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 ENDEDJUNE 30, 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 August 1, 2023
Common Stock, $0.01 par value per share	21,663,091 shares

Class B	Outstanding at August 1, 2023
Common Stock, $0.01 par value per share	5,553,696 shares

SALEM MEDIA GROUP, INC.
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CERTAIN DEFINITIONS

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Salem makes “forward-looking statements” from time to time in both written reports (including this annual report) and oral statements, within the meaning of federal and state securities laws. Disclosures that use words such as the company “believes,” “anticipates,” “estimates,” “expects,” “intends,” “will,” “may,” “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)

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

	December 31, 2022 (Note 1)	**June 30, 2023 (Unaudited)**
ASSETS		
Current assets:		
Cash and cash equivalents	$ —	**$ 2**
Accounts receivable (net of allowances of $7,939 in 2022 and $8,438 in 2023)	30,756	**29,526**
Unbilled revenue	2,890	**2,403**
Income tax receivable	195	**349**
Other receivables (net of allowances of $586 in 2022 and $640 in 2023)	1,817	**1,878**
Inventories	1,513	**1,308**
Prepaid expenses	7,619	**9,328**
Assets held for sale	267	**1,267**
Total current assets	45,057	**46,061**
Notes receivable (net of allowance of $571 in 2022 and $473 in 2023)	922	**941**
Property and equipment (net of accumulated depreciation of $191,638 in 2022 and $196,340 in 2023)	81,296	**83,467**
Operating lease right-of-use assets	43,671	**44,547**
Financing lease right-of-use assets	63	**81**
Broadcast licenses	303,774	**299,724**
Goodwill	24,085	**23,499**
Amortizable intangible assets (net of accumulated amortization of $59,383 in 2022 and $60,075 in 2023)	2,149	**4,836**
Deferred financing costs	681	**56**
Other assets	3,424	**4,035**
Total assets	$ 505,122	**$ 507,247**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,539	**$ 4,096**
Accrued expenses	17,495	**16,321**
Accrued compensation and related expenses	10,298	**10,366**
Accrued interest	949	**1,027**
Contract liabilities	11,901	**13,283**
Deferred rent income	122	**118**
Current portion of operating lease liabilities	8,305	**9,920**
Current portion of financing lease liabilities	43	**50**
Current portion of long-term debt	8,958	**22,615**
Total current liabilities	64,610	**77,796**
Long-term debt, less current portion	150,367	**152,297**
Operating lease liabilities, less current portion	42,406	**42,380**
Financing (capital) lease liabilities, less current portion	39	**43**
Deferred income taxes	66,732	**63,901**
Contract liabilities, long-term	1,886	**3,836**
Deferred rent income, less current portion	3,659	**3,613**
Other long-term liabilities	66	**61**
Total liabilities	329,765	**343,927**
Commitments and contingencies (Note 13)		
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 June 30, 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 June 30, 2023, respectively	56	**56**
Additional paid-in capital	248,820	**249,031**
Accumulated deficit	(39,745)	**(51,993)**
Treasury stock, at cost (2,317,650 shares at December 31, 2022 and June 30, 2023)	(34,006)	**(34,006)**
Total stockholders' equity	175,357	**163,320**
Total liabilities and stockholders' equity	$ 505,122	**$ 507,247**

See accompanying notes

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2023**	2022	**2023**
Net broadcast revenue	$ 52,452	**$ 49,680**	$ 100,884	**$ 98,020**
Net digital media revenue	10,804	**10,860**	21,104	**21,370**
Net publishing revenue	5,426	**5,234**	9,303	**9,873**
Total net revenue	68,682	**65,774**	131,291	**129,263**
Operating expenses:				
Broadcast operating expenses, exclusive of depreciation and amortization shown below (including $453 and $586 for the three months ended June 30, 2022 and 2023, respectively, and $901 and $1,068 for the six months ended June 30, 2022 and 2023, respectively, paid to related parties)	41,538	**43,518**	79,659	**86,327**
Legal settlement	951	—	951	—
Digital media operating expenses, exclusive of depreciation and amortization shown below	8,273	**9,026**	16,746	**18,020**
Publishing operating expenses, exclusive of depreciation and amortization shown below	5,432	**6,026**	9,899	**11,402**
Unallocated corporate expenses exclusive of depreciation and amortization shown below (including $159 and $8 for the three months ended June 30, 2022 and 2023, respectively, and $168 and $17 for the six months ended June 30, 2022 and 2023, respectively, paid to related parties)	4,781	**4,655**	9,591	**9,651**
Debt modification costs	20	—	248	—
Depreciation	2,858	**2,874**	5,800	**5,724**
Amortization	332	**647**	666	**1,190**
Change in the estimated fair value of contingent earn-out consideration	—	—	(5)	**(2)**
Impairment of indefinite-lived long-term assets other than goodwill	3,935	**1,139**	3,935	**3,263**
Impairment of goodwill	127	**1,847**	127	**1,847**
Net (gain) loss on the disposition of assets	(6,893)	**143**	(8,628)	**122**
Total operating expenses	61,354	**69,875**	118,989	**137,544**
Operating income (loss)	7,328	**(4,101)**	12,302	**(8,281)**
Other income (expense):				
Interest income	149	**13**	149	**26**
Interest expense	(3,389)	**(3,539)**	(6,783)	**(6,970)**
Gain (loss) on early retirement of long-term debt	35	—	(18)	**(60)**
Earnings (loss) from equity method investment	3,913	**(19)**	3,913	**(11)**
Net miscellaneous income and (expenses)	(1)	**(9)**	—	**211**
Net income (loss) before income taxes	8,035	**(7,655)**	9,563	**(15,085)**
Benefit from income taxes	(1,082)	**(561)**	(1,293)	**(2,837)**
Net income (loss)	$ 9,117	**$ (7,094)**	$ 10,856	**$ (12,248)**
Basic income (loss) per share data:				
Basic income per share	$ 0.33	**$ (0.26)**	$ 0.39	**$ (0.45)**
Diluted income (loss) per share data:				
Diluted income per share	$ 0.33	**$ (0.26)**	$ 0.39	**$ (0.45)**
Basic weighted average shares outstanding	27,214,787	**27,216,787**	27,196,081	**27,216,787**
Diluted weighted average shares outstanding	27,570,881	**27,216,787**	27,590,644	**27,216,787**

See accompanying notes

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)**	**$180,150**
Stock-based compensation	—	—	—	—	68	—	—	68
Net income	—	—	—	—	—	9,117	—	**9,117**
Stockholders' equity, June 30, 2022	**23,978,741**	**$ 232**	**5,553,696**	**$ 56**	**$248,706**	**$ (25,653)**	**$(34,006)**	**$189,335**

	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)**	**$170,278**
Stock-based compensation	—	—	—	—	**136**	—	—	**136**
Net loss	—	—	—	—	—	**(7,094)**	—	**(7,094)**
Stockholders' equity, June 30, 2023	**23,980,741**	**$ 232**	**5,553,696**	**$ 56**	**$249,031**	**$ (51,993)**	**$(34,006)**	**$163,320**

See accompanying notes

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

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2023
OPERATING ACTIVITIES		
Net income (loss)	$ 10,856	**$ (12,248)**
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash stock-based compensation	174	**211**
Depreciation and amortization	6,466	**6,914**
Amortization of deferred financing costs	496	**835**
Non-cash lease expense	4,414	**4,600**
Accretion of acquisition-related deferred payments and contingent earn-out consideration	—	**9**
Provision for bad debts	(102)	**(1,060)**
Deferred income taxes	(1,204)	**(2,831)**
Change in the estimated fair value of contingent earn-out consideration	(5)	**(2)**
Impairment of indefinite-lived long-term assets other than goodwill	3,935	**3,263**
Impairment of goodwill	127	**1,847**
(Gain) loss on early retirement of long-term debt	18	**60**
Net (gain) loss on the disposition of assets	(8,628)	**122**
Changes in operating assets and liabilities:		
Accounts receivable and unbilled revenue	(5,314)	**2,649**
Income tax receivable	—	**(154)**
Inventories	(568)	**205**
Prepaid expenses and other current assets	(1,608)	**(1,709)**
Accounts payable and accrued expenses	5,162	**(585)**
Operating lease liabilities	(4,324)	**(3,861)**
Contract liabilities	(167)	**(1,688)**
Deferred rent income	(88)	**(27)**
Other liabilities	(518)	**(4)**
Income taxes payable	(1,322)	**—**
Net cash provided by (used in) operating activities	7,800	**(3,454)**
INVESTING ACTIVITIES		
Cash paid for capital expenditures net of tenant improvement allowances	(6,153)	**(5,279)**
Capital expenditures reimbursable under tenant improvement allowances and trade agreements	(52)	**(62)**
Purchases of broadcast assets and radio stations	(548)	**(5,535)**
Purchases of digital media businesses and assets	(190)	**(25)**
Return of equity investment in limited liability corporations	4,500	**—**
Equity investment in limited liability corporations	(3,500)	**(1,500)**
Proceeds from sale of assets	14,150	**3,500**
Other	106	**221**
Net cash provided by (used in) investing activities	8,313	**(8,680)**
FINANCING ACTIVITIES		
Proceeds from the issuance of 2028 Notes	—	**44,685**
Payments to repurchase 2024 Notes	(15,394)	**(38,966)**
Proceeds from borrowings under ABL Facility	26,229	**115,348**
Payments on ABL Facility	(26,219)	**(101,691)**
Payments of debt issuance costs	(37)	**(4,056)**
Payments of acquisition-related contingent earn-out consideration	—	**(30)**
Proceeds from the exercise of stock options	94	**—**
Payments on financing lease liabilities	(31)	**(30)**
Book overdraft	—	**(3,124)**
Net cash provided by (used in) financing activities	(15,358)	**12,136**
Net increase in cash and cash equivalents	755	**2**
Cash and cash equivalents at beginning of year	1,785	**—**
Cash and cash equivalents at end of period	$ 2,540	**$ 2**

See accompanying notes

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

	Six Months Ended June 30,	
	2022	2023
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Cash paid for interest, net of capitalized interest	$6,156	$5,965
Cash paid for interest on finance lease liabilities	$ 4	$ 2
Net cash paid for (received from) income taxes	$1,233	$ 148
Other supplemental disclosures of cash flow information:		
Barter revenue	$1,525	$1,552
Barter expense	$1,632	$1,580
Non-cash investing and financing activities:		
Capital expenditures reimbursable under tenant improvement allowances	$ 52	$ 62
Right-of-use assets acquired through operating leases	$5,569	$5,747
Right-of-use assets acquired through financing leases	$ 17	$ 39
Net assets and liabilities assumed in a non-cash acquisition	$ —	$5,020
Estimated present value of contingent-earn out consideration	$ 6	$ 529

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 15 – 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 and six months ended June 30, 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.

