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, 2022

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 1, 2022
Common Stock, $0.01 par value per share	21,663,091 shares
Class B	Outstanding at November 1, 2022
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 per share data)

	December 31, 2021 (Note 1)	**September 30, 2022 (Unaudited)**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,785	**$ 838**
Accounts receivable (net of allowances of $13,022 in 2021 and $7,517 in 2022)	25,663	**30,420**
Unbilled revenue	3,406	**3,139**
Other receivables (net of allowances of $455 in 2021 and $586 in 2022)	1,377	**2,403**
Inventories	960	**1,457**
Prepaid expenses	6,772	**8,436**
Assets held for sale	1,551	**267**
Total current assets	41,514	**46,960**
Notes receivable (net of allowance of $938 in 2021 and $580 in 2022)	274	**927**
Property and equipment (net of accumulated depreciation of $186,053 in 2021 and $188,975 in 2022)	79,339	**80,017**
Operating lease right-of-use assets	43,560	**43,756**
Financing lease right-of-use assets	105	**78**
Broadcast licenses	320,008	**305,775**
Goodwill	23,986	**23,861**
Amortizable intangible assets (net of accumulated amortization of $ 58,110 in 2021and $59,074 in 2022)	2,444	**1,502**
Deferred financing costs	843	**722**
Other assets	4,039	**3,492**
Total assets	$ 516,112	**$ 507,090**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,661	**$ 2,312**
Accrued expenses	12,006	**22,261**
Accrued compensation and related expenses	13,054	**10,856**
Accrued interest	1,030	**3,740**
Contract liabilities	12,294	**11,743**
Deferred rent income	157	**142**
Income taxes payable	1,544	**140**
Current portion of operating lease liabilities	8,651	**8,564**
Current portion of financing lease liabilities	58	**50**
Current portion of long-term debt	—	**—**
Total current liabilities	51,455	**59,808**
Long-term debt, less current portion	170,581	**155,778**
Operating lease liabilities, less current portion	42,208	**42,480**
Financing (capital) lease liabilities, less current portion	65	**47**
Deferred income taxes	67,012	**65,752**
Contract liabilities, long-term	2,222	**1,970**
Deferred rent income, less current portion	3,772	**3,682**
Other long-term liabilities	586	**65**
Total liabilities	337,901	**329,582**
Commitments and contingencies (Note 14)		
Stockholders' Equity:		
Class A common stock, $0.01 par value; authorized 80,000,000 shares; 23,922,974 and 23,980,741 issued and 21,605,324 and 21,663,091 outstanding at December 31, 2021 and September 30, 2022, respectively	232	**232**
Class B common stock, $0.01 par value; authorized 20,000,000 shares; 5,553,696 issued and outstanding at December 31, 2021 and September 30, 2022, respectively	56	**56**
Additional paid-in capital	248,438	**248,764**
Accumulated deficit	(36,509)	**(37,538)**
Treasury stock, at cost (2,317,650 shares at December 31, 2021 and September 30, 2022)	(34,006)	**(34,006)**
Total stockholders' equity	178,211	**177,508**
Total liabilities and stockholders' equity	$ 516,112	**$ 507,090**

See accompanying notes

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

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2022
Net broadcast revenue	$ 49,591	**$ 51,136**	$ 140,422	**$ 152,020**
Net digital media revenue	10,645	**10,189**	30,603	**31,293**
Net publishing revenue	5,747	**5,537**	18,093	**14,840**
Total net revenue	65,983	**66,862**	189,118	**198,153**
Operating expenses:				
Broadcast operating expenses, exclusive of depreciation and amortization shown below (including $486 and $449 for the three months ended September 30, 2021 and 2022, respectively, and $1,375 and $1,350 for the nine months ended September 30, 2021 and 2022, respectively, paid to related parties)	37,463	**41,178**	106,968	**120,837**
Legal settlement	—	**3,825**	—	**4,776**
Digital media operating expenses, exclusive of depreciation and amortization shown below	8,269	**8,333**	25,280	**25,079**
Publishing operating expenses, exclusive of depreciation and amortization shown below	5,213	**6,542**	16,844	**16,441**
Unallocated corporate expenses exclusive of depreciation and amortization shown below (including $0 and $82 for the three months ended September 30, 2021 and 2022, respectively, and $5 and $250 for the nine months ended September 30, 2021 and 2022, respectively, paid to related parties)	4,284	**4,840**	12,764	**14,431**
Debt modification costs	2,347	**2**	2,347	**250**
Depreciation	2,788	**2,737**	8,118	**8,537**
Amortization	427	**297**	1,553	**963**
Change in the estimated fair value of contingent earn-out consideration	—	**—**	—	**(5)**
Impairment of indefinite-lived long-term assets other than goodwill	—	**7,725**	—	**11,660**
Impairment of goodwill	—	**—**	—	**127**
Net (gain) loss on the disposition of assets	(10,607)	**167**	(10,552)	**(8,461)**
Total operating expenses	50,184	**75,646**	163,322	**194,635**
Operating income (loss)	15,799	**(8,784)**	25,796	**3,518**
Other income (expense):				
Interest income	—	**17**	1	**166**
Interest expense	(4,026)	**(3,142)**	(11,887)	**(9,925)**
Gain on the forgiveness of PPP loans	11,212	**—**	11,212	**—**
Gain (loss) on the early retirement of long-term debt	(56)	**—**	(56)	**(18)**
Earnings from equity method investment	—	**102**	—	**4,015**
Net miscellaneous income and (expenses)	2	**(19)**	87	**(19)**
Net income (loss) before income taxes	22,931	**(11,826)**	25,153	**(2,263)**
Provision for (benefit from) income taxes	837	**59**	479	**(1,234)**
Net income (loss)	$ 22,094	**$ (11,885)**	$ 24,674	**$ (1,029)**
Basic income (loss) per share data:				
Basic income (loss) per share	$ 0.82	**$ (0.44)**	$ 0.92	**$ (0.04)**
Diluted income (loss) per share data:				
Diluted income (loss) per share	$ 0.81	**$ (0.44)**	$ 0.91	**$ (0.04)**
Basic weighted average shares outstanding	26,870,664	**27,216,787**	26,825,483	**27,202,983**
Diluted weighted average shares outstanding	27,280,949	**27,216,787**	27,217,382	**27,202,983**

See accompanying notes

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

	Class A Common Stock		Class B Common Stock		Additional Paid-In	Accumulated	Treasury	
	Shares	Amount	Shares	Amount	Capital	Deficit	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**

	Class A Common Stock		Class B Common Stock		Additional Paid-In	Accumulated	Treasury	
	Shares	Amount	Shares	Amount	Capital	Deficit	Stock	Total
Stockholders' equity, December 31, 2021	**23,922,974**	**$ 232**	**5,553,696**	**$ 56**	**$ 248,438**	**$ (36,509)**	**$(34,006)**	**$ 178,211**
Stock-based compensation	—	—	—	—	106	—	—	106
Options exercised	40,913	—	—	—	94	—	—	94
Lapse of restricted shares	14,854	—	—	—	—	—	—	—
Net income	—	—	—	—	—	1,739	—	1,739
Stockholders' equity, March 31, 2022	**23,978,741**	**$ 232**	**5,553,696**	**$ 56**	**$ 248,638**	**$ (34,770)**	**$(34,006)**	**$ 180,150**
Stock-based compensation	—	—	—	—	68	—	—	68
Net income	—	—	—	—	—	9,117	—	9,117
Stockholders' equity, June 30, 2022	**23,978,741**	**$ 232**	**5,553,696**	**$ 56**	**$ 248,706**	**$ (25,653)**	**$(34,006)**	**$ 189,335**
Stock-based compensation	—	—	—	—	54	—	—	54
Options exercised	2,000	—	—	—	4	—	—	4
Net loss	—	—	—	—	—	(11,885)	—	(11,885)
Stockholders' equity, September 30, 2022	**23,980,741**	**$ 232**	**5,553,696**	**$ 56**	**$ 248,764**	**$ (37,538)**	**$(34,006)**	**$ 177,508**

See accompanying notes

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

	Nine Months Ended September 30,	
	2021	2022
OPERATING ACTIVITIES		
Net income	$ 24,674	**$ (1,029)**
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Non-cash stock-based compensation	240	**228**
Depreciation and amortization	9,671	**9,500**
Amortization of deferred financing costs	690	**732**
Non-cash lease expense	6,527	**6,631**
Provision for bad debts	(248)	**(437)**
Deferred income taxes	404	**(1,260)**
Change in the estimated fair value of contingent earn-out consideration	—	**(5)**
Impairment of indefinite-lived long-term assets other than goodwill	—	**11,660**
Impairment of goodwill	—	**127**
Gain on the forgiveness of PPP loans	(11,212)	**—**
Gain (loss) on the early retirement of long-term debt	56	**18**
Net (gain) loss on the disposition of assets	(10,552)	**(8,461)**
Changes in operating assets and liabilities:		
Accounts receivable and unbilled revenue	(67)	**(5,806)**
Inventories	(412)	**(497)**
Prepaid expenses and other current assets	(1,218)	**(1,664)**
Accounts payable and accrued expenses	2,596	**9,742**
Operating lease liabilities	(7,317)	**(6,626)**
Contract liabilities	782	**(803)**
Deferred rent income	28	**(116)**
Other liabilities	41	**(518)**
Income taxes payable	63	**(1,404)**
Net cash provided by operating activities	14,746	**10,012**
INVESTING ACTIVITIES		
Cash paid for capital expenditures net of tenant improvement allowances	(6,952)	**(9,241)**
Capital expenditures reimbursable under tenant improvement allowances and trade agreements	(138)	**(58)**
Deposit on broadcast assets and radio station acquisitions	(100)	**(750)**
Purchases of broadcast assets and radio stations	(600)	**(548)**
Purchases of digital media businesses and assets	(3,980)	**(190)**
Return of equity investment in OnePartyAmerica LLC	—	**4,500**
Equity investment in OnePartyAmerica LLC	(1,000)	**(3,500)**
Proceeds from sale of long-lived assets	15,771	**14,151**
Other	(227)	**62**
Net cash provided by investing activities	2,774	**4,426**
FINANCING ACTIVITIES		
Proceeds from 2028 Notes	114,731	**—**
Payments to repurchase or exchange 2024 Notes	(119,443)	**(15,394)**
Proceeds from borrowings under ABL Facility	16	**26,231**
Payments on ABL Facility	(5,016)	**(26,231)**
Proceeds from borrowings under PPP Loans	11,195	**—**
Payments under PPP loans	17	**—**
Payments of debt issuance costs	(1,921)	**(38)**
Payments of acquisition-related contingent earn-out consideration	—	**(4)**
Proceeds from the exercise of stock options	405	**98**
Payments on financing lease liabilities	(48)	**(47)**
Net cash used in financing activities	(64)	**(15,385)**
Net increase (decrease) in cash and cash equivalents	17,456	**(947)**
Cash and cash equivalents at beginning of year	6,325	**1,785**
Cash and cash equivalents at end of period	$ 23,781	**$ 838**

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, 2021	Nine Months Ended September 30, 2022
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Cash paid for interest, net of capitalized interest	$9,628	**$6,209**
Cash paid for interest on finance lease liabilities	$ 6	**$ 5**
Net cash paid for (received from) income taxes	$ 13	**$1,429**
Other supplemental disclosures of cash flow information:		
Barter revenue	$1,647	**$2,118**
Barter expense	$1,699	**$2,104**
Non-cash investing and financing activities:		
Capital expenditures reimbursable under tenant improvement allowances	$ 138	**$ 58**
Right-of-use assets acquired through operating leases	$3,466	**$7,522**
Right-of-use assets acquired through financing leases	$ 17	**$ 20**
Non-cash capital expenditures for property & equipment acquired under trade agreements	$ 27	**$ —**
Net assets and liabilities assumed in a non-cash acquisition	$ 311	**$ —**
Estimated present value of contingent-earn out consideration	$ 11	**$ 2**

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.

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. Investments in entities for which we have a significant influence, but less than a controlling financial interest, are accounted for using the equity method.

Information with respect to the three and nine months ended September 30, 2022 and 2021 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, 2021. 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, 2021 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.

Impact of the COVID-19 Pandemic

During 2020 we implemented several measures to reduce costs and conserve cash to ensure that we had adequate liquidity to meet our debt servicing requirements. As the economy began to show signs of recovery, we reversed several of these cost reduction initiatives during 2021. We continue to operate with lower staffing levels where appropriate, we have not declared or paid equity distributions on our common stock, and the company 401(k) match was not reinstated until January 2022.

The Coronavirus Aid, Relief, and Economic Security Act (“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. The Consolidated Appropriations Act (“CAA”) 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, of which 50% was paid in December 2021 and the remaining 50% is payable in December 2022;
- A 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.

Equity Method Investment

We invested in OnePartyAmerica LLC (“OPA”), an entity formed for the purpose of developing, producing, and distributing a documentary motion picture. We analyzed our investment to determine the degree to which we influenced OPA. The determination of the degree to which we can influence an investee requires extensive analysis depending on the terms and nature of each investment.

We reviewed OPA in accordance with the guidance within Accounting Standards Codification (“ASC”) 810 *Consolidation*. Based on our analysis using the variable interest model, we determined that OPA was a Variable Interest Entity (“VIE”), but because we did not have a controlling financial interest, we were not the primary beneficiary of OPA. Accordingly, we accounted for our investment in OPA in accordance with ASC 323-30*, Investments – Equity Method and Joint Ventures*.

We recorded our equity method investment at cost with subsequent adjustments to the carrying value for our share of the earnings or losses of OPA. Distributions received from the equity method investment were recorded as reductions in the carrying value of such investment and are classified on the unaudited condensed consolidated interim statements of cash flows pursuant to the cumulative earnings approach. Under the cumulative earnings approach, distributions received are accounted for as a return on investment in cash inflows from operating activities unless the cumulative distributions received exceed the cumulative equity in earnings recognized from the investment. When such an excess occurs, the current period distributions up to this excess are considered returns of investment and are classified as cash inflows from investing activities.

The documentary motion picture, *2000 Mules*, was released in May 2022. We recorded $0.1 million and $4.1 million of earnings from our equity investment in OPA during the three- and nine-month period ended September 30, 2022, respectively. At September 30, 2022, $0.7 million is included in other receivables in our Condensed Consolidated Balance sheet representing our share of profit from the documentary motion picture due from OPA.

Use of Estimates

Our consolidated financial statements are prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates require the use of judgment as future events, and the effect of these events cannot be predicted with certainty. The COVID-19 pandemic created 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. We evaluate and update our assumptions and estimates on an ongoing basis and we may consult outside experts to assist as considered necessary.

Significant areas for which management uses estimates include:

- revenue recognition;
- asset impairments, including broadcasting licenses and goodwill;
- contingency reserves;
- allowance for doubtful accounts;
- barter transactions;
- 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,

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for our accounting policies for investments, 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, 2021, filed with the SEC on March 4, 2022, that have had a material impact on our Condensed Consolidated Financial Statements and related notes.

