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 MARCH 31, 2023

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 May 2, 2023
Common Stock, $0.01 par value per share	21,663,091 shares
Class B	**Outstanding at May 2, 2023**
Common Stock, $0.01 par value per share	5,553,696 shares

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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," "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 ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act").

PART I – FINANCIAL INFORMATION

SALEM MEDIA GROUP, INC.

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

	December 31, 2022 (Note 1)	**March 31, 2023 (Unaudited)**
ASSETS		
Current assets:		
Cash and cash equivalents	$ —	**$ 3**
Accounts receivable (net of allowances of $7,939 in 2022 and $8,328 in 2023)	30,756	**28,468**
Unbilled revenue	2,890	**2,845**
Income tax receivable	195	**233**
Other receivables (net of allowances of $586 in 2022 and $585 in 2023)	1,817	**1,820**
Inventories	1,513	**1,708**
Prepaid expenses	7,619	**8,606**
Assets held for sale	267	**267**
Total current assets	45,057	**43,950**
Notes receivable (net of allowance of $571 in 2022 and $551 in 2023)	922	**932**
Property and equipment (net of accumulated depreciation of $191,638 in 2022 and $194,407 in 2023)	81,296	**83,689**
Operating lease right-of-use assets	43,671	**44,276**
Financing lease right-of-use assets	63	**52**
Broadcast licenses	303,774	**305,192**
Goodwill	24,085	**25,346**
Amortizable intangible assets (net of accumulated amortization of $59,383 in 2022 and $59,926 in 2023)	2,149	**5,694**
Deferred financing costs	681	**56**
Other assets	3,424	**4,086**
Total assets	$ 505,122	**$ 513,273**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,539	**$ 6,957**
Accrued expenses	17,495	**16,475**
Accrued compensation and related expenses	10,298	**9,383**
Accrued interest	949	**2,817**
Contract liabilities	11,901	**13,596**
Deferred rent income	122	**116**
Current portion of operating lease liabilities	8,305	**8,438**
Current portion of financing lease liabilities	43	**37**
Current portion of long-term debt	8,958	**18,184**
Total current liabilities	64,610	**76,003**
Long-term debt, less current portion	150,367	**152,041**
Operating lease liabilities, less current portion	42,406	**42,509**
Financing (capital) lease liabilities, less current portion	39	**31**
Deferred income taxes	66,732	**64,489**
Contract liabilities, long-term	1,886	**4,226**
Deferred rent income, less current portion	3,659	**3,636**
Other long-term liabilities	66	**60**
Total liabilities	329,765	**342,995**
Commitments and contingencies (Note 14)		
Stockholders' Equity:		
Class A common stock, $0.01 par value; authorized 80,000,000 shares; 23,980,741 issued and 21,663,091 outstanding at December 31, 2022 and March 31, 2023	232	**232**
Class B common stock, $0.01 par value; authorized 20,000,000 shares; 5,553,696 issued and outstanding at December 31, 2022 and March 31, 2023, respectively	56	**56**
Additional paid-in capital	248,820	**248,895**
Accumulated deficit	(39,745)	**(44,899)**
Treasury stock, at cost (2,317,650 shares at December 31, 2022 and March 31, 2023)	(34,006)	**(34,006)**
Total stockholders' equity	175,357	**170,278**
Total liabilities and stockholders' equity	$ 505,122	**$ 513,273**

See accompanying notes

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2023
Net broadcast revenue	$ 48,432	**$ 48,340**
Net digital media revenue	10,300	**10,510**
Net publishing revenue	3,877	**4,639**
Total net revenue	62,609	**63,489**
Operating expenses:		
Broadcast operating expenses, exclusive of depreciation and amortization shown below (including $447 and $482 for the three months ended March 31, 2022 and 2023, respectively, paid to related parties)	38,121	**42,809**
Digital media operating expenses, exclusive of depreciation and amortization shown below	8,473	**8,994**
Publishing operating expenses, exclusive of depreciation and amortization shown below	4,467	**5,376**
Unallocated corporate expenses exclusive of depreciation and amortization shown below (including $9 for the three months ended March 31, 2022 and 2023, paid to related parties)	4,810	**4,996**
Debt modification costs	228	**—**
Depreciation	2,942	**2,850**
Amortization	334	**543**
Change in the estimated fair value of contingent earn-out consideration	(5)	**(2)**
Impairment of indefinite-lived long-term assets other than goodwill	—	**2,124**
Net (gain) loss on the disposition of assets	(1,735)	**(21)**
Total operating expenses	57,635	**67,669**
Operating income (loss)	4,974	**(4,180)**
Other income (expense):		
Interest income	—	**13**
Interest expense	(3,394)	**(3,431)**
Gain (loss) on early retirement of long-term debt	(53)	**(60)**
Earnings from equity method investment	—	**8**
Net miscellaneous income and expenses	1	**220**
Net income (loss) before income taxes	1,528	**(7,430)**
Benefit from income taxes	(211)	**(2,276)**
Net income (loss)	$ 1,739	**$ (5,154)**
Basic earnings (loss) per share data:		
Basic earnings (loss) per share Class A and Class B common stock	$ 0.06	**$ (0.19)**
Diluted earnings (loss) per share data:		
Diluted earnings (loss) per share Class A and Class B common stock	$ 0.06	**$ (0.19)**
Basic weighted average Class A and Class B shares outstanding	27,177,375	**27,216,787**
Diluted weighted average Class A and Class B shares outstanding	27,610,407	**27,216,787**

See accompanying notes

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

	Class A Common Stock		Class B Common Stock		Additional 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

	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, 2022	**23,980,741**	**$ 232**	**5,553,696**	**$ 56**	**$ 248,820**	**$ (39,745)**	**$ (34,006)**	**$ 175,357**
Stock-based compensation	—	—	—	—	75	—	—	75
Net loss	—	—	—	—	—	(5,154)	—	(5,154)
Stockholders' equity, March 31, 2023	**23,980,741**	**$ 232**	**5,553,696**	**$ 56**	**$ 248,895**	**$ (44,899)**	**$ (34,006)**	**$ 170,278**

See accompanying notes

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2023
OPERATING ACTIVITIES		
Net income (loss)	$ 1,739	**$ (5,154)**
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash stock-based compensation	106	**75**
Depreciation and amortization	3,276	**3,393**
Amortization of deferred financing costs	247	**480**
Non-cash lease expense	2,202	**2,253**
Accretion of acquisition-related deferred payments and contingent earn-out consideration	—	**5**
Provision for bad debts	(209)	**(612)**
Deferred income taxes	(5)	**(2,243)**
Change in the estimated fair value of contingent earn-out consideration	(5)	**(2)**
Impairment of indefinite-lived long-term assets other than goodwill	—	**2,124**
(Gain) loss on early retirement of long-term debt	53	**60**
Net (gain) loss on the disposition of assets	(1,735)	**(21)**
Changes in operating assets and liabilities:		
Accounts receivable and unbilled revenue	(2,229)	**2,860**
Income tax receivable	—	**(38)**
Inventories	(411)	**(195)**
Prepaid expenses and other current assets	(748)	**(987)**
Accounts payable and accrued expenses	4,024	**1,039**
Operating lease liabilities	(1,852)	**(2,596)**
Contract liabilities	136	**(985)**
Deferred rent income	(58)	**(20)**
Other liabilities	—	**(6)**
Income taxes payable	(218)	**—**
Net cash provided by (used in) operating activities	4,313	**(570)**
INVESTING ACTIVITIES		
Cash paid for capital expenditures net of tenant improvement allowances	(3,439)	**(2,614)**
Capital expenditures reimbursable under tenant improvement allowances and trade agreements	(40)	**(18)**
Purchases of broadcast assets and radio stations	(540)	**(5,535)**
Purchases of digital media businesses and assets	—	**(25)**
Equity investment in limited liability corporations	(2,000)	**(1,500)**
Proceeds from sale of long-lived assets	2,001	**—**
Other	(858)	**190**
Net cash used in investing activities	(4,876)	**(9,502)**
FINANCING ACTIVITIES		
Proceeds from 2028 Notes	—	**44,685**
Payments to repurchase 2024 Notes	(2,531)	**(38,966)**
Proceeds from borrowings under ABL Facility	6,257	**61,593**
Payments on ABL Facility	(6,257)	**(52,367)**
Payments of debt issuance costs	—	**(3,957)**
Payments of acquisition-related contingent earn-out consideration	—	**(1)**
Proceeds from the exercise of stock options	94	**—**
Payments on financing lease liabilities	(16)	**(15)**
Book overdraft	1,231	**(897)**
Net cash provided by (used in) financing activities	(1,222)	**10,075**
Net increase (decrease) in cash and cash equivalents	(1,785)	**3**
Cash and cash equivalents at beginning of year	1,785	**—**
Cash and cash equivalents at end of period	$ —	**$ 3**

See accompanying notes

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2023
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Cash paid for interest, net of capitalized interest	$ 63	**$ 1,029**
Cash paid for interest on finance lease liabilities	$ 2	**$ 1**
Net cash paid for (received from) income taxes	$ 12	**$ 5**
Other supplemental disclosures of cash flow information:		
Barter revenue	$ 846	**$ 736**
Barter expense	$ 759	**$ 792**
Non-cash investing and financing activities:		
Capital expenditures reimbursable under tenant improvement allowances	$ 40	**$ 18**
Right-of-use assets acquired through operating leases	$ 5,011	**$ 3,125**
Right-of-use assets acquired through financing leases	$ 14	**$ —**
Net assets and liabilities assumed in a non-cash acquisition	$ —	**$ 5,020**
Estimated present value of contingent-earn out consideration	$ 6	**$ 554**

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.

