



Semiconductor
Research
Corporation

SEMICONDUCTOR RESEARCH CORPORATION

2023 ANNUAL REPORT

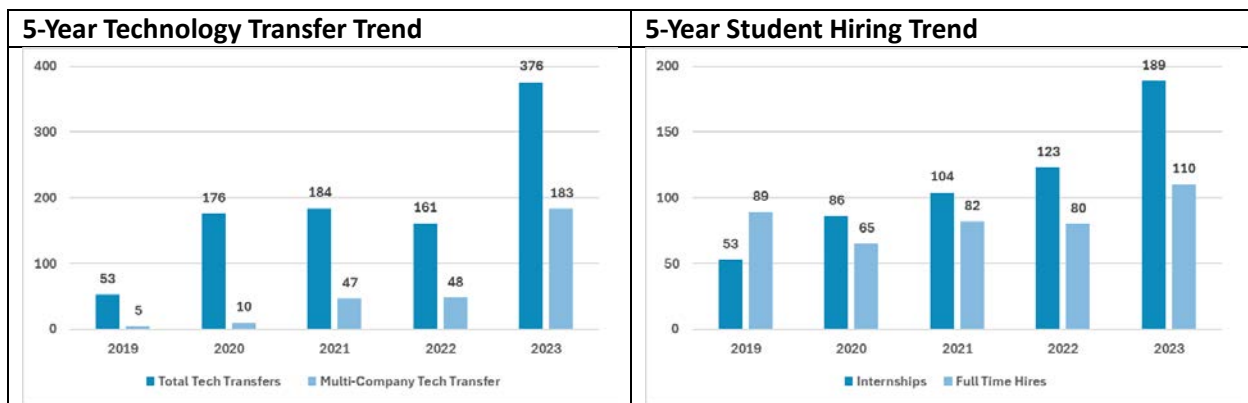
Driving Collaborative Innovation

Charting a Sustainable Path Forward for Both Semiconductors and Their Community of Innovators

In 2023, the Semiconductor Research Corporation (SRC) made significant strides to advance semiconductor research and innovation, aligning its initiatives to the critical needs of the industry as outlined in SRC's [Decadal Plan for Semiconductors](#).

Select high level accomplishments in 2023 included:

- SRC added >\$100M into academic research, education, and workforce development.
- Started 283 new multi-year projects involving 190 principal investigators at 64 schools.
- Launched a new research platform, [Pillar Science](#), enabling 5x user growth and engagement.
- 50% of our [TECHCON](#) Student Showcase presenters were women & underrepresented minorities.
- SRC doubled the number of undergraduate students it supported vs. 2022.
- It created a Workforce Development plan and new Workforce Advisory Board to back the plan.
- SRC supported the [CHIPS R&D Office](#) and associated activities throughout the year.
- Realized 355 instances of technology transfer into SRC member companies.
- Drove 121 internships and 110 full-time hires of SRC students into SRC member companies.



One of the most notable developments of the year was the launch of the Joint University Microelectronics Program 2.0 ([JUMP 2.0](#)) in January 2023. A collaboration between SRC, Defense Advanced Research Projects Agency (DARPA), industry, and academic stakeholders, JUMP 2.0 builds upon the momentum provided by [DARPA's ERI](#) and the [JUMP](#) Initiative, which concluded in 2023 and is summarized in the New Science Team (NST) retrospective in the following pages. JUMP 2.0 will run from 2023-2027 and is focused on high-risk, high-reward research through seven thematic multi-university research Centers, each dedicated to a critical area of microelectronics. These Centers are exploring longer-term, pathfinding research that will substantially increase the performance, efficiency, and capabilities of broad classes of electronics systems for both commercial and military applications.

In parallel, SRC released the Microelectronics and Advanced Packaging Technologies ([MAPT](#)) Roadmap in October 2023. This Roadmap is a continuation of the Decadal Plan for Semiconductors and identifies the critical research priorities needed to support the seismic shifts facing industry in the next decade and beyond. The MAPT Roadmap is framed by the fundamental and practical limits of information and communications technology (ICT) sustainability, namely energy, environmental, and workforce

sustainability. The MAPT Roadmap outlines a comprehensive strategy for overcoming the physical limits faced by the industry for these three key vectors, highlighting critical areas such as 3D heterogeneous integration, Electronic Design Automation (EDA) that fuses digital with thermomechanical, and the development of new materials to drive next generation technologies forward. But, developing technologies alone will be insufficient to meet the needs of the industry, so we must commit ourselves to winning over the hearts and minds of the next generation of innovators, supporting and training them so that they might contribute to the success of the manufacturing initiatives that are coming online.

Microelectronics and Advanced Packaging Technologies (MAPT) Roadmap



Learn more @ <https://srcmapt.org/>

These efforts were supported by ongoing federal and private sector investments, which play a crucial role in maintaining our industry's competitive edge. The MAPT Roadmap and JUMP 2.0, in particular, demonstrate SRC's commitment to fostering innovation that keeps us at the forefront of global R&D and WFD. They not only address the underlying technical challenges but also lay the groundwork for the development of transformative technologies that will create a bright future.

Overall, 2023 was a pivotal year for SRC, marked by strategic collaborations, the launch of groundbreaking research initiatives, and the continued execution of its long-term vision for the semiconductor industry. These efforts are positioning SRC as a clear leader to address the critical technological challenges of our time. Thank you for your continued support of SRC and its innovation community.

Dr. Todd R. Younk
President and CEO

Electors of SRC are on the Semiconductor Industry Association (SIA) board and financials will be sent to the SIA CEO to be delivered to the SIA board members.