Accounting for Investments

We may make strategic investments in entities that share similar interests in Christian and conservative content. The accounting for these investments depends on the degree to which we influence the investee. The determination of the degree to which we can influence the investee requires extensive analysis depending on the terms and nature of each investment. For material investments that we directly or indirectly hold a controlling financial interest, we apply the guidance within Accounting Standards Codification (“ASC”) 810*, Consolidation*. For material investments that we do not hold a controlling interest, but for which we have significant influence, we apply the equity method of accounting under ASC 323-30, *Investments – Equity Method and Joint Ventures*. For investments in which we do not have significant influence, we apply the accounting guidance in ASC 321– *Investments Equity Securities.*

We monitor equity method investments for impairment and record a reduction in the carrying value if the carrying value exceeds the estimated fair value. An impairment charge is recorded when such impairment is deemed to be other than temporary. To determine whether an impairment is other than temporary, we consider our ability and intent to hold the investment until the carrying amount is fully recovered. Circumstances that indicate an impairment may have occurred include factors such as decreases in quoted market prices or declines in the operations of the investee. The evaluation of the investment for potential impairment requires us to exercise significant judgment and to make certain assumptions. The use of different judgments and assumptions could result in different conclusions. There were no indications of impairment at September 30, 2022.

Recent Accounting Pronouncements

Changes to accounting principles are established by the Financial Accounting Standards Board (“FASB”) in the form of Accounting Standards Update (“ASUs”) to the FASB’s Codification. We consider the applicability and impact of all ASUs on our financial position, results of operations, cash flows, or presentation thereof. Described below are ASUs that may be applicable to our financial position, results of operations, cash flows, or presentation thereof. ASUs not listed below were assessed and determined to not be applicable to our financial position, results of operations, cash flows, or presentation thereof.

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Accounting Standards Adopted in 2022

In November 2021, the FASB issued ASU No. 2021-10, *Disclosures by Business Entities about Government Assistance*. The ASU codifies new requirements to disclose information about the nature of certain government assistance received, the accounting policy used to account for the transactions, the location in the financial statements where such transactions were recorded, and significant terms and conditions associated with such transactions. The guidance was effective for annual periods beginning on January 1, 2022. The adoption of ASU No. 2021-10 did not have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

Recent Accounting Standards or Updates Not Yet Effective

In September 2022, the FASB issued ASU 2022-04, L*iabilities – Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, to enhance the transparency about the use of supplier finance programs. The ASU is effective January 1, 2023 and is to be applied retrospectively with early adoption permitted. We do not currently utilize Supplier Finance programs and therefore, we do not expect the adoption of this ASU to have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820) Fair Value Measurement of Equity Securities Subject to Contractual Sales Restrictions*. This amended guidance clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The ASU is effective January 1, 2024, and is to be applied prospectively with early adoption permitted. We do not expect the adoption of this ASU to have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In March 2022, the FASB issued ASU 2022-02, *Troubled Debt Restructurings ("TDRs") and Vintage Disclosures* (Topic 326): *Financial Instruments – Credit Losses*. This amended guidance will eliminate the accounting designation of a loan modification as a TDR, including eliminating the measurement guidance for TDRs. The amendments also enhance existing disclosure requirements and introduce new requirements related to modifications of receivables made to borrowers experiencing financial difficulty. Additionally, this guidance requires entities to disclose gross write-offs by year of origination for financing receivables, such as loans and interest receivable. The ASU is effective January 1, 2023, and is required to be applied prospectively, except for the recognition and measurement of TDRs which can be applied on a modified retrospective basis. We do not expect the adoption of this ASU to have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires an acquirer to recognize and measure contract assets and liabilities acquired in a business combination in accordance with Revenue from Contracts with Customers (Topic *606*) rather than adjust them to fair value at the acquisition date. The ASU is effective January 1, 2023, with early adoption permitted. The impact that this pronouncement will have will depend on the nature of any business acquisitions that we may enter in the future.

NOTE 3. RECENT TRANSACTIONS

During the nine-month period ended September 30, 2022, we completed or entered into the following transactions:

On September 26, 2022, we entered into a settlement agreement in connection with a lawsuit. While we denied the allegations made in the lawsuit, we believed that settling the matter was preferable to protracted and costly litigation. We previously estimated that we would resolve the matter for $1.5 million, and that amount was accrued at June 30, 2022. During mediation held on September 26, 2022, the parties reached a settlement whereby we will pay $5.3 million in exchange for a release by the Plaintiff of all claims. The settlement is subject to court approval.

Debt Transactions

We completed repurchases of our 2024 Notes as follows:

Date	Principal Repurchased	Cash Paid	% of Face Value	Bond Issue Costs	Net Gain (Loss)
			(Dollars in thousands)		
June 13, 2022	$ 5,000	$4,947	98.95%	$ 35	$ 18
June 10, 2022	3,000	2,970	99.00%	21	9
June 7, 2022	2,464	2,446	99.25%	17	1
May 17, 2022	2,525	2,500	99.00%	18	7
January 12, 2022	2,500	2,531	101.26%	22	(53)

Acquisitions

On May 2, 2022, we acquired websites and the related assets of Retirement Media for $0.2 million in cash. We recorded goodwill of approximately $2,400 associated with the expected synergies to be realized upon combining the operations into our digital media platform within Eagle Financial Publications. The accompanying Condensed Consolidated Statement of Operations reflects the operating results of this entity as of the closing date within our digital media segment.

On February 15, 2022, we closed on the acquisition of radio station WLCC-AM and an FM translator in the Tampa, Florida market for $0.6 million of cash. The WLCC transmitter site will be used to diplex radio station WTBN-AM due to the sale of the WTBN-AM transmitter site.

The total purchase price consideration for our business acquisitions and asset purchases during the nine-month period ending September 30, 2022, is as follows:

Description	Total Consideration
	(Dollars in thousands)
Cash payments made upon closing	$ 738
Escrow deposits paid in prior years	60
Total purchase price consideration	$ 798

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	Net Digital Media Assets	Total Net Assets
		(Dollars in thousands)	
Assets			
Property and equipment	$ 418	166	584
Broadcast licenses	190	—	190
Goodwill	—	2	2
Domain and brand names	—	11	11
Non-Compete agreement	—	11	11
	$ 608	$ 190	$ 798

Divestitures

On June 27, 2022, we sold 9.3 acres of land in the Denver area for $8.2 million in cash resulting in a pre-tax gain of $6.5 million. The land was being used as the transmitter site for radio stations KRKS-AM and KBJD-AM and was an integral part of our broadcast operations for these stations. We will continue broadcasting both KRKS-AM and KBJD-AM from this site via a perpetual agreement with the buyer.

On May 25, 2022, we sold 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 Time Brokerage Agreement ("TBA"). We recorded a pre-tax gain of $0.5 million.

On January 10, 2022, we closed on the sale of 4.5 acres of land in Phoenix, Arizona for $2.0 million in cash. The land was being used as the transmitter site for radio station KXXT-AM and was an integral part of our broadcast operations for that station. We recorded a pre-tax gain of $1.8 million on the sale and had access to the land for 90-days to relocate our transmitter equipment for KXXT-AM. We continue to operate radio station KXXT-AM with a similar broadcast signal.

Pending Transactions

On September 29, 2022, we entered into an Asset Purchase Agreement ("APA") to acquire radio station WMYM-AM and an FM translator in Miami, Florida for $5.0 million. We paid $0.3 million of cash into an escrow account and plan to operate the radio stations under a TBA beginning on November 16, 2022. The transaction is subject to the approval of the FCC and is expected to close in the fourth quarter of 2022.

On September 22, 2022, we entered into an APA to acquire radio stations WWFE-AM, WRHC-AM and two FM translators in Miami, Florida for $5.0 million. The transaction is subject to the approval of the FCC and is expected to close later in the fourth quarter of 2022.

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 a Local Marketing Agreement ("LMA") on June 7, 2021. The transaction is subject to the approval of the FCC and is expected to close in the fourth quarter of 2022.

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.

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

	Nine Months Ended September 30, 2022			
	Broadcast	Digital Media	Publishing	Consolidated
	(Dollars in thousands)			
By Source of Revenue:				
Block Programming – National	$ 39,998	$ —	$ —	$ 39,998
Block Programming – Local	18,183	—	—	18,183
Broadcast Programming Revenue	**58,181**	—	—	**58,181**
Spot Advertising – National	11,344	—	—	11,344
Spot Advertising – Local	31,915	—	—	31,915
Network Advertising	15,961	—	—	15,961
Broadcast Advertising Revenue	**59,220**	—	—	**59,220**
Infomercials	569	—	—	569
Other Revenue	6,789	—	—	6,789
Other Broadcast Revenue	**7,358**	—	—	**7,358**
Digital Advertising	21,042	13,453	—	34,495
Digital Streaming	3,915	2,687	—	6,602
Digital Downloads	546	5,485	—	6,031
Digital Subscriptions	731	9,549	—	10,280
Other Digital Revenue	1,027	119	—	1,146
Digital Revenue	**27,261**	**31,293**	—	**58,554**
Book Sales	—	—	10,816	10,816
Estimated Sales Returns & Allowances	—	—	(2,799)	(2,799)
Net Book Sales	—	—	8,017	8,017
E-Book Sales	—	—	937	937
Self-Publishing Fees	—	—	5,189	5,189
Other Publishing Revenue	—	—	697	697
Publishing Revenue	—	—	**14,840**	**14,840**
	$152,020	**$ 31,293**	**$ 14,840**	**$ 198,153**
Timing of Revenue Recognition				
Point in Time	$150,352	$ 31,293	$ 14,840	$ 196,485
Rental Income (1)	1,668	—	—	1,668
	$152,020	**$ 31,293**	**$ 14,840**	**$ 198,153**

	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
Broadcast Programming Revenue	**53,896**	—	—	**53,896**
Spot Advertising – National	10,565	—	—	10,565
Spot Advertising – Local	30,123	—	—	30,123
Network Advertising	14,729	—	—	14,729
Broadcast Advertising Revenue	**55,417**	—	—	**55,417**
Infomercials	682	—	—	682
Other Revenue	6,825	—	—	6,825
Other Broadcast Revenue	**7,507**	—	—	**7,507**
Digital Advertising	18,415	13,859	132	32,406
Digital Streaming	3,559	2,579	—	6,138
Digital Downloads	510	4,796	—	5,306
Digital Subscriptions	828	9,227	—	10,055
Other Digital Revenue	290	142	—	432
Digital Revenue	**23,602**	**30,603**	**132**	**54,337**
Book Sales	—	—	15,074	15,074
Estimated Sales Returns & Allowances	—	—	(4,223)	(4,223)
Net Book Sales	—	—	10,851	10,851
E-Book Sales	—	—	1,294	1,294
Self-Publishing Fees	—	—	4,730	4,730
Print Magazine Subscriptions	—	—	262	262
Print Magazine Advertisements	—	—	123	123
Other Publishing Revenue	—	—	701	701
Publishing Revenue	—	—	**17,961**	**17,961**
	$140,422	**$ 30,603**	**$ 18,093**	**$ 189,118**

	Nine Months Ended September 30, 2021			
	Broadcast	Digital Media	Publishing	Consolidated
	(Dollars in thousands)			
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

(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 airtime to program producers in blocks that typically range from 12½, 25 or 50-minutes of time. We separate block programming revenue into three categories, National, Local, and Infomercial revenue. Our stations are classified by format, including 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 may include variable consideration for charities and programmers that purchase blocks of airtime to generate donations and contributions from our audience. 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.

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 banner advertising 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 of our publishing entities have custom websites and mobile applications that generate digital advertising revenue. Digital advertising revenue is recognized at the time that the banner display is delivered, or 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.

Broadcast digital advertising revenue consists of local digital advertising, such as the sale of banner advertisements on our owned and operated websites, the sale of advertisements on our owned and operated mobile applications, and advertisements in digital newsletters that we produce, as well as national digital advertising, or the sale of custom digital advertising solutions, such as web pages and social media campaigns that we offer to our customers. 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.

Salem Surround, our national 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 and provides a full-service digital marketing strategy for each of our clients. In our role as a digital advertising 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 all 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 a 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 our 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, and podcast subscriptions for on-air content. 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.

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 eBooks. 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.

Other Revenue. Other revenue includes 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.

Principal versus Agent Considerations

When another party is involved in providing goods or services to our customer, we apply the principal versus agent guidance in ASC 606 to determine if we are the principal or an agent to the transaction. When we control the specified goods or services before they are transferred to our customer, we report revenue gross, as principal. If we do not control the goods or services before they are transferred to our customer, revenue is reported net of the fees paid to the other party, as agent.

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 the Condensed 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 commission expenses are periodically reviewed for impairment. At September 30, 2022, our prepaid commission expense was $0.7 million.

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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.

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, 2022	$ 12,294	$ 2,222
Revenue recognized during the period that was included in the beginning balance of contract liabilities	(8,916)	—
Additional amounts recognized during the period	18,277	643
Revenue recognized during the period that was recorded during the period	(10,807)	—
Transfers	895	(895)
Balance, end of period September 30, 2022	$ 11,743	$ 1,970
Amount refundable at beginning of period	$ 12,282	$ 2,222
Amount refundable at end of period	$ 11,731	$ 1,970

We expect to satisfy these performance obligations as follows:

For the Year Ended June 30,	Amount (Dollars in thousands)
2023	$ 11,743
2024	1,152
2025	556
2026	158
2027	104
Thereafter	—
	$ 13,713

Significant Financing Component

The length of our typical sales agreement is 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, 2022, and September 30, 2027. The difference between the promised consideration and the cash selling price of the publications is not significant. Therefore, we have concluded that subscriptions do not contain a significant financing component under ASC 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 ASC 606.

Variable Consideration

We make significant estimates related to variable consideration at the point of sale, including estimates for refunds and product returns. Under ASC 606, estimates of variable consideration are to be recognized before contingencies are resolved in certain circumstances, including when it is probable that a significant reversal in the amount of any estimated cumulative revenue will not occur.

We enter into agreements under which the amount of revenue we earn is contingent upon the amount of money raised by our customer over the contract term. Our customer is typically a charity or programmer that purchases blocks of programming time or spots to generate revenue from our audience members. Contract terms can range from a few weeks to a few months, depending on the charity or programmer. If the campaign does not generate a pre-determined level of donations or revenue to our customer, the consideration that we expect to be entitled to may vary above a minimum base level per the contract. Historically, under ASC Topic 605, we reported variable consideration as revenue when the amount was fixed and determinable. Under ASC 606, variable consideration is to be estimated using the expected value or the most likely amount to the extent it is probable that a significant reversal will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Based on the constraints for using estimates of variable consideration within ASC 606, and our historical experience with these campaigns, we will continue to recognize revenue at the base amount of the campaign with variable consideration recognized when the uncertainty of each campaign is resolved. These constraints include: (1) the amount of consideration received is highly susceptible to factors outside of our influence, specifically the extent to which our audience donates or contributes to our customer or programmer, (2) the length of time in which the uncertainty about the amount of consideration expected is to be resolved, and (3) our experience has shown these contracts have a large number and broad range of possible outcomes.

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,	
	2021	**2022**	2021	**2022**
	(Dollars in thousands)			
Net broadcast barter revenue	$ 582	**$ 593**	$ 1,647	**$ 2,118**
Net digital media barter revenue	—	**—**	—	**—**
Net publishing barter revenue	—	**—**	—	**—**
Net broadcast barter expense	$ 619	**$ 472**	$ 1,704	**$ 2,104**
Net digital media barter expense	—	**—**	—	**—**
Net publishing barter expense	(2)	**—**	(5)	**—**

NOTE 5. INVENTORIES

Inventories consist of finished books from Salem 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*."

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

	December 31, 2021	**September 30, 2022**
	(Dollars in thousands)	
Buildings	$ 28,593	**$ 28,407**
Office furnishings and equipment	36,598	**36,709**
Antennae, towers and transmitting equipment	77,813	**74,621**
Studio, production, and mobile equipment	29,498	**30,213**
Computer software and website development costs	38,271	**39,257**
Automobiles	1,515	**1,556**
Leasehold improvements	18,104	**18,889**
	$ 230,392	**$ 229,652**
Less accumulated depreciation	(186,053)	**(188,975)**
	44,339	**$ 40,677**
Land	$ 26,896	**26,885**
Construction-in-progress	8,104	**12,455**
Property and Equipment, net	$ 79,339	**$ 80,017**

Depreciation expense was approximately $2.7 million and $2.8 million for the three-month periods ended September 30, 2022 and 2021, respectively, and $8.5 million and $8.1 million for the nine-month periods ended September 30, 2022 and 2021, respectively. 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, 2022.