Information with respect to the three months ended March 31, 2023 and 2022 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, 2022. 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, 2022 included in this report has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP. Certain reclassifications have been made to the prior year financial statements to conform to the presentation in the current year, which had no impact on the previously reported financial statements.

Use of Estimates

Our condensed 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.

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

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, 2022 filed with the SEC on March 10, 2023, that have had a material impact on our Condensed Consolidated Financial Statements and related notes.

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 March 31, 2023.

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.

Accounting Standards Adopted in 2023

In September 2022, the FASB issued ASU2022-04*, Liabilities – 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 was effective January 1, 2023, and is to be applied retrospectively with early adoption permitted. We do not currently utilize Supplier Finance programs, therefore, the adoption of ASU No. 2022-04 did not have a material impact on our condensed consolidated financial position, results of operations, cash flows, or presentation thereof.

In March 2022, the FASB issued ASU2022-02, *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 was 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. The adoption of ASU No. 2022-02 did not have a material impact on our condensed 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 was effective January 1, 2023, with early adoption permitted. The adoption of ASU No. 2021-08 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 June 2022, the FASB issued ASU2022-03, *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.

NOTE 3. RECENT TRANSACTIONS

During the three-month period ended March 31, 2023, we completed or entered into the following transactions:

Debt Transactions

On March 20, 2023, we issued $44.7 million in new 7.125% Senior Secured Notes due 2028 ("2028 Notes") at a discount of $41.9 million resulting in an effective yield of 8.625%. We used a portion of the proceeds of this borrowing to redeem the remaining $36.5 million of 6.75% Senior Secured Notes due 2024 ("2024 Notes"). The redemption of the 2024 Notes closed on March 27, 2023.

On January 19, 2023, we repurchased $2.5 million of the 2024 Notes at 97.25% of face value recognizing a gain of $39,000 after adjusting for debt issue costs.

Acquisitions

We invested in a limited liability company that will own, distribute, and market a motion picture. The investment of $1.5 million at March 31, 2023 is reflected at cost in other assets.

On March 24, 2023, we closed on the acquisition of Digital Felt Productions and the digital content library through its www.digitalfelt.com domain and website for $25,000 in cash.

On February 1, 2023, we closed the acquisition of the George Gilder Report and other digital newsletters and related website assets. We assumed the deferred subscription liabilities paying no cash at the time of closing. We will pay the seller 25% of net revenue generated from sales of most Eagle Financial products during the next year to subscribers who are on George Gilder subscriber lists that are not already on Eagle Financial lists. We recorded goodwill of approximately $1.2 million 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 January 10, 2023, we closed the acquisition of radio stations WWFE-AM, WRHC-AM, two FM translators and six office condominiums in Miami, Florida for $3.0 million in cash.

On January 6, 2023, we closed on the acquisition of radio station WMYM-AM and an FM translator in Miami, Florida for $3.2 million in cash.

The total purchase price consideration for our business acquisitions and asset purchases during the three-month period ending March 31, 2023, is as follows:

Description	Total Consideration
	(Dollars in thousands)
Cash payments made upon closing	$ 5,568
Escrow deposits paid in prior years	750
Fair value of contingent earn-out consideration	263
Total purchase price consideration	$ 6,581

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

		Net Broadcast Assets Acquired	Net Digital Media Assets Acquired	Total Net Assets
Assets				
	Property and equipment	$ 2,671	$ 39	$ 2,710
	Broadcast licenses	3,542	—	3,542
	Goodwill	80	1,181	1,261
	Domain and brand names	—	718	718
	Subscriber base and lists	—	1,769	1,769
	Non-Compete agreement	—	1,601	1,601
Liabilities				
	Contract liabilities	—	(5,020)	(5,020)
		$ 6,293	$ 288	$ 6,581

Pending Transactions

In June 2022 we entered into agreements to sell radio stations KLFE-AM and KNTS-AM in Seattle, Washington for $0.7 million subject to approval of the Federal Communications Commission ("FCC.") Radio station KLFE-AM is being programmed under a Time Brokerage Agreement ("TBA") as of August 1, 2022.

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NOTE 4. REVENUE RECOGNITION

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

	Broadcast	Digital Media	Publishing	Consolidated
	Three Months Ended March 31, 2023			
	(Dollars in thousands)			
By Source of Revenue:				
Block Programming – National	$ 13,526	$ —	$ —	$ 13,526
Block Programming – Local	6,017	—	—	6,017
Broadcast Programming Revenue	**19,543**	**—**	**—**	**19,543**
Spot Advertising – National	2,889	—	—	2,889
Spot Advertising – Local	9,427	—	—	9,427
Network Advertising	5,114	—	—	5,114
Broadcast Advertising Revenue	**17,430**	**—**	**—**	**17,430**
Infomercials	183	—	—	183
Other Revenue	1,995	—	—	1,995
Other Broadcast Revenue	**2,178**	**—**	**—**	**2,178**
Digital Advertising	7,284	3,903	—	11,187
Digital Streaming	1,519	861	—	2,380
Digital Downloads	25	1,741	—	1,766
Digital Subscriptions	213	3,983	—	4,196
Other Digital Revenue	148	22	—	170
Digital Revenue	**9,189**	**10,510**	—	**19,699**
Book Sales	—	—	2,864	2,864
Estimated Sales Returns & Allowances	—	—	(489)	(489)
Net Book Sales	—	—	2,375	2,375
E-Book Sales	—	—	269	269
Self-Publishing Fees	—	—	1,846	1,846
Other Publishing Revenue	—	—	149	149
Publishing Revenue	—	—	**4,639**	**4,639**
	$ 48,340	**$ 10,510**	**$ 4,639**	**$ 63,489**
Timing of Revenue Recognition				
Point in Time	$ 47,885	$ 10,510	$ 4,639	$ 63,034
Rental Income (1)	455	—	—	455
	$ 48,340	**$ 10,510**	**$ 4,639**	**$ 63,489**

	Broadcast	Digital Media	Publishing	Consolidated
	Three Months Ended March 31, 2022			
	(Dollars in thousands)			
By Source of Revenue:				
Block Programming – National	$ 13,059	$ —	$ —	$ 13,059
Block Programming – Local	6,173	—	—	6,173
Broadcast Programming Revenue	**19,232**	**—**	**—**	**19,232**
Spot Advertising – National	3,641	—	—	3,641
Spot Advertising – Local	10,283	—	—	10,283
Network Advertising	4,831	—	—	4,831
Broadcast Advertising Revenue	**18,755**	**—**	**—**	**18,755**
Infomercials	191	—	—	191
Other Revenue	2,048	—	—	2,048
Other Broadcast Revenue	**2,239**	**—**	**—**	**2,239**
Digital Advertising	6,636	4,539	—	11,175
Digital Streaming	1,190	901	—	2,091
Digital Downloads	43	1,664	—	1,707
Digital Subscriptions	257	3,152	—	3,409
Other Digital Revenue	80	44	—	124
Digital Revenue	**8,206**	**10,300**	—	**18,506**

Book Sales	—	—	2,561	2,561
Estimated Sales Returns & Allowances	—	—	(835)	(835)
Net Book Sales	—	—	1,726	1,726
E-Book Sales	—	—	287	287
Self-Publishing Fees	—	—	1,727	1,727
Other Publishing Revenue	—	—	137	137
Publishing Revenue	—	—	**3,877**	**3,877**
	$48,432	**$10,300**	**$3,877**	**$62,609**
Timing of Revenue Recognition				
Point in Time	$47,827	$10,300	$3,877	$62,004
Rental Income (1)	605	—	—	605
	$48,432	**$10,300**	**$3,877**	**$62,609**

(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 each of our revenue streams under ASC 606 is as follows:

Block Programming. We recognize revenue from the sale of airtime to program producers in blocks that typically range from 1 1/2, 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 multimedia marketing strategy for each of our clients. In our role as a multimedia 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. 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 the 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 FASB ASC Topic 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 March 31, 2023, our prepaid commission expense was $0.7 million.

Contract Liabilities

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

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, 2023	$ 11,901	$ 1,886
Revenue recognized during the period that was included in the beginning balance of contract liabilities	(4,308)	—
Additional amounts recognized during the period	8,600	3,060
Revenue recognized during the period that was recorded during the period	(3,317)	—
Transfers	720	(720)
Balance, end of period March 31, 2023	$ 13,596	$ 4,226
Amount refundable at beginning of period	$ 11,901	$ 1,886
Amount refundable at end of period	$ 13,596	$ 4,226

We expect to satisfy these performance obligations as follows:

For the Year Ended March 31,	**Amount** *(Dollars in thousands)*
2024	$ 13,596
2025	2,364
2026	1,044
2027	343
2028	87
Thereafter	388
	$ 17,822

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 April 1, 2023, and March 31, 2028. 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 FASB ASC Topic 606.

