	\$ 19,551

At December 31, 2020 and 2019, SRC's investment portfolio included \$421 and \$573, respectively, in money market funds which are reflected as cash and cash equivalents in the accompanying combined statements of financial position and are therefore excluded from the above table.

The components of net realized and net change in unrealized gains and losses on investments and investment income in the accompanying combined statements of activities for the years ended December 31, 2020 and 2019 are as follows:

Years ended December 31,	2020	2019
Interest and dividend income, including earnings on cash and cash equivalents	\$ 681	\$ 929
Net realized gains	308	71
Change in net unrealized (losses) gains	(4)	1,589
Investment fees	(36)	(33)
Net investment return	\$ 949	\$ 2,556

Semiconductor Research Corporation and Affiliates

Notes to Combined Financial Statements

(in thousands of dollars)

Fair Value Measurements

The Corporation adopted the provisions of the Topic 820 - *Fair Value Measurement* (Topic 820) of the FASB Accounting Standards Codification effective January 1, 2009. Under this standard, 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. Fair value measurements and related disclosures utilize the fair value hierarchy required by Topic 820, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation include quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly.

Level 3 - Inputs to the valuation methodology are unobservable inputs. Unobservable inputs reflect the Corporation’s own assumptions about the factors that other market participants would use in pricing an investment and would be based on the best information available in the circumstances.

Certain estimates and judgments were required to develop the fair value amounts, which are not necessarily indicative of the amounts that would be realized upon disposition, nor do they indicate the Corporation’s intent or ability to dispose of such instruments.

The combined statements of financial position carrying amounts of receivables, other assets, research contracts and accounts payable, accrued liabilities and deferred revenue approximate fair value due to the short-term nature of these items.

A summary of the inputs used in the measurement of fair value, as of December 31, 2020 and 2019, involving the Corporation’s assets carried at fair value, is as follows:

Description	Level 1	Level 2	Level 3	Total
Investments as of				
December 31, 2020	\$ 18,635	\$ 1,685	\$ -	\$ 20,320
Investments as of				
December 31, 2019	\$ 19,506	\$ 45	\$ -	\$ 19,551

2. Revenue from Contracts with Customers

In accordance with ASC 606 for exchange transactions, the Corporation recognizes revenue when, or as, performance obligations are satisfied under a contract. A performance obligation is the unit of account for revenue recognition and refers to a promise in a contract to transfer a distinct service or good to the customer. For the majority of contracts, the Corporation combines multiple promises into a single performance obligation due to the multiple promises being either highly interrelated or through providing a significant integration of services that represent a combined output.

Semiconductor Research Corporation and Affiliates

Notes to Combined Financial Statements

(in thousands of dollars)

Performance obligations may be satisfied over time or at a point in time, but the majority of the Corporation's performance obligations are satisfied over time.

The Corporation evaluates whether it has an enforceable contract with a customer with rights of the parties and payment terms identified, and collectability is probable. The Corporation also evaluates if a contract has multiple promises and if each promise should be accounted for as separate performance obligations or as a single performance obligation.

The transaction price is the amount of consideration defined to be received for performance under the Corporation's contracts. Contract terms define the consideration to be received or the formula for calculating the consideration to be received. The Corporation has no variable consideration in its contracts.

Member Fees

Revenue from members and infrastructure members consist of two performance obligations. The first performance obligation is general member benefits which consists of access to research results, intellectual property rights and access to research students. The performance obligation of general membership benefits is simultaneously received and consumed by the members; therefore, the revenue is recognized evenly over time during the course of the membership term. The second performance obligation is revenue related to the Research Customization Program ("RCP"). The RCP program allows certain members to direct a negotiated percentage of their fees to select university projects which are of particular interest to those members. Revenue for this program is recognized evenly over time during the term of the accompanying research projects selected as the performance obligation is not satisfied until the member selects a project for funding and that project is completed.