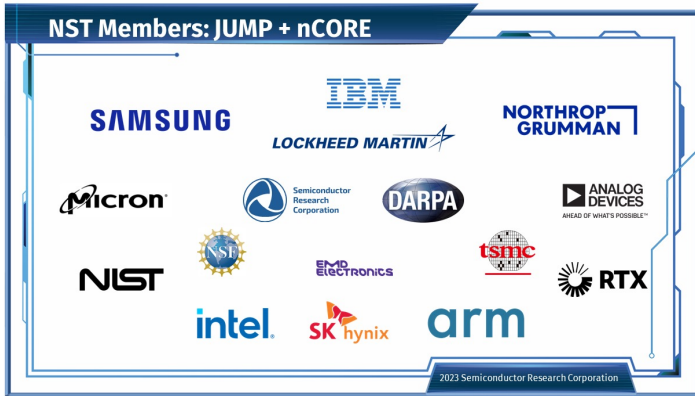
The consolidated financial statements are presented for convenience and information purposes only, and while reasonable efforts have been made to ensure the integrity of such information, they should not be relied on. A copy of the printed consolidated financial statements will be provided on request.

NST PROGRAM RETROSPECTIVE: HIGHLIGHTS AND ACHIEVEMENTS



From 2018-2023, Semiconductor Research Corporation initiated and led a public-private partnership called the New Science Team (NST) with a combined investment of over 300 million dollars. Dedicated to a smart, autonomous, safe, connected, efficient, and affordable future, the New Science Team germinated two complementary research programs:

- **Joint University Microelectronics Program (JUMP)** – co-sponsored by commercial and defense industry + DARPA
- **nanoelectronics Computing Research (nCORE)** – co-sponsored by commercial and defense industry + NIST / NSF



JUMP and nCORE featured some differences that made them perfect partners. JUMP and nCORE allocated funds differently for the various components of the design hierarchy stack. The JUMP program tended to fund “systems research” higher in the stack while the nCORE program tended to fund “device research” as a foundational element for future systems. JUMP was co-funded by DARPA while nCORE was co-funded by NIST and the National Science Foundation. Each program was a collaborative network of focus centers based in over 25 states at 35 and 30 U.S. universities respectively. NST educated at least 1846 students over its years of operation. As of October 2023, NST has concluded operations.

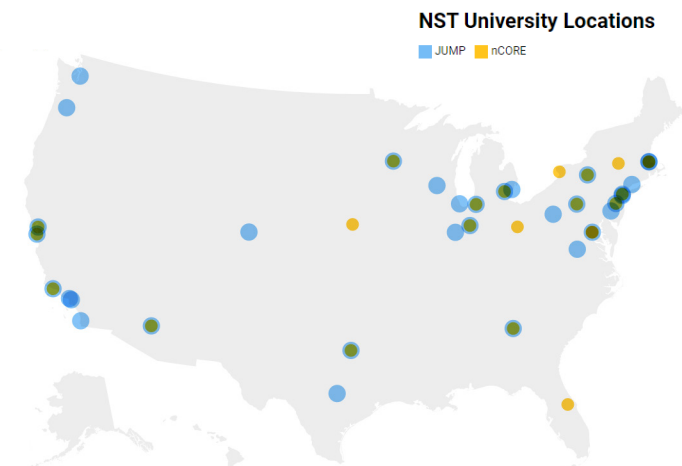
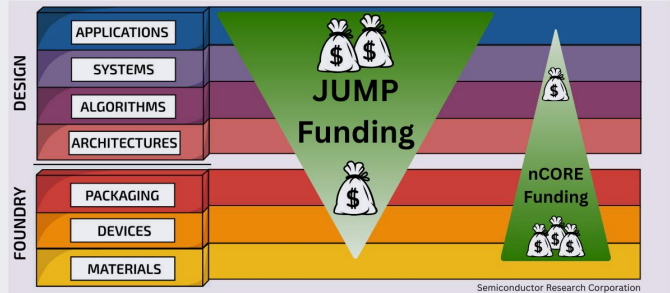
Key Characteristics of NST (JUMP + nCORE)

| | |
|---------------------|--|
| Research Management | University-directed |
| Research | Center and Task based |
| Time frame | 5 Year plan with mid-program adjustments |
| University Makeup | U.S. Universities |
| Membership Makeup | International Membership |

These two programs funded focused, long-term research at U.S. universities aimed at investing in materials, hardware, design, and novel architectures to move beyond the traditional 2D-scaling paradigm known as “Moore’s Law.” By leveraging SRC’s consortial model, government agencies, industry sponsors, and university researchers pursued the high-risk, high-payoff research needed to address existing and emerging challenges in microelectronic technologies. Solutions were pursued throughout the microelectronics design hierarchy stack, from materials to end applications, and across technology implementation in RF/Analog, Extended CMOS, and Beyond CMOS.