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

Variable Consideration

We make significant estimates related to variable consideration at the point of sale, including estimates for refunds and product returns. Under FASB ASC Topic 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 FASB ASC Topic 605, we reported variable consideration as revenue when the amount was fixed and determinable. Under FASB ASC Topic 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 FASB ASC Topic 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 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 advertising campaign in favor of customers who purchase the advertising campaign for cash. The value of these non-cash exchanges are included in revenue at 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 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 March 31,	
	2022	**2023**
Net broadcast barter revenue	$ 846	$ **736**
Net broadcast barter expense	$ 759	$ **792**

NOTE 5. INVENTORIES

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

NOTE 6. PROPERTY AND EQUIPMENT

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

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

	As of	
	December 31, 2022	**March 31, 2023**
	(Dollars in thousands)	
Buildings	$ 28,523	$ **28,566**
Office furnishings and equipment	37,162	**37,567**
Antennae, towers and transmitting equipment	76,950	**77,755**
Studio, production, and mobile equipment	30,267	**30,673**
Computer software and website development costs	42,304	**42,562**
Automobiles	1,633	**1,615**
Leasehold improvements	19,131	**19,393**
	$ 235,970	$ **238,131**
Less accumulated depreciation	(191,638)	**(194,407)**
	44,332	$ **43,724**
Land	$ 27,070	**27,070**
Construction-in-progress	9,894	**12,895**
Property and Equipment, net	$ 81,296	$ **83,689**

Depreciation expense was approximately $2.9 million for the three-month periods ended March 31, 2023 and 2022. We 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 months ended March 31, 2023.

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

Leasing Transactions

Our leased assets include offices and studios, transmitter locations, antenna sites, towers, tower sites, and land. Our lease portfolio has remaining terms ranging from less than one-year up to twenty-six years. Many of these leases contain options to extend the term from five to twenty years, the exercise of which is at our sole discretion. 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 our principal stockholders and their families. These leases are designated as Related Party leases in the details provided. We are obligated to pay taxes, insurance, and common area maintenance charges under a majority of our lease agreements.

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 the 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.

Due to the adverse economic impact of the COVID-19 pandemic, we negotiated with our landlords in early 2020 to obtain rent concessions to improve our short-term liquidity. In accordance with the FASB's recent Staff Q&A regarding rent concessions related to the effects of the COVID-19 pandemic, we did not apply the lease modification guidance under FASB ASC Topic 842 to rent concessions that resulted in total payments required under the modified contract were substantially the same as or less than total payments required by the original contract. For qualifying rent abatement concessions, we recorded negative lease expense for abatement during the period of relief. At December 31, 2022, $0.2 million of the deferred cash payments remained with $26,000 payable in 2023 and the remainder payable in 2024.

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Balance Sheet

Supplemental balance sheet information related to leases is as follows:

	March 31, 2023 (Dollars in thousands)		
Operating Leases	Related Party	Other	Total
Operating leases ROU assets	$ 8,409	$35,867	$44,276
Operating lease liabilities (current)	$ 996	$ 7,442	$ 8,438
Operating lease liabilities (non-current)	7,549	34,960	42,509
Total operating lease liabilities	$ 8,545	$42,402	$50,947

Weighted Average Remaining Lease Term	
Operating leases	7.4 years
Finance leases	2.5 years
Weighted Average Discount Rate	
Operating leases	8.43%
Finance leases	6.97%

Lease Expense

The components of lease expense were as follows:

	Three Months Ended March 31, 2023 (Dollars in thousands)
Amortization of finance lease ROU Assets	$ 11
Interest on finance lease liabilities	1
Finance lease expense	12
Operating lease expense	3,285
Variable lease expense	398
Short-term lease expense	136
Total lease expense	$ 3,831

Supplemental Cash Flow

Supplemental cash flow information related to leases was as follows:

	Three Months Ended March 31, 2023 (Dollars in thousands)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 3,540
Operating cash flows from finance leases	1
Financing cash flows from finance leases	15
Leased assets obtained in exchange for new operating lease liabilities	$ 3,125
Leased assets obtained in exchange for new finance lease liabilities	—

Maturities

Future minimum lease payments under leases that had initial or remaining non-cancelable lease terms in excess of one year as of March 31, 2023, are as follows:

Future minimum lease payments required under leases that have initial or remaining non-cancelable lease terms in excess of one year as of March 31, 2020, are as follows:

	Operating Leases				
	Related Party	Other	Total	Finance Leases	Total
	(Dollars in thousands)				
2023 (Apr-Dec)	$ 1,700	$ 11,011	$ 12,711	$ 40	$ 12,751
2024	1,860	10,018	11,878	19	11,897
2025	1,895	8,864	10,759	11	10,770
2026	1,701	6,776	8,477	3	8,480
2027	1,223	3,858	5,081	1	5,082
Thereafter	1,082	23,207	24,289	—	24,289
Undiscounted Cash Flows	$ 9,461	$ 63,734	$ 73,195	$ 74	$ 73,269
Less: imputed interest	(916)	(21,332)	(22,248)	(6)	(22,254)
Total	**$ 8,545**	**$ 42,402**	**$ 50,947**	**$ 68**	**$ 51,015**
Reconciliation to lease liabilities:					
Lease liabilities – current	$ 996	$ 7,442	$ 8,438	$ 37	$ 8,475
Lease liabilities – long-term	7,549	34,960	42,509	31	42,540
Total Lease Liabilities	**$ 8,545**	**$ 42,402**	**$ 50,947**	**$ 68**	**$ 51,015**

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. We engaged Bond & Pecaro, an independent third-party appraisal and valuation firm, to assist us in determining the asset values associated with the acquisition of radio station WMYM-AM in Miami, Florida, which was determined to be less than the purchase price. Based on our review and analysis, we recorded an impairment charge of $2.1 million during the three months ended March 31, 2023.

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, 2022	**Three Months Ended March 31, 2023**
	(Dollars in thousands)	
Balance before cumulative loss on impairment, beginning of period	$ 434,444	**$ 429,890**
Accumulated loss on impairment, beginning of period	(114,436)	**(126,116)**
Balance after cumulative loss on impairment, beginning of period	320,008	**303,774**
Acquisitions of radio station and FM Translators	514	**3,542**
Disposition of radio stations and FM translators	(2,763)	—
Loss on impairment	(13,985)	**(2,124)**
Balance, end of period after cumulative loss on impairment	$ 303,774	**$ 305,192**
Balance, end of period before cumulative loss on impairment	$ 429,890	**$ 433,432**
Accumulated loss on impairment, end of period	(126,116)	**(128,240)**
Balance, end of period after cumulative loss on impairment	$ 303,774	**$ 305,192**

NOTE 9. GOODWILL

We account for goodwill in accordance with FASB ASC Topic 350*Intangibles—Goodwill and Other*. We do not amortize goodwill, but rather test for impairment annually or more frequently if events or circumstances indicate that an asset may be impaired. We perform our annual impairment testing during the fourth quarter of each year, which coincides with our budget and planning process for the upcoming year. There were no indications of impairment during the three months ended March 31, 2023.

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

Goodwill	Twelve Months Ended December 31, 2022	**Three Months Ended March 31, 2023**
	(Dollars in thousands)	
Balance, beginning of period before cumulative loss on impairment,	$ 28,749	**$ 28,976**
Accumulated loss on impairment	(4,763)	**(4,891)**
Balance, beginning of period after cumulative loss on impairment	23,986	**24,085**
Acquisitions of radio stations	—	**80**
Acquisitions of digital media entities	226	**1,181**
Loss on impairment	(127)	—
Ending period balance	$ 24,085	**$ 25,346**
Balance, end of period before cumulative loss on impairment	28,976	**30,237**
Accumulated loss on impairment	(4,891)	**(4,891)**
Ending period balance	$ 24,085	**$ 25,346**

NOTE 10. AMORTIZABLE INTANGIBLE ASSETS

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

	As of March 31, 2023		
	Cost	Accumulated Amortization	Net
		(Dollars in thousands)	
Customer lists and contracts	**$24,186**	**$ (23,216)**	**$ 970**
Domain and brand names	**20,696**	**(19,782)**	**914**
Favorable and assigned leases	**2,188**	**(1,976)**	**212**
Subscriber base and lists	**10,416**	**(8,650)**	**1,766**
Author relationships	**3,070**	**(2,796)**	**274**
Non-compete agreements	**3,653**	**(2,135)**	**1,518**
Other amortizable intangible assets	**1,411**	**(1,371)**	**40**
	$65,620	**$ (59,926)**	**$5,694**

	As of December 31, 2022		
	Cost	Accumulated Amortization	Net
		(Dollars in thousands)	
Customer lists and contracts	$24,186	$ (23,006)	$1,180
Domain and brand names	19,978	(19,704)	274
Favorable and assigned leases	2,188	(1,975)	213
Subscriber base and lists	8,647	(8,531)	116
Author relationships	3,070	(2,771)	299
Non-compete agreements	2,052	(2,044)	8
Other amortizable intangible assets	1,411	(1,352)	59
	$61,532	$(59,383)	$2,149

Amortization expense was approximately $0.5 million and $0.3 million for the three-month periods ended March 31, 2023 and 2022, respectively. Based on the amortizable intangible assets held at of March 31, 2023, we estimate amortization expense for the next five years to be as follows:

Year Ended December 31,	Amortization Expense
	(Dollars in thousands)
2023 (Apr – Dec)	$ 1,695
2024	1,692
2025	1,506
2026	367
2027	237
Thereafter	197
Total	$ 5,694

NOTE 11. LONG-TERM DEBT

Salem Media Group, Inc. has no independent assets or operations, the subsidiary guarantees relating to certain debt are full and unconditional and joint and several, and any subsidiaries of Salem Media Group, Inc. other than the subsidiary guarantors are minor.