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, 2022		
	(Dollars in thousands)		
Operating Leases	Related Party	Other	Total
Operating leases ROU assets	$ 6,434	$37,322	$43,756
Operating lease liabilities (current)	$ 800	$ 7,764	$ 8,564
Operating lease liabilities (non-current)	5,751	36,729	$42,480
Total operating lease liabilities	$ 6,551	$44,493	$51,044

Weighted Average Remaining Lease Term	
Operating leases	7.6 years
Finance leases	2.5 years
Weighted Average Discount Rate	
Operating leases	8.18%
Finance leases	6.39%

Lease Expense

The components of lease expense were as follows:

	Nine Months Ended September 30, 2022
	(Dollars in thousands)
Amortization of finance lease ROU Assets	$ 45
Interest on finance lease liabilities	5
Finance lease expense	50
Operating lease expense	9,729
Variable lease expense	985
Short-term lease expense	422
Total lease expense	$ 11,186

Supplemental Cash Flow

Supplemental cash flow information related to leases was as follows:

	Nine Months Ended September 30, 2022
	(Dollars in thousands)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ $11,079
Operating cash flows from finance leases	3
Financing cash flows from finance leases	47
Leased assets obtained in exchange for new operating lease liabilities	$ 7,522
Leased assets obtained in exchange for new finance lease liabilities	20

Maturities

Future minimum lease payments under leases that have initial or remaining non-cancelable lease terms in excess of one year at September 30, 2022, are as follows:

	Operating Leases				
	Related Party	Other	Total	Finance Leases	Total
	(Dollars in thousands)				
2023	$ 1,088	$ 9,680	$ 10,768	$ 52	$ 10,820
2024	1,312	9,427	10,739	26	10,765
2025	1,236	9,101	10,337	19	10,356
2026	847	7,540	8,387	6	8,393
2027	428	4,946	5,374	2	5,376
Thereafter	2,911	24,685	27,596	1	27,597
Undiscounted Cash Flows	$ 7,822	$ 65,379	$ 73,201	$ 106	$ 73,307
Less: imputed interest	(1,271)	(20,886)	(22,157)	(9)	(22,166)
Total	**$ 6,551**	**$ 44,493**	**$ 51,044**	**$ 97**	**$ 51,141**
Reconciliation to lease liabilities:					
Lease liabilities – current	$ 800	$ 7,764	$ 8,564	$ 50	$ 8,614
Lease liabilities – long-term	5,751	36,729	42,480	47	42,527
Total Lease Liabilities	**$ 6,551**	**$ 44,493**	**$ 51,044**	**$ 97**	**$ 51,141**

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.

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

Broadcast Licenses	Twelve Months Ended December 31, 2021	**Nine Months Ended September 30, 2022**
	(Dollars in thousands)	
Balance before cumulative loss on impairment, beginning of period	$ 434,209	**$ 434,444**
Accumulated loss on impairment, beginning of period	(114,436)	(114,436)
Balance after cumulative loss on impairment, beginning of period	319,773	**320,008**
Acquisitions of radio stations	235	190
Dispositions of radio stations and FM translators	—	(2,763)
Loss on impairment	—	(11,660)
Balance, end of period after cumulative loss on impairment	$ 320,008	**$ 305,775**
Balance, end of period before cumulative loss on impairment	$ 434,444	**$ 429,566**
Accumulated loss on impairment, end of period	(114,436)	(123,791)
Balance, end of period after cumulative loss on impairment	$ 320,008	**$ 305,775**

As a result of declining revenue growth projections forecasted by industry analysts, we performed an interim review of broadcast licenses for impairment at September 30, 2022. We updated our interim valuations from the June 2022 testing period to reflect the lower projected revenue forecast for 2022 and lower growth rates for 2023 and thereafter. Our June 2022 testing period also reflected an increase in the Weighted Average Cost of Capital ("WACC") as a result of rising interest rates noted during 2022. We performed an assessment of the amount by which the most recent estimated fair value exceeded the carrying value of the broadcast license and our year-to-date market revenue as compared to the forecasted market revenue used in the prior valuations under the start-up income approach.

Impairment testing requires an estimate of the fair value of our indefinite-lived intangible assets. We believe that these estimates of fair value are critical accounting estimates as the value is significant in relation to our total assets and the estimates incorporate variables and assumptions based on our experiences and judgment about our future operating performance. Fair value measurements 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 used in our estimates, we are subject to future impairment charges, the amount of which may be material. The unobservable inputs are defined in FASB ASC Topic 820 "Fair Value Measurements and Disclosures" as Level 3 inputs discussed in detail in Note 12 – Fair Value Measurements.

Based on our assessment, we engaged Bond & Pecaro, an independent third-party appraisal and valuation firm, to assist us with determining the enterprise value of 13 of our market clusters. The estimated fair value of each market cluster was determined using the Greenfield Method, a form of the income approach. The premise of the Greenfield Method is that the value of a broadcast license is equivalent to a hypothetical start-up in which the only asset owned by the station as of the valuation date is the broadcast license. This approach eliminates factors that are unique to our operation of the station, including its format and historical financial performance. The method then assumes the entity has to purchase, build, or rent all of the other assets needed to operate a comparable station to the one in which the broadcast license is being utilized as of the valuation date. Cash flows are estimated and netted against all start-up costs, expenses and investments necessary to achieve a normalized and mature state of operations, thus reflecting only the cash flows directly attributable to the broadcast license. A multi-year discounted cash flow approach is then used to determine the net present value of these cash flows to derive an indication of fair value. For cash flows beyond the projection period, a terminal value is calculated using the Gordon constant growth model and long-term industry growth rate assumptions based on long-term industry growth and Gross Domestic Product ("GDP") inflation rates.

The primary assumptions used in the Greenfield Method are:

(1) gross operating revenue in the station's designated market area,

(2) normalized market share,

(3) normalized profit margin,

(4) duration of the "ramp-up" period to reach normalized operations, (which was assumed to be three years),

(5) estimated start-up costs (based on market size),

(6) ongoing replacement costs of fixed assets and working capital,

(7) the calculations of yearly net free cash flows to invested capital; and

(8) amortization of the intangible asset, or the broadcast license.

The assumptions used reflect those of a hypothetical market participant and not necessarily the actual or projected results of Salem. The key estimates and assumptions used in the start-up income valuation for our broadcast licenses were as follows:

Broadcast Licenses	December 31, 2021	June 30, 2022	**September 30, 2022**
Risk-adjusted discount rate	8.5%	9.5%	**9.5%**
Operating profit margin ranges	3.9%—30.9%%	3.9%—30.9%	**3.9%—30.9%**
Long-term revenue growth rates	0.4%—0.7%	0.4%—0.7%	**0.4%—0.7%**

The risk-adjusted discount rate reflects the WACC developed based on data from same or similar industry participants and publicly available market data as of the measurement date.

Based on our review and analysis, we determined that the carrying value of broadcast licenses in 12 of our market clusters was impaired as of the interim testing period ended September 30, 2022. We recorded an impairment charge of $7.7 million to the value of broadcast licenses in Boston, Chicago, Columbus, Dallas, Greenville, Honolulu, Little Rock, Orlando, Philadelphia, Portland, Sacramento, and San Francisco. The impairment charge was driven by a decline in projected revenues for the broadcast industry impacting the remainder of 2022 and a reduction in the future industry growth rates based on current economic indicators. During the interim period ended June 30, 2022, we recorded an impairment charge of $3.9 million to the value of broadcast licenses in Columbus, Dallas, Greenville, Honolulu, Orlando, Portland, and Sacramento. The impairment charge was driven by an increase in the WACC that was partially offset with improvements in revenue growth rates over those used in the year-end valuation forecasts. We believe that these factors are indicative of trends in the industry as a whole and not unique to our company or operations.

The table below presents the results of our interim impairment testing under the start-up income approach at September 30, 2022:

Market Cluster	Excess Fair Value September 30, 2022
Boston, MA	(1.7)%
Chicago, IL	(2.0)%
Cleveland, OH	5.5%
Columbus, OH	(6.3)%
Dallas, TX	(7.2)%
Greenville, SC	(4.4)%
Honolulu, HI	(4.1)%
Little Rock, AR	(1.2)%
Orlando FL	(7.4)%
Philadelphia, PA	(7.4)%
Portland, OR	(3.6)%
Sacramento, CA	(4.1)%
San Francisco, CA	(0.0)%

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.

As a result of changes in macroeconomic conditions and declines in forecasted future revenue growth rates, we performed an interim review of goodwill for impairment at September 30, 2022 and at June 30, 2022. The first step of our impairment testing was to perform a qualitative assessment to determine if events and circumstances have occurred that indicate it is more likely than not that the fair value of the assets, including goodwill, are less than their carrying values. We reviewed the significant inputs used in our prior fair value estimates to determine if any changes to those inputs should be made. We estimate the fair value using a market approach and compare the estimated fair value of each entity to its carrying value, including goodwill. Under the market approach, we apply a multiple of four to each entity's operating income to estimate the fair value. If the results of our qualitative assessment indicate that the fair value of a reporting unit may be less than its carrying value, we perform a second quantitative review of the reporting unit. Based on our assessment, we engaged Bond & Pecaro, an independent third-party appraisal and valuation firm, to assist us with determining the enterprise value as part of this quantitative review.

Based on our assessment, we tested one broadcast market cluster for goodwill impairment at June 30, 2022, one digital media entity at June 30, 2022 and at September 30, 2022, and one publishing entity at June 30, 2022 and at September 30, 2022. We engaged Bond & Pecaro, an independent appraisal and valuation firm, to assist us in estimating the enterprise value of our market cluster to test goodwill for impairment. The enterprise valuation assumes that the subject assets are installed as part of an operating business rather than as a hypothetical start-up. The analysis includes both an income and cost approach to valuation. The income approach uses a discounted cash flow projection while the cost approach, or "stick" value of the underlying assets is used.

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

Goodwill	Twelve Months Ended December 31, 2021	**Nine Months Ended September 30, 2022**
	(Dollars in thousands)	
Balance, beginning of period before cumulative loss on impairment,	$ 28,520	**$ 28,749**
Accumulated loss on impairment	(4,763)	**(4,763)**
Balance, beginning of period after cumulative loss on impairment	23,757	**23,986**
Acquisitions of radio stations	4	**—**
Acquisitions of digital media entities	225	**2**
Loss on impairment	—	**(127)**
Ending period balance	$ 23,986	**$ 23,861**
Balance, end of period before cumulative loss on impairment	28,749	**28,751**
Accumulated loss on impairment	(4,763)	**(4,890)**
Ending period balance	$ 23,986	**$ 23,861**

The key estimates and assumptions used for our enterprise valuations were as follows:

Broadcast Markets Enterprise Valuations	December 31, 2021	**June 30, 2022**
Risk-adjusted discount rate	8.5%	**9.5%**
Operating profit margin ranges	(1.4%) –15.0%	**(7.8%) –15.0%**
Long-term revenue growth rates	0.4%	**0.4%**

Digital Media Enterprise Valuations	December 31, 2021	June 30, 2022	**September 30, 2022**
Risk adjusted discount rate	9.5%	10.5%	**10.5%**
Operating profit margin ranges	25.3% – 28.5%	28.5% – 32.9%	**29.0% – 33.55**
Long-term revenue growth rates	0.5%	0.5%	**0.5%**

Publishing Enterprise Valuations	December 31, 2021	June 30, 2022	**September 30, 2022**
Risk adjusted discount rate	9.5%	10.5%	**10.5%**
Operating margin ranges	2.4% – 5.2%	0.5% – 3.0%	**0.5% – 2.7%**
Long-term revenue growth rates	0.5%	0.5%	**0.5%**

The risk-adjusted discount rate reflects the WACC developed based on data from same or similar industry participants and publicly available market data as of the measurement date.

Based on our review and analysis, we recorded an impairment charge of $0.1 million to goodwill in one of our broadcast markets at June 30, 2022. The impairment charge was driven by an increase in the WACC that was partially offset with improvements in revenue growth rates over those used in the year-end valuation forecasts. There were no impairments during the three-month period ended September 30, 2022.

The table below presents the percentage by which the estimated fair value exceeded the carrying value, including goodwill, based on the results of our interim impairment testing:

Excess Fair Value	December 31, 2021	June 30, 2022	**September 30, 2022**
Digital Media Enterprise Valuations	122.5%	141.7%	**161.9%**
Publishing Enterprise Valuations	113.2%	4.0%	**3.2%**

NOTE 10. AMORTIZABLE INTANGIBLE ASSETS

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

	September 30, 2022		
	Cost	Accumulated Amortization	Net
	(Dollars in thousands)		
Customer lists and contracts	$23,700	**$ (22,795)**	**$ 905**
Domain and brand names	19,886	**(19,650)**	**236**
Favorable and assigned leases	2,188	**(1,972)**	**216**
Subscriber base and lists	8,647	**(8,511)**	**136**
Author relationships	2,771	**(2,771)**	—
Non-compete agreements	2,052	**(2,043)**	**9**
Other amortizable intangible assets	1,332	**(1,332)**	—
	$60,576	**$ (59,074)**	**$1,502**

	As of December 31, 2021		
	Cost	Accumulated Amortization	Net
	(Dollars in thousands)		
Customer lists and contracts	$23,700	$ (22,198)	$1,502
Domain and brand names	19,875	(19,421)	454
Favorable and assigned leases	2,188	(1,960)	228
Subscriber base and lists	8,647	(8,387)	260
Author relationships	2,771	(2,771)	—
Non-compete agreements	2,041	(2,041)	—
Other amortizable intangible assets	1,332	(1,332)	—
	$60,554	$(58,110)	$2,444

Amortization expense was approximately $0.3 million and $0.4 million for the three-month periods ended September 30, 2022 and 2021, respectively, and $1.0 million and $1.5 million for the nine-month periods ended September 30, 2022 and 2021, respectively. Based on the amortizable intangible assets as of September 30, 2022, we estimate amortization expense for the next five years to be as follows:

Year Ended December 31,	Amortization Expense
	(Dollars in thousands)
2022 (Oct – Dec)	$ 260
2023	803
2024	209
2025	24
2026	14
Thereafter	192
Total	$ 1,502

NOTE 11. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2021	**September 30, 2022**
	(Dollars in thousands)	
2028 Notes	$ 114,731	**$ 114,731**
Less unamortized discount and debt issuance costs based on imputed interest rate of 7.64%	(3,844)	**(3,401)**
2028 Notes, net carrying value	110,887	**111,330**
2024 Notes	60,174	**44,685**
Less unamortized debt issuance costs based on imputed interest rate of 7.10%	(480)	**(237)**
2024 Notes, net carrying value	59,694	**44,448**
Asset-Based Revolving Credit Facility principal outstanding (1)	—	**—**
Long-term debt less unamortized discount and debt issuance costs	$ 170,581	**$ 155,778**
Less current portion	—	**—**
Long-term debt less unamortized discount and debt issuance costs, net of current portion	$ 170,581	**$ 155,778**

(1) As of September 30, 2022, the Asset-Based Revolving Credit Facility (“ABL”), had a borrowing base of $24.1 million, no outstanding borrowings and $0.3 million of outstanding letters of credit, resulting in a $23.8 million borrowing base availability.

