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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM ________________ TO ________________

COMMISSION FILE NUMBER 000-26497

SALEM MEDIA GROUP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE **(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)**	**77-0121400** **(I.R.S. EMPLOYER IDENTIFICATION NUMBER)**
6400 NORTH BELT LINE ROAD **IRVING, TEXAS** **(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)**	**75063** **(ZIP CODE)**

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (469) 586-0080

Title of each Class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.01 par value per share	**SALM**	**NASDAQ Global Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, anon-accelerated filer, smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller Reporting Company	☒
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class A	Outstanding at November 2, 2021
Common Stock, $0.01 par value per share	21,431,824 shares
Class B	**Outstanding at November 2, 2021**
Common Stock, $0.01 par value per share	5,553,696 shares

SALEM MEDIA GROUP, INC.
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CERTAIN DEFINITIONS

Unless the context requires otherwise, all references in this report to "Salem" or the "company," including references to Salem by "we" "us" "our" and "its" refer to Salem Media Group, Inc. and our subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Salem makes "forward-looking statements" from time to time in both written reports (including this annual report) and oral statements, within the meaning of federal and state securities laws. Disclosures that use words such as the company "believes," "anticipates," "estimates," "expects," "intends," "will," "may," "intends," "could," "would," "should," "seeks," "predicts," or "plans" and similar expressions are intended to identify forward-looking statements, as defined under the Private Securities Litigation Reform Act of 1995.

You should not place undue reliance on these forward-looking statements, which reflect our expectations based upon data available to the company as of the date of this annual report. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from expectations. Except as required by law, the company undertakes no obligation to update or revise any forward-looking statements made in this annual report. Any such forward-looking statements, whether made in this annual report or elsewhere, should be considered in context with the various disclosures made by Salem about its business. These projections and other forward-looking statements fall under the safe harbors of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

PART I – FINANCIAL INFORMATION

SALEM MEDIA GROUP, INC.

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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SALEM MEDIA GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

	December 31, 2020 (Note 1)	September 30, 2021 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,325	**$ 23,781**
Trade accounts receivable (net of allowances of $14,069 in 2020 and $11,680 in 2021)	24,469	**24,429**
Unbilled revenue	3,192	**3,300**
Other receivables (net of allowances of $124 in 2020 and $455 in 2021)	1,122	**1,589**
Inventories	495	**907**
Prepaid expenses	6,847	**7,970**
Assets held for sale	3,346	**1,875**
Total current assets	45,796	**63,851**
Notes receivable (net of allowance of $461 in 2020 and $996 in 2021)	721	**364**
Property and equipment (net of accumulated depreciation of $180,336 in 2020 and $185,127 in 2021)	79,122	**78,425**
Operating lease right-of-use assets	48,203	**44,100**
Financing lease right-of-use assets	152	**121**
Broadcast licenses	319,773	**320,008**
Goodwill	23,757	**23,986**
Amortizable intangible assets (net of accumulated amortization of $ 58,897 in 2020 and $57,769 in 2021)	4,017	**2,785**
Deferred financing costs	213	**895**
Other assets	2,817	**3,678**
Total assets	$ 524,571	**$ 538,213**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,006	**$ 2,180**
Accrued expenses	11,002	**11,740**
Accrued compensation and related expenses	10,242	**10,752**
Accrued interest	1,225	**2,750**
Contract liabilities	11,652	**11,561**
Deferred rent income	147	**114**
Income taxes payable	563	**626**
Current portion of operating lease liabilities	8,963	**8,604**
Current portion of financing lease liabilities	60	**59**
Current portion of long-term debt	5,000	**—**
Total current liabilities	50,860	**48,386**
Long-term debt, less current portion	213,764	**208,559**
Operating lease liabilities, less current portion	47,740	**43,180**
Financing (capital) lease liabilities, less current portion	107	**79**
Deferred income taxes	68,883	**69,287**
Contract liabilities, long-term	1,869	**2,081**
Deferred rent income, less current portion	3,864	**3,795**
Other long-term liabilities	2,205	**2,248**
Total liabilities	389,292	**377,615**
Commitments and contingencies (Note 14)		
Stockholders' Equity:		
Class A common stock, $0.01 par value; authorized 80,000,000 shares; 23,447,317 and 23,639,824 issued and 21,129,667 and 21,322,174 outstanding at December 31, 2020 and September 30, 2021, respectively	227	**229**
Class B common stock, $0.01 par value; authorized 20,000,000 shares; 5,553,696 issued and outstanding at December 31, 2020 and September 30, 2021, respectively	56	**56**
Additional paid-in capital	247,025	**247,668**
Accumulated deficit	(78,023)	**(53,349)**
Treasury stock, at cost (2,317,650 shares at December 31, 2020 and September 30, 2021)	(34,006)	**(34,006)**
Total stockholders' equity	135,279	**160,598**
Total liabilities and stockholders' equity	$ 524,571	**$ 538,213**

See accompanying notes

SALEM MEDIA GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2021**	2020	**2021**
Net broadcast revenue	$ 45,391	**$ 49,591**	$ 130,041	**$ 140,422**
Net digital media revenue	9,808	**10,645**	28,355	**30,603**
Net publishing revenue	5,442	**5,747**	13,366	**18,093**
Total net revenue	60,641	**65,983**	171,762	**189,118**
Operating expenses:				
Broadcast operating expenses, exclusive of depreciation and amortization shown below (including $447 and $480 for the three months ended September 30, 2020 and 2021, respectively, and $1,313 and $1,369 for the nine months ended September 30, 2020 and 2021, respectively, paid to related parties)	34,283	**37,463**	104,704	**106,968**
Digital media operating expenses, exclusive of depreciation and amortization shown below	7,144	**8,269**	23,123	**25,280**
Publishing operating expenses, exclusive of depreciation and amortization shown below	5,814	**5,213**	16,443	**16,844**
Unallocated corporate expenses exclusive of depreciation and amortization shown below (including $18 and $0 for the three months ended September 30, 2020 and 2021, respectively, and $198 and $5 for the nine months ended September 30, 2020 and 2021, respectively, paid to related parties)	3,849	**4,284**	11,909	**12,764**
Debt modification costs	—	**2,347**	—	**2,347**
Depreciation	2,677	**2,788**	8,108	**8,118**
Amortization	751	**427**	2,578	**1,553**
Change in the estimated fair value of contingent earn-out consideration	(10)	**—**	(12)	**—**
Impairment of indefinite-lived long-term assets other than goodwill	—	**—**	17,254	**—**
Impairment of goodwill	—	**—**	307	**—**
Net (gain) loss on the disposition of assets	1,381	**(10,607)**	1,494	**(10,552)**
Total operating expenses	55,889	**50,184**	185,908	**163,322**
Operating income (loss)	4,752	**15,799**	(14,146)	**25,796**
Other income (expense):				
Interest income	1	**—**	1	**1**
Interest expense	(4,024)	**(4,026)**	(12,069)	**(11,887)**
Gain on the forgiveness of PPP loans	—	**11,212**	—	**11,212**
Gain (loss) on the early retirement of long-term debt	—	**(56)**	49	**(56)**
Net miscellaneous income and (expenses)	1	**2**	(45)	**87**
Net income (loss) before income taxes	730	**22,931**	(26,210)	**25,153**
Provision for income taxes	401	**837**	31,180	**479**
Net income (loss)	$ 329	**$ 22,094**	$ (57,390)	**$ 24,674**
Basic income (loss) per share data:				
Basic income (loss) per share	$ 0.01	**$ 0.82**	$ (2.15)	**$ 0.92**
Diluted income (loss) per share data:				
Diluted income (loss) per share	$ 0.01	**$ 0.81**	$ (2.15)	**$ 0.91**
Basic weighted average shares outstanding	26,683,363	**26,870,664**	26,683,363	**26,825,483**
Diluted weighted average shares outstanding	27,791,353	**27,280,949**	26,683,363	**27,217,382**

See accompanying notes

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SALEM MEDIA GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands, except share and per share data)

	Class A Common Stock		Class B Common Stock		Additional			
	Shares	Amount	Shares	Amount	Paid-In Capital	Accumulated Deficit	Treasury Stock	Total
Stockholders' equity, December 31, 2019	23,447,317	$ 227	5,553,696	$ 56	$ 246,680	$ (23,294)	$ (34,006)	$ 189,663
Stock-based compensation	—	—	—	—	103	—	—	103
Cash distributions	—	—	—	—	—	(667)	—	(667)
Net loss	—	—	—	—	—	(55,204)	—	(55,204)
Stockholders' equity, March 31, 2020	23,447,317	$ 227	5,553,696	$ 56	$ 246,783	$ (79,165)	$ (34,006)	$ 133,895
Distributions per share	$ 0.025		$ 0.025					
Stock-based compensation	—	—	—	—	96	—	—	96
Net loss	—	—	—	—	—	(2,515)	—	(2,515)
Stockholders' equity, June 30, 2020	23,447,317	$ 227	5,553,696	$ 56	$ 246,879	$ (81,680)	$ (34,006)	$ 131,476
Stock-based compensation	—	—	—	—	74	—	—	74
Net income	—	—	—	—	—	329	—	329
Stockholders' equity, September 30, 2020	**23,447,317**	**$ 227**	**5,553,696**	**$ 56**	**$ 246,953**	**$ (81,351)**	**$ (34,006)**	**$ 131,879**

	Class A Common Stock		Class B Common Stock		Additional			
	Shares	Amount	Shares	Amount	Paid-In Capital	Accumulated Deficit	Treasury Stock	Total
Stockholders' equity, December 31, 2020	23,447,317	$ 227	5,553,696	$ 56	$ 247,025	$ (78,023)	$ (34,006)	$ 135,279
Stock-based compensation	—	—	—	—	78	—	—	78
Options exercised	185,782	2	—	—	390	—	—	392
Net income	—	—	—	—	—	323	—	323
Stockholders' equity, March 31, 2021	23,633,099	$ 229	5,553,696	$ 56	$ 247,493	$ (77,700)	$ (34,006)	$ 136,072
Stock-based compensation	—	—	—	—	84	—	—	84
Net income	—	—	—	—	—	2,257	—	2,257
Stockholders' equity, June 30, 2021	23,633,099	$ 229	5,553,696	$ 56	$ 247,577	$ (75,443)	$ (34,006)	$ 138,413
Stock-based compensation	—	—	—	—	78	—	—	78
Options exercised	6,725	—	—	—	13	—	—	13
Net income	—	—	—	—	—	22,094	—	22,094
Stockholders' equity, September 30, 2021	**23,639,824**	**$ 229**	**5,553,696**	**$ 56**	**$ 247,668**	**$ (53,349)**	**$ (34,006)**	**$ 160,598**

See accompanying notes

SALEM MEDIA GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2020	**2021**
OPERATING ACTIVITIES		
Net income (loss)	$(57,390)	**$ 24,674**
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Non-cash stock-based compensation	273	**240**
Depreciation and amortization	10,686	**9,671**
Amortization of deferred financing costs	675	**690**
Non-cash lease expense	6,745	**6,527**
Provision for bad debts	4,122	**(248)**
Deferred income taxes	30,954	**404**
Change in the estimated fair value of contingent earn-out consideration	(12)	—
Impairment of indefinite-lived long-term assets other than goodwill	17,254	—
Impairment of goodwill	307	—
Gain on the forgiveness of PPP loans	—	**(11,212)**
Gain (loss) on the early retirement of long-term debt	(49)	**56**
Net (gain) loss on the disposition of assets	1,494	**(10,552)**
Changes in operating assets and liabilities:		
Accounts receivable and unbilled revenue	2,565	**(67)**
Inventories	99	**(412)**
Prepaid expenses and other current assets	(1,343)	**(1,218)**
Accounts payable and accrued expenses	5,871	**2,596**
Operating lease liabilities	(6,396)	**(7,317)**
Contract liabilities	5,274	**782**
Deferred rent income	(268)	**28**
Other liabilities	2,254	**41**
Income taxes payable	30	**63**
Net cash provided by operating activities	23,145	**14,746**
INVESTING ACTIVITIES		
Cash paid for capital expenditures net of tenant improvement allowances	(3,565)	**(6,952)**
Capital expenditures reimbursable under tenant improvement allowances and trade agreements	(140)	**(138)**
Deposit on broadcast assets and radio station acquisitions	—	**(100)**
Purchases of broadcast assets and radio stations	—	**(600)**
Purchases of digital media businesses and assets	(400)	**(3,980)**
Proceeds from sale of long-lived assets	188	**15,771**
Proceeds from the cash surrender value of life insurance policies	2,363	—
Other	(353)	**(1,227)**
Net cash provided by (used in) investing activities	(1,907)	**2,774**
FINANCING ACTIVITIES		
Proceeds from 2028 Notes	—	**114,731**
Payments to repurchase or exchange 2024 Notes	(3,392)	**(119,443)**
Proceeds from borrowings under ABL Facility	38,626	**16**
Payments on ABL Facility	(34,452)	**(5,016)**
Proceeds from borrowings under PPP Loans	—	**11,195**
Payments under PPP loans	—	**17**
Payments of debt issuance costs	(124)	**(1,921)**
Proceeds from the exercise of stock options	—	**405**
Payments on financing lease liabilities	(52)	**(48)**
Payment of cash distribution on common stock	(667)	—
Book overdraft	(1,885)	—
Net cash used in financing activities	(1,946)	**(64)**
Net increase in cash and cash equivalents	19,292	**17,456**
Cash and cash equivalents at beginning of year	6	**6,325**
Cash and cash equivalents at end of period	$ 19,298	**$ 23,781**

See accompanying notes

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SALEM MEDIA GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2020	**2021**
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Cash paid for interest, net of capitalized interest	$ 7,731	**$ 9,628**
Cash paid for interest on finance lease liabilities	$ 6	**$ 6**
Net cash paid for (received from) income taxes	$ 196	**$ 13**
Other supplemental disclosures of cash flow information:		
Barter revenue	$ 2,152	**$ 1,647**
Barter expense	$ 1,971	**$ 1,699**
Non-cash investing and financing activities:		
Capital expenditures reimbursable under tenant improvement allowances	$ 140	**$ 138**
Deferred payments on acquisitions	$ 708	**—**
Right-of-use assets acquired through operating leases	$ 2,715	**$ 3,466**
Right-of-use assets acquired through financing leases	$ —	**$ 17**
Non-cash capital expenditures for property & equipment acquired under trade agreements	$ 4	**$ 27**
Net assets and liabilities assumed in a non-cash acquisition	$ —	**$ 311**
Estimated present value of contingent-earn out consideration	$ —	**$ 11**

See accompanying notes

SALEM MEDIA GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. BUSINESS AND BASIS OF PRESENTATION

Business

Salem Media Group, Inc. ("Salem," "we," "us," "our" or the "company") is a domestic multimedia company specializing in Christian and conservative content. Our media properties include radio broadcasting, digital media, and publishing entities. We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which are discussed in Note 17 – Segment Data.

Impact of the COVID-19 Pandemic

The COVID-19 global pandemic that began in March 2020 materially impacted our business. We experienced a rapid decline in revenue from advertising, programming, events and book sales. Several advertisers reduced or ceased advertising spending due to the outbreak and stay-at-home orders that effectively shut many businesses down. The revenue decline impacted our broadcast segment, which derives substantial revenue from local advertisers who were particularly hard hit due to social distancing and government interventions, and our publishing segment, which derives revenue from book sales through retail stores and live events.

While we see progress being made in revenue returning to pre-pandemic levels, the COVID-19 pandemic continues to create significant uncertainty and disruption in the economy. These uncertainties could materially impact significant accounting estimates related to, but not limited to, allowances for doubtful accounts, impairments and right-of-use assets. As a result, many estimates and assumptions require increased judgment and carry a higher degree of variability and volatility. These estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in its consolidated financial statements.

During 2020 we implemented several measures to reduce costs and conserve cash to ensure that we had adequate cash to meet our debt servicing requirements, including:

- limiting capital expenditures;
- reducing discretionary spending, including travel and entertainment;
- eliminating open positions and freezing new hires;
- reducing staffing levels;
- implementing temporary company-wide pay cuts of 5%, 7.5% or 10% depending on salary level;
- furloughing certain employees;
- temporarily suspending the company 401(k) match;
- requesting rent concessions from landlords;
- requesting discounts from vendors;
- offering early payment discounts to certain customers in exchange for advance cash payments; and
- suspending the payment of distributions on our common stock indefinitely.

As the economy continues to show signs of recovery, many of these cost reduction initiatives were reversed during 2021. We continue to operate with lower staffing levels, we have not reinstated the company 401(k) match and we have not paid equity distributions on our common stock.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law on March 27, 2020. The CARES Act provided emergency economic assistance for individuals and businesses impacted by the COVID-19 pandemic, including opportunities for additional liquidity, loan guarantees, and other government programs. On December 27, 2020, Congress passed the Consolidated Appropriations Act ("CAA") that included a second relief package, which, among other things, provides for an extension of the Payroll Support Program established by the CARES Act. We utilized certain benefits of the CARES Act and the CAA, including:

- we deferred $3.3 million of employer FICA taxes from April 2020 through December 2020, with 50% payable in December 2021 recorded in accrued compensation and related expenses and 50% payable in December 2022 recorded in other long-term liabilities;

- relaxation of interest expense deduction limitation for income tax purposes;
- we received Paycheck Protection Program ("PPP") loans of $11.2 million in total during the first quarter of 2021 through the Small Business Association ("SBA") based on the eligibility as determined on a per-location basis; and
- In July 2021, the SBA forgave all but $20,000 of the PPP loans, with the remaining PPP loan repaid in July 2021.

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements of Salem include the company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Information with respect to the three and nine months ended September 30, 2021 and 2020 is unaudited. The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the unaudited interim financial statements contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial position, results of operations and cash flows of the company. The unaudited interim financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Annual Report for Salem filed on Form 10-K for the year ended December 31, 2020. Our results are subject to seasonal fluctuations and therefore, the results of operations for the interim periods presented are not necessarily indicative of the results of operations for a full year.

The balance sheet at December 31, 2020 included in this report has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP. Certain reclassifications have been made to the prior year financial statements to conform to the presentation in the current year, which had no impact on the previously reported financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results can be materially different from these estimates and assumptions.

Significant areas for which management uses estimates include:

- revenue recognition;
- asset impairments, including broadcasting licenses, goodwill and other indefinite-lived intangible assets;
- probabilities associated with the potential for contingent earn-out consideration;
- fair value measurements;
- contingency reserves;
- allowance for doubtful accounts;
- sales returns and allowances;
- barter transactions;
- inventory obsolescence;
- reserves for royalty advances;
- fair value of equity awards;
- self-insurance reserves;
- estimated lives for tangible and intangible assets;
- assessment of contract-based factors, asset-based factors, entity-based factors and market-based factors to determine the lease term impacting Right-Of-Use ("ROU") assets and lease liabilities;
- determining the Incremental Borrowing Rate ("IBR") for calculating ROU assets and lease liabilities,

- income tax valuation allowances;
- uncertain tax positions; and
- estimates used in going concern analysis.

These estimates require the use of judgment as future events and the effect of these events cannot be predicted with certainty. The estimates will change as new events occur, as more experience is acquired and as more information is obtained. We evaluate and update our assumptions and estimates on an ongoing basis and we may consult outside experts to assist as considered necessary.

The COVID-19 pandemic continues to create significant uncertainty and disruption in the global economy and financial markets. It is reasonably possible that these uncertainties could materially impact our estimates related to, but not limited to, revenue recognition, broadcast licenses, goodwill and income taxes. As a result, many of our estimates and assumptions require increased judgment and carry a higher degree of variability and volatility. Our estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in our consolidated financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no changes to our significant accounting policies described in Note 2 to our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 4, 2021, that have had a material impact on our Condensed Consolidated Financial Statements and related notes.

Recent Accounting Pronouncements

All new accounting pronouncements that are in effect that may impact our financial statements have been implemented. We do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on our financial position, results of operations or cash flows.

NOTE 3. RECENT TRANSACTIONS

During the nine-month period ended September 30, 2021, we completed or entered into the following transactions:

Debt Transactions

On September 24, 2021, we repurchased $4.7 million of the 6.75% Senior Secured Notes due 2024 ("2024 Notes") for $4.7 million in cash, recognizing a net loss of $56,000 after adjusting for bond issuance costs.

On September 10, 2021, we exchanged $112.8 million of the 2024 Notes for $114.7 million (reflecting a call premium of 1.688%) of newly issued 7.125% Senior Secured Notes due 2028 ("2028 Notes.") Contemporaneously with the refinancing, we obtained commitments from the holders of the 2028 Notes to purchase up to $50 million in additional 2028 Notes ("Delayed Draw 2028 Notes,") contingent upon satisfying certain performance benchmarks, the proceeds of which are to be used exclusively to repurchase or repay the remaining balance outstanding of the 2024 Notes. The transaction was assessed on a lender-specific level and was accounted for as a debt modification in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 470, "*Debt*." We incurred debt issuance costs of $4.2 million, of which $2.3 million of third-party debt modification costs are reflected in operating expenses for the current period, $0.8 million is deferred with the Delayed Draw 2028 Notes, and $1.1 million, along with $3.0 million from the exchanged 2024 Notes, is being amortized as part of the effective yield on the 2028 Notes.

We received $11.2 million in aggregate principal amount of PPP loans through the SBA during the first quarter of 2021 based on the eligibility of our radio stations and networks as determined on a per-location basis. The PPP loans were accounted for as debt in accordance with FASB ASC Topic 470. The loan balances and accrued interest were forgivable provided that the proceeds were used for eligible purposes, including payroll, benefits, rent and utilities within the covered period. We used the PPP loan proceeds according to the terms and filed timely applications for forgiveness. During July 2021, the SBA forgave all but $20,000 of the PPP loans resulting in a pre-tax gain on the forgiveness of $11.2 million. The remaining PPP loan was repaid in July 2021.

Shelf Registration Statement and At-the-Market Facility

In April 2021, we filed a prospectus supplement to our shelf registration statement on Form S-3 with the SEC covering the offering, issuance and sale of up to $15.0 million of our Class A Common Stock pursuant to an at-the-market facility, with B. Riley Securities, Inc. acting as sales agent. No Common Stock transactions have taken place under the facility.

Acquisitions

The operating results of our business acquisitions and asset purchases are included in our consolidated results of operations from their respective closing date or the date that we began operating them under a Local Marketing Agreement ("LMA") or Time Brokerage Agreement ("TBA.")

On July 2, 2021, we acquired the SeniorResource.com domain for $0.1 million in cash.

On July 1, 2021, we acquired the ShiftWorship.com domain and digital assets for $2.6 million in cash. The digital content library is operated within Salem Web Network's church products division. We recognized goodwill of $0.2 million attributable to the expected synergies to be realized when combining the operations of this entity into our existing operations.