Long-term debt consists of the following:

	December 31, 2022	March 31, 2023
	(Dollars in thousands)	
2028 Notes	$ 114,731	**$ 159,416**
Less unamortized discount and debt issuance costs	(3,253)	**(7,375)**
2028 Notes, net carrying value	111,478	**152,041**
2024 Notes	39,035	—
Less unamortized debt issuance costs	(146)	—
2024 Notes, net carrying value	38,889	—
Asset-Based Revolving Credit Facility principal outstanding (1)	8,958	**18,184**
Long-term debt less unamortized discount and debt issuance costs	$ 159,325	**$ 170,225**
Less current portion	8,958	**18,184**
Long-term debt less unamortized discount and debt issuance costs, net of current portion	$ 150,367	**$ 152,041**

(1) As of March 31, 2023, the Asset-Based Revolving Credit Facility (“ABL”), had a borrowing base of $25.1 million, $18.2 million in outstanding borrowings, and $0.3 million of outstanding letters of credit, resulting in a $6.6 million borrowing base availability.

Our weighted average interest rate was 7.08% and 6.85% at December 31, 2022, and March 31, 2023.

In addition to the outstanding amounts listed above, we also have interest obligations related to our long-term debt as follows as of March 31, 2023:

- $159.4 million aggregate principal amount of 2028 Notes with semi-annual interest payments at an annual rate of 7.125%;
- Outstanding borrowings under the ABL facility, with interest payments due at LIBOR plus 1.5% to 2.0% per annum or prime rate plus 0.5% to 1.0% per annum; and
- Commitment fee of 0.25% to 0.375% per annum on the unused portion of the ABL Facility.

2028 Notes

On March 20, 2023, we issued $44.7 million in new 7.125% Senior Secured Notes due in 2028 at a discount of $41.9 million resulting in an effective yield of 8.625%. We used a portion of the proceeds of this borrowing to redeem the remaining $36.5 million of 6.75% Senior Secured Notes due. The redemption of the 2024 Notes closed on March 27, 2023.

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 at March 31, 2023, we are required to pay $11.4 million per year in interest. As of March 31, 2023, accrued and unpaid interest on the 2028 Notes was $2.8 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 March 31, 2023, we were, and we remain, in compliance with all of the covenants under the indenture.

We recorded debt issuance costs of $9.1 million, of which $0.2 million of third-party debt modification costs were expensed during the three months ended March 31, 2022. During the three-months ended March 31, 2023 and 2022, $0.4 million and $0.2 million, respectively, of debt issuance costs and delayed draw fees associated with the Notes were amortized to interest expense.

2024 Notes

On May 19, 2017, we issued 6.75% Senior Secured Notes ("2024 Notes") in a private placement. The 2024 Notes were guaranteed on a senior secured basis by our existing subsidiaries ("Subsidiary Guarantors"). The 2024 Notes accrued interest at a rate of 6.75% per year and were maturing on June 1, 2024, unless they were earlier redeemed or repurchased. Interest was 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.

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 months ended March 31, 2022 and 2023, $0.1 million and $20,000, respectively, of debt issuance costs associated with the Notes was amortized to interest expense.

On March 27, 2023, we redeemed the remaining $36.5 million of 2024 Notes and paid $0.8 million in accrued but unpaid interest through the redemption date.

Based on the then existing market conditions, 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)		
January 19, 2023	$ 2,500	$ 2,431	98.95%	$ 30	$ 39
December 19, 2022	4,650	4,557	98.00%	57	36
December 14, 2022	1,000	965	96.50%	5	30
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
	$ 105,639	$102,902		$ 1,310	$ 1,427

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, parties 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 a $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. The April 7, 2020 amendment also allows for an alternative benchmark rate that may include SOFR due to LIBOR scheduled to be discontinued.

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 March 31, 2023, the amount available under the ABL Facility was $25.1 million of which $18.2 million 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 March 31, 2023, we were, and we remain, in compliance with all of the covenants under the 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 months ended March 31, 2023 and 2022, $23,000 of debt issuance costs associated with the ABL Facility was amortized to interest expense. At March 31, 2023, the blended interest rate on amounts outstanding under the ABL Facility was 6.74%.

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 March 31, 2023 for each of the next five years and thereafter are as follows:

For the Year Ended March 31,	Amount (Dollars in thousands)
2024	$ 18,184
2025	—
2026	—
2027	—
2028	159,416
Thereafter	—
	$ 177,600

NOTE 12. FAIR VALUE MEASUREMENTS

As of March 31, 2023, the carrying value of cash and cash equivalents, 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 on March 31, 2023 was $159.4 million compared to the estimated fair value of $145.8 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:

	March 31, 2023			
	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	**$ 554**	—	—	$ 554
Long-term debt less unamortized discount and debt issuance costs	**170,225**	—	159,567	—

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, 2022, we had net operating loss carryforwards for federal income tax purposes of approximately $95.1 million that expire in years 2024 through 2037 and for state income tax purposes of approximately $633.9 million that expire in years 2023 through 2042. As a result of our adjusted cumulative three-year pre-tax book loss as of December 31, 2020, we performed an assessment of positive and negative evidence with respect to the realization of our net deferred tax assets. This assessment included the evaluation of scheduled reversals of deferred tax liabilities, the availability of carryforwards and estimates of projected future taxable income. The economic uncertainty from the COVID-19 pandemic provided additional negative evidence that outweighed positive evidence which resulted in recognition of a valuation allowance in 2020 on federal and state net operating loss carry forwards. The valuation allowance related to the federal and state net operating loss carry forwards was $39.1 million and $40.0 million as of December 31, 2021 and 2022, respectively. As the economy continues to come out of the COVID-19 pandemic and stay-at-home shelter orders, 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, 2022 and March 31, 2023 deferred tax assets.

During the interim period ended March 31, 2023, we computed the income tax provision using the estimated effective annual rate applicable for the full year. We updated our forecast to project taxable income for the 2023 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 for 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 the 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

The following table reflects the components of stock-based compensation expense recognized in the Condensed Consolidated Statements of Operations for the three-month periods ended March 31, 2023 and 2022:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2023
	(Dollars in thousands)	
Stock option compensation expense included in corporate expenses	$ 2	**$ 35**
Restricted stock shares compensation expense included in corporate expenses	54	**—**
Stock option compensation expense included in broadcast operating expenses	30	**26**
Stock option compensation expense included in digital media operating expenses	20	**13**
Stock option compensation expense included in publishing operating expenses	—	**1**
Total stock-based compensation expense, pre-tax	$ 106	**$ 75**
Tax provision for stock-based compensation expense	(28)	**(19)**
Total stock-based compensation expense, net of tax	$ 78	**$ 56**

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-month periods ended March 31, 2023 and 2022:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2023
Expected volatility	84.69%	**87.94%**
Expected dividends	0.00%	**0.00%**
Expected term (in years)	9.5	**8.4**
Risk-free interest rate	1.61%	**3.69%**

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Activity with respect to our option awards during the three-month period ended March 31, 2023 is as follows:

Options	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(Dollars in thousands, except weighted average exercise price and weighted average grant date fair value)				
Outstanding at January 1, 2023	1,706,340	$ 2.68	$ 1.23	4.2 years	$ —
Granted	1,249,500	1.06	0.87		—
Exercised	—	—	—		—
Forfeited or expired	(119,747)	4.94	1.43		—
Outstanding at March 31, 2023	**2,836,093**	**1.89**	**1.07**	**6.0 years**	**$ 37**
Exercisable at March 31, 2023	**1,083,343**	**2.76**	**1.20**	**3.2 years**	**—**
Expected to Vest	**1,664,236**	**1.90**	**1.07**	**6.0 years**	**$ 35**

Activity with respect to our restricted stock awards during the three-month period ended March 31, 2023 is as follows:

Restricted Stock Awards	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(Dollars in thousands, except weighted average exercise price and weighted average grant date fair value)			
Outstanding at January 1, 2023	14,854	3.66	1.20	$ 16
Granted	—	—	—	—
Lapsed	—	—	—	—
Forfeited	—	—	—	—
Outstanding at March 31, 2023	**14,854**	**3.66**	**1.0**	**$ 16**

The aggregate intrinsic value represents the difference between the company's closing stock price on March 31, 2023 of $1.09 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 March 31, 2023 and 2022, was $0.1 million and $0.2 million, respectively.

As of March 31, 2023, there was $1.3 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 3.2 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 of non-cash stock-based compensation expense has been recorded to additional paid-in capital for each of the three-month periods ended March 31, 2023 and 2022.

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”).
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 providing a full-service multimedia marketing strategy for each of our clients.
Salem Podcast Network (“SPN”), is a highly specialized platform for conservative, political, news, and family-oriented podcasts. SPN reaches over 13 million downloads per month, and regularly ranks amongst the top 100 most downloaded news and political podcasts according to the Apple Podcast Rankings.

SalemNOW is our online destination to a watch variety ofon-demand. SalemNOW is dedicated exclusive conservative and faith-based films consisting of box office hits, acclaimed documentaries, music festivals, interviews with top Christian artists, events with our conservative talk show hosts and many other 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 hosted by a number of engaging, compelling and respected conservative media personalities. SNC’s mission is to serve the media needs of audiences interested in political news and opinion content with a Judeo, Christian world vision and seeks to become the leading provider of conservative news and option content for the rapidly growing OTT television and multi-screen digital audience.