Our weighted average interest rate was 7.01% and 6.99% at September 30, 2022 and December 31, 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, 2022:

- $114.7 million aggregate principal amount of 2028 Notes with semi-annual interest payments at an annual rate of 7.125%;
- $44.7 million aggregate principal amount of 2024 Notes with semi-annual interest payments at an annual rate of 6.75%;
- Commitment fee of 0.25% to 0.375% per annum on the unused portion of the ABL Facility; and
- Delayed Draw of up to $50.0 million in additional 2028 Notes.

2028 Notes

On September 10, 2021, we refinanced $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.

We used the cash proceeds from 2028 Notes to fund the repurchase of a portion of our 2024 Notes. The 2028 Notes and the related guarantees were 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 2028 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 and accrued and unpaid interest, if any, up 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, up 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, up 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 up 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. At September 30, 2022 accrued interest on the 2028 Notes was $2.7 million.

The indenture to the 2028 Notes 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, 2022, we were, and we remain, in compliance with all of the covenants under the indenture.

We recorded debt issuance costs of $4.7 million, of which third-party costs of $2.5 million were expensed during 2021 and $0.3 million were expensed during 2022, $0.8 million was 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. During the three and nine months ended September 30, 2022, $0.2 million and $0.5 million, respectively, of debt issuance costs and delayed draw fees associated with the Notes were amortized to interest expense. During the three months ended September 30, 2021, $0.1 million of debt issuance costs and delayed draw fees associated with the Notes were amortized to interest expense.

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.

2024 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 ("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. 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 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, 2022, we were, and we remain, in compliance with all of the covenants under the indenture.

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We recorded debt issuance costs of $6.3 million as a reduction of the debt proceeds being amortized to non-cash interest expense over the life of the Notes using the effective interest method. During the three and nine months ended September 30, 2022, $35,000 and $0.1 million, respectively, of debt issuance costs associated with the Notes was amortized to interest expense. During the three and nine months 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.

Based on the balance of the 2024 Notes outstanding of $44.7 million, we are required to pay $3.0 million per year in interest on the 2024 Notes. At September 30, 2022, accrued interest on the 2024 Notes was $1.0 million.

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 within the 2028 Notes, 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.

Based on the then existing market conditions, we also completed repurchases of our 2024 Notes as follows:

Date	Principal Repurchased	Cash Paid	% of Face Value	Bond Issue Costs	Net Gain (Loss)
	(Dollars in thousands)				
June 13, 2022	$ 5,000	$ 4,947	98.95%	$ 35	$ 18
June 10, 2022	3,000	2,970	99.00%	21	9
June 7, 2022	2,464	2,446	99.25%	17	1
May 17, 2022	2,525	2,500	99.00%	18	7
January 12, 2022	2,500	2,531	101.26%	22	(53)
December 10, 2021	35,000	35,591	101.69%	321	(912)
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)
September 24, 2021	4,700	4,712	100.25%	44	(56)
January 30, 2020	2,250	2,194	97.50%	34	22
January 27, 2020	1,245	1,198	96.25%	20	27
December 27, 2019	3,090	2,874	93.00%	48	167
November 27, 2019	5,183	4,548	87.75%	82	553
November 15, 2019	3,791	3,206	84.58%	61	524
March 28, 2019	2,000	1,830	91.50%	37	134
March 28, 2019	2,300	2,125	92.38%	42	133
February 20, 2019	125	114	91.25%	2	9
February 19, 2019	350	319	91.25%	7	24
February 12, 2019	1,325	1,209	91.25%	25	91
January 10, 2019	570	526	92.25%	9	35
December 21, 2018	2,000	1,835	91.75%	38	127
December 21, 2018	1,850	1,702	92.00%	35	113
December 21, 2018	1,080	999	92.50%	21	60
November 17, 2018	1,500	1,357	90.50%	29	114
May 4, 2018	4,000	3,770	94.25%	86	144
April 10, 2018	4,000	3,850	96.25%	87	63
April 9, 2018	2,000	1,930	96.50%	43	27
	$ 97,489	$94,949		$ 1,218	$ 1,322

Asset-Based Revolving Credit Facility

On May 19, 2017, we entered into the ABL Facility pursuant to a Credit Agreement ("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. We used the proceeds of the ABL Facility, together with the net proceeds from the Notes offering, to repay outstanding borrowings under our previously existing senior credit facilities and related fees and expenses. Current proceeds from the ABL Facility are used to provide ongoing working capital and for other general corporate purposes, including permitted acquisitions.

The ABL Facility is $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.

On April 7, 2020, we entered into a third amendment to ABL Facility that increased the advance rate on eligible accounts receivable from 85% to 90% and extended the maturity date from May 19, 2022 to March 1, 2024. The April 7, 2020 amendment also allows for an alternative benchmark rate that may include SOFR due to LIBOR scheduled to be discontinued at the end of calendar year 2021.

On October 20, 2020, we entered into a fourth amendment to our ABL Facility that provides aone-time waiver with respect to the current covenant testing period allowing the covenant trigger event date be the first day after the availability on the ABL Facility had equaled or exceeded (1) 15% of the maximum revolver amount and (2) $4.5 million and a waiver permitting our July 2020 financial statements to be issued on or before September 30, 2020 due to delays that were caused by a ransomware attack.

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, 2022, the amount available under the ABL Facility was $23.8 million of which nil 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, 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.

The Credit Agreement includes a springing fixed charge coverage ratio of 1.0 to 1.0, which is tested during the period commencing on the last day of the fiscal month most recently ended prior to the date on which Availability (as defined in the Credit Agreement) is less than the greater of 15% of the Maximum Revolver Amount (as defined in the Credit Agreement) and $4.5 million and continuing for a period of 60 consecutive days after the first day on which Availability exceeds such threshold amount. The Credit Agreement also includes other negative covenants that are customary for credit facilities of this type, including covenants that, subject to exceptions described in the Credit Agreement, restrict or limit our ability and the ability of our subsidiaries to (i) incur additional indebtedness; (ii) make investments; (iii) make distributions, loans or transfers of assets; (iv) enter into, create, incur, assume or suffer to exist any liens, (v) sell assets; (vi) enter into transactions with affiliates; (vii) merge or consolidate with, or dispose of all assets to a third party, except as permitted thereby; (viii) prepay indebtedness (which does not include bond repurchases); and (ix) pay dividends.

The Credit Agreement provides for the following events of default: (i) non-payment of any principal or letter of credit reimbursement when due or any interest, fees, or other amounts within five days of the due date; (ii) the failure by any borrower or any subsidiary to comply with any covenant or agreement contained in the Credit Agreement or any other loan document, in certain cases subject to applicable notice and lapse of time; (iii) any representation or warranty made pursuant to the Credit Agreement or any other loan document is incorrect in any material respect when made;(iv) certain defaults of other indebtedness of any borrower or any subsidiary of indebtedness of at least $10 million; (v) certain events of bankruptcy or insolvency with respect to any borrower or any subsidiary; (vi) certain judgments for the payment of money of $10 million or more; (vii) a change of control; and (viii) certain defaults relating to the loss of FCC licenses, cessation of broadcasting and termination of material station contracts. If an event of default occurs and is continuing, the Administrative Agent and the Lenders may accelerate the amounts outstanding under the ABL Facility and may exercise remedies in respect of the collateral. At September 30, 2022, we were, and we remain, in compliance with all of the covenants under Credit Agreement.

We recorded debt issue costs of $0.9 million as an asset being amortized to non-cash interest expense over the term of the ABL Facility using the effective interest method. During the three and nine months ended September 30, 2022, $25,000 and $0.1 million, respectively, of debt issuance costs associated with the ABL Facility was amortized to interest expense. During the three and nine months ended September 30, 2021, $27,000 and $0.1 million, respectively, of debt issuance costs associated with the ABL Facility was amortized to interest expense. At September 30, 2022, the blended interest rate on amounts outstanding under the ABL Facility was 0.0%.

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, 2022 for each of the next five years and thereafter are as follows:

For the Year Ended September 30,	Amount (Dollars in thousands)
2023	$ —
2024	44,685
2025	—
2026	—
2027	—
Thereafter	114,731
	$ 159,416

NOTE 12. FAIR VALUE MEASUREMENTS

As of September 30, 2022, 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, 2022 was $159.4 million compared to the estimated fair value of $145.5 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, 20221			
	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	**$ 2**	—	—	$ 2
Long-term debt less unamortized discount and debt issuance costs	**155,778**	—	**144,459**	—

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.

At December 31, 2021, we had net operating loss carryforwards for federal income tax purposes of approximately $98.4 million that expire in years 2024 through 2038 and for state income tax purposes of approximately $607.7 million that expire in years 2022 through 2041. 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 which resulted in recognition of a $48.1 million valuation allowance for the year ended December 31, 2020. During year 2021, through operational activity of the company primarily through various land sales throughout the year, we utilized our operating loss carryforwards and adjusted the related valuation allowance by $9.0 million bringing the total valuation allowance to $39.1 million for the year ended December 31, 2021. During the interim period ended September 30, 2022, we trued up the federal 2021 operating loss utilization and related valuation allowance by $1.3 million for an adjusted allowance balance of $40.4 million for the year ended December 31, 2021. As the economy remains uncertain, we continue to monitor our budget; however, at this time we have determined it is more likely than not that a reasonable forecast beyond the current year does not provide enough evidence to measure the realization of December 31, 2021 and September 30, 2022 deferred tax assets.

During the interim period ended September 30, 2022, 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 2022 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 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.

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

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 nine-month periods ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2022	2021	2022
	(Dollars in thousands)			
Stock option compensation expense included in unallocated corporate expenses	$ 23	**$ 24**	$ 75	**$ 60**
Restricted stock shares compensation expense included in corporate expenses	—	—	—	**54**
Stock option compensation expense included in broadcast operating expenses	31	**18**	92	**67**
Stock option compensation expense included in digital media operating expenses	24	**12**	73	**47**
Total stock-based compensation expense, pre-tax	$ 78	**$ 54**	$ 240	**$ 228**
Tax expense for stock-based compensation expense	(20)	**(14)**	(62)	**(59)**
Total stock-based compensation expense, net of tax	$ 58	**$ 40**	$ 178	**$ 169**

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, 2022 and 2021:

	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Expected volatility	79.99%	75.98%	85.94%	84.90%
Expected dividends	0.00%	0.00%	0.00%	0.00%
Expected term (in years)	8.0	7.8	7.5	9.2
Risk-free interest rate	1.27%	1.03%	3.10%	1.86%

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Activity with respect to our option awards during the nine-month period ended September 30, 2022 is as follows:

Options	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2022	1,900,417	$ 3.01	$ 1.37	4.4 years	$ 1,310
Granted	120,000	3.11	2.52		—
Exercised	(42,913)	2.27	1.12		55
Forfeited or expired	(166,164)	6.10	3.47		—
Outstanding at September 30, 2022	**1,811,340**	**2.76**	**1.26**	**4.3 years**	**$ 278**
Exercisable at September 30, 2022	**1,081,090**	**3.35**	**1.40**	**2.8 years**	**87**
Expected to Vest	**693,372**	**2.78**	**1.27**	**4.3 years**	**$ 268**

Activity with respect to our restricted stock awards during the nine-month period ended September 30, 2022 is as follows:

Restricted Stock Awards	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2022	—	—	—	—
Granted	14,854	3.66	—	**$ 54**
Lapsed	—	**—**	—	—
Forfeited	—	**—**	—	—
Outstanding at September 30, 2022	**14,854**	**3.66**	**1.7**	**$ 26**

The aggregate intrinsic value represents the difference between our closing stock price on September 30, 2022 of $1.74 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, 2022 and 2021 was $0.2 million and $0.3 million, respectively.

As of September 30, 2022, there was $0.4 million 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 2.9 years.

NOTE 16. EQUITY TRANSACTIONS

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, 2022 and 2021.

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, 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 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 we define it, is not necessarily comparable to other similarly titled captions of other companies.

Broadcast

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 other 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 3,200 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") and Singing News® Radio.

Salem Media Representatives ("SMR") is our national advertising sales firm with offices in 10 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 national multimedia advertising agency with locations in 29 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.

Salem Podcast Network ("SPN"), launched in January 2021, is our platform for conservative, political, news, and family-oriented podcasts. SPN reaches over 11 million downloads per month, with one show already in the top 10 of all podcasts, and another in the top 10 in the News category according to the Apple Podcast Rankings.

SalemNOW is our online destination for audiences to watchon-demand conservative and faith-based videos. SalemNOW can be found on mobile apps, and streaming services such as Roku, Apple TV, Amazon Fire Stick and select smart TVs.

Salem News Channel ("SNC") is a conservative news, opinion and commentary television network launched in 2021. The network is hosted by conservative media personalities including Hugh Hewitt, Mike Gallagher, Dennis Prager, Sebastian Gorka, Charlie Kirk, Eric Metaxas and Andrew Wilkow.

Digital Media

Our digital media-based businesses provide Christian, conservative, investing content, audio and video streaming, and other resources digitally through the web. Salem Web Network ("SWN") websites include Christian content websites; BibleStudyTools.com, Crosswalk.com®, Christianity.com, iBelieve.com, GodTube®.com, OnePlace™.com, GodUpdates.com, CrossCards™.com, ChristianHeadlines.com, and LightSource.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 product websites, including SermonSearch™.com, ChurchStaffing.com, WorshipHouseMedia.com, SermonSpice™.com, WorshipHouseKids.com, Preaching.com, ChristianJobs.com, ShiftWorship.com, JourneyBoxMedia.com, Playbackmedia.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 two 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.