On June 1, 2021, we acquired radio stations KDIA-AM and KDYA-AM in San Francisco, California for $0.6 million in cash. The radio stations were acquired in formats that we operate and resulted in $4,000 of goodwill attributable to the additional audience reach obtained and the expected synergies to be realized from combining the operations of these stations into our existing market cluster.

On April 28, 2021, we acquired the Centerline New Media domain and digital assets for $1.3 million in cash. The digital content library is operated within Salem Web Network's church products division. We recognized goodwill of $24,000 attributable to the expected synergies to be realized when combining the operations of this entity into our existing operations.

On March 8, 2021, we acquired the Triple Threat Trader newsletter. We paid no cash at the time of closing and assumed deferred subscription liabilities of $0.1 million. As part of the purchase agreement, we may pay up to an additional $11,000 in contingent earn-out consideration over the next two years based on the achievement of certain revenue benchmarks.

A summary of our business acquisitions and asset purchases during the nine-month period ending September 30, 2021, none of which were individually or in the aggregate material to our consolidated financial position as of the respective date of acquisition, is as follows:

Acquisition Date	Description	Total Consideration (Dollars in thousands)
July 2, 2021	SeniorResource.com (asset acquisition)	$ 80
July 1, 2021	ShiftWorship.com (business acquisition)	2,600
June 1, 2021	KDIA-AM and KDYA-AM San Francisco, California (business acquisition)	600
April 28, 2021	Centerline New Media (business acquisition)	1,300
March 8, 2021	Triple Threat Trader (asset acquisition)	127
		$ 4,707

Under the acquisition method of accounting as specified in FASB ASC Topic 805, "*Business Combinations*," the total acquisition consideration of a business is allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the date of the transaction. Transactions that do not meet the definition of a business in ASU 2017-01 "*Business Combinations (Topic 805) Clarifying the Definition of a Business*" are recorded as asset purchases. Asset purchases are recognized based on their cost to acquire, including transaction costs. The cost to acquire an asset group is allocated to the individual assets acquired based on their relative fair value with no goodwill recognized.

The total acquisition consideration is equal to the sum of all cash payments, the fair value of any deferred payments and promissory notes, and the present value of any estimated contingent earn-out consideration. We estimate the fair value of any contingent earn-out consideration using a probability-weighted discounted cash flow model. The fair value measurement is based on significant inputs that are not observable in the market and thus represent a Level 3 measurement as defined in Note 12, Fair Value Measurements and Disclosures.

The total purchase price consideration for our business acquisitions and asset purchases the nine-month period ending September 30, 2021, is as follows:

Description	Total Consideration (Dollars in thousands)
Cash payments made upon closing	$ 4,580
Deferred payments	116
Present value of estimated fair value of contingent earn-out consideration	11
Total purchase price consideration	$ 4,707

The allocations presented in the table below are based upon estimates of the fair values using valuation techniques including income, cost and market approaches. The following preliminary purchase price allocations are based upon the valuation of assets and these estimates and assumptions are subject to change as we obtain additional information during the measurement period, which may be up to one year from the acquisition date. Differences between the preliminary and final valuation could be substantially different from the initial estimate.

		Net Broadcast Assets Acquired	Net Digital Assets Acquired	Total Net Assets
			(Dollars in thousands)	
Assets				
	Property and equipment	$ 361	$ 3,221	$ 3,582
	Broadcast licenses	235	—	235
	Goodwill	4	225	229
	Customer lists and contracts	—	789	789
	Domain and brand names	—	66	66
		$ 600	**$ 4,301**	**$ 4,901**
Liabilities				
	Contract liabilities, short-term	—	(194)	(194)
		$ 600	**$ 4,107**	**$ 4,707**

Divestitures

The operating results of business and asset divestitures are excluded from our consolidated results of operations from their respective closing date or the date that a third-party began operating them under an LMA or TBA.

On July 27, 2021, we sold the Hilary Kramer Financial Newsletter and related assets for $0.2 million to be collected in quarterly installments over the two-year period ending September 30, 2023. We recognized a pre-tax gain on the sale of $0.1 million.

On July 23, 2021, we sold approximately 34 acres of land in Lewisville, Texas, for $12.1 million in cash. The land was being used for as the transmitter site for company owned radio station KSKY-AM. We retained a portion of the land in the southwest corner of the site to continue operating the radio station. We recognized a pre-tax gain on the sale of $10.5 million.

On May 25, 2021, we sold Singing News Magazine and Singing News Radio for $0.1 million in cash. In addition to the assets sold, the buyer assumed deferred subscription liabilities of $0.4 million resulting in a pre-tax gain on the sale of $0.5 million.

On March 18, 2021, we sold radio station WKAT-AM and an FM translator in Miami, Florida for $3.5 million. We collected $3.2 million in cash upon closing and received a promissory note for $0.3 million due one year from the closing date. The buyer began operating the station under an LMA in November 2020. We recognized an estimated pre-tax loss of $1.4 million during the three-month period ended September 30, 2020, the date we entered into an Asset Purchase Agreement (“APA”) with the buyer, which reflected the sale price as compared to the carrying value of the assets to be sold, estimated closing costs, and the write-off of the remaining Miami assets as a result of exiting this market. We adjusted the pre-tax loss by $0.4 million to $1.8 million upon closing based on the actual closing costs incurred and a reconciliation of total station assets to the assets included in the sale.

Pending Transactions

On August 31, 2021, we entered an agreement to sell 9.3 acres of land in the Denver area for $8.2 million. We expect to close this sale early in 2022 and plan to continue broadcasting both KRKS-AM and KBJD-AM from this site.

On August 23, 2021, we entered an agreement to sell approximately 77 acres of land in Tampa, Florida for $13.5 million. We will move the transmitter for WTBN-AM and diplex it at our owned and operated WGUL-AM facility. We expect to close on this transaction by the end of the year.

On June 2, 2021, we entered into an APA to acquire radio station KKOL-AM in Seattle, Washington for $0.5 million. We paid $0.1 million in cash into an escrow account and we began operating the station under an LMA on June 7, 2021.

On February 5, 2020, we entered into an APA with Word Broadcasting to sell radio stations WFIA-AM, WFIA-FM and WGTK-AM in Louisville, Kentucky for $4.0 million with credits applied from amounts previously paid, including a portion of the monthly fees paid under a TBA. Due to changes in debt markets, the transaction was not funded, and it is uncertain when, or if, the transaction will close. Word Broadcasting continues to program the stations under a TBA that began in January 2017.

NOTE 4. REVENUE RECOGNITION

We recognize revenue in accordance with FASB ASC Topic 606, *"Revenue from Contracts with Customers,"* a comprehensive revenue recognition model that requires revenue to be recognized when control of the promised goods or services are transferred to customers at an amount that reflects the consideration expected to be received. The application of FASB ASC Topic 606 requires us to use significant judgment and estimates when applying a five-step model applicable to all revenue streams.

The following table presents our revenues disaggregated by revenue source for each of our operating segments:

	Nine Months Ended September 30, 2021			
	Broadcast	Digital Media	Publishing	Consolidated
	(Dollars in thousands)			
By Source of Revenue:				
Block Programming – National	$ 35,824	$ —	$ —	$ 35,824
Block Programming – Local	18,072	—	—	18,072
Spot Advertising – National	10,565	—	—	10,565
Spot Advertising – Local	30,123	—	—	30,123
Infomercials	682	—	—	682
Network	14,729	—	—	14,729
Digital Advertising	18,415	13,859	132	32,406
Digital Streaming	3,559	2,579	—	6,138
Digital Downloads and eBooks	509	4,637	1,294	6,440
Subscriptions	828	9,227	262	10,317
Book Sales and e-commerce, net of estimated sales returns and allowances	289	163	10,851	11,303
Self-Publishing Fees	—	—	4,730	4,730
Print Advertising	2	—	123	125
Other Revenues	6,825	138	701	7,664
	$ 140,422	**$ 30,603**	**$ 18,093**	**$ 189,118**
Timing of Revenue Recognition				
Point in Time	$ 138,540	$ 30,603	$ 18,093	$ 187,236
Rental Income (1)	1,882	—	—	1,882
	$ 140,422	**$ 30,603**	**$ 18,093**	**$ 189,118**

	Nine Months Ended September 30, 2020			
	Broadcast	Digital Media	Publishing	Consolidated
	(Dollars in thousands)			
By Source of Revenue:				
Block Programming – National	$ 35,536	$ —	$ —	$ 35,536
Block Programming – Local	18,211	—	—	18,211
Spot Advertising – National	10,179	—	—	10,179
Spot Advertising – Local	28,630	—	—	28,630
Infomercials	750	—	—	750
Network	13,505	—	—	13,505
Digital Advertising	10,676	14,473	216	25,365
Digital Streaming	1,981	2,611	—	4,592
Digital Downloads and eBooks	3,049	4,291	960	8,300
Subscriptions	868	6,679	519	8,066
Book Sales and e-commerce, net of estimated sales returns and allowances	1,128	108	6,849	8,085
Self-Publishing Fees	—	—	3,860	3,860
Print Advertising	1	—	278	279
Other Revenues	5,527	193	684	6,404
	$ 130,041	**$ 28,355**	**$ 13,366**	**$ 171,762**
Timing of Revenue Recognition				
Point in Time	$ 128,157	$ 28,319	$ 13,366	$ 169,842
Rental Income (1)	1,884	36	—	1,920
	$ 130,041	**$ 28,355**	**$ 13,366**	**$ 171,762**

(1) Rental income is not applicable to FASB ASC Topic 606, but shown for the purpose of identifying each revenue source presented in total revenue on our Condensed Consolidated Financial Statements within this report on Form 10-Q.

A summary of our principal sources of revenue is as follows:

Block Programming. We recognize revenue from the sale of blocks of airtime to program producers that typically range from 12½, 25 or 50-minutes of time. We separate block program revenue into three categories, National, Local and Infomercial revenue. Our stations are classified by format, including our three main formats Christian Teaching and Talk, News Talk, and Contemporary Christian Music. National and local programming content is complementary to our station format while infomercials are closely associated with long-form advertisements. Block programming revenue is recognized at the time of broadcast, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Programming revenue is recorded on a gross basis unless an agency represents the programmer, in which case, revenue is reported net of the commission retained by the agency. Block Programming revenue may also include variable consideration for charities and programmers that purchase blocks of airtime to generate donations and contributions from our audience.

Spot Advertising. We recognize revenue from the sale of airtime to local and national advertisers who purchase spot commercials of varying lengths. Spot Advertising may include variable consideration for charities and programmers that purchase spots to generate donations and contributions from our audience. Advertising revenue is recognized at the time of broadcast, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Advertising revenue is recorded on a gross basis unless an agency represents the advertiser, in which case, revenue is reported net of the commission retained by the agency.

Network Revenue. Network revenue includes the sale of advertising time on our national network and fees earned from the syndication of programming on our national network. Network revenue is recognized at the time of broadcast, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Network revenue is recorded on a gross basis unless an agency represents the customer, in which case, revenue is reported net of the commission retained by the agency.

Digital Advertising. We recognize revenue from the sale of advertising on our owned and operated websites, the sale of advertisements on our own and operated mobile applications, the sale of advertisements in digital newsletters that we produce, the sale of advertising in streaming and podcasts, and the sale of custom digital advertising solutions, such as web pages and social media campaigns that we offer to our customers. Digital advertising revenue is recognized at the time that the advertisement is delivered, or when the number of impressions delivered meets the previously agreed-upon performance criteria, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Digital advertising revenue is reported on a gross basis unless an agency represents the customer, in which case, revenue is reported net of the commission retained by the agency.

Salem Surround, our multimedia advertising agency, offers a comprehensive suite of digital marketing services to develop and execute audience-based marketing strategies for clients on both the national and local level. Salem Surround specializes in digital marketing services for each of our radio stations and websites as well as provides a full-service digital marketing strategy for each of our clients. In our role as a digital agency, our sales team provides our customers with integrated digital advertising solutions that optimize the performance of their campaign, which we view as one performance obligation. Our advertising campaigns are designed to be “white label” agreements between Salem and our advertiser, meaning we provide special care and attention to the details of the campaign. We provide custom digital product offerings, including tools for metasearch, retargeting, website design, reputation management, online listing services, and social media marketing. Digital advertising solutions may include third-party websites, such as Google or Facebook, which can be included in a digital advertising social media campaign. We manage all aspects of the digital campaign, including social media placements, review and approval of target audiences, and the monitoring of actual results to make modifications as needed. We may contract directly with a third-party, however, we are responsible for delivering the campaign results to our customer with or without the third-party. We are responsible for any payments due to the third-party regardless of the campaign results and without regard to the status of payment from our customer. We have discretion in setting the price to our customer without input or approval from the third-party. Accordingly, revenue is reported gross, as principal, as the performance obligation is delivered, which represents the point in time that control is transferred to the customer thereby completing our performance obligation.

Digital Streaming. We recognize revenue from the sale of advertisements and from the placement of ministry content that is streamed on our owned and operated websites and on our owned and operated mobile applications. Each of our radio stations, our digital media entities and certain publishing entities have custom websites and mobile applications that generate streaming revenue. Digital streaming revenue is recognized at the time that the content is delivered, or when the number of impressions delivered meets the previously agreed-upon performance criteria. Delivery of the content represents the point in time that control is transferred to the customer thereby completing our performance obligation. Streaming revenue is reported on a gross basis unless an agency represents the customer, in which case, revenue is reported net of the commission retained by the agency.

Digital Downloads and e-books. We recognize revenue from sale of downloaded materials, including videos, song tracks, sermons, content archives and e-books. Payments for downloaded materials are due in advance of the download, however, the download is often instant upon confirmation of payment. Digital download revenue is recognized at the time of download, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Revenue is recorded at the gross amount due from the customer. All sales are final with no allowances made for returns.

Subscriptions. We recognize revenue from the sale of subscriptions for financial publication digital newsletters, digital magazines, podcast subscriptions for on-air content, and subscriptions to our print magazine. Subscription terms typically range from three months to two years, with a money-back guarantee for the first 30 days. Refunds after the first 30-day period are considered on a pro-rata basis based on the number of publications issued and delivered. Payments are due in advance of delivery and can be made in full upon subscribing or in quarterly installments. Cash received in advance of the subscription term, including amounts that are refundable, is recorded in contract labilities. Revenue is recognized ratably over the subscription term at the point in time that each publication is transmitted or shipped, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Revenue is reported net of estimated cancellations, which are based on our experience and historical cancellation rates during the cancellable period.

Book Sales. We recognize revenue from the sale of books upon shipment, which represents the point in time that control is transferred to the customer thereby completing the performance obligation. Revenue is recorded at the gross amount due from the customer, net of estimated sales returns and allowances based on our historical experience. Major new title releases represent a significant portion of the revenue in the current period. Print-based consumer books are sold on a fully returnable basis. We do not record assets or inventory for the value of returned books as they are considered used regardless of the condition returned. Our experience with unsold or returned books is that their resale value is insignificant and they are often destroyed or disposed of.

e-Commerce. We recognize revenue from the sale of products sold through our digital platform. Payments for products are due in advance shipping. We record a contract liability when we receive customer payments in advance of shipment. The time frame from receipt of payment to shipment is typically one business day based on the time that an order is placed as compared to fulfillment. E-Commerce revenue is recognized at the time of shipment, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Revenue is reported net of estimated returns, which are based on our experience and historical return rates. Returned products are recorded in inventory if they are unopened and re-saleable with a corresponding reduction in the cost of goods sold.

Self-Publishing Fees. We recognize revenue from self-publishing services through Salem Author Services ("SAS"), including book publishing and support services to independent authors. Services include book cover design, interior layout, printing, distribution, marketing services and editing for print books and e-Books. As each book and related support services are unique to each author, authors must make payments in advance of the performance. Payments are typically made in installments over the expected production timeline for each publication. We record contract liabilities equal to the amount of payments received, including those amounts that are fully or partially refundable. Contract liabilities were historically recorded under the caption "deferred revenue" and are reported as current liabilities or long-term liabilities on our consolidated financial statements based on the time to fulfill the performance obligations under terms of the contract. Refunds are limited based on the percentage completion of each publishing project.

Revenue is recognized upon completion of each performance obligation, which represents the point in time that control of the product is transferred to the author, thereby completing our performance obligation. Revenue is recorded at the net amount due from the author, including discounts based on the service package.

Advertising – Print. We recognized revenue from the sale of print magazine advertisements. Revenue was recognized upon delivery of the print magazine which represents the point in time that control is transferred to the customer thereby completing the performance obligation. Revenue was reported on a gross basis unless an agency represents the customer, in which case, revenue is reported net of the commission retained by the agency.

Other Revenues. Other revenues include various sources, such as event revenue, listener purchase programs, talent fees for on-air hosts, rental income for studios and towers, production services, and shipping and handling fees. We recognize event revenue, including fees earned for ticket sales and sponsorships, when the event occurs, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Revenue for all other products and services is recorded as the products or services are delivered or performed, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Other revenue is reported on a gross basis unless an agency represents the customer, in which case, revenue is reported net of the commission retained by the agency.

Trade and Barter Transactions

In broadcasting, trade or barter agreements are commonly used to reduce cash expenses by exchanging advertising time for goods or services. We may enter barter agreements to exchange airtime or digital advertising for goods or services that can be used in our business or that can be sold to our audience under Listener Purchase Programs. The terms of these barter agreements permit us to preempt the barter airtime or digital campaign in favor of customers who purchase the airtime or digital campaign for cash. The value of these non-cash exchanges is included in revenue in an amount equal to the fair value of the goods or services we receive. Each transaction must be reviewed to determine that the products, supplies and/or services we receive have economic substance, or value to us. We record barter operating expenses upon receipt and usage of the products, supplies and services, as applicable. We record barter revenue as advertising spots or digital campaigns are delivered, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Barter revenue is recorded on a gross basis unless an agency represents the programmer, in which case, revenue is reported net of the commission retained by the agency.

Trade and barter revenues and expenses were as follows:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2020	**2021**	2020	**2021**
	(Dollars in thousands)			
Net broadcast barter revenue	$ 444	**$ 582**	$ 2,118	**$ 1,647**
Net digital media barter revenue	—	**—**	—	**—**
Net publishing barter revenue	3	**—**	34	**—**
Net broadcast barter expense	$ 413	**$ 619**	$ 1,971	**$ 1,704**
Net digital media barter expense	—	**—**	—	**—**
Net publishing barter expense	—	**(2)**	—	**(5)**

Contract Assets

Contract Assets – Costs to Obtain a Contract: We capitalize commissions paid to sales personnel in our self-publishing business when customer contracts are signed and advance payment is received. These capitalized costs are recorded as prepaid commission expense in our Consolidated Balance Sheets. The amount capitalized is incremental to the contract and would not have been incurred absent the execution of the customer contract. Commissions paid upon the initial acquisition of a contract are expensed at the point in time that related revenue is recognized. Prepaid commissions are periodically reviewed for impairment. At September 30, 2021, our prepaid commissions were $0.7 million.

Contract Liabilities

Contract liabilities consist of customer advance payments and billings in excess of revenue recognized. We may receive payments from our customers in advance of completing our performance obligations. Additionally, new customers, existing customers without approved credit terms and authors purchasing specific self-publishing services, are required to make payments in advance of the delivery of the products or performance of the services. We record contract liabilities equal to the amount of payments received in excess of revenue recognized, including payments that are refundable if the customer cancels the contract according to the contract terms. Contract liabilities were historically recorded under the caption "deferred revenue" and are reported as current liabilities on our consolidated financial statements when the time to fulfill the performance obligations under terms of our contracts is less than one year. Long-term contract liabilities represent the amount of payments received in excess of revenue earned, including those that are refundable, when the time to fulfill the performance obligation is greater than one year. Our long-term liabilities consist of subscriptions with a term of two-years for which some customers have purchased and paid for multiple years.

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Significant changes in our contract liabilities balances during the period are as follows:

	Short-Term	Long-Term
	(Dollars in thousands)	
Balance, beginning of period January 1, 2021	$ 11,652	$ 1,869
Revenue recognized during the period that was included in the beginning balance of contract liabilities	(7,770)	—
Additional amounts recognized during the period	19,742	883
Revenue recognized during the period that was recorded during the period	(12,734)	—
Transfers	671	(671)
Balance, end of period September 30, 2021	**$ 11,561**	$ 2,081
Amount refundable at beginning of period	$ 11,607	$ 1,869
Amount refundable at end of period	$ 11,549	$ 2,081

We expect to satisfy these performance obligations as follows:

For the Twelve Months Ended September 30,	Amount (Dollars in thousands)
2022	$ 11,561
2023	979
2024	787
2025	238
2026	77
Thereafter	—
	$ 13,642

Significant Financing Component

Our sales agreements are typically less than 12 months; however, we may sell subscriptions with a two-year term. The balance of our long-term contract liabilities represents the unsatisfied performance obligations for subscriptions with a remaining term in excess of one year. We review long-term contract liabilities that are expected to be completed in excess of one year to assess whether the contract contains a significant financing component. The balance includes subscriptions that will be satisfied at various dates between October 1, 2021, and September 30, 2026. The difference between the promised consideration and the cash selling price of the publications is not significant and therefore, we concluded that subscriptions do not contain a significant financing component under FASB ASC Topic 606.

Our self-publishing contracts may exceed a one-year term due to the length of time for an author to submit and approve a manuscript for publication. The author may pay for publishing services in installments over the production timeline with payments due in advance of performance. The timing of the transfer of goods and services under self-publishing arrangements are at the discretion of the author and based on future events that are not substantially within our control. We require advance payments to provide us with protection from incurring costs for products that are unique and only sellable to the author. Based on these considerations, we have concluded that our self-publishing contracts do not contain a significant financing component under FASB ASC Topic 606.

NOTE 5. INVENTORIES

Inventories consist of finished books from Regnery® Publishing. All inventories are valued at the lower of cost or net realizable value as determined on a weighted average cost method.

NOTE 6. PROPERTY AND EQUIPMENT

We account for property and equipment in accordance with FASB ASC Topic 360-10, "*Property, Plant and Equipment.*"

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The following is a summary of the categories of our property and equipment:

	December 31, 2020	September 30, 2021
	(Dollars in thousands)	
Buildings	$ 28,922	**$ 28,567**
Office furnishings and equipment	36,875	**36,592**
Antennae, towers and transmitting equipment	78,057	**77,543**
Studio, production, and mobile equipment	29,023	**29,333**
Computer software and website development costs	33,928	**38,272**
Record and tape libraries	17	**—**
Automobiles	1,514	**1,492**
Leasehold improvements	18,187	**18,703**
	$ 226,523	**$ 230,502**
Less accumulated depreciation	(180,336)	**(185,127)**
	46,187	**45,375**
Land	$ 30,254	**$ 27,040**
Construction-in-progress	2,681	**6,010**
	$ 79,122	**$ 78,425**

Depreciation expense was approximately $2.7 million for the three-month periods ended September 30, 2021 and 2020, and $8.1 million for the nine-month periods ended September 30, 2021 and 2020. We periodically review long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. This review requires us to estimate the fair value of the assets using significant unobservable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value, including assumptions about risk. If actual future results are less favorable than the assumptions and estimates we used, we are subject to future impairment charges, the amount of which may be material. There were no indications of impairment during the three- and nine-month period ended September 30, 2021.