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 March 31, 2023 and 2022 based on the composition of our operating segments:

	Broadcast	Digital Media	Publishing	Unallocated Corporate Expenses	Consolidated
			(Dollars in thousands)		
Three Months Ended March 31, 2023					
Net revenue	**$ 48,340**	**$10,510**	**$ 4,639**	**$ —**	**$ 63,489**
Operating expenses	**42,809**	**8,994**	**5,376**	**4,996**	**62,175**
Net operating income (loss) before depreciation, amortization, change in the estimated fair value of contingent earn-out consideration, impairments and net (gain) loss on the disposition of assets	**$ 5,531**	**$ 1,516**	**$ (737)**	**$ (4,996)**	**$ 1,314**
Depreciation	**1,555**	**1,026**	**63**	**206**	**2,850**
Amortization	**—**	**518**	**25**	**—**	**543**
Change in the estimated fair value of contingent earn-out consideration	**—**	**(2)**	**—**	**—**	**(2)**
Impairment of indefinite-lived long-term assets other than goodwill	**2,124**	**—**	**—**	**—**	**2,124**
Net (gain) loss on the disposition of assets	**(22)**	**—**	**—**	**1**	**(21)**
Net operating income (loss)	**$ 1,874**	**$ (26)**	**$ (825)**	**$ (5,203)**	**$ (4,180)**
Three Months Ended March 31, 2022					
Net revenue	$ 48,432	$10,300	$ 3,877	$ —	$ 62,609
Operating expenses	38,121	8,473	4,467	4,810	55,871
Net operating income (loss) before debt modification costs, depreciation, amortization, change in the estimated fair value of contingent earn-out consideration and net (gain) loss on the disposition of assets	$ 10,311	$ 1,827	$ (590)	$ (4,810)	$ 6,738
Debt modification costs	—	—	—	228	228
Depreciation	1,656	941	80	265	2,942
Amortization	4	330	—	—	334
Change in the estimated fair value of contingent earn-out consideration	—	(5)	—	—	(5)
Net (gain) loss on the disposition of assets	(1,738)	—	—	3	(1,735)
Net operating income (loss)	$ 10,389	$ 561	$ (670)	$ (5,306)	$ 4,974

	Broadcast	Digital Media	Publishing	Unallocated Corporate	Consolidated
			(Dollars in thousands)		
As of March 31, 2023					
Inventories, net	$ —	$ —	**$ 1,708**	**$ —**	**$ 1,708**
Property and equipment, net	**66,480**	**7,539**	**513**	**9,157**	**83,689**
Broadcast licenses	**305,192**	—	—	—	**305,192**
Goodwill	**2,703**	**21,197**	**1,446**	—	**25,346**
Amortizable intangible assets, net	**212**	**5,208**	**274**	—	**5,694**
As of December 31, 2022					
Inventories, net	$ —	$ —	$ 1,513	$ —	$ 1,513
Property and equipment, net	63,634	7,751	546	9,365	81,296
Broadcast licenses	303,774	—	—	—	303,774
Goodwill	2,623	20,016	1,446	—	24,085
Amortizable intangible assets, net	213	1,637	299	—	2,149

NOTE 18. SUBSEQUENT EVENTS

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

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, 2022. 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:

- 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 impact of inflation increasing operating costs and changing consumer habits,
- industry conditions, including existing competition and future competitive technologies,
- disruptions or postponements of advertising schedules and programming in response to national or world events,
- our ability to generate revenue from new sources, including local commerce and technology-based initiatives, and
- 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

Salem Media Group, Inc. ("Salem") 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 Securities and Exchange Commission (''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.*

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 digital media campaigns and websites for our customers 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, 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 number 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 can 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 revenue is impacted by the rates radio stations can charge for programming and advertising time, the level of airtime sold to programmers and advertisers, the number of impressions delivered, or downloads made, and the number of events held, including the size of the event and the number of attendees. Block programming rates are based upon our stations' ability to attract audiences that will support the program producers through contributions and purchases of their products. Advertising rates are based upon the demand for advertising time, which in turn is based on our stations' and networks' ability to produce results for their advertisers.

We market ourselves to advertisers based on the responsiveness of our audiences. We do not subscribe to traditional audience measuring services for most of our radio stations. In select markets, we subscribe to Nielsen Audio, which develops monthly reports measuring a radio station's audience share in the demographic groups targeted by advertisers. Each of our radio stations and our networks has a pre-determined level of time available for block programming and/or advertising, which may vary at different times of the day.

Nielsen Audio uses the Portable People Meter™ ("PPM") technology to collect data for its ratings service. PPM is a small device that is capable of automatically measuring radio, television, Internet, satellite radio and satellite television signals encoded by the broadcaster. The PPM offers a number of advantages over traditional diary ratings collection systems, including ease of use, more reliable ratings data, shorter time periods between when advertising runs and actual listening data, and little manipulation of data by users. A disadvantage of the PPM includes data fluctuations from changes to the "panel" (a group of individuals holding PPM devices). This makes all stations susceptible to some inconsistencies in ratings that may or may not accurately reflect the actual number of listeners at any given time. We subscribe to Nielsen Audio for ratings services in seven 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 even numbered years, over non-election 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 may be affected by transitional periods experienced by radio stations when, based on the nature of the radio station, our plans for the market, or 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 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. During the three months ended March 31, 2023 and 2022, 98% of our broadcast revenue was sold for cash.

The primary operating expenses incurred by our broadcast 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) 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, 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, 2022 for a description of each of our digital media websites and operations. Revenue generated from this segment is reported as digital media revenue in our Condensed Consolidated Financial Statements included in Part 1 of this quarterly report on Form 10-Q.

Digital media revenue is impacted by the rates our sites can charge for advertising time, the level of advertisements sold, the number of impressions delivered, or the number of products sold, and the number of digital subscriptions sold. Like our broadcasting segment, our second and fourth quarter advertising revenue from our digital media segment generally exceeds the segment's 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, 2022 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 retail price of books and e-books, the number of books sold, the number and retail price of 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.

The primary operating expenses incurred by our publishing 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; and (iv) cost of goods sold that includes book 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. Reductions in revenue could adversely affect our operating results, financial condition, and results of operations. 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 of our estimates and assumptions require increased judgment and carry a higher degree of variability and volatility.

We have experienced increases in lease expense associated with escalations tied to changes in the Consumer Price Index ("CPI") and higher variable costs associated with Common Area Maintenance ("CAM") charges. CPI increased 6.5% for the twelve months ending December 31, 2022, following a 7.0% increase for the twelve months ending December 31, 2021. Higher energy costs and the impact of inflation resulted in higher CAM charges. Lease expense increased $0.2 million on a consolidated basis for the year ended December 31, 2022, as compared to the prior year, including a $0.9 million increase from CAM and CPI, that was offset with a $0.7 million reduction from consolidating select locations and reducing rental space.

Revenue growth from the sale of broadcast airtime is negatively impacted by audiences spending less time commuting, certain automobile manufacturers removing AM radio receivers, increases in 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. We continue to enhance our digital assets to complement our broadcast content. The increased use of smart speakers and other voice activated platforms that provide audiences with the ability to access AM and FM radio stations offers potential sources for radio broadcasters to reach audiences. Our broadcast advertising revenue is particularly dependent on advertising from our Los Angeles and Dallas markets, which generated 15.3% and 18.4%, respectively, of our total net broadcast advertising revenue during the three-month period ended March 31, 2023 compared to 13.2% and 18.3%, 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 appearing on each page view. While page views continue to show growth, the number of page views from desktop devices continue to decline in favor of page views from mobile devices. Page views from mobile devices carry a lower number of advertisements per page and are generally sold at lower rates. The shift from desktop page views to mobile device views negatively impacts revenue as mobile devices carry lower rates and less advertisement per page. We also experience declines in page views from changes in algorithms, including algorithms that limit political content and from browsers that block third-party cookies limiting advertising delivery.

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 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 Loss is defined as net publishing revenue less publishing operating expenses. Digital Media Operating Income and Publishing Operating 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 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 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 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 March 31, 2022	Three Months Ended March 31, 2023
	(Dollars in thousands)	
Reconciliation of Net Broadcast Revenue to Same Station Net Broadcast Revenue		
Net broadcast revenue	$ 48,432	**$ 48,340**
Net broadcast revenue – acquisitions	—	**(205)**
Net broadcast revenue – dispositions	(47)	**3**
Net broadcast revenue – format change	—	—
Same Station net broadcast revenue	$ 48,385	**$ 48,138**
Reconciliation of Broadcast Operating Expenses to Same Station Broadcast Operating Expenses		
Broadcast operating expenses	$ 38,121	**$ 42,809**
Broadcast operating expenses – acquisitions	(15)	**(659)**
Broadcast operating expenses – dispositions	(25)	**(25)**
Broadcast operating expenses – format change	—	—
Same Station broadcast operating expenses	$ 38,081	**$ 42,125**
Reconciliation of Operating Income (Loss) to Same Station Operating Income		
Station Operating Income	$ 10,311	**$ 5,531**
Station operating loss –acquisitions	15	**454**
Station operating (income) loss – dispositions	(22)	**28**
Station operating loss – format change	—	—
Same Station – Station Operating Income	$ 10,304	**$ 6,013**

In the table below, we present our calculations of Station Operating Income, Digital Media Operating Income and Publishing Operating 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 March 31, 2022	Three Months Ended March 31, 2023
	(Dollars in thousands)	
Calculation of Station Operating Income, Digital Media Operating Income and Publishing Operating Loss		
Net broadcast revenue	$ 48,432	**$ 48,340**
Less broadcast operating expenses	(38,121)	**(42,809)**
Station Operating Income	$ 10,311	**$ 5,531**
Net digital media revenue	$ 10,300	**$ 10,510**
Less digital media operating expenses	(8,473)	**(8,994)**
Digital Media Operating Income	$ 1,827	**$ 1,516**
Net publishing revenue	$ 3,877	**$ 4,639**
Less publishing operating expenses	(4,467)	**(5,376)**
Publishing Operating Loss	$ (590)	**$ (737)**

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 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.