Complementary programs provide a greater reach and more efficient use of tax dollars

Complementary programs provide a greater reach and more efficient use of tax dollars



The significant achievements resulting from the NST program underscore its remarkable impact.

| Program Impact, Since Inception | JUMP | nCORE |
|--------------------------------------|------------|------------|
| Approximate Annual impact (\$) | \$48 M/yr. | \$13 M/yr. |
| U.S. Universities Represented | 35 | 30 |
| Research Tasks | 259 | 85 |
| Students | 1,593 | 253 |
| Faculty Researchers | 168 | 89 |
| Industrial and Government Liaisons | 542 | 218 |
| Publications | 6,224 | 1,376 |
| Patent Applications to USPTO to date | 122 | 50 |
| Patents Issued by USPTO | 22 | 12 |

The grand challenges that drove JUMP's mission supported long-term research focused on high performance, energy efficient microelectronics for end-to-end sensing and actuation, signal and information processing, communication, computing, and storage solutions to produce cost-effective, secure, and paradigm-shifting business opportunities. **The research was divided into six topical Centers of Excellence.**

- **ADA Center**
focused on reigniting system design innovation for advanced architecture and algorithms
- **ASCENT Center**
focused on foundational materials, devices, and packaging technologies to support heterogeneous integration for the next era of "functional hyper-scaling"
- **CBRIC Center**
delivered key advances in cognitive computing beyond CPUs, GPUs, and simple Neural Networks (NNs) to enable a new generation of autonomous intelligent systems
- **COMSENTER Center**
developed technologies for cellular infrastructure using hubs with massive spatial multiplexing and D-band frequencies
- **CONIX Center**
provided a new middle tier of distributed computing by tightly coupling the cloud and the edge by pushing out autonomy and intelligence into the network using XR as the application driver
- **CRISP Center**
significantly lowered the programming barrier of effort to achieve highly portable, close-to-the-metal, and understandable performance across a wide range of heterogeneous, intelligent memory architectures, using genomics and personalized medicine as the primary drivers

Conversely, the nCORE program explored fundamental materials, devices, and interconnect solutions to enable future computing and storage paradigms beyond conventional CMOS, beyond von Neumann architecture, and beyond classical information processing/storage. The NEW LIMITS Center had a vertically integrated mission to develop synthesis, integration, and evaluation schemes for new materials for logic, memory, and interconnect applications. The mission of the SMART Center was to accelerate the development of beyond-CMOS building blocks with advanced spintronic materials and devices capable of exponential scaling. Lastly, the IMPACT Center focused on computational modeling with synergistic experimentation to support novel interconnect materials implementable in the medium term to the far future.

The SRC research model, which emphasizes cooperative collaboration, is remarkable. The NST program produced >10,000 documented interactions between industry and academia that resulted in >200 instances of meaningful technology transfer. Here are some standout examples:



"CHIPKIT," an agile and reusable open-source framework that provides basic IO, an on-chip programmable host, off-chip hosting, memory, and peripherals and is accelerating test chip development and validation.



"NeuroSim," an integrated device-to-algorithm framework for benchmarking synaptic devices and array architectures. It is a circuit-level model for benchmarking neuro-inspired architectures based on CMOS and emerging memories.



A 140 GHz massive MIMO hub, picocell, and handset array that validates the principle of demonstrator platforms and is establishing itself as a leading testbed for 6G system research in communications and sensing.



"ARENA," an Augmented Reality Edge Networking Architecture that is quickly becoming a platform for real-time XR interaction between multiple users and the physical world.



Thought leadership that has resulted in SRC's 2030 Decadal Plan for Semiconductors. The five seismic shifts outlined in the Decadal Plan give researchers a clear plan on the important problems to solve today.

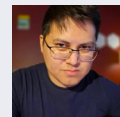


Lived research experience that has informed SRC's recently published Microelectronics and Advanced Packaging Technologies Roadmap, which aims to develop the packaging ecosystem to support new chip, chiplet and SiP technologies while enabling the workforce development of the next generation of semiconductor workers.



The World's 1st Embedded Die with D-Band Integrated Antenna in a Glass Interposer was developed by Madhavan Swaminathan's group in JUMP's ComSenTer and ASCENT centers. This research graduated to the next level through its inclusion in Qorvo's RF Packaging program, SHIP (State-of-the-Art Heterogeneous Integrated Packaging).

Beyond the research results, NST had a significant impact on workforce development. NST educated at least 1846 students over its years of operation. Here are some stellar NST students.



Onri Jay Benally, pursuing PHD in Electrical Engineering (2027) at University of Minnesota; Participated in nCORE SMART Center.



Dr. Aristide Gumyusenge, PHD in Chemistry (2019) from Purdue University; Currently Assistant Professor at MIT; participated in nCORE IMPACT Center.



Dr. Mohsen Imani, PHD in Computer Science and Engineering (2020) from UC San Diego; currently Assistant Professor at UC Irvine; participated in JUMP CRISP Center.



Dr. Isha Datye, PHD in Electrical Engineering (2020) from Stanford University; Currently Principal Engineer at TSMC; participated in JUMP ASCENT Center.



Dr. Joonseop Sim, PHD in Electrical Engineering (2020) from UC San Diego; Currently Principal Engineer at SK hynix; participated in JUMP CRISP Center.



Semiconductor Research Corporation and Affiliates

Consolidated Financial Statements Years Ended December 31, 2023 and 2022

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Semiconductor Research Corporation and Affiliates

Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

Semiconductor Research Corporation and Affiliates

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Independent Auditor's Report

The Board of Directors
Semiconductor Research Corporation and Affiliates
Durham, North Carolina

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Semiconductor Research Corporation and its affiliates (collectively referred to as the "Corporation"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities 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 Corporation as of December 31, 2023 and 2022, 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"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

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

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



Auditor's 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 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 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 GAAS, 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 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 consolidated 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.



Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules of activities are presented for the purposes of additional analysis and are 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. Such 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

BDO USA, P.C.