Revenue from thrust members consists of one performance obligation, general membership benefits as mentioned in the preceding paragraph. Revenue for these membership types is recognized evenly over time during the membership term, starting at the beginning of the membership term. Revenues from affiliate members are recognized upon receipt as participation in the program is voluntary.

Revenue from member specific research program is recognized evenly over time during the term of the accompanying research projects funded as the performance obligation is not satisfied until the member selects a project for funding and that project is completed.

Participant Revenue

Revenue from government participants consists of one performance obligation, general government participant benefits which consists of access to research results, intellectual property rights and access to research students. The performance obligation of general government participant benefits is simultaneously received and consumed by the government participants; therefore, the revenue is recognized evenly over time during the course of the government participant term, starting at the beginning of the government participant term. In the event that the related research projects are delayed, participant revenue is deferred until the related research projects commence.

Semiconductor Research Corporation and Affiliates

Notes to Combined Financial Statements

(in thousands of dollars)

Participant Fees

Revenue from NST participants consists of one performance obligation, general participant benefits which consists of access to research results, intellectual property rights and access to research students. The performance obligation of general participant benefits is simultaneously received and consumed by the participants; therefore, the revenue is recognized evenly over time during the course of the participant term. The contracts between SRCco and NST participants stipulate that any net assets which have been accumulated by SRCco from NST activities shall be returned to NST participants upon termination of the NST.

Revenue from NRI participants consists of one performance obligation, general participant benefits which consists of access to research results, intellectual property rights and access to research students. The performance obligation of general participant benefits is simultaneously received and consumed by the participants; therefore, the revenue is recognized evenly over time during the course of the participant term.

Disaggregated Revenues from Contracts with Customers

The following tables summarizes the Corporation's disaggregated revenues from contracts with customers:

<i>Year ended December 31, 2020</i>	SRC	NST	SRCEA	Total
Member fees	\$ 12,576	\$ -	\$ -	\$ 12,576
Infrastructure member fees	1,119	-	-	1,119
Thrust member fees	4,820	-	-	4,820
Research Customization Program				
member fees	3,911	-	-	3,911
Member specific research	1,548	-	-	1,548
Participant revenue	-	28,115	35	28,150
Participant fees	924	-	-	924
Fellowship revenue	118	-	-	118
Management fee revenue	28	-	-	28
Other income	9	-	-	9
Total	\$ 25,053	\$ 28,115	\$ 35	\$ 53,203

Semiconductor Research Corporation and Affiliates

Notes to Combined Financial Statements

(in thousands of dollars)

<i>Year ended December 31, 2019</i>	SRC	NST	SRCEA	Total
Member fees	\$ 11,384	\$ -	\$ -	\$ 11,384
Infrastructure member fees	767	-	-	767
Thrust member fees	5,095	-	-	5,095
Research Customization Program member fees	2,438	-	-	2,638
Member specific research	3,279	-	-	3,279
Participant revenue	793	-	-	793
Participant fees	-	28,115	206	28,321
Fellowship revenue	109	-	-	109
Management fee revenue	109	-	-	109
Other income	389	1	-	390
Total	\$ 24,363	\$ 28,116	\$ 206	\$ 52,685

Contract Accounts Receivable and Contract Liabilities

The Corporation's contract accounts receivable consists of the following:

<i>December 31,</i>	2020	2019
Billed membership fees receivable	\$ 5,647	\$ 2,497
Unbilled membership fees receivable	1,816	2,518
Total	\$ 7,463	\$ 5,015

No impairment losses on membership fees receivable were recognized during the years ended December 31, 2020 and 2019.