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	Three Months Ended March 31, 2022	Three Months Ended March 31, 2023
	(Dollars in thousands)	
Reconciliation of Net Income to Operating Income and Station Operating Income, Digital Media Operating Income and Publishing Operating Loss		
Net income (loss)	$ 1,739	**$(5,154)**
Plus benefit from income taxes	(211)	(2,276)
Plus net miscellaneous income and (expenses)	(1)	(220)
Plus (gain) loss on early retirement of long-term debt	53	60
Plus earnings from equity method investment	—	(8)
Plus interest expense, net of capitalized interest	3,394	3,431
Less interest income	—	(13)
Net operating income (loss)	$ 4,974	**$(4,180)**
Plus net (gain) loss on the disposition of assets	(1,735)	(21)
Plus change in the estimated fair value of contingent earn-out consideration	(5)	(2)
Plus debt modification costs	228	—
Plus impairment of indefinite-lived long-term assets other than goodwill	—	2,124
Plus depreciation and amortization	3,276	3,393
Plus unallocated corporate expenses	4,810	4,996
Combined Station Operating Income, Digital Media Operating Income and Publishing Operating Loss	$11,548	**$ 6,310**
Station Operating Income	$10,311	**$ 5,531**
Digital Media Operating Income	1,827	**1,516**
Publishing Operating Loss	(590)	**(737)**
	$11,548	**$ 6,310**

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 March 31, 2022	Three Months Ended March 31, 2023
	(Dollars in thousands)	
Reconciliation of Adjusted EBITDA to EBITDA to Net Income		
Net income (loss)	$ 1,739	**$(5,154)**
Plus interest expense, net of capitalized interest	3,394	**3,431**
Plus benefit from income taxes	(211)	**(2,276)**
Plus depreciation and amortization	3,276	**3,393**
Less interest income	—	**(13)**
EBITDA	$ 8,198	**$ (619)**
Plus net (gain) loss on the disposition of assets	(1,735)	**(21)**
Plus change in the estimated fair value of contingent earn-out consideration	(5)	**(2)**
Plus debt modification costs	228	—
Plus impairment of indefinite-lived long-term assets other than goodwill	—	**2,124**
Plus net miscellaneous (income) and expenses	(1)	**(220)**
Plus (gain) loss on early retirement of long-term debt	53	**60**
Plus non-cash stock-based compensation	106	**75**
Adjusted EBITDA	$ 6,844	**$ 1,397**

RESULTS OF OPERATIONS

The following factors affected our results of operations and cash flows for the three months ended March 31, 2023 as compared to the same period of the prior year:

We invested in a limited liability company that will own, distribute, and market a motion picture. The investment of $1.5 million at March 31, 2023 is reflected at cost in other assets.

We engaged Bond & Pecaro, an independent third-party appraisal and valuation firm, to assist us in determining the asset values associated with the acquisition of radio station WMYM-AM in Miami, Florida, which was determined to be less than the purchase price. Based on our review and analysis, we recorded an impairment charge of $2.1 million during the three months ended March 31, 2023.

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 Local Marketing Agreement (‘‘LMA”) or Time Brokerage Agreement (‘‘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 March 24, 2023, we closed on the acquisition of Digital Felt Productions and the digital content library through its www.digitalfelt.com domain and website for $25,000 in cash.
- On February 1, 2023, we closed on the acquisition of the George Gilder Report and other digital newsletters and related website assets. We assumed the deferred subscription liabilities paying no cash at the time of closing. The purchase price is 25% of net revenue generated from sales of most Eagle Financial products during the next year to people who are on George Gilder subscriber lists that are not already on Eagle Financial lists. We recorded goodwill of approximately $1.2 million associated with the expected synergies to be realized upon combining the operations into our digital media platform within Eagle Financial Publications.
- On January 10, 2023, we closed on the acquisition of radio stations WWFE-AM, WRHC-AM and two FM translators in Miami, Florida for $3.0 million in cash.
- On January 6, 2023, we closed on the acquisition of radio station WMYM-AM and an FM translator in Miami, Florida for $3.2 million in cash.
- 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 in 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 and have access to the land for 90-days to relocate our transmitter equipment for KXXT-AM.

Debt Transactions

- On March 20, 2023, we issued $44.7 million in new 7.125% Senior Secured Notes due 2028 (“2028 Notes”) at a discount of $41.9 million resulting in an effective yield of 8.625%. We used a portion of the proceeds of this borrowing to redeem the remaining $36.5 million of 6.75% Senior Secured Notes due 2024 (“2024 Notes”). The redemption of the 2024 Notes closed on March 27, 2023.
- On January 19, 2023 we repurchased $2.5 million of the 2024 Notes at 97.25% of face value recognizing a gain of $39,000 after adjusting for debt issue 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.

Three months ended March 31, 2023 compared to the three months ended March 31, 2022

Net Broadcast Revenue

	Three Months Ended March 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Broadcast Revenue	$48,432	**$48,340**	$ (92)	(0.2)%	77.4%	**76.1%**
Same Station Net Broadcast Revenue	$48,385	**$48,138**	$ (247)	(0.5)%		

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

	Three Months Ended March 31,			
	2022		2023	
	(Dollars in thousands)			
Block Programming:				
National	$ 13,059	27.0%	**$ 13,526**	**28.0%**
Local	6,173	12.7%	**6,017**	**12.4%**
	19,232	39.7%	**19,543**	**40.4%**
Broadcast Advertising:				
National	3,641	7.5%	**2,889**	**6.0%**
Local	10,283	21.2%	**9,427**	**19.5%**
	13,924	28.7%	**12,316**	**25.5%**
Station Digital (local)	8,206	16.9%	**9,189**	**19.0%**
Infomercials	191	0.4%	**183**	**0.4%**
Network	4,831	10.0%	**5,114**	**10.6%**
Other Revenue	2,048	4.2%	**1,995**	**4.1%**
Net Broadcast Revenue	$ 48,432	100.0%	**$ 48,340**	**100.0%**

Block programming revenue increased 1.6% to $19.5 million from $19.2 million, due to increases in rates during our 2023 annual renewals and a higher demand from the expansion of existing programs and the launch of new programs. Higher demand can result in an increase in rates, particularly if premium time slots are sold out. National programming from our Christian Teaching and Talk format radio stations increased $0.4 million. Local programming decreased $0.1 million including a $0.1 million decrease from our News Talk format radio stations and $0.1 million decrease from our Christian Teaching and Talk format radio stations that was offset by an increase of $0.1 million from our remaining radio station formats.

Advertising revenue, net of agency commissions, or net advertising revenue, decreased 11.5%, or $1.6 million, to $12.3 million from $13.9 million, driven by a 20.7% decrease in national spots and a 8.3% decrease in local spots. The decrease reflects the impact of political revenue, which generated $0.2 million of revenue ($0.2 million local) in 2023 compared to $0.6 million ($0.4 million national and $0.2 million local) in 2022, or a decrease of $0.4 million. Excluding the impact of political revenue, net advertising revenue declined 9.2% to $12.1 million from $13.3 million. Revenue from our Contemporary Christian Music format radio stations was $5.3 million compared to $5.8 million in the prior year, a decrease of $0.5 million. Revenue from our News Talk format stations was $3.9 million compared to $4.3 million in the prior year, a decrease of $0.4 million. Revenue from our Christian Teaching and Talk format radio stations was $1.8 million compared to $2.1 million in the prior year, a decrease of $0.3 million. We started to experience lower demand in the second half of 2022 as economic concerns resulted in reduced advertising spending.

Broadcast digital revenue, net of agency commissions, or net digital revenue generated from our broadcast markets and networks, increased 12.0%, or $1.0 million. The increase includes a $0.5 million increase from Salem Podcast Network, a $0.4 million increase from a higher demand for digital marketing services through Salem Surround, a $0.2 million increase from our network and a $0.1 million increase from Salem News Channel that was offset by a $0.2 million decrease in streaming revenue and digital advertising revenue from our station websites. There were no significant changes in digital rates as compared to the prior year.

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

Network revenue, net of amounts reported as digital, increased 5.9%, or $0.3 million, including a $0.2 million increase from our nationally syndicated host programs and a $0.1 million increase in political advertising.

Other revenue decreased 2.6%, or $53,000, including a $0.1 million increase in event revenue that was offset by a $0.2 million decrease in rental income. Event revenue varies from period to period based on the nature and timing of events, audience demand, and in some cases, the weather which can affect attendance.

On a Same Station basis, net broadcast revenue decreased $0.2 million, which reflects these items net of the impact of stations acquisitions and dispositions.

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Net Digital Media Revenue

	Three Months Ended March 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Digital Media Revenue	$10,300	**$10,510**	$ 210	2.0%	16.5%	**16.6%**

The following table shows the dollar amount and percentage of national net digital media revenue, or revenue generated from our websites and digital subscriptions, for each digital media revenue source.

	Three Months Ended March 31,			
	2022		**2023**	
	(Dollars in thousands)			
Digital Advertising, net	$ 4,539	44.1%	**$ 3,903**	**37.1%**
Digital Streaming	901	8.7	**861**	**8.2**
Digital Subscriptions	3,152	30.6	**3,983**	**37.9**
Digital Downloads	1,664	16.2	**1,741**	**16.6**
Other Revenues	44	0.4	**22**	**0.2**
Net Digital Media Revenue	$10,300	100.0%	**$10,510**	**100%**

Digital advertising revenue net of agency commissions, or national net digital revenue, decreased 14.0%, or $0.6 million, primarily due to a $0.6 million decline from Townhall Media. 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 for advertising resulting in a lower number of advertisements and a reduction in rates.