July 25, 2024

Consolidated Financial Statements

Semiconductor Research Corporation and Affiliates

Consolidated Statements of Financial Position

(in thousands of dollars)

| December 31, | 2023 | 2022 |
|---|------------------|------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 44,036 | \$ 54,490 |
| Investments | 20,405 | 18,325 |
| Membership fees receivable, net | 9,541 | 2,398 |
| Grants receivable | - | 2,228 |
| Other current assets | 1,289 | 1,109 |
| Total current assets | 75,271 | 78,550 |
| Fixed assets | | |
| Computer and office equipment | 854 | 854 |
| Furniture and fixtures | 235 | 235 |
| Total fixed assets | 1,089 | 1,089 |
| Less - accumulated depreciation | (1,086) | (1,068) |
| Net fixed assets | 3 | 21 |
| Operating lease right-of-use assets | 1,684 | 1,684 |
| Less - accumulated amortization | (826) | (547) |
| Net operating lease right-of-use assets | 858 | 1,137 |
| Total Assets | \$ 76,132 | \$ 79,708 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Current liabilities | | |
| Research contracts payable | \$ 32,208 | \$ 27,143 |
| Accounts payable and accrued expenses | 1,485 | 2,421 |
| Deferred revenue | 13,611 | 7,121 |
| Deferred tax liability | 690 | 387 |
| Other current liabilities | 334 | 322 |
| Total current liabilities | 48,328 | 37,394 |
| Other noncurrent liabilities | 705 | 1,039 |
| Total Liabilities | 49,033 | 38,433 |
| Net Assets Without Donor Restrictions | 27,099 | 41,275 |
| Total Liabilities and Net Assets | \$ 76,132 | \$ 79,708 |

See accompanying notes to consolidated financial statements.

Semiconductor Research Corporation and Affiliates

Consolidated Statements of Activities

(in thousands of dollars)

| Years ended December 31, | 2023 | 2022 |
|--|------------------|------------------|
| Change in Net Assets Without Donor Restrictions | | |
| Revenues and gains | | |
| Member fees and participant revenue and fees | \$ 41,152 | \$ 44,771 |
| Infrastructure member fees | 446 | 1,373 |
| Thrust member fees | 8,222 | 6,630 |
| Net realized and change in net unrealized gains (losses) on investments | 1,493 | (3,620) |
| Investment income, net | 1,227 | 476 |
| Grant revenue | 18,849 | 16,896 |
| Fellowship revenue | - | 138 |
| Other income | 7 | - |
| Total revenues and gains | 71,396 | 66,664 |
| Expenses | | |
| Contract research and grant expense | 78,833 | 55,846 |
| Graduate fellowship program | 85 | 251 |
| Management and general | 6,143 | 7,139 |
| Income tax expense (benefit) | 511 | (257) |
| Total expenses | 85,572 | 62,979 |
| Change in Net Assets Without Donor Restrictions | (14,176) | 3,685 |
| Net Assets Without Donor Restrictions, at beginning of year | 41,275 | 37,590 |
| Net Assets Without Donor Restrictions, end of year | \$ 27,099 | \$ 41,275 |

See accompanying notes to consolidated financial statements.

Semiconductor Research Corporation and Affiliates

Consolidated Statements of Cash Flows

(in thousands of dollars)

| Years ended December 31, | 2023 | 2022 |
|--|------------------|------------------|
| Operating Activities | | |
| Change in net assets | \$ (14,176) | \$ 3,685 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation | 18 | 41 |
| Amortization | 279 | 275 |
| Deferred taxes | 303 | (330) |
| Net realized and change in net unrealized (gains) losses on investments | (1,493) | 3,620 |
| Changes in operating assets and liabilities: | | |
| Membership fees receivable | (7,143) | 2,227 |
| Grants receivable | 2,228 | (1,564) |
| Other assets | (180) | (741) |
| Research contracts payable | 5,065 | (1,942) |
| Accounts payable and accrued expenses | (936) | 756 |
| Deferred revenue | 6,490 | (2,446) |
| Other liabilities | (322) | (310) |
| Net Cash (Used in) Provided by Operating Activities | (9,867) | 3,271 |
| Investing Activities | | |
| Purchases of investments | (9,431) | (19,685) |
| Proceeds from sale of investments | 8,844 | 18,536 |
| Net Cash Used in Investing Activities | (587) | (1,149) |
| (Decrease) Increase in Cash and Cash Equivalents | (10,454) | 2,122 |
| Cash and Cash Equivalents, beginning of year | 54,490 | 52,368 |
| Cash and Cash Equivalents, end of year | \$ 44,036 | \$ 54,490 |
| Supplemental Disclosures of Cash Flow Information | | |
| Federal and state income taxes paid | \$ 251 | \$ 527 |

See accompanying notes to consolidated financial statements.

Semiconductor Research Corporation and Affiliates

Notes to Consolidated Financial Statements

(in thousands of dollars)

1. Description of Organization and Summary of Significant Accounting Policies

Background and Basis of Consolidation

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 \$1.82 billion since inception through December 31, 2023 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. These fees are subject to certain limitations. Membership fees are based on negotiations between the member corporation and the Corporation and are a set fee.

The consolidated financial statements include the accounts of Semiconductor Research Corporation Education Alliance (“SRCEA”), SRCco Inc. (“SRCco”), formerly known as Microelectronics Advanced Research Corporation and SRC Manufacturing Consortium Corporation (“SRCMCC”). SRCEA was a nonprofit 501(c)(3) education organization and was closed during the year ended December 31, 2022. The organization managed Scholarship and Fellowship Programs and Undergraduate Engineering Programs. SRCco is a nonprofit 501(c)(6) organization formed in 1997 and manages U.S. university-based pre-competitive New Science Team (“NST”) and the New Science Team++ (“NST++”) Initiatives in semiconductor technology. SRCMCC is a nonprofit 501(c)(6) organization formed during the year ended December 31, 2022. SRCco, SRCEA and SRCMCC have been consolidated with SRC in the accompanying consolidated 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 consolidation.