Equity Method Investment

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

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

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

The documentary motion picture, *2000 Mules*, was released in May 2022. We recorded $3.9 million of earnings from our equity investment in OPA. At June 30, 2022, we recorded a net receivable of $1.3 million from OPA that is included in other receivables in our Condensed Consolidated Balance sheet representing our share of profit from the documentary motion picture. As of June 30, 2023, the balance of that receivable was $43,000.

We monitor equity method investments for impairment and records a reduction in the carrying value if the carrying 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 June 30, 2023.

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; and
- 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 Form10-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 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 June 30, 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 March 2023, the FASB issued ASU2023-01, *Leases (Topic 842) – Common Control Arrangements*. The ASU amends the accounting for leasehold improvements in common control arrangements by requiring a lessee in a common control lease arrangement to amortize leasehold improvements that it owns over the improvements' useful life to the common control group, regardless of the lease term, if the lessee continues to control the use of the underlying asset through a lease. Further, a lessee that no longer controls the use of the underlying asset will derecognize the remaining carrying amount of the improvements through an adjustment to equity, reflecting the transfer of the asset to the lessor under common control. This ASU is effective for fiscal years beginning after December 15, 2023 (fiscal 2025), including interim periods within those fiscal years. Early adoption is permitted in any annual or interim period as of the beginning of the related fiscal year. We are evaluating the effect of adopting this new accounting guidance.

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 six-month period ended June 30, 2023, we completed or entered into the following transactions:

Related Party Transaction

On May 25, 2023, we closed on the sale to a related party the economic interests in the leases at our Greenville, South Carolina radio transmitter site for $3.5 million resulting in a pre-tax gain of $3.3 million.

Debt Transactions

Because the availability of our ABL Facility was less than $4.5 million during the quarter, we were required to test against the fixed charge coverage ratio covenant. The fixed charge coverage ratio was below the required 1.0 to 1.0 level during the quarter and therefore, we were not in compliance with that covenant. On August 7, 2023 we signed a forbearance whereby the bank agreed not to exercise remedies on the default during the month of August. Additionally, the notional amount of the revolver was reduced from $30.0 million to $25.0 million with a minimum availability of $1.0 million. Finally, the interest rate on the ABL Facility was increased by two percentage points effective July 1, 2023 through the date of the forbearance amendment.

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 June 30, 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 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. 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 on 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 six-month period ending June 30, 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

On June 29, 2023 we entered into an agreement to sell radio station KSAC-FM in Sacramento, California for $1.0 million subject to approval of the Federal Communications Commission (“FCC”). Radio station KSAC-FM will begin being programmed under a Time Brokerage Agreement (“TBA”) on August 1, 2023. Based on our plan to sell the station, we recorded an estimated pre-tax loss on the sale of assets of $3.3 million at June 30, 2023, reflecting the sales price as compared to the carrying value of the assets. The $1.0 million carrying value of the assets were reclassed as held for sale as of June 30, 2023. We expect to close the sale in the fourth quarter of this year.

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 FCC. The $0.3 million carrying value of the assets are included as held for sale as of June 30, 2023. Radio station KLFE-AM has been programmed under a TBA since August 1, 2022. The station sales closed in July 2023.

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NOTE 4. REVENUE RECOGNITION

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

	Six Months Ended June 30, 2023			
	Broadcast	Digital Media	Publishing	Consolidated
	(Dollars in thousands)			
By Source of Revenue:				
Block Programming – National	$ 26,979	$ —	$ —	$ 26,979
Block Programming – Local	11,917	—	—	11,917
Broadcast Programming Revenue	**38,896**	—	—	**38,896**
Spot Advertising – National	5,750	—	—	5,750
Spot Advertising – Local	19,554	—	—	19,554
Network Advertising	10,208	—	—	10,208
Broadcast Advertising Revenue	**35,512**	—	—	**35,512**
Infomercials	337	—	—	337
Other Revenue	4,149	—	—	4,149
Other Broadcast Revenue	**4,486**	—	—	**4,486**
Digital Advertising	15,244	7,967	—	23,211
Digital Streaming	3,112	1,693	—	4,805
Digital Downloads	89	3,757	—	3,846
Digital Subscriptions	418	7,873	—	8,291
Other Digital Revenue	263	80	—	343
Digital Revenue	**19,126**	**21,370**	—	**40,496**
Book Sales	—	—	5,541	5,541
Estimated Sales Returns & Allowances	—	—	(10)	(10)
Net Book Sales	—	—	5,531	5,531
E-Book Sales	—	—	496	496
Self-Publishing Fees	—	—	3,436	3,436
Other Publishing Revenue	—	—	410	410
Publishing Revenue	—	—	**9,873**	**9,873**
	$ 98,020	**$21,370**	**$ 9,873**	**$ 129,263**
Timing of Revenue Recognition				
Point in Time	$ 97,099	$21,370	$ 9,873	$ 128,342
Rental Income (1)	921	—	—	921
	$ 98,020	**$21,370**	**$ 9,873**	**$ 129,263**

	Six Months Ended June 30, 2022			
	Broadcast	Digital Media	Publishing	Consolidated
	(Dollars in thousands)			
By Source of Revenue:				
Block Programming – National	$ 26,399	$ —	$ —	$ 26,399
Block Programming – Local	12,049	—	—	12,049
Broadcast Programming Revenue	**38,448**	—	—	**38,448**
Spot Advertising – National	7,700	—	—	7,700
Spot Advertising – Local	21,552	—	—	21,552
Network Advertising	10,240	—	—	10,240
Broadcast Advertising Revenue	**39,492**	—	—	**39,492**
Infomercials	373	—	—	373
Other Revenue	4,484	—	—	4,484
Other Broadcast Revenue	**4,857**	—	—	**4,857**
Digital Advertising	14,112	9,088	—	23,200
Digital Streaming	2,492	1,798	—	4,290
Digital Downloads	387	3,797	—	4,184
Digital Subscriptions	503	6,343	—	6,846
Other Digital Revenue	593	78	—	671
Digital Revenue	**18,087**	**21,104**	—	**39,191**
Book Sales	—	—	6,204	6,204
Estimated Sales Returns & Allowances	—	—	(1,444)	(1,444)
Net Book Sales	—	—	4,760	4,760

	Six Months Ended June 30, 2022			
	Broadcast	Digital Media	Publishing	Consolidated
	(Dollars in thousands)			
E-Book Sales	—	—	625	625
Self-Publishing Fees	—	—	3,379	3,379
Other Publishing Revenue	—	—	539	539
Publishing Revenue	—	—	**9,303**	**9,303**
	$100,884	**$21,104**	**$ 9,303**	**$ 131,291**
Timing of Revenue Recognition				
Point in Time	$ 99,744	$21,104	$ 9,303	$ 130,151
Rental Income (1)	1,140	—	—	1,140
	$100,884	**$21,104**	**$ 9,303**	**$ 131,291**

(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.

Refer to Footnote 4 – Revenue Recognition of our annual report on Form10-K for the year ended December 31, 2022 for a description of each of our revenue streams under ASC 606.

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 June 30, 2023, our prepaid commission expense was $0.6 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	(6,978)	—
Additional amounts recognized during the period	14,942	3,329
Revenue recognized during the period that was recorded during the period	(7,961)	—
Transfers	1,379	(1,379)
Balance, end of period June 30, 2023	$ 13,283	$ 3,836
Amount refundable at beginning of period	$ 11,901	$ 1,886
Amount refundable at end of period	$ 13,283	$ 3,836

We expect to satisfy these performance obligations as follows:

For the Year Ended June 30,	Amount (Dollars in thousands)
2024	$ 13,283
2025	1,799
2026	1,197
2027	351
2028	100
Thereafter	389
	$ 17,119

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 July 1, 2023, and June 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 June 30,		Six Months Ended June 30,	
	2022	**2023**	2022	**2023**
	(Dollars in thousands)			
Net broadcast barter revenue	$ 679	$ **816**	$1,525	$**1,552**
Net broadcast barter expense	$ 873	$ **788**	$1,632	$**1,580**

NOTE 5. 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	**June 30, 2023**
	(Dollars in thousands)	
Buildings	$ 28,523	**$ 29,497**
Office furnishings and equipment	37,162	**37,497**
Antennae, towers and transmitting equipment	76,950	**78,850**
Studio, production, and mobile equipment	30,267	**30,801**
Computer software and website development costs	42,304	**43,717**
Automobiles	1,633	**1,625**
Leasehold improvements	19,131	**19,499**
	$ 235,970	**$ 241,486**
Less accumulated depreciation	(191,638)	**(196,340)**
	44,332	**$ 45,146**
Land	$ 27,070	**27,071**
Construction-in-progress	9,894	**11,250**
Property and Equipment, net	$ 81,296	**$ 83,467**

Depreciation expense was approximately $2.9 million for each of the three-month periods ended June 30, 2023 and 2022, and $5.7 million and $5.8 million for the six-month periods ended June 30, 2023 and 2022, respectively. 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 six months ended June 30, 2023.

NOTE 6. OPERATING AND FINANCE LEASE RIGHT-OF-USE ASSETS

Leasing Transactions

Refer to Footnote 7 – Operating and Finance Lease Right-Of-Use Assets of our annual report on Form 10-K for the year ended December 31, 2022 for a description of our leasing transactions under ASC 842.

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.

Balance Sheet

Supplemental balance sheet information related to leases is as follows:

	June 30, 2023		
	(Dollars in thousands)		
Operating Leases	Related Party	Other	Total
Operating leases ROU assets	$ 8,846	$35,701	$44,547
Operating lease liabilities (current)	$ 1,305	$ 8,615	$ 9,920
Operating lease liabilities (non-current)	7,849	34,531	42,380
Total operating lease liabilities	$ 9,154	$43,146	$52,300

Weighted Average Remaining Lease Term	
Operating leases	7.2 years
Finance leases	2.4 years
Weighted Average Discount Rate	
Operating leases	8.52%
Finance leases	7.74%

Lease Expense

The components of lease expense were as follows:

	Six Months Ended June 30, 2023
	(Dollars in thousands)
Amortization of finance lease ROU Assets	$ 21
Interest on finance lease liabilities	3
Finance lease expense	24
Operating lease expense	6,745
Variable lease expense	788
Short-term lease expense	258
Total lease expense	$ 7,815

Supplemental Cash Flow

Supplemental cash flow information related to leases was as follows:

	Six Months Ended June 30, 2023
	(Dollars in thousands)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 7,177
Operating cash flows from finance leases	2
Financing cash flows from finance leases	30
Leased assets obtained in exchange for new operating lease liabilities	$ 5,747
Leased assets obtained in exchange for new finance lease liabilities	39

Maturities

Future minimum lease payments under leases that had initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2023, are as follows:

	Operating Leases				
Future minimum lease	Related Party	Other	Total	Finance Leases	Total
			(Dollars in thousands)		
2024 (Jul-Dec)	$ 1,698	$ 10,324	$ 12,022	$ 53	$ 12,075
2025	2,052	9,885	11,937	25	11,962
2026	2,069	9,185	11,254	16	11,270
2027	1,817	6,387	8,204	7	8,211
2028	1,366	4,251	5,617	1	5,618
Thereafter	3,725	20,223	23,948	—	23,948
Undiscounted Cash Flows	$ 12,727	$ 60,255	$ 72,982	$ 102	$ 73,084
Less: imputed interest	(3,573)	(17,109)	(20,682)	(9)	(20,691)
Total	**$ 9,154**	**$ 43,146**	**$ 52,300**	**$ 93**	**$ 52,393**
Reconciliation to lease liabilities:					
Lease liabilities – current	$ 1,305	$ 8,615	$ 9,920	$ 50	$ 9,970
Lease liabilities – long-term	7,849	34,531	42,380	43	42,423
Total Lease Liabilities	**$ 9,154**	**$ 43,146**	**$ 52,300**	**$ 93**	**$ 52,393**

NOTE 7. 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.