The table below presents financial information for each operating segment as of September 30, 2022 and 2021 based on the composition of our operating segments:

	Broadcast	Digital Media	Publishing	Unallocated Corporate Expenses	Consolidated
			(Dollars in thousands)		
Three Months Ended September 30, 2022					
Net revenue	**$ 51,136**	**$10,189**	**$ 5,537**	**$ —**	**$ 66,862**
Operating expenses	**41,178**	**8,333**	**6,542**	**4,840**	**60,893**
Net operating income (loss) before legal settlement, debt modification costs, depreciation, amortization, impairments, and net (gain) loss on the disposition of assets	**$ 9,958**	**$ 1,856**	**$ (1,005)**	**$ (4,840)**	**$ 5,969**
Legal settlement	**3,825**	—	—	**—**	**3,825**
Debt modification costs	**—**	**—**	**—**	**2**	**2**
Depreciation	**1,483**	**927**	76	251	**2,737**
Amortization	**4**	293	—	—	**297**
Impairment of indefinite-lived long-term assets other than goodwill	**7,725**	—	—	—	**7,725**
Impairment of goodwill	**—**	**—**	—	**—**	**—**
Net (gain) loss on the disposition of assets	**166**	**1**	—	—	**167**
Net operating income (loss)	**$ (3,245)**	**$ 635**	**$ (1,081)**	**$ (5,093)**	**$ (8,784)**
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 debt modification costs, 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

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	Broadcast	Digital Media	Publishing	Unallocated Corporate Expenses	Consolidated
			(Dollars in thousands)		
Nine Months Ended September 30, 2022					
Net revenue	**$152,020**	**$31,293**	**$ 14,840**	**$ —**	**$ 198,153**
Operating expenses	**120,837**	**25,079**	**16,441**	**14,431**	**176,788**
Net operating income (loss) before legal settlement, debt modification costs, depreciation, amortization, change in the estimated fair value of contingent earn-out consideration, impairments, and net (gain) loss on the disposition of assets	**$ 31,183**	**$ 6,214**	**$ (1,601)**	**$ (14,431)**	**$ 21,365**
Legal settlement	**4,776**	—	—	**—**	**4,776**
Debt modification costs	**—**	**—**	**—**	**250**	**250**
Depreciation	**4,669**	**2,847**	245	776	**8,537**
Amortization	**12**	951	—	—	**963**
Change in the estimated fair value of contingent earn-out consideration	—	(5)	—	—	**(5)**
Impairment of indefinite-lived long-term assets other than goodwill	**11,660**	**—**	—	**—**	**11,660**
Impairment of goodwill	**127**	**—**	—	**—**	**127**
Net (gain) loss on the disposition of assets	**(8,491)**	**—**	—	**30**	**(8,461)**
Net operating income (loss)	**$ 18,430**	**$ 2,421**	**$ (1,846)**	**$ (15,487)**	**$ 3,518**
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 debt modifications costs, depreciation, amortization, 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

	Broadcast	Digital Media	Publishing	Unallocated Corporate	Consolidated
			(Dollars in thousands)		
As of September 30, 2022					
Inventories, net	$ —	—	**1,457**	**—**	**1,457**
Property and equipment, net	**62,528**	**7,958**	**592**	**8,939**	**80,017**
Broadcast licenses	**305,775**	—	—	—	**305,775**
Goodwill	**2,622**	**19,793**	**1,446**	—	**23,861**
Amortizable intangible assets, net	**216**	**1,286**	—	—	**1,502**
As of December 31, 2021					
Inventories, net	$ —	$ —	$ 960	$ —	$ 960
Property and equipment, net	61,694	8,447	746	8,452	79,339
Broadcast licenses	320,008	—	—	—	320,008
Goodwill	2,750	19,790	1,446	—	23,986
Amortizable intangible assets, net	229	2,215	—	—	2,444

NOTE 18. SUBSEQUENT EVENTS

On October 1, 2022, we acquired websites and the related assets of DayTradeSPY for $0.6 million in cash. As part of the purchase agreement, we may pay up to an additional $1.0 million of cash in contingent earn-out consideration within one-year of the closing date based on the achievement of certain revenue benchmarks.

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") adverse impact to 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,
- the effect of inflation;
- 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, programs and media content including documentary motion pictures, films; 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; and
- the sale of digital advertising in digital newsletters;

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, the number of 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. One disadvantage of the PPM is 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, 2022 and 2021, 99% 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, 2021 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, the number of downloads made, 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, and self-publishing through Salem Author Services. Refer to Item 1. Business of our annual report on Form 10-K for the year ended December 31, 2021 for a description of each of our publishing entities. Revenue generated from this segment is 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 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 reserves.

Known Trends and Uncertainties

Ongoing global supply chain disruptions from the pandemic, military conflict in Ukraine, increases in consumer prices, persistent inflation, and the Federal Reserve's raising of the federal funds interest rate may have a material adverse impact on our business. To the extent that any of these factors interfere with our customers' advertising and promotional spending, we could experience reductions in revenue growth rates and increasing pressure to contain costs. 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.

We will experience an increase in lease expense as several of our leases have escalations that are tied to the Consumer Price Index ("CPI"). CPI increased 9.1% for the twelve months ending June 30, 2022, the largest 12-month change since 1981, driven in large part by the energy sector. During the nine-month period ended September 30, 2022, lease expense increased $0.2 million on a consolidated basis, including $0.4 million of higher costs that were offset with $0.2 million of savings from consolidating select locations and reducing rental space.

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

Our broadcast advertising revenue is particularly dependent on advertising from our Los Angeles and Dallas markets, which generated 12.8% and 19.2%, respectively, of our total net broadcast advertising revenue during the nine-month period ended September 30, 2022, compared to 13.8% and 21.8% respectively, of our total net broadcast 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 an ongoing 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 10e 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,	
	2021	2022	2021	2022
	(Dollars in thousands)			
Reconciliation of Net Broadcast Revenue to Same Station Net Broadcast Revenue				
Net broadcast revenue	$49,591	**$51,136**	$140,422	**$152,020**
Net broadcast revenue – acquisitions	—	**—**	—	**(247)**
Net broadcast revenue – dispositions	—	**(15)**	(113)	**(64)**
Net broadcast revenue – format change	(52)	**—**	(117)	**(111)**
Same Station net broadcast revenue	$49,539	**$51,121**	$140,192	**$151,598**
Reconciliation of Broadcast Operating Expenses To Same Station Broadcast Operating Expenses				
Broadcast operating expenses	$37,463	**$41,178**	$106,968	**$120,837**
Broadcast operating expenses – acquisitions	—	**—**	(1)	**(279)**
Broadcast operating expenses – dispositions	—	**(87)**	(214)	**(135)**
Broadcast operating expenses – format change	(4)	(28)	(135)	**(160)**
Same Station broadcast operating expenses	$37,459	**$41,063**	$106,618	**$120,263**
Reconciliation of Operating Income to Same Station Operating Income				
Station Operating Income	$12,128	**$ 9,958**	$ 33,454	**$ 31,183**
Station operating (income) loss –acquisitions	—	**—**	1	**32**
Station operating loss – dispositions	—	**72**	101	**71**
Station operating (income) loss – format change	(48)	28	18	**49**
Same Station – Station Operating Income	$12,080	**$10,058**	$ 33,574	**$ 31,335**

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,	
	2021	2022	2021	2022
	(Dollars in thousands)			
Calculation of Station Operating Income, Digital Media Operating Income and Publishing Operating Income (Loss)				
Net broadcast revenue	$ 49,591	**$ 51,136**	$ 140,422	**$ 152,020**
Less broadcast operating expenses	(37,463)	**(41,178)**	(106,968)	**(120,837)**
Station Operating Income	$ 12,128	**$ 9,958**	$ 33,454	**$ 31,183**
Net digital media revenue	$ 10,645	**$ 10,189**	$ 30,603	**$ 31,293**
Less digital media operating expenses	(8,269)	**(8,333)**	(25,280)	**(25,079)**
Digital Media Operating Income	$ 2,376	**$ 1,856**	$ 5,323	**$ 6,214**
Net publishing revenue	$ 5,747	**$ 5,537**	$ 18,093	**$ 14,840**
Less publishing operating expenses	(5,213)	**(6,542)**	(16,844)	**(16,441)**
Publishing Operating Income (Loss)	$ 534	**$ (1,005)**	$ 1,249	**$ (1,601)**

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,	
	2021	2022	2021	2022
	(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)	$ 22,094	**$(11,885)**	$ 24,674	**$ (1,029)**
Plus provision for (benefit from) income taxes	837	**59**	479	**(1,234)**
Plus net miscellaneous income and (expenses)	(2)	**19**	(87)	**19**
Plus gain on the forgiveness of PPP loans	(11,212)	**—**	(11,212)	**—**
Plus (gain) loss on early retirement of long-term debt	56	**—**	56	**18**
Plus earnings from equity method investment	—	**(102)**	—	**(4,015)**
Plus interest expense, net of capitalized interest	4,026	**3,142**	11,887	**9,925**
Less interest income	—	**(17)**	(1)	**(166)**
Net operating income (loss)	$ 15,799	**$ (8,784)**	$ 25,796	**$ 3,518**
Plus net (gain) loss on the disposition of assets	(10,607)	**167**	(10,552)	**(8,461)**
Plus change in the estimated fair value of contingent earn-out consideration	—	**—**	—	**(5)**
Plus legal settlement	—	**3,825**	—	**4,776**
Plus debt modification costs	2,347	**2**	2,347	**250**
Plus impairment of indefinite-lived long-term assets other than goodwill	—	**7,724**	—	**11,659**
Plus impairment of goodwill	—	**—**	—	**127**
Plus depreciation and amortization	3,215	**3,034**	9,671	**9,500**
Plus unallocated corporate expenses	4,284	**4,841**	12,764	**14,432**
Combined Station Operating Income, Digital Media Operating Income and Publishing Operating Loss	$ 15,038	**$ 10,809**	$ 40,026	**$35,796**
Station Operating Income	$ 12,128	**$ 9,958**	$ 33,454	**$31,183**
Digital Media Operating Income	2,376	**1,856**	5,323	**6,214**
Publishing Operating Income (Loss)	534	**(1,005)**	1,249	**(1,601)**
	$ 15,038	**$ 10,809**	$ 40,026	**$35,796**

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,	
	2021	2022	2021	2022
	(Dollars in thousands)			
Reconciliation of Adjusted EBITDA to EBITDA to Net Income (Loss)				
Net income (loss)	$ 22,094	**$(11,885)**	$ 24,674	**$ (1,029)**
Plus interest expense, net of capitalized interest	4,026	**3,142**	11,887	**9,925**
Plus provision for (benefit from) income taxes	837	**59**	479	**(1,234)**
Plus depreciation and amortization	3,215	**3,034**	9,671	**9,500**
Less interest income	—	**(17)**	(1)	**(166)**
EBITDA	$ 30,172	**$ (5,667)**	$ 46,710	**$16,996**
Plus net (gain) loss on the disposition of assets	(10,607)	**167**	(10,552)	**(8,461)**
Plus change in the estimated fair value of contingent earn-out consideration	—	—	—	**(5)**
Plus debt modification costs	2,347	**2**	2,347	**250**
Plus impairment of indefinite-lived long-term assets other than goodwill	—	**7,725**	—	**11,660**
Plus impairment of goodwill	—	**—**	—	127
Plus net miscellaneous (income) and expenses	(2)	**19**	(87)	**19**
Plus (gain) loss on early retirement of long-term debt	56	**—**	56	**18**
Plus gain on the forgiveness of PPP loans	(11,212)	—	(11,212)	—
Plus non-cash stock-based compensation	78	**54**	240	**228**
Adjusted EBITDA	$ 10,832	**$ 2,300**	$ 27,502	**$20,832**

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 June 27, 2022, we sold 9.3 acres of land in the Denver area for $8.2 million resulting in a pre-tax gain of $6.5 million.
- On May 25, 2022, we sold 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 TBA. We recorded a pre-tax gain of $0.5 million.
- On May 2, 2022, we acquired websites and related assets of Retirement Media for $0.2 million in cash. The accompanying Condensed Consolidated Statement of Operations reflects the operating results of this entity as of the closing date within our digital media segment.
- On February 15, 2022, we closed on the acquisition of radio station WLCC-AM and an FM translator in the Tampa, Florida market for $0.6 million of cash.
- On January 10, 2022, we closed on the sale of 4.5 acres of land in Phoenix, Arizona for $2.0 million in cash. We recorded a pre-tax gain of $1.8 million on the sale.
- On November 30, 2021, we sold approximately 77 acres of land in Tampa, Florida for $13.5 million in cash. We recognized a pre-tax gain on the sale of $12.9 million.
- 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 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.

Debt Transactions

- During the nine months ended September 30, 2022, we completed repurchases of $15.5 million of the 2024 Notes for $15.4 million in cash, recognizing a net loss of $18,000 after adjusting for bond issuance costs as detailed in Note 11 – Long-Term Debt of our Condensed Consolidated Financial Statements included in Part 1 of this quarterly report on Form 10-Q.
- 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.
- On September 10, 2021, we used cash proceeds from the 2028 Notes to fund the repurchase of $112.8 million of our 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.

Three months ended September 30, 2022 compared to the three months ended September 30, 2021

Net Broadcast Revenue

	Three Months Ended September 30,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Net Broadcast Revenue	$49,591	**$51,136**	$ 1,545	3.1%	75.2%	**76.5%**
Same Station Net Broadcast Revenue	$49,539	**$51,121**	$ 1,582	3.2%		

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

	Three Months Ended September 30,			
	2021		**2022**	
	(Dollars in thousands)			
Block Programming:				
National	$12,502	25.2%	**$13,599**	**26.6%**
Local	6,299	12.7%	**6,134**	**12.0%**
	18,801	37.9%	**19,733**	**38.6%**
Broadcast Advertising:				
National	3,447	7.0%	**3,644**	**7.1%**
Local	10,682	21.5%	**10,363**	**20.3%**
	14,129	28.5%	**14,007**	**27.4%**
Broadcast Digital (local)	8,805	17.8%	**9,172**	**17.9%**
Infomercials	220	0.4%	**196**	**0.4%**
Network	4,908	9.9%	**5,721**	**11.2%**
Other Revenue	2,728	5.5%	**2,307**	**4.5%**
Net Broadcast Revenue	$49,591	100.0%	**$51,136**	**100.0%**

Block programming revenue increased 5.0% to $19.7 million from $18.8 million due to an average increase in rates of 2.6% during our 2022 annual renewals and to higher demand from the expansion of existing programs and the launch of new programs. The growth was almost exclusively from our Christian Teaching and Talk format radio stations that generated a $1.1 million increase in national programming that was offset with a $0.2 million decline from local programming.

Advertising revenue, net of agency commissions, or net advertising revenue decreased 0.9%, or $0.1 million, to $14.0 million from $14.1 million, driven by a 3.0% decrease in local advertising that was offset with a 5.7% increase in national advertising. Excluding political, which generated $0.7 million of revenue ($0.4 million national and $0.3 million local), net advertising revenue declined by 4.5% to $13.3 million from $14.0 million due to declines in local advertising revenue. Declines in local advertising revenue include $0.1 million from CCM format stations, $0.3 million from our Christian Teaching and Talk format radio stations and $0.1 million from our News Talk format radio stations. Advertising revenue is impacted by advertisers that limit advertising spending as concerns grow over inflation and the general state of the economy.

Broadcast digital revenue, net of agency commissions, or net digital revenue generated from our broadcast markets and networks, increased 4.2%, or $0.4 million, to $9.2 million from $8.8 million. The increase includes a $0.6 million increase in digital marketing services through Salem Surround and a $0.2 million increase in revenue generated from SalemNow, our video-on-demand service through Salem Consumer Products, based on ongoing growth in digital product offerings. These increases were offset with a $0.3 million decrease in digital revenue from our networks and a $0.1 million decrease in digital advertising from the Salem Podcast Network due to a decline in the number of advertisers. There were no significant changes in digital rates as compared to the prior year.

We experienced a small decline in infomercial revenue of $24,000 due to a lower number of infomercials aired during the period 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 16.6%, or $0.8 million, due a $0.7 million increase in revenue from our nationally syndicated host programs and a $0.1 million increase in political advertising. There were no significant changes in rates as compared to the same period of the prior year.

Other revenue decreased 15.4%, or $0.4 million, including a $0.2 million decrease in listener purchase program revenue from lower half price tuition sales, a $0.1 million decrease in TBA fees from radio stations in our Louisville market and a $0.1 million decrease in miscellaneous broadcast revenues.

On a Same Station basis, net broadcast revenue increased 3.2% or $1.6 million, which reflects these items net of the impact of stations acquisitions, dispositions, and format changes.

Net Digital Media Revenue

	Three Months Ended September 30,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Net Digital Media Revenue	$10,645	**$10,189**	$ (456)	(4.3)%	16.1%	**15.2%**

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,			
	2021		**2022**	
	(Dollars in thousands)			
Digital Advertising, net	$ 5,053	47.5%	**$ 4,365**	**42.8%**
Digital Streaming	873	8.2	**889**	**8.7**
Digital Subscriptions	3,155	29.6	**3,206**	**31.5**
Digital Downloads	1,464	13.8	**1,624**	**15.9**
Other Revenues	100	0.9	**105**	**1.1**
Net Digital Media Revenue	$10,645	100.0%	**$10,189**	**100.0%**

Digital advertising revenue net of agency commissions, or national net digital revenue, decreased 13.6%, or $0.7 million, including a $0.5 million decline from Townhall Media and a $0.2 million decline from Eagle Financial Publications. Declines from Townhall Media were driven by changes in Facebook algorithms that limit political content, the growing use of browsers that block third-party cookies limiting advertising, and the overall state of the economy that has weakened demand resulting in lower advertising rates. Eagle Financial Publications experienced declines from economic as the stock market impacts demand for advertisements on their platform.