NOTE 7. OPERATING AND FINANCE LEASE RIGHT-OF-USE ASSETS

Leases

We account for leases in accordance with FASB ASC Topic 842, "*Leases*" that requires lessees to recognize Right of Use ("ROU") assets and lease liabilities calculated based on the present value of lease payments for all lease agreements with terms that are greater than twelve months. FASB ASC Topic 842 distinguishes leases as either a finance lease or an operating lease that affects how the leases are measured and presented in the statement of operations and statement of cash flows.

Leasing Transactions

Our leased assets include offices and studios, transmitter locations, antenna sites, tower and tower sites, and land. Our lease portfolio has terms remaining from less than one-year to up to twenty years. Many of these leases contain options under which we can extend the term from five to twenty years. Renewal options are excluded from our calculation of lease liabilities unless we are reasonably assured to exercise the renewal option. Our lease agreements do not contain residual value guarantees or material restrictive covenants. We lease certain properties from our principal stockholders or from trusts and partnerships created for the benefit of the principal stockholders and their families. These leases are designated as Related Party leases in the details provided.

Operating leases are reflected on our balance sheet within operating lease ROU assets and the related current and non-current operating lease liabilities. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from lease agreement. Operating lease ROU assets and liabilities are recognized at the commencement date, or the date on which the lessor makes the underlying asset available for use, based upon the present value of the lease payments over the respective lease term. Lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectation regarding the lease terms. Variable lease costs, such as common area maintenance, property taxes and insurance, are expensed as incurred.

Balance Sheet

Supplemental balance sheet information related to leases is as follows:

	September 30, 2021 (Dollars in thousands)		
Operating Leases	Related Party	Other	Total
Operating leases ROU assets	$ 6,303	$ 37,797	$ 44,100
Operating lease liabilities (current)	$ 1,004	$ 7,600	$ 8,604
Operating lease liabilities (non-current)	5,479	37,701	43,180
Total operating lease liabilities	$ 6,483	$ 45,301	$ 51,784

Weighted Average Remaining Lease Term	
Operating leases	**7.8 years**
Finance leases	**2.9 years**
Weighted Average Discount Rate	
Operating leases	**7.98%**
Finance leases	**5.74%**

Lease Expense

The components of lease expense were as follows:

	Nine Months Ended September 30, 2021 (Dollars in thousands)
Amortization of finance lease ROU Assets	$ 48
Interest on finance lease liabilities	6
Finance lease expense	54
Operating lease expense	9,656
Variable lease expense	430
Short-term lease expense	444
Total lease expense	$ 10,584

Supplemental Cash Flow

Supplemental cash flow information related to leases wasas follows:

	Nine Months Ended September 30, 2021 (Dollars in thousands)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 10,403
Operating cash flows from finance leases	4
Financing cash flows from finance leases	48
Leased assets obtained in exchange for new operating lease liabilities	$ 3,466
Leased assets obtained in exchange for new finance lease liabilities	17

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Maturities

Future minimum lease payments under leases that had initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2021, are as follows:

	Operating Leases				
	Related Party	Other	Total	Finance Leases	Total
			(Dollars in thousands)		
2021 (Oct-Dec)	$ 1,505	$ 10,789	$ 12,294	$ 66	$ 12,360
2022	1,370	10,908	12,278	47	12,325
2023	1,070	8,533	9,603	24	9,627
2024	1,021	6,890	7,911	10	7,921
2025	1,089	5,640	6,729	1	6,730
Thereafter	3,293	22,222	25,515	—	25,515
Undiscounted Cash Flows	$ 9,348	$ 64,982	$ 74,330	$ 148	$ 74,478
Less: imputed interest	(2,865)	(19,681)	(22,546)	(10)	(22,556)
Total	**$ 6,483**	**$ 45,301**	**$ 51,784**	**$ 138**	**$ 51,922**
Reconciliation to lease liabilities:					
Lease liabilities – current	$ 1,004	$ 7,600	$ 8,604	$ 59	$ 8,663
Lease liabilities – long-term	5,479	37,701	43,180	79	43,259
Total Lease Liabilities	**$ 6,483**	**$ 45,301**	**$ 51,784**	**$ 138**	**$ 51,922**

NOTE 8. BROADCAST LICENSES

We account for broadcast licenses in accordance with FASB ASC Topic 350 "*Intangibles—Goodwill and Other*." We do not amortize broadcast licenses, but rather test for impairment annually or more frequently if events or circumstances indicate that the value may be impaired. In the case of our broadcast radio stations, we would not be able to operate the properties without the related broadcast license for each property. Broadcast licenses are renewed with the FCC every eight years for a nominal fee that is expensed as incurred. We continually monitor our stations' compliance with the various regulatory requirements that are necessary for the FCC renewal and all of our broadcast licenses have been renewed at the end of their respective periods. We expect all of our broadcast licenses to be renewed in the future and therefore, we consider our broadcast licenses to be indefinite-lived intangible assets. We are not aware of any legal, competitive, economic or other factors that materially limit the useful life of our broadcast licenses. There were no indications of impairment during the three- and nine-month period ended September 30, 2021.

The following table presents the changes in broadcasting licenses including acquisitions and divestitures of radio stations and FM translators.

Broadcast Licenses	Twelve Months Ended December 31, 2020	**Nine Months Ended September 30, 2021**
	(Dollars in thousands)	
Balance before cumulative loss on impairment, beginning of period	$ 435,300	**$ 434,209**
Accumulated loss on impairment, beginning of period	(97,442)	**(114,436)**
Balance after cumulative loss on impairment, beginning of period	337,858	**319,773**
Acquisitions of radio stations	—	**235**
Dispositions of radio stations	(1,091)	—
Impairments based on the estimated fair value of broadcast licenses	(16,994)	—
Balance, end of period after cumulative loss on impairment	$ 319,773	**$ 320,008**
Balance, end of period before cumulative loss on impairment	$ 434,209	**$ 434,444**
Accumulated loss on impairment, end of period	(114,436)	**(114,436)**
Balance, end of period after cumulative loss on impairment	$ 319,773	**$ 320,008**

NOTE 9. GOODWILL

We account for goodwill in accordance with FASB ASC Topic 350 "*Intangibles—Goodwill and Other*." We do not amortize goodwill, but rather test for impairment annually or more frequently if events or circumstances indicate that an asset may be impaired. We perform our annual impairment testing during the fourth quarter of each year, which coincides with our budget and planning process for the upcoming year. There were no indications of impairment during the three- and nine-month period ended September 30, 2021.

The following table presents the changes in goodwill including business acquisitions and dispositions as discussed in Note 3 of our Condensed Consolidated Financial Statements.

Goodwill	Twelve Months Ended December 31, 2020	**Nine Months Ended September 30, 2021**
	(Dollars in thousands)	
Balance, beginning of period before cumulative loss on impairment,	$ 28,454	**$ 28,520**
Accumulated loss on impairment	(4,456)	**(4,763)**
Balance, beginning of period after cumulative loss on impairment	23,998	**23,757**
Acquisitions of radio stations	66	**4**
Acquisitions of digital media entities	—	**225**
Impairments based on the estimated fair value goodwill	(307)	**—**
Ending period balance	$ 23,757	**$ 23,986**
Balance, end of period before cumulative loss on impairment	28,520	**28,749**
Accumulated loss on impairment	(4,763)	**(4,763)**
Ending period balance	$ 23,757	**$ 23,986**

NOTE 10. AMORTIZABLE INTANGIBLE ASSETS

The following tables provide a summary of our significant classes of amortizable intangible assets:

	September 30, 2021		
	Cost	Accumulated Amortization	Net
		(Dollars in thousands)	
Customer lists and contracts	**$23,700**	**$ (21,987)**	**$1,713**
Domain and brand names	**19,875**	**(19,340)**	**535**
Favorable and assigned leases	**2,188**	**(1,955)**	**233**
Subscriber base and lists	**8,647**	**(8,343)**	**304**
Author relationships	**2,771**	**(2,771)**	**—**
Non-compete agreements	**2,041**	**(2,041)**	**—**
Other amortizable intangible assets	**1,332**	**(1,332)**	**—**
	$60,554	**$ (57,769)**	**$2,785**

	December 31, 2020		
	Cost	Accumulated Amortization	Net
		(Dollars in thousands)	
Customer lists and contracts	$24,012	$ (22,533)	$1,479
Domain and brand names	20,350	(19,127)	1,223
Favorable and assigned leases	2,188	(1,943)	245
Subscriber base and lists	9,886	(8,974)	912
Author relationships	2,771	(2,765)	6
Non-compete agreements	2,041	(1,954)	87
Other amortizable intangible assets	1,666	(1,601)	65
	$62,914	$ (58,897)	$4,017

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Amortization expense was approximately $0.4 million and $0.8 million for the three-month periods ended September 30, 2021 and 2020, respectively and $1.5 million and $2.6 million for the nine-month periods ended September 30, 2021 and 2020, respectively.Based on the amortizable intangible assets as of September 30, 2021, we estimate amortization expense for the next five years to be as follows:

Year Ended December 31,	Amortization Expense
	(Dollars in thousands)
2021 (Oct – Dec)	$ 341
2022	1,219
2023	796
2024	205
2025	21
Thereafter	203
Total	$ 2,785

NOTE 11. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2020	**September 30, 2021**
	(Dollars in thousands)	
7.125% Senior Secured Notes	$ —	**$ 114,731**
Less unamortized discount and debt issuance costs based on imputed interest rate of 7.64%	—	**(4,048)**
7.125% Senior Secured Notes net carrying value	—	**110,683**
6.75% Senior Secured Notes	216,341	**98,815**
Less unamortized debt issuance costs based on imputed interest rate of 7.10%	(2,577)	**(939)**
6.75% Senior Secured Notes net carrying value	213,764	**97,876**
Asset-Based Revolving Credit Facility principal outstanding (1)	5,000	**—**
SBA Paycheck Protection Program loans	—	**—**
Long-term debt less unamortized discount and debt issuance costs	$ 218,764	**$ 208,559**
Less current portion	(5,000)	**—**
Long-term debt less unamortized discount and debt issuance costs, net of current portion	$ 213,764	**$ 208,559**

(1) As of September 30, 2021, the Asset-Based Revolving Credit Facility (“ABL”), had a borrowing base of $24.6 million, no outstanding borrowings and $0.3 million of outstanding letters of credit, resulting in a $24.3 million borrowing base availability.

Our weighted average interest rate was6.65% and 6.94% at December 31, 2020 and September 30, 2021, respectively.

In addition to the outstanding amounts listed above, we also have interest payments related to our long-term debt as follows as of September 30, 2021:

- $114.7 million aggregate principal amount of 2028 Notes with semi-annual interest payments at an annual rate of7.125%;
- $98.8 million aggregate principal amount of 2024 Notes with semi-annual interest payments at an annual rate of6.75%; and
- Commitment fee of 0.25% to 0.375% per annum on the unused portion of the ABL Facility.

7.125% Senior Secured Notes

On September 10, 2021, we refinanced $112.8 million of the 2024 Notes by exchanging $112.8 million of 2024 Notes into $114.7 million (reflecting a call premium of 1.688%) of newly issued 7.125% Senior Secured Notes due 2028 (“2028 Notes.”) Contemporaneously with the refinancing, we obtained commitments from the holders of the 2028 Notes to purchase up to $50 million in additional 2028 Notes (“Delayed Draw 2028 Notes”), contingent upon satisfying certain performance benchmarks, the proceeds of which are to be used exclusively to repurchase or repay the remaining balance outstanding of the 2024 Notes.

The 2028 Notes and the related guarantees were exchanged and sold to certain holders of the 2024 Notes, whom we believe to be qualified institutional buyers, in a private placement. The 2028 Notes and the related guarantees have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold in the United States or to U.S. persons absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any state securities laws. The transaction was assessed on a lender-specific level and was accounted for as a debt modification in accordance with FASB ASC Topic 470.

The 2028 Notes are guaranteed on a senior secured basis. We may redeem the 7.125% Notes, in whole or in part, at any time prior to June 1, 2024 at a price equal to 100% of the principal amount of the 2028 Notes plus a “make-whole” premium as of, and accrued and unpaid interest, if any, to, but not including, the redemption date. At any time on or after June 1, 2024, we may redeem some or all of the 2028 Notes at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth in the 2028 Notes Indenture, plus accrued and unpaid interest, if any, to, but not including the redemption date. In addition, we may redeem up to 35% of the aggregate principal amount of the 2028 Notes before June 1, 2024 with the net cash proceeds from certain equity offerings at a redemption price of 107.125% of the principal amount plus accrued and unpaid interest, if any, to, but not including the redemption date. We may also redeem up to 10% of the aggregate original principal amount of the 2028 Notes per twelve-month period, in connection with up to two redemptions in such twelve-month period, at a redemption price of 101% of the principal amount plus accrued and unpaid interest to, but not including, the redemption date.

The 2028 Notes mature on June 1, 2028, unless earlier redeemed or repurchased. Interest accrues on the 2028 Notes from September 10, 2021 and is payable semi-annually, in cash in arrears, on June 1 and December 1 of each year, commencing December 1, 2021. Based on the balance of the 2028 Notes outstanding, we are required to pay $8.2 million per year in interest. As of September 30, 2021, accrued interest on the 2028 Notes was $0.5 million.

The indenture to the 2028 Notes (“2028 Indenture”) contains covenants that, among other things and subject in each case to certain specified exceptions, limit the ability to: (i) incur additional debt; (ii) declare or pay dividends, redeem stock or make other distributions to stockholders; (iii) make investments; (iv) create liens or use assets as security in other transactions; (v) merge or consolidate, or sell, transfer, lease or dispose of substantially all assets; (vi) engage in transactions with affiliates; and (vii) sell or transfer assets. At September 30, 2021, we were, and we remain, in compliance with all of the covenants under the 7.125% Indenture.

We incurred debt issuance costs of $4.2 million, of which $2.3 million of third-party debt modification costs are reflected in operating expenses for the current period, $0.8 million is deferred with the Delayed Draw 2028 Notes, and $1.1 million, along with $3.0 million from the exchanged 2024 Notes, is being amortized as part of the effective yield on the 2028 Notes.

SBA PPP Loans

We received $11.2 million in aggregate principal amount of PPP loans through the SBA during the first quarter of 2021 based on the eligibility of our radio stations and networks as determined on a per-location basis. The PPP loans were accounted for as debt in accordance with FASB ASC Topic 470. The loan balances and accrued interest were forgivable provided that the proceeds were used for eligible purposes, including payroll, benefits, rent and utilities within the covered period. We used the PPP loan proceeds according to the terms and filed timely applications for forgiveness. During July 2021, the SBA forgave all but $20,000 of the PPP loans resulting in a pre-tax gain on the forgiveness of $11.2 million. The remaining PPP loan was repaid in July 2021.

6.75% Senior Secured Notes

On May 19, 2017, we issued 6.75% Senior Secured Notes (“2024 Notes”) in a private placement. The 2024 Notes are guaranteed on a senior secured basis by our existing subsidiaries (the “Subsidiary Guarantors”). The 2024 Notes bear interest at a rate of 6.75% per year and mature on June 1, 2024, unless they are earlier redeemed or repurchased. Interest is payable semi-annually, in cash in arrears, on June 1 and December 1 of each year.

The 2024 Notes are secured by a first-priority lien on substantially all assets of ours and the Subsidiary Guarantors other than the ABL Facility Priority Collateral (as described below) (the “2024 Notes Priority Collateral”). There is no direct lien on our FCC licenses to the extent prohibited by law or regulation (other than the economic value and proceeds thereof).

The indenture relating to the 2024 Notes (the “2024 Indenture”) contains covenants that, among other things and subject in each case to certain specified exceptions, limit our ability and the ability of our restricted subsidiaries to: (i) incur additional debt; (ii) declare or pay dividends, redeem stock or make other distributions to stockholders; (iii) make investments; (iv) create liens or use assets as security in other transactions; (v) merge or consolidate, or sell, transfer, lease or dispose of substantially all of our assets; (vi) engage in transactions with affiliates; and (vii) sell or transfer assets. At September 30, 2021, we were, and we remain, in compliance with all of the covenants under the Indenture.

We may from time to time, depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, seek to repurchase the 2024 Notes in open market transactions, privately negotiated transactions, by tender offer or otherwise, as market conditions warrant.

As described above, on September 10, 2021, we exchanges of $112.8 million of the 2024 Notes for $114.7 million of newly issued 2028 Notes, reflecting a call premium of 1.688%. Bond issuance costs of $1.1 million associated with the $112.8 million of the 2024 Notes are being amortized as part of the effective yield on the 2028 Notes.

On September 24, 2021, we repurchased $4.7 million of the 2024 Notes for $4.7 million in cash, recognizing a net loss of $56,000 after adjusting for bond issuance costs.

Based on the balance of the 2024 Notes outstanding of $98.8 million, we are required to pay $6.6 million per year in interest on the 2024 Notes. As of September 30, 2021, accrued interest on the 2024 Notes was $2.3 million.

We incurred debt issuance costs of $6.3 million that were recorded as a reduction of the debt proceeds that are being amortized to non-cash interest expense over the life of the Notes using the effective interest method. During the three and nine-month periods ended September 30, 2021, $0.2 million and $0.5 million, respectively, of debt issuance costs associated with the Notes was amortized to interest expense. During the three and nine-month periods ended September 30, 2020, $0.2 million and $0.6 million, respectively, of debt issuance costs associated with the Notes was amortized to interest expense.

Asset-Based Revolving Credit Facility

On May 19, 2017, we entered into the ABL Facility pursuant to a Credit Agreement (the “Credit Agreement”) by and among us and our subsidiaries party thereto as borrowers, Wells Fargo Bank, National Association, as administrative agent and lead arranger, and the lenders that are parties thereto. The ABL Facility is a five-year $30.0 million revolving credit facility due March 1, 2024, which includes a $5.0 million subfacility for standby letters of credit and a $7.5 million subfacility for swingline loans. All borrowings under the ABL Facility accrue interest at a rate equal to a base rate or LIBOR plus a spread. The spread, which is based on an availability-based measure, ranges from 0.50% to 1.00% for base rate borrowings and 1.50% to 2.00% for LIBOR borrowings. If an event of default occurs, the interest rate may increase by 2.00% per annum. Amounts outstanding under the ABL Facility may be paid and then reborrowed at our discretion without penalty or premium. Additionally, we pay a commitment fee on the unused balance from 0.25% to 0.375% per year based on the level of borrowings.

Availability under the ABL Facility is subject to a borrowing base consisting of (a) 90% of the eligible accounts receivable plus (b) a calculated amount based on the value of certain real property. As of September 30, 2021, the amount available under the ABL Facility was $25.0 million of which none was outstanding. The ABL Facility has a first-priority lien on our and the Subsidiary Guarantors’ accounts receivable, inventory, deposit and securities accounts, certain real estate and related assets (the “ABL Facility Priority Collateral”) and by a second-priority lien on the Notes Priority Collateral. There is no direct lien on our FCC licenses to the extent prohibited by law or regulation (other than the economic value and proceeds thereof). At September 30, 2021, we were, and we remain, in compliance with all of the covenants under Credit Agreement.

On September 10, 2021, we entered into the fifth amendment to the ABL Facility to designate the incurrence of the 2028 Notes, and any further refinancing of 2024 Notes through the issuance of additional 2028 Notes, as permitted indebtedness thereunder and to effect related arrangements for the interests in the ABL Priority Collateral and the Notes Priority Collateral. We incurred debt issue costs of $0.9 million that were recorded as an asset and are being amortized to non-cash interest expense over the term of the ABL Facility using the effective interest method. During the three and nine-month periods ended September 30, 2021, $27,000 and $0.1 million, respectively, of debt issuance costs associated with the ABL was amortized to interest expense. During the three and nine-month periods ended September 30, 2020, $30,000 and $0.1 million, respectively, of debt issue costs associated with the ABL was amortized to interest expense.

We report outstanding balances on the ABL Facility as short-term regardless of the maturity date based on use of the ABL Facility to fund ordinary and customary operating cash needs with frequent repayments. We believe that our borrowing capacity under the ABL Facility allows us to meet our ongoing operating requirements, fund capital expenditures and satisfy our debt service requirements for at least the next twelve months.

Maturities of Long-Term Debt

Principal repayment requirements under all long-term debt agreements outstanding at September 30, 2021 for each of the next five years and thereafter are as follows:

For the Year Ended September 30,	Amount (Dollars in thousands)
2022	$ —
2023	—
2024	98,815
2025	—
2026	—
Thereafter	114,731
	$ 213,546

NOTE 12. FAIR VALUE MEASUREMENTS

As of September 30, 2021, the carrying value of cash and cash equivalents, trade accounts receivables, accounts payable, accrued expenses and accrued interest approximates fair value due to the short-term nature of such instruments. The carrying amount of the Notes at September 30, 2021 was $213.5 million compared to the estimated fair value of $213.3 million, based on the prevailing interest rates and trading activity of our Notes.

We have certain assets that are measured at fair value on anon-recurring basis that are adjusted to fair value only when the carrying values exceed the fair values. The categorization of the framework used to price the assets is considered Level 3 due to the subjective nature of the unobservable inputs used when estimating the fair value.

The following table summarizes the fair value of our financial assets and liabilities that are measured at fair value:

	September 30, 2021			
	Carrying Value on Balance Sheet	Fair Value Measurement Category		
		Level 1	Level 2	Level 3
	(Dollars in thousands)			
Liabilities:				
Estimated fair value of contingent earn-out consideration included in accrued expenses	$ 11	—	—	$ 11
Long-term debt less unamortized discount and debt issuance costs	208,559	—	208,314	—

NOTE 13. INCOME TAXES

We recognize deferred tax assets and liabilities for future tax consequences attributable to differences between our consolidated financial statement carrying amount of assets and liabilities and their respective tax bases. We measure these deferred tax assets and liabilities using enacted tax rates expected to apply in the years in which these temporary differences are expected to reverse. We recognize the effect on deferred tax assets and liabilities resulting from a change in tax rates in income in the period that includes the date of the change.