As a result of changes in macroeconomic conditions and media industry reforecasts, we performed an interim review of broadcast licenses for impairment at June 30, 2023. We updated our 2022 year-end valuations for changes in the WACC and revenue forecasts as of the interim testing date. We performed an assessment of the amount by which the prior year estimated fair value exceeded the carrying value of the broadcast license and the year-to-date market revenues as compared to the forecasted market revenue used in the prior year valuation under the start-up income approach.

Impairment testing requires an estimate of the fair value of our indefinite-lived intangible assets. We believe that these estimates of fair value are critical accounting estimates as the value is significant in relation to our total assets and the estimates incorporate variables and assumptions based on our experiences and judgment about our future operating performance. Fair value measurements use significant unobservable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value, including assumptions about risk. If actual future results are less favorable than the assumptions and estimates used in our estimates, we are subject to future impairment charges, the amount of which may be material. The unobservable inputs are defined in FASB ASC Topic 820 “Fair Value Measurements and Disclosures” as Level 3 inputs discussed in detail in Note 11 – Fair Value Measurements.

Based on our assessment, we engaged Bond & Pecaro, an independent third-party appraisal and valuation firm, to assist us with determining the enterprise value of 25 of our market clusters. The estimated fair value of each market cluster was determined using the Greenfield Method, a form of the income approach. The premise of the Greenfield Method is that the value of a broadcast license is equivalent to a hypothetical start-up in which the only asset owned by the station as of the valuation date is the broadcast license. This approach eliminates factors that are unique to our operation of the station, including its format and historical financial performance. The method then assumes the entity has to purchase, build, or rent all of the other assets needed to operate a comparable station to the one in which the broadcast license is being utilized as of the valuation date. Cash flows are estimated and netted against all start-up costs, expenses and investments necessary to achieve a normalized and mature state of operations, thus reflecting only the cash flows directly attributable to the broadcast license. A multi-year discounted cash flow approach is then used to determine the net present value of these cash flows to derive an indication of fair value. For cash flows beyond the projection period, a terminal value is calculated using the Gordon constant growth model and long-term industry growth rate assumptions based on long-term industry growth and Gross Domestic Product (“GDP”) inflation rates.

The primary assumptions used in the Greenfield Method are:

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

(2) normalized market share,

(3) normalized profit margin,

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

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

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

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

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

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

Broadcast Licenses	December 31, 2022	**June 30, 2023**
Risk-adjusted discount rate	9.5%	**9.5%**
Operating profit margin ranges	3.9% - 30.4%%	**3.9% - 30.4%%**
Long-term revenue growth rates	0.4% - 0.8%	**0.4% - 0.8%**

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

Based on our review and analysis, we determined that the carrying value of broadcast licenses in two of our market clusters were impaired as of the interim testing period ending June 30, 2023. We recorded an impairment charge of $1.1 million to the value of broadcast licenses in Portland and San Francisco. The impairment charges were driven by decreases in revenue growth rates over those used in the year-end valuation forecasts. We believe that these factors are indicative of trends in the industry as a whole and not unique to our company or operations.

The table below presents the results of our interim impairment testing under the start-up income approach at June 30, 2023:

Market Cluster	Excess Fair Value June 30, 2023
Boston, MA	12.7%
Chicago, IL	0.2%
Cleveland, OH	7.5%
Columbus, OH	11.4%
Dallas, TX	7.1%
Denver, CO	857.2%
Detroit, MI	45.6%
Greenville, SC	5.2%
Honolulu, HI	12.3%
Houston, TX	2,318.6%
Little Rock, AR	7.0%
Los Angeles, CA	31.3%
Nashville, TN	457.2%
New York, NY	2.1%
Orlando FL	14.1%
Philadelphia, PA	31.2%
Phoenix, AZ	49.7%
Pittsburgh, PA	197.6%
Portland, OR	(3.0)%
Sacramento, CA	15.7%
San Antonio, TX	279.1%
San Francisco, CA	(1.9)%
Seattle, WA	85.5%
Tampa, FL	18.0%
Washington, D.C.	150.3%

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	**Six Months Ended June 30, 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)	**(4,329)**
Loss on impairment	(13,985)	**(3,263)**
Balance, end of period after cumulative loss on impairment	$ 303,774	**$ 299,724**
Balance, end of period before cumulative loss on impairment	$ 429,890	**$ 424,865**
Accumulated loss on impairment, end of period	(126,116)	**(125,141)**
Balance, end of period after cumulative loss on impairment	$ 303,774	**$ 299,724**

NOTE 8. GOODWILL

We account for goodwill in accordance with FASB ASC Topic 350 *Intangibles—Goodwill and Other*. We do not amortize goodwill, but rather test for impairment annually or more frequently if events or circumstances indicate that an asset may be impaired. We perform our annual impairment testing during the fourth quarter of each year, which coincides with our budget and planning process for the upcoming year.

As a result of changes in macroeconomic conditions and revenue forecasts, we performed an interim review of goodwill for impairment at June 30, 2023. We assessed a variety of factors, including forecasts for the remainder of 2023 and the amount by which the prior estimated fair value exceeded the carrying value including goodwill.

Based on our qualitative review, we tested one market for goodwill impairment. We engaged Bond & Pecaro, an independent appraisal and valuation firm, to assist us in estimating the enterprise value of Townhall.com® to test goodwill for impairment. The enterprise valuation assumes that the subject assets are installed as part of an operating business rather than as a hypothetical start-up.

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

Broadcast Markets Enterprise Valuations	December 31, 2022	June 30, 2023
Risk-adjusted discount rate	10.5%	**10.5%**
Operating profit margin ranges	0.9% – 5.3%	**(1.5)% – 3.0%**
Long-term revenue growth rates	0.6%	**0.6%**

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

Based on our review and analysis, we recorded an impairment charge of $1.8 million to the carrying value of goodwill associated with Townhall.com® at June 30, 2023. The impairment charge was driven by the decreased revenue growth rates within the industry over those used in the year-end valuation forecasts. We believe that this decrease is indicative of trends in the industry as a whole and not unique to our company or operations.

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

Goodwill	Twelve Months Ended December 31, 2022	Six Months Ended June 30, 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)	**(1,847)**
Ending period balance	$ 24,085	**$ 23,499**
Balance, end of period before cumulative loss on impairment	28,976	**30,237**
Accumulated loss on impairment	(4,891)	**(6,738)**
Ending period balance	$ 24,085	**$ 23,499**

NOTE 9. AMORTIZABLE INTANGIBLE ASSETS

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

	As of June 30, 2023		
	Cost	Accumulated Amortization	Net
		(Dollars in thousands)	
Customer lists and contracts	**$24,186**	**$ (23,424)**	**$ 762**
Domain and brand names	**20,696**	**(19,871)**	**825**
Favorable and assigned leases	**1,479**	**(1,479)**	—
Subscriber base and lists	**10,416**	**(8,820)**	**1,596**
Author relationships	**3,070**	**(2,821)**	**249**
Non-compete agreements	**3,653**	**(2,269)**	**1,384**
Other amortizable intangible assets	**1,411**	**(1,391)**	**20**
	$64,911	**$ (60,075)**	**$4,836**

	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 $0.6 million and $0.3 million for the three-month periods ended June 30, 2023 and 2022, respectively and $1.2 million and $0.7 million for the six-month periods ended June 30, 2023 and 2022, respectively. Based on the amortizable intangible assets held at of June 30, 2023, we estimate amortization expense for the next five years to be as follows:

Year Ended December 31,	Amortization Expense
	(Dollars in thousands)
2023 (July – Dec)	$ 1,046
2024	1,686
2025	1,500
2026	361
2027	231
Thereafter	12
Total	$ 4,836

NOTE 10. 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	**June 30, 2023**
	(Dollars in thousands)	
2028 Notes	$ 114,731	**$ 159,416**
Less unamortized discount and debt issuance costs	(3,253)	(7,119)
2028 Notes, net carrying value	111,478	**152,297**
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	**22,615**
Long-term debt less unamortized discount and debt issuance costs	$ 159,325	**$ 174,912**
Less current portion	8,958	**22,615**
Long-term debt less unamortized discount and debt issuance costs, net of current portion	$ 150,367	**$ 152,297**

(1) As of June 30, 2023, the Asset-Based Revolving Credit Facility ("ABL"), had a borrowing base of $25.1 million, $22.6 million in outstanding borrowings, and $0.3 million of outstanding letters of credit, resulting in a $2.2 million borrowing base availability.

Our weighted average interest rate was 6.85% and 7.12% at December 31, 2022, and June 30, 2023, respectively.

In addition to the outstanding amounts listed above, we also have interest obligations related to our long-term debt as follows as of June 30, 2023:

- $159.4 million aggregate principal amount of 2028 Notes with semi-annual interest payments at an annual rate of 7.125%;
- $22.6 million 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 June 30, 2023, we are required to pay $11.4 million per year in interest. As of June 30, 2023, accrued and unpaid interest on the 2028 Notes was $1.0 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 June 30, 2023, we were, and we remain, in compliance with all of the covenants under the indenture.

We recorded debt issuance costs of $9.2 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 and six months ended June 30, 2023, $0.4 million and $0.8 million, respectively, of debt issuance costs and delayed draw fees associated with the Notes were amortized to interest expense. During the three and six months ended June 30, 2022, $0.2 million and $0.4 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 issued6.75% 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 and six months ended June 30, 2023, $0 and $20,000, respectively, of debt issuance costs associated with the Notes was amortized to interest expense. During the three and six months ended June 30, 2022, $45,000 and $0.1 million, 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 being 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 June 30, 2023, the amount available under the ABL Facility was $25.1 million of which $22.6 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.

Because the availability was less than $4.5 million during the quarter, we were required to test against the fixed charge coverageratio covenant. The fixed charge coverage ratio was below the required 1.0 to 1.0 level during the quarter and therefore, we were not in compliance with that covenant. On August 7, 2023 we signed a forbearance whereby the bank agreed not to exercise remedies on the default during the month of August. Additionally, the notional amount of the revolver was reduced from $30.0 million to $25.0 million with a minimum availability of $1.0 million. Finally, the interest rate on the ABL Facility was increased by two percentage points effective July 1, 2023 through the date of the forbearance amendment.