Basis of Accounting and Presentation

The consolidated 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, 2023 and 2022, SRC did not have any net assets with donor restrictions.

Semiconductor Research Corporation and Affiliates

Notes to Consolidated Financial Statements

(in thousands of dollars)

Use of Estimates

The preparation of consolidated 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. The Corporation maintains cash balances with various financial institutions, which at times may exceed the Federal Deposit Insurance Corporation limits. At December 31, 2023 and 2022, the Corporation had cash balances of approximately \$43,536 and \$53,990 that exceeded the federally insured limits.

Grants Receivable

All grants receivable balances were unbilled at December 31, 2023 and 2022. No impairment losses on grants receivable were recognized during the years ended December 31, 2023 and 2022.

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 as the Corporation fulfills its performance obligations or has the right to bill its members. Membership fees receivable include both billed and unbilled amounts.

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 consolidated 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 \$404 and \$749 were included in deferred revenue as of December 31, 2023 and 2022, 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.

Semiconductor Research Corporation and Affiliates

Notes to Consolidated Financial Statements

(in thousands of dollars)

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 |

Fixed assets under lease agreements are depreciated over the lesser of the assets' estimated useful life or lease term.

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 consolidated statements of activities are industry support expenses totaling approximately \$1,088 and \$1,189 for the years ended December 31, 2023 and 2022, 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

The costs of providing program services have been summarized on a functional basis. 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.

Semiconductor Research Corporation and Affiliates

Notes to Consolidated Financial Statements

(in thousands of dollars)

Income Taxes

SRC operates as a nonprofit taxable mutual benefit corporation, incorporated in the State of California. SRCco is exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code. SRCEA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As of December 31, 2023, SRCMCC's tax exempt status from the Internal Revenue Service was pending approval.

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.

Liquidity and Availability of Financial Resources

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

| <i>December 31,</i> | 2023 | 2022 |
|--|-------------|-------------|
| Cash and cash equivalents | \$ 44,036 | \$ 54,490 |
| Investments | 20,405 | 18,325 |
| Membership fees and grants receivable | 9,541 | 4,626 |
| Total financial assets available within one year | 73,982 | 77,441 |
| Amounts unavailable to management without Board's approval: | | |
| Cash and cash equivalents | (355) | (395) |
| Investments | (20,405) | (18,325) |
| Total amounts unavailable to management without Board's approval | (20,760) | (18,720) |
| Total financial assets available to management for general expenditure within one year | \$ 53,222 | \$ 58,721 |

Semiconductor Research Corporation and Affiliates

Notes to Consolidated Financial Statements

(in thousands of dollars)

Recent Accounting Pronouncements

Allowance for Credit Losses

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* (“FASB ASC 326”), which introduces the current expected credit losses methodology. Among other things, FASB ASC 326 requires the measurement of all expected credit losses for financial assets, including loans and available-for-sale debt securities, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The new model requires organizations to calculate all probable and estimable losses that are expected to be incurred through the loan’s entire life. FASB ASC 326 also requires the allowance for credit losses for purchased financial assets with credit deterioration since origination to be determined in a manner similar to that of other financial assets measured at amortized cost; however, the initial allowance will be added to the purchase price rather than recorded as credit loss expense.

Financial assets held by the Corporation that are subject to the guidance in FASB ASC 326 include its trade accounts receivable, which are presented as membership fees receivable on the accompanying consolidated statements of financial position.

The Corporation adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in new as well as enhanced disclosures only.

Investments

SRC invests primarily in mutual funds and annuities 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 consolidated statements of activities.

Semiconductor Research Corporation and Affiliates

Notes to Consolidated Financial Statements

(in thousands of dollars)

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

| | 2023 | | 2022 | |
|--------------------------------------|------------------|------------------------|------------------|------------------------|
| | Cost | Estimated Market Value | Cost | Estimated Market Value |
| U.S. equities | \$ - | \$ - | \$ 3 | \$ 3 |
| U.S. government obligations | 393 | 396 | 393 | 391 |
| Mutual funds | 15,062 | 16,236 | 10,691 | 10,474 |
| Corporate obligations | 168 | 172 | 168 | 167 |
| Mortgage and asset backed securities | 16 | 15 | 19 | 17 |
| Exchange traded products | 867 | 874 | 5,443 | 4,659 |
| Annuities | 2,550 | 2,712 | 2,550 | 2,614 |
| Total | \$ 19,056 | \$ 20,405 | \$ 19,267 | \$ 18,325 |

At December 31, 2023 and 2022, SRC's investment portfolio included \$355 and \$395, respectively, in money market funds which are reflected as cash and cash equivalents in the accompanying consolidated 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 consolidated statements of activities for the years ended December 31, 2023 and 2022 are as follows:

| Years ended December 31, | 2023 | 2022 |
|---|-----------------|-------------------|
| Interest and dividend income, including earnings on cash and cash equivalents | \$ 1,267 | \$ 518 |
| Net realized losses | (666) | (1,166) |
| Change in net unrealized gains (losses) | 2,159 | (2,454) |
| Investment fees | (40) | (42) |
| Net investment return | \$ 2,720 | \$ (3,144) |

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:

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(in thousands of dollars)

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 consolidated 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.