The adoption of ASU 2019-12, "*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes"*("ASU 2019-12") in the current year did not have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

At December 31, 2020, we had net operating loss carryforwards for federal income tax purposes of approximately $135.3 million that expire in years 2021 through 2038 and for state income tax purposes of approximately $610.8 million that expire in years 2021 through 2040. As a result of our adjusted cumulative three-year pre-tax book loss as of December 31, 2020, we performed an assessment of positive and negative evidence with respect to the realization of our net deferred tax assets. This assessment included the evaluation of scheduled reversals of deferred tax liabilities, the availability of carryforwards and estimates of projected future taxable income. The economic uncertainty from the COVID-19 pandemic provided additional negative evidence that outweighed positive evidence resulting in our conclusion that additional deferred tax assets of $35.1 million related to federal and state net operating loss carryforwards are more likely than not to be not realized. As such, an additional valuation allowance of $35.1 million was recorded, for a total valuation allowance of $48.1 million as of the year ended December 31, 2020.

During the interim period ended September 30, 2021, we computed the income tax provision using the estimated effective annual rate applicable for the full year. We updated our forecast to project income for the 2021 calendar year. In accordance with the guidance under FASB ASC Topic 740-270-25-4, we measured the estimated utilization of the operating loss carryforwards and the release of the valuation allowance for both federal and state jurisdictions.

The effective tax rate differs from our statutory rate as a result of the forecasted change in the valuation allowance against expected operating income, permanently disallowed expenses, PPP loan forgiveness, state tax and changes to the deferred tax liability for amortization of indefinite-lived intangible assets.

Given that we have a valuation allowance placed on our net operating losses, and as part of our annual effective tax rate exercise, we estimate annual taxable income for purposes of determining the utilization of the operating loss carryforwards resulting in a tax benefit recognized in the overall annual effective tax rate. We recognized a favorable tax adjustment attributable to the GAAP income recognition of the PPP loan forgiveness within the quarter as a discrete adjustment for both federal and state jurisdictions where applicable given its unusual and infrequent nature.

During the quarter ended September 30, 2021, we refinanced $112.8 million of the 2024 Notes by exchanging $112.8 million of the 2024 Notes into $114.7 million of newly issued 2028 Notes, incurring third-party debt modification costs during the quarter. For tax purposes, we considered these debt modification costs in our operating loss utilization analysis.

The amortization of our indefinite-lived intangible assets for tax purposes, but not for book purposes, creates deferred tax liabilities. A reversal of deferred tax liabilities may occur when indefinite-lived intangibles: (1) become impaired; or (2) are sold, which would typically only occur in connection with the sale of the assets of a station or groups of stations or the entire company in a taxable transaction. Due to the amortization for tax purposes and not book purposes of our indefinite-lived intangible assets, we expect to continue to generate deferred tax liabilities in future periods exclusive of any impairment losses in future periods. These deferred tax liabilities and net operating loss carryforwards result in differences between our provision for income tax and cash paid for taxes.

We review and reevaluate uncertain tax positions on a quarterly basis. Changes in assumptions may result in the recognition of a tax benefit or an additional charge to the tax provision.

Valuation Allowance (Deferred Taxes)

For financial reporting purposes, we recorded a valuation allowance of $28.4 million as of December 31, 2020 to offset $28.4 million of the deferred tax assets related to the federal net operating loss carryforwards, and $19.7 million of the deferred tax assets related to state net operating loss carryforwards of $15.7 million and other financial statement accrual assets of $4.0 million, for a total valuation allowance of $48.1 million for the year ended December 31, 2020.

NOTE 14. COMMITMENTS AND CONTINGENCIES

We enter into various agreements in the normal course of business that contain minimum guarantees. Minimum guarantees are typically tied to future events, such as future revenue earned in excess of the contractual level. Accordingly, the fair value of these arrangements is zero.

We may record contingent earn-out consideration representing the estimated fair value of future liabilities associated with acquisitions that may have additional payments due upon the achievement of certain performance targets. The fair value of the contingent earn-out consideration is estimated as of the acquisition date as the present value of the expected contingent payments as determined using weighted probabilities of the expected payment amounts. We review the probabilities of possible future payments to estimate the fair value of any contingent earn-out consideration on a quarterly basis over the earn-out period. Actual results are compared to the estimates and probabilities of achievement used in our forecasts. Should actual results of the acquired business increase or decrease as compared to our estimates and assumptions, the estimated fair value of the contingent earn-out consideration liability will increase or decrease, up to the contracted limit, as applicable. Changes in the estimated fair value of the contingent earn-out consideration are reflected in our results of operations in the period in which they are identified. Changes in the estimated fair value of the contingent earn-out consideration may materially impact and cause volatility in our operating results.

We and our subsidiaries, incident to our business activities, are parties to a number of legal proceedings, lawsuits, arbitration and other claims. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance. We evaluate claims based on what we believe to be both probable and reasonably estimable. We maintain insurance that may provide coverage for such matters. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to these matters. We believe, at this time, that the final resolution of these matters, individually and in the aggregate, will not have a material adverse effect upon our condensed consolidated financial position, results of operations or cash flows.

NOTE 15. STOCK INCENTIVE PLAN

Our Amended and Restated 1999 Stock Incentive Plan (the "Plan") provides for grants of equity-based awards to employees,non-employee directors and officers, and advisors ("Eligible Persons"). A maximum of 8,000,000 shares are authorized under the Plan. Insiders may participate in plans established pursuant to Rule 10b5-1 under the Exchange Act that allow them to exercise awards subject topre-established criteria.

We recognize non-cash stock-based compensation expense based on the estimated fair value of awards in accordance with FASB ASC Topic 718 "*Compensation—Stock Compensation*." Stock-based compensation expense fluctuates over time as a result of the vesting periods for outstanding awards and the number of awards that actually vest. The following table reflects the components of stock-based compensation expense recognized in the Condensed Consolidated Statements of Operations for the three- and six- month periods ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2021	2020	2021
	(Dollars in thousands)		*(Dollars in thousands)*	
Stock option compensation expense included in unallocated corporate expenses	$ 30	**$ 23**	$ 122	**$ 75**
Stock option compensation expense included in broadcast operating expenses	32	**31**	106	**92**
Stock option compensation expense included in digital media operating expenses	12	**24**	44	**73**
Stock option compensation expense included in publishing operating expenses	—	**—**	1	**—**
Total stock-based compensation expense, pre-tax	$ 74	**$ 78**	$ 273	**$ 240**
Tax expense for stock-based compensation expense	(19)	**(20)**	(71)	**(62)**
Total stock-based compensation expense, net of tax	$ 55	**$ 58**	$ 202	**$ 178**

Stock Option and Restricted Stock Grants

Eligible employees may receive incentive and non-qualified stock option awards that allow the recipient to purchase shares of our common stock at a set price, not to be less than the closing market price on the date of award, for no consideration payable by the recipient. The related number of shares underlying the stock option is fixed at the time of the grant. Options generally vest over a four-year period with a maximum term of five years from the vesting date.

The Plan also allows for awards of restricted stock that contain transfer restrictions under which they cannot be sold, pledged, transferred or assigned until the period specified in the award, generally from one to five years. Restricted stock awards are independent of option grants and are granted at no cost to the recipient other than applicable taxes owed by the recipient. The awards are considered issued and outstanding from the date of grant.

The fair value of each award is estimated as of the date of the grant using the Black-Scholes valuation model. The expected volatility reflects the consideration of the historical volatility of our common stock as determined by the closing price over a six to ten-year term commensurate with the expected term of the award. Expected dividends reflect the amount of quarterly distributions authorized and declared on our Class A and Class B common stock as of the grant date. The expected term of the awards is based on evaluations of historical and expected future employee exercise behavior. The risk-free interest rates for periods within the expected term of the award are based on the U.S. Treasury yield curve in effect during the period the options were granted. We have used historical data to estimate future forfeiture rates to apply against the gross amount of compensation expense determined using the valuation model. These estimates have approximated our actual forfeiture rates.

The weighted-average assumptions used to estimate the fair value of the stock options using the Black-Scholes valuation model were as follows for the three- and nine-month periods ended September 30, 2021 and 2020:

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Expected volatility	n/a	53.96%	79.99%	75.98%
Expected dividends	n/a	7.30%	0.00%	0.00%
Expected term (in years)	n/a	7.6	8.0	7.8
Risk-free interest rate	n/a	1.14%	1.27	1.03%

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Activity with respect to the company's option awards during the nine-month period ended September 30, 2021 is as follows:

Options	Shares		Weighted Average Exercise Price		Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term		Aggregate Intrinsic Value
	(Dollars in thousands, except weighted average exercise price and weighted average grant date fair value)							
Outstanding at January 1, 2021	2,291,020	$	3.23	$	1.52	4.3 years	$	—
Granted	270,000		2.14		1.55			—
Exercised	(192,507)		2.11		0.97			200
Forfeited or expired	(157,446)		6.73		4.74			—
Outstanding at September 30, 2021	**2,211,067**	**$**	**2.95**	**$**	**1.34**	**4.4 years**	**$**	**2,484**
Exercisable at September 30, 2021	**1,209,942**	**$**	**3.84**	**$**	**1.75**	**2.6 years**	**$**	**640**
Expected to Vest	**950,568**	**$**	**2.97**	**$**	**1.35**	**4.3 years**	**$**	**2,391**

Activity with respect to the company's restricted stock awards during the nine-month period ended September 30, 2021 is as follows:

Restricted Stock Awards	Shares		Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term		Aggregate Intrinsic Value
	(Dollars in thousands, except weighted average exercise price and weighted average grant date fair value)					
Outstanding at January 1, 2021	107,990	$	1.85	1.67 years	$	112
Granted	—		—	—		—
Lapsed	(41,323)		2.42	—		100
Forfeited	—		—	—		—
Outstanding at September 30, 2021	**66,667**	**$**	**1.50**	**0.02 years**	**$**	**247**

The aggregate intrinsic value represents the difference between the company's closing stock price on September 30, 2021 of $3.71 and the option exercise price of the shares for stock options that were in the money, multiplied by the number of shares underlying such options. The total fair value of options vested during the periods ended September 30, 2021 and 2020 was $0.3 million and $0.4 million, respectively.

As of September 30, 2021, there was $22,000 of total unrecognized compensation cost related to non-vested stock option awards. This cost is expected to be recognized over a weighted-average period of 2.3 years.

NOTE 16. EQUITY TRANSACTIONS

In April 2021, we filed a prospectus supplement to our shelf registration statement on Form S-3 with the SEC covering the offering, issuance and sale of up to $15.0 million of our Class A Common Stock pursuant to an at-the-market facility, with B. Riley Securities, Inc. acting as sales agent. No Common Stock transactions have taken place under the facility.

We account for stock-based compensation expense in accordance with FASB ASC Topic 718, "*Compensation-Stock Compensation*." As a result, $0.1 million and $0.2 million of non-cash stock-based compensation expense has been recorded to additional paid-in capital for the three- and nine-month periods ended September 30, 2021, respectively, in comparison to $0.1 million and $0.3 million of non-cash stock-based compensation expense having been recorded to additional paid-in capital for the three- and nine-month periods ended September 30, 2020, respectively.

Our dividend policy is based upon our Board of Directors' current assessment of our business and the environment in which we operate. The declaration of any future distributions and the establishment of the per share amount, record dates, and payment dates are subject to final determination by our Board of Directors and dependent upon future earnings, cash flows, financial and legal requirements, and other factors. On May 6, 2020, our Board of Directors voted to discontinue equity distributions until further notice due to the adverse economic impact of the COVID-19 pandemic on our financial position, results of operations, and cash flows.

NOTE 17. SEGMENT DATA

FASB ASC Topic 280, "*Segment Reporting*," requires companies to provide certain information about their operating segments. We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which also qualify as reportable segments. Our operating segments reflect how our chief operating decision makers, which we define as a collective group of senior executives, assesses the performance of each operating segment and determines the appropriate allocations of resources to each segment. We continually review our operating segment classifications to align with operational changes in our business and may make changes as necessary.

We measure and evaluate our operating segments based on operating income and operating expenses that do not include allocations of costs related to corporate functions, such as accounting and finance, human resources, legal, tax and treasury, which are reported as unallocated corporate expenses in our condensed consolidated statements of operations included in this quarterly report on Form 10-Q. We also exclude costs such as amortization, depreciation, taxes and interest expense.

Segment performance, as defined by Salem, is not necessarily comparable to other similarly titled captions of other companies.

Broadcasting

Our foundational business is radio broadcasting, which includes the ownership and operation of radio stations in large metropolitan markets. Our broadcasting segment includes our national networks and national sales firms. National companies often prefer to advertise across the United States as an efficient and cost-effective way to reach their target audiences. Our national platform under which we offer radio airtime, digital campaigns and print advertisements can benefit national companies by reaching audiences throughout the United States.

Salem Radio Network™ (“SRN™”), based in Dallas, Texas, develops, produces and syndicates a broad range of programming specifically targeted to Christian and family-themed talk stations, music stations and News Talk stations. SRN™ delivers programming via satellite to approximately 3,100 affiliated radio stations throughout the United States, including several of our Salem-owned stations. SRN™ operates five divisions, SRN™ Talk, SRN™ News, SRN™ Websites, SRN™ Satellite Services and Salem Music Network that includes Today’s Christian Music (“TCM”).

Salem Media Representatives (“SMR”) is our national advertising sales firm with offices in 12 U.S. cities. SMR specializes in placing national advertising on Christian and talk formatted radio stations as well as other commercial radio station formats. SMR sells commercial airtime to national advertisers on our radio stations and through our networks, as well as for independent radio station affiliates. SMR also contracts with independent radio stations to create custom advertising campaigns for national advertisers to reach multiple markets.

Salem Surround, our multimedia advertising agency with locations in 33 markets across the United States, offers a comprehensive suite of digital marketing services to develop and execute audience-based marketing strategies for clients on both the national and local level. Salem Surround specializes in digital marketing services for each of our radio stations and websites as well as provides a full-service digital marketing strategy for each of our clients.

Digital Media

Our digital media-based businesses provide Christian, conservative, investing content, e-commerce, audio and video streaming, and other resources digitally through the web. Salem Web Network (“SWN”) websites include Christian content websites; BibleStudyTools.com, Crosswalk.com®, GodVine.com, iBelieve.com, GodTube®.com, OnePlace™.com, Christianity.com, GodUpdates.com, CrossCards™.com, ChristianHeadlines.com, LightSource.com, AllCreated.com, ChristianRadio.com, CCMmagazine.com, SingingNews®.com and SouthernGospel.com and our conservative opinion websites; collectively known as Townhall Media, include Townhall.com®, HotAir™.com, Twitchy®.com, RedState®.com, BearingArms.com, ConservativeRadio.com and pjmedia.com. We also publish digital newsletters through Eagle Financial Publications, which provide market analysis and non-individualized investment strategies from financial commentators on a subscription basis.

Our church e-commerce websites, including SermonSearch™.com, ChurchStaffing.com, WorshipHouseMedia.com, SermonSpice™.com, WorshipHouseKids.com, Preaching.com, ChristianJobs.com, Youthworker.com, JourneyBoxMedia.com, Playblackmedia.com, and HyperPixelsMedia.com, offer a variety of digital resources including videos, song tracks, sermon archives and job listings to pastors and Church leaders.

Our web content is accessible through all of our radio station websites that feature content of interest to local audiences throughout the United States.

Publishing

Our publishing operating segment includes three businesses: (1) Regnery® Publishing and Salem Books, traditional book publishers that have published dozens of bestselling books by leading conservative and Christian authors and personalities and (2) Salem Author Services, a self-publishing service for authors through Xulon Press and Mill City Press.

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The table below presents financial information for each operating segment as of September 30, 2021 and 2020 based on the composition of our operating segments:

	Broadcast	Digital Media	Publishing	Unallocated Corporate Expenses	Consolidated
			(Dollars in thousands)		
Three Months Ended September 30, 2021					
Net revenue	**$ 49,591**	**$10,645**	**$ 5,747**	**$ —**	**$ 65,983**
Operating expenses	**37,463**	**8,269**	**5,213**	**4,284**	**55,229**
Net operating income (loss) before depreciation, amortization, and net (gain) loss on the disposition of assets	**$ 12,128**	**$ 2,376**	**$ 534**	**$ (4,284)**	**$ 10,754**
Debt modification costs	**—**	**—**	**—**	**2,347**	**2,347**
Depreciation	**1,539**	**965**	**43**	**241**	**2,788**
Amortization	**4**	**375**	**48**	**—**	**427**
Net (gain) loss on the disposition of assets	**(10,505)**	**(148)**	**22**	**24**	**(10,607)**
Net operating income (loss)	**$ 21,090**	**$ 1,184**	**$ 421**	**$ (6,896)**	**$ 15,799**
Three Months Ended September 30, 2020					
Net revenue	$ 45,391	$ 9,808	$ 5,442	$ —	$ 60,641
Operating expenses	34,283	7,144	5,814	3,849	51,090
Net operating income (loss) before depreciation, amortization, change in the estimated fair value of contingent earn-out consideration, impairments, and net (gain) loss on the disposition of assets	$ 11,108	$ 2,664	$ (372)	$ (3,849)	$ 9,551
Depreciation	1,626	746	70	235	2,677
Amortization	4	537	210	—	751
Change in the estimated fair value of contingent earn-out consideration	—	(10)	—	—	(10)
Net (gain) loss on the disposition of assets	1,380	—	1	—	1,381
Net operating income (loss)	$ 8,098	$ 1,391	$ (653)	$ (4,084)	$ 4,752

	Broadcast	Digital Media	Publishing	Unallocated Corporate Expenses	Consolidated
			(Dollars in thousands)		
Nine Months Ended September 30, 2021					
Net revenue	**$140,422**	**$30,603**	**$ 18,093**	**$ —**	**$ 189,118**
Operating expenses	**106,968**	**25,280**	**16,844**	**12,764**	**161,856**
Net operating income (loss) before depreciation, amortization, change in the estimated fair value of contingent earn-out consideration, impairments, and net (gain) loss on the disposition of assets	**$ 33,454**	**$ 5,323**	**$ 1,249**	**$ (12,764)**	**$ 27,262**
Debt modification costs	**—**	**—**	**—**	**2,347**	**2,347**
Depreciation	**4,667**	**2,606**	**134**	**711**	**8,118**
Amortization	**12**	**1,204**	**337**	**—**	**1,553**
Net (gain) loss on the disposition of assets	**(10,187)**	**(83)**	**(306)**	**24**	**(10,552)**
Net operating income (loss)	**$ 38,962**	**$ 1,596**	**$ 1,084**	**$ (15,846)**	**$ 25,796**
Nine Months Ended September 30, 2020					
Net revenue	$130,041	$28,355	$ 13,366	$ —	$ 171,762
Operating expenses	104,704	23,123	16,443	11,909	156,179
Net operating income (loss) before depreciation, amortization, change in the estimated fair value of contingent earn-out consideration, impairments, and net (gain) loss on the disposition of assets	$ 25,337	$ 5,232	$ (3,077)	$ (11,909)	$ 15,583
Depreciation	4,912	2,284	212	700	8,108
Amortization	18	1,928	631	1	2,578
Change in the estimated fair value of contingent earn-out consideration	—	(12)	—	—	(12)
Impairment of indefinite-lived long-term assets other than goodwill	16,994	—	260	—	17,254
Impairment of goodwill	184	10	105	8	307
Net (gain) loss on the disposition of assets	1,489	—	1	4	1,494
Net operating income (loss)	$ 1,740	$ 1,022	$ (4,286)	$ (12,622)	$ (14,146)

	Broadcast	Digital Media	Publishing	Unallocated Corporate	Consolidated
			(Dollars in thousands)		
As of September 30, 2021					
Inventories, net	**$ —**	**$ —**	**$ 907**	**$ —**	**$ 907**
Property and equipment, net	**60,502**	**8,619**	**723**	**8,581**	**78,425**
Broadcast licenses	**320,008**	**—**	**—**	**—**	**320,008**
Goodwill	**2,750**	**19,790**	**1,446**	**—**	**23,986**
Amortizable intangible assets, net	**233**	**2,552**	**—**	**—**	**2,785**
As of December 31, 2020					
Inventories, net	$ —	$ —	$ 495	$ —	$ 495
Property and equipment, net	64,231	6,221	741	7,929	79,122
Broadcast licenses	319,773	—	—	—	319,773
Goodwill	2,746	19,565	1,446	—	23,757
Amortizable intangible assets, net	246	3,434	337	—	4,017

NOTE 18. SUBSEQUENT EVENTS

The following additional repurchases of the 2024 Notes were made after September 30, 2021:

Date	Principal Repurchased	Cash Paid	% of Face Value	Bond Issue Costs	Net Loss
			(Dollars in thousands)		
October 25, 2021	$ 2,000	$ 2,020	101.00%	$ 19	$ 39
October 12, 2021	250	251	100.38%	2	3
October 5, 2021	763	766	100.38%	7	10
October 4, 2021	628	629	100.13%	6	7
	$ 3,641	$ 3,666		$ 34	59

Subsequent events reflect all applicable transactions through the date of the filing.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

General

Salem Media Group, Inc. is a domestic multimedia company specializing in Christian and conservative content, with media properties comprising radio broadcasting, digital media, and publishing. Our content is intended for audiences interested in Christian and family-themed programming and conservative news talk. We maintain a website at www.salemmedia.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports are available free of charge through our website as soon as reasonably practicable after those reports are electronically filed with or furnished to the SEC. *The information on our website is not a part of or incorporated by reference into this or any other report of the company filed with, or furnished to, the SEC.*

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Condensed Consolidated Financial Statements and related notes included elsewhere in this report on Form 10-Q and our audited Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2020. Our Condensed Consolidated Financial Statements are not directly comparable from period to period due to acquisitions and dispositions. Refer to Note 3 of our Condensed Consolidated Financial Statements on Form 10-Q for details of each of these transactions.

Historical operating results are not necessarily indicative of future operating results. Actual future results may differ from those contained in or implied by the forward-looking statements as a result of various factors. These factors include, but are not limited to:

- the coronavirus ("COVID-19") is adversely impacting our business,
- risks and uncertainties relating to the need for additional funds to service our debt,
- risks and uncertainties relating to the need for additional funds to execute our business strategy,
- our ability to access borrowings under our ABL Facility,
- reductions in revenue forecasts,
- our ability to renew our broadcast licenses,
- changes in interest rates,
- the timing of our ability to complete any acquisitions or dispositions,
- costs and synergies resulting from the integration of any completed acquisitions,
- our ability to effectively manage costs,
- our ability to drive and manage growth,
- the popularity of radio as a broadcasting and advertising medium,
- changes in consumer tastes,
- the impact of general economic conditions in the United States or in specific markets in which we do business,
- industry conditions, including existing competition and future competitive technologies and cancellation,
- disruptions or postponements of advertising schedules and programming in response to national or world events,
- our ability to generate revenues from new sources, including local commerce and technology-based initiatives,
- the impact of regulatory rules or proceedings that may affect our business from time to time, and the future write off of any material portion of the fair value of our FCC broadcast licenses and goodwill.

Because these factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any of these forward-looking statements. In addition, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which the statement is made, to reflect the occurrence of unanticipated events or otherwise, except as required by law.