We recorded debt issue costs of $1.0 million as an asset being amortized to non-cash interest expense over the term of the ABL Facility using the effective interest method. During the three and six months ended June 30, 2023, $23,000 and $0.1 million, respectively, of debt issuance costs associated with the ABL Facility was amortized to interest expense. During the three and six months ended June 30, 2022, $28,000 and $0.1 million, respectively, of debt issuance costs associated with the ABL Facility was amortized to interest expense. At June 30, 2023, the blended interest rate on amounts outstanding under the ABL Facility was 7.74%.

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 June 30, 2023 for each of the next five years and thereafter are as follows:

For the Year Ended June 30,	Amount (Dollars in thousands)
2024	$ 22,615
2025	—
2026	—
2027	—
2028	159,416
Thereafter	—
	$ 182,031

NOTE 11. FAIR VALUE MEASUREMENTS

As of June 30, 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 June 30, 2023 was $159.4 million compared to the estimated fair value of $150.6 million, based on the prevailing interest rates and trading activity of our Notes.

We have certain assets that are measured at fair value on a non-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:

	June 30, 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	**$ 529**	—	—	$ 529
Long-term debt less unamortized discount and debt issuance costs	**174,912**	—	168,834	—

NOTE 12. 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 for 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 June 30, 2023 deferred tax assets.

During the interim period ended June 30, 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 13. 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 14. 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 and six-month periods ended June 30, 2023 and 2022:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2023	2022	2023
	(Dollars in thousands)		*(Dollars in thousands)*	
Stock option compensation expense included in unallocated corporate expenses	$ 34	**$ 83**	$ 36	**$ 118**
Restricted stock shares compensation expense included in corporate expenses	—	—	54	—
Stock option compensation expense included in broadcast operating expenses	19	**35**	49	**61**
Stock option compensation expense included in digital media operating expenses	15	**16**	35	**29**
Stock option compensation expense included in publishing operating expenses	—	**2**	—	**3**
Total stock-based compensation expense, pre-tax	$ 68	**$ 136**	$ 174	**$ 211**
Tax expense for stock-based compensation expense	(18)	**(35)**	(45)	**(55)**
Total stock-based compensation expense, net of tax	$ 50	**$ 101**	$ 129	**$ 156**

The weighted-average assumptions used to estimate the fair value of the stock options using the Black-Scholes valuation model were as follows for the three and six-month periods ended June 30, 2023 and 2022:

	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022	Three Months Ended June 30, 2023	Six Months Ended June 30, 2023
Expected volatility	n/a	84.69%	**n/a**	**87.94%**
Expected dividends	n/a	0.00%	**n/a**	**0.00%**
Expected term (in years)	n/a	9.5	**n/a**	**8.4**
Risk-free interest rate	n/a	1.61%	**n/a**	**3.69%**

Activity with respect to our option awards during the six-month period ended June 30, 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	(123,247)	4.90	1.43		—
Outstanding at June 30, 2023	**2,832,593**	**1.88**	**1.07**	**5.8 years**	**$ —**
Exercisable at June 30, 2023	**1,079,843**	**2.76**	**1.20**	**2.9 years**	**—**
Expected to Vest	**1,664,236**	**1.90**	**1.07**	**5.7 years**	**$ —**

Activity with respect to our restricted stock awards during the six-month period ended June 30, 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 June 30, 2023	**14,854**	**3.66**	**0.7**	**$ 14**

The aggregate intrinsic value represents the difference between the company's closing stock price on June 30, 2023 of $0.96 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 June 30, 2023 and 2022, was $0.1 million and $0.3 million, respectively.

As of June 30, 2023, there was $1.2 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 3.1 years.

NOTE 15. 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 3,100 affiliated radio stations throughout the United States, including several of our Salem-owned stations. SRN™ operates five divisions, SRN™ Talk, SRN™ News, SRN™ Websites, SRN™ Satellite Services and Salem Music Network that includes Today's Christian Music ("TCM").

Salem Media Representatives ("SMR") is our national advertising sales firm with offices in 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 June 30, 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 June 30, 2023					
Net revenue	$ 49,680	$10,860	$ 5,234	$ —	$ 65,774
Operating expenses	43,518	9,026	6,026	4,655	63,225
Net operating income (loss) before depreciation, amortization, impairments, and net (gain) loss on the disposition of assets	$ 6,162	$ 1,834	$ (792)	$ (4,655)	$ 2,549

	Broadcast	Digital Media	Publishing	Unallocated Corporate Expenses	Consolidated
	(Dollars in thousands)				
Depreciation	**1,630**	**1,006**	**60**	**178**	**2,874**
Amortization	**2**	**620**	**25**	—	**647**
Impairment of indefinite-lived long-term assets other than goodwill	**1,139**	—	—	—	**1,139**
Impairment of goodwill	—	**1,847**	—	—	**1,847**
Net (gain) loss on the disposition of assets	**142**	—	—	**1**	**143**
Net operating income (loss)	**$ 3,249**	**$ (1,639)**	**$ (877)**	**$ (4,834)**	**$ (4,101)**
Three Months Ended June 30, 2022					
Net revenue	$ 52,452	$10,804	$ 5,426	$ —	$ 68,682
Operating expenses	41,538	8,273	5,432	4,781	60,024
Net operating income (loss) before legal settlement, debt modification costs, depreciation, amortization, impairments, and net (gain) loss on the disposition of assets	$ 10,914	$ 2,531	$ (6)	$ (4,781)	$ 8,658
Legal settlement	951	—	—	—	951
Debt modification costs	—	—	—	20	20
Depreciation	1,530	979	89	260	2,858
Amortization	4	328	—	—	332
Impairment of indefinite-lived long-term assets other than goodwill	3,935	—	—	—	3,935
Impairment of goodwill	127	—	—	—	127
Net (gain) loss on the disposition of assets	(6,919)	(1)	—	27	(6,893)
Net operating income (loss)	$ 11,286	$ 1,225	$ (95)	$ (5,088)	$ 7,328

	Broadcast	Digital Media	Publishing	Unallocated Corporate Expenses	Consolidated
	(Dollars in thousands)				
Six Months Ended June 30, 2023					
Net revenue	**$ 98,020**	**$21,370**	**$ 9,873**	$ —	**$ 129,263**
Operating expenses	**86,327**	**18,020**	**11,402**	**9,651**	**125,400**
Net operating income (loss) before depreciation, amortization, change in the estimated fair value of contingent earn-out consideration, impairments, and net (gain) loss on the disposition of assets	**$ 11,693**	**$ 3,350**	**$ (1,529)**	**$ (9,651)**	**$ 3,863**
Depreciation	**3,185**	**2,032**	**123**	**384**	**5,724**
Amortization	**2**	**1,138**	**50**	—	**1,190**
Change in the estimated fair value of contingent earn-out consideration	—	**(2)**	—	—	**(2)**
Impairment of indefinite-lived long-term assets other than goodwill	**3,263**	—	—	—	**3,263**
Impairment of goodwill	—	**1,847**	—	—	**1,847**
Net (gain) loss on the disposition of assets	**120**	—	—	**2**	**122**
Net operating income (loss)	**$ 5,123**	**$ (1,665)**	**$ (1,702)**	**$ (10,037)**	**$ (8,281)**
Six Months Ended June 30, 2022					
Net revenue	$100,884	$21,104	$ 9,303	$ —	$ 131,291
Operating expenses	79,659	16,746	9,899	9,591	115,895
Net operating income (loss) before legal settlement, debt modification costs, depreciation, amortization, impairments, and net (gain) loss on the disposition of assets	$ 21,225	$ 4,358	$ (596)	$ (9,591)	$ 15,396
Legal settlement	951	—	—	—	951
Debt modification costs	—	—	—	248	248
Depreciation	3,186	1,920	169	525	5,800
Amortization	8	658	—	—	666
Change in the estimated fair value of contingent earn-out consideration	—	(5)	—	—	(5)
Impairment of indefinite-lived long-term assets other than goodwill	3,935	—	—	—	3,935
Impairment of goodwill	127	—	—	—	127
Net (gain) loss on the disposition of assets	(8,657)	(1)	—	30	(8,628)
Net operating income (loss)	$ 21,675	$ 1,786	$ (765)	$ (10,394)	$ 12,302

	Broadcast	Digital Media	Publishing	Unallocated Corporate	Consolidated
			(Dollars in thousands)		
As of June 30, 2023					
Inventories, net	$ —	$ —	**$ 1,308**	**$ —**	**$ 1,308**
Property and equipment, net	**66,336**	**7,340**	**471**	**9,320**	**83,467**
Broadcast licenses	**299,724**	—	—	—	**299,724**
Goodwill	**2,702**	**19,351**	**1,446**	—	**23,499**
Amortizable intangible assets, net	—	**4,587**	**249**	—	**4,836**
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 16. SUBSEQUENT EVENTS

On July 21, 2023 we sold radio station KNTS-AM in Seattle, Washington for $0.2 million.

On July 13, 2023 we sold radio station KLFE-AM in Seattle, Washington for $0.5 million.

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 six months ended June 30, 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 14.4% and 18.3%, respectively, of our total net broadcast advertising revenue during the six-month period ended June 30, 2023 compared to 12.7% and 18.5%, 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 June 30,		Six Months Ended June 30,	
	2022	2023	2022	2023
	(Dollars in thousands)			
Reconciliation of Net Broadcast Revenue to Same Station Net Broadcast Revenue				
Net broadcast revenue	$ 52,452	**$ 49,680**	$ 100,884	**$ 98,020**
Net broadcast revenue – acquisitions	—	**(293)**	—	**(498)**
Net broadcast revenue – dispositions	(68)	**(27)**	(115)	**(24)**
Net broadcast revenue – format change	—	**—**	—	**—**
Same Station net broadcast revenue	$ 52,384	**$ 49,360**	$ 100,769	**$ 97,498**
Reconciliation of Broadcast Operating Expenses to Same Station Broadcast Operating Expenses				
Broadcast operating expenses	$ 41,538	**$ 43,518**	$ 79,659	**$ 86,327**
Broadcast operating expenses – acquisitions	—	**(872)**	(15)	**(1,531)**
Broadcast operating expenses – dispositions	(54)	**(73)**	(79)	**(98)**
Broadcast operating expenses – format change	—	**—**	—	**—**
Same Station broadcast operating expenses	$ 41,484	**$ 42,573**	$ 79,565	**$ 84,698**
Reconciliation of Operating Income to Same Station Operating Income				
Station Operating Income	$ 10,914	**$ 6,162**	$ 21,225	**$ 11,693**
Station operating (income) loss –acquisitions	—	**579**	15	**1,033**
Station operating (income) loss – dispositions	(14)	**46**	(36)	**74**
Station operating loss – format change	—	**—**	—	**—**
Same Station – Station Operating Income	$ 10,900	**$ 6,787**	$ 21,204	**$ 12,800**