The following tables summarize the contract liability activity for the years ended December 31, 2020 and 2019:

<i>Year ended December 31, 2020</i>	Beginning Balance	Ending Balance
Deferred revenue	\$ 13,146	\$ 11,430
Total	\$ 13,146	\$ 11,430

<i>Year ended December 31, 2019</i>	Beginning Balance	Ending Balance
Deferred revenue	\$ 14,759	\$ 13,146
Total	\$ 14,759	\$ 13,146

Semiconductor Research Corporation and Affiliates

Notes to Combined Financial Statements

(in thousands of dollars)

At December 31, 2020 and 2019, the Corporation's aggregate amount of unsatisfied performance obligations was entirely represented by the above deferred revenue balances of \$11,430 and \$13,146, respectively. The Corporation expects the full amount outstanding as of December 31, 2020 to be recognized over the respective and remaining membership, member specific research, and participant terms.

3. Operating Leases

SRC leases office space under one noncancelable lease. The lease expires in December 2026 and has minimum rental payments as follows at December 31, 2020:

<i>Year ending December 31,</i>	<i>Amount</i>
2021	\$ 106
2022	326
2023	335
2024	343
2025	352
2026	360
Total	\$ 1,822

Rent expense was approximately \$260 and \$288 for the years ended December 31, 2020 and 2019, respectively.

4. Benefit Plans

SRC sponsors a number of defined contribution plans. The two principal defined contribution plans are the 401(k) Deferred Compensation plan and the Money Purchase Plan (collectively referred to as the "Plans") which cover all employees. Contributions to the Plans are made by SRC based on percentages of eligible compensation as determined by the Board of Directors. Expense under the 401(k) Deferred Compensation plan was approximately \$260 and \$245 for the years ended December 31, 2020 and 2019, respectively. Expense under the Money Purchase Plan was \$371 and \$336 for the years ended December 31, 2020 and 2019, respectively.

SRC also has an unfunded supplemental deferred compensation plan in which senior executives participate. SRC established a Rabbi Trust to accumulate funds to satisfy its liabilities with respect to this plan. As of December 31, 2020 and 2019, the assets and the corresponding liability related to this plan was \$0 and \$850, respectively. The assets are considered Level 1 investments. The assets and the liability are reported gross on the accompanying combined financial statements, within other noncurrent assets and other noncurrent liabilities, respectively. The Corporation terminated the supplemental deferred compensation plan during 2020.

Semiconductor Research Corporation and Affiliates

Notes to Combined Financial Statements

(in thousands of dollars)

5. Commitments and Contingencies

Beginning January 1, 2018, SRC started two new research programs under SRCco. The Joint University Microelectronics Program (“JUMP”) is a collaborative network of research centers sponsored by industry participants and the Defense Advanced research Projects agency (“DARPA”). The Nanoelectronic Computing Research program (“nCORE”) is a collaborative effort between industry partners, the National Institute of Standards and Technology (“NIST”) and the National Science Foundation (“NSF”). Expenditures under Federal contracts are subject to audit by the respective cognizant agency. As SRC has recorded contracts in accordance with the agency agreement, there are no reserves in its combined financial statements as of December 31, 2020 and 2019.

6. Income Taxes

SRC incurred income tax expense (benefit) of \$194 and benefit of \$842 during the years ended December 31, 2020 and 2019, respectively.

Income tax benefit and expense consisted of the following:

<i>Years ended December 31,</i>	2020	2019
Current:		
Federal	\$ 159	\$ 364
State	32	115
Total current income tax expense	191	479
Deferred:		
Federal	3	332
State	-	31
Total deferred income tax expense	3	363
Total income tax expense	\$ 194	\$ 842

Semiconductor Research Corporation and Affiliates

Notes to Combined Financial Statements

(in thousands of dollars)

Components of the net deferred income tax assets (liability) were as follows:

<i>Years ended December 31,</i>	2020	2019
Fixed assets	\$ 2	\$ 12
Net Operating Loss	407	
Deferred revenue	423	1,321
Total deferred tax assets	832	1,333
Valuation allowance	(832)	(1,333)
Total deferred tax assets, net	-	-
Unrealized gain on investments	(398)	(395)
Total deferred tax liability	\$ (398)	\$ (395)

No unrecognized tax benefits existed as of December 31, 2020 and 2019. SRC did not have any additions to its unrecognized tax benefit resulting from uncertain tax positions related to either the current or prior years, and had no reductions resulting due to settlements. The Corporation does not expect any change in unrecognized tax benefits within the next fiscal year.