Digital streaming revenue increased slightly over the prior year with no significant changes in sales volume or rates.

Digital subscription revenue increased 1.1% due to a $0.1 million increase from Townhall VIP that was partially offset with a decline from Eagle Financial Publications. The decline in subscription revenue from Eagle Financial Publications reflects a decrease in the number of subscribers due to lower demand that we experience during times of economic uncertainty. There were no significant changes in rates as compared to the same period of the prior year.

Digital download revenue increased 10.9%, or $0.2 million, due to a higher volume of downloads from our church product websites with no significant changes in rates as compared to the same period of the prior year.

Other revenue includes revenue sharing arrangements for mobile applications and mail list rentals which increased slightly in volume with no changes in rates over the same period of the prior year.

Net Publishing Revenue

	Three Months Ended September 30,					
	2021	**2022**	Change $	Change%	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Net Publishing Revenue	$5,747	**$5,537**	$ (210)	(3.7)%	8.7%	**8.3%**

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

	Three Months Ended September 30,			
	2021		**2022**	
	(Dollars in thousands)			
Book Sales	$ 4,561	79.4%	**$ 4,612**	**83.3%**
Estimated Sales Returns & Allowances	(1,212)	(21.1)	**(1,355)**	**(24.5)**
Net Book Sales	3,349	58.3	3,257	58.8
E-Book Sales	502	8.7	312	5.6
Self-Publishing Fees	1,556	27.1	1,810	32.7
Other Revenue	340	5.9	**158**	**2.9**
Net Publishing Revenue	$ 5,747	100.0%	**$ 5,537**	**100.0%**

Net book sales declined 2.7%, or $0.1 million, including a $0.2 million decline from Salem Author Services due to a reduction in the number of books sold with no significant changes in sale prices that was offset with a $0.1 million increase from Regnery Publishing from a 24% increase in volume offset with an 8% decline in in the average price per unit sold.

Book sales through Regnery Publishing are directly attributable to the number and popularity of titles released each period and the composite mix of titles available. Revenues vary significantly from period to period based on the book release date and the number and popularity of titles. The increase of $0.1 million in estimated sales returns and allowances reflects the expected returns of books sold through Regnery Publishing.

Regnery Publishing e-book sales declined 37.8%, or $0.2 million, due to a 28% decrease in sales volume and a 14% decrease in the average price per unit sold. E-book sales vary based on the composite mix of titles released and available in each period. Revenues can vary significantly based on a 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 16.3%, or $0.3 million, due an increase in the number of authors with no significant change in fees charged to authors.

Other revenue includes change fees, video trailers and website revenues and subright revenue for foreign translation and audio books for original published titles from Regnery® Publishing. Subright revenue decreased $0.2 million due to lower volume. There were no significant changes in rates as compared to the same period of the prior year.

Broadcast Operating Expenses

	Three Months Ended September 30,					
	2021	**2022**	Change $	Change%	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Broadcast Operating Expenses	$37,463	**$41,178**	$ 3,715	9.9%	56.8%	**61.6%**
Same Station Broadcast Operating Expenses	$37,459	**$41,063**	$ 3,604	9.6%		

Broadcast operating expenses increased 9.9%, or $3.7 million, including a $1.8 million increase from broadcast stations, a $0.8 million increase from Salem Surround, a $0.6 million increase from Salem News Channel, a $0.3 million increase from Salem Podcast Network, and a $0.2 million increase from SalemNow. The increase in expenses associated with Salem Surround, Salem Podcast Network, Salem News Channel and SalemNow are consistent with the growth of these entities in expanding digital product offerings through our broadcast division. The increase of $1.8 million from our broadcast stations includes a $1.1 million increase in payroll costs primarily driven by an increase in commissions and the January 2022 reinstatement of the company 401(k) match, a $0.4 million increase in advertising and event costs, a $0.1 million increase in production and programming costs, a $0.1 million increase in travel and entertainment, and a $0.1 million increase in lease expense.

On a same-station basis, broadcast operating expenses increased 9.6%, or $3.6 million. The increase in broadcast operating expenses on a same station basis reflects these items net of the impact of station acquisitions, dispositions, and format changes.

Legal Settlement

	Three Months Ended September 30,					
	2021	**2022**	Change $	Change%	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Legal Settlement	$—	**$3,825**	$ 3,825	—%	—%	**5.7%**

On September 26, 2022, we entered into a settlement agreement in connection with a lawsuit. While we denied the allegations made in the lawsuit, we believed that settling the matter was preferable to protracted and costly litigation. We previously estimated that we would resolve the matter for $1.5 million, and that amount accrued at June 30, 2022. During mediation held on September 26, 2022, the parties reached a settlement whereby we will pay $5.3 million in exchange for a release by the Plaintiff of all claims. The settlement is subject to court approval.

Digital Media Operating Expenses

	Three Months Ended September 30,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Digital Media Operating Expenses	$8,269	**$8,333**	$ 64	0.8%	12.5%	**12.5%**

Digital media operating expenses increased 0.8%, or $0.1 million, including a $0.3 million increase in employee related costs including $0.1 million associated with the reinstatement of the company 401(k) match effective January 1, 2022 and $0.3 million increase in advertising and promotional expenses, which were offset by a $0.3 million decrease in sales-based commissions and bonuses, a $0.1 million decrease in software and streaming costs and a $0.1 million decrease in costs of sales.

Publishing Operating Expenses

	Three Months Ended September 30,					
	2021	**2022**	Change $	Change%	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Publishing Operating Expenses	$5,213	**$6,542**	$ 1,329	25.5%	7.9%	**9.8%**

Publishing operating expenses increased 25.5%, or $1.3 million, including a $0.9 million increase in the cost of sales, a $0.2 million increase in payroll costs, a $0.2 million increase in advertising expense and a $0.1 million increase in royalty expense. The increase in cost of sales includes a $1.0 million increase from Regnery® Publishing that was offset by a $0.1 million decrease in Salem Author Services. The gross profit margin for Regnery® Publishing declined to 45% from 52% due to higher cost of goods sold including costs related to the recall and destruction of a book during September 2022. 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 79% from 74%.

Unallocated Corporate Expenses

	Three Months Ended September 30,					
	2021	**2022**	Change $	Change%	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Unallocated Corporate Expenses	$4,284	**$4,840**	$ 556	13.0%	6.5%	**7.2%**

Unallocated corporate expenses include shared services, such as accounting and finance, human resources, legal, tax, and treasury, which are not directly attributable to any one of our operating segments. The increase of 13.0%, or $0.5 million, includes a $0.2 million increase in employee related costs associated with executive bonuses and the reinstatement of the company 401(k) match effective January 1, 2022, a $0.1 million increase in travel and entertainment and a $0.1 million increase in professional services.

Debt Modification Costs

	Three Months Ended September 30,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Debt Modification Costs	$2,347	**$ 2**	$(2,345)	(99.9)%	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,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Depreciation Expense	$2,788	**$2,737**	$ (51)	(1.8)%	4.2%	**4.1%**

The decrease in depreciation expense reflects the impact of station assets sold and a reduction in acquisition activity, including capital projects that are delayed due to the pandemic. 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,					
	2021	**2022**	Change $	Change%	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Amortization Expense	$427	**$297**	$ (130)	%	0.6%	**0.4%**

The decline in amortization expense reflects the impact of fully amortized domain names, customer lists and contracts, and subscriber base lists that have estimated useful lives from three to five years. These assets were fully amortized by early 2021, with a lower level of acquisition activity in recent years, resulting in lower amortization expense. There were no changes in our amortization methods or the estimated useful lives of our asset groups.

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

	Three Months Ended June 30,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill	$—	**$7,725**	$ 7,725	—%	—%	**11.6%**

We performed an interim review of broadcast licenses for impairment at September 30, 2022. Based on our review and analysis, we determined that the carrying value of broadcast licenses in twelve of our market clusters were impaired as of the interim testing period ending September 30, 2022. We recorded an impairment charge of $7.7 million to the value of broadcast licenses in Boston, Chicago, Columbus, Dallas, Greenville, Honolulu, Little Rock, Orlando, Philadelphia, Portland, Sacramento, and San Francisco. The impairment charge was driven by a decline in projected revenues for the broadcast industry impacting the remainder of 2022 and a reduction in the future industry growth rates based on current economic indicators.

Net (Gain) Loss on the Disposition of Assets

	Three Months Ended September 30,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Net (Gain) Loss on the Disposition of assets	$(10,607)	**$167**	$10,774	(101.6)%	(16.1)%	**0.2%**

The net loss on the disposition of assets of $0.2 million for the three months ending September 30, 2022, represents various other fixes asset disposals.

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 millionpre-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.

Other Income (Expense)

	Three Months Ended September 30,					
	2021	**2022**	Change $	Change%	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Interest Income	$ —	**$ 17**	17	— %	—	**— %**
Interest Expense	(4,026)	**(3,142)**	(884)	(22.0)%	(6.1)%	**(4.7)%**
Gain on the Forgiveness of PPP loans	11,212	**—**	(11,212)	— %	17.0	**— %**
Gain (Loss) on Early Retirement of Long-Term Debt	(56)	**—**	56	— %	(0.1)%	**— %**
Earnings from equity method investment	—	**102**	102	—	—	**0.2**
Net Miscellaneous Income and (Expenses)	2	**(19)**	(21)	(1,050.0)%	— %	**— %**

Interest income represents earnings on excess cash, interest due under promissory notes, and interest earned from our equity investment in OPA.

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.

We recorded $0.1 million of earnings from our equity investment in OPA, an entity formed for the purpose of developing, producing, and distributing a documentary motion picture. The motion picture, *2000 Mules*, was released in May 2022.

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

Provision for (Benefit from) Income Taxes

	Three Months Ended September 30,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Provision for (Benefit from) Income Taxes	$837	**$ 59**	$ (778)	(93.0)%	1.3%	**0.1%**

Tax provision decreased by $0.8 million to $0.1 million for the three months ended September 30, 2022, compared to $0.8 million for the same period of the prior year. The tax provision for income taxes as a percentage of income before income taxes, or the effective tax rate, was (0.5)% for the three months ended September 30, 2022, compared to 3.7% for the same period of the prior year. The effective tax rate for each period differs from the federal statutory income rate of 21.0% due to the effect of the sale of business assets in various states, certain expenses that are not deductible for tax purposes, and changes in the valuation allowance. The effective tax rate of (0.5)% is primarily driven by projected utilization of operating loss carryforwards, along with certain expenses that are nondeductible for income tax purposes relative to pre-tax book income, impairment of intangibles, return to provision adjustments and tax expense attributable to deductible amortization on indefinite lived assets for fully valued state jurisdictions for state jurisdictions in which a full valuation allowance has been recording against net operating loss carryforward.

Net Income (Loss)

	Three Months Ended September 30,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Net Income (Loss)	$22,094	**$(11,885)**	(33,979)	(153.8)%	33.5%	**(17.8)%**

Net loss decreased by $34.0 million to $11.9 million for the three months ended September 30, 3022, compared to net income of $22.1 million during the same period of the prior year as described above.

Nine months ended September 30, 2022 compared to the nine months ended September 30, 2021

Net Broadcast Revenue

	Nine Months Ended September 30,					
	2021	**2022**	Change $	Change%	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Net Broadcast Revenue	$140,422	**$152,020**	$11,598	8.3%	74.3%	**76.7%**
Same Station Net Broadcast Revenue	$140,192	**$151,598**	$11,406	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,			
	2021		2022	
	(Dollars in thousands)			
Block Programming:				
National	$ 35,824	25.5%	**$ 39,998**	**26.3%**
Local	18,072	12.9%	**18,183**	**12.0%**
	53,896	38.4%	**58,181**	**38.3%**
Broadcast Advertising:				
National	10,565	7.5%	**11,344**	**7.5%**
Local	30,123	21.5%	**31,915**	**21.0%**
	40,688	29.0%	**43,259**	**28.5%**
Broadcast Digital (local)	23,602	16.8%	**27,259**	**17.9%**
Infomercials	682	0.5%	**569**	**0.4%**
Network	14,729	10.4%	**15,961**	**10.5%**
Other Revenue	6,825	4.9%	**6,791**	**4.5%**
Net Broadcast Revenue	$140,422	100.0%	**$152,020**	**100.0%**

Block programming revenue increased 8.0% to $58.2 million from $53.9 million, due to an average increase in rates of 2.6% during our 2022 annual renewals and to higher demand from the expansion of existing programs and the launch of new programs. National programming from our Christian Teaching and Talk format radio stations increased $3.8 million followed by our News Talk format stations that increased $0.3 million. Local programming increased $0.2 million on our News Talk format radio stations offset by a $0.1 million decrease from our Christian Teaching and Talk format radio stations.

Advertising revenue, net of agency commissions, or net advertising revenue increased 6.3%, or $2.6 million, to $43.3 million from $40.7 million, driven by a 7.4% increase in national spots and a 5.9% increase in local spots. Excluding political, which generated $2.3 million of revenue ($1.3 million national and $1.0 million local), net advertising revenue increased 2.3% to $41.0 million from $40.0 million including a $1.1 increase in local advertising revenue that was offset with a $0.1 million decline in national advertising revenue. The largest increase was $1.2 million from our News Talk format stations followed by a $0.1 million increase from our Christian Teaching and Talk format radio stations and a combined $0.4 million increase from our other format radio stations offset by a $0.7 million decrease in our CCM radio stations. We experienced a higher demand for advertising during the first half of 2022 as pandemic restrictions eased followed by a decrease in demand during the third quarter as advertising revenue is adversely impacted by advertisers that limit advertising spending as concerns grow over inflation and the state of the economy.

Broadcast digital revenue, net of agency commissions, or net digital revenue generated from our broadcast markets and networks, increased 15.5%, or $3.6 million. The increase includes $0.7 million of revenue generated from SalemNow, our video-on-demand service through Salem Consumer Products, which received distribution fees from *2000 Mules*, the documentary motion picture we invested in during 2022. We also saw increases of $2.6 million from digital marketing services through Salem Surround, an increase of $0.5 million in streaming revenue, an increase of $0.3 million from digital advertising revenue on our station websites, and a $0.1 million increase from Salem Podcast Network, that was offset by a $0.6 million decrease from our network. There were no significant changes in digital rates as compared to the prior year.

We experienced a decline in infomercial revenue of $0.1 million due to a lower number of infomercials aired during the period 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 4.3%, or $0.4 million, including a $0.3 million increase in political advertising and a $0.1 million increase from our nationally syndicated host programs.

Other revenue decreased 0.5%, or $34,000, including a $0.6 million increase in event revenue that was offset with a $0.4 million decrease in listener purchase program revenue from lower half price tuition sales and a $0.2 million decrease in tower rental income. Event revenue varies from period to period based on the nature and timing of events, audience demand, any applicable local pandemic restrictions, and in some cases, the weather which can affect attendance. While pandemic restrictions have eased, we continue to offer some virtual events as conditions warrant.

On a Same Station basis, net broadcast revenue increased 8.1% or $11.4 million, which reflects these items net of the impact of stations acquisitions, dispositions, and format changes.