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 June 30,		Six Months Ended June 30,	
	2022	2023	2022	2023
	(Dollars in thousands)			
Calculation of Station Operating Income, Digital Media Operating Income and Publishing Operating Loss				
Net broadcast revenue	$ 52,452	**$ 49,680**	$100,884	**$ 98,020**
Less broadcast operating expenses	(41,538)	**(43,518)**	(79,659)	**(86,327)**
Station Operating Income	$ 10,914	**$ 6,162**	$ 21,225	**$ 11,693**
Net digital media revenue	$ 10,804	**$ 10,860**	$ 21,104	**$ 21,370**
Less digital media operating expenses	(8,273)	**(9,026)**	(16,746)	**(18,020)**
Digital Media Operating Income	$ 2,531	**$ 1,834**	$ 4,358	**$ 3,350**
Net publishing revenue	$ 5,426	**$ 5,234**	$ 9,303	**$ 9,873**
Less publishing operating expenses	(5,432)	**(6,026)**	(9,899)	**(11,402)**
Publishing Operating Loss	$ (6)	**$ (792)**	$ (596)	**$ (1,529)**

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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2023	2022	2023
	(Dollars in thousands)			
Reconciliation of Net Income (Loss) to Operating Income and Station Operating Income, Digital Media Operating Income and Publishing Operating Loss				
Net income (loss)	$ 9,117	**$(7,094)**	$10,856	**$(12,248)**
Plus benefit from income taxes	(1,082)	**(561)**	(1,293)	**(2,837)**
Plus net miscellaneous income and (expenses)	1	**9**	—	**(211)**
Plus (gain) loss on early retirement of long-term debt	(35)	**—**	18	**60**
Plus (earnings) loss from equity method investment	(3,913)	**19**	(3,913)	**11**
Plus interest expense, net of capitalized interest	3,389	**3,539**	6,783	**6,970**
Less interest income	(149)	**(13)**	(149)	**(26)**
Net operating income (loss)	$ 7,328	**$(4,101)**	$12,302	**$ (8,281)**
Plus net (gain) loss on the disposition of assets	(6,893)	**143**	(8,628)	**122**
Plus change in the estimated fair value of contingent earn-out consideration	—	**—**	(5)	**(2)**
Plus legal settlement	951	**—**	951	**—**
Plus debt modification costs	20	**—**	248	**—**
Plus impairment of indefinite-lived long-term assets other than goodwill	3,935	**1,139**	3,935	**3,263**
Plus impairment of goodwill	127	**1,847**	127	**1,847**
Plus depreciation and amortization	3,190	**3,521**	6,466	**6,914**
Plus unallocated corporate expenses	4,781	**4,655**	9,591	**9,651**
Combined Station Operating Income, Digital Media Operating Income and Publishing Operating Loss	$13,439	**$ 7,204**	$24,987	**$ 13,514**
Station Operating Income	$10,914	**$ 6,162**	$21,225	**$ 11,693**
Digital Media Operating Income	2,531	**1,834**	4,358	**3,350**
Publishing Operating Loss	(6)	**(792)**	(596)	**(1,529)**
Combined Station Operating Income, Digital Media Operating Income and Publishing Operating Loss	$13,439	**$ 7,204**	$24,987	**$ 13,514**

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 June 30,		Six Months Ended June 30,	
	2022	2023	2022	2023
	(Dollars in thousands)			
Reconciliation of Adjusted EBITDA to EBITDA to Net Income (Loss)				
Net income (loss)	$ 9,117	**$(7,094)**	$10,856	**$(12,248)**
Plus interest expense, net of capitalized interest	3,389	**3,539**	6,783	**6,970**
Plus benefit from income taxes	(1,082)	**(561)**	(1,293)	**(2,837)**
Plus depreciation and amortization	3,190	**3,521**	6,466	**6,914**
Less interest income	(149)	**(13)**	(149)	**(26)**
EBITDA	$14,465	**$ (608)**	$22,663	**$ (1,227)**
Plus net (gain) loss on the disposition of assets	(6,893)	**143**	(8,628)	**122**
Plus change in the estimated fair value of contingent earn-out consideration	—	**—**	(5)	**(2)**
Plus debt modification costs	20	**—**	248	**—**
Plus impairment of indefinite-lived long-term assets other than goodwill	3,935	**1,139**	3,935	**3,263**
Plus impairment of goodwill	127	**1,847**	127	**1,847**
Plus net miscellaneous (income) and expenses	1	**9**	—	**(211)**
Plus (gain) loss on early retirement of long-term debt	(35)	**—**	18	**60**
Plus non-cash stock-based compensation	68	**136**	174	**211**
Adjusted EBITDA	$11,688	**$ 2,666**	$18,532	**$ 4,063**

RESULTS OF OPERATIONS

The following factors affected our results of operations and cash flows for the three months ended June 30, 2023 as compared to the same period of the prior year:

As a result of declining revenue growth projections forecasted by industry analysts, we performed an interim review of broadcast licenses for impairment at June 30, 2023. Based on our review and analysis, we determined that the carrying value of broadcast licenses in two of our market clusters were impaired as of the interim testing period ending June 30, 2023. We recorded an impairment charge of $1.1 million to the value of broadcast licenses in Portland and San Francisco.

As a result of changes in macroeconomic conditions and revenue reforecasts, we performed an interim review of goodwill for impairment at June 30, 2023. Based on our review and analysis, we recorded an impairment charge of $1.8 million to goodwill in Townhall.com® at June 30, 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 May 25, 2023, we closed on the sale to a related party the economic interests in the leases at our Greenville, South Carolina radio transmitter site for $3.5 million resulting in a pre-tax gain of $3.3 million.
- 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 June 27, 2022, we closed on the sale of 9.3 acres of land in the Denver area for $8.2 million resulting in a pre-tax gain of $6.5 million.
- On May 25, 2022, we closed on the sale of radio stations WFIA-AM, WFIA-FM and WGTK-AM in Louisville, Kentucky for $4.0 million with credits applied from amounts previously paid, including a portion of the monthly fees paid under a TBA. We recorded a pre-tax gain of $0.5 million.
- On May 2, 2022, we closed on the acquisition of websites and related assets of Retirement Media for $0.2 million in cash. We recorded goodwill of approximately $2,400 associated with the expected synergies to be realized upon combining the operations into our digital media platform within Eagle Financial Publications. The accompanying Condensed Consolidated Statement of Operations reflects the operating results of this entity as of the closing date within our digital media segment.
- On February 15, 2022, we closed on the acquisition of radio station WLCC-AM and an FM translator in the Tampa, Florida market for $0.6 million 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 10 – Long-Term Debt of our Condensed Consolidated Financial Statements included in Part 1 of this quarterly report on Form 10-Q.

Three months ended June 30, 2023 compared to the three months ended June 30, 2022

Net Broadcast Revenue

	Three Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Broadcast Revenue	$52,452	**$49,680**	$(2,772)	(5.3)%	76.4%	**75.5%**
Same Station Net Broadcast Revenue	$52,384	**$49,360**	$(3,024)	(5.8)%		

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

	Three Months Ended June 30,			
	2022		**2023**	
	(Dollars in thousands)			
Block Programming:				
National	$13,340	25.4%	**$13,453**	**27.1%**
Local	5,876	11.2%	**5,900**	**11.9%**
	19,216	36.6%	**19,353**	**39.0%**
Broadcast Advertising:				
National	4,059	7.7%	**2,861**	**5.8%**
Local	11,269	21.5%	**10,127**	**20.4%**
	15,328	29.2%	**12,988**	**26.2%**
Station Digital (local)	9,881	18.9%	**9,937**	**20.0%**
Infomercials	182	0.4%	**154**	**0.3%**
Network	5,409	10.3%	**5,094**	**10.3%**
Other Revenue	2,436	4.6%	**2,154**	**4.3%**
Net Broadcast Revenue	$52,452	100%	**$49,680**	**100.0%**

Block programming revenue increased 0.7% to $19.4 million from $19.2 million, due to increases in rates during our 2023 annual renewals 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 News Talk format radio stations increased $0.1 million and our Christian Teaching and Talk radio stations increased $0.1 million. Local programming remained consistent, including a $0.1 million increase from our remaining radio station formats that was offset by a $0.1 million decrease from our News Talk format radio stations.

Advertising revenue, net of agency commissions, or net advertising revenue, decreased 15.3%, or $2.3 million, to $13.0 million from $15.3 million, driven by a 29.5% decrease in national spots and a 10.1% decrease in local spots. The decrease reflects the impact of political revenue, which generated $0.1 million of revenue ($0.1 million local) in 2023 compared to $1.0 million ($0.5 million national and $0.5 million local) in 2022, or a decrease of $0.9 million. Excluding the impact of political revenue, net advertising revenue declined 9.9% to $12.9 million from $14.3 million. Revenue from our Contemporary Christian Music format radio stations was $5.8 million compared to $6.4 million in the prior year, a decrease of $0.6 million. Revenue from our News Talk format stations was $4.0 million compared to $4.6 million in the prior year, a decrease of $0.6 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 that was offset by an increase of $0.1 million from our remaining radio station formats. 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 0.6%, or $0.1 million. The increase includes, a $0.7 million increase due to higher demand for digital marketing services through Salem Surround, a $0.5 million increase from Salem Podcast Network and a $0.2 million increase from Salem News Channel that was offset by a $0.7 million decrease in SalemNOW that received distribution fees from the documentary motion picture that we invested in the prior year, a $0.4 million decrease in streaming revenue and digital advertising revenue from our station websites and a $0.2 million decrease from our network. 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, decreased 5.8%, or $0.3 million, primarily due to the $0.3 million decrease in political advertising.

Other revenue decreased 11.6%, or $0.3 million including a $0.1 million decrease in event revenue, a $0.1 million decrease in rental income and a $0.1 million decrease in listener purchase program revenue from lower half price tuition sales. 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 $3.0 million, which reflects these items net of the impact of station acquisitions and dispositions.

Net Digital Media Revenue

	Three Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Digital Media Revenue	$10,804	**$10,860**	$ 56	0.5%	15.7%	**16.5%**

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 June 30,			
	2022		**2023**	
	(Dollars in thousands)			
Digital Advertising, net	$ 4,549	42.1%	**$ 4,064**	**37.4%**
Digital Streaming	897	8.3	**832**	**7.7**
Digital Subscriptions	3,191	29.5	**3,890**	**35.8**
Digital Downloads	2,047	19.0	**1,912**	**17.6**
Other Revenues	120	1.1	**162**	**1.5**
Net Digital Media Revenue	$10,804	100.0%	**$10,860**	**100%**

Digital advertising revenue net of agency commissions, or national net digital revenue, decreased 10.7%, or $0.5 million, primarily due to a $0.5 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 7.2%, or $0.1 million, based on decreased demand for content available from our Christian websites. There were no significant changes in rates.

Digital subscription revenue increased 21.9%, or $0.7 million, including a $0.8 million increase from Eagle Financial Publications from new subscriptions generated from the newly acquired George Gilder Report and DayTradeSPY and a $0.1 million increase from Townhall VIP that was offset with a $0.2 million decrease from Salem Web Network. There were no significant changes in rates as compared to the same period of the prior year.