7. Net Assets

Net assets without donor restriction are comprised of the following components:

<i>December 31,</i>	2020	2019
Undesignated	\$ 13,427	\$ 14,865
Board designated	20,741	20,124
Total	\$ 34,168	\$ 34,989

8. Related Parties

In 1996, SRC began utilizing personnel from members' companies to assist in program related activities. SRC pays for these services at rates consistent with other providers. Payments for administrative services received from these personnel for the years ended December 31, 2020 and 2019 were approximately \$474 and \$540, respectively, and are included within management and general expense in the accompanying combined statements of activities. Additionally, the majority of the Corporation's board of directors is made up of individuals from member organizations.

Semiconductor Research Corporation and Affiliates

Notes to Combined Financial Statements

(in thousands of dollars)

9. Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to concentration of credit risk consist principally of cash and cash equivalents. The Corporation places its cash and cash equivalents in the United States primarily in federally insured financial institutions, which limits its credit exposure. At times, these cash amounts may be in excess of the Federal Deposit Insurance Corporation insurance limits.

A majority of SRC's and SRCco's revenues are generated from membership fees assessed to participating companies in the semiconductor industry. For the year ended December 31, 2020, three companies comprised 38.5%, 23.2% and 6.7% of SRC's membership revenues. For the year ended December 31, 2019, three companies comprised 39.9%, 24.9% and 7.6% of SRC's membership revenues. For the years ended December 31, 2020 and 2019, three companies comprised 47.0%, 9.8% and 8.7% of SRCco's membership revenues.

Semiconductor Research Corporation and Affiliates

Notes to Combined Financial Statements

(in thousands of dollars)

10. Expenses by Both Nature and Function

The combined financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Corporation. Functional expense by natural classification were as follows:

<i>Year ended December 31, 2020</i>	SRC	NST	NRI	SRCEA	Total
Program Services					
Research contracts and grants given to universities	\$ 19,075	\$ 48,627	\$ -	\$ -	\$ 67,702
Intellectual property	196	435	-	-	631
Hosted conferences and events	137	-	-	-	137
Student support, scholarships and awards	300	120	-	36	456
Total Program Services	19,708	49,182	-	36	68,926
Management and General					
Salaries, employee benefits and related taxes	2,566	1,712	-	13	4,291
Professional fees and contract services	454	387	-	-	842
Conferences, travel and staff development	22	3	-	-	25
Occupancy and maintenance	307	-	-	-	307
Supplies, communications, shipping and other	105	17	-	-	122
Business insurance	38	-	-	-	38
Depreciation	30	-	-	-	30
Non payroll tax expense	201	1	-	-	202
Cost allocation	(220)	220	-	-	-
Total Management and General	3,503	2,341	-	13	5,857
Total Functional Expenses	\$ 23,211	\$ 51,523	\$ -	\$ 49	\$ 74,783

Semiconductor Research Corporation and Affiliates

Notes to Combined Financial Statements

(in thousands of dollars)

Year ended December 31, 2019

	SRC	NST	NRI	SRCEA	Total
Program Services					
Research contracts and grants given to universities	\$ 18,572	\$ 46,158	\$ 953	\$ 62	\$ 65,745
Intellectual property	214	256	14	-	484
Hosted conferences and events	349	114	-	-	463
Student support, scholarships and awards	147	120	-	197	464
Total Program Services	19,282	46,648	967	259	67,156
Management and General					
Salaries, employee benefits and related taxes	2,721	1,413	94	25	4,252
Professional fees and contract services	688	350	31	-	1,069
Conferences, travel and staff development	110	89	11	-	210
Occupancy and maintenance	354	-	-	-	354
Supplies, communications, shipping and other	190	13	-	-	203
Business insurance	48	-	-	-	48
Depreciation	56	-	-	-	56
Non payroll tax expense	852	-	1	-	853
Cost allocation	(397)	368	29	-	-
Total Management and General	4,622	2,233	166	25	7,046
Total Functional Expenses	\$ 23,904	\$ 48,881	\$ 1,133	\$ 284	\$ 74,202