Overview

We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which also qualify as reportable segments. Our operating segments reflect how our chief operating decision makers, which we define as a collective group of senior executives, assess the performance of each operating segment and determine the appropriate allocations of resources to each segment. We continually review our operating segment classifications to align with operational changes in our business and may make changes as necessary.

We measure and evaluate our operating segments based on operating income and operating expenses that exclude costs related to corporate functions, such as accounting and finance, human resources, legal, tax and treasury. We also exclude costs such as amortization, depreciation, taxes and interest expense when evaluating the performance of our operating segments.

Our principal sources of broadcast revenue include:

- the sale of block program time to national and local program producers;
- the sale of advertising time on our radio stations to national and local advertisers;
- the sale of banner advertisements on our station websites or on our mobile applications;
- the sale of digital streaming advertisements on our station websites or on our mobile applications;
- the sale of advertisements included in digital newsletters;
- fees earned for the creation of custom web pages and custom digital media campaigns for our advertisers through Salem Surround;
- the sale of advertising time on our national network;
- the syndication of programming on our national network;
- the sale of advertising time through podcasts and video-on-demand services;
- product sales and royalties for on-air host materials, including podcasts and programs; and
- other revenue such as events, including ticket sales and sponsorships, listener purchase programs, where revenue is generated from special discounts and incentives offered to our listeners from our advertisers; talent fees for voice-overs or custom endorsements from our on-air personalities and production services, and rental income for studios, towers or office space.

Our principal sources of digital media revenue include:

- the sale of digital banner advertisements on our websites and mobile applications;
- the sale of digital streaming advertisements on websites and mobile applications;
- the support and promotion to stream third-party content on our websites;
- the sale of advertisements included in digital newsletters;
- the digital delivery of newsletters to subscribers; and
- the sale of video and graphic downloads.

Our principal sources of publishing revenue include:

- the sale of books and e-books;
- publishing fees from authors;
- the sale of digital advertising on our magazine websites and digital newsletters;
- subscription fees for our print magazine; and
- the sale of print magazine advertising.

In each of our operating segments, the rates we are able to charge for airtime, advertising and other products and services are dependent upon several factors, including:

- audience share;
- how well our programs and advertisements perform for our clients;
- the size of the market and audience reached;
- the number of impressions delivered;
- the number of advertisements and programs streamed;
- the number of page views achieved;
- the number of downloads completed;
- the number of events held, the number of event sponsorships sold and the attendance at each event;
- demand for books and publications;
- general economic conditions; and
- supply and demand for airtime on a local and national level.

Broadcasting

Our foundational business is radio broadcasting, which includes the ownership and operation of radio stations in large metropolitan markets, our national networks and our national sales firms including Salem Surround. Revenues generated from our radio stations, networks and sales firms are reported as broadcast media revenue in our Condensed Consolidated Financial Statements included in Part 1 of this quarterly report on Form 10-Q. Advertising revenue is recorded on a gross basis unless an agency represents the advertiser, in which case, revenue is reported net of the commission retained by the agency.

Broadcast revenues are impacted by the rates radio stations can charge for programming and advertising time, the level of airtime sold to programmers and advertisers, the number of impressions delivered or downloads made, and the number of events held, including the size of the event and the number of attendees. Block programming rates are based upon our stations' ability to attract audiences that will support the program producers through contributions and purchases of their products. Advertising rates are based upon the demand for advertising time, which in turn is based on our stations and networks' ability to produce results for their advertisers. We market ourselves to advertisers based on the responsiveness of our audiences. We do not subscribe to traditional audience measuring services for most of our radio stations. In select markets, we subscribe to Nielsen Audio, which develops monthly reports measuring a radio station's audience share in the demographic groups targeted by advertisers. Each of our radio stations and our networks has a pre-determined level of time available for block programming and/or advertising, which may vary at different times of the day.

Nielsen Audio uses the Portable People Meter™ ("PPM") technology to collect data for its ratings service. PPM is a small device that is capable of automatically measuring radio, television, Internet, satellite radio and satellite television signals encoded by the broadcaster. The PPM offers a number of advantages over traditional diary ratings collection systems, including ease of use, more reliable ratings data, shorter time periods between when advertising runs and actual listening data, and little manipulation of data by users. A disadvantage of the PPM includes data fluctuations from changes to the "panel" (a group of individuals holding PPM devices). This makes all stations susceptible to some inconsistencies in ratings that may or may not accurately reflect the actual number of listeners at any given time. We subscribe to Nielsen Audio for ratings services in 7 of our broadcast markets.

Our results are subject to seasonal fluctuations. As is typical in the broadcasting industry, our second and fourth quarter advertising revenue typically exceeds our first and third quarter advertising revenue. Seasonal fluctuations in advertising revenue correspond with quarterly fluctuations in the retail industry. Additionally, we experience increased demand for political advertising during election, or even numbered years, over non-election or odd numbered years. Political advertising revenue varies based on the number and type of candidates as well as the number and type of debated issues.

Our cash flows from broadcasting are affected by transitional periods experienced by radio stations when, based on the nature of the radio station, our plans for the market and other circumstances, we find it beneficial to change the station format. During this transitional period, when we develop a radio station's listener and customer base, the station may generate negative or insignificant cash flow.

In broadcasting, trade or barter agreements are commonly used to reduce cash expenses by exchanging advertising time for goods or services. We may enter barter agreements to exchange airtime or digital advertising for goods or services that can be used in our business or that can be sold to our audience under Listener Purchase Programs. The terms of these barter agreements permit us to preempt the barter airtime or digital campaign in favor of customers who purchase the airtime or digital campaign for cash. The value of these non-cash exchanges is included in revenue in an amount equal to the fair value of the goods or services we receive. Each transaction is reviewed to determine that the products, supplies and/or services we receive have economic substance, or value to us. We record barter operating expenses upon receipt and usage of the products, supplies and services, as applicable. We record barter revenue as advertising spots or digital campaigns are delivered, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Barter revenue is recorded on a gross basis unless an agency represents the programmer, in which case, revenue is reported net of the commission retained by the agency. During the nine months ended September 30, 2021 and 2020, 99% and 98%, respectively of our broadcast revenue was sold for cash.

Broadcast operating expenses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as lease cost and utilities, (iii) marketing and promotional expenses, (iv) production and programming expenses, and (v) music license fees. In addition to these expenses, our network incurs programming costs and lease expenses for satellite communication facilities.

Digital Media

Our digital media based businesses provide Christian, conservative, investing, e-commerce, audio and video streaming, and other resources digitally through the web. Refer to Item 1. Business of our annual report on Form 10-K for the year ended December 31, 2020 for a description of each of our digital media websites and operations. Revenue generated from this segment is reported as digital media revenue in our Condensed Consolidated Financial Statements included in Part 1 of this quarterly report on Form 10-Q.

Digital media revenue is impacted by the rates our sites can charge for advertising time, the level of advertisements sold, the number of impressions delivered or the number of products sold and the number of digital subscriptions sold. Like our broadcasting segment, our second and fourth quarter advertising revenue generally exceeds our first and third quarter advertising revenue. This seasonal fluctuation in advertising revenue corresponds with quarterly fluctuations in the retail advertising industry. We also experience fluctuations in quarter-over-quarter comparisons based on the date on which Easter is observed, as this holiday generates a higher volume of product downloads from our church product websites. Additionally, we experience increased demand for advertising time and placement during election years for political advertisements.

The primary operating expenses incurred by our digital media businesses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as lease expense and utilities, (iii) marketing and promotional expenses, (iv) royalties, (v) streaming costs, and (vi) cost of goods sold associated with e-commerce sites.

Publishing

Our publishing operations include book publishing through Regnery® Publishing, a print magazine and our self-publishing services. Revenues generated from this segment are reported as publishing revenue in our Condensed Consolidated Financial Statements included in Part 1 of this quarterly report on Form 10-Q.

Publishing revenue is impacted by the number and the retail price of books and e-books sold, the number and rate of print magazine subscriptions sold, the rate and number of pages of advertisements sold in each print magazine, and the number and rate at which self-published books are published. Regnery® Publishing revenue is impacted by elections as it generates higher levels of interest and demand for publications containing conservative and political based opinions.

Publishing operating expenses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as lease costs and utilities, (iii) marketing and promotional expenses; and (iv) cost of goods sold that includes printing and production costs, fulfillment costs, author royalties and inventory obsolescence charges.

Known Trends and Uncertainties

The COVID-19 global pandemic that began in March 2020 materially impacted our business. We experienced a rapid decline in revenue from advertising, programming, events and book sales. Several advertisers reduced or ceased advertising spending due to the outbreak and stay-at-home orders that effectively shut many businesses down. The revenue decline impacted our broadcast segment, which derives substantial revenue from local advertisers who were particularly hard hit due to social distancing and government interventions, and our publishing segment, which derives revenue from book sales through retail stores and live events.

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While we see progress being made in revenue returning to pre-pandemic levels, the COVID-19 pandemic continues to create significant uncertainty and disruption in the economy. These uncertainties could materially impact significant accounting estimates related to, but not limited to, allowances for doubtful accounts, impairments and right-of-use assets. As a result, many estimates and assumptions require increased judgment and carry a higher degree of variability and volatility. These estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in its consolidated financial statements.

The growth of broadcast revenue associated with the sale of airtime remains challenged. We believe this is due to increased competition from other forms of content distribution and the length of time spent listening to audio streaming services, podcasts and satellite radio. Increases in competition and the mix in listening time may lead advertisers to conclude that the effectiveness of radio has diminished. To reduce the impact of these factors, we continue to enhance our digital assets to complement our broadcast content. The increased use of voice activated platforms, or smart speakers, that provide audiences with the ability to access AM and FM radio stations show increased potential for broadcasters to reach audiences.

Our broadcast spot advertising revenue is particularly dependent on advertising from our Los Angeles and Dallas markets, which generated 13.8% and 21.8%, respectively, of our total net broadcast spot advertising revenue during the nine-month period ended September 30, 2021 compared to 14.3% and 22.1%, respectively, of our total net broadcast spot advertising revenue during the same period of the prior year.

Digital revenue is impacted by the nature and delivery of page views and the number of advertisements per page. We have experienced a shift in the number of page views from desktop devices to mobile devices. While mobile page views have increased dramatically, they carry a lower number of advertisements per page and are generally sold at lower rates. A shift from desktop page views to mobile device views negatively impacts revenue as mobile devices carry lower rates and less advertisement per page. Decreases in digital revenue could adversely affect our operating results, financial condition and results of operations. To minimize the impact that any one of these areas could have, we continue to explore opportunities to cross-promote our brands and our content, and to strategically monitor costs.

Key Financial Performance Indicators – Same-Station Definition

In the discussion of our results of operations below, we compare our broadcast operating results between periods on an as-reported basis, which includes the operating results of all radio stations and networks owned or operated at any time during either period and on a Same Station basis. Same Station is a Non-GAAP financial measure used both in presenting our results to stockholders and the investment community as well as in our internal evaluations and management of the business. We believe that Same Station Operating Income provides a meaningful comparison of period over period performance of our core broadcast operations as this measure excludes the impact of new stations, the impact of stations we no longer own or operate, and the impact of stations operating under a new programming format. Our presentation of Same Station Operating Income is not intended to be considered in isolation or as a substitute for the most directly comparable financial measures reported in accordance with GAAP. Our definition of Same Station Operating Income is not necessarily comparable to similarly titled measures reported by other companies. Refer to “NON-GAAP FINANCIAL MEASURES” below for a reconciliation of these non-GAAP performance measures to the most comparable GAAP measures.

We define Same Station net broadcast revenue as net broadcast revenue from our radio stations and networks that we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. We define Same Station broadcast operating expenses as broadcast operating expenses from our radio stations and networks that we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. Same Station Operating Income includes those stations we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. Same Station Operating Income for a full calendar year is calculated as the sum of the Same Station results for each of the four quarters of that year.

Non-GAAP Financial Measures

Management uses certain non-GAAP financial measures defined below in communications with investors, analysts, rating agencies, banks and others to assist such parties in understanding the impact of various items on our financial statements. We use these non-GAAP financial measures to evaluate financial results, develop budgets, manage expenditures and as a measure of performance under compensation programs.

Our presentation of these non-GAAP financial measures should not be considered as a substitute for or superior to the most directly comparable financial measures as reported in accordance with GAAP.

Item 10€ of Regulation S-K defines and prescribes the conditions under which certain non-GAAP financial information may be presented in this report. We closely monitor EBITDA, Adjusted EBITDA, Station Operating Income ("SOI"), Same Station net broadcast revenue, Same Station broadcast operating expenses, Same Station Operating Income, Digital Media Operating Income, and Publishing Operating Income (Loss), all of which are non-GAAP financial measures. We believe that these non-GAAP financial measures provide useful information about our core operating results, and thus, are appropriate to enhance the overall understanding of our financial performance. These non-GAAP financial measures are intended to provide management and investors a more complete understanding of our underlying operational results, trends and performance.

The performance of a radio broadcasting company is customarily measured by the ability of its stations to generate SOI. We define SOI as net broadcast revenue less broadcast operating expenses. Accordingly, changes in net broadcast revenue and broadcast operating expenses, as explained above, have a direct impact on changes in SOI. SOI is not a measure of performance calculated in accordance with GAAP. SOI should be viewed as a supplement to and not a substitute for our results of operations presented on the basis of GAAP. We believe that SOI is a useful non-GAAP financial measure to investors when considered in conjunction with operating income (the most directly comparable GAAP financial measures to SOI), because it is generally recognized by the radio broadcasting industry as a tool in measuring performance and in applying valuation methodologies for companies in the media, entertainment and communications industries. SOI is commonly used by investors and analysts who report on the industry to provide comparisons between broadcasting groups. We use SOI as one of the key measures of operating efficiency and profitability, including our internal reviews associated with impairment analysis of our indefinite-lived intangible assets. SOI does not purport to represent cash provided by operating activities. Our statement of cash flows presents our cash activity in accordance with GAAP and our income statement presents our financial performance prepared in accordance with GAAP. Our definition of SOI is not necessarily comparable to similarly titled measures reported by other companies.

We define Same Station net broadcast revenue as net broadcast revenue from our radio stations and networks that we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. We define Same Station broadcast operating expenses as broadcast operating expenses from our radio stations and networks that we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. Same Station Operating Income includes those stations we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. Same Station Operating Income for a full calendar year is calculated as the sum of the Same Station-results for each of the four quarters of that year. We use Same Station Operating Income, a non-GAAP financial measure, both in presenting our results to stockholders and the investment community, and in our internal evaluations and management of the business. We believe that Same Station Operating Income provides a meaningful comparison of period over period performance of our core broadcast operations as this measure excludes the impact of new stations, the impact of stations we no longer own or operate, and the impact of stations operating under a new programming format. Our presentation of Same Station Operating Income is not intended to be considered in isolation or as a substitute for the most directly comparable financial measures reported in accordance with GAAP. Our definition of Same Station net broadcast revenue, Same Station broadcast operating expenses and Same Station Operating Income is not necessarily comparable to similarly titled measures reported by other companies.

We apply a similar methodology to our digital media and publishing group. Digital Media Operating Income is defined as net digital media revenue less digital media operating expenses. Publishing Operating Income (Loss) is defined as net publishing revenue less publishing operating expenses. Digital Media Operating Income and Publishing Operating Income (Loss) are not measures of performance in accordance with GAAP. Our presentations of these non-GAAP financial performance measures are not to be considered a substitute for or superior to our operating results reported in accordance with GAAP. We believe that Digital Media Operating Income and Publishing Operating Income (Loss) are useful non-GAAP financial measures to investors, when considered in conjunction with operating income (the most directly comparable GAAP financial measure), because they are comparable to those used to measure performance of our broadcasting entities. We use this analysis as one of the key measures of operating efficiency, profitability and in our internal review. This measurement does not purport to represent cash provided by operating activities. Our statement of cash flows presents our cash activity in accordance with GAAP and our income statement presents our financial performance in accordance with GAAP. Our definitions of Digital Media Operating Income and Publishing Operating Income (Loss) are not necessarily comparable to similarly titled measures reported by other companies.

We define EBITDA as net income before interest, taxes, depreciation, and amortization. We define Adjusted EBITDA as EBITDA before gains or losses on the sale or disposition of assets, before changes in the estimated fair value of contingent earn-out consideration, before gains on bargain purchases, before the change in fair value of interest rate swaps, before impairments, before net miscellaneous income and expenses, before (gain) loss on early retirement of debt, before (gain) loss from discontinued operations and before non-cash compensation expense. EBITDA and Adjusted EBITDA are commonly used by the broadcast and media industry as important measures of performance and are used by investors and analysts who report on the industry to provide meaningful comparisons between broadcasters. EBITDA and Adjusted EBITDA are not measures of liquidity or of performance in accordance with GAAP and should be viewed as a supplement to and not a substitute for or superior to our results of operations and financial condition presented in accordance with GAAP. Our definitions of EBITDA and Adjusted EBITDA are not necessarily comparable to similarly titled measures reported by other companies.

For all non-GAAP financial measures, investors should consider the limitations associated with these metrics, including the potential lack of comparability of these measures from one company to another.

We use non-GAAP financial measures to evaluate financial performance, develop budgets, manage expenditures, and determine employee compensation. Our presentation of this additional information is not to be considered as a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

Reconciliation of Non-GAAP Financial Measures:

In the tables below, we present a reconciliation of net broadcast revenue, the most comparable GAAP measure, to Same Station net broadcast revenue, and broadcast operating expenses, the most comparable GAAP measure to Same Station broadcast operating expense. We show our calculation of Station Operating Income and Same Station Operating Income, which is reconciled from net income, the most comparable GAAP measure in the table following our calculation of Digital Media Operating Income and Publishing Operating Income (Loss). Our presentation of these non-GAAP measures are not to be considered a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2021	2020	2021
	(Dollars in thousands)			
Reconciliation of Net Broadcast Revenue to Same Station Net Broadcast Revenue				
Net broadcast revenue	$45,391	**$49,591**	$130,041	**$140,422**
Net broadcast revenue – acquisitions	—	**(264)**	—	**(343)**
Net broadcast revenue – dispositions	(192)	**2**	(635)	**(36)**
Net broadcast revenue – format change	(104)	**(216)**	(384)	**(561)**
Same Station net broadcast revenue	$45,095	**$49,113**	$129,022	**$139,482**
Reconciliation of Broadcast Operating Expenses To Same Station Broadcast Operating Expenses				
Broadcast operating expenses	$34,283	**$37,463**	$104,704	**$106,968**
Broadcast operating expenses – acquisitions	—	**(168)**	—	**(206)**
Broadcast operating expenses – dispositions	(344)	**(14)**	(1,225)	**(199)**
Broadcast operating expenses – format change	(252)	**(209)**	(771)	**(593)**
Same Station broadcast operating expenses	$33,687	**$37,072**	$102,708	**$105,970**
Reconciliation of Operating Income to Same Station Operating Income				
Station Operating Income	$11,108	**$12,128**	$ 25,337	**$ 33,454**
Station operating (income) loss –acquisitions	—	**(96)**	—	**(137)**
Station operating loss – dispositions	152	**16**	590	**163**
Station operating (income) loss – format change	148	**(7)**	387	**32**
Same Station – Station Operating Income	$11,408	**$12,041**	$ 26,314	**$ 33,512**

In the table below, we present our calculations of Station Operating Income, Digital Media Operating Income and Publishing Operating Income (Loss). Our presentation of these non-GAAP performance indicators are not to be considered a substitute for or superior to the directly comparable measures reported in accordance with GAAP.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2021	2020	2021
	(Dollars in thousands)			
Calculation of Station Operating Income, Digital Media Operating Income and Publishing Operating Income (Loss)				
Net broadcast revenue	$ 45,391	**$ 49,591**	$ 130,041	**$ 140,422**
Less broadcast operating expenses	(34,283)	**(37,463)**	(104,704)	**(106,968)**
Station Operating Income	$ 11,108	**$ 12,128**	$ 25,337	**$ 33,454**
Net digital media revenue	$ 9,808	**$ 10,645**	$ 28,355	**$ 30,603**
Less digital media operating expenses	(7,144)	**(8,269)**	(23,123)	**(25,280)**
Digital Media Operating Income	$ 2,664	**$ 2,376**	$ 5,232	**$ 5,323**
Net publishing revenue	$ 5,442	**$ 5,747**	$ 13,366	**$ 18,093**
Less publishing operating expenses	(5,814)	**(5,213)**	(16,443)	**(16,844)**
Publishing Operating Income (Loss)	$ (372)	**$ 534**	$ (3,077)	**$ 1,249**

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In the table below, we present a reconciliation of net income (loss), the most directly comparable GAAP measure to Station Operating Income, Digital Media Operating Income and Publishing Operating Income (Loss). Our presentation of these non-GAAP performance indicators are not to be considered a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2021	2020	2021
	(Dollars in thousands)			
Reconciliation of Net Income (Loss) to Operating Income and Station Operating Income, Digital Media Operating Income and Publishing Operating Income (Loss)				
Net income (loss)	$ 329	**$ 22,094**	$ (57,390)	**$ 24,674**
Plus provision for income taxes	401	**837**	31,180	**479**
Plus net miscellaneous income and (expenses)	(1)	**(2)**	45	**(87)**
Plus gain on the forgiveness of PPP loans	—	**(11,212)**	—	**(11,212)**
Plus (gain) loss on early retirement of long-term debt	—	**56**	(49)	**56**
Plus interest expense, net of capitalized interest	4,024	**4,026**	12,069	**11,887**
Less interest income	(1)	**—**	(1)	**(1)**
Net operating income (loss)	$ 4,752	**$ 15,799**	$ (14,146)	**$ 25,796**
Plus net (gain) loss on the disposition of assets	1,381	**(10,607)**	1,494	**(10,552)**
Plus change in the estimated fair value of contingent earn-out consideration	(10)	**—**	(12)	**—**
Plus debt modification costs	—	**2,347**	—	**2,347**
Plus impairment of indefinite-lived long-term assets other than goodwill	—	**—**	17,254	**—**
Plus impairment of goodwill	—	**—**	307	**—**
Plus depreciation and amortization	3,428	**3,215**	10,686	**9,671**
Plus unallocated corporate expenses	3,849	**4,284**	11,909	**12,764**
Combined Station Operating Income, Digital Media Operating Income and Publishing Operating Loss	$ 13,400	**$ 15,038**	$ 27,492	**$ 40,026**
Station Operating Income	$ 11,108	**$ 12,128**	$ 25,337	**$ 33,454**
Digital Media Operating Income	2,664	**2,376**	5,232	**5,323**
Publishing Operating Income (Loss)	(372)	**534**	(3,077)	**1,249**
	$ 13,400	**$ 15,038**	$ 27,492	**$ 40,026**

In the table below, we present a reconciliation of Adjusted EBITDA to EBITDA to Net Income (Loss), the most directly comparable GAAP measure. EBITDA and Adjusted EBITDA are non-GAAP financial performance measures that are not to be considered a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2021	2020	2021
	(Dollars in thousands)			
Reconciliation of Adjusted EBITDA to EBITDA to Net Income (Loss)				
Net income (loss)	$ 329	**$ 22,094**	$(57,390)	**$ 24,674**
Plus interest expense, net of capitalized interest	4,024	**4,026**	12,069	**11,887**
Plus provision for income taxes	401	**837**	31,180	**479**
Plus depreciation and amortization	3,428	**3,215**	10,686	**9,671**
Less interest income	(1)	**—**	(1)	**(1)**
EBITDA	$8,181	**$ 30,172**	$ (3,456)	**$ 46,710**
Plus net (gain) loss on the disposition of assets	1,381	**(10,607)**	1,494	**(10,552)**
Plus change in the estimated fair value of contingent earn-out consideration	(10)	**—**	(12)	**—**
Plus debt modification costs	—	**2,347**	—	**2,347**
Plus impairment of indefinite-lived long-term assets other than goodwill	—	**—**	17,254	**—**
Plus impairment of goodwill	—	**—**	307	**—**
Plus net miscellaneous (income) and expenses	(1)	**(2)**	45	**(87)**
Plus (gain) loss on early retirement of long-term debt	—	**56**	(49)	**56**
Plus gain on the forgiveness of PPP loans	—	**(11,212)**	—	**(11,212)**
Plus non-cash stock-based compensation	74	**78**	273	**240**
Adjusted EBITDA	$9,625	**$ 10,832**	$ 15,856	**$ 27,502**

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RESULTS OF OPERATIONS

The following factors affected our results of operations and cash flows:

Acquisitions and Divestitures

The operating results of our business acquisitions and asset purchases are included in our consolidated results of operations from their respective closing date or the date that we began operating them under an LMA or TBA. The operating results of business and asset divestitures are excluded from our consolidated results of operations from their respective closing date or the date that a third-party began operating them under an LMA or TBA.