Digital download revenue decreased 6.6%, or $0.1 million, due to a lower 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 slightly increased in volume with no changes in rates over the same period of the prior year.

Net Publishing Revenue

	Three Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Publishing Revenue	$5,426	**$5,234**	$ (192)	(3.5)%	7.9%	**8.0%**

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

	Three Months Ended June 30,			
	2022		**2023**	
	(Dollars in thousands)			
Book Sales	$3,643	67.1%	**$2,677**	**51.1%**
Estimated Sales Returns & Allowances	(609)	(11.2)	**479**	**9.2**
Net Book Sales	3,034	55.9%	**3,156**	**60.3%**
E-Book Sales	338	6.3	**227**	**4.3**
Self-Publishing Fees	1,652	30.4	**1,590**	**30.4**
Other Revenue	402	7.4	**261**	**5.0**
Net Publishing Revenue	$5,426	100.0%	**$5,234**	**100.0%**

Net book sales increased 4.0%, or $0.1 million, which includes a $0.1 million increase from Salem Author Services while Regnery® Publishing slightly decreased, as book sales reflect a 28% decrease in volume and a 3% decrease in the average price per unit sold. Book sales through Regnery® Publishing are directly attributable to the number and popularity of titles released each period and the composite mix of titles available. Revenues vary significantly from period to period based on the book release date and the number and popularity of titles. The improvement of $1.1 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 32.8%, or $0.1 million, due to a 19% decrease in the average price per unit sold and a 17% decrease in sales volume. E-book sales can also vary based on the composite mix of titles released and available in each period. Revenues can vary significantly based on 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 decreased 3.8%, or $0.1 million, due to a decrease 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 decreased 35.1%, or $0.1 million, due to lower demand resulting in lower sales volume. There were no changes in volume or rates.

Broadcast Operating Expenses

	Three Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Broadcast Operating Expenses	$41,538	**$43,518**	$ 1,980	4.8%	60.5%	**66.2%**
Same Station Broadcast Operating Expenses	$41,484	**$42,573**	$ 1,089	2.6%		

Broadcast operating expenses increased 4.8%, or $2.0 million, including a $0.9 million increase from broadcast entities, a $0.5 million increase from the launch of Salem News Channel in 2022, a $0.3 million increase from Salem Surround and a $0.2 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 $0.9 million from our broadcast entities includes a $0.8 million increase in employee-related expenses including $0.1 million in employee benefits, a $0.4 million increase in bad debt expense, and a $0.3 million in lease expense, that were offset by a $0.3 million decrease in travel and entertainment and a $0.2 million decrease in professional services expenses.

On a Same-Station basis, broadcast operating expenses increased 2.6%, or $1.1 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.

Legal Settlement

	Three Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Legal Settlement	$951	**$—**	$ (951)	**(100.0)%**	1.4%	**— %**

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

Digital Media Operating Expenses

	Three Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Digital Media Operating Expenses	$8,273	**$9,026**	$ 753	9.1%	12.0%	**13.7%**

Digital media operating expenses increased 9.1%, or $0.8 million, including a $0.2 million increase in employee related costs, a $0.2 million increase in advertising and promotional expenses due to increased e-mail marketing efforts to increase subscriptions, a $0.1 million increase in software and streaming costs, a $0.1 million increase in royalties and a $0.1 million increase in professional services expenses.

Publishing Operating Expenses

	Three Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Publishing Operating Expenses	$5,432	**$6,026**	$ 594	10.9%	7.9%	**9.2%**

Publishing operating expenses increased 10.9%, or $0.6 million, including a $0.2 million increase in employee related costs, a $0.1 million increase in the cost of sales, a $0.1 million increase in royalties and a $0.1 million increase in professional services expenses. The increase in cost of sales primarily relates to Salem Author Services primarily due to increased paper costs. The gross profit margin for Regnery® Publishing declined to 0% from 38% as sales volume decreased and inventory obsolescence reserve increased. 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 decreased to 74% from 79% due to higher print costs.

Unallocated Corporate Expenses

	Three Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Unallocated Corporate Expenses	$4,781	**$4,655**	$ (126)	(2.6)%	7.0%	**7.1%**

Unallocated corporate expenses include shared services, such as accounting and finance, human resources, legal, tax, and treasury, that are not directly attributable to any one of our operating segments. The decrease of 2.6%, or $0.1 million, includes a $0.2 million decrease in travel and entertainment expenses, a $0.1 million decrease in franchise tax, and a $0.1 million decrease in acquisition-related expenses that was offset by a $0.3 million increase in professional services expenses.

Debt Modification Costs

	Three Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Debt Modification Costs	$ 20	**$—**	$ (20)	(100.0)%	— %	**— %**

We recorded additional debt modification costs of $20,000 during the second quarter of 2022 associated with the refinance of $112.8 million of the 2024 Notes for $114.7 million of the 2028 Notes.

Depreciation Expense

	Three Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Depreciation Expense	$2,858	**$2,874**	$ 16	0.6%	4.2%	**4.4%**

Depreciation expense increase reflects acquisitions of property and equipment, including capital projects that were delayed due to the pandemic. This was slightly offset by the impact of the 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 June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Amortization Expense	$332	**$647**	$ 315	94.9%	0.5%	**1.0%**

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 June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill	$3,935	**$1,139**	$ (2,796)	(71.1)%	5.7%	**1.7%**

As a result of declining revenue growth projections forecasted by industry analysts, we performed an interim review of broadcast licenses for impairment at June 30, 2023. Based on our review and analysis, we determined that the carrying value of broadcast licenses in two of our market clusters were impaired as of the interim testing period ending June 30, 2023. We recorded an impairment charge of $1.1 million to the value of broadcast licenses in Portland and San Francisco. The impairment charge was driven by a decline in projected revenues for the broadcast industry impacting the remainder of 2023 and a reduction in the future industry growth rates based on current economic indicators.

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

Impairment of Goodwill

	Three Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Goodwill	$127	**$1,847**	$ 1,720	1,354.3%	0.2%	**2.8%**

As a result of changes in macroeconomic conditions and revenue reforecasts, we performed an interim review of goodwill for impairment at June 30, 2023. Based on our review and analysis, we recorded an impairment charge of $1.8 million to goodwill in Townhall.com® at June 30, 2023.

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

Net (Gain) Loss on the Disposition of Assets

	Three Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net (Gain) Loss on the Disposition of assets	$(6,893)	**$143**	$ 7,036	(102.1)%	(10.0)%	**0.2%**

The net loss on the disposition of assets of $0.1 million for the three-month period ending June 30, 2023, reflects a $3.3 million estimated pre-tax loss on the pending sale of radio station KSAC-FM in Sacramento, California and $0.1 million of net losses from various fixed asset disposals that was offset by a $3.3 million pre-tax gain on the sale of the economic interests in the leases at our Greenville, South Carolina to a related party.

The net gain on the disposition of assets of $6.9 million for the three-month period ending June 30, 2022 reflects a $6.5 million pre-tax gain on the sale of land used in our Denver, Colorado broadcast operations and a $0.5 million pre-tax gain on the sale of our radio stations in Louisville, Kentucky that was offset with $0.1 million of net losses from various fixed asset disposals.

Other Income (Expense)

	Three Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Interest Income	$ 149	**$ 13**	$ (136)	(91.3)%	0.2%	**— %**
Interest Expense	(3,389)	**(3,539)**	(150)	4.4%	(4.9)%	**(5.4)%**
Gain (loss) on Early Retirement of Long-Term Debt	35	**—**	(35)	(100.0)%	0.1%	**— %**
Earnings (loss) from equity method investment	3,913	**(19)**	(3,932)	(100.5)%	5.7	**— %**
Net Miscellaneous Income and (Expenses)	(1)	**(9)**	(8)	800.0%	— %	**— %**

Interest income represents earnings on excess cash, interest due under promissory notes and interest earned from our equity investment in OPA in the same period of the prior year.

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 ABL Facility during the three-months ended June 30, 2023.

The gain on the early retirement of long-term debt for the three months ended June 30, 2022, reflects $13.0 million of repurchases of the Notes at prices below face value resulting in a pre-tax gain of $35,000.

We recorded $3.9 million of earnings from our equity investment in OPA, an entity formed for the purpose of developing, producing, and distributing a documentary motion picture. The motion picture*, 2000 Mules*, was released in May 2022.

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

Benefit from Income Taxes

	Three Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Benefit from Income Taxes	$(1,082)	**$(561)**	$ 521	(48.2)%	(1.6)%	**(0.9)%**

Tax benefit decreased by $0.5 million to $0.6 million for the three months ended June 30, 2023, compared to $1.1 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 7.3% for the three months ended June 30, 2023, compared to (13.5)% 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 7.3% is 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, 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 June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Income (Loss)	$9,117	**$(7,094)**	$(16,211)	(177.8)%	13.3%	**(10.8)%**

We recognized a net loss of $7.1 million compared to net income of $9.1 million during the same period of the prior year due to the factors described above.

Six months ended June 30, 2023 compared to the six months ended June 30, 2022

The following factors affected our results of operations and cash flows for the six months ended June 30, 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 June 30, 2023 is reflected at cost in other assets.

As a result of declining revenue growth projections forecasted by industry analysts, we performed an interim review of broadcast licenses for impairment at June 30, 2023. Based on our review and analysis, we determined that the carrying value of broadcast licenses in two of our market clusters were impaired as of the interim testing period ending June 30, 2023. We recorded an impairment charge of $1.1 million to the value of broadcast licenses in Portland and San Francisco.

As a result of changes in macroeconomic conditions and revenue reforecasts, we performed an interim review of goodwill for impairment at June 30, 2023. Based on our review and analysis, we recorded an impairment charge of $1.8 million to goodwill in Townhall.com® at June 30, 2023.

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, Divestitures and Other Transactions

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

- On May 25, 2023, we closed on the sale to a related party the economic interests in the leases at our Greenville, South Carolina radio transmitter site for $3.5 million resulting in a pre-tax gain of $3.3 million.
- 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 June 27, 2022, we closed on the sale of 9.3 acres of land in the Denver area for $8.2 million resulting in a pre-tax gain of $6.5 million.
- On May 25, 2022, we closed on the sale of radio stations WFIA-AM, WFIA-FM and WGTK-AM in Louisville, Kentucky for $4.0 million with credits applied from amounts previously paid, including a portion of the monthly fees paid under TBA. We recorded a pre-tax gain of $0.5 million.
- On May 2, 2022, we closed on the acquisition of websites and related assets of Retirement Media for $0.2 million in cash. The accompanying Condensed Consolidated Statement of Operations reflects the operating results of this entity as of the closing date within our digital media segment.
- On February 15, 2022, we closed on the acquisition of radio station WLCC-AM and an FM translator in the Tampa, Florida market for $0.6 million of cash.
- On January 10, 2022, we closed on the sale of 4.5 acres of land in Phoenix, Arizona for $2.0 million in cash. We recorded a pre-tax gain of $1.8 million on the sale.