Net Digital Media Revenue

	Nine Months Ended September 30,					
	2021	**2022**	Change $	Change%	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Net Digital Media Revenue	$30,603	**$31,293**	$ 690	2.3%	16.2%	**15.8%**

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,			
	2021		**2022**	
	(Dollars in thousands)			
Digital Advertising, net	$13,859	45.3%	**$13,453**	**43.0%**
Digital Streaming	2,579	8.4	**2,687**	**8.6**
Digital Subscriptions	9,227	30.2	**9,549**	**30.5**
Digital Downloads	4,637	15.1	**5,269**	**16.8**
Other Revenues	301	1.0	**335**	**1.1**
Net Digital Media Revenue	$30,603	100.0%	**$31,293**	**100.0%**

Digital advertising revenue net of agency commissions, or national net digital revenue, decreased 2.9%, or $0.4 million, including a $0.5 million decline from Eagle Financial Publications and a $0.5 million decline from Townhall Media that was offset by a $0.6 million increase from Salem Web Network. Declines from Townhall Media were driven by changes in Facebook algorithms that limit political content, the growing use of browsers that block third-party cookies limiting advertising, and the overall state of the economy that has weakened demand resulting in lower advertising rates. Eagle Financial Publications experienced declines from economic conditions as the stock market impacts demand for advertisements on their platform.

Digital streaming revenue increased 4.2%, or $0.1 million, based on increased demand for content available from our Christian websites. There were no significant changes in rates.

Digital subscription revenue increased 3.5%, or $0.3 million, including a $0.5 million increase from Salem Web Network and a $0.4 million increase from Townhall VIP, that were offset by a $0.6 million decline from Eagle Financial Publications from a reduction in the number of new subscriptions generated and the July 2021 sale of the Hilary Kramer newsletters.

Digital download revenue increased 13.6%, or $0.6 million, due to a higher volume of downloads from our church product websites with no significant changes in rates as compared to the same period of the prior year.

Other revenue includes revenue sharing arrangements for mobile applications and mail list rentals which increased slightly in volume with no changes in rates over the same period of the prior year.

Net Publishing Revenue

	Nine Months Ended September 30,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Net Publishing Revenue	$18,093	**$14,840**	$(3,253)	(18.0)%	9.6%	**7.5%**

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

	Nine Months Ended September 30,			
	2021		**2022**	
	(Dollars in thousands)			
Book Sales	$15,074	83.3%	**$10,816**	**72.9%**
Estimated Sales Returns & Allowances	(4,223)	(23.3)	(2,799)	(18.9)
Net Book Sales	10,851	60.0	**8,017**	**54.0**
E-Book Sales	1,294	7.2	**937**	**6.3**
Self-Publishing Fees	4,730	26.1	**5,189**	**35.0**
Print Magazine Subscriptions	262	1.4	—	—
Print Magazine Advertisements	123	0.7	—	—
Digital Advertising	132	0.7	—	—
Other Revenue	701	3.9	**697**	**4.7**
Net Publishing Revenue	$18,093	100.0%	**$14,840**	**100.0%**

Net book sales declined 26.1%, or $2.8 million, including a $2.4 million decline from Regnery Publishing from a 20% decline in volume and a 6% decline in the average price per unit sold, and a $0.4 million decline from Salem Author Services from a reduction in the number of books sold with no significant changes in sale prices. Book sales through Regnery Publishing are directly attributable to the number and popularity of titles released each period and the composite mix of titles available. Revenues vary significantly from period to period based on the book release date and the number and popularity of titles. The decline of $1.4 million in estimated sales returns and allowances reflects a lower number of print books sold through Regnery Publishing.

Regnery Publishing e-book sales declined 27.6%, or $0.4 million, due to a 13% decrease in sales volume and a 17% decrease in the average price per unit sold. 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 a 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 9.7%, or $0.5 million, due an increase in the number of authors with no material change in fees charged to authors.

There have been no sales of print magazine subscriptions and print advertising revenues following the sale of Singing News Magazine on May 25, 2021. Digital advertising was not significant to Publishing and is no longer sold.

Other revenue includes change fees, video trailers and website revenues and subright revenue for foreign translation and audio books for original published titles from Regnery® Publishing. Subright revenue remained consistent from the same period of the prior year. There were no changes in volume or rates.

Broadcast Operating Expenses

	Nine Months Ended September 30,					
	2021	**2022**	Change $	Change%	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Broadcast Operating Expenses	$106,968	**$120,837**	$13,869	13.0%	56.6%	**61.0%**
Same Station Broadcast Operating Expenses	$106,618	**$120,263**	$13,645	12.8%		

Broadcast operating expenses increased 13.0%, or $13.9 million, including a $8.0 million increase from broadcast stations, a $2.9 million increase from Salem Surround, a $1.4 million increase from the launch of Salem News Channel in 2022, a $1.3 million increase from Salem Podcast Network and a $0.2 million increase from SalemNow. The increase in expenses associated with Salem Surround, Salem News Channel, Salem Podcast Network, and SalemNOW are consistent with the growth of these entities in expanding new digital product offerings through our broadcast division. The increase of $8.0 million from our broadcast stations includes a $3.6 million increase in payroll costs primarily driven by an increase in commissions and the January 2022 reinstatement of the company 401(k) match, a $1.3 million increase in advertising and event costs, a $1.0 million increase in travel and entertainment, a $0.7 million increase in facility-related expenses, a $0.5 million increase in professional services, a $0.5 million increase in production and programming costs and a $0.4 million increase in bad debt expense.

On a same-station basis, broadcast operating expenses increased 12.8%, or $13.6 million. The increase in broadcast operating expenses on a same station basis reflects these items net of the impact of start-up costs associated with acquisitions, station dispositions and format changes.

Legal Settlement

	Nine Months Ended September 30,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Legal Settlement	$—	**$4,776**	$ 4,776	— %	— %	**2.4%**

On September 26, 2022, we entered into a settlement agreement in connection with a lawsuit. While we denied the allegations made in the lawsuit, we believed that settling the matter was preferable to protracted and costly litigation. We previously estimated that we would resolve the matter for $1.5 million, and that amount accrued at June 30, 2022. During mediation held on September 26, 2022, the parties reached a settlement whereby we will pay $5.3 million in exchange for a release by the Plaintiff of all claims. The settlement is subject to court approval.

Digital Media Operating Expenses

	Nine Months Ended September 30,					
	2021	**2022**	Change $	Change%	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Digital Media Operating Expenses	$25,280	**$25,079**	$ (201)	(0.8)%	13.4%	**12.7%**

Digital media operating expenses declined 0.8%, or $0.2 million, including a $0.5 million decrease in software and streaming costs, a $0.3 million decrease in royalties, a $0.3 million decrease in sales-based commissions and bonuses, a $0.2 million decrease in professional services and a $0.1 million decrease in costs of sales that were offset by a $0.9 million increase in employee related costs including $0.3 million associated with the reinstatement of the company 401(k) match effective January 1, 2022, a $0.2 million increase in bad debt expense and a $0.1 million increase in advertising and promotional expenses.

Publishing Operating Expenses

	Nine Months Ended September 30,					
	2021	**2022**	Change $	Change%	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Publishing Operating Expenses	$16,844	**$16,441**	$ (403)	(2.4)%	8.9%	**8.3%**

Publishing operating expenses declined 2.4%, or $0.4 million, including a $0.6 million decrease in royalty expense consistent with lower revenues and a $0.1 million decrease in payroll costs due to the sale of Singing News Magazine in May 2021 offset by a $0.2 million increase in the cost of sales, a $0.1 million increase in advertising expense and a $0.1 million increase in bad debt expense.

The increase in cost of sales includes a $0.6 million increase from Regnery® Publishing, offset by a $0.2 million decrease in Salem Author Services a $0.2 million decline from the sale of Singing News Magazine. The gross profit margin for Regnery® Publishing declined to 43% from 54% as a result of higher costs including cost incurred with recall and destruction of a book during September 2022. 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 79% from 75%.

Unallocated Corporate Expenses

	Nine Months Ended September 30,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				**% of Total Net Revenue**	
Unallocated Corporate Expenses	$ 12,764	$ **14,431**	$ 1,667	13.1%	6.7%	**7.3**%

Unallocated corporate expenses include shared services, such as accounting and finance, human resources, legal, tax, and treasury, which are not directly attributable to any one of our operating segments. The increase of 13.1%, or $1.2 million, includes a $0.8 million increase in employee related costs associated with executive bonuses and the reinstatement of the company 401(k) match effective January 1, 2022, a $0.4 million increase in travel and entertainment, a $0.2 million increase in facility-related expenses and a $0.1 million increase in professional services.

Debt Modification Costs

	Nine Months Ended September 30,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				**% of Total Net Revenue**	
Debt Modification Costs	$ 2,347	$ **250**	$ (2,097)	(89.3)%	1.2%	**0.1**%

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. We recorded debt modification costs of $0.2 million during the first half of 2022.

Depreciation Expense

	Nine Months Ended September 30,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				**% of Total Net Revenue**	
Depreciation Expense	$ 8,118	$ **8,537**	$ 419	5.2%	4.3%	**4.3**%

Depreciation expense increased due to recent acquisitions of property and equipment, including assets of Centerline New Media in April 2021 and ShiftWorship.com in July 2021, in addition to an increase in capital expenditures for data processing equipment and computer software that had shorter estimated useful lives as compared to towers or other assets. 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,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				**% of Total Net Revenue**	
Amortization Expense	$ 1,553	$ **963**	$ (590)	(38.0)%	0.8%	**0.5**%

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 asset groups.

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

	Nine Months Ended September 30,					
	2021	**2022**	Change	Change %	2021	**2022**
	(Dollars in thousands)				**% of Total Net Revenue**	
Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill	$ —	$ **11,660**	$ 11,660	— %	— %	**5.9**%

As a result of declining revenue growth projections forecasted by industry analysts, we performed an interim review of broadcast licenses for impairment at September 30, 2022. Based on our review and analysis, we determined that the carrying value of broadcast licenses in twelve of our market clusters were impaired as of the interim testing period ending September 30, 2022. We recorded an impairment charge of $7.7 million to the value of broadcast licenses in Boston, Chicago, Columbus, Dallas, Greenville, Honolulu, Little Rock, Orlando, Philadelphia, Portland, Sacramento, and San Francisco. The impairment charge was driven by a decline in projected revenues for the broadcast industry impacting the remainder of 2022 and a reduction in the future industry growth rates based on current economic indicators.

As a result of changes in macroeconomic conditions and rising interest rates that increase the WACC we performed an interim review of broadcast licenses for impairment at June 30, 2022. Based on our review and analysis, we determined that the carrying value of broadcast licenses in seven of our market clusters were impaired as of the interim testing period ending June 30, 2022. We recorded an impairment charge of $3.9 million to the value of broadcast licenses in Columbus, Dallas, Greenville, Honolulu, Orlando, Portland, and Sacramento. The impairment charges were driven by increases in the WACC that were partially offset with revenue growth rates that improved over year-end forecasts.

Impairment of Goodwill

	Nine Months Ended September 30,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Goodwill	$ —	$ **127**	$ 127	— %	— %	**0.1**%

As a result of changes in macroeconomic conditions and rising interest rates that increase the WACC, we performed an interim review of goodwill for impairment at June 30, 2022. Based on our review and analysis, we recorded an impairment charge of $0.1 million to goodwill in one of our broadcast markets at June 30, 2022.

Net (Gain) Loss on the Disposition of Assets

	Nine Months Ended September 30,					
	2021	**2022**	Change $	Change	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Net (Gain) Loss on the Disposition of assets	$ (10,552)	$ **(8,461)**	$ 2,091	(19.8)%	(5.6)%	**(4.3)%**

The net gain on the disposition of assets of $8.6 million for the nine-month period ending September 30, 2022 reflects a $6.5 millionpre-tax gain on the sale of land used in our Denver, Colorado broadcast operations, a $1.8 million pre-gain on the sale of land used in our Phoenix, Arizona broadcast operations, and a $0.5 million pre-tax gain on the sale of our radio stations in Louisville, Kentucky that was offset with $0.3 million of net losses from various fixed asset disposals.

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 millionpre-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.

Other Income (Expense)

	Nine Months Ended September 30,					
	2021	**2022**	Change	Change %	2021	**2022**
	(Dollars in thousands)				% of Total Net Revenue	
Interest Income	$ 1	$ **166**	$ 165	— %	— %	**0.1%**
Interest Expense	(11,887)	**(9,925)**	(1,962)	(16.5)%	(6.3)%	**(5.0)%**
Gain on the Forgiveness of PPP Loans	11,212	—	(11,212)	— %	5.9	— **%**
Gain (Loss) on Early Retirement of Long-Term Debt	(56)	**(18)**	38	(67.9)%	— %	— **%**
Earnings from equity method investment	—	**4,015**	4,015	—	—	**2.0%**
Net Miscellaneous Income and (Expenses)	87	**(19)**	(106)	(121.8)%	— %	— **%**

Interest income represents earnings on excess cash, interest due under promissory notes, and interest earned from our equity investment in OPA.

Interest expense includes interest due on outstanding debt balances, andnon-cash accretion associated with deferred installments and contingentearn-out consideration from certain acquisitions. The decrease of $1.1 million reflects the lower outstanding balance of the Notes, the lower outstanding balance of the ABL Facility, and finance lease obligations outstanding during the six-months ended June 30, 2022.

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 for the nine months ended September 30, 2022, reflects $15.5 million of repurchases of the Notes at prices below face value resulting in a pre-tax loss of $18,000. The loss on the early retirement of long-term debt for the same time of the prior year 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.

We recorded $4.0 million of earnings from our equity investment in OPA, an entity formed for the purpose of developing, producing, and distributing a documentary motion picture. The motion picture, *2000 Mules*, was released in May 2022.

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

Provision for (Benefit from) Income Taxes

	Nine Months Ended September 30,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				**% of Total Net Revenue**	
Provision for (Benefit from) Income Taxes	$ 479	$ **(1,234)**	$(1,713)	(357.6)%	0.3%	**(0.6)**%

We recognized a tax benefit of $1.2 million for the nine months ended September 30, 2022 as compared to a tax provision of $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 54.5% for the nine months ended September 30, 2022 compared to 1.9% for the same period of the prior year. 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 54.5% is driven by impairment of intangibles, return to provision adjustments, 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.

At December 31, 2021, we had net operating loss carryforwards for federal income tax purposes of approximately $98.4 million that expire in years 2024 through 2038 and for state income tax purposes of approximately $607.7 million that expire in years 2022 through 2041. During the nine-month period ending September 30, 2022, we trued up the federal 2021 net operating loss by approximately $6.3 million and utilized net operating losses of approximately $15.3 million for federal and $7.2 million for states, resulting in in ending federal net operating loss carryforward of $89.4 million and state net operating loss carryforward of $600.5 million.

Net Income (Loss)

	Nine Months Ended September 30,					
	2021	**2022**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				**% of Total Net Revenue**	
Net Income (Loss)	$ 24,674	$ **(1,029)**	$ (25,703)	(104.2)%	13.0%	**(0.5)**%

Net loss increased by $25.7 million to $1.0 million for the nine months ended September 30, 2022, compared to net income of $24.7 million during the same period of the prior year as described above.

CRITICAL ACCOUNTING ESTIMATES

Our consolidated financial statements are prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates require the use of judgment as future events, and the effect of these events cannot be predicted with certainty. The COVID-19 pandemic created 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. We evaluate and update our assumptions and estimates on an ongoing basis and we may consult outside experts to assist as considered necessary. 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, 2022.

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.

During 2020 we implemented several measures to reduce costs and conserve cash to ensure that we had adequate liquidity to meet our debt servicing requirements. As the economy began to show signs of recovery, we reversed several of these cost reduction initiatives during 2021. We continue to operate with lower staffing levels where appropriate, we have not declared or paid equity distributions on our common stock, and the company 401(k) match was not reinstated until January 2022.