- On July 27, 2021, we sold the Hilary Kramer Financial Newsletter and related assets for $0.2 million to be collected in quarterly installments over the two-year period ending September 30, 2023. We recognized apre-tax gain on the sale of $0.1 million.
- On July 23, 2021, we sold approximately 34 acres of land in Lewisville, Texas, for $12.1 million in cash. The land was being used for as the transmitter site for company owned radio station KSKY-AM. We retained a portion of the land in the southwest corner of the site to continue operating the radio station. We recognized a pre-tax gain on the sale of $10.5 million.
- On July 2, 2021, we acquired the SeniorResource.com domain for $0.1 million in cash.
- On July 1, 2021, we acquired the ShiftWorship.com domain and digital assets for $2.6 million in cash. The digital content library is operated within Salem Web Network's church products division.
- On June 1, 2021, we acquired radio stations KDIA-AM and KDYA-AM in San Francisco, California for $0.6 million in cash.
- On May 25, 2021, we sold Singing News Magazine and Singing News Radio for $0.1 million in cash.
- On April 28, 2021, we acquired the Centerline New Media domain and digital assets for $1.3 million in cash. The digital content library is operated within Salem Web Network's church products division.
- On March 8, 2021, we acquired the Triple Threat Trader newsletter. We paid no cash at the time of closing and assumed deferred subscription liabilities of $0.1 million.
- On March 18, 2021, we sold radio station WKAT-AM and an FM translator in Miami, Florida for $3.5 million. The buyer began operating the station under a LMA in November 2020.
- On September 15, 2020, we acquired the Hyper Pixels Media website and related assets for $1.1 million in cash. We paid $0.4 million in cash upon closing with deferred payments of $0.4 million due January 31, 2021 and $0.3 million due September 15, 2021.
- On April 6, 2020, we sold radio station WBZW-AM and an FM translator construction permit in Orlando, Florida, for $0.2 million in cash.

Debt Transactions

- On September 24, 2021, we repurchased $4.7 million of the 6.75% Senior Secured Notes due 2024 ("2024 Notes") for $4.7 million in cash, recognizing a net loss of $56,000 after adjusting for bond issuance costs.
- On September 10, 2021, we exchanged $112.8 million of the 2024 Notes for $114.7 million (reflecting a call premium of 1.688%) of newly issued 2028 Notes.
- We received $11.2 million in aggregate principal amount of PPP loans through the SBA during the first quarter of 2021 based on the eligibility of our radio stations and networks as determined on a per-location basis.
  - In July 2021, the SBA forgave all but $20,000 of the PPP loans. The remaining PPP loan was repaid in July 2021.
- During the nine-months ended September 30, 2020, we completed repurchases of $3.5 million of the Notes for $3.4 million in cash, recognizing a net gain of $49,000 after adjusting for bond issuance costs.

Equity Transactions

- No distributions were declared or paid during nine-month period ended September 30, 2021, compared to distributions of $0.7 million ($0.025 per share) declared and paid during the nine-month period ended September 30, 2020 based upon our Board's then current assessment of our business as detailed in Note 16 – Equity Transactions.

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Three months ended September 30, 2021 compared to the three months ended September 30, 2020

Net Broadcast Revenue

	Three Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Net Broadcast Revenue	$45,391	**$49,591**	$ 4,200	9.3%	74.9%	**75.2%**
Same Station Net Broadcast Revenue	$45,095	**$49,113**	$ 4,018	8.9%		

The following table shows the dollar amount and percentage of net broadcast revenue for each broadcast revenue source.

	Three Months Ended September 30,			
	2020		**2021**	
	(Dollars in thousands)			
Block Programming:				
National	$11,732	25.8%	**$12,502**	**25.2%**
Local	5,771	12.7	**6,299**	**12.7%**
	17,503	38.5	**18,801**	**37.9%**
Broadcast Advertising:				
National	3,635	8.0	**3,447**	**7.0%**
Local	9,485	20.9	**10,682**	**21.5%**
	13,120	28.9	**14,129**	**28.5%**
Broadcast Digital (local)	7,754	17.1	**8,805**	**17.8%**
Infomercials	214	0.5	**220**	**0.4%**
Network	4,891	10.8	**4,908**	**9.9%**
Other Revenue	1,909	4.2	**2,728**	**5.5%**
Net Broadcast Revenue	$45,391	100.0%	**$49,591**	**100.0%**

Block programming revenue increased by $1.3 million including a $0.8 million increase in national programming and a $0.5 million increase in local programming. Our Christian Teaching and Talk format radio stations generated a $0.5 million increase in national programming revenue and a $0.4 million increase in local programming revenue while our News Talk format radio stations generated a $0.2 million increase in national programming and a $0.2 million increase in local programming. These increases include the impact of the $0.2 million in early-payment discounts offered during the prior year and an increase in the number of programmers on-air.

Advertising revenue, net of agency commissions, increased by $1.0 million, including a $1.2 million increase in local advertising that was offset with a $0.2 million decline in national advertising. Excluding political advertising, advertising revenue increased by $1.4 million, all in local advertising. The increase includes $0.6 million from our Contemporary Christian Music format radio stations, primarily in our Los Angeles, Atlanta and Nashville markets, $0.3 million from our News Talk format radio stations, $0.2 million from our Christian Teaching and Talk format radio stations, and $0.5 million from other radio station formats, that were offset by a $0.1 million decline from our Spanish Christian Teaching and Talk format radio stations. The increases reflect the higher demand for airtime associated with improving economic conditions as pandemic restrictions continue to ease that can in turn result in higher spot rates for premium airtime spots. The decline from Spanish Christian Teaching and Talk format radio stations is due to the sale of radio station WKAT-AM in Miami, Florida, and the reformatting of our remaining Spanish Christian Teaching and Talk format radio stations.

Broadcast digital revenue, net of agency commissions, or net digital revenue generated from our broadcast markets and networks, increased by $1.1 million due to growth in digital product offerings and the launch of the Salem Podcast Network in January 2021. Salem Podcast Network is a highly specialized platform for conservative, political, news, family-oriented podcasts with talk show hosts including Dinesh D'Souza, Todd Starnes and Charlie Kirk. Salem Podcast Network joins Salem Surround, our multimedia digital advertising agency providing digital marketing services to our customers, and SalemNow, our transactional video on-demand streaming platform launched in the fourth quarter of 2020, along with our owned and operated station branded websites to offer an expanding line of digital products and services. Increases in broadcast digital revenue include a $1.2 million increase in digital marketing services through Salem Surround, a $1.8 million increase from Salem Podcast Network and a $0.2 million increase in streaming revenue that was partially offset by a $2.1 million decline in revenue from SalemNow due to the impact of two successful titles released during the prior year. There were no significant changes in digital rates as compared to the prior year.

There were no significant changes in the number of infomercials aired and no significant changes in rates. The placement of infomercials can vary significantly from one period to another due to the number of time slots available and the degree to which the infomercial content is considered to be of interest to our audience.

Network revenue, exclusive of amounts reported within digital, increased by $17,000 compared to the same period of the prior year due to a $0.7 million increase in revenue from our nationally syndicated host programs that was partially offset by a $0.7 million decline in political advertising.

Other revenue increased by $0.8 million due to a $0.6 million increase in event revenue due to there-opening of live events, a $0.1 million increase in TBA fees associated with radio station KBJD-AM, Denver, Colorado and a $0.1 million increase in talent fees. Event revenue varies from period to period based on the nature and timing of events, audience demand, and in some cases, the weather which can affect attendance.

On a Same Station basis, net broadcast revenue increased $4.0 million, which reflects these items net of the impact of stations acquired, disposed of, or with format changes.

Net Digital Media Revenue

	Three Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Net Digital Media Revenue	$9,808	**$10,645**	$ 837	8.5%	16.2%	**16.1%**

The following table shows the dollar amount and percentage of net digital media revenue for each digital media revenue source.

	Three Months Ended September 30,			
	2020		**2021**	
	(Dollars in thousands)			
Digital Advertising, net	$5,213	53.2%	**$ 5,053**	**47.5%**
Digital Streaming	843	8.6	**873**	**8.2**
Digital Subscriptions	2,387	24.3	**3,155**	**29.6**
Digital Downloads	1,244	12.7	**1,464**	**13.8**
e-commerce	53	0.5	**65**	**0.6**
Other Revenues	68	0.7	**35**	**0.3**
Net Digital Media Revenue	$9,808	100.0%	**$10,645**	**100.0%**

National digital revenue, net of agency commissions, or net revenue generated from our owned and operated Christian and conservative opinion websites, declined by $0.2 million due to a lower number of advertisements on our conservative opinion websites within Townhall Media. Our conservative opinion websites experience lower demand and lower page views during non-election years. We also experience lower demand from advertisers who move advertising spending to digital programmatic advertisers, such as Facebook and Google, and we may lose advertisers who decide to reduce or eliminate advertising on political-content websites such as ours. We continue to acquire, develop and promote the use of mobile applications to reduce our dependency on page views from digital programmatic advertisers. Because mobile page views carry fewer advertisements and tend to have shorter site visits as compared to desktop, our growth in mobile page views exceeds our growth in revenue from the mobile applications.

Digital streaming revenue was consistent with that of the same period of the prior year with no significant changes in sales volume or rates.

Digital subscription revenue increased by $0.8 million including a $0.4 million increase from Christianjobs.com and Churchstaffing.com within SWN due to an increase in job postings, a $0.2 million increase from Eagle Financial Publications due to an increase in the number of subscribers from increased marketing efforts, and a $0.2 million increase from Townhall Media’s launch of Townhall VIP, a subscription service. There were no significant changes in rates over the prior period.

Digital download revenue increased by $0.2 million due to increases in the number of downloads purchased from our church product websites and form the acquisitions of Centerline New Media in April 2021 and ShiftWorship in July 2021. There were no significant changes in rates.

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E-commerce revenue includes in-app purchases that increased in volume with no significant changes in rates.

Other revenue includes revenue sharing arrangements for mobile applications and mail list rentals which declined slightly in volume with no significant changes in rates.

Net Publishing Revenue

	Three Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Net Publishing Revenue	$5,442	**$5,747**	$ 305	5.6%	9.0%	**8.7%**

The following table shows the dollar amount and percentage of net publishing revenue for each publishing revenue source.

	Three Months Ended September 30,			
	2020		**2021**	
	(Dollars in thousands)			
Book Sales	$ 4,310	79.2%	**$ 4,561**	**79.4%**
Estimated Sales Returns & Allowances	(1,322)	(24.3)	**(1,212)**	**(21.1)**
Net Book Sales	2,988	54.9	**3,349**	**58.3**
E-Book Sales	456	8.4	**502**	**8.7**
Self-Publishing Fees	1,407	25.8	**1,556**	**27.1**
Print Magazine Subscriptions	168	3.1	—	—
Print Magazine Advertisements	85	1.6	—	—
Digital Advertising	65	1.2	—	—
Other Revenue	273	5.0	**340**	**5.9**
Net Publishing Revenue	$ 5,442	100.0%	**$ 5,747**	**100.0%**

Net book sales increased by $0.3 million including a $0.2 million increase from Salem Author Services and a $0.1 million increase from Regnery® Publishing. Book sales through Regnery® Publishing reflect a 10% decrease in volume with a 11% decrease in the average price per unit sold offset with a reduction in sales returns and allowances resulting from lower print sales. Revenue is directly attributable to the number of titles released each period and the composite mix of titles available that can vary significantly from period to period based on the book release date and the number of titles that achieve placement on bestseller lists, which can increase awareness and demand for the book. The decrease of $0.1 million in estimated sales returns and allowances is based on a flat volume of print books sold through Regnery® Publishing. The $0.2 million increase in Salem Author Services book sales was due to an increase in the number of books sold as trade shows and events resumed with no significant changes in sale prices.

Regnery® Publishing e-book sales increased by $46,000 with a 6% increase in the average price per unit sold from sales incentives and a 19% increase in sales volume. E-book sales can also vary based on the composite mix of titles released and available in each period. Revenues can vary significantly based on the book release date and the number of titles that achieve placement on bestseller lists, which can increase awareness and demand for the book.

Self-publishing fees increased $0.1 million due an increase in the number of authors publishing books with no change in fees charged to authors.

Declines in print magazine subscription revenues and advertising revenues reflect the sale of Singing News Magazine on May 25, 2021.

Declines in digital advertising revenues reflect the sale of Singing News Magazine on May 25, 2021.

Other revenue includes change fees, video trailers, and subright revenue for foreign translation and audio books for original published titles from Regnery® Publishing. Subright revenue increased $0.1 million due to higher demand. There were no changes in volume or rates.

Broadcast Operating Expenses

	Three Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Broadcast Operating Expenses	$34,283	**$37,463**	$ 3,180	9.3%	56.5%	**56.8%**
Same Station Broadcast Operating Expenses	$33,687	**$37,072**	$ 3,385	10.0%		

Broadcast operating expenses increased by $3.2 million, including a $1.9 million increase from expenses associated with Salem Surround and Salem Podcast Network, a $1.0 million increase in payroll costs including the January 2021 reinstatement of company-wide pay cuts that were implemented in 2020, a $0.5 million increase in health insurance costs, a $0.3 million increase in advertising and event costs, a $0.2 million increase in production and programming costs, a $0.2 million increase in travel and entertainment costs, and a $0.2 million increase in professional services. These costs were partially offset with a $0.9 million decline in cost of sales from SalemNow consistent with the decline in revenue as compared to the prior year when SalemNow released two successful titles, a $0.3 million decline in bad debt expense due to the impact of the COVID-19 pandemic on prior year reserves, and a $0.1 million decrease in rent and facilities related expenses.

On a same-station basis, broadcast operating expenses increased by $3.4 million reflecting these items net of the impact of station dispositions and format changes.

Digital Media Operating Expenses

	Three Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Digital Media Operating Expenses	$7,144	**$8,269**	$ 1,125	15.7%	11.8%	**12.5%**

Digital media operating expenses increased by $1.1 million including a $0.5 million increase payroll and employee benefits expense, a $0.4 million increase in advertising and promotional expenses, a $0.2 million increase in sales-based commissions and bonuses and a $0.1 million increase in professional services, offset by a $0.1 million decrease in bad debt expense. Increases in advertising and promotional expenses are driven by a new video initiative for Eagle Financial Publications that management believes to be beneficial for the business and overall gradual increase in adverting spending as the economy begins to return to pre-pandemic levels. The increase in payroll expenses reflects the January 2021 reinstatement of company-wide pay cuts that were implemented in 2020.

Publishing Operating Expenses

	Three Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Publishing Operating Expenses	$5,814	**$5,213**	$ (601)	(10.3)%	9.6%	**7.9%**

Publishing operating expenses decreased by $0.6 million, including a $0.3 million decrease in royalty expense reflecting a decrease in the reserve for royalty advances based on flat book sales for Regnery® Publishing, a $0.2 million decrease in professional services, a $0.1 million decrease in costs of sales and a $0.1 million decrease in facility-related expenses that was offset by a $0.1 million increase in payroll expenses from the January 2021 reinstatement of company-wide pay cuts that were implemented in 2020. Cost of goods sold decreased $0.1 million including a $0.1 million from Regnery® Publishing due to flat book sales and $0.1 million decline from Salem Publishing due to the sale of Singing News Magazine offset by a $0.1 million increase from Salem Author Services due to a higher volume of book sales. The gross profit margin for Regnery® Publishing improved to 52% from 42% as sales volume remained flat while material costs decreased. Regnery® Publishing margins vary based on the volume of e-book sales, which have higher margins due to the nature of delivery and no reserve for sales returns and allowances. The gross profit margin for Salem Author Services remained flat at 74% due to higher book sales offset by higher paper costs for print book sales.

Unallocated Corporate Expenses

	Three Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Unallocated Corporate Expenses	$ 3,849	**$ 4,284**	$ 435	11.3%	6.3%	**6.5%**

Unallocated corporate expenses include shared services, such as accounting and finance, human resources, legal, tax and treasury, that are not directly attributable to any one of our operating segments. The net increase of $0.4 million includes a $0.6 million increase in payroll expense due to the January 2021 reinstatement of company-wide pay cuts that were implemented in 2020 that was offset a $0.2 million decline in professional service fees.

Debt Modification Costs

	Three Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Debt Modification Costs	$ —	**$ 2,347**	$ 2,347	100.0%	— %	**3.6%**

On September 10, 2021, we exchanged $112.8 million of the 2024 Notes for $114.7 million (reflecting a call premium of 1.688%) of 2028 Notes. The transaction was assessed on a lender-specific level and was accounted for as a debt modification in accordance with FASB ASC Topic 470 with $2.3 million of fees paid to third parties included in operating expenses for the period.

Depreciation Expense

	Three Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Depreciation Expense	$2,677	**$2,788**	$ 111	4.1%	4.4%	**4.2%**

Depreciation increase was consistent with that of the prior year. There were no changes in our depreciation methods or in the estimated useful lives of our asset groups.

Amortization Expense

	Three Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Amortization Expense	$ 751	**$ 427**	$ (324)	(43.1)%	1.2%	**0.6%**

The decrease in amortization expense reflects the impact of fully amortized domain names, customer lists and contracts, and subscriber base lists that had estimated useful lives of three to five years. These items were fully amortized at or near the beginning of 2021 resulting in lower amortization expense. There were no changes in our amortization methods or the estimated useful lives of our intangible asset groups.

Net (Gain) Loss on the Disposition of Assets

	Three Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Net (Gain) Loss on the Disposition of assets	$ 1,381	**$ (10,607)**	$ (11,988)	(868.1)%	2.3%	**(16.1)%**

The net gain on the disposition of assets of $10.6 million for the three-month period ending September 30, 2021 includes a $10.5 million pre-tax gain on the sale of land in Lewisville, Texas, and a $0.1 million pre-tax gain on the sale of the Hilary Kramer Financial Newsletter and related assets as well as various other fixed asset disposals.

The net loss on the disposition of assets of $1.4 million for the three months ended September 30, 2020 reflects the estimated pre-tax loss associated with the exit of the Miami broadcast market with the then pending sale of radio station WKAT-AM.

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Other Income (Expense)

	Three Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Interest Income	$ 1	**$ —**	(1)	(100.0)%	—	**— %**
Interest Expense	(4,024)	**(4,026)**	2	— %	(6.6)%	**(6.1)%**
Gain on the Forgiveness of PPP loans	—	**11,212**	11,212	100.0%	—	**17.0%**
Gain (Loss) on Early Retirement of Long-Term Debt	—	**(56)**	(56)	(100.0)%	— %	**(0.1)%**
Net Miscellaneous Income and (Expenses)	1	**2**	1	— %	— %	**— %**

Interest expense includes interest due on outstanding debt balances and non-cash accretion associated with deferred installments.

We received $11.2 million in aggregate principal amount of PPP loans through the SBA during the first quarter of 2021 based on the eligibility of our radio stations and networks as determined on a per-location basis. We used the PPP loan proceeds according to the terms and filed timely applications for forgiveness. During July 2021, the SBA forgave all but $20,000 of the PPP loans resulting in a pre-tax gain on the forgiveness of $11.2 million.

The loss on the early retirement of long-term debt reflects $4.7 million of repurchases of the 2024 Notes for $4.7 million in cash, recognizing a net loss of $56,000 after adjusting for bond issuance costs.

Net miscellaneous income and expenses includes non-operating receipts such as usage fees and other expenses.

Provision for Income Taxes

	Three Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Provision for Income Taxes	$ 401	**$ 837**	$ 436	108.7%	0.7%	**1.3%**

Our expense from income taxes increased $0.4 million to a $0.8 million provision for the three months ended September 30, 2021 compared to $0.4 million for the same period of the prior year. The provision for income taxes as a percentage of income before income taxes, or the effective tax rate was 3.7% for the three months ended September 30, 2021 compared to 54.9% for the same period of the prior year. The change in the effective tax between the comparative three-month quarters is attributable to the current year forecasted income and related operating loss utilization coupled with the PPP loan forgiveness favorable tax adjustment relative to pre-tax book income for the period. The effective tax rate for each period differs from the federal statutory income rate of 21.0% due to state income taxes, certain expenses that are not deductible for tax purposes, and changes in the valuation allowance. The effective tax rate of 3.7% is driven by certain expenses that are nondeductible for income tax purposes relative to pre-tax book loss, tax expense attributable to deductible amortization on indefinite lived assets for fully valued state jurisdictions and projected utilization of operating loss carryforwards.

Net Income (Loss)

	Three Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Net Income (Loss)	$ 329	**$ 22,094**	$ 21,765	6,615.5%	0.5%	**33.5%**

Net income increased by $21.8 million to $22.1 million for the three months ended September 30, 3021 compared $0.3 million during the same period of the prior year as described above.

Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

Net Broadcast Revenue

	Nine Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Net Broadcast Revenue	$130,041	**$140,422**	$ 10,381	8.0%	75.7%	**74.3%**
Same Station Net Broadcast Revenue	$129,022	**$139,482**	$ 10,460	8.1%		

The following table shows the dollar amount and percentage of net broadcast revenue for each broadcast revenue source.