Investments

U.S. equities and exchange traded products - Valued at the closing price reported on the active market on which the individual securities are traded.

U.S. government obligations, mutual funds, mortgage, asset backed securities and annuities and corporate obligations - Valued from inputs other than quoted prices that are observable for the asset, such as yield curves, interest rate and credit default rates.

A summary of the inputs used in the measurement of fair value, as of December 31, 2023 and 2022, involving the Corporation's assets carried at fair value, is as follows:

| <i>December 31, 2023</i> | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------|-----------|----------|---------|-----------|
| Investments | | | | |
| U.S. equities | \$ - | \$ - | \$ - | \$ - |
| U.S. government obligations | 396 | - | - | 396 |
| Mutual funds | 16,236 | - | - | 16,236 |
| Corporate obligations | - | 172 | - | 172 |
| Mortgage and asset backed securities | - | 15 | - | 15 |
| Exchange traded products | 874 | - | - | 874 |
| Annuities | - | 2,712 | - | 2,712 |
| Total | \$ 17,506 | \$ 2,899 | \$ - | \$ 20,405 |

Semiconductor Research Corporation and Affiliates

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(in thousands of dollars)

| December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------|------------------|-----------------|-------------|------------------|
| Investments | | | | |
| U.S. equities | \$ 3 | \$ - | \$ - | \$ 3 |
| U.S. government obligations | 391 | - | - | 391 |
| Mutual funds | 10,474 | - | - | 10,474 |
| Corporate obligations | - | 167 | - | 167 |
| Mortgage and asset backed securities | - | 17 | - | 17 |
| Exchange traded products | 4,659 | - | - | 4,659 |
| Annuities | - | 2,614 | - | 2,614 |
| Total | \$ 15,527 | \$ 2,798 | \$ - | \$ 18,325 |

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 consolidated output. 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

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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.

Participant Fees

Revenue from NST and 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, NST and NST++ participants stipulate that any net assets which have been accumulated by SRCco from NST and NST++ activities shall be returned to NST and NST++ participants upon termination of the NST and NST++.

Disaggregated Revenues from Contracts with Customers

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

| <i>Year ended December 31, 2023</i> | SRC | NST | Total |
|---|------------------|------------------|------------------|
| Member fees | \$ 13,211 | \$ - | \$ 13,211 |
| Infrastructure member fees | 422 | - | 422 |
| Thrust member fees | 8,222 | - | 8,222 |
| Research Customization Program member fees | 2,220 | - | 2,220 |
| Participant fees | - | 25,400 | 25,400 |
| Participant revenue | 345 | - | 345 |
| Other income | 7 | - | 7 |
| Total | \$ 24,427 | \$ 25,400 | \$ 49,827 |

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Notes to Consolidated Financial Statements

(in thousands of dollars)

| <i>Year ended December 31, 2022</i> | SRC | NST | Total |
|---|------------------|------------------|------------------|
| Member fees | \$ 13,168 | \$ - | \$ 13,168 |
| Infrastructure member fees | 953 | - | 953 |
| Thrust member fees | 6,630 | - | 6,630 |
| Research Customization Program member fees | 3,482 | - | 3,482 |
| Member specific research | 29 | - | 29 |
| Participant fees | - | 28,115 | 28,115 |
| Participant revenue | 397 | - | 397 |
| Fellowship revenue | 138 | - | 138 |
| Total | \$ 24,797 | \$ 28,115 | \$ 52,912 |

Contract Accounts Receivable and Contract Liabilities

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

| <i>December 31,</i> | 2023 | 2022 |
|--|-----------------|-----------------|
| Billed membership fees receivable | \$ 9,226 | \$ 2,041 |
| Unbilled membership fees receivable | 318 | 357 |
| Less allowance for credit losses | (3) | - |
| Membership fees receivable, net | \$ 9,541 | \$ 2,398 |

No impairment losses on membership fees receivable were recognized during the years ended December 31, 2023 and 2022.

Accounts receivable consists of amounts billed to members and participants. Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The Corporation separates accounts receivable into risk pools based on the activity in which the receivable was incurred and their aging. In determining the amount of the allowance as of the balance sheet date, the Corporation develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. At December 31, 2023, the Corporation did not increase its historical loss rates for each aging category due to the projected growth of the semiconductor industry.

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Changes in the allowance for credit losses for the year ended December 31, 2023 were as follows:

| | | |
|--|----|-----|
| Balance, beginning of year | \$ | - |
| Impact of the adoption of FASB ASC 326 | | (3) |
| Provisions | | - |
| Write-offs | | - |
| Balance, end of year | \$ | (3) |

The following tables summarize the contract liability activity for the years ended December 31, 2023 and 2022:

| <i>Year ended December 31, 2023</i> | Beginning Balance | Ending Balance |
|-------------------------------------|----------------------|-------------------|
| Deferred revenue | \$ 7,121 | \$ 13,611 |
| Total | \$ 7,121 | \$ 13,611 |

| <i>Year ended December 31, 2022</i> | Beginning Balance | Ending Balance |
|-------------------------------------|----------------------|-------------------|
| Deferred revenue | \$ 9,567 | \$ 7,121 |
| Total | \$ 9,567 | \$ 7,121 |

At December 31, 2023 and 2022, the Corporation's aggregate amount of unsatisfied performance obligations was entirely represented by the above deferred revenue balances of \$13,611 and \$7,121, respectively. The Corporation expects the full amount outstanding as of December 31, 2023 and 2022 to be recognized over the respective and remaining membership, member specific research, and participant terms.