The Coronavirus Aid, Relief, and Economic Security Act ("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. The Consolidated Appropriations Act ("CAA") 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, of which 50% was paid in December 2021 and the remaining 50% is payable in December 2022;
- A 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.

During 2020 we began to keep higher balances of cash and cash equivalentson-hand to meet operating needs due to the adverse economic conditions of the COVID-19 pandemic. Historically, we kept the balance of cash and cash equivalentson-hand low in order to reduce the balance of outstanding debt. Our ABL Facility automatically covers any shortfalls in operating cash flows such that we are not required to hold excess cash balances on hand. Our cash and cash equivalents decreased $23.0 million to $0.8 million at September 30, 2022 as compared to $23.8 million at September 30, 2021. Working capital decreased $28.3 million to $(12.8) million at September 30, 2022 compared to $15.5 million at September 30, 2021 due to the $23.0 million decrease in cash and cash equivalents which was primarily used to redeem long-term debt

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. A majority of our operating cash outflows consist of payments to employees, such as salaries and benefits, 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, 2022 decreased $4.7 million to $10.0 million from $14.7 million during the same period of the prior year. The decrease in cash provided by operating activities includes the impact of the following items:

- Total net revenue increased $9.0 million;
- Operating expenses exclusive of debt modification costs, legal settlement, depreciation, amortization, changes in the estimated fair value of contingent earn-out consideration, impairments, and net gain (loss) on the disposition of assets, increased $15.0 million;
- Accounts receivables, net of allowances, increased $4.8 million compared the prior year;
- Unbilled revenue decreased $0.3 million;
- Our Day's Sales Outstanding, or the average number of days to collect cash from the date of sale, remained consistent at 53 days at September 30, 2022 from the same period of the prior year;
- Net accounts payable and accrued expenses increased $10.8 million to $35.4 million from $24.7 million as of the prior year; and
- Net inventories on hand increased $0.5 million to $1.5 million at September 30, 2022 compared to a $0.4 million increase to $1.0 million for the same period 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, equipment, and intangible assets, and to make investments that we believe are beneficial to our business.

We undertake projects from time to time to upgrade our radio station technical facilities and/or FCC broadcast licenses, expand our digital andweb-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 2022 budget, we plan to incur additional capital expenditures of approximately $2.1 million during the remainder of 2022. We invested in OnePartyAmerica LLC ("OPA"), an entity formed for the purpose of developing, producing, and distributing a documentary motion picture. We received our total investment of $4.5 million of cash from OPA during the second quarter of 2022 that is reflected as investing cash inflows. All other receipts from OPA are reflected in operating cash flows representing our share of revenue from the documentary motion picture.

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While our focus continues to be on deleveraging the company, we remain committed to the exploration and pursuit of strategic acquisitions and investments. We plan to fund any future investing outflows from cash on hand, operating cash flow or our credit facilities.

Net cash inflows from investing activities increased $1.6 million to $4.4 million of net cash provided during the nine-month period ended September 30, 2022, from $2.8 million during the same period of the prior year. The increase in net cash flow from investing activities was the result of:

- Cash paid for capital expenditures increased $2.2 million to $9.2 million from $7.0 million;
- Cash paid for acquisitions decreased $3.9 million to $0.7 million from $4.6 million;
- Cash received from return of investments was $4.5 million in the current year;
- Cash paid for investments increased $2.5 million to $3.5 million from $1.0 million; and
- Cash received from the sale of assets declined $1.6 million to $14.2 million from $15.8 million.

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 equity distributions and payments of amounts due under deferred installments, and contingency earn-out consideration associated with acquisition activity.

During the nine-month period ended September 30, 2022, the principal balances outstanding under the Notes and ABL Facility ranged from $158.9 million to $174.5 million. These 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 limit and restrict the payment of dividends and equity distributions unless certain specified conditions are satisfied.

Net cash outflows for financing activities increased $15.3 million to $15.4 million during the nine-month period ended September 30, 2022, from $0.1 million during the same period of the prior year. The increase in net cash flow from financing activities includes:

- Proceeds of $114.7 million were received during the prior year from the issuance of the 2028 Notes;
- Proceeds of $11.2 million under PPP loans were received during the prior year;
- We used $15.4 million of cash to repurchase $15.5 million in face value of the 2024 Notes during the nine-months ended September 30, 2022, compared to $119.4 million of cash to repurchase $117.5 million in face value of the 2024 Notes; and
- Net repayments on our ABL Facility of $5.0 million during the prior year.

Long-term debt consists of the following:

	December 31, 2021	**September 30, 2022**
	(Dollars in thousands)	
2028 Notes	$ 114,731	**$ 114,731**
Less unamortized discount and debt issuance costs based on imputed interest rate of 7.64%	(3,844)	**(3,401)**
2028 Notes, net carrying value	110,887	**111,330**
2024 Notes	60,174	**44,685**
Less unamortized debt issuance costs based on imputed interest rate of 7.10%	(480)	**(237)**
2024 Notes, net carrying value	59,694	**44,448**
Asset-Based Revolving Credit Facility principal outstanding (1)	—	**—**
Long-term debt less unamortized discount and debt issuance costs	$ 170,581	**$ 155,778**
Less current portion	—	**—**
Long-term debt less unamortized discount and debt issuance costs, net of current portion	$ 170,581	**$ 155,778**

(2) As of September 30, 2022, the Asset-Based Revolving Credit Facility (“ABL”), had a borrowing base of $24.1 million, no outstanding borrowings and $0.3 million of outstanding letters of credit, resulting in a $23.8 million borrowing base availability.

Our weighted average interest rate was 7.01% and 6.99% at September 30, 2022 and December 31, 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, 2022:

- $114.7 million aggregate principal amount of 2028 Notes with semi-annual interest payments at an annual rate of 7.125%;

- $44.7 million aggregate principal amount of 2024 Notes with semi-annual interest payments at an annual rate of 6.75%;
- Commitment fee of 0.25% to 0.375% per annum on the unused portion of the ABL Facility; and
- Delayed Draw of up to $50.0 million in additional 2028 Notes.

2028 Notes

On September 10, 2021, we refinanced $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.

We used the cash proceeds from 2028 Notes to fund the repurchase of a portion of our 2024 Notes. The 2028 Notes and the related guarantees were 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 2028 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 and accrued and unpaid interest, if any, up 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, up 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, up 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 up 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. At September 30, 2022 accrued interest on the 2028 Notes was $2.7 million.

The indenture to the 2028 Notes 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, 2022, we were, and we remain, in compliance with all of the covenants under the indenture.

We recorded debt issuance costs of $4.7 million, of which third-party costs of $2.5 million were expensed during 2021 and $0.3 million were expensed during 2022, $0.8 million was 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. During the three and nine months ended September 30, 2022, $0.2 million and $0.5 million, respectively, of debt issuance costs and delayed draw fees associated with the Notes were amortized to interest expense. During the three months ended September 30, 2021, $0.1 million of debt issuance costs and delayed draw fees associated with the Notes were amortized to interest expense.

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.

2024 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 (“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. 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 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, 2022, we were, and we remain, in compliance with all of the covenants under the indenture.

We recorded debt issuance costs of $6.3 million as a reduction of the debt proceeds being amortized tonon-cash interest expense over the life of the Notes using the effective interest method. During the three and nine months ended September 30, 2022, $35,000 and $0.1 million, respectively, of debt issuance costs associated with the Notes was amortized to interest expense. During the three and nine months 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.

Based on the balance of the 2024 Notes outstanding of $44.7 million, we are required to pay $3.0 million per year in interest on the 2024 Notes. At September 30, 2022, accrued interest on the 2024 Notes was $1.0 million.

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 within the 2028 Notes, 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.

Based on the then existing market conditions, we also completed repurchases of our 2024 Notes as follows:

Date	Principal Repurchased	Cash Paid	% of Face Value	Bond Issue Costs	Net Gain (Loss)
			(Dollars in thousands)		
June 13, 2022	$ 5,000	$ 4,947	98.95%	$ 35	$ 18
June 10, 2022	3,000	2,970	99.00%	21	9
June 7, 2022	2,464	2,446	99.25%	17	1
May 17, 2022	2,525	2,500	99.00%	18	7
January 12, 2022	2,500	2,531	101.26%	22	(53)
December 10, 2021	35,000	35,591	101.69%	321	(912)
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)
September 24, 2021	4,700	4,712	100.25%	44	(56)
January 30, 2020	2,250	2,194	97.50%	34	22
January 27, 2020	1,245	1,198	96.25%	20	27
December 27, 2019	3,090	2,874	93.00%	48	167
November 27, 2019	5,183	4,548	87.75%	82	553
November 15, 2019	3,791	3,206	84.58%	61	524
March 28, 2019	2,000	1,830	91.50%	37	134
March 28, 2019	2,300	2,125	92.38%	42	133
February 20, 2019	125	114	91.25%	2	9
February 19, 2019	350	319	91.25%	7	24
February 12, 2019	1,325	1,209	91.25%	25	91
January 10, 2019	570	526	92.25%	9	35
December 21, 2018	2,000	1,835	91.75%	38	127
December 21, 2018	1,850	1,702	92.00%	35	113
December 21, 2018	1,080	999	92.50%	21	60
November 17, 2018	1,500	1,357	90.50%	29	114
May 4, 2018	4,000	3,770	94.25%	86	144
April 10, 2018	4,000	3,850	96.25%	87	63
April 9, 2018	2,000	1,930	96.50%	43	27
	$ 97,489	$ 94,949		$ 1,218	$ 1,322

Asset-Based Revolving Credit Facility

On May 19, 2017, we entered into the ABL Facility pursuant to a Credit Agreement ("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. We used the proceeds of the ABL Facility, together with the net proceeds from the Notes offering, to repay outstanding borrowings under our previously existing senior credit facilities and related fees and expenses. Current proceeds from the ABL Facility are used to provide ongoing working capital and for other general corporate purposes, including permitted acquisitions.

The ABL Facility is $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.

On April 7, 2020, we entered into a third amendment to ABL Facility that increased the advance rate on eligible accounts receivable from 85% to 90% and extended the maturity date from May 19, 2022 to March 1, 2024. The April 7, 2020 amendment also allows for an alternative benchmark rate that may include SOFR due to LIBOR scheduled to be discontinued at the end of calendar year 2021.

On October 20, 2020, we entered into a fourth amendment to our ABL Facility that provides aone-time waiver with respect to the current covenant testing period allowing the covenant trigger event date be the first day after the availability on the ABL Facility had equaled or exceeded (1) 15% of the maximum revolver amount and (2) $4.5 million and a waiver permitting our July 2020 financial statements to be issued on or before September 30, 2020 due to delays that were caused by a ransomware attack.

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, 2022, the amount available under the ABL Facility was $23.8 million of which nil 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, 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.

The Credit Agreement includes a springing fixed charge coverage ratio of 1.0 to 1.0, which is tested during the period commencing on the last day of the fiscal month most recently ended prior to the date on which Availability (as defined in the Credit Agreement) is less than the greater of 15% of the Maximum Revolver Amount (as defined in the Credit Agreement) and $4.5 million and continuing for a period of 60 consecutive days after the first day on which Availability exceeds such threshold amount. The Credit Agreement also includes other negative covenants that are customary for credit facilities of this type, including covenants that, subject to exceptions described in the Credit Agreement, restrict or limit our ability and the ability of our subsidiaries to (i) incur additional indebtedness; (ii) make investments; (iii) make distributions, loans or transfers of assets; (iv) enter into, create, incur, assume or suffer to exist any liens, (v) sell assets; (vi) enter into transactions with affiliates; (vii) merge or consolidate with, or dispose of all assets to a third party, except as permitted thereby; (viii) prepay indebtedness (but not repurchase bonds); and (ix) pay dividends.

The Credit Agreement provides for the following events of default: (i) non-payment of any principal or letter of credit reimbursement when due or any interest, fees, or other amounts within five days of the due date; (ii) the failure by any borrower or any subsidiary to comply with any covenant or agreement contained in the Credit Agreement or any other loan document, in certain cases subject to applicable notice and lapse of time; (iii) any representation or warranty made pursuant to the Credit Agreement or any other loan document is incorrect in any material respect when made; (iv) certain defaults of other indebtedness of any borrower or any subsidiary of indebtedness of at least $10 million; (v) certain events of bankruptcy or insolvency with respect to any borrower or any subsidiary; (vi) certain judgments for the payment of money of $10 million or more; (vii) a change of control; and (viii) certain defaults relating to the loss of FCC licenses, cessation of broadcasting and termination of material station contracts. If an event of default occurs and is continuing, the Administrative Agent and the Lenders may accelerate the amounts outstanding under the ABL Facility and may exercise remedies in respect of the collateral. At September 30, 2022, we were, and we remain, in compliance with all of the covenants under Credit Agreement.

We recorded debt issue costs of $0.9 million as an asset being amortized tonon-cash interest expense over the term of the ABL Facility using the effective interest method. During the three and nine months ended September 30, 2022, $25,000 and $0.1 million, respectively, of debt issuance costs associated with the ABL Facility was amortized to interest expense. During the three and nine months ended September 30, 2021, $27,000 and $0.1 million, respectively, of debt issuance costs associated with the ABL Facility was amortized to interest expense. At September 30, 2022, the blended interest rate on amounts outstanding under the ABL Facility was 0.0%.

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.

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Maturities of Long-Term Debt

Principal repayment requirements under all long-term debt agreements outstanding at September 30, 2022 for each of the next five years and thereafter are as follows:

For the Year Ended September 30,	Amount (in thousands)
2023	$ —
2024	44,685
2025	—
2026	—
2027	—
Thereafter	114,731
	$ 159,416

Impairment Losses on Goodwill and Indefinite-Lived Intangible Assets

We have incurred significant impairment losses with regards to our indefinite-lived intangible assets. If overall market conditions or the performance of the economy deteriorates, our operating results could be negatively impacted, including expectations for future growth.

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. The COVID-19 pandemic, inflation, and rising interest rates, increases the uncertainty with respect to such market and economic conditions and, as such, increases the risk of future impairment.

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. 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.

OFF-BALANCE SHEET ARRANGEMENTS

Standby Letter of Credit

As of September 30, 2022, we have an outstanding standby letter of credit of $0.3 million. The standby letter of credit is deducted against our unused revolving loan commitment under our ABL and reduces the amount available for withdrawal.

Equity Method Investment

We invested in OnePartyAmerica LLC ("OPA"), an entity formed for the purpose of developing, producing, and distributing a documentary motion picture. We reviewed OPA in accordance with the guidance within *Accounting Standards Codification ("ASC") 810, Consolidation.* Based on our analysis using the variable interest model, we determined that OPA was a Variable Interest Entity ("VIE"), but because we did not have a controlling financial interest, we were not the primary beneficiary of OPA. Accordingly, we accounted for our investment in OPA in accordance with *ASC 323-30, Investments – Equity Method and Joint Ventures*.

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, 2022 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.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
31.1	Certification of David P. Santrella 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 David P. Santrella 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, 2022, 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

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 3, 2022

By: /s/ DAVID P. SANTRELLA
David P. Santrella
Chief Executive Officer
(Principal Executive Officer)

November 3, 2022

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

EXHIBIT 31.1

I, David P. Santrella, 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 3, 2022

/s/ DAVID P. SANTRELLA
David P. Santrella
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 3, 2022

/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, 2022 (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 3, 2022

By: /s/ DAVID P. SANTRELLA
David P. Santrella
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, 2022 (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 3, 2022

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