	Nine Months Ended September 30, 2020		2021	
	(Dollars in thousands)			
Block Programming:				
National	$ 35,536	27.3%	**$ 35,824**	25.5%
Local	18,211	14.0	**18,072**	12.9%
	53,747	41.3	**53,896**	38.4%
Broadcast Advertising:				
National	10,179	7.8	**10,565**	7.5%
Local	28,630	22.0	**30,123**	21.5%
	38,809	29.8	**40,688**	29.0%
Broadcast Digital (local)	17,702	13.6	**23,602**	16.8%
Infomercials	750	0.6	**682**	0.5%
Network	13,505	10.4	**14,729**	10.4%
Other Revenue	5,528	4.3	**6,825**	4.9%
Net Broadcast Revenue	$130,041	100.0%	**$140,422**	**100.0%**

Block programming revenue increased by $0.1 million, including a $0.3 million increase in national programming revenue offset by a $0.1 million decline in local programming revenue. Our Christian Teaching and Talk format radio station increased $0.4 million, while our News Talk format radio stations increased $0.1 million and our Contemporary Christian Music format radio stations increased $0.1 million. These increases include the impact of the $0.3 million in early-payment discounts offered during the prior year and an increase in the number of programmers on-air that were offset by a decrease of $0.5 million from our Spanish Christian Teaching and Talk format radio stations primarily from the sale of radio station WKAT-AM in Miami, Florida.

Advertising revenue, net of agency commissions, increased by $1.9 million, $2.4 million net of political, due to a $1.8 million increase net of political in local advertising revenue and a $0.6 million increase net of political in national advertising. Net of political, the increase includes $2.4 million from our Contemporary Christian Music format radio stations, primarily in our Atlanta, Dallas and Los Angeles markets and $0.7 million from other format radio stations, that was offset with a $0.4 million decline from our Spanish Christian Teaching and Talk format radio stations, a $0.1 million decline from our News Talk format radio stations, and a $0.1 million decline from our Christian Teaching and Talk format radio stations. The increases in Atlanta, Dallas and Los Angeles reflect an increase in demand for advertising as pandemic restrictions ease that in turn creates higher spot rates for premium airtime spots. The decline from our Christian Teaching and Talk format radio stations reflects the sale of WKAT-AM in Miami, Florida and the reformatting of our remaining Spanish Christian Teaching and Talk format radio stations.

Broadcast digital revenue, net of agency commissions, or net digital revenue generated from our broadcast markets and networks, increased by $5.9 million due to growth in digital product offerings and the launch of the Salem Podcast Network in January 2021. Salem Podcast Network is a highly specialized platform for conservative, political, news, family-oriented podcasts with talk show hosts including Dinesh D'Souza, Todd Starnes and Charlie Kirk. Salem Podcast Network joins Salem Surround, our multimedia digital advertising agency providing digital marketing services to our customers, and SalemNow, our on-demand pay-per-view video streaming platform launched in the fourth quarter of 2020, along with our owned and operated station branded websites to offer new digital products and services. Increases in digital revenue include a $4.7 million increase from Salem Podcast Network, a $2.6 million increase in digital marketing services through Salem Surround, a $0.9 million increase in streaming revenue and a $0.9 million increase in digital advertising revenue from our station websites and an increase of $0.2 million from our networks that were offset by a $3.4 million decline in revenue from SalemNow that released two successful titles during the prior year. There were no significant changes in digital rates as compared to the prior year.

Declines in infomercial revenue were due to a reduction in the number of infomercials aired with no significant changes in rates as compared to the prior year. The placement of infomercials can vary significantly from one period to another due to the number of time slots available and the degree to which the infomercial content is considered to be of interest to our audience.

Network revenue, net of amounts reported as digital, increased by $1.2 million due to a $2.0 million increase in revenue from our nationally syndicated host programs that was partially offset by a $0.8 million decline in political advertising.

Other revenue increased by $1.3 million due to a $0.6 million increase in event revenue due to the re-opening of live events, a $0.2 million increase in listener purchase program revenue from higher listener participation and half price tuition tickets sold as schools and businesses started to re-open, a $0.2 million increase in TBA fees associated with radio station KBJD-AM, Denver, Colorado , a $0.1 million increase in LMA fees associated with radio station KGU-AM, Honolulu, Hawaii and a $0.1 million increase in talent fees. Event revenue varies from period to period based on the nature and timing of events, audience demand, and in some cases, the weather which can affect attendance.

On a Same Station basis, net broadcast revenue increased $10.5 million, which reflects the above described items net of the impact of stations with acquisitions, dispositions and format changes.

Net Digital Media Revenue

	Nine Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Net Digital Media Revenue	$28,355	**$30,603**	$ 2,248	7.9%	16.5%	**16.2%**

The following table shows the dollar amount and percentage of net digital media revenue for each digital media revenue source.

	Nine Months Ended September 30,			
	2020		**2021**	
	(Dollars in thousands)			
Digital Advertising, net	$14,473	51.0%	**$13,859**	**45.3%**
Digital Streaming	2,611	9.2	**2,579**	**8.4**
Digital Subscriptions	6,679	23.6	**9,227**	**30.2**
Digital Downloads	4,291	15.1	**4,637**	**15.1**
e-commerce	108	0.4	**163**	**0.5**
Other Revenues	193	0.7	**138**	**0.5**
Net Digital Media Revenue	$28,355	100.0%	**$30,603**	**100.0%**

National digital revenue, net of agency commissions, or net revenue generated from our owned and operated Christian and conservative opinion websites declined by $0.9 million due to a lower volume of advertisements on our conservative opinion websites within Townhall Media. Revenues increased $0.1 million from Salem Web Network and $0.2 million from Eagle Financial Publications. Our conservative opinion websites experience lower demand and lower page views during non-election years. We also experience lower demand from advertisers who move advertising spending to digital programmatic advertisers, such as Facebook and Google, and we may lose advertisers who decide to reduce or eliminate advertising on political-content websites such as ours. We continue to acquire, develop and promote the use of mobile applications to reduce our dependency on page views from digital programmatic advertisers. Because mobile page views carry fewer advertisements and tend to have shorter site visits as compared to desktop, our growth in mobile page views exceeds our growth in revenue from the mobile applications.

Digital streaming revenue decreased compared to the prior year based on a slightly lower demand for content available from our Christian websites. There were no significant changes in rates as compared to the prior year.

Digital subscription revenue increased $2.5 million on a consolidated basis reflecting a $0.9 million increase in revenues from Eagle Financial Publications, a $0.9 million increase from Christianjobs.com and Churchstaffing.com within Salem Web Network due to increases in job postings as job markets start to re-open, and a $0.7 million increase in revenues from Townhall Media's launch of Townhall VIP, a subscription service. Eagle Financial Publications saw an increase in the number of subscribers due to an increased investment in marketing with no significant changes in rates over the same period of the prior year.

Digital download revenue increased by $0.3 million from our church product websites, WorshipHouseMedia.com and SermonSpice™.com and the acquisitions of Centerline New Media in April 2021 and ShiftWorship in July 2021. There were no significant changes in rates as compared to the prior year.

E-commerce revenue includes in-app purchases through Salem Web Network that increased in volume with no significant changes in rates over the prior year.

Other revenue includes revenue sharing arrangements for mobile applications and mail list rentals which remained consistent with no changes in volume or rates.

Net Publishing Revenue

	Nine Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Net Publishing Revenue	$13,366	**$18,093**	$ 4,727	35.4%	7.8%	**9.6%**

The following table shows the dollar amount and percentage of net publishing revenue for each publishing revenue source.

	Nine Months Ended September 30,			
	2020		**2021**	
	(Dollars in thousands)			
Book Sales	$ 9,701	72.5%	**$15,074**	**83.3%**
Estimated Sales Returns & Allowances	(2,852)	(21.3)	**(4,223)**	**(23.3)**
Net Book Sales	6,849	51.2	**10,851**	**60.0**
E-Book Sales	960	7.2	**1,294**	**7.2**
Self-Publishing Fees	3,860	28.9	**4,730**	**26.1**
Print Magazine Subscriptions	519	3.9	**262**	**1.4**
Print Magazine Advertisements	278	2.1	**123**	**0.7**
Digital Advertising	216	1.6	**132**	**0.7**
Other Revenue	684	5.1	**701**	**3.9**
Net Publishing Revenue	$13,366	100.0%	**$18,093**	**100.0%**

Net book sales increased by $4.0 million which includes a $3.7 million increase in Regnery® Publishing as book sales reflect a 76% increase in volume largely attributable to the reopening of bookstores and retail locations, offset by a 7% decrease in the average price unit sold and a $0.3 million increase in Salem Author Services. The increase in the number of print books sold through Regnery® Publishing resulted in a $1.4 million increase to the estimated sales returns and allowances. The increase in book sales from Salem Author Services of $0.3 million was due to books sold at tradeshows with events resuming in limited capacity as pandemic restrictions are lifted. There were no significant changes in sale prices for Salem Author Services as compared to the prior year.

Regnery® Publishing e-book sales increased $0.3 million with a 6% increase in the average price per unit sold from sales incentives and a 27% increase in sales volume. E-book sales can also vary based on the composite mix of titles released and available in each period. Revenues can vary significantly based on the book release date and the number of titles that achieve placement on bestseller lists, which can increase awareness and demand for the book.

Self-publishing fees increased $0.9 million due an increase in the number of authors and services provided with no change in fees charged to authors.

Declines in print magazine subscription revenues and advertising revenues reflect the sale of Singing News Magazine on May 25, 2021, and ongoing lower consumer demand and distribution levels prior to the sale.

Digital advertising revenue decreased $0.1 million due to the sale of Singing News Magazine on May 25, 2021 and Regnery® Publishing websites declined due to a lower demand due to the COVID-19 pandemic and the ongoing closure of bookstores with rates comparable to the same period of the prior year.

Other revenue includes change fees, video trailers, and subright revenue for foreign translation and audio books for original published titles from Regnery® Publishing which remained consistent to the prior year.

Broadcast Operating Expenses

	Nine Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Broadcast Operating Expenses	$104,704	**$106,968**	$ 2,264	2.2%	61.0%	**56.6%**
Same Station Broadcast Operating Expenses	$102,708	**$105,970**	$ 3,262	3.2%		

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Broadcast operating expenses increased by $2.3 million, including a $4.2 million increase from expenses associated with Salem Surround and Salem Podcast Network, a $1.8 million increase in payroll costs including the January 2021 reinstatement of company-wide pay cuts that were implemented in 2020, a $0.4 million increase in health insurance costs, a $0.4 million increase in advertising and event costs, a $0.4 million increase in production and programming costs, and a $0.4 million increase in professional services. These costs were partially offset with a $1.5 million decline in cost of sales from SalemNow consistent with the decline in revenue as compared to the prior year when they released two successful titles, a $3.2 million decline in bad debt expense due to the impact of the COVID-19 pandemic on prior year reserves, a $0.4 million decline in employee benefits attributable to the suspension of the 401(k) match and a $0.2 million decrease in rent and facilities related expenses.

On a same-station basis, broadcast operating expenses increased by $3.3 million. The increase on a same station basis reflects these items net of the impact of start-up costs associated with acquisitions, station dispositions and format changes.

Digital Media Operating Expenses

	Nine Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Digital Media Operating Expenses	$23,123	**$25,280**	$ 2,157	9.3%	13.5%	**13.4%**

Digital media operating expenses increased by $2.2 million, including a $1.2 million increase in advertising and promotional expenses, a $0.7 million increase in sales-based commissions and incentives, a $0.7 million increase in payroll costs and a $0.2 million increase in professional services that were offset by a $0.3 million decrease in bad debt expense, a $0.2 million decrease in costs of sales, a $0.1 million decrease in employee benefit costs due to the suspension of the 401(k) match, and $0.1 million decrease in royalties. Increases in advertising and promotional expenses are driven by a new video initiative for Eagle Financial Publications that management believes to be beneficial for the business and overall gradual increase in adverting spending as the economy begins to return to pre-pandemic levels. The increase in payroll related expenses reflects the January 2021 reinstatement of company-wide pay cuts that were implemented in 2020.

Publishing Operating Expenses

	Nine Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Publishing Operating Expenses	$16,443	**$16,844**	$ 401	2.4%	9.6%	**8.9%**

Publishing operating expenses increased by $0.4 million, including a $0.9 million increase in costs of sales, a $0.4 million increase in payroll costs due to the January 2021 reinstatement of company-wide pay cuts that were implemented in 2020, a $0.2 million increase in royalty expense based on higher sales, and a $0.1 million increase in advertising and promotional costs that were offset by a $0.8 million decrease in bad debt expense, a $0.4 million decrease in facility related expenses due to the termination of a lease in Washington D.C., and a $0.1 million decrease in employee benefit costs due to the suspension of the 401(k) match. Cost of goods sold increased $0.9 million including a $0.9 million increase from print books sold by Regnery® Publishing and $0.2 million increase from Salem Author Services due to higher volume of book sales offset by a $0.2 million decline Salem Publishing due to the sale of Singing News Magazine. The gross profit margin for Regnery® Publishing improved to 54% from 41% as sales volume increased while material costs increased only slightly. Regnery® Publishing margins vary based on the volume of e-book sales, which have higher margins due to the nature of delivery and no reserve for sales returns and allowances. The gross profit margin for Salem Author Services improved to 75% from 72% due to higher sales volume while paper costs for print book sales increased only slightly.

Unallocated Corporate Expenses

	Nine Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Unallocated Corporate Expenses	$ 11,909	**$ 12,764**	$ 855	7.2%	6.9%	**6.7%**

Unallocated corporate expenses include shared services, such as accounting and finance, human resources, legal, tax and treasury, that are not directly attributable to any one of our operating segments. The increase of $0.9 million includes a $1.3 million increase in payroll costs due to the January 2021 reinstatement of company-wide pay cuts that were implemented in 2020 that were offset by a $0.2 million decrease in travel and entertainment-related expenses due to the events that took place prior to the pandemic restrictions in early 2020, a $0.2 million decrease in professional services and a $0.1 million decrease in employee-related benefits associated with the cash surrender value of split dollar life insurance.

Debt Modification Costs

	Nine Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Debt Modification Costs	$ —	**$ 2,347**	$ 2,347	100.0%	— %	**1.2%**

On September 10, 2021, we exchanged $112.8 million of the 2024 Notes for $114.7 million (reflecting a call premium of 1.688%) of 2028 Notes. The transaction was assessed on a lender-specific level and was accounted for as a debt modification in accordance with FASB ASC Topic 470 with $2.3 million of fees paid to third parties included in operating expenses for the period.

Depreciation Expense

	Nine Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Depreciation Expense	$ 8,108	**$ 8,118**	$ 10	0.1%	4.7%	**4.3%**

Depreciation expense reflects the impact of prior year capital expenditures for data processing equipment and computer software that had shorter estimated useful lives as compared to towers or other assets and were fully depreciated during the current year. There were no changes in our depreciation methods or in the estimated useful lives of our asset groups.

Amortization Expense

	Nine Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Amortization Expense	$ 2,578	**$ 1,553**	$ (1,025)	(39.8)%	1.5%	**0.8%**

The decrease in amortization expense reflects the impact of fully amortized domain names, customer lists and contracts, and subscriber base lists that had estimated useful lives of three to five years. These items were fully amortized at or near the beginning of the 2021 calendar year resulting in lower amortization expense for this year. There were no changes in our amortization methods or the estimated useful lives of our intangible asset groups.

Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill

	Nine Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill	$ 17,254	$ —	$ (17,254)	(100.0)%	10.0%	— %

We performed an interim review of broadcast licenses for certain markets during the first quarter of 2020 due to the COVID-19 pandemic and the resulting stay-at-home orders that began to adversely impact revenues. We engaged an independent third-party appraisal and valuation firm to assist us with determining the fair value of our broadcast licenses. Based on our interim review and analysis, we recorded an impairment charge of $17.0 million to the value of broadcast licenses in Chicago, Cleveland, Louisville, Philadelphia, Portland, Sacramento and Tampa. We also recorded an impairment charge of $0.3 million to the value of mastheads. These impairments were driven by decreases in projected revenues due to the current estimated impact of COVID-19 and an increase in the WACC. We believe that these factors are indicative of trends in the industry as a whole and not unique to our company or operations. There were no indications of impairment as of our interim review during the third quarter of 2021.

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Impairment of Goodwill

	Nine Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Goodwill	$ 307	$ —	$ (307)	(100.0)%	0.2%	— %

We performed an interim review of goodwill for impairment during the first quarter of 2020 due to the COVID-19 pandemic and the resulting stay-at-home orders that began to adversely impact revenues. We engaged an independent third-party appraisal and valuation firm to assist us with determining the enterprise value for certain entities. Based on our interim review and analysis in the first quarter of 2020, we recorded an impairment charge of $0.3 million. These impairments were driven by decreases in projected revenues due to the current estimated impact of COVID-19 and an increase in the WACC. We believe that these factors are indicative of trends in the industry as a whole and not unique to our company or operations. There were no indications of impairment as of our interim review during the third quarter of 2021.

Net (Gain) Loss on the Disposition of Assets

	Nine Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Net (Gain) Loss on the Disposition of assets	$ 1,494	**$ (10,552)**	$ (12,046)	(806.3)%	0.9%	**(5.6)%**

The net gain on the disposition of assets of $10.6 million for the nine-month period ended September 30, 2021 reflects a $10.5 million pre-tax gain on the sale of approximately 34 acres of land in Lewisville, Texas, a $0.5 million pre-tax gain on the sale of Singing News Magazine and Singing News Radio, and a $0.1 million pre-tax gain on the sale of the Hilary Kramer Financial Newsletter and related assets, offset by a $0.4 million additional loss recorded at closing on the sale of radio station WKAT-AM and FM translator in Miami, Florida and various other fixed asset disposals.

The net loss on the disposition of assets of $1.5 million for the nine-month period ended September 30, 2020 includes a $1.4 million estimated pre-tax loss for associated with the plans to exit the Miami broadcast market with the then pending sale of radio station WKAT-AM and various other fixed asset disposals.

Other Income (Expense)

	Nine Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Interest Income	$ 1	**$ 1**	$ —	— %	— %	**— %**
Interest Expense	(12,069)	**(11,887)**	(182)	(1.5)%	(7.0)%	**(6.3)%**
Gain on the Forgiveness of PPP Loans	—	**11,212**	11,212	100.0%	—	**5.9%**
Gain (Loss) on Early Retirement of Long-Term Debt	49	**(56)**	(105)	(214.3)%	— %	**— %**
Net Miscellaneous Income and (Expenses)	(45)	**87**	132	(2,93.3)%	— %	**— %**

Interest income represents earnings on excess cash and interest due under promissory notes.

Interest expense includes interest due on outstanding debt balances and non-cash accretion associated with deferred installments. The decrease of $0.2 million reflects the lower outstanding balance of the Notes, the lower outstanding balance of the ABL Facility, and finance lease obligations outstanding during the nine-months ended September 30, 2021.

We received $11.2 million in aggregate principal amount of PPP loans through the SBA during the first quarter of 2021 based on the eligibility of our radio stations and networks as determined on a per-location basis. We used the PPP loan proceeds according to the terms and filed timely applications for forgiveness. During July 2021, the SBA forgave all but $20,000 of the PPP loans resulting in a pre-tax gain on the forgiveness of $11.2 million.

The loss on the early retirement of long-term debt reflects $4.7 million of repurchases of the 2024 Notes for $4.7 million in cash, recognizing a net loss of $56,000 after adjusting for bond issuance costs. The gain on the early retirement of long-term debt reflects $3.5 million of repurchases of the 2024 Notes at prices below face value resulting in a pre-tax gain of $49,000 for the nine-month period ended September 30, 2020.

Net miscellaneous income and expenses includes non-operating receipts such as usage fees and other miscellaneous expenses.

Provision for Income Taxes

	Nine Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Provision for Income Taxes	$31,180	**$479**	$(30,701)	(98.5)%	18.2%	**0.3%**

Our provision for income taxes decreased $30.7 million to $0.5 million for the nine months ended September 30, 2021 compared to $31.2 million for the same period of the prior year. The provision for income taxes as a percentage of income before income taxes, or the effective tax rate was 1.9% for the nine months ended September 30, 2021 compared to (119.0)% for the same period of the prior year. The change between the comparative nine-month quarters is attributable to the recognition of a valuation allowance against the net operating loss deferred tax assets for the period ended September 30, 2021 coupled with a change in forecasted income for 2021 impacting the utilization of operating losses along with favorable tax adjustment around the PPP forgiveness. The effective tax rate for each period differs from the federal statutory income rate of 21.0% due to state income taxes, certain expenses that are not deductible for tax purposes, and changes in the valuation allowance. The effective tax rate of 1.9% is driven by certain expenses that are nondeductible for income tax purposes relative to pre-tax book loss, tax expense attributable to deductible amortization on indefinite lived assets for fully valued state jurisdictions and projected utilization of operating loss carryforwards.

Net Income (Loss)

	Nine Months Ended September 30,					
	2020	**2021**	Change $	Change %	2020	**2021**
	(Dollars in thousands)				% of Total Net Revenue	
Net Income (Loss)	$(57,390)	**$24,674**	$82,064	(143.0)%	(33.4)%	**13.0%**

Net income increased by $82.1 million to $24.7 million for the nine months ended September 30, 2021 compared to a net loss of $57.4 million during the same period of the prior year as described above.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results can be materially different from these estimates and assumptions. There have been no significant and material changes in our critical accounting policies as compared to those disclosed in "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Critical Accounting Policies and Significant Judgments and Estimates" in our most recent Annual Report on Form 10-K, as filed with the SEC on March 4, 2021.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds are operating cash flows, borrowings under credit facilities and proceeds from the sale of selected assets or businesses. We have historically funded, and will continue to fund, expenditures for operations, administrative expenses, and capital expenditures from these sources. We have historically financed acquisitions through borrowings, including borrowings under credit facilities and, to a lesser extent, from operating cash flow and from proceeds on selected asset dispositions. We expect to fund future acquisitions from cash on hand, borrowings under our credit facilities, operating cash flow and possibly through the sale of income-producing assets or proceeds from debt and equity offerings.

The COVID-19 global pandemic that began in March 2020 materially impacted our business. We experienced a rapid decline in revenue from advertising, programming, events and book sales. Several advertisers reduced or ceased advertising spending due to the outbreak and stay-at-home orders that effectively shut many businesses down. The revenue decline impacted our broadcast segment, which derives substantial revenue from local advertisers who were particularly hard hit due to social distancing and government interventions, and our publishing segment, which derives revenue from book sales through retail stores and live events.

While we see progress being made in revenue returning to pre-pandemic levels, the COVID-19 pandemic continues to create significant uncertainty and disruption in the economy. These uncertainties could materially impact significant accounting estimates related to, but not limited to, allowances for doubtful accounts, impairments and right-of-use assets. As a result, many estimates and assumptions require increased judgment and carry a higher degree of variability and volatility. These estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in its consolidated financial statements.