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 10 – Long-Term Debt of our Condensed Consolidated Financial Statements included in Part 1 of this quarterly report on Form 10-Q.

Net Broadcast Revenue

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Broadcast Revenue	$100,884	**$98,020**	$(2,864)	(2.8)%	76.8%	**75.8%**
Same Station Net Broadcast Revenue	$100,769	**$97,498**	$(3,271)	(3.2)%		

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

	Six Months Ended June 30,			
	2022		**2023**	
	(Dollars in thousands)			
Block Programming:				
National	$ 26,399	26.2%	**$26,979**	**27.5%**
Local	12,049	11.9%	**11,917**	**12.2%**
	38,448	38.1%	**38,896**	**39.7%**
Broadcast Advertising:				
National	7,700	7.6%	**5,750**	**5.9%**
Local	21,552	21.4%	**19,554**	**19.9%**
	29,252	29.0%	**25,304**	**25.8%**
Broadcast Digital (local)	18,087	17.9%	**19,126**	**19.5%**
Infomercials	373	0.4%	**337**	**0.3%**
Network	10,240	10.2%	**10,208**	**10.4%**
Other Revenue	4,484	4.8%	**4,149**	**4.2%**
Net Broadcast Revenue	$100,884	100.0%	**$98,020**	**100.0%**

Block programming revenue increased 1.2% to $38.9 million from $38.4 million, due to increases in rates during our 2023 annual renewals and higher demand from the expansion of existing programs and the launch of new programs. National programming from our Christian Teaching and Talk format radio stations increased $0.5 million while our News Talk format stations increased $0.1 million. Local programming decreased $0.2 million from our News Talk format radio stations and $0.1 million from our Christian Teaching and Talk format radio stations that was offset by an increase of $0.2 million from our remaining radio station formats.

Advertising revenue, net of agency commissions, or net advertising revenue, decreased 13.5%, or $3.9 million, to $25.3 million from $29.2 million, driven by a 25.3% decrease in national spots and a 9.3% decrease in local spots. The decrease reflects the impact of political revenue, which generated $0.3 million of revenue ($0.3 million local) in 2023 compared to $1.5 million ($0.9 million national and $0.6 million local) in 2022, or a decrease of $1.2 million. Excluding the impact of political revenue, net advertising revenue declined 9.6% to $25.0 million from $27.7 million. Revenue from our Contemporary Christian Music format radio stations was $11.1 million compared to $12.3 million in the prior year, a decrease of $1.2 million. Revenue from our News Talk format stations was $7.9 million compared to $8.9 million in the prior year, a decrease of $1.0 million. Revenue from our Christian Teaching and Talk format radio stations was $3.5 million compared to $4.1 million in the prior year, a decrease of $0.6 million that was offset by an increase of $0.1 million from our remaining radio station formats. We experienced a higher demand for advertising during the first half of 2022 as pandemic restrictions eased followed by a decrease in demand during the third quarter as advertising revenue is adversely impacted by advertisers that limit advertising spending as concerns grow over inflation and the state of the economy.

Broadcast digital revenue, net of agency commissions, or net digital revenue generated from our broadcast markets and networks, increased 5.7%, or $1.0 million. The increase includes a $1.1 million increase from a higher demand for digital marketing services through Salem Surround, a $1.0 million increase from Salem Podcast Network and a $0.3 million increase from Salem News Channel that was offset by a $0.7 million decrease in SalemNOW that received distribution fees from the documentary motion picture that we invested in the prior year, a $0.6 million decrease in streaming revenue and digital advertising revenue from our station websites and a $0.1 million decrease from our network. There were no significant changes in digital rates as compared to the prior year.

We experienced a small decline in infomercial revenue of $36,000 due to a lower number of infomercials aired during the period with no significant changes in rates as compared to the prior year. The placement of infomercials can vary significantly from one period to another due to the number of time slots available and the degree to which the infomercial content is considered to be of interest to our audience.

Network revenue, net of amounts reported as digital, decreased 0.3%, or $32,000, including a $0.2 million decrease in political advertising that was offset by a $0.1 million increase from our nationally syndicated host programs.

Other revenue decreased 7.5%, or $0.3 million, primarily related to a $0.2 million decrease in rental income.

On a Same Station basis, net broadcast revenue decreased $3.3 million, which reflects these items net of the impact of stations acquisitions and dispositions.

Net Digital Media Revenue

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Digital Media	$21,104	**$21,370**	$ 266	1.3%	16.1%	**16.5%**

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

	Six Months Ended June 30,			
	2022		**2023**	
	(Dollars in thousands)			
Digital Advertising, net	$ 9,088	43.1%	**$ 7,967**	**37.3%**
Digital Streaming	1,798	8.5	**1,693**	**7.9**
Digital Subscriptions	6,343	30.1	**7,873**	**36.8**
Digital Downloads	3,645	17.3	**3,570**	**16.7**
Other Revenues	230	1.0	**267**	**1.3**
Net Digital Media Revenue	$21,104	100.0%	**$21,370**	**100.0%**

Digital advertising revenue net of agency commissions, or national net digital revenue, decreased 12.3%, or $1.1 million, including a $1.1 million decrease from Townhall Media and a $40,000 decrease from Salem Web Network that was offset by a $0.1 increase from Eagle Financial Publications. Declines from Townhall Media were driven by changes in Facebook algorithms that limit political content, the growing use of browsers that block third-party cookies limiting advertising, and the overall state of the economy that has weakened demand resulting in lower advertising rates.

Digital streaming revenue decreased 5.8%, or $0.1 million, based on decreased demand for content available from our Christian websites. There were no significant changes in sales volume or rates.

Digital subscription revenue increased 24.1%, or $1.5 million, including a $1.6 million increase from Eagle Financial Publications, from new subscriptions generated from the newly acquired George Gilder Report and DayTradeSPY and a $0.2 million increase from Townhall VIP, that were offset by a $0.3 million decrease from Salem Web Network.

Digital download revenue decreased 2.1%, or $0.1 million, due to a lower volume of downloads from our church product websites with no significant changes in rates as compared to the same period of the prior year.

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

Net Publishing Revenue

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Publishing Revenue	$9,303	**$9,873**	$ 570	6.1%	7.1%	**7.6%**

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

	Six Months Ended June 30,			
	2022		**2023**	
	(Dollars in thousands)			
Book Sales	$ 6,204	66.7%	**$5,541**	**56.1%**
Estimated Sales Returns & Allowances	(1,444)	(15.5)	**(10)**	**(0.1)**
Net Book Sales	4,760	51.2	**5,531**	**56.0**
E-Book Sales	625	6.7	**496**	**5.0**
Self-Publishing Fees	3,379	36.3	**3,436**	**34.8**
Other Revenue	539	5.8	**410**	**4.2**
Net Publishing Revenue	$ 9,303	100.0%	**$9,873**	**100.0%**

Net book sales increased 16.2%, or $0.8 million, which includes a $0.6 million increase from Regnery Publishing, as book sales reflect a 2% increase in the average price per unit sold offset by a 15% decrease in volume and a $0.2 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 improvement of $1.4 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 20.6%, or $0.1 million, due to a 38% decrease in sales volume offset by a 27% 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 1.7%, 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 decreased 23.9%, or $0.1 million, due to lower demand resulting in lower sales volume. There were no changes in volume or rates.

Broadcast Operating Expenses

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Broadcast Operating Expenses	$79,659	**$86,327**	$ 6,668	8.4%	60.7%	**66.8%**
Same Station Broadcast Operating Expenses	$79,565	**$84,698**	$ 5,133	6.5%		

Broadcast operating expenses increased 8.4%, or $6.7 million, including an $4.1 million increase from broadcast entities, a $1.1 million increase from the launch of Salem News Channel in 2022, a $0.9 million increase from Salem Surround, and a $0.5 million increase from Salem Podcast Network. The increase in expenses from Salem Surround, Salem News Channel and Salem Podcast Network is consistent with the growth and investment in these entities to expand digital product offerings and revenue sources in our broadcast division. The increase of $4.1 million from our broadcast entities includes a $2.8 million increase in employee-related expenses, including $0.2 million in severance expense and $0.2 million in employee benefits, a $0.8 million increase in bad debt expense, and a $0.5 million in lease expense.

On a same-station basis, broadcast operating expenses increased 6.5%, or $5.1 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.

Legal Settlement

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Legal Settlement	$951	**$—**	$ (951)	**(100.0)%**	0.7%	**— %**

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

Digital Media Operating Expenses

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Digital Media Operating Expenses	$16,746	**$18,020**	$ 1,274	7.6%	12.8%	**13.9%**

Digital media operating expenses increased 7.6%, or $1.3 million, including a $0.6 million increase in employee related costs which includes $0.1 million of severance expense, a $0.4 million increase in advertising and promotional expenses due to increased e-mail marketing efforts to increase subscriptions, a $0.2 million increase in professional services expenses, a $0.1 million increase in royalties and a $0.1 million increase in software and streaming costs, that was offset by a $0.2 million decrease in sales-based commissions and bonuses.

Publishing Operating Expenses

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Publishing Operating Expenses	$9,899	**$11,402**	$ 1,503	15.2%	7.5%	**8.8%**

Publishing operating expenses increased 15.2%, or $1.5 million, including a $0.4 million increase in the cost of sales, a $0.4 million increase in employee-related expenses, a $0.3 million increase in professional services, a $0.2 million increase in royalty expenses, and a $0.1 million increase in advertising expenses. The increase in cost of sales includes a $0.2 million increase from Regnery® Publishing and a $0.2 million increase in Salem Author Services. The gross profit margin for Regnery® Publishing declined to 19% from 41% as sales volume decreased and increased inventory obsolescence reserve. 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 declined to 76% from 79% due to higher print costs.

Unallocated Corporate Expenses

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Unallocated Corporate Expenses	$9,591	**$9,651**	$ 60	0.6%	7.3%	**7.5%**

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 0.6%, or $0.1 million, includes a $0.2 million increase in professional services expenses primarily associated with legal fees and public reporting costs and a $0.2 million increase in acquisition-related expenses that was offset by a $0.1 million decrease in travel and entertainment and a $0.1 million decrease in franchise tax.

Debt Modification Costs

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Debt Modification Costs	$248	**$—**	$ (248)	(100.0)%	0.2%	**— %**

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

Depreciation Expense

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Depreciation Expense	$5,800	**$5,724**	$ (76)	(1.3)%	4.4%	**4.4%**

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

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Amortization Expense	$666	**$1,190**	$ 524	78.7%	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.

Change in the Estimated Fair Value of Contingent Earn-Out Consideration

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Change in the Estimated Fair Value of Contingent Earn-Out Consideration	$ (5)	**$ (2)**	$ 3	(60.0)%	— %	**— %**

Acquisitions may include contingent earn-out consideration as part of the purchase price under which we will make future payments to the seller upon the achievement of certain benchmarks. We review the probabilities of possible future payments to estimate the fair value of any contingent earn-out consideration on a quarterly basis over the earn-out period. Actual results are compared to the estimates and probabilities of achievement used in our forecasts. Should actual results of the acquired business increase or decrease as compared to our estimates and assumptions, the estimated fair value of the contingent earn-out consideration liability will increase or decrease, up to the contracted limit, as applicable.