Digital streaming revenue decreased 4.4%, or $40,000, based on decreased demand for content available from our Christian websites. There were no significant changes in rates.

Digital subscription revenue increased 26.4%, or $0.8 million, including a $0.8 million increase from Eagle Financial Publications from new subscriptions generated from the newly acquired George Gilder Report and a $0.1 million increase from Townhall VIP that was offset with a $0.1 million decrease from Salem Web Network.

Digital download revenue increased 4.6%, or $0.1 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 declined slightly in volume with no changes in rates over the same period of the prior year.

Net Publishing Revenue

	Three Months Ended March 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Publishing Revenue	$3,877	**$4,639**	$ 762	19.7%	6.2%	**7.3%**

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

	Three Months Ended March 31,			
	2022		**2023**	
	(Dollars in thousands)			
Book Sales	$2,561	66.1%	**$2,864**	**61.7%**
Estimated Sales Returns & Allowances	(835)	(21.5)	**(489)**	**(10.5)**
Net Book Sales	1,726	44.6	2,375	51.2
E-Book Sales	287	7.4	269	5.8
Self-Publishing Fees	1,727	44.5	1,846	39.8
Other Revenue	137	3.5	**149**	**3.2**
Net Publishing Revenue	$3,877	100.0%	**$4,639**	**100.0%**

Net book sales increased 37.6%, or $0.7 million, which includes a $0.6 million increase from Regnery® Publishing, as book sales reflect a 4% increase in the average price per unit sold, a 5% increase in volume and a $0.1 million increase from Salem Author Services. 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 $0.3 million in estimated sales returns and allowances reflects favorable adjustments on expected future returns for several titles based on a review of scanned sales to date. The increase in book sales from Salem Author Services was due to an increase in the number of books sold with no significant changes in sale prices.

Regnery® Publishing e-book sales declined 6.3%, or $18,000, due to a 49% decrease in sales volume offset by an 82% increase 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 6.9%, or $0.1 million, due to an increase in the number of authors with no material 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 remained consistent from the same period of the prior year. There were no changes in volume or rates.

Broadcast Operating Expenses

	Three Months Ended March 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Broadcast Operating Expenses	$38,121	**$42,809**	$ 4,688	12.3%	60.9%	**67.4%**
Same Station Broadcast Operating Expenses	$38,081	**$42,125**	$ 4,044	10.6%		

Broadcast operating expenses increased 12.3%, or $4.7 million, including a $3.3 million increase from broadcast stations, a $0.6 million increase from the launch of Salem News Channel in 2022, a $0.5 million increase from Salem Surround and a $0.3 million increase from Salem Podcast Network. The increase in expenses from Salem Surround, Salem News Channel and Salem Podcast Network are consistent with the growth and investment in these entities to expand digital product offerings and revenue sources in our broadcast division. The increase of $3.3 million from our broadcast stations includes a $1.8 million increase in employee-related expenses including a $0.2 million in severance expense, a $0.6 million increase in facility-related expenses, a $0.3 million increase in travel and entertainment, a $0.3 million increase in bad debt expense, a $0.2 million increase in professional services expenses and a $0.2 million increase in advertising and event costs that were offset by a $0.1 million decrease in production and programming expense.

On a Same-Station basis, broadcast operating expenses increased 10.6%, or $4.0 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 and station dispositions.

Digital Media Operating Expenses

	Three Months Ended March 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Digital Media Operating Expenses	$8,473	**$8,994**	$ 521	6.1%	13.5%	**14.2%**

Digital media operating expenses increased 6.1%, or $0.5 million, including a $0.3 million increase in employee related costs which includes $0.1 million of severance expense, a $0.3 million increase in advertising and promotional expenses primarily related to the Bob Carlson's Retirement Watch newsletter and a $0.1 million increase in professional services expenses, that was offset by a $0.2 million decrease in sales-based commissions and bonuses.

Publishing Operating Expenses

	Three Months Ended March 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Publishing Operating Expenses	$4,467	**$5,376**	$ 909	20.3%	7.1%	**8.5%**

Publishing operating expenses increased 20.3%, or $0.9 million, including a $0.3 million increase in the cost of sales, a $0.2 million increase in advertising and promotional expenses, a $0.2 million increase in employee related costs and a $0.2 million increase in professional services expenses. The increase in cost of sales primarily relates to Regnery® Publishing. The gross profit margin for Regnery® Publishing declined to 37% from 45% as a result of higher costs associated with the printing of books. 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 78% due to higher print book sales.

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Unallocated Corporate Expenses

	Three Months Ended March 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Unallocated Corporate Expenses	$4,810	**$4,996**	$ 186	3.9%	7.7%	**7.9%**

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 3.9%, or $0.2 million, includes a $0.2 million increase in acquisition-related expenses and a $0.1 million increase in travel and entertainment that was offset by a $0.1 million decrease in professional services expenses. Employee related expenses remained flat compared to the same period of the prior year due to the $0.3 million favorable impact related to the executive bonus offset by a $0.2 million increase in payroll expense and $0.1 million increase in severance expense.

Debt Modification Costs

	Year Ended December 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Debt Modification Costs	$228	$ —	$ (288)	(100.0)%	0.4%	—%

We recorded additional debt modification costs of $0.2 million during the first quarter of 2022 associated with the exchange of $112.8 million of 2024 Notes for $114.7 million of 2028 Notes.

Depreciation Expense

	Three Months Ended March 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				**% of Total Net Revenue**	
Depreciation Expense	$2,942	**$2,850**	$ (92)	(3.1)%	4.7%	**4.5%**

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

Amortization Expense

	Three Months Ended March 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				**% of Total Net Revenue**	
Amortization Expense	$334	**$543**	$ 209	62.6%	0.5%	**0.9%**

The increase in amortization expense reflects the acquisition of the George Gilder Report in February 2023 associated with subscriber base lists, domain names and non-compete agreements that have estimated useful lives of three to five years. There were no changes in our amortization methods or the estimated useful lives of our intangible asset groups.

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

	Three Months Ended March 31,					
	2022	**2023**	Change $	Change %	2021	**2022**
	(Dollars in thousands)				**% of Total Net Revenue**	
Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill	$ —	**$2,124**	$ 2,124	—%	—%	**3.3%**

We engaged Bond & Pecaro, an independent third-party appraisal and valuation firm, to assist us in determining the asset values associated with the acquisition of radio station WMYM-AM in Miami, Florida, which was determined to be less than the purchase price. Based on our review and analysis, we recorded an impairment charge of $2.1 million during the three months ended March 31, 2023.

Net (Gain) Loss on the Disposition of Assets

	Three Months Ended March 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net (Gain) Loss on the Disposition of assets	$(1,735)	**$(21)**	$ 1,714	(98.8)%	(2.8)%	**—%**

The net gain on the disposition of assets of $21,000 for the three-month period ending March 31, 2023, reflects the termination of a lease in Boston, Massachusetts offset with losses from various fixed asset disposals.

The net gain on the disposition of assets of $1.7 million for the three-month period ending March 31, 2022, reflects the sale of land in Phoenix, Arizona offset with losses from various fixed asset disposals.

Other Income (Expense)

	Three Months Ended March 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Interest Income	$ —	**$ 13**	$ 13	— %	—%	**—%**
Interest Expense	(3,394)	**(3,431)**	(37)	1.1%	(5.4)%	**(5.4)%**
Gain (loss) on Early Retirement of Long-Term Debt	(53)	**(60)**	(7)	13.2%	(0.1)%	**(0.1)%**
Earnings from equity method investment	—	**8**	8	— %	—	**— %**
Net Miscellaneous Income and (Expenses)	1	**220**	219	21,900%	— %	**0.3%**

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

Interest expense includes interest due on outstanding debt balances, and non-cash accretion associated with deferred installments and contingent earn-out consideration from certain acquisitions. The increase reflects the higher outstanding balance of the Notes, higher outstanding balance of the ABL Facility, and finance lease obligations outstanding during the three-months ended March 31, 2023.

The loss on the early retirement of long-term debt for the three months ended March 31, 2023, reflects the repurchase of the 2024 Notes resulting in a pre-tax loss of $60,000. The loss on the early retirement of long-term debt for the three months ended March 31, 2022, reflects $2.5 million of repurchases of the 2024 Notes at 101.25% face value resulting in a pre-tax loss of $53,000.

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

Benefit from Income Taxes

	Three Months Ended March 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Benefit from Income Taxes	$(211)	**$(2,276)**	$(2,065)	978.7%	(0.3)%	**3.6%**

Tax benefit increased by $2.1 million to $2.3 million for the three months ended March 31, 2023, compared to $0.2 million for the same period of the prior year. The benefit from income taxes as a percentage of income before income taxes, or the effective tax rate, was 30.6% for the three months ended March 31, 2023, compared to (13.8)% 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 state income taxes, certain expenses that are not deductible for tax purposes, and changes in the valuation allowance. The effective tax rate of 30.6% 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 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 March 31,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Income (Loss)	$1,739	**$(5,154)**	$(6,893)	(396.4)%	2.8%	**(8.1)%**

We recognized a net loss of $5.2 million compared to net income of $1.7 million during the same period of the prior year due to the factors 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 to 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 condensed 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 10, 2023.

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. Historically, we have 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 and business sales. 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. To facilitate such offerings, in December 2022, we filed a shelf registration statement with the SEC covering the offering, issuance and sale of up to $15.0 million of our Class A Common Stock or up to $40.0 million of debt securities with B. Riley Securities, Inc. acting as sales agent.