Semiconductor Research Corporation and Affiliates

Notes to Combined Financial Statements

(in thousands of dollars)

11. COVID-19 Impacts

The full impact of the COVID-19 pandemic continues to evolve as of the date of this report. As such, the Corporation is uncertain as to the full magnitude that the pandemic will have on the Corporation's financial condition, liquidity, and future results of operations. The Corporation is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Corporation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021. Although the Corporation cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Corporation's results of future operations, financial position, and liquidity in fiscal year 2021. As of the date of this report, the Corporation has not seen a material negative impact to its operations due to the COVID-19 pandemic.

12. Subsequent Events

The Corporation has evaluated subsequent events from December 31, 2020 (the date of the most recent combined statements of financial position) through July 22, 2021 (the date of the audit report and the date the combined financial statements were available to be issued).

**Reports and Schedules Required by *Government Auditing Standards*
and the Uniform Guidance**



Independent Auditor’s 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*

The Board of Directors
Semiconductor Research Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Semiconductor Research Corporation and its affiliates (collectively referred to as “SRC”), which comprise the combined statement of financial position as of December 31, 2020, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated July 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered SRC’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SRC internal control. Accordingly, we do not express an opinion on the effectiveness of SRC’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 combined 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 SRC's combined 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 determination of combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

July 22, 2021



Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Semiconductor Research Corporation

Report on Compliance for Each Major Federal Program

We have audited Semiconductor Research Corporation and its affiliates’ (collectively referred to as “SRC”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SRC’s major federal programs for the year ended December 31, 2020. SRC’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of SRC’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SRC’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of SRC’s compliance.

Opinion on Each Major Federal Program

In our opinion, SRC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.



Report on Internal Control Over Compliance

Management of SRC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SRC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SRC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.

BDO USA, LLP

July 22, 2021

Semiconductor Research Corporation and Affiliates

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

(in thousands of dollars)

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Total Federal Expenditures	Provided to Subrecipients
EXPENDITURES OF FEDERAL AWARDS:			
Research and Development Cluster:			
U.S. Department of Commerce:			
National Institute of Standards and Technology			
Measurement and Engineering Research and Standards	11.609	\$ 2,843	\$ 2,843
Total U.S. Department of Commerce		2,843	2,843
Total Research and Development Cluster		2,843	2,843
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 2,843	\$ 2,843

See accompanying notes to schedule of expenditures of federal awards.

Semiconductor Research Corporation

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Semiconductor Research Corporation and its affiliates ("SRC") under programs of the federal government for the year ended December 31, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of SRC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of SRC.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

SRC has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. No indirect costs were expended during the year ended December 31, 2020.

4. Contingencies

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of SRC. In the opinion of management, and with the exception of certain findings presented in the accompanying schedule of findings and questioned costs, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

Semiconductor Research Corporation

Schedule of Findings and Questioned Costs Year Ended December 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

11.609

Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

Semiconductor Research Corporation

Schedule of Findings and Questioned Costs Year Ended December 31, 2020

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting.

No financial statement findings were identified that are required to be reported.

Semiconductor Research Corporation

Schedule of Findings and Questioned Costs Year Ended December 31, 2020

Section III - Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by 2 CFR 200.516(a) (for example, significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs and material abuse). Where practical, findings should be organized by federal agency or pass-through entity.

No federal award findings were identified that are required to be reported.