During 2020 we implemented several measures to reduce costs and conserve cash to ensure that we had adequate cash to meet our debt servicing requirements, including:

- limiting capital expenditures;
- reducing discretionary spending, including travel and entertainment;
- eliminating open positions and freezing new hires;
- reducing staffing levels;
- implementing temporary company-wide pay cuts of 5%, 7.5% or 10% depending on salary level;
- furloughing certain employees;
- temporarily suspending the company 401(k) match;
- requesting rent concessions from landlords;
- requesting discounts from vendors;
- offering early payment discounts to certain customers in exchange for advance cash payments; and
- suspending the payment of distributions on our common stock indefinitely.

As the economy continues to show signs of recovery, many of these cost reduction initiatives were reversed during 2021. We continue to operate with lower staffing levels, we have not reinstated the company 401(k) match and we have not paid equity distributions on our common stock.

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed into law on March 27, 2020. The CARES Act provided emergency economic assistance for individuals and businesses impacted by the COVID-19 pandemic, including opportunities for additional liquidity, loan guarantees, and other government programs. On December 27, 2020, Congress passed the Consolidated Appropriations Act (“CAA”) that included a second relief package, which, among other things, provides for an extension of the Payroll Support Program established by the CARES Act. We utilized certain benefits of the CARES Act and the CAA, including:

- we deferred $3.3 million of employer FICA taxes from April 2020 through December 2020, with 50% payable in December 2021 recorded in accrued compensation and related expenses and 50% payable in December 2022 recorded in other long-term liabilities;
- relaxation of interest expense deduction limitation for income tax purposes;
- we received Paycheck Protection Program (“PPP”) loans of $11.2 million in total through the SBA during the first quarter of 2021 based on the eligibility as determined on a per-location basis; and
- In July 2021, the SBA forgave all but $20,000 of these loans with the remaining PPP loan repaid in July 2021.

Operating Cash Flows

Our largest source of operating cash inflows are receipts from customers in exchange for advertising and programming. Other sources of operating cash inflows include receipts from customers for digital downloads and streaming, book sales, subscriptions, self-publishing fees, ticket sales, sponsorships, and vendor promotions. The adverse economic impact of the COVID-19 pandemic negatively impacted our revenue and cash receipts from customers. Advertising revenue continues to improve over the lowest levels that were experienced during April and May of 2020 but remains significantly below prior years. The exact timing and pace of the economic recovery has not been determinable due to varying degrees of restrictions and resurgences. A majority of our operating cash outflows consist of payments to employees, such as salaries and benefits, and vendor payments under facility and tower leases, talent agreements, inventory purchases and recurring services such as utilities and music license fees. Our operating cash flows are subject to factors such as fluctuations in preferred advertising media and changes in demand caused by shifts in population, station listenership, demographics, and audience tastes. In addition, our operating cash flows may be affected if our customers are unable to pay, delay payment of amounts owed to us, or if we experience reductions in revenue, or increases in costs and expenses.

Net cash provided by operating activities during the nine-month period ended September 30, 2021, decreased by $8.4 million to $14.7 million compared to $23.1 million during the same period of the prior year. Cash provided by operating activities includes the impact of the following items:

- The favorable impact of non-cash items on the prior year, including a $17.3 million impairment of indefinite-lived assets and a $31.0 million deferred income tax charge combined with;
- Total net revenue increased by $17.4 million;
- Operating expenses decreased by $22.6 million;
- Trade accounts receivables, net of allowances, did not change significantly compared to a decrease of $6.6 million for the same period of the prior year;
- Unbilled revenue increased $0.1 million;
- Our Day's Sales Outstanding, or the average number of days to collect cash from the date of sale, decreased to 53 days at September 30, 2021, from 59 days in the same period of the prior year;
- Deferred income tax liabilities increased by $0.4 million compared to an increase of $31.0 million during the same period of the prior year; and
- Net accounts payable and accrued expenses increased $1.4 million to $24.7 million from $21.9 million as of the prior year.

Investing Cash Flows

Our primary source of investing cash inflows includes proceeds from the sale of assets or businesses. Investing cash outflows include cash payments made to acquire businesses, to acquire property and equipment and to acquire intangible assets such as domain names. While our focus continues to be on deleveraging the company, we remain committed to explore and pursue strategic acquisitions.

We undertake projects from time to time to upgrade our radio station technical facilities and/or FCC broadcast licenses, expand our digital and web-based offerings, improve our facilities and upgrade our computer infrastructures. The nature and timing of these upgrades and expenditures can be delayed or scaled back at the discretion of management. Based on our original 2021 budget, we expect to incur additional capital expenditures of approximately $1.6 million during the remainder of 2021.

We plan to fund any future purchases and any future acquisitions from cash on hand, operating cash flow or our credit facilities.

Net cash provided by investing activities increased $4.7 million to $2.8 million during the nine-month period ended September 30, 2021, from net cash used of $1.9 million during the same period of the prior year. The increase in cash provided by investing activities was the result of:

- Receipts from asset sales provided $15.8 million of cash during the nine months ended September 30, 2021, compared to $0.2 million during the same period of the prior year;
- We paid $4.6 million in cash for acquisitions during the nine months ended September 30, 2021, compared to $0.4 million during the same period of the prior year;
- Cash paid for capital expenditures increased $3.4 million to $6.9 million from $3.5 million; and
- We collected $2.4 million in cash from the surrender of split dollar life insurance policies in 2020.

Financing Cash Flows

Financing cash inflows include borrowings under our credit facilities and any proceeds from the exercise of stock options issued under our stock incentive plan. Financing cash outflows include repayments of our credit facilities, the payment of any equity distributions and any payments due under deferred installments and contingency earn-out consideration associated with acquisition activity.

In April 2021, we filed a prospectus supplement to our shelf registration statement on Form S-3 with the SEC covering the offering, issuance and sale of up to $15.0 million of our Class A Common Stock pursuant to an at-the-market facility, with B. Riley Securities, Inc. acting as sales agent. No Common Stock transactions have taken place under the facility.

During the nine-month period ended September 30, 2021, the principal balances outstanding under the 2024 Notes, 2028 Notes and the ABL Facility ranged from $216.3 million to $218.2 million. Additionally, during the first quarter of 2021 we received $11.2 million in aggregate principal amount of PPP loans through the SBA available to our radio stations and networks by location under the CAA. The SBA forgave all but $20,000 of the PPP loans during July 2021 resulting in a pre-tax gain on the forgiveness of $11.2 million. The remaining $20,000 PPP loan was repaid in July 2021. The outstanding balances were ordinary and customary based on our operating and investing cash needs during this time

Our sole source of cash available for making any future equity distributions is our operating cash flow, subject to our credit facilities and Notes, which contain covenants that restrict the payment of dividends and equity distributions unless certain specified conditions are satisfied. On May 6, 2020, our Board of Directors voted to discontinue equity distributions until further notice due to the adverse economic impact of the COVID-19 pandemic on our financial position, results of operations, and cash flows.

Net cash used in financing activities decreased $1.8 million to $0.1 million during the nine-month period ended September 30, 2021, compared to $1.9 million during the same period of the prior year. The decrease in cash used in financing activities includes:

- A $1.9 million increase in the book overdraft from the prior year;
- We exchanged $112.8 million of our Senior Secured Notes due 2024 (the "2024 Notes") for $114.7 million (reflecting a call premium of 1.688%) of newly issued 7.125% Senior Secured Notes due 2028 (the "2028 Notes");
- We received $11.2 million in aggregate principal amount of PPP loans through the SBA during the first quarter of 2021 based on the eligibility of our radio stations and networks as determined on a per-location basis. During July 2021, the SBA forgave all but $20,000 of the PPP loans with the remaining PPP loan repaid in July 2021;
- We used $4.7 million in cash to repurchase $4.7 million in face value of the 2024 Notes compared to $3.4 million in cash to repurchase $3.5 million in face value of 2024 Notes during the same period of the prior year; and
- Net repayments on our ABL Facility were $5.0 million during the nine-months ended September 30, 2021, compared to net borrowings of $4.2 million during the same period of the prior year.

Long-term debt consists of the following:

	December 31, 2020	**September 30, 2021**
	(Dollars in thousands)	
7.125% Senior Secured Notes	$ —	**$ 114,731**
Less unamortized discount and debt issuance costs based on imputed interest rate of 7.64%	—	**(4,048)**
7.125% Senior Secured Notes net carrying value	—	**110,683**
6.75% Senior Secured Notes	216,341	**98,815**
Less unamortized debt issuance costs based on imputed interest rate of 7.10%	(2,577)	**(939)**
6.75% Senior Secured Notes net carrying value	213,764	**97,876**
Asset-Based Revolving Credit Facility principal outstanding (1)	5,000	—
SBA Paycheck Protection Program loans	—	—
Long-term debt less unamortized discount and debt issuance costs	$ 218,764	**$ 208,559**
Less current portion	(5,000)	—
Long-term debt less unamortized discount and debt issuance costs, net of current portion	$ 213,764	**$ 208,559**

(1) As of September 30, 2021, the Asset-Based Revolving Credit Facility ("ABL"), had a borrowing base of $24.6 million, no outstanding borrowings and $0.3 million of outstanding letters of credit, resulting in a $24.3 million borrowing base availability.

Our weighted average interest rate was 6.65% and 6.94% at December 31, 2020 and September 30, 2021, respectively.

In addition to the outstanding amounts listed above, we also have interest payments related to our long-term debt as follows as of September 30, 2021:

- $114.7 million aggregate principal amount of 2028 Notes with semi-annual interest payments at an annual rate of 7.125%;
- $98.8 million aggregate principal amount of 2024 Notes with semi-annual interest payments at an annual rate of 6.75%; and
- Commitment fee of 0.25% to 0.375% per annum on the unused portion of the ABL Facility.

7.125% Senior Secured Notes

On September 10, 2021, we exchanged $112.8 million of the 2024 Notes for $114.7 million (reflecting a call premium of 1.688%) of newly issued 7.125% Senior Secured Notes due 2028 (“2028 Notes.”) Contemporaneously with the refinancing, we obtained commitments from the holders of the 2028 Notes to purchase up to $50 million in additional 2028 Notes (“Delayed Draw 2028 Notes”), contingent upon satisfying certain performance benchmarks, the proceeds of which are to be used exclusively to repurchase or repay the remaining balance outstanding of the 2024 Notes.

The 2028 Notes and the related guarantees were exchanged and sold to certain holders of the 2024 Notes, whom we believe to be qualified institutional buyers, in a private placement. The 2028 Notes and the related guarantees have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold in the United States or to U.S. persons absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any state securities laws. The transaction was assessed on a lender-specific level and was accounted for as a debt modification in accordance with FASB ASC Topic 470.

The 2028 Notes are guaranteed on a senior secured basis. We may redeem the 7.125% Notes, in whole or in part, at any time prior to June 1, 2024 at a price equal to 100% of the principal amount of the 2028 Notes plus a “make-whole” premium as of, and accrued and unpaid interest, if any, to, but not including, the redemption date. At any time on or after June 1, 2024, we may redeem some or all of the 2028 Notes at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth in the 2028 Notes Indenture, plus accrued and unpaid interest, if any, to, but not including the redemption date. In addition, we may redeem up to 35% of the aggregate principal amount of the 2028 Notes before June 1, 2024 with the net cash proceeds from certain equity offerings at a redemption price of 107.125% of the principal amount plus accrued and unpaid interest, if any, to, but not including the redemption date. We may also redeem up to 10% of the aggregate original principal amount of the 2028 Notes per twelve-month period, in connection with up to two redemptions in such twelve-month period, at a redemption price of 101% of the principal amount plus accrued and unpaid interest to, but not including, the redemption date

The 2028 Notes mature on June 1, 2028, unless earlier redeemed or repurchased. Interest accrues on the 2028 Notes from September 10, 2021 and is payable semi-annually, in cash in arrears, on June 1 and December 1 of each year, commencing December 1, 2021. Based on the balance of the 2028 Notes outstanding, we are required to pay $8.2 million per year in interest. As of September 30, 2021, accrued interest on the 2028 Notes was $0.5 million.

The indenture to the 2028 Notes (“2028 Indenture”) contains covenants that, among other things and subject in each case to certain specified exceptions, limit the ability to: (i) incur additional debt; (ii) declare or pay dividends, redeem stock or make other distributions to stockholders; (iii) make investments; (iv) create liens or use assets as security in other transactions; (v) merge or consolidate, or sell, transfer, lease or dispose of substantially all assets; (vi) engage in transactions with affiliates; and (vii) sell or transfer assets. At September 30, 2021, we were, and we remain, in compliance with all of the covenants under the 7.125% Indenture.

We incurred debt issuance costs of $4.2 million, of which $2.3 million of third-party debt modification costs are reflected in operating expenses for the current period, $0.8 million is deferred with the Delayed Draw 2028 Notes, and $1.1 million, along with $3.0 million from the exchanged 2024 Notes, is being amortized as part of the effective yield on the 2028 Notes.

SBA PPP Loans

We received $11.2 million in aggregate principal amount of PPP loans through the SBA during the first quarter of 2021 based on the eligibility of our radio stations and networks as determined on a per-location basis. The PPP loans and accrued interest were forgivable provided that the proceeds were used for eligible purposes, including payroll, benefits, rent and utilities within the covered period. We used the PPP loan proceeds according to the terms and filed timely applications for forgiveness. During July 2021, the SBA forgave all but $20,000 of the PPP loans resulting in a pre-tax gain on the forgiveness of $11.2 million. The remaining PPP loan was repaid in July 2021.

6.75% Senior Secured Notes

On May 19, 2017, we issued 6.75% Senior Secured Notes (“2024 Notes”) in a private placement. The 2024 Notes are guaranteed on a senior secured basis by our existing subsidiaries (the “Subsidiary Guarantors”). The 2024 Notes bear interest at a rate of 6.75% per year and mature on June 1, 2024, unless they are earlier redeemed or repurchased. Interest is payable semi-annually, in cash in arrears, on June 1 and December 1 of each year.

The 2024 Notes are secured by a first-priority lien on substantially all assets of ours and the Subsidiary Guarantors other than the ABL Facility Priority Collateral (as described below) (the “2024 Notes Priority Collateral”). There is no direct lien on our FCC licenses to the extent prohibited by law or regulation (other than the economic value and proceeds thereof).

The indenture relating to the 2024 Notes (the “2024 Indenture”) contains covenants that, among other things and subject in each case to certain specified exceptions, limit our ability and the ability of our restricted subsidiaries to: (i) incur additional debt; (ii) declare or pay dividends, redeem stock or make other distributions to stockholders; (iii) make investments; (iv) create liens or use assets as security in other transactions; (v) merge or consolidate, or sell, transfer, lease or dispose of substantially all of our assets; (vi) engage in transactions with affiliates; and (vii) sell or transfer assets. At September 30, 2021, we were, and we remain, in compliance with all of the covenants under the Indenture.

We may from time to time, depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, seek to repurchase the 2024 Notes in open market transactions, privately negotiated transactions, by tender offer or otherwise, as market conditions warrant.

As described above, on September 10, 2021, we exchanged $112.8 million of the 2024 Notes for $114.7 million of newly issued 2028 Notes, reflecting a call premium of 1.688%. Bond issuance costs of $1.1 million associated with the $112.8 million of the 2024 Notes are being amortized as part of the effective yield on the 2028 Notes.

On September 24, 2021, we repurchased $4.7 million of the 2024 Notes for $4.7 million in cash, recognizing a net loss of $56,000 after adjusting for bond issuance costs.

Based on the balance of the 2024 Notes outstanding of $98.8 million, we are required to pay $6.6 million per year in interest on the 2024 Notes. As of September 30, 2021, accrued interest on the 2024 Notes was $2.3 million.

We incurred debt issuance costs of $4.2 million, of which $2.3 million of third-party debt modification costs are reflected in operating expenses for the current period, $0.8 million is deferred with the Delayed Draw 2028 Notes, and $1.1 million, along with $3.0 million from the exchanged 2024 Notes, is being amortized as part of the effective yield on the 2028 Notes.

Asset-Based Revolving Credit Facility

On May 19, 2017, we entered into the ABL Facility pursuant to a Credit Agreement (the “Credit Agreement”) by and among us and our subsidiaries party thereto as borrowers, Wells Fargo Bank, National Association, as administrative agent and lead arranger, and the lenders that are parties thereto. The ABL Facility is a five-year $30.0 million revolving credit facility due March 1, 2024, which includes a $5.0 million subfacility for standby letters of credit and a $7.5 million subfacility for swingline loans. All borrowings under the ABL Facility accrue interest at a rate equal to a base rate or LIBOR plus a spread. The spread, which is based on an availability-based measure, ranges from 0.50% to 1.00% for base rate borrowings and 1.50% to 2.00% for LIBOR borrowings. If an event of default occurs, the interest rate may increase by 2.00% per annum. Amounts outstanding under the ABL Facility may be paid and then reborrowed at our discretion without penalty or premium. Additionally, we pay a commitment fee on the unused balance from 0.25% to 0.375% per year based on the level of borrowings.

Availability under the ABL Facility is subject to a borrowing base consisting of (a) 90% of the eligible accounts receivable plus (b) a calculated amount based on the value of certain real property. As of September 30, 2021, the amount available under the ABL Facility was $25.0 million of which none was outstanding. The ABL Facility has a first-priority lien on our and the Subsidiary Guarantors’ accounts receivable, inventory, deposit and securities accounts, certain real estate and related assets (the “ABL Facility Priority Collateral”) and by a second-priority lien on the Notes Priority Collateral. There is no direct lien on our FCC licenses to the extent prohibited by law or regulation (other than the economic value and proceeds thereof). At September 30, 2021, we were, and we remain, in compliance with all of the covenants under Credit Agreement.

On September 10, 2021, we entered into the fifth amendment to the ABL Facility to designate the incurrence of the 2028 Notes, and any further refinancing of 2024 Notes through the issuance of additional 2028 Notes, as permitted indebtedness thereunder and to effect related arrangements for the interests in the ABL Priority Collateral and the Notes Priority Collateral. We incurred debt issue costs of $0.9 million that were recorded as an asset and are being amortized to non-cash interest expense over the term of the ABL Facility using the effective interest method. During the three and nine-month periods ended September 30, 2021, $27,000 and $0.1 million, respectively, of debt issuance costs associated with the ABL was amortized to interest expense. During the three and nine-month periods ended September 30, 2020, $30,000 and $0.1 million, respectively, of debt issue costs associated with the ABL was amortized to interest expense.

We report outstanding balances on the ABL Facility as short-term regardless of the maturity date based on use of the ABL Facility to fund ordinary and customary operating cash needs with frequent repayments. We believe that our borrowing capacity under the ABL Facility allows us to meet our ongoing operating requirements, fund capital expenditures and satisfy our debt service requirements for at least the next twelve months.

Maturities of Long-Term Debt

Principal repayment requirements under all long-term debt agreements outstanding at September 30, 2021 for each of the next five years and thereafter are as follows:

For the Year Ended September 30,	Amount (Dollars in thousands)
2022	$ —
2023	—
2024	98,815
2025	—
2026	—
Thereafter	114,731
	$213,546

Impairment Losses on Goodwill and Indefinite-Lived Intangible Assets

We have incurred significant impairment losses with regards to our indefinite-lived intangible assets. We believe that the impairments are indicative of trends in the industry as a whole and are not unique to our company or operations. While impairment charges are non-cash in nature and do not violate the covenants on our debt agreements, the potential for future impairment charges can be viewed as a negative factor with regard to forecasted future performance and cash flows.

The valuation of intangible assets is subjective and based on estimates rather than precise calculations. The fair value measurements of our indefinite-lived intangible assets use significant unobservable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value including assumptions about risk. If actual future results are less favorable than the assumptions and estimates we used, we are subject to future impairment charges, the amount of which may be material. Given the current economic environment and uncertainties that can negatively impact our business, there can be no assurance that our estimates and assumptions made for the purpose of our indefinite-lived intangible fair value estimates will prove to be accurate.

OFF-BALANCE SHEET ARRANGEMENTS

At September 30, 2021, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for smaller reporting companies

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. Our management, including our principal executive and financial officers, have conducted an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures," as such term is defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act, to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, our principal executive and financial officers concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

*Changes in Internal Control over Financial Reporting*There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We and our subsidiaries, incident to our business activities, are parties to a number of legal proceedings, lawsuits, arbitration and other claims. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance. We maintain insurance that may provide coverage for such matters. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to these matters. We believe, at this time, that the final resolution of these matters, individually and in the aggregate, will not have a material adverse effect upon our annual consolidated financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS.

Not required for smaller reporting companies.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULT UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

See "Exhibit Index" below.

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EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
31.1	Certification of Edward G. Atsinger III Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act.	-	-	-	-	X
31.2	Certification of Evan D. Masyr Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act.	-	-	-	-	X
32.1	Certification of Edward G. Atsinger III Pursuant to 18 U.S.C. Section 1350.	-	-	-	-	X
32.2	Certification of Evan D. Masyr Pursuant to 18 U.S.C. Section 1350.	-	-	-	-	X
101	The following financial information from the Quarterly Report on Form 10Q for the three and nine months ended September 30, 2021, formatted in iXBRL (Inline Extensible Business Reporting Language) and furnished electronically herewith: (i) the Condensed Consolidated Balance Sheets (ii) Condensed Consolidated Statements of Operations (iii) the Condensed Consolidated Statements of Cash Flows (iv) the Notes to the Condensed Consolidated Financial Statements.	-	-	-	-	X
104	The cover page of this Quarterly Report on Form 10-Q, formatted in inline XBRL.	-	-	-	-	X

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Salem Media Group, Inc. has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SALEM MEDIA GROUP, INC.

November 4, 2021

By: /s/ EDWARD G. ATSINGER III
Edward G. Atsinger III
Chief Executive Officer
(Principal Executive Officer)

November 4, 2021

By: /s/ EVAN D. MASYR
Evan D. Masyr
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 31.1

I, Edward G. Atsinger III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Salem Media Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15(d)-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ EDWARD G. ATSINGER III

Edward G. Atsinger III
President and Chief Executive Officer

EXHIBIT 31.2

I, Evan D. Masyr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Salem Media Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15(d)-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ EVAN D. MASYR

Evan D. Masyr
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certifies, in his capacity as President and Chief Executive Officer of Salem Media Group, Inc. (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on his knowledge:

- the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 4, 2021

By: /s/ EDWARD G. ATSINGER III
Edward G. Atsinger III
President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certifies, in his capacity as Executive Vice President and Chief Financial Officer of Salem Media Group, Inc. (the “Company”), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on his knowledge:

- the Quarterly report of the Company on Form 10-Q for the period ended September 30, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 4, 2021

By: /s/ EVAN D. MASYR
Evan D. Masyr
Executive Vice President and Chief Financial Officer