3. Operating Leases

The Corporation leases office space under an operating lease. The Corporation determines whether a contract is a lease at inception. Identified leases are subsequently measured, classified, and recognized at lease commencement. The Corporation categorizes leases with contractual terms longer than twelve months as either operating or finance. The Corporation's leases generally have terms that range from one to five years, with certain leases inclusive of renewal options if they are considered to be reasonably assured at lease commencement.

Lease right of use assets and lease liabilities are included in operating lease right-of-use assets and other liabilities, respectively, on the consolidated statements of financial position. Lease assets represent the Corporation's right to use an underlying asset for the lease term and lease liabilities represent the Corporation's obligation to make lease payments arising from the lease. Right of use assets (net of accumulated amortization) relating to the operating leases at December 31, 2023 and 2022 were \$858 and \$1,137, respectively. Lease liabilities relating to the operating leases at December 31, 2023 and 2022 were \$1,039 and \$1,361, respectively.

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Operating lease right of use assets and associated lease liabilities are recognized based on the present value of future minimum lease payments to be made over the expected lease term, using the risk-free rate at the commencement date in determining the present value of future payments.

Supplemental information related to the Corporation's operating lease as of December 31, 2023 is as follows:

| <i>Years ended December 31,</i> | 2023 | 2022 |
|---|----------------|-------------|
| Weighted-average remaining lease term (years) | 3 years | 4 years |
| Weighted-average discount rate | 0.09% | 0.09% |

Operating lease costs are recorded in the statement of activities based on the use of the space. Total operating lease cash payments of approximately \$292 were made in 2023 and 2022.

Minimum future lease payments under non-cancelable operating leases at December 31, 2023 are as follows:

| <i>Year ending December 31,</i> | Operating Leases | |
|---------------------------------|-----------------------------|--------------|
| 2024 | \$ | 343 |
| 2025 | | 352 |
| 2026 | | 360 |
| Total minimum lease payments | \$ | 1,055 |

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 \$269 and \$276 for the years ended December 31, 2023 and 2022, respectively. Expense under the Money Purchase Plan was \$422 and \$369 for the years ended December 31, 2023 and 2022, respectively.

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"). Beginning January 1, 2023, SRC started a new research programs under SRCco.

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(in thousands of dollars)

The Joint University Microelectronics Program 2.0 (“JUMP 2.0”) is a collaborative network of research centers sponsored by industry participants and the Defense Advanced research Projects agency (“DARPA”). 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 consolidated financial statements as of December 31, 2023 and 2022.

6. Income Taxes

SRC incurred income tax expense of \$511 and benefit of \$257 during the years ended December 31, 2023 and 2022, respectively.

Income tax expense (benefit) consisted of the following:

| <i>Years ended December 31,</i> | 2023 | 2022 |
|--|---------------|-----------------|
| Current: | | |
| Federal | \$ 179 | \$ 5 |
| State | 29 | 68 |
| Total current income tax expense | 208 | 73 |
| Deferred: | | |
| Federal | 277 | (302) |
| State | 26 | (28) |
| Total deferred income tax expense (benefit) | 303 | (330) |
| Total income tax expense (benefit) | \$ 511 | \$ (257) |

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

| <i>Years ended December 31,</i> | 2023 | 2022 |
|---------------------------------------|-----------------|-----------------|
| Fixed assets | \$ 31 | \$ 29 |
| Net operating Loss | 274 | 337 |
| Lease liability | 239 | 313 |
| Unrealized loss on investments | - | 216 |
| Total deferred tax assets | 544 | 895 |
| Valuation allowance | (544) | (895) |
| Total deferred tax assets, net | - | - |
| Unrealized gain on investments | (303) | - |
| Right of use asset | (387) | (387) |
| Total deferred tax liability | \$ (690) | \$ (387) |

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(in thousands of dollars)

No unrecognized tax benefits existed as of December 31, 2023 and 2022. 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> | | 2023 | | 2022 |
|---|-----------|---------------|-----------|---------------|
| Undesignated | \$ | 6,339 | \$ | 22,555 |
| Board designated | | 20,760 | | 18,720 |
| Net assets without donor restriction | \$ | 27,099 | \$ | 41,275 |

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 service providers. Payments for administrative services provided by these personnel for the years ended December 31, 2023 and 2022 were approximately \$180 and \$0, respectively, and are included within management and general expense in the accompanying consolidated statements of activities. Additionally, the majority of the Corporation's board of directors is made up of individuals from member organizations.

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, 2023, three companies comprised 31.3%, 18.8% and 7.0% of SRC's membership revenues. For the year ended December 31, 2022, three companies comprised 32.6%, 19.6% and 7.1% of SRC's membership revenues. For the year ended December 31, 2023, three companies comprised 35.4%, 11.8% and 11.8% of SRCco's membership revenues. For the year ended December 31, 2022, three companies comprised 47.0%, 9.8% and 8.7% of SRCco's membership revenues.