Changes in the estimated fair value of the contingent earn-out consideration are reflected in our results of operations in the period in which they are identified. Changes in the estimated fair value of the contingent earn-out consideration may materially impact and cause volatility in our operating results.

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

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill	$3,935	**$3,263**	$ (672)	(17.1)%	3.0%	**2.5%**

As a result of declining revenue growth projections forecasted by industry analysts, we performed an interim review of broadcast licenses for impairment at June 30, 2023. Based on our review and analysis, we determined that the carrying value of broadcast licenses in two of our market clusters were impaired as of the interim testing period ending June 30, 2023. We recorded an impairment charge of $1.1 million to the value of broadcast licenses in Portland and San Francisco. The impairment charge was driven by a decline in projected revenues for the broadcast industry impacting the remainder of 2023 and a reduction in the future industry growth rates based on current economic indicators.

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.

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

Impairment of Goodwill

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Goodwill	$127	**$1,847**	$ 1,720	1,354.3%	0.1%	**1.4%**

As a result of changes in macroeconomic conditions and revenue reforecasts, we performed an interim review of goodwill for impairment at June 30, 2023. Based on our review and analysis, we recorded an impairment charge of $1.8 million to goodwill in Townhall.com® at June 30, 2023.

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

Net (Gain) Loss on the Disposition of Assets

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net (Gain) Loss on the Disposition of assets	$(8,628)	**$122**	$ 8,750	(101.4)%	(6.6)%	**0.1%**

The net loss on the disposition of assets of $0.1 million for thesix-month period ending June 30, 2023, reflects a $3.3 million estimatedpre-tax loss on the pending sale of radio station KSAC-FM in Sacramento, California and $0.1 million of net losses from various fixed asset disposals that was offset by a $3.3 million pre-tax gain on the sale of the economic interests in the leases at our Greenville, South Carolina to a related party.

The net gain on the disposition of assets of $8.6 million for thesix-month period ending June 30, 2022 reflects a $6.5 millionpre-tax gain on the sale of land used in our Denver, Colorado broadcast operations, a $1.8 million pre-gain on the sale of land used in our Phoenix, Arizona broadcast operations, and a $0.5 million pre-tax gain on the sale of our radio stations in Louisville, Kentucky that was offset by $0.2 million of net losses from various fixed asset disposals.

Other Income (Expense)

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Interest Income	$ 149	**$ 26**	$ (123)	(82.6)%	0.1%	**— %**
Interest Expense	(6,783)	**(6,970)**	(187)	2.8%	(5.2)%	**(5.4)%**
Gain (Loss) on Early Retirement of Long-Term Debt	(18)	**(60)**	(42)	233.3%	— %	**— %**
Earnings (loss) from equity method investment	3,913	**(11)**	(3,924)	(100.3)%	3.0%	**— %**
Net Miscellaneous Income and (Expenses)	—	**211**	211	— %	— %	**0.2%**

Interest income represents earnings on excess cash, interest due under promissory notes, and interest earned from our equity investment in OPA in the same period of the prior year.

Interest expense includes interest due on outstanding debt balances, andnon-cash accretion associated with deferred installments and contingentearn-out consideration from certain acquisitions. The increase reflects the higher outstanding balance of the ABL Facility and finance lease obligations outstanding during the six-months ended June 30, 2023.

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

We recorded $3.9 million of earnings from our equity investment in OPA, an entity formed for the purpose of developing, producing, and distributing a documentary motion picture. The motion picture*, 2000 Mules*, was released in May 2022.

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

Benefit from Income Taxes

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Benefit from Income Taxes	$(1,293)	**$(2,837)**	$(1,554)	119.4%	(1.0)%	**(2.2)%**

Tax benefit increased by $1.5 million to $2.8 million for the six months ended June 30, 2023, from $1.3 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 18.8% for the six months ended June 30, 2023, compared to (13.5)% 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 18.8% is 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, 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.

At December 31, 2022, we had net operating loss carryforwards for federal income tax purposes of approximately $93.5 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. During the six-month period ending June 30, 2023, we utilized/(generated) net operating losses of approximately $0.4 million and ($9.9) million for federal and states respectively, resulting in ending federal net operating loss carryforward of $93.1 million and state net operating loss carryforward of $643.9 million.

Net Income (Loss)

	Six Months Ended June 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Income (Loss)	$10,856	**$(12,248)**	$(23,104)	(212.8)%	8.3%	**(9.5)%**

We recognized a net loss of $12.2 million for the six months ended June 30, 2023 compared to net income of $10.9 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 six-month period ended June 30, 2023 increased by $11.3 million to $3.5 million net cash used in operating activities compared to $7.8 million of net cash provided by operating activities during the same period of the prior year. The increase in cash used in operating activities includes the impact of the following items:

- Total net revenue decreased by $2.0 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 $9.5 million;
- Trade accounts receivables, net of allowances, decreased by $1.2 million compared to an increase of $3.6 million for the same period of the prior year;
- Unbilled revenue decreased $0.5 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 June 30, 2023 from 52 days in the same period of the prior year;
- Net accounts payable and accrued expenses decreased $3.5 million to $30.8 million from $34.3 million as of the prior year; and
- Net inventories on hand decreased $0.2 million to $1.3 million at June 30, 2023 compared to a $0.6 million increase to $1.5 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 andweb-based offerings, improve our facilities, and upgrade our computer infrastructures. The nature and timing of these upgrades and expenditures can be delayed or scaled back at the discretion of management. Based on our current plans, we expect to incur capital expenditures of approximately $5.5 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 during the six-month period ended June 30, 2023 increased $17.0 million to $8.7 million net cash used in investing activities compared to $8.3 million of net cash provided by investing activities 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 $0.9 million to $5.3 million from $6.2 million;
- Cash paid for acquisitions was $5.6 million for the six months ended June 30, 2023 compared to $0.7 million during the same period of the prior year;
- Cash paid for investments decreased $2.0 million to $1.5 million from $3.5 million;
- Cash received from return of investments was $4.5 million in the prior year; and
- Cash received from the sale of assets decreased to $3.5 million from $14.2 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 six-month period ended June 30, 2023, the principal balances outstanding under the Notes and ABL Facility ranged from $159.9 million to $212.3 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 during the six-month period ended June 30, 2023 increased $27.5 million to $12.1 million net cash provided by financing activities compared to $15.4 million of net cash used in financing activities during the same period of the prior year. The increase in cash provided by financing activities includes:

- A $3.1 million increase in the book overdraft;
- $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 $13.7 million during the six months ended June 30, 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	**June 30, 2023**
	(Dollars in thousands)	
2028 Notes	$ 114,731	**$ 159,416**
Less unamortized discount and debt issuance costs	(3,253)	**(7,119)**
2028 Notes, net carrying value	111,478	**152,297**
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	**22,615**
Long-term debt less unamortized discount and debt issuance costs	$ 159,325	**$ 174,912**
Less current portion	8,958	**22,615**
Long-term debt less unamortized discount and debt issuance costs, net of current portion	$ 150,367	**$ 152,297**

(1) As of June 30, 2023, the Asset-Based Revolving Credit Facility ("ABL"), had a borrowing base of $25.1 million, $22.6 million in outstanding borrowings, and $0.3 million of outstanding letters of credit, resulting in a $2.2 million borrowing base availability.

Our weighted average interest rate was 6.85% and 7.12% at December 31, 2022, and June 30, 2023, respectively.

In addition to the outstanding amounts listed above, we also have interest obligations related to our long-term debt as follows as of June 30, 2023:

- $159.4 million aggregate principal amount of 2028 Notes with semi-annual interest payments at an annual rate of 7.125%;
- $22.6 million 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 June 30, 2023, we are required to pay $11.4 million per year in interest. As of June 30, 2023, accrued and unpaid interest on the 2028 Notes was $1.0 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 June 30, 2023, we were, and we remain, in compliance with all of the covenants under the indenture.

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We recorded debt issuance costs of $9.2 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 and six months ended June 30, 2023, $0.4 million and $0.8 million, respectively, of debt issuance costs and delayed draw fees associated with the Notes were amortized to interest expense. During the three and six months ended June 30, 2022, $0.2 million and $0.4 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 and six months ended June 30, 2023, $0 and $20,000, respectively, of debt issuance costs associated with the Notes was amortized to interest expense. During the three and six months ended June 30, 2022, $45,000 and $0.1 million, 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 being 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 June 30, 2023, the amount available under the ABL Facility was $25.1 million of which $22.6 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.

Because the availability was less than $4.5 million during the quarter, we were required to test against the fixed charge coverage ratio covenant. The fixed charge coverage ratio was below the required 1.0 to 1.0 level during the quarter and therefore, we were not in compliance with that covenant. On August 7, 2023 we signed a forbearance whereby the bank agreed not to exercise remedies on the default during the month of August. Additionally, the notional amount of the revolver was reduced from $30.0 million to $25.0 million with a minimum availability of $1.0 million. Finally, the interest rate on the ABL Facility was increased by two percentage points effective July 1, 2023 through the date of the forbearance amendment.

We recorded debt issue costs of $1.0 million as an asset being amortized tonon-cash interest expense over the term of the ABL Facility using the effective interest method. During the three and six months ended June 30, 2023, $23,000 and $0.1 million, respectively, of debt issuance costs associated with the ABL Facility was amortized to interest expense. During the three and six months ended June 30, 2022, $28,000 and $0.1 million, respectively, of debt issuance costs associated with the ABL Facility was amortized to interest expense. At June 30, 2023, the blended interest rate on amounts outstanding under the ABL Facility was 7.74%.

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 June 30, 2023 for each of the next five years and thereafter are as follows:

For the Year Ended June 30,	Amount (Dollars in thousands)
2024	$ 22,615
2025	—
2026	—
2027	—
2028	159,416
Thereafter	—
	$ 182,031

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

Standby Letter of Credit

As of June 30, 2023, we have an outstanding standby letter of credit of $0.3 million. The standby letter of credit is deducted against our unused revolving loan commitment under our ABL and reduces the amount available for withdrawal.

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 June 30, 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.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
31.1	Certification of David P. Santrella Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act.	—	—	—	—	X
31.2	Certification of Evan D. Masyr Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act.	—	—	—	—	X
32.1	Certification of David P. Santrella Pursuant to 18 U.S.C. Section 1350.	—	—	—	—	X
32.2	Certification of Evan D. Masyr Pursuant to 18 U.S.C. Section 1350.	—	—	—	—	X
101	The following financial information from the Quarterly Report on Form 10Q for the three and six months ended June 30, 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.

August 8, 2023

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

August 8, 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: August 8, 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: August 8, 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 June 30, 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: August 8, 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 June 30, 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: August 8, 2023

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