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 used in operating activities during the three-month period ended March 31, 2023 decreased by $4.9 million to $(0.6) million compared to $4.3 million of net cash provided by operating activities 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 by $0.9 million;
- Operating expenses exclusive of depreciation, amortization, changes in the estimated fair value of contingentearn-out consideration, impairments and net gain (loss) on the disposition of assets, increased by $6.3 million;
- Trade accounts receivables, net of allowances, decreased by $2.3 million compared to an increase of $2.3 million for the same period of the prior year;
- Unbilled revenue decreased $0.1 million;
- Our Day's Sales Outstanding, or the average number of days to collect cash from the date of sale, increased to 53 days at March 31, 2023 from 51 days in the same period of the prior year;
- Net accounts payable and accrued expenses decreased $1.5 million to $32.8 million from $34.3 million as of the prior year; and
- Net inventories on hand increased $0.2 million to $1.7 million at March 31, 2023 compared to a $0.4 million increase to $1.4 million for the same period of the prior year.

Investing Cash Flows

Our primary source of investing cash inflows is 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 and web-based offerings, improve our facilities, and upgrade our computer infrastructures. The nature and timing of these upgrades and expenditures can be delayed or scaled back at the discretion of management. Based on our current plans, we expect to incur capital expenditures of approximately $8.4 million during the remainder of 2023.

While our focus continues to be on deleveraging, 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, borrowings under our credit facilities, operating cash flow and possibly through the sale of income-producing assets or proceeds from debt and equity offerings.

Net cash used in investing activities increased $4.6 million to $9.5 million during the three-month period ended March 31, 2023 from net cash provided of $4.9 million during the same period of the prior year. The increase in net cash used in investing activities was the result of:

- Cash paid for capital expenditures decreased $0.8 million to $2.6 million from $3.4 million;
- Cash paid for acquisitions was $5.6 million for the three months ended March 31, 2023 compared to $0.5 million during the same period of the prior year;
- Cash paid for investments decreased $0.5 million to $1.5 million from $2.0 million; and
- Cash received from the sale of assets decreased to nil from $2.0 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 three-month period ended March 31, 2023, the principal balances outstanding under the Notes and ABL Facility ranged from $174.3 million to $227.6 million. These outstanding balances were ordinary and customary based on our operating and investing cash needs during this time.

Net cash provided by financing activities increased $11.3 million to $10.1 million during the three-month period ended March 31, 2023 from net cash used in financing activities of $(1.2) million during the same period of the prior year. The increase in cash provided from financing activities includes:

- A $2.1 million decrease in the book overdraft to $(0.9) million from $1.2 million of the prior year;
- $44.7 million of cash used to redeem the remaining $36.5 million of 6.75% Senior Secured Notes due; and
- Net proceeds drawn on our ABL Facility of $9.2 million during the three months ended March 31, 2023.

Salem Media Group, Inc. has no independent assets or operations, the subsidiary guarantees relating to certain debt are full and unconditional and joint and several, and any subsidiaries of Salem Media Group, Inc. other than the subsidiary guarantors are minor.

Long-term debt consists of the following:

	December 31, 2022	**March 31, 2023**
	(Dollars in thousands)	
2028 Notes	$ 114,731	**$ 159,416**
Less unamortized discount and debt issuance costs	(3,253)	**(7,375)**
2028 Notes, net carrying value	111,478	**152,041**
2024 Notes	39,035	—
Less unamortized debt issuance costs	(146)	—
2024 Notes, net carrying value	38,889	—
Asset-Based Revolving Credit Facility principal outstanding (1)	8,958	**18,184**
Long-term debt less unamortized discount and debt issuance costs	$ 159,325	**$ 170,225**
Less current portion	8,958	**18,184**
Long-term debt less unamortized discount and debt issuance costs, net of current portion	$ 150,367	**$ 152,041**

(1) As of March 31, 2023, the Asset-Based Revolving Credit Facility ("ABL"), had a borrowing base of $25.1 million, $18.2 million in outstanding borrowings, and $0.3 million of outstanding letters of credit, resulting in a $6.6 million borrowing base availability.

Our weighted average interest rate was 7.08% and 6.85% at December 31, 2022, and March 31, 2023.

In addition to the outstanding amounts listed above, we also have interest obligations related to our long-term debt as follows as of March 31, 2023:

- $159.4 million aggregate principal amount of 2028 Notes with semi-annual interest payments at an annual rate of 7.125%;
- Outstanding borrowings under the ABL facility, with interest payments due at LIBOR plus 1.5% to 2.0% per annum or prime rate plus 0.5% to 1.0% per annum; and
- Commitment fee of 0.25% to 0.375% per annum on the unused portion of the ABL Facility.

2028 Notes

On March 20, 2023, we issued $44.7 million in new 7.125% Senior Secured Notes due in 2028 at a discount of $41.9 million resulting in an effective yield of 8.625%. We used a portion of the proceeds of this borrowing to redeem the remaining $36.5 million of 6.75% Senior Secured Notes due. The redemption of the 2024 Notes closed on March 27, 2023.

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 at March 31, 2023, we are required to pay $11.4 million per year in interest. As of March 31, 2023, accrued and unpaid interest on the 2028 Notes was $2.8 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 March 31, 2023, we were, and we remain, in compliance with all of the covenants under the indenture.

We recorded debt issuance costs of $9.1 million, of which $0.2 million of third-party debt modification costs were expensed during the three months ended March 31, 2022. During the three-months ended March 31, 2023 and 2022, $0.4 million and $0.2 million, respectively, of debt issuance costs and delayed draw fees associated with the Notes were amortized to interest expense.

2024 Notes

On May 19, 2017, we issued 6.75% Senior Secured Notes ("2024 Notes") in a private placement. The 2024 Notes were guaranteed on a senior secured basis by our existing subsidiaries ("Subsidiary Guarantors"). The 2024 Notes accrued interest at a rate of 6.75% per year and were maturing on June 1, 2024, unless they were earlier redeemed or repurchased. Interest was 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.

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 months ended March 31, 2022 and 2023, $0.1 million and $20,000, respectively, of debt issuance costs associated with the Notes was amortized to interest expense.

On March 27, 2023, we redeemed the remaining $36.5 million of 2024 Notes and paid $0.8 million in accrued but unpaid interest through the redemption date.

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Based on the then existing market conditions, 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)		
January 19, 2023	$ 2,500	$ 2,431	98.95%	$ 30	$ 39
December 19, 2022	4,650	4,557	98.00%	57	36
December 14, 2022	1,000	965	96.50%	5	30
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
	$ 105,639	$102,902		$ 1,310	$ 1,427

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, parties 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 a $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. The April 7, 2020 amendment also allows for an alternative benchmark rate that may include SOFR due to LIBOR scheduled to be discontinued.

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 March 31, 2023, the amount available under the ABL Facility was $25.1 million of which $18.2 million 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 March 31, 2023, we were, and we remain, in compliance with all of the covenants under the 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 months ended March 31, 2023 and 2022, $23,000 of debt issuance costs associated with the ABL Facility was amortized to interest expense. At March 31, 2023, the blended interest rate on amounts outstanding under the ABL Facility was 6.74%.

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 March 31, 2023 for each of the next five years and thereafter are as follows:

For the Year Ended March 31,	Amount (Dollars in thousands)
2024	$ 18,184
2025	—
2026	—
2027	—
2028	159,416
Thereafter	—
	$ 177,600

Impairment Losses on Goodwill and Indefinite-Lived Intangible Assets

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

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

OFF-BALANCE SHEET ARRANGEMENTS

At March 31, 2023, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not materially exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in such relationships.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for smaller reporting companies

ITEM 4. CONTROLS AND PROCEDURES.

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

*Changes in Internal Control over Financial Reporting*There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1.LEGAL PROCEEDINGS.

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

ITEM 1A. RISK FACTORS.

Not required for smaller reporting companies.

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

None.

ITEM 3. DEFAULT UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

See “Exhibit Index” below.

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EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
10.1	Indenture, dated as of September 10, 2021, among Salem Media Group, Inc., the subsidiary guarantors party thereto and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), as trustee and collateral agent (incorporated by reference to Exhibit 4.4 on Form 8-K filed on September 16, 2021).	8-K	000-26497	03/20/23	4.1	-
10.2	First Supplemental Indenture, dated as of March 20, 2023, among Salem Media Group, Inc., the subsidiary guarantors party thereto and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), as trustee and collateral agent (incorporated by reference to Exhibit 4.2 on Form 8-K filed on March 20, 2023).	8-K	000-26497	03/20/23	4.2	-
10.3	Purchase Agreement, dated as of September 10, 2021, by and among Salem Media Group, Inc., the subsidiary guarantors party thereto and the purchasers named therein (incorporated by reference to Exhibit 4.2 on Form 8-K filed on September 16, 2021).	8-K	000-26497	03/20/23	4.3	-
10.4	Form of 7.125% Senior Secured Note due 2028 (incorporated by reference to Exhibit 4.4 on Form 8-K filed on March 20, 2023).	8-K	000-26497	03/20/23	4.4	-
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 months ended March 31, 2023, formatted in XBRL (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.
May 9, 2023	By: /s/ DAVID P. SANTRELLA David P. Santrella Chief Executive Officer (Principal Executive Officer)
May 9, 2023	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: May 9, 2023

/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: May 9, 2023

/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 March 31, 2023 (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: May 9, 2023

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 March 31, 2023 (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: May 9, 2023

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