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Notes to Consolidated Financial Statements

(in thousands of dollars)

10. Expenses by Both Nature and Function

The consolidated 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:

| Year ended December 31, 2023 | SRC | NST | SRCMCC | Total |
|---|------------------|------------------|-------------|------------------|
| Program Services | | | | |
| Research contracts and grants given to universities | \$ 18,257 | \$ 59,485 | \$ - | \$ 77,742 |
| Intellectual property | 211 | 260 | - | 471 |
| Hosted conferences and events | 365 | 162 | - | 527 |
| Student support, scholarships and awards | 88 | 90 | - | 178 |
| Total Program Services | 18,921 | 59,997 | - | 78,918 |
| Management and General | | | | |
| Salaries, employee benefits and related taxes | 3,232 | 1,625 | - | 4,857 |
| Professional fees and contract services | 490 | 8 | - | 498 |
| Conferences, travel and staff development | 142 | 52 | - | 194 |
| Occupancy and maintenance | 347 | - | - | 347 |
| Supplies, communications, shipping and other | 172 | 12 | - | 184 |
| Business insurance | 40 | - | - | 40 |
| Depreciation | 18 | - | - | 18 |
| Non-payroll tax benefit | 516 | - | - | 516 |
| Cost allocation | (218) | 218 | - | - |
| Total Management and General | 4,739 | 1,915 | - | 6,654 |
| Total Functional Expenses | \$ 23,660 | \$ 61,912 | \$ - | \$ 85,572 |

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(in thousands of dollars)

| Year ended December 31, 2022 | SRC | NST | SRCMCC | Total |
|---|------------------|------------------|-------------|------------------|
| Program Services | | | | |
| Research contracts and grants given to universities | \$ 17,762 | \$ 36,889 | \$ - | \$ 54,651 |
| Intellectual property | 266 | 385 | - | 651 |
| Hosted conferences and events | 264 | 164 | - | 428 |
| Student support, scholarships and awards | 257 | 110 | - | 367 |
| Total Program Services | 18,549 | 37,548 | - | 56,097 |
| Management and General | | | | |
| Salaries, employee benefits and related taxes | 3,400 | 1,521 | - | 4,921 |
| Professional fees and contract services | 1,371 | 12 | - | 1,383 |
| Conferences, travel and staff development | 138 | 67 | - | 205 |
| Occupancy and maintenance | 350 | 1 | - | 351 |
| Supplies, communications, shipping and other | 168 | 16 | - | 184 |
| Business insurance | 49 | - | - | 49 |
| Depreciation | 41 | - | - | 41 |
| Non-payroll tax benefit | (252) | - | - | (252) |
| Cost allocation | (341) | 341 | - | - |
| Total Management and General | 4,924 | 1,958 | - | 6,882 |
| Total Functional Expenses | \$ 23,473 | \$ 39,506 | \$ - | \$ 62,979 |

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(in thousands of dollars)

11. Subsequent Events

The Corporation has evaluated subsequent events from December 31, 2023 (the date of the most recent consolidated statements of financial position) through July 25, 2024 (the date of the audit report and the date the consolidated financial statements were available to be issued).

Supplemental Information

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Consolidating Schedule of Activities

(in thousands of dollars)

| Year ended December 31, 2023 | SRC | SRCco | Total |
|--|------------------|-----------------|------------------|
| Change in Net Assets Without Donor Restrictions | | | |
| Revenues and gains | | | |
| Member fees and participant revenue and fees | \$ 15,752 | \$ 25,400 | \$ 41,152 |
| Infrastructure member fees | 446 | - | 446 |
| Thrust member fees | 8,222 | - | 8,222 |
| Net realized and change in net unrealized gains on investments | 1,493 | - | 1,493 |
| Investment income, net | 823 | 404 | 1,227 |
| Grant revenue | 169 | 18,680 | 18,849 |
| Other income | 7 | - | 7 |
| Total revenues and gains | 26,912 | 44,484 | 71,396 |
| Expenses | | | |
| Contract research and grant expense | 18,836 | 59,997 | 78,833 |
| Graduate fellowship program | 85 | - | 85 |
| Management and general | 4,228 | 1,915 | 6,143 |
| Income tax expense | 511 | - | 511 |
| Total expenses | 23,660 | 61,912 | 85,572 |
| Change in Net Assets Without Donor Restrictions | 3,252 | (17,428) | (14,176) |
| Net Assets Without Donor Restrictions, at beginning of year | 20,011 | 21,264 | 41,275 |
| Net Assets Without Donor Restrictions, end of year | \$ 23,263 | \$ 3,836 | \$ 27,099 |

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Consolidating Schedule of Activities

(in thousands of dollars)

| Year ended December 31, 2022 | SRC | SRCco | Total |
|--|------------------|------------------|------------------|
| Change in Net Assets Without Donor Restrictions | | | |
| Revenues and gains | | | |
| Member fees and participant revenue and fees | \$ 16,656 | \$ 28,115 | \$ 44,771 |
| Infrastructure member fees | 1,373 | - | 1,373 |
| Thrust member fees | 6,630 | - | 6,630 |
| Net realized and change in net unrealized losses on investments | (3,620) | - | (3,620) |
| Investment income, net | 343 | 133 | 476 |
| Grant revenue | 131 | 16,765 | 16,896 |
| Fellowship revenue | 138 | - | 138 |
| Total revenues and gains | 21,651 | 45,013 | 66,664 |
| Expenses | | | |
| Contract research and grant expense | 18,298 | 37,548 | 55,846 |
| Graduate fellowship program | 251 | - | 251 |
| Management and general | 5,181 | 1,958 | 7,139 |
| Income tax benefit | (257) | - | (257) |
| Total expenses | 23,473 | 39,506 | 62,979 |
| Change in Net Assets Without Donor Restrictions | (1,822) | 5,507 | 3,685 |
| Net Assets Without Donor Restrictions, at beginning of year | 21,833 | 15,757 | 37,590 |
| Net Assets Without Donor Restrictions, end of year | \$ 20,011 | \$ 21,264 | \$ 41,